

MARKET TRENDS

PHOENIX OFFICE

MARKET DRIVERS

The Phoenix office market recorded a positive direct net absorption of 211K SF in 4Q25, led by Tempe, which recorded the largest gain at 184.6K SF. Class A space posted positive direct net absorption of 413K SF for the quarter and maintained a positive 2025 direct net absorption total of 1M SF. Sublet demand remained strong, with Class A sublet absorption totaling 155K SF. Overall direct and sublet net absorption in 4Q25 reached 270K SF.

Total leasing activity remained steady in 4Q25, totaling 1.8M SF. Average direct rates remained flat QOQ at \$30.97 PSF FSG. Total vacancies stand at 23.6%, reflecting a 140 bps YOY decrease. Class A total vacancy stood at 28.1%, Class B at 18.9%, and Class C increasing slightly to 10%. Class A rates continue to lead average direct rates at \$33.89 PSF FSG.

ECONOMIC OVERVIEW

In 2025, the Arizona Commerce Authority and its economic partners secured 90 competitive projects, committing to 27,749 jobs and more than \$34B in capital investment. Arizona's strong business climate attracted major companies in 2025 such as Comtech, Dutch Bros, and Cognite, which are targeting the Phoenix market for corporate expansion and headquarters relocations.

NEAR-TERM OUTLOOK

Highly amenitized buildings continue to vie for quality-focused tenants desiring an upgraded office image and experience. This "flight-to-quality" will disrupt occupancy within older more traditional Class A and Class B properties resulting in tenants moving between desirable submarkets. Limited new office construction combined with continued conversion and redevelopment of underperforming assets will result in continued tightening of overall office inventory.

Owner-user demand is expected to remain active across well-located suburban submarkets as interest rate clarity improves and businesses seek long term occupancy cost control through ownership rather than leasing. Most of which are taking advantage of low down payments SBA loans. Investment activity is selectively returning, driven by repricing, motivated sellers, and buyers targeting stabilized or value-add office assets with strong tenancy, manageable rollover, and replacement cost advantages.

Market Summary

	4Q25	3Q25	4Q24	YOY Change
Total Vacancy Rate	23.6%	23.7%	25.0%	-140 bps
Total Availability Rate	24.8%	25.3%	27.2%	-240 bps
Direct Asking Lease Rate/SF/Yr	\$30.97	\$31.02	\$30.97	0.0%
	4Q25	2025	2024	YOY Change
Leasing Activity (SF)	1,796,120	6,375,481	6,631,762	-3.9%
Sale Volume (SF)	1,758,930	4,551,125	5,580,366	-18%
Net Absorption (SF)	211,540	502,119	-2,316,599	N/A

4Q 2025

↓ **1.8M SF**
LEASING ACTIVITY

↑ **212K SF**
NET ABSORPTION

↓ **23.6%**
VACANCY RATE

↔ **\$30.95**
ASKING RENT (AVG)

↓ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

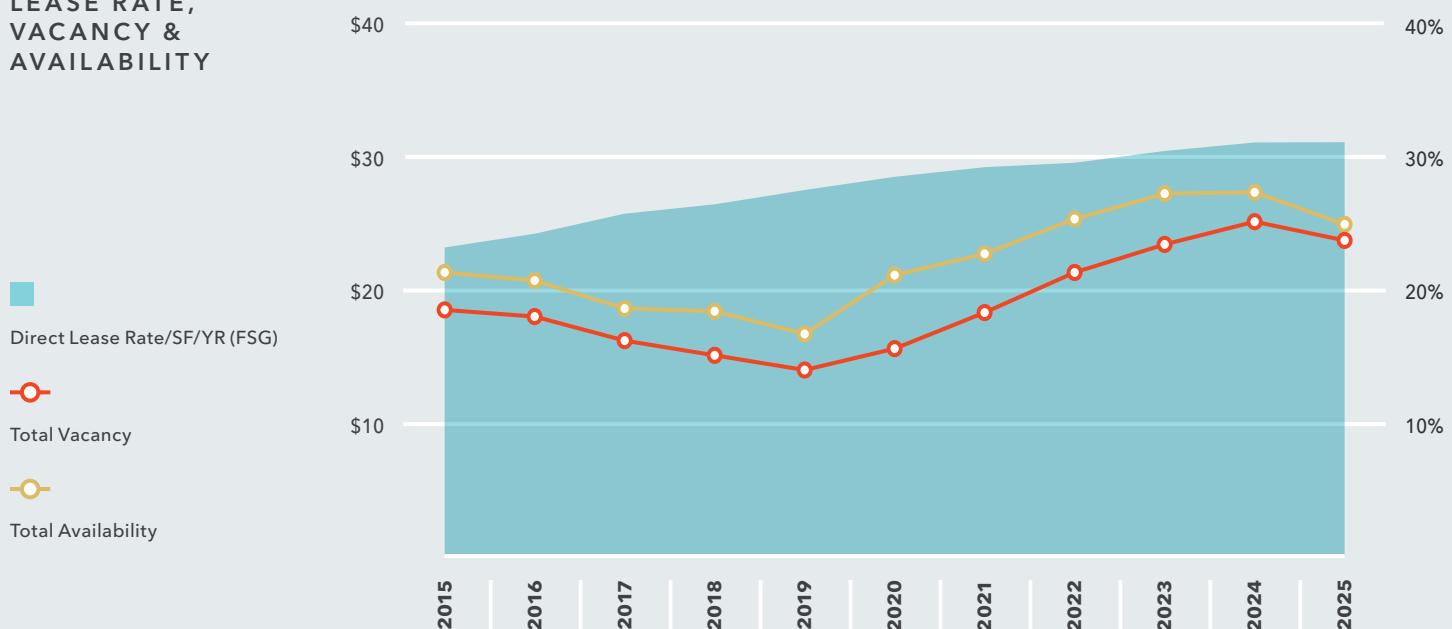
Market Highlights

TOTAL NET ABSORPTION
ended the year at 1.6M SF

SALES VOLUME was 1.8M SF
for the year

TOTAL VACANCY RATES
decreased 140 bps
YOY 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	4Q25 Direct Net Absorption	2025 Direct Net Absorption	SF Under Construction	4Q25 Leasing Activity	2025 Leasing Activity	Average Direct Rental Rate (FS)
Airport Area	724,110	28.2%	13.0%	15.0%	28.0%	-23,317	98,956	0	46,020	131,349	\$23.20
South Tempe/Ahwatukee	946,314	24.5%	4.8%	19.8%	24.6%	137,937	109,439	0	87,681	181,217	\$28.73
Airport	1,670,424	26.4%	8.9%	17.4%	26.3%	114,620	208,395	0	133,701	312,566	\$26.25
Downtown	1,995,620	25.1%	3.9%	16.8%	20.7%	-38,593	-44,793	0	7,604	123,915	\$33.07
Midtown	2,619,763	29.3%	0.8%	32.1%	32.9%	-152,545	28,089	0	45,509	379,071	\$25.75
Central Corridor	4,615,383	27.3%	2.3%	24.9%	27.2%	-191,138	-16,704	0	53,113	502,986	\$27.80
44th Street Corridor	583,309	27.9%	5.0%	28.0%	33.0%	-63,292	-70,730	0	13,566	67,148	\$28.17
Camelback Corridor	1,485,508	22.4%	2.8%	21.2%	24.0%	27,948	40,157	0	242,535	752,036	\$42.31
Midtown/Central Phoenix	155,691	6.4%	0.7%	6.9%	7.6%	-12,917	-45,593	0	7,845	54,120	\$20.49
East Phoenix	2,224,508	20.1%	2.8%	19.6%	22.3%	-48,261	-76,166	0	263,946	873,304	\$36.37
Chandler	1,185,864	23.8%	7.6%	18.8%	26.4%	37,253	445,048	0	246,252	878,192	\$32.67
Gateway Airport/Loop 202	15,606	8.1%	3.3%	8.0%	11.3%	4,877	-7,860	0	470	15,108	\$42.90
Mesa Downtown	81,825	15.3%	0.0%	16.2%	16.5%	1,363	-21,961	0	1,338	24,024	\$19.01
Mesa East	276,537	25.9%	0.2%	34.0%	34.2%	27,539	60,109	0	33,244	132,537	\$41.10
Superstition Corridor	487,331	23.9%	1.8%	25.8%	27.8%	-19,101	-199,133	0	51,620	210,227	\$23.90
Tempe	2,361,653	23.3%	8.7%	17.9%	26.6%	184,662	426,182	0	235,265	807,238	\$34.90
East Valley	4,408,816	23.3%	7.2%	19.4%	26.6%	403,942	702,385	0	568,189	2,067,326	\$32.81
Paradise Valley	301,311	20.2%	2.2%	20.2%	22.3%	51,680	58,803	0	23,901	100,537	\$33.65
Piestewa Peak Corridor	335,468	22.7%	5.1%	23.0%	28.1%	-12,326	-49,009	0	8,459	69,458	\$27.71
North Phoenix	636,779	21.5%	3.7%	21.7%	25.4%	39,354	9,794	0	32,360	169,995	\$30.69
Arrowhead	86,255	14.4%	3.7%	20.9%	24.6%	-5,822	9,079	0	4,896	72,990	\$33.59
Deer Valley/Airport	1,181,184	29.8%	7.3%	21.2%	28.5%	-150,760	-163,439	0	64,918	253,132	\$28.01
North I-17	31,953	35.3%	0.0%	33.6%	33.6%	0	0	0	1,592	2,425	\$30.00
Northwest Phoenix	1,342,520	32.0%	2.2%	29.4%	31.5%	-16,484	-138,987	0	66,914	286,988	\$23.92
Northwest Phoenix	2,641,912	29.6%	4.8%	24.8%	29.5%	-75,694	-293,347	0	138,320	615,535	\$26.45
Central Scottsdale	750,736	19.2%	4.6%	12.5%	17.2%	11,248	-13,987	0	88,381	269,921	\$32.99
N Scottsdale/Carefree	56,344	20.8%	1.1%	13.7%	14.8%	-448	-4,803	0	2,810	22,287	\$24.47
Scottsdale Airpark	1,269,515	16.8%	2.7%	17.0%	19.6%	-111,872	-88,790	0	309,070	869,709	\$34.42
Scottsdale South	1,148,912	24.3%	1.3%	23.5%	24.7%	88,186	68,798	0	97,879	478,500	\$38.53
Scottsdale	3,225,507	19.4%	2.8%	17.4%	20.2%	-12,886	-38,782	0	498,140	1,640,417	\$35.21
Glendale	327,992	25.6%	2.9%	16.0%	18.9%	-27,590	-16,868	0	81,356	96,658	\$30.87
Loop 303/Surprise	40,771	15.3%	0.0%	12.1%	12.1%	-2,904	3,286	0	1,784	13,040	\$34.84
Southwest Phoenix	153,860	12.6%	0.0%	12.6%	12.6%	0	-37,410	0	0	0	\$28.90
West I-10	93,417	15.8%	0.9%	14.1%	15.0%	12,097	57,536	0	25,211	83,654	\$36.58
West Phoenix	616,040	18.4%	1.3%	14.1%	15.4%	-18,397	6,544	0	108,351	193,352	\$32.01
Phoenix Totals	100,197,872	23.6%	3.6%	20.3%	24.8%	211,540	502,119	0	1,796,120	6,375,481	\$30.97
Class A	56,144,857	28.1%	6.2%	23.2%	29.4%	413,951	1,002,757	0	1,060,550	4,096,852	\$33.89
Class B	38,674,897	18.9%	2.5%	17.8%	20.4%	-175,517	-514,897	0	700,732	2,149,308	\$25.42
Class C	5,358,118	9.9%	2.6%	6.5%	9.1%	-26,894	14,259	0	34,838	129,321	\$19.60

SIGNIFICANT SALE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2500 W Frye Rd	Chandler	191,000	\$130,000,000	\$680.63	Lincoln Property Co.	CBRE Investment Mgmt.
Axis Raintree	Scottsdale Airpark	179,360	\$70,750,000	\$394.46	Horton Family, LP	PGIM & Trammell Crow Co.
Norterra West - Phase I	Deer Valley/Airport	147,688	\$45,770,000	\$309.91	Lam Research Corp.	JDM Partners
7337 E Doubletree Ranch Rd (2 Prop)	Central Scottsdale	113,022	\$31,787,083	\$281.25	Palecek & Palecek, PLLC	Michael Lucidi

SIGNIFICANT LEASE TRANSACTIONS 4Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
2800 Tower	Midtown	18,476	November 2025	Skyline Real Estate	Coppersmith Brockelman, PLC	Renewal
2600 Tower	Midtown	6,783	November 2025	Cotterkey Investments	Stellar	Direct
Glendale Corp. Center Bldg A	Glendale	6,201	October 2025	Melcor	eXp Realty	Direct
Flight Goodyear Office	West I-10	5,787	November 2025	Reliance Management	Undisclosed	Direct

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



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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 SF
ASSET SERVICES	53M SF MANAGEMENT PORTFOLIO SIZE	800+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,400+ AVERAGE ASSIGNMENTS	41 TOTAL APPRAISERS	23 WITH MAI DESIGNATIONS