

## MARKET TRENDS

# PHOENIX OFFICE

### MARKET DRIVERS

The Phoenix office market experienced positive direct net absorption of 150K SF in 1Q25. The submarket with the highest net absorption was recorded in Tempe with 188K SF. Class A buildings continued their upward trend in positive direct net absorption, reaching 212K SF in 1Q25, up from 84K SF in 4Q24. In contrast, Class B buildings experienced a deeper decline, with direct net absorption falling from -69K SF in 4Q24 to -122K SF.

Total leasing activity held steady in 1Q25, totaling 1M SF. Average direct rates decreased slightly quarter-over-quarter (QOQ) from \$30.86 full service gross (FSG) to \$30.58 (FSG).

Class A buildings continue to dominate with average direct rental rates surpassing those of Class B and Class C properties by 30% and 65%, respectively. The overall average direct rental rate stands at \$30.58 (FSG), reflecting a slight QOQ decline from \$30.86 (FSG). Premium, amenity-rich Class A buildings are driving rental rate growth, averaging \$38.61 (FSG). Within the Phoenix Metro area, the highest rents are observed in the Camelback Corridor and Tempe submarkets.

Total vacancy currently stands at 24.4%, a 60 basis points (bps) decrease from 4Q24 and a 50 bps YOY increase. Sub 50K SF office buildings

show a vacancy rate of 11.7%, 320 bps higher than 4Q24. Total Availability QOQ decreased by 80 bps to 20.4%.

Sale volume in 1Q25 totaled 660K SF, 58% down QOQ and 37% down YOY.

### ECONOMIC OVERVIEW

According to the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in February increased by 60 bps YOY to 3.6%. The increase is due to a rise of jobseekers entering the labor force alongside a slowdown in hiring momentum.

### NEAR-TERM OUTLOOK

In the near term, upcoming loan maturities will present a potential risk as a significant amount of CMBS debt is set to mature within the next 12 months. This may lead to a resurgence in sales transaction activity and as well as distressed sales throughout 2025 and into 2026.

Traditional office buildings or large complexes, such as Park @25th and Crosspoint, are being repurposed as the shift to remote and hybrid work models drives an increase in office building sales for redevelopment, ultimately benefiting the overall office market by reducing total inventory.

## Market Summary

	1Q25	4Q24	1Q24	YOY Change
Total Vacancy Rate	24.4%	25.0%	23.9%	<b>50 bps</b>
Total Availability Rate	26.4%	26.8%	27.4%	<b>-100 bps</b>
Direct Asking Lease Rate	\$30.58	\$30.86	\$30.52	<b>0.2%</b>
	1Q25	4Q24	1Q24	YOY Change
Leased SF	1,005,176	1,519,580	1,428,441	<b>-29.6%</b>
Sold SF	658,846	1,578,883	1,046,332	<b>-37.0%</b>
Direct Net Absorption	149,509	-124,853	-752,591	<b>N/A</b>

# 1Q 2025

↓ **1M SF**  
LEASING ACTIVITY

↑ **150K SF**  
NET ABSORPTION

↑ **24.4%**  
VACANCY RATE

↑ **\$30.58**  
ASKING RENT (AVG)

↓ **0 SF**  
NEW DELIVERIES

Year-Over-Year Trend

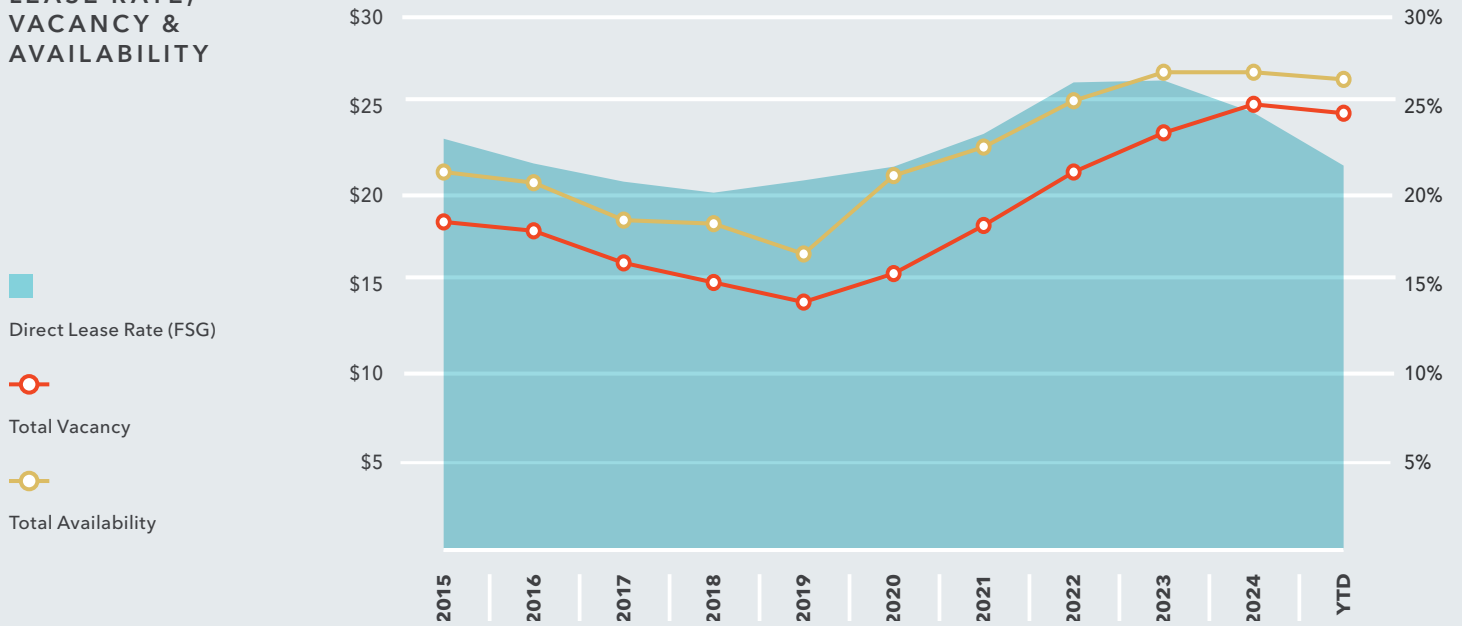
## Market Highlights

**DIRECT NET ABSORPTION**  
totaled 150K SF.

**1Q25 SALES VOLUME** reach  
660K SF.

**TOTAL VACANCY RATES**  
decreased 60 bps QOQ  
to 24.4%.

## LEASE RATE, VACANCY & AVAILABILITY



## BIGGEST SALE OF THE QUARTER

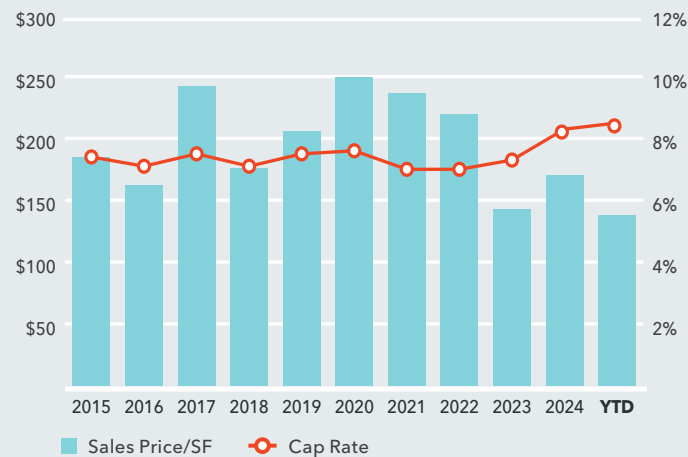
*The Forum at Gilbert Ranch*



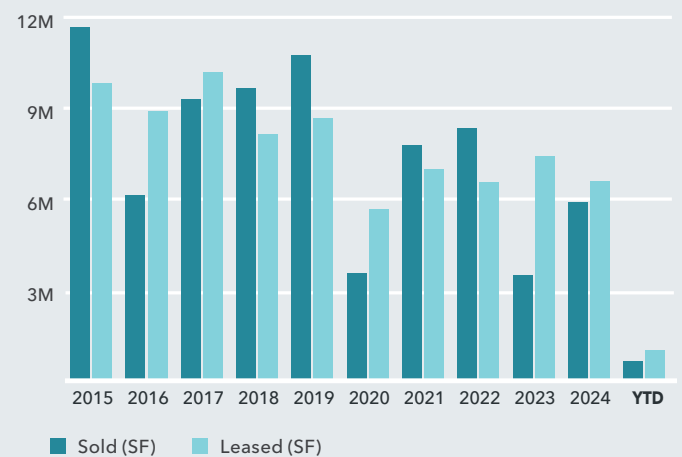
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Available Rate	Total Available Rate	1Q25 Direct Net Absorption	2024 Direct Net Absorption	SF Under Construction	YTD Construction Completions	1Q25 Leasing Activity	2024 Leasing Activity	Average Direct Rental Rate (FS)
Airport Area	4,921,181	28.2%	11.5%	30.2%	-38,468	-383,845	0	0	7,878	207,039	\$24.19
South Tempe/Ahwatukee	4,548,534	31.7%	10.1%	32.5%	4,764	-235,267	0	0	44,812	193,464	\$32.20
<b>Airport</b>	<b>9,469,715</b>	<b>29.9%</b>	<b>10.8%</b>	<b>31.3%</b>	<b>-33,704</b>	<b>-619,112</b>	<b>0</b>	<b>0</b>	<b>52,690</b>	<b>400,503</b>	<b>\$27.94</b>
Downtown	8,135,691	25.0%	3.9%	18.6%	-7,635	117,433	0	0	37,394	151,098	\$33.77
Midtown	9,101,826	28.8%	0.9%	33.9%	74,869	-420,630	0	0	65,226	520,469	\$25.65
<b>Central Corridor</b>	<b>17,237,517</b>	<b>27.0%</b>	<b>2.4%</b>	<b>26.7%</b>	<b>67,234</b>	<b>-303,197</b>	<b>0</b>	<b>0</b>	<b>102,620</b>	<b>671,567</b>	<b>\$27.59</b>
44th Street Corridor	2,179,881	24.4%	5.8%	37.9%	20,641	-73,594	0	0	5,291	79,854	\$27.62
Camelback Corridor	8,161,642	20.6%	2.7%	23.8%	26,562	142,571	0	0	93,820	552,607	\$39.92
Midtown/Central Phoenix	2,425,401	6.4%	1.2%	7.8%	-32,257	-14,634	0	0	5,994	72,144	\$20.98
<b>East Phoenix</b>	<b>12,766,924</b>	<b>18.5%</b>	<b>2.9%</b>	<b>23.2%</b>	<b>14,946</b>	<b>54,343</b>	<b>0</b>	<b>0</b>	<b>105,105</b>	<b>704,605</b>	<b>\$34.86</b>
Chandler	7,052,497	28.1%	13.0%	31.9%	41,801	-495,063	119,222	0	143,179	389,864	\$31.98
Gateway Airport/Loop 202	212,530	4.5%	0.0%	5.3%	-1,779	-74	26,032	0	2,839	7,693	\$48.21
Mesa Downtown	593,172	9.1%	0.2%	9.1%	6,957	-10,167	0	0	21,160	9,943	\$20.52
Mesa East	1,035,673	29.2%	1.0%	31.1%	34,402	10,401	0	0	12,051	79,611	\$39.22
Superstition Corridor	2,328,079	20.1%	2.4%	24.7%	-126,643	-96,439	0	0	50,716	145,025	\$21.96
Tempe	14,194,245	27.2%	8.9%	29.9%	188,240	17,736	0	0	145,001	969,634	\$33.66
<b>East Valley</b>	<b>25,416,196</b>	<b>26.3%</b>	<b>8.8%</b>	<b>29.3%</b>	<b>142,978</b>	<b>-573,606</b>	<b>145,254</b>	<b>0</b>	<b>374,946</b>	<b>1,601,770</b>	<b>\$32.07</b>
Paradise Valley	1,708,500	20.6%	0.7%	20.8%	33,294	-26,349	0	0	12,167	171,620	\$33.24
Piestewa Peak Corridor	1,791,786	24.3%	8.4%	26.8%	-1,787	-28,867	0	0	11,765	162,744	\$27.97
<b>North Phoenix</b>	<b>3,500,286</b>	<b>22.5%</b>	<b>4.6%</b>	<b>23.9%</b>	<b>31,507</b>	<b>-55,216</b>	<b>0</b>	<b>0</b>	<b>23,932</b>	<b>334,364</b>	<b>\$30.80</b>
Arrowhead	727,100	16.0%	0.7%	15.5%	-17,432	-14,993	0	0	12,545	45,989	\$30.49
Deer Valley/Airport	5,449,264	28.2%	13.7%	30.2%	54,120	-201,485	0	0	37,990	390,599	\$27.43
North I-17	336,237	9.5%	0.0%	9.5%	0	-31,953	0	0	0	4,312	\$30.00
Northwest Phoenix	4,610,013	28.1%	2.4%	31.6%	-92,197	-267,591	0	0	53,525	127,781	\$24.93
<b>Northwest Phoenix</b>	<b>11,122,614</b>	<b>26.8%</b>	<b>7.7%</b>	<b>29.2%</b>	<b>-55,509</b>	<b>-516,022</b>	<b>0</b>	<b>0</b>	<b>104,060</b>	<b>568,681</b>	<b>\$26.11</b>
Central Scottsdale	5,102,838	18.2%	4.7%	20.9%	-41,706	12,189	0	0	32,475	334,516	\$32.34
N Scottsdale/Carefree	285,707	24.1%	3.3%	18.1%	-7,784	13,063	0	0	0	13,105	\$22.56
Scottsdale Airpark	8,300,964	18.4%	4.6%	20.2%	-157	48,380	0	0	148,243	657,934	\$33.09
Scottsdale South	4,746,505	28.2%	2.9%	29.5%	592	-289,261	0	0	34,577	416,718	\$37.67
<b>Scottsdale</b>	<b>18,436,014</b>	<b>20.9%</b>	<b>4.2%</b>	<b>22.8%</b>	<b>-49,055</b>	<b>-215,629</b>	<b>0</b>	<b>0</b>	<b>215,295</b>	<b>1,422,273</b>	<b>\$34.38</b>
Glendale	1,318,776	25.0%	3.1%	17.3%	18,651	39,547	0	0	6,581	65,494	\$29.32
Loop 303/Surprise	267,118	14.9%	0.0%	14.9%	4,340	-2,750	0	0	0	5,052	\$32.79
Southwest Phoenix	1,234,109	9.2%	0.0%	9.2%	0	0	0	0	0	0	\$29.50
West I-10	585,830	23.7%	0.0%	22.3%	8,121	22,529	0	0	19,947	55,787	\$35.19
<b>West Phoenix</b>	<b>3,405,833</b>	<b>18.2%</b>	<b>1.2%</b>	<b>15.0%</b>	<b>31,112</b>	<b>59,326</b>	<b>0</b>	<b>0</b>	<b>26,528</b>	<b>126,333</b>	<b>\$31.37</b>
<b>Phoenix Totals</b>	<b>101,460,064</b>	<b>24.4%</b>	<b>5.8%</b>	<b>26.4%</b>	<b>149,509</b>	<b>-2,169,113</b>	<b>145,254</b>	<b>0</b>	<b>1,005,176</b>	<b>5,830,096</b>	<b>\$30.58</b>
Class A	57,319,233	30.1%	7.4%	31.4%	212,544	-1,022,618	119,222	0	536,280	3,886,389	\$33.18
Class B	38,354,952	18.3%	3.9%	21.6%	-122,439	-997,130	26,032	0	460,663	1,849,349	\$25.47
Class C	5,776,315	8.2%	2.4%	8.4%	59,404	-5,492	0	0	8,233	92,815	\$20.06

## SIGNIFICANT SALE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
The Forum at Gilbert Ranch	Gateway Airport/Loop 202	96,214	\$23,475,000	\$243.99	Baseline Partners	Expansive
Ryan @ ASU Research Park	South Tempe/Ahwatukee	97,504	\$22,050,000	\$226.14	Newstreet Properties	Strategic Office Partners
Element at Kierland	Scottsdale Airpark	55,268	\$18,479,487	\$334.36	Element 14614 North Kierland LLC	Providence Real Estate Group
Warner Crossing	South Tempe/Ahwatukee	75,280	\$14,400,000	\$191.29	S.I.N 360	Tempus Realty Partners
University Park-Bldg A	Tempe	24,430	\$6,100,000	\$249.69	VW Connect	CWIE Management Resources, LLC

## SIGNIFICANT LEASE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
The Reserve at San Tan- Building 4	Chandler	64,427	March 2025	Orsett Properties	Progressive
Chandler 202	Chandler	47,435	February 2025	Kieckhefer Properties	Invitation Homes
City Scape	Downtown Phoenix	24,722	January 2025	RED Development LLC	Visit Phoenix
Black Canyon Tower	Tempe	21,288	March 2025	Lou Mikhail	Brian Zink

## SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
1655 E Elliot Rd - Bldg 3	1655 E Elliot Rd	Chandler	119,177	Gilbert Spectrum Building 3 LLC	2Q25
SWC Williams Field Rd & Recker Rd-Building F	SWC Williams Field Rd & Recker Rd	Gateway Airport/Loop 202	26,032	Brody Associates, Inc.	2Q25

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



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

**GARY BARAGONA**  
Vice President of Research  
415.229.8925  
gary.baragona@kidder.com

**ERIC PAULSEN**  
Chief Operating Officer  
602.513.5200  
eric.paulsen@kidder.com  
LIC N° 01001040

COMMERCIAL  
BROKERAGE

\$9B

AVERAGE ANNUAL  
TRANSACTION VOLUME

26.2M

ANNUAL  
SALES SF

36.7M

ANNUAL  
LEASING SFASSET  
SERVICES

58M SF

MANAGEMENT  
PORTFOLIO SIZE

850+

ASSETS UNDER  
MANAGEMENT

250+

CLIENTS  
SERVEDVALUATION  
ADVISORY

2,400+

AVERAGE  
ASSIGNMENTS

39

TOTAL  
APPRAISERS

24

WITH MAI  
DESIGNATIONS