

MARKET TRENDS

PHOENIX OFFICE

MARKET DRIVERS

The Phoenix office market recorded a positive direct net absorption of 226.1K SF in 3Q25, led by Chandler, which recorded the largest gain at 241.2K SF.

Class A space saw a positive direct net absorption for the quarter of 194.9K SF and maintained a positive YTD direct net absorption of 583.3K SF. Both Class A and Class B spaces saw strong sublet absorption, totaling 417.7K SF and 224.7K SF, respectively.

Overall direct and sublet net absorption in 3Q25 totaled 867.2K SF, the strongest quarterly performance since 4Q19. Total leasing activity remained steady in 3Q25, totaling 1.4M SF. Average direct rates increased slightly QOQ from \$30.93 PSF FSG to \$30.95 PSF FSG.

Total vacancies stand at 23.6%, reflecting a 140 bps YOY decrease. Class A total vacancy stood at 29.0%, Class B at 17.9%, and Class C increasing slightly to 9.0%. Class A rates continue to lead average direct rates at \$33.86 PSF FSG.

ECONOMIC OVERVIEW

Arizona's unmatched business climate continues to attract major companies such as Comtech, Dutch Bros, and Cognite, who are targeting the Phoenix market for expansion and relocation of their corporate headquarters.

NEAR-TERM OUTLOOK

Large tenants with near-term lease expirations (within the next 12 months) will continue to look at newer, highly amenitized buildings within urban and mixed-use locations, leaving older, less amenitized buildings to compete for tenants by offering lower rental rates and higher concessions. With this "flight to quality" phenomenon, rental rates in Class A+ buildings have increased dramatically. This has pushed some office tenants to consider higher-quality Class B, and even some older Class A properties at a lower price point. Class C properties that are older with little to no amenities will likely struggle to increase occupancy.

Underperforming office properties will continue to be targeted for conversion or redevelopment. With the conversion of these less desirable properties, square footage will be subtracted from the overall inventory base and vacancy.

Market Summary

	3Q25	2Q25	3Q24	YOY Change
Total Vacancy Rate	23.6%	24.4%	25.0%	-140 bps
Total Availability Rate	25.3%	25.9%	27.0%	-170 bps
Direct Asking Lease Rate	\$30.95	\$30.84	\$30.76	1%
	3Q25	2025 YTD	2024 YTD	YOY Change
Leased SF	1,400,535	4,425,812	5,176,954	-14.5%
Sold SF	990,848	2,598,856	3,880,984	-33%
Direct Net Absorption (SF)	226,155	381,295	-2,204,937	N/A

3Q 2025

↓ **1.4M SF**
LEASING ACTIVITY

↑ **226K SF**
NET ABSORPTION

↓ **23.6%**
VACANCY RATE

↑ **\$30.95**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

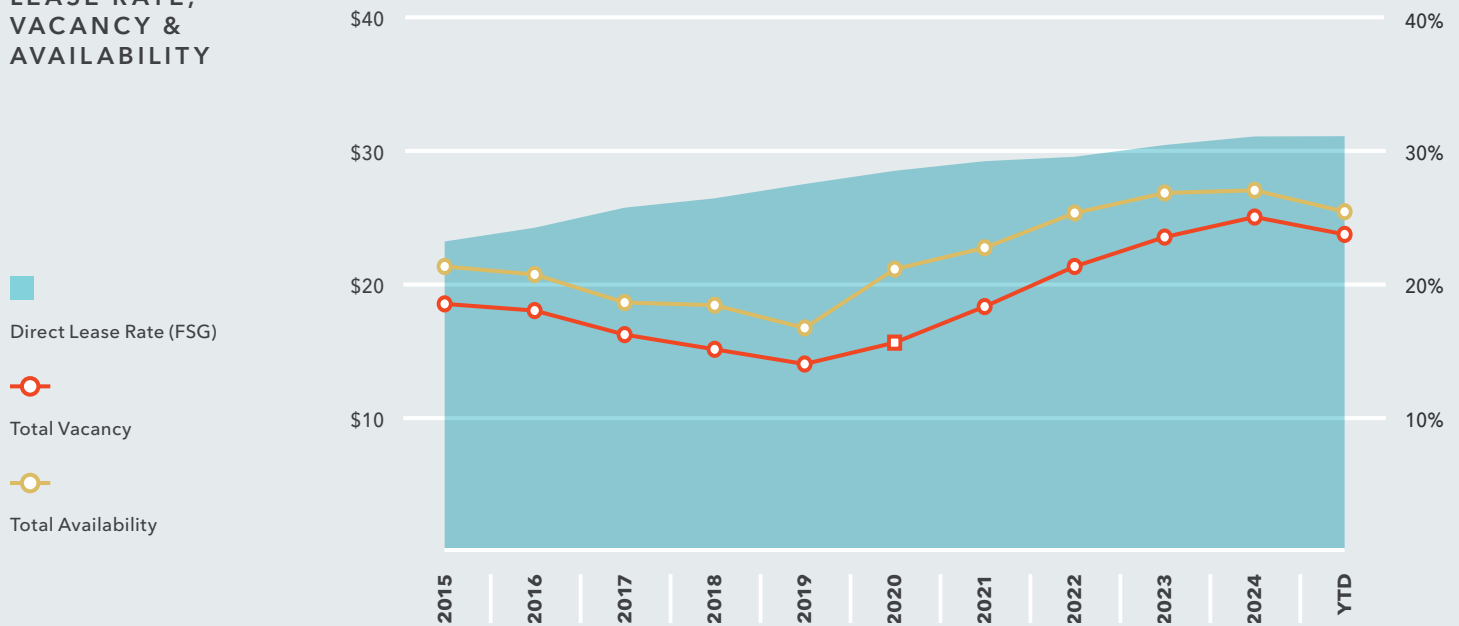
Market Highlights

YTD TOTAL NET ABSORPTION
totaled 867.2K SF

3Q25 SALES VOLUME
reached 991K SF

TOTAL VACANCY RATES
decreased 140 bps
QOQ to 23.6%

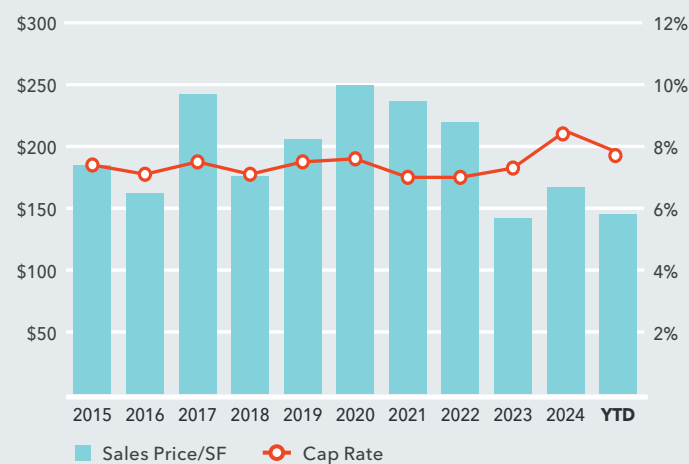
LEASE RATE, VACANCY & AVAILABILITY



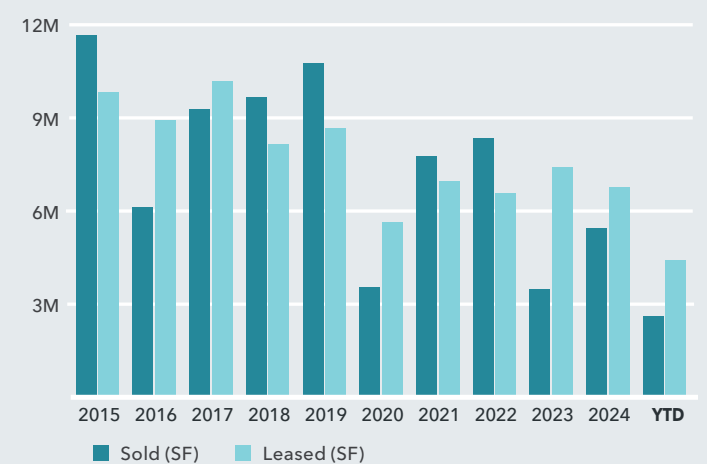
NET ABSORPTION & NEW DELIVERIES



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	3Q25 Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	3Q25 Leasing Activity	YTD Leasing Activity	Average Direct Rental Rate (FS)
Airport Area	4,979,575	25.5%	11.4%	14.3%	25.7%	163,123	122,273	0	31,027	87,091	\$23.16
South Tempe/Ahwatukee	4,824,556	32.4%	6.1%	24.4%	30.5%	2,180	-28,498	0	32,664	93,536	\$30.17
Airport	9,804,131	28.9%	8.8%	19.2%	28.1%	165,303	93,775	0	63,691	180,627	\$27.06
Downtown	8,145,302	24.7%	3.9%	16.4%	20.3%	1,112	-6,200	73,000	37,194	116,311	\$33.90
Midtown	9,100,170	27.9%	1.1%	31.0%	32.2%	40,038	180,634	0	90,173	343,878	\$25.93
Central Corridor	17,245,472	26.4%	2.4%	24.1%	26.6%	41,150	174,434	73,000	127,367	460,189	\$28.15
44th Street Corridor	2,158,514	24.9%	4.8%	28.4%	33.2%	-11,772	-7,438	0	21,023	53,582	\$28.01
Camelback Corridor	7,652,172	22.1%	2.7%	22.1%	24.8%	1,818	12,209	0	141,606	466,044	\$41.77
Midtown/Central Phoenix	2,461,166	6.4%	1.2%	6.2%	7.4%	33,521	-32,676	0	24,831	46,275	\$20.82
East Phoenix	12,271,852	19.5%	2.8%	20.0%	22.8%	23,567	-27,905	0	187,460	565,901	\$36.06
Chandler	7,218,252	22.1%	9.1%	14.7%	23.9%	241,211	408,251	0	176,287	628,869	\$32.21
Gateway Airport/Loop 202	192,771	10.6%	2.9%	7.9%	10.0%	-5,587	-12,737	26,032	7,314	14,638	\$41.24
Mesa Downtown	536,383	15.5%	0.0%	16.5%	16.8%	-29,955	-23,324	0	1,786	22,686	\$18.90
Mesa East	1,069,112	28.7%	0.2%	35.7%	35.9%	2,812	32,570	0	5,909	99,293	\$39.06
Superstition Corridor	2,107,934	23.3%	2.0%	26.3%	28.7%	-27,228	-72,334	0	31,255	148,630	\$23.69
Tempe	14,215,711	22.9%	6.8%	20.1%	27.0%	31,966	74,171	0	285,595	573,582	\$34.18
East Valley	25,340,163	22.7%	6.7%	19.5%	26.2%	213,219	406,597	26,032	508,146	1,487,698	\$32.45
Paradise Valley	1,537,316	24.0%	2.2%	23.0%	25.2%	-21,591	7,123	0	26,100	73,480	\$32.89
Piestewa Peak Corridor	1,788,862	22.0%	5.4%	22.0%	27.3%	-30,199	-36,683	0	33,689	64,270	\$27.64
North Phoenix	3,326,178	22.9%	3.9%	22.4%	26.3%	-51,790	-29,560	0	59,789	137,750	\$30.25
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	5,082,668	19.3%	4.8%	13.3%	18.1%	-6,109	-25,235	0	47,624	137,802	\$32.90
N Scottsdale/Carefree	285,707	21.6%	2.1%	13.2%	15.2%	8	-4,355	0	4,973	18,255	\$24.37
Scottsdale Airpark	8,776,967	16.0%	5.2%	15.4%	20.8%	66,365	3,977	0	220,423	546,442	\$34.16
Scottsdale South	4,847,852	26.2%	0.7%	23.1%	23.8%	-11,492	-19,388	0	112,996	380,821	\$37.78
Scottsdale	18,993,194	19.6%	3.9%	16.8%	20.8%	48,772	-45,001	0	386,016	1,083,320	\$34.87
Glendale	1,365,261	22.3%	2.7%	17.4%	20.1%	-8,086	10,722	0	2,582	25,601	\$30.83
Loop 303/Surprise	267,118	15.3%	1.1%	12.4%	13.5%	1,698	6,190	0	0	11,256	\$34.84
Southwest Phoenix	1,219,391	12.6%	0.0%	12.6%	12.6%	-49,910	-37,410	0	0	0	\$28.90
West I-10	608,409	16.7%	0.4%	16.1%	16.5%	2,286	45,439	0	14,693	58,443	\$35.57
West Phoenix	3,460,179	17.4%	1.2%	15.1%	16.3%	-54,012	24,941	0	17,275	95,300	\$31.80
Phoenix Totals	101,198,753	23.6%	5.0%	20.3%	25.3%	226,155	381,295	26,032	1,400,535	4,425,812	\$30.95
Class A	56,575,075	29.0%	6.6%	23.3%	29.9%	194,936	583,296	0	1,000,617	2,916,595	\$33.86
Class B	39,161,589	17.9%	3.1%	17.9%	21.0%	49,187	-250,852	26,032	374,309	1,422,432	\$25.48
Class C	5,442,089	9.0%	2.6%	6.4%	9.1%	-17,968	48,851	0	25,609	86,785	\$19.13

SIGNIFICANT SALE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2800 Tower	Midtown	370,736	\$28,500,000	\$76.87	Skyline Real Estate	Gaedeke Group
One Chandler Corp. Center Phase II	South Tempe/Ahwatukee	118,857	\$23,150,000	\$194.77	MCR Companies	VanTrust Real Estate
AERO Scottsdale	Scottsdale Airpark	46,871	\$11,970,000	\$255.38	Kenneth Goodrich	Global Mutal (USA)
Target Financial Center (2 Prop)	Tempe	188,960	\$20,500,000	\$108.49	The Widewaters Group, Inc.	Target

SIGNIFICANT LEASE TRANSACTIONS 3Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
Inisio at Kierland Two	Scottsdale Airpark	68,721	August 2025	Vero Capital	Troon	Direct
The Alameda	Tempe	67,539	September 2025	Ascent Real Estate Advisors	Undisclosed	Direct
Allred Park Place	Chandler	55,429	September 2025	John Hancock Real Estate	Toyota	Sublease
The Alameda	Tempe	53,812	September 2025	Ascent Real Estate Advisors	Undisclosed	Direct
Esplanade Tower II	Camelback Corridor	23,871	January 2026	Monarch Alternative Capital	Taft Stettinius & Hollister	Direct

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Verde at Colley Station - Bldg F	SWC Williams Field Rd & Recker Rd	Gateway Airport/Loop 202	26,032	Brody Associates Inc.	4Q 2025

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, 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.

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COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

26.2M

ANNUAL
SALES SF

36.7M

ANNUAL
LEASING SFASSET
SERVICES

53M SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400+

AVERAGE
ASSIGNMENTS

39

TOTAL
APPRAISERS

24

WITH MAI
DESIGNATIONS