

MARKET TRENDS

PHOENIX OFFICE

MARKET DRIVERS

The Phoenix office market recorded a positive direct net absorption of 17.6K SF in 2Q25 with the largest direct net absorption recorded in Midtown with 86K SF, of which 63K SF consisted of two owner-user building sales.

Class A space saw a negative direct net absorption for the quarter of -42K SF but maintained a positive YTD direct net absorption of 429K SF. Both Class A and Class B spaces experienced an uptick of sublet absorption, totaling 177K SF and 90K SF, respectively.

Total leasing activity held steady in 2Q25, totaling 1.3M SF. Average direct rates increased slightly quarter-over-quarter (QOQ) from \$30.72/SF FSG to \$30.93/SF FSG.

Total vacancy stands at 24.3%, reflecting a 30 basis point (bps) year-over-year (YOY) increase. Class A total vacancy stood at 29.9%, Class B at 18.3%, and Class C at 8.3%. Class A rates continue to lead average direct rates at \$33.58/SF FSG.

Sales volume in 2Q25 totaled 925K SF, a 52% YOY decline. Total leasing resulted in YTD total of 2.6M SF.

ECONOMIC OVERVIEW

In June 2025, the Federal Open Market Committee (FOMC) unanimously decided to maintain the target range for the federal funds rate. Median projections indicate an estimate of two rate cuts later this year, however, ongoing inflation concerns may delay that action in the short term.

NEAR-TERM OUTLOOK

Lease rates are expected to continue rising, driven by increasing operating expenses along with higher construction material and labor costs.

Certain traditional office buildings and large complexes are being repurposed to multifamily or industrial uses, driving an increase in office building sales for redevelopment. This trend benefits the overall office market by decreasing total inventory to mitigate supply and demand imbalances.

Some tenants are now considering traditional Class A buildings versus premium Class A buildings, due to rental rate disparity between the two.

Market Summary

	2Q25	1Q25	2Q24	YOY Change
Total Vacancy Rate	24.3%	24.5%	24.0%	30 bps
Total Availability Rate	25.6%	26.1%	26.4%	-80 bps
Direct Asking Lease Rate	\$30.93	\$30.72	\$30.62	1%
	2Q25	2025 YTD	2024 YTD	YOY Change
Leased SF	1,289,352	2,599,247	3,628,782	-28.4%
Sold SF	924,728	1,463,754	2,962,960	-51%
Direct Net Absorption	17,645	390,491	-1,163,440	134%

2Q 2025

↓ 1.3M SF
LEASING ACTIVITY

↑ 17.6K SF
NET ABSORPTION

↓ 24.3%
VACANCY RATE

↑ \$30.93
ASKING RENT (AVG)

↔ 0 SF
NEW DELIVERIES

Year-Over-Year Trend

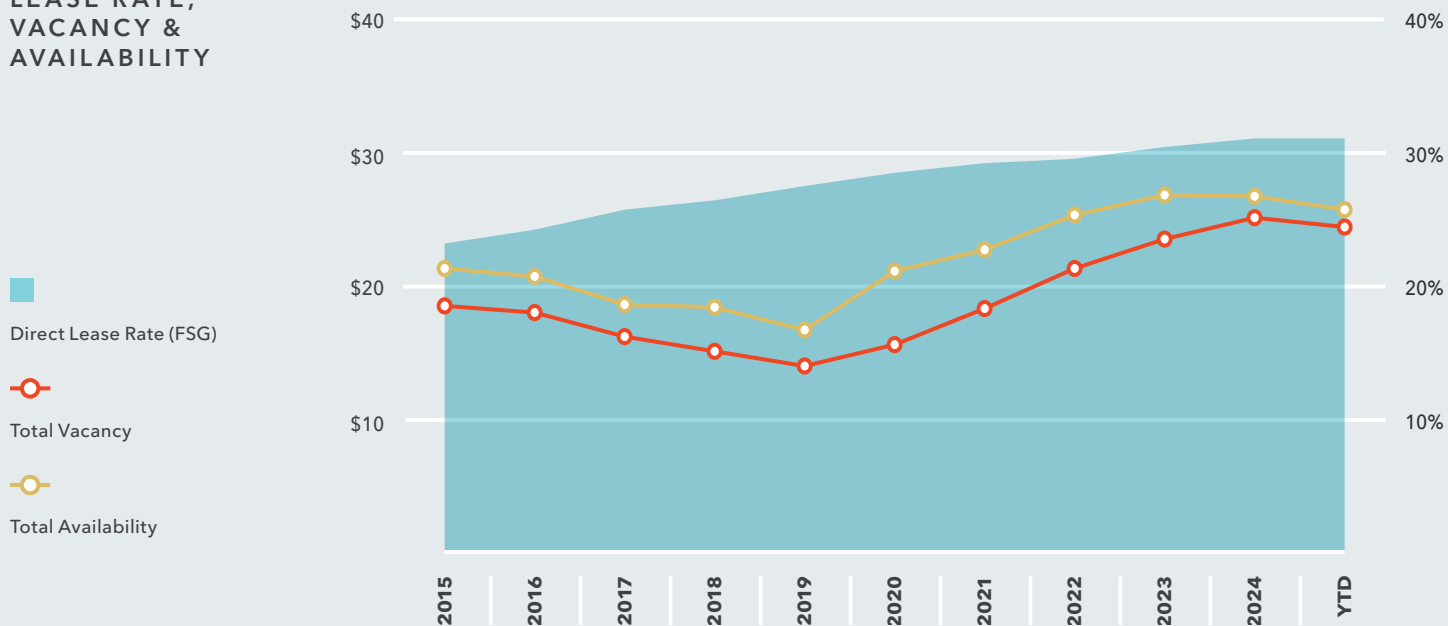
Market Highlights

DIRECT NET ABSORPTION
totaled 390K SF.

2Q25 SALES VOLUME reached
925K SF.

TOTAL VACANCY RATES
decreased 30 bps QOQ
to 24.3%.

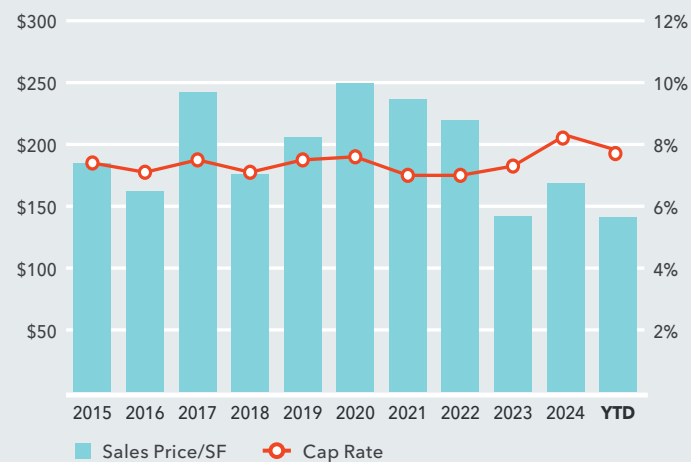
LEASE RATE, VACANCY & AVAILABILITY



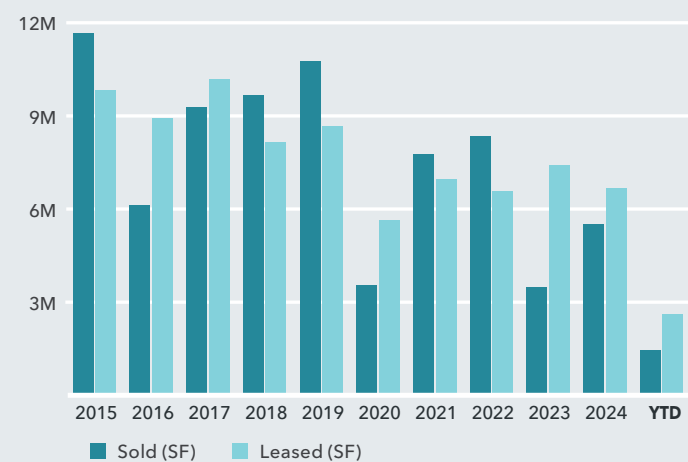
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Total Vacancy Rate	Sublet Available Rate	Direct Available Rate	Total Available Rate	2Q25 Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	2Q25 Leasing Activity	YTD Leasing Activity	Average Direct Rental Rate (FS)
Airport Area	5,000,632	28.3%	11.2%	17.3%	29.8%	-2,382	-40,850	0	48,186	56,064	\$24.32
South Tempe/Ahwatukee	4,631,243	29.8%	10.0%	21.6%	31.6%	63,202	63,802	0	16,060	60,872	\$32.22
Airport	9,631,875	29.0%	10.6%	19.4%	30.6%	60,820	22,952	0	64,246	116,936	\$27.98
Downtown	8,162,235	25.1%	4.1%	15.7%	19.8%	323	-7,312	73,000	41,327	78,721	\$34.35
Midtown	9,103,647	28.1%	1.0%	31.0%	32.0%	86,404	140,596	0	158,779	229,433	\$25.84
Central Corridor	17,265,882	26.6%	2.5%	23.8%	26.2%	86,727	133,284	73,000	200,106	308,154	\$28.08
44th Street Corridor	2,140,224	24.8%	5.2%	27.7%	32.8%	-16,307	4,334	0	29,594	34,885	\$27.83
Camelback Corridor	7,646,202	22.4%	2.7%	22.5%	25.2%	-26,760	-198	0	145,195	310,546	\$40.65
Midtown/Central Phoenix	2,461,166	7.7%	1.2%	7.6%	8.8%	-33,940	-66,197	0	9,450	15,444	\$20.67
East Phoenix	12,247,592	19.9%	2.8%	20.4%	23.2%	-77,007	-62,061	0	184,239	360,875	\$35.02
Chandler	7,178,848	26.7%	12.1%	16.9%	29.0%	6,996	168,019	0	159,190	452,369	\$31.98
Gateway Airport/Loop 202	173,899	4.3%	0.0%	4.1%	3.7%	2,057	278	26,032	3,277	6,116	\$50.78
Mesa Downtown	536,383	10.1%	0.2%	11.1%	11.3%	-326	6,631	0	0	22,600	\$19.15
Mesa East	1,031,112	30.1%	0.2%	37.9%	38.1%	-6,243	28,159	0	53,162	65,213	\$39.00
Superstition Corridor	2,188,079	16.8%	2.4%	21.1%	23.4%	-18,561	-28,314	0	60,809	111,525	\$24.59
Tempe	14,189,717	27.6%	8.2%	22.1%	30.5%	-30,857	133,185	0	119,718	289,056	\$33.68
East Valley	25,298,038	26.0%	8.3%	20.8%	29.2%	-46,934	125,998	26,032	396,156	946,879	\$32.48
Paradise Valley	1,566,960	21.9%	1.0%	21.1%	22.1%	-1,559	31,735	0	26,286	46,225	\$33.62
Piestewa Peak Corridor	1,791,786	23.9%	7.7%	18.3%	26.0%	-4,697	-6,484	0	15,597	28,763	\$28.05
North Phoenix	3,358,746	23.0%	4.5%	19.6%	24.2%	-6,256	25,251	0	41,883	74,988	\$30.94
Arrowhead	727,100	18.3%	0.4%	16.8%	17.3%	-22,310	-39,742	0	14,250	26,795	\$30.73
Deer Valley/Airport	5,420,711	28.6%	13.8%	16.3%	30.1%	-12,477	41,643	0	29,992	67,982	\$27.43
North I-17	64,473	49.6%	0.0%	49.6%	49.6%	0	0	0	0	0	\$30.00
Northwest Phoenix	4,416,817	29.4%	2.5%	28.6%	32.4%	-4,834	-55,565	0	24,089	120,784	\$25.14
Northwest Phoenix	10,629,101	28.4%	8.1%	21.7%	30.3%	-39,621	-53,664	0	68,331	215,561	\$26.30
Central Scottsdale	5,108,712	19.0%	6.0%	13.3%	19.3%	22,580	-19,126	0	57,703	90,178	\$32.51
N Scottsdale/Carefree	285,707	20.6%	1.0%	13.6%	14.6%	3,421	-4,363	0	13,282	13,282	\$23.11
Scottsdale Airpark	8,985,152	16.3%	4.1%	14.8%	19.0%	-7,203	-12,562	0	119,349	258,992	\$33.42
Scottsdale South	4,795,533	26.2%	0.9%	25.5%	26.3%	-14,223	-13,631	0	99,055	140,942	\$37.74
Scottsdale	19,175,104	19.5%	3.8%	17.0%	20.9%	4,575	-49,682	0	289,389	503,394	\$34.56
Glendale	1,318,802	25.0%	2.8%	15.0%	17.8%	157	18,808	0	15,001	17,454	\$29.36
Loop 303/Surprise	267,118	14.8%	0.0%	12.0%	12.0%	152	4,492	0	11,256	11,256	\$32.81
Southwest Phoenix	1,182,743	8.8%	0.0%	8.8%	8.8%	0	0	0	0	0	\$29.50
West I-10	585,830	17.1%	0.0%	15.4%	15.4%	35,032	43,153	0	18,745	43,750	\$34.79
West Phoenix	3,354,493	17.1%	1.1%	12.6%	13.7%	35,341	66,453	0	45,002	72,460	\$30.96
Phoenix Totals	100,960,831	24.3%	5.6%	20.2%	25.9%	17,645	390,491	99,032	1,289,352	2,599,247	\$30.93
Class A	57,006,089	29.9%	7.0%	23.5%	30.6%	-42,173	428,648	73,000	830,542	1,629,861	\$33.58
Class B	38,304,769	18.3%	3.9%	17.4%	21.5%	54,002	-103,377	26,032	446,193	946,296	\$25.53
Class C	5,629,973	8.3%	2.5%	6.2%	8.7%	5,816	65,220	0	12,617	23,090	\$20.10

SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Camelback Collective	Camelback Corridor	115,838	\$48,250,000	\$416.53	K&C Management	Humphreys Capital
CIT Bank	Airport Area	73,377	\$22,400,000	\$305.27	First Citizens Bank	Newstreet Properties
The Monroe	Downtown	261,672	\$17,080,000	\$65.27	Kellwood	Granite Point Mortgage Trust Inc
92 Mountain View	Central Scottsdale	116,200	\$11,500,000	\$98.97	RBC Devco	Platinum Advisors, LLC
2155 E Go Daddy Way	South Tempe/Ahwatukee	150,000	Undisclosed	Undisclosed	Avnet Intergrated	ElmTree Funds

SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
BMO Tower at Central Arts Plaza	Midtown	57,813	May 2025	D.L Long Properties	Tiffany and Bosco	Direct
North Scottsdale Corporate Center II	Scottsdale Airpark	39,445	May 2025	Artis REIT	Yrefy	Sublease
UEI College	NW Phoenix	38,086	April 2025	Matt Gambetta	United Education Inst.	Renewal
Union Building One	Mesa East	37,719	June 2025	Lincoln Property Co	Verra Mobility	Direct
The Watermark	Tempe	33,422	May 2025	Fenix Development, Inc.	WeWork	Sublease

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Central Station	300 N Central Ave	Downtown	73,000	Undisclosed	3Q25
Verde at Cooley Station - Bldg F	SWC Williams Field Rd & Recker Rd	Gateway Airport/Loop 202	26,032	Brody Associates	4Q25

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



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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