

## MARKET TRENDS

# PHOENIX OFFICE

### MARKET DRIVERS

The Phoenix office market recorded a negative direct net absorption of 267K SF in 1Q26. Tempe recorded the highest positive net absorption at 195K SF, while Downtown saw the lowest, with negative net absorption of 337K SF. By asset class, Class A recorded negative net absorption of 210K SF, followed by Class B at negative 38K SF and Class C at negative 18K SF.

Sublet demand remained strong, with Class A sublet absorption totaling 64K SF, though overall direct and sublet net absorption in 1Q26 totaled negative 232K SF.

Total leasing activity remained steady at 1Q26, totaling 1.4M SF. Average direct rates rose YOY to \$31.45 PSF FSG. Total vacancies stand at 24%, reflecting a 70 bps YOY decrease. Class A total vacancy stood at 29.1%, Class B at 18.4%, and Class C at 10.3%. Class A rates continue to lead average direct rates at \$34.49 PSF FSG, as highly amenitized office buildings remain preferred by tenants.

### NEAR-TERM OUTLOOK

Hybrid work continues to disrupt traditional office user demand. The shift from traditional office layouts to more collaborative and open space layouts has reduced overall office footprints. With the continued downsizing of space, the demand for move-in ready/spec suites is accentuated by tenants' desire to eliminate long construction timelines and high tenant improvements costs. This demand has lowered the average Phoenix lease sizes to between 4K-5K SF. Landlords are capitalizing on this trend by building spec suites that attract tenants, giving tenants greater leverage to negotiate more flexible lease terms.

Tenant relocation within the same or adjacent submarkets is a noticeable trend among users in the Valley. Tenants are being drawn to properties offering new common area amenities such as shared conference facilities, on-site grab-and-go options, on-site restaurants/delis, and entertainment features like sports simulators. Premier Class A buildings are capitalizing on the employee experience by creating hospitality-driven environments that enhance workplace satisfaction, support collaboration, and serve as a tool for both talent attraction and retention. This trend is expected to continue.

## Market Summary

	1Q26	4Q25	1Q25	YOY Change
Total Vacancy Rate	24.0%	23.7%	24.7%	<b>-70 bps</b>
Total Availability Rate	25.3%	24.8%	26.8%	<b>-150 bps</b>
Direct Asking Lease Rate/SF/Yr	\$31.45	\$31.06	\$30.80	<b>2%</b>
	1Q26	4Q25	1Q25	YOY Change
Leasing Activity (SF)	1,391,400	1,942,544	1,264,509	<b>10%</b>
Sale Volume (SF)	1,608,308	2,298,765	499,729	<b>222%</b>
Net Absorption (SF)	-267,340	87,397	228,289	<b>-217%</b>

↑ **1.4M SF**  
LEASING ACTIVITY

↓ **-267K SF**  
NET ABSORPTION

↑ **24.0%**  
VACANCY RATE

↑ **\$31.45**  
ASKING RENT (AVG)

↔ **0 SF**  
NEW DELIVERIES

Year-Over-Year Trend

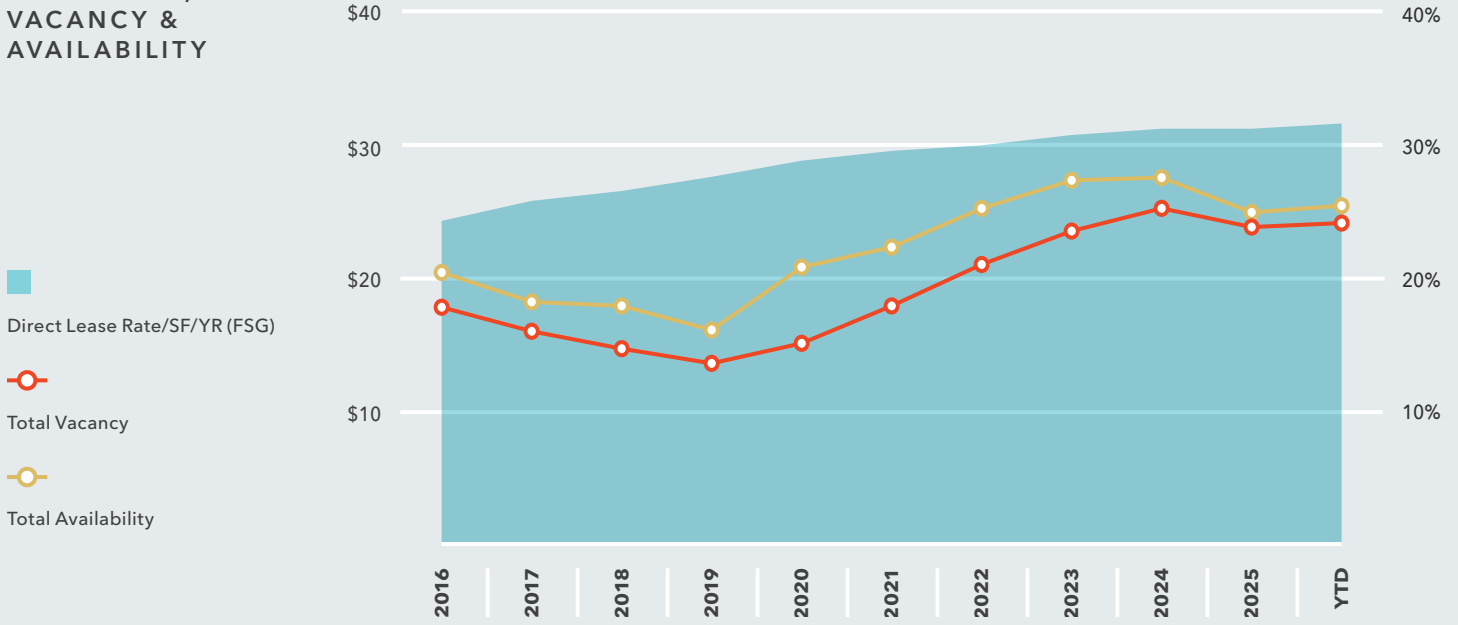
## Market Highlights

**LEASING ACTIVITY** increased 10% YOY to 1.4M SF

**SALES VOLUME** was 1.6 M SF for 1Q26

**TOTAL VACANCY RATES** decreased 70 bps YOY

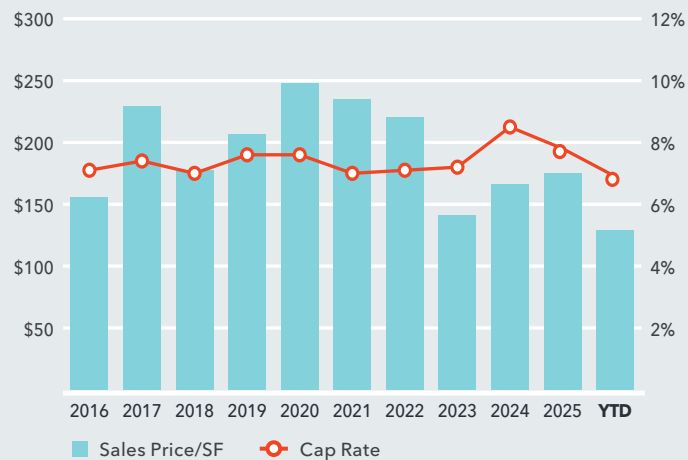
## LEASE RATE, VACANCY & AVAILABILITY



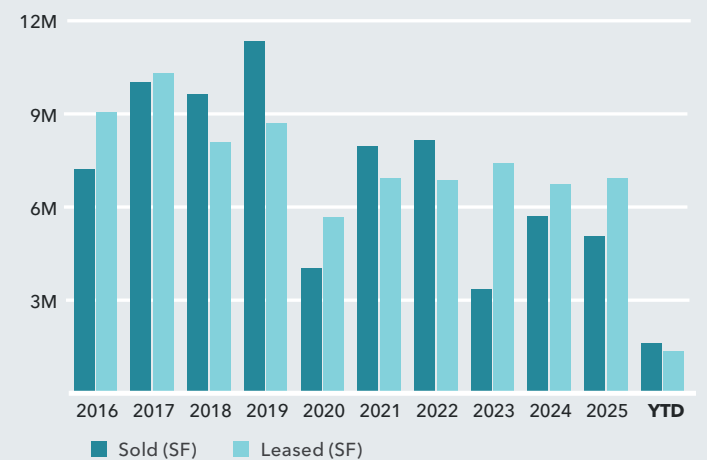
## NET ABSORPTION & NEW DELIVERIES



## 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	1Q26 Direct Net Absorption	2025 Direct Net Absorption	1Q26 Leasing Activity	2025 Leasing Activity	Average Direct Rental Rate (FS)
Airport Area	4,622,926	27.1%	12.9%	14.1%	27.0%	67,100	98,956	37,096	131,349	\$23.18
South Tempe/Ahwatukee	4,382,548	19.2%	5.2%	16.5%	21.7%	92,644	109,439	42,278	181,217	\$28.96
<b>Airport</b>	<b>9,005,474</b>	<b>23.3%</b>	<b>9.2%</b>	<b>15.3%</b>	<b>24.4%</b>	<b>159,744</b>	<b>208,395</b>	<b>79,374</b>	<b>312,566</b>	<b>\$26.19</b>
Downtown	8,347,412	30.2%	3.9%	21.5%	25.4%	-337,203	-44,793	37,457	123,915	\$33.26
Midtown	9,151,689	28.9%	0.9%	31.6%	32.6%	17,213	28,089	95,340	379,071	\$25.77
<b>Central Corridor</b>	<b>17,499,101</b>	<b>29.5%</b>	<b>2.4%</b>	<b>26.8%</b>	<b>29.2%</b>	<b>-319,990</b>	<b>-16,704</b>	<b>132,797</b>	<b>502,986</b>	<b>\$27.89</b>
44th Street Corridor	2,164,831	27.7%	5.2%	27.3%	32.4%	1,834	-70,730	19,073	67,148	\$29.65
Camelback Corridor	7,562,244	21.9%	3.1%	20.2%	23.4%	74,234	40,157	203,553	752,036	\$42.12
Midtown/Central Phoenix	2,455,196	7.9%	0.7%	8.4%	9.1%	-36,600	-45,593	4,155	54,120	\$20.30
<b>East Phoenix</b>	<b>12,182,271</b>	<b>20.1%</b>	<b>3.0%</b>	<b>19.1%</b>	<b>22.1%</b>	<b>39,468</b>	<b>-76,166</b>	<b>226,781</b>	<b>873,304</b>	<b>\$36.86</b>
Chandler	7,323,017	23.8%	7.7%	18.6%	26.4%	-42,754	445,048	97,397	878,192	\$33.85
Gateway Airport/Loop 202	167,646	12.9%	0.0%	13.8%	13.8%	-6,403	-7,860	0	15,108	\$42.94
Mesa Downtown	536,383	14.4%	0.0%	14.9%	15.2%	4,776	-21,961	6,448	24,024	\$19.23
Mesa East	1,069,112	26.6%	0.5%	37.3%	37.8%	-5,005	60,109	2,278	132,537	\$40.89
Superstition Corridor	2,131,989	25.6%	1.8%	27.3%	29.2%	-39,162	-199,133	43,262	210,227	\$24.16
Tempe	14,113,545	23.0%	8.1%	18.6%	26.8%	195,446	426,182	273,038	807,238	\$36.11
<b>East Valley</b>	<b>25,341,692</b>	<b>23.4%</b>	<b>6.9%</b>	<b>20.0%</b>	<b>27.0%</b>	<b>106,898</b>	<b>702,385</b>	<b>422,423</b>	<b>2,067,326</b>	<b>\$33.74</b>
Paradise Valley	1,584,428	20.1%	3.9%	20.3%	24.3%	25,079	58,803	4,929	100,537	\$34.72
Piestewa Peak Corridor	1,809,214	25.4%	4.8%	25.6%	30.4%	-58,422	-49,009	19,632	69,458	\$27.18
<b>North Phoenix</b>	<b>3,393,642</b>	<b>22.9%</b>	<b>4.4%</b>	<b>23.2%</b>	<b>27.6%</b>	<b>-33,343</b>	<b>9,794</b>	<b>24,561</b>	<b>169,995</b>	<b>\$30.75</b>
Arrowhead	780,448	13.5%	3.8%	19.9%	23.7%	9,193	9,079	5,965	72,990	\$33.71
Deer Valley/Airport	5,059,089	33.1%	5.1%	23.2%	28.2%	-185,043	-163,439	9,945	253,132	\$28.42
North I-17	90,432	33.6%	0.0%	33.6%	33.6%	1,592	0	0	2,425	\$30.00
Northwest Phoenix	4,378,054	30.0%	2.3%	26.9%	29.2%	2,090	-138,987	19,606	286,988	\$23.74
<b>Northwest Phoenix</b>	<b>10,308,023</b>	<b>30.3%</b>	<b>3.7%</b>	<b>24.6%</b>	<b>28.3%</b>	<b>-172,168</b>	<b>-293,347</b>	<b>35,516</b>	<b>615,535</b>	<b>\$26.48</b>
Central Scottsdale	5,247,825	20.3%	4.6%	14.4%	19.0%	-86,262	-13,987	86,717	269,921	\$33.03
N Scottsdale/Carefree	285,707	18.5%	1.1%	11.5%	12.5%	6,510	-4,803	10,787	22,287	\$24.25
Scottsdale Airpark	8,717,754	18.9%	2.6%	20.0%	22.6%	-37,500	-88,790	100,842	869,709	\$34.77
Scottsdale South	4,747,239	23.3%	1.1%	22.9%	24.0%	71,166	68,798	117,142	478,500	\$41.29
<b>Scottsdale</b>	<b>18,998,525</b>	<b>20.4%</b>	<b>2.8%</b>	<b>19.1%</b>	<b>21.8%</b>	<b>-46,086</b>	<b>-38,782</b>	<b>315,488</b>	<b>1,640,417</b>	<b>\$36.25</b>
Glendale	1,295,581	25.8%	0.0%	15.6%	15.6%	-6,575	-16,868	130,185	96,658	\$34.80
Loop 303/Surprise	267,118	11.7%	0.0%	6.9%	6.9%	9,558	3,286	14,975	13,040	\$34.66
Southwest Phoenix	1,219,821	12.6%	0.0%	12.5%	12.5%	0	-37,410	1,963	0	\$28.90
West I-10	673,230	16.4%	1.0%	17.5%	18.5%	-4,846	57,536	7,337	83,654	\$36.12
<b>West Phoenix</b>	<b>3,455,750</b>	<b>18.2%</b>	<b>0.2%</b>	<b>14.2%</b>	<b>14.4%</b>	<b>-1,863</b>	<b>6,544</b>	<b>154,460</b>	<b>193,352</b>	<b>\$33.89</b>
<b>Phoenix Totals</b>	<b>100,184,478</b>	<b>24.0%</b>	<b>3.7%</b>	<b>20.9%</b>	<b>25.3%</b>	<b>-267,340</b>	<b>502,119</b>	<b>1,391,400</b>	<b>6,375,481</b>	<b>\$31.45</b>
Class A	56,445,772	29.1%	5.7%	24.4%	30.1%	-210,604	1,002,757	954,680	4,096,852	\$34.49
Class B	38,390,741	18.4%	2.8%	17.6%	20.4%	-38,249	-514,897	426,462	2,149,308	\$25.50
Class C	5,327,965	10.3%	2.6%	7.0%	9.7%	-18,487	14,259	10,258	129,321	\$21.07

## SIGNIFICANT SALE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Thirty 03	Midtown	458,047	\$32,250,000	\$70.41	Mikhail Holdings Ltd.	Balfour Pacific
1821 W Rio Salado Pky (5 Prop)	Tempe	296,663	\$61,500,000	\$207.31	Levine Investments, L.P.	Oaktree Capital Mgmt., L.P.
25600 N Norterra Pky (2 Prop)	Deer Valley/Airport	237,834	\$26,754,750	\$112.49	Wentworth Property Co.	GIC Real Estate
92 Mountainview	Central Scottsdale	116,200	\$15,500,000	\$133.39	The Trinity Church	Platinum Advisors, LLC
1900 W University Dr (2 Prop)	Tempe	109,546	\$12,182,000	\$111.20	The Opus Group	Washington Capital Mgmt., Inc.

## SIGNIFICANT LEASE TRANSACTIONS 1Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
Grand II	Tempe	40,357	January 2026	DoorDash	Waymo	Sublease
Grand Central Tower	Midtown	19,983	February 2026	Bow River Caital Partners	AZ Dept. of Child Safety	Direct
Greystone Business Park	Tempe SW	19,751	March 2026	Property Income Advsiors	Coffman/Fisher	Direct
Airport Tech Center	44th St Corridor	19,598	February 2026	TerraCap Mgmnt	KB Homes	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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<b>COMMERCIAL BROKERAGE</b>	<b>\$9B</b> AVERAGE ANNUAL TRANSACTION VOLUME	<b>32.4M</b> ANNUAL SALES SF	<b>32.5M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>55M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>800+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,700+</b> AVERAGE ASSIGNMENTS	<b>42</b> TOTAL APPRAISERS	<b>23</b> WITH MAI DESIGNATIONS