

MARKET TRENDS

PHOENIX OFFICE

MARKET DRIVERS

After four consecutive quarters of trailing leasing activity, total leasing activity increased slightly quarter-over-quarter (QOQ) in 2Q24. Year-over-year (YOY) the leasing activity fell by 17.5% to roughly 2.2M SF from the 2.6M SF in 2Q23. Total vacancies continue to rise and currently stand at 18.3%, a 40-basis point (bps) increase QOQ.

Despite the rising vacancies and limited demand for office space, rental rates throughout the region have remained steady QOQ and grew slightly by 2% year-over-year.

Sales volume nearly doubled YOY from 1.3M SF trading hands in 2Q23 to 2.5M SF in 2Q24. 2023 resulted in a 10-year record low of 5.4M SF of office properties trading due to ongoing economic uncertainty. Through the first half of 2024, approximately 3.8M SF of office properties sold, over 1M SF more than what was reported in the first half of 2023. While sales activity has picked up, the investment sales market remains depressed when compared to lower interest rate environments seen in 2021.

ECONOMIC REVIEW

According to the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in May decreased 40 bps YOY to 3.0%. This is compared to the state's seasonally adjusted unemployment rate of 3.4% and the national rate of 4.0%.

Total nonfarm employment throughout the Phoenix Metro continues to grow, resulting in a 2.3% increase in YOY Employment. The Phoenix Metro accounted for roughly 75% of the state's YOY nonfarm employment growth.

NEAR-TERM OUTLOOK

Vacancy and availability rates are anticipated to grow throughout 2024 due to the limited demand for office space. Demand for smaller office suites, under 5K SF, remains highly competitive as over half of 2Q24 lease transactions were between 1K and 5K SF.

The Phoenix Office Market, along with other major office markets across the nation, continues to navigate through a period of limited demand. Ongoing economic uncertainty coupled with companies continuing to reassess their office footprints will be challenges moving forward.

Market Summary

	2Q24	1Q24	2Q23	YOY Change
Total Vacancy Rate	18.3%	17.9%	17.1%	120 bps
Total Availability Rate	20.7%	20.6%	19.8%	90 bps
Direct Asking Lease Rate	\$30.48	\$30.48	\$29.88	2.0%
	2Q24	2024 YTD	2023 YTD	YOY Change
Leased SF	2,174,201	4,046,148	5,381,866	-24.8%
Sold SF	2,511,441	3,769,405	2,579,224	46.1%
Direct Net Absorption	-1,142,401	-1,706,326	-351,668	N/A

↓ **2.2M SF**
LEASING ACTIVITY

↓ **-1.1M SF**
NET ABSORPTION

↑ **18.3%**
VACANCY RATE

↑ **\$30.48**
ASKING RENT (AVG)

↓ **84K SF**
NEW DELIVERIES

Year-Over-Year Trend

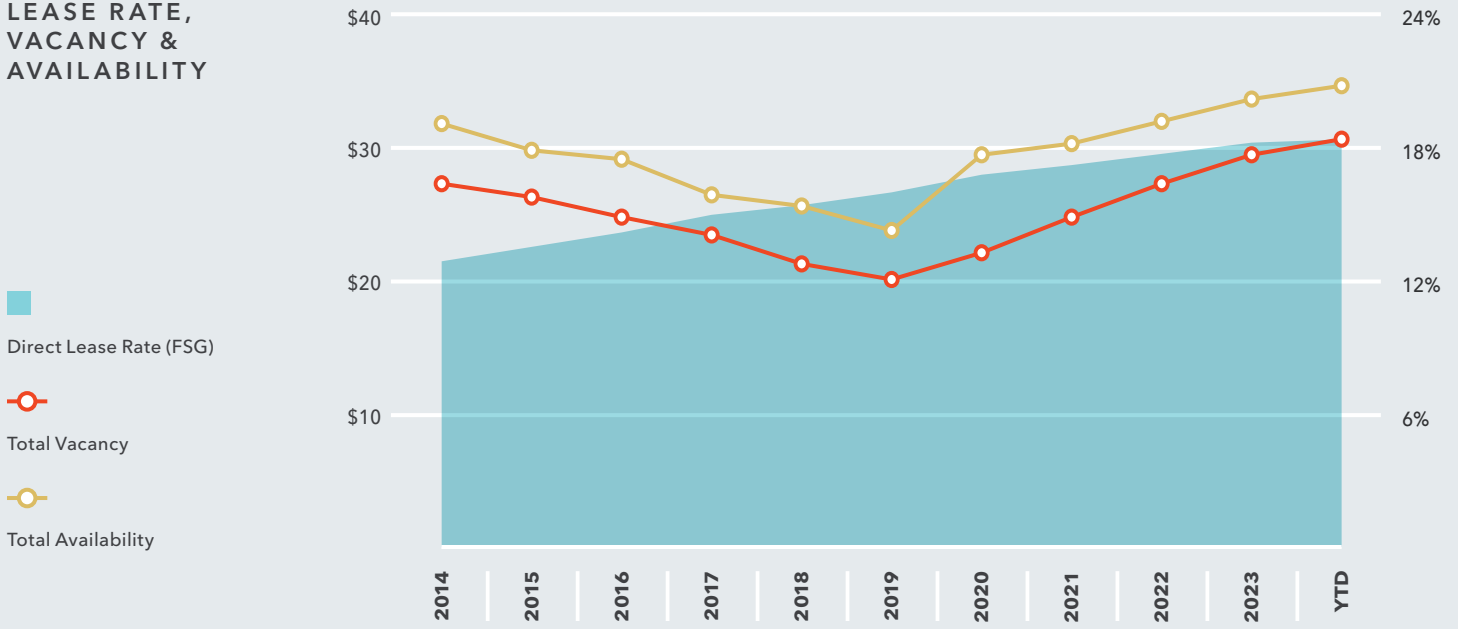
Market Highlights

AVAILABILITY RATES continue to grow, currently at 20.7%.

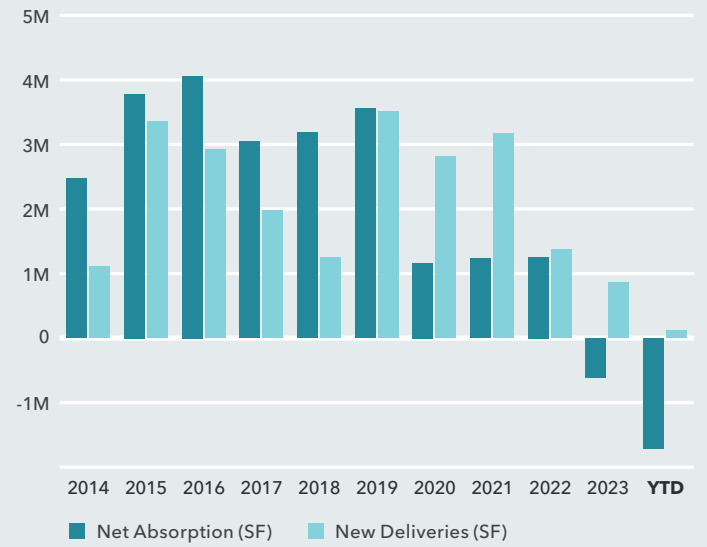
LEASING ACTIVITY fell 17.5% YOY to 2.2M SF.

SALES VOLUME nearly doubled YOY to 2.5M SF.

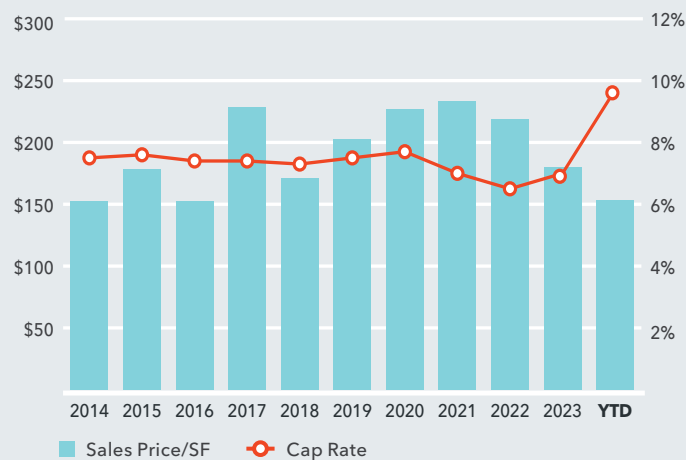
LEASE RATE, VACANCY & AVAILABILITY



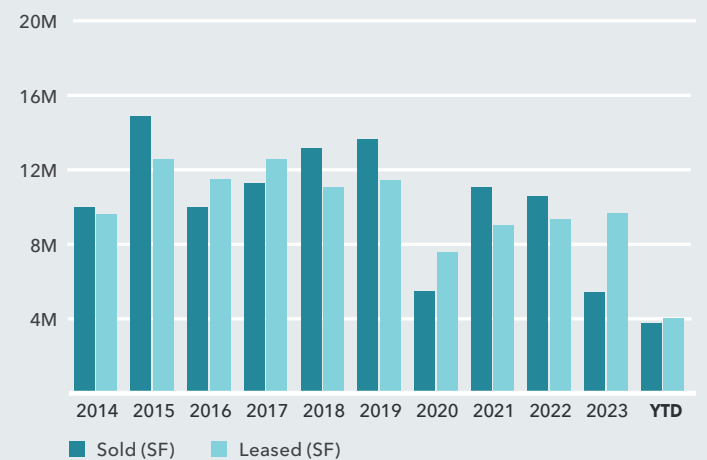
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Available Rate	Total Available Rate	2Q24 Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	2Q24 Leasing Activity	YTD Leasing Activity	Average Direct Rental Rate (FS)
Airport Area	5,399,860	24.2%	12.9%	25.9%	(40,046)	(163,282)	0	0	104,987	141,572	\$23.52
South Tempe/Ahwatukee	6,550,625	26.7%	7.5%	27.9%	(155,882)	(335,849)	0	0	49,261	159,320	\$28.08
Airport	11,950,485	25.5%	9.9%	27.0%	(195,928)	(499,131)	0	0	154,248	300,892	\$26.28
Downtown	10,510,342	23.3%	3.6%	18.0%	62,990	(47,395)	0	0	35,566	53,770	\$33.24
Midtown	12,566,350	21.6%	0.7%	26.1%	(215,934)	(190,450)	0	0	121,909	323,558	\$26.16
Central Corridor	23,076,692	22.4%	2.0%	22.4%	(152,944)	(237,845)	0	0	157,475	377,328	\$28.08
44th Street Corridor	3,957,139	15.5%	4.1%	21.6%	19,241	(651)	0	0	35,792	66,085	\$27.60
Camelback Corridor	9,098,650	19.8%	2.6%	22.5%	(6,640)	167,266	0	0	210,099	305,864	\$37.80
Midtown/Central Phoenix	4,938,844	8.8%	0.0%	9.3%	(80,631)	(108,516)	0	0	49,494	71,940	\$25.32
East Phoenix	17,994,633	15.8%	2.2%	18.7%	(68,030)	58,099	0	0	295,385	443,889	\$32.88
Chandler	11,258,608	19.8%	9.2%	25.6%	(188,535)	(297,214)	239,222	0	73,545	243,950	\$32.16
Gateway Airport/Loop 202	1,756,034	5.4%	0.2%	6.4%	33,838	25,758	36,800	39,000	25,042	62,452	\$35.28
Mesa Downtown	1,013,335	6.7%	0.1%	7.9%	486	125,592	0	0	1,386	5,498	\$22.68
Mesa East	3,416,929	14.7%	1.4%	14.7%	40,295	68,916	0	0	66,516	95,950	\$35.76
Superstition Corridor	5,396,939	12.7%	2.0%	16.8%	(50,175)	(64,217)	0	0	70,302	171,600	\$25.44
Tempe	20,231,625	24.0%	7.0%	25.9%	218,111	(61,408)	133,356	0	400,991	634,288	\$34.08
East Valley	43,073,470	19.6%	6.1%	22.6%	54,020	(202,573)	409,378	39,000	637,782	1,213,738	\$32.88
N Phoenix/Cave Creek	97,111	4.3%	0.0%	4.3%	(1,117)	(1,117)	0	0	0	0	\$27.00
Paradise Valley	4,543,412	14.6%	0.4%	14.8%	(1,281)	(30,972)	0	0	31,009	128,621	\$32.52
Piestewa Peak Corridor	2,916,031	15.0%	3.7%	17.4%	(18,410)	(42,173)	0	0	38,393	62,066	\$26.76
North Phoenix	7,556,554	14.6%	1.7%	15.7%	(20,808)	(74,262)	0	0	69,402	190,687	\$30.36
Arrowhead	3,426,609	10.5%	1.9%	10.8%	(52,696)	(6,135)	0	0	52,290	86,403	\$30.96
Deer Valley/Airport	12,234,666	17.7%	7.0%	22.7%	(413,969)	(418,713)	0	0	156,341	211,621	\$27.48
North I-17	738,769	10.4%	0.3%	10.7%	601	(50,353)	0	0	6,701	9,191	\$30.48
Northwest Phoenix	8,878,882	20.7%	1.7%	23.9%	(127,000)	(194,820)	0	0	38,929	102,106	\$23.28
Northwest Phoenix	25,278,926	17.6%	4.3%	21.2%	(593,064)	(670,021)	0	0	254,261	409,321	\$25.68
Pinal County	894,214	12.9%	0.0%	15.1%	(91,560)	(89,563)	14,400	0	1,295	3,072	\$18.60
Central Scottsdale	8,031,846	15.7%	3.2%	18.9%	47,869	11,198	100,000	0	120,940	277,113	\$32.40
N Scottsdale/Carefree	1,120,526	14.3%	0.8%	14.1%	830	15,315	0	0	3,961	16,163	\$23.76
Scottsdale Airpark	13,516,354	16.6%	4.6%	21.6%	(112,668)	(15,979)	382,184	0	210,948	439,184	\$33.12
Scottsdale South	6,626,819	20.4%	4.5%	24.1%	(104,747)	(125,459)	0	0	191,093	243,236	\$37.92
Scottsdale	29,295,545	17.1%	4.1%	21.1%	(168,716)	(114,925)	482,184	0	526,942	975,696	\$34.08
Glendale	3,003,922	15.1%	1.2%	10.9%	51,965	45,161	20,000	0	18,505	42,619	\$29.76
Loop 303/Surprise	2,020,877	8.4%	0.0%	9.2%	732	(4,675)	0	0	16,877	22,313	\$30.84
Southwest Phoenix	4,059,167	3.1%	0.0%	2.9%	0	0	0	0	9,402	9,402	\$27.00
West I-10	2,144,356	9.8%	0.7%	13.3%	41,932	83,409	146,000	84,124	32,627	57,191	\$34.80
West Phoenix	11,228,322	8.6%	0.5%	8.2%	94,629	123,895	166,000	84,124	77,411	131,525	\$31.08
Phoenix Totals	170,348,841	18.3%	4.5%	20.7%	(1,142,401)	(1,706,326)	1,071,962	123,124	2,174,201	4,046,148	\$30.48
Class A	62,655,272	27.0%	6.4%	29.4%	(229,870)	(657,975)	721,940	48,000	1,214,038	2,081,415	\$33.48
Class B	92,408,390	14.5%	3.2%	17.2%	(810,913)	(894,739)	350,022	75,124	897,928	1,841,789	\$27.12
Class C	15,125,719	5.6%	1.1%	6.0%	(101,618)	(153,612)	0	0	62,235	122,944	\$22.92

SIGNIFICANT SALE TRANSACTIONS 2Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
24th At Camelback	Camelback Corridor	308,827	\$86,100,000	\$278.80	Columbus Properties, Inc.	New York Life, Inv.
The Beam on Farmer	Tempe	180,910	\$56,200,000	\$310.65	Breakwater Property Ptrs./Cross Ocean Ptrs.	M. A. Mortenson Co.
4141 Scottsdale	Scottsdale South	162,227	\$26,050,000	\$160.58	George Oliver Companies/Ascentris, LLC	Palisades Capital Realty Advisors
3200 N Central Ave	Midtown	350,049	\$24,470,000	\$69.90	Younan Company, Inc.	DPC Development Co.
2750 S Priest Dr	Tempe	48,594	\$12,000,000	\$246.94	JDM Partners, LLC	IDM Companies

SIGNIFICANT LEASE TRANSACTIONS 2Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
1930 W Rio Salado Pky	Tempe	136,246	May 2024	Oaktree Capital Management, L.P.	Dutch Bros
Rio 2100	Tempe	91,506	April 2024	Strategic Office Partners	Newrez
6400 E McDowell Rd	Scottsdale South	89,716	April 2024	Bridge Commercial Real Estate	WillScot Mobile Mini Holdings Corp
2394 E Camelback Rd	Camelback Corridor	47,474	April 2024	ViaWest Group	Fennemore (Renewal)
500 E Rio Salado Pky	Tempe	42,467	April 2024	JDM Partners, LLC	LPL Financial

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
One Scottsdale -Phase One	Scottsdale Rd	Scottsdale Airpark	214,800	DMB Associates, Inc.	4Q24
Tempe Vale - Building 2	1295 W Rio Salado Pky	Tempe	133,356	Verde Investments, Inc.	3Q24
Gilbert Spectrum - Bldg 3	SWC Elliot Rd & McQueen Rd	Chandler	119,222	SunCap Property Group	3Q24
Pima Center	8435 N Pima Center Pky	Central Scottsdale	100,000	Boldt	1Q25
One Scottsdale Medical	20159 N Scottsdale	Scottsdale Airpark	98,000	Ryan Companies	3Q24

Data Source: CoStar, AZ Commerce, Arizona Labor of Statistics, AZ Big Media, Phoenix Business Journal



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COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	55M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	260+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	27 WITH MAI DESIGNATIONS

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