



2025 Q4

PHOENIX
OFFICE
NEWSLETTER



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QUARTERLY OFFICE STATS

The Phoenix office market has reached an inflection point. A pickup in demand formation in 2025 caused the vacancy rate to compress year-over-year for the first time since the onset of the pandemic.

Nevertheless, a long road to recovery is likely in store. There is considerable economic uncertainty in the nearterm forecast and about 5.5 million SF of post-COVID occupancy loss that still needs to be worked through.

The Greater Phoenix area recorded 1.1 million SF of positive net absorption in last year, driven by owner/user acquisitions of heavily vacant buildings, steady leasing volume, growing in-person office attendance, and increased renewal activity. As a result, vacancy has improved from 16.7% a year ago to 16.4% today, making Phoenix one of just a handful of major U.S. markets with an annual decline in vacancy.

Supporting the sector's recent stabilization is a near-total lack of supply-side pressure. About 2.1 million SF of gross new office space was delivered over the past three years combined, trailing the average annual completion total from 2015 to 2019 by more than 20%. Equity and debt partners have shown little willingness to move forward on new speculative office projects, leaving the current development pipeline at a fraction of pre-COVID norms and the threat of new supply firmly at bay.

With supply growth muted, the inventory of high-end expansion options is now concentrated in a limited pool of existing trophy buildings in the most desirable submarkets. Tenant demand and rent growth have been strong in this small slice of the market, while non-premium space and commodity suburban buildings, which compose the bulk of the Valley's office stock, have struggled to gather momentum.



VACANCY

16.3%

4Q24: 16.8%



MARKET RENT

\$30.38/SF

4Q24: \$30.32/SF



NET ABSORPTION

788,821 SF

4Q24: -981,861SF



PRICE PSF

\$203/SF

4Q24: \$205/SF

MARKET CAP RATES

8.89%

METRO PHOENIX

9.15%

NATIONAL

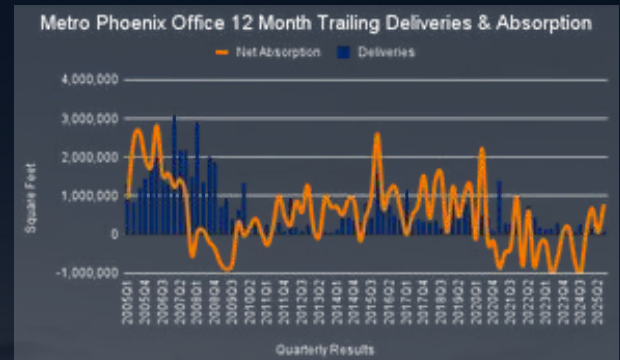
As a result, while lease rates at Phoenix's top buildings continue to set new records, the market notched overall asking rent growth of just 2.6% over the past 12 months, lagging the rate of inflation. Additionally, after factoring in the generous TI packages landlords often offer to attract users, the effective rate of rent growth is likely in negative territory.

Against this backdrop, some owners have invested in renovations and spec suites to make their buildings more desirable. Those in high-demand submarkets have found some success luring tenants from other areas, pointing to an uneven recovery throughout the Valley.

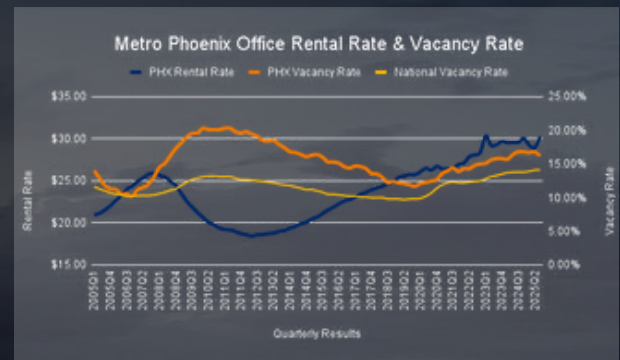
The diverging performance between premium and non-premium buildings defines the current landscape, and what becomes of the latter will likely guide the path of recovery. Some of Phoenix's older obsolete offices have already been demolished or repurposed for new uses like infill industrial, a trend gaining steam in suburban areas. Moving forward, as the pool of premium options continues to dwindle, tenants may begin filling space in next-tier buildings and submarkets, though how quickly will define the recovery trajectory.

Sources: CoStar; U.S. Department of the Treasury; AZ Commerce Authority; ARMLS; U.S. Census Bureau; U.S. Bureau of Labor Statistics.

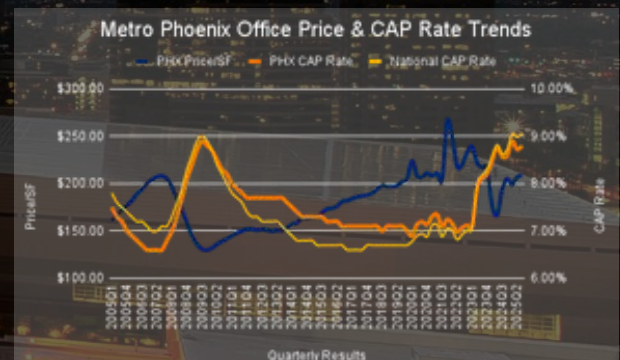
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL & VACANCY RATES



PRICES & CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 4.40% Unemployment Rate (USA)
- 4.30% Unemployment Rate (Metro PHX)
- 2.695 MM Employed Residents (Metro PHX)

+0.10%
+0.60%

Metro PHX Housing Trends (YOY)

- \$459,000 Median Home Price
- 6,226 Closed Transactions
- 63 Days on Market
- 3.48 Months of Supply

+0.019%
+0.005%
-22 Days
+0.09 Months

10-Year Treasury

- 4.18% as of 12/31/2025
- -0.09% YOY | +0.04% MOM

SUBMARKET ANALYTICS

	Inventory SF	Under Construction SF	Total Vacancy Rate	12 Mo. Absorption	Market Rent/SF	Market Sale Price/SF	Market CAP Rate	12 Mo. Sales Volume
44th Street Corridor	4.1M	0	17.40%	-41.4K	\$29.74	\$195	8.50%	\$29.7M
Airport Area	5.5M	0	24.30%	-415K	\$27.13	\$181	9.10%	\$66.1M
Arrowhead	4.9M	51K	9.20%	88.9K	\$30.94	\$208	9.40%	\$41.8M
Camelback Corridor	9.4M	40K	19.10%	68.9K	\$38.64	\$246	8.20%	\$140M
Central Scottsdale	9.4M	32.2K	15.40%	-118K	\$31.82	\$215	8.80%	\$150M
Chandler	13.1M	0	15.80%	586K	\$30.79	\$217	9.00%	\$36.4M
Deer Valley/Airport	11.9M	0	17.90%	29.6K	\$29.54	\$191	9.20%	\$91.1M
Downtown	10.9M	0	27.10%	-567K	\$31.32	\$197	9.00%	\$120M
Gateway Airport/Loop 202	3.1M	209K	5.80%	-498	\$36.92	\$237	9.40%	\$101M
Glendale	3.8M	93.5K	10.60%	93.9K	\$31.21	\$192	9.10%	\$11.2M
Loop 303/ Surprise	2.7M	0	5.70%	25.7K	\$31.21	\$206	9.50%	\$37.6M
Mesa Downtown	1.6M	0	7.50%	-19.5K	\$22.43	\$145	9.20%	\$17.5M
Mesa East	4.9M	0	10.70%	84.8K	\$26.50	\$188	9.30%	\$40.3M
Midtown	13.1M	0	23.80%	-17.8K	\$26.10	\$166	9.20%	\$71.4M
Midtown/Central Phoenix	6M	0	9.10%	-45.1K	\$25.77	\$172	8.90%	\$63.4M
N Phoenix/Cave Creek	170K	0	5.60%	-4.8K	\$26.19	\$197	8.90%	\$0
N Scottsdale/Carefree	1.9M	0	9.40%	14.5K	\$28.26	\$176	9.00%	\$12.6M
North I-17	902K	0	8.30%	5.4K	\$29.68	\$212	9.10%	\$445K
Northwest Outlying	171K	0	7.90%	-12.9K	\$26.41	\$158	9.30%	\$0
Northwest Phoenix	11M	0	19.00%	-128K	\$23.84	\$144	9.70%	\$56.9M
Paradise Valley	5.5M	410K	14.90%	-28.6K	\$30.41	\$208	8.90%	\$106M
Piestewa Peak Corridor	3.5M	0	14.40%	22.1K	\$26.15	\$168	9.40%	\$9.7M
Pinal County	1.8M	75.5K	4.00%	-5.3K	\$25.89	\$151	10.00%	\$7.7M
Scottsdale Airpark	14.3M	120K	15.40%	-46.8K	\$33.07	\$238	8.70%	\$214M
Scottsdale South	8.1M	0	16.90%	282K	\$34.68	\$252	8.50%	\$129M
South Tempe/Ahwatukee	7.2M	0	17.40%	386K	\$27.97	\$192	9.10%	\$176M
Southwest Outlying	309K	0	0%	1.7K	\$25.23	\$155	9.30%	\$3.8M
Southwest Phoenix	4.5M	0	5.60%	-108K	\$28.64	\$176	9.20%	\$4.7M
Superstition Corridor	6.4M	0	13.70%	-125K	\$27.00	\$187	9.40%	\$47.2M
Tempe	21.2M	0	18.50%	667K	\$34.28	\$235	8.70%	\$108M
West I-10	2.5M	0	8.20%	135K	\$32.94	\$243	8.70%	\$86.1M
Total/Averages	195,851,986	1,108,448	16.20%	-2,131,616	\$30.25	\$208.00	8.80%	\$301,657,139

NOTABLE SALES

AXIS RAINTREE



**8605 E RAINTREE DR
SCOTTSDALE, AZ 85260**

Sale Date: 10/24/25 Bldg Type: 4 Star Office
Sale Price: \$70.75M Built: 2022
Price/SF: \$394.46 RBA: ±179,360 SF
Cap Rate: N/A

NORTERRA WEST - PHASE I



**25700 N NORTERRA PKY
PHOENIX, AZ 85085**

Sale Date: 12/23/25 Bldg Type: 4 Star Office
Sale Price: \$45.77M Built: 2016
Price/SF: \$309.91 RBA: ±147,688 SF
Cap Rate: N/A

LONDEN CENTER



**2800 N CENTRAL AVE
PHOENIX, AZ 85004**

Sale Date: 10/07/25 Bldg Type: 4 Star Office
Sale Price: \$26.7M Built: | Reno: 1986
Price/SF: \$249.87 RBA: ±106,854 SF
Cap Rate: N/A

LINCOLN PLAZA MEDICAL CENTER



**7125 E LINCOLN DR
SCOTTSDALE, AZ 85253**

Sale Date: 10/01/25 Bldg Type: 3 Star Office
Sale Price: \$20M Built: 1976 | Reno: 2020
Price/SF: \$740.74 RBA: ±27,000 SF
Cap Rate: N/A

1300 MEDICAL



**1300 N 12TH ST
PHOENIX, AZ 85006**

Sale Date: 12/11/25 Bldg Type: 3 Star Office
Sale Price: \$18.27M Built: 1983 | Reno: 2018
Price/SF: \$117.05 RBA: ±156,089 SF
Cap Rate: N/A

2600 TOWER



**2600 N CENTRAL AVE
PHOENIX, AZ 85004**

Sale Date: 11/05/25 Bldg Type: 4 Star Office
Sale Price: \$15M Built: 1982 | Reno: 1994
Price/SF: \$47.22 RBA: ±317,687 SF
Cap Rate: N/A

DESERT VISTA CORPORATE CENTER



**19825 N 7TH ST
PHOENIX, AZ 85024**

Sale Date: 11/21/25 Bldg Type: 4 Star Office
Sale Price: \$14.5M Built: 2004
Price/SF: \$148.91 RBA: ±97,372 SF
Cap Rate: N/A

REDEVELOPMENT PROJECT



**2211 S 47TH ST
PHOENIX, AZ 85034**

Sale Date: 08/08/25 Bldg Type: 4 Star Office
Sale Price: \$13.52M Built: 1997
Price/SF: \$76.61 RBA: ±176,402 SF
Cap Rate: N/A

PARADISO MEDICAL PLAZA



**1000 N SCOTTSDALE RD
SCOTTSDALE, AZ 85284**

Sale Date: 12/09/25 Bldg Type: 3 Star Office
Sale Price: \$13.3M Built: 1984
Price/SF: \$223.74 RBA: ±59,445 SF
Cap Rate: N/A

OFFICE CONDO REPORT

METRO PHOENIX



1

NW VALLEY

PRICE PSF

\$275

RENT PSF

\$29.22

2

SW VALLEY

PRICE PSF

\$364

RENT PSF

\$32.91

3

PHOENIX

PRICE PSF

\$341

RENT PSF

\$29.84

4

SCOTTSDALE/PV

PRICE PSF

\$366

RENT PSF

\$31.42

5

SE VALLEY

PRICE PSF

\$317

RENT PSF

\$33.48



PRICE PSF

\$330.82

YOY ▲ 12.14%



RENT PSF

\$30.38

▲ 1.20%



DEALS SOLD

76

▲ 68.89%

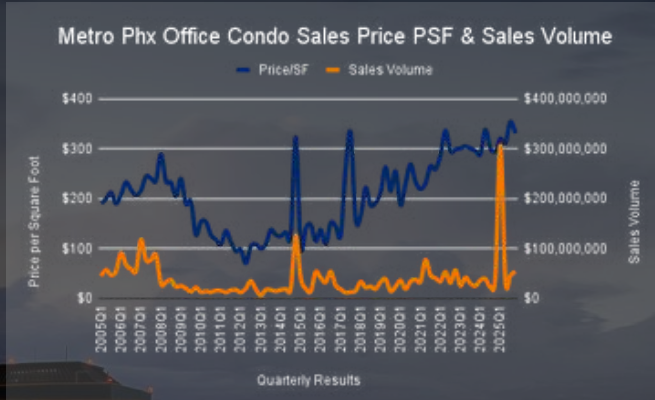


INVENTORY (MOS.)

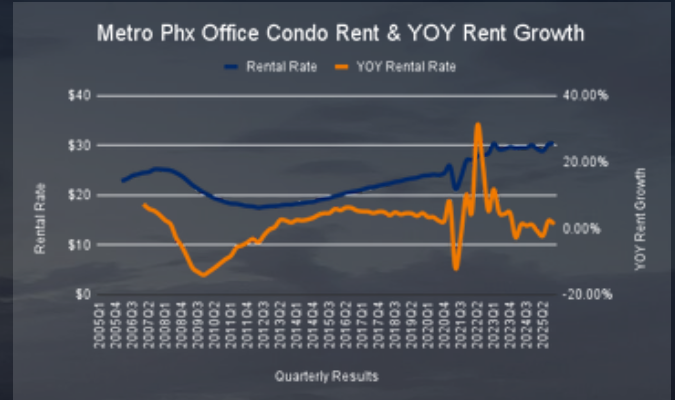
5.50

▼ -37.32%

SALES PRICE PSF & SALES VOLUME



RENT PSF & YOY RENT GROWTH



NOTABLE TRANSACTIONS

OFFICE OWNER USER

PIERPONT SAN TAN BUILDING 3



4135 S POWER RD
MESA, AZ 85212

Sale Date: 12/05/25 Bldg Type: 3 Star Office Condo
Sale Price: \$600K Built: 2005
Price/SF: \$304.72 RBA: ±18,629 SF
Cap Rate: N/A

MEDICAL OWNER USER

MINNEZONA OFFICE CONDOMINIUMS



4530 N 32ND ST, 1ST FLOOR - 102
PHOENIX, AZ 85018

Sale Date: 10/31/25 Bldg Type: 4 Star Office Condo
Sale Price: \$1.3M Built: 2004
Price/SF: \$502.12 RBA: ±9,962 SF
Cap Rate: N/A

SVN | DCA DEALS

AQUILA MCDOWELL MOUNTAIN SUITES



9927 E BELL RD, 1ST FLOOR - 120
SCOTTSDALE, AZ 85260

Sale Date: 12/29/25 Bldg Type: 3 Star Office Condo
Sale Price: \$600K Built: 2006
Price/SF: \$374.30 RBA: ±6,400 SF

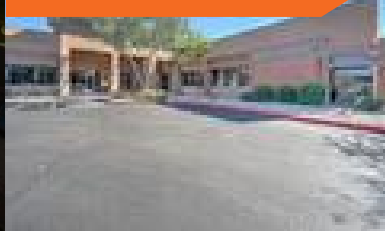
SIENA SPRINGS



7233 E BASELINE RD - BLDG 3A
MESA, AZ 85209

Sale Date: 12/23/25 Bldg Type: 3 Star Office Condo
Sale Price: \$500K Built: 2008
Price/SF: \$403.23 RBA: ±18,017 SF
Cap Rate: N/A

RAINTREE OFFICE PARK III



9332 E RAINTREE DR, 1ST FLOOR - 140
SCOTTSDALE, AZ 85260

Sale Date: 11/12/25 Bldg Type: 3 Star Office Condo
Sale Price: \$990K Built: 2004
Price/SF: \$359.48 RBA: ±14,797 SF
Cap Rate: N/A

PRIVATE OFFICE SPACE



1437 N 1ST ST
PHOENIX, AZ 85004

Sale Date: 12/18/25 Bldg Type: 2 Star Office Condo
Sale Price: \$1.78M Built: 1960
Price/SF: \$264.93 RBA: ±6,700



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