Kidder Mathews

MARKET TRENDS

PHOENIX *OFFICE*

2Q 2026

MARKET DRIVERS

The Phoenix office market recorded positive direct net absorption of 493K SF in 2Q26. Northwest Phoenix recorded the highest positive net absorption at 297.6K SF, while Camelback Corridor saw the lowest, with negative net absorption of 126K SF. All class types recorded positive direct net absorption across the board, with Class A recording the highest net absorption of 314K SF, followed by Class C posting 113K SF.

Sublet demand remained strong, with Class A sublet absorption totaling 407K SF, which accounted for over half of the total Class A net absorption at 721.7K SF.

Total leasing activity remained steady in 2Q26, totaling 1.5M SF. Average direct rates rose to an all-time high of $31.65 PSF FSG. Total vacancies stand at 23.3%, reflecting a 100 bps YOY decrease. Class A total vacancy stood at 28.1%, Class B at 18.4%, and Class C at 9.9%. Class A rates continue to lead average direct rates at $34.59 PSF FSG, as highly amenitized office buildings remain preferred by tenants.

NEAR-TERM OUTLOOK

Hybrid work continues to reshape office space needs across the Valley, as tenants trade traditional layouts for more collaborative, open floor plans while reducing their overall footprints. That downsizing is fueling demand for move-in ready and spec suites, allowing tenants to avoid lengthy build-outs and rising tenant improvement costs. Landlords continue expanding their inventory of spec suites to meet evolving tenant preferences, giving occupiers greater flexibility and negotiating leverage during lease discussions.

Employers' continued emphasis on in-office attendance is expected to support demand for high-quality, amenity-rich office space. Tenant migration to newer Class A properties with enhanced amenities is likely to continue as organizations prioritize employee experience, operational efficiency, and workplace quality. Supported by Phoenix's population growth and diversified economy, long-term office demand is expected to gradually strengthen, with well-located Class A assets remaining best positioned to outperform as market fundamentals continue to stabilize.

↓ *1.5M SF*
LEASING ACTIVITY

↓ *493K SF*
NET ABSORPTION

↓ *23.3%*
VACANCY RATE

↑ *$31.65*
ASKING RENT (AVG)

↓ *0 SF*
NEW DELIVERIES

Year-Over-Year Trend

Market Summary

	2Q26	1Q26	2Q25	YOY Change
Total Vacancy Rate	23.3%	24.1%	24.3%	**-100 bps**
Total Availability Rate	24.7%	25.0%	26.3%	**-160 bps**
Direct Asking Lease Rate/SF/Yr	$31.65	$31.44	$30.96	**2%**
	2Q26	**2026 YTD**	**2025 YTD**	**YOY Change**
Leasing Activity (SF)	1,544,306	2,999,664	3,137,050	**-4.4%**
Sale Volume (SF)	1,124,236	2,750,045	1,653,145	**66%**
Net Absorption (SF)	492,625	162,321	327,341	**-50%**

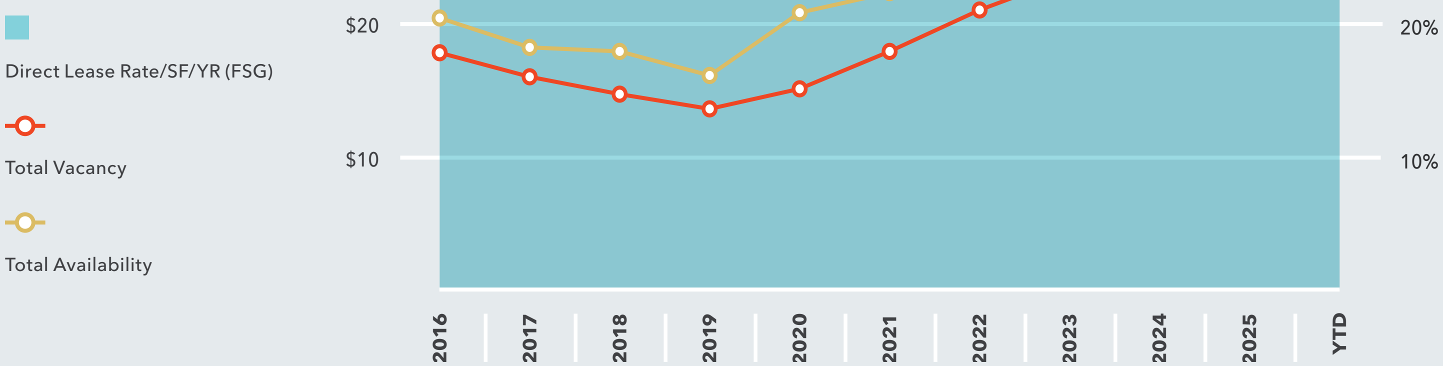
Market Highlights

LEASING ACTIVITY decreased YOY to 1.5M SF

SALES VOLUME was 1.1M SF for 2Q26

TOTAL VACANCY RATES decreased 100 bps YOY

LEASE RATE, VACANCY & AVAILABILITY

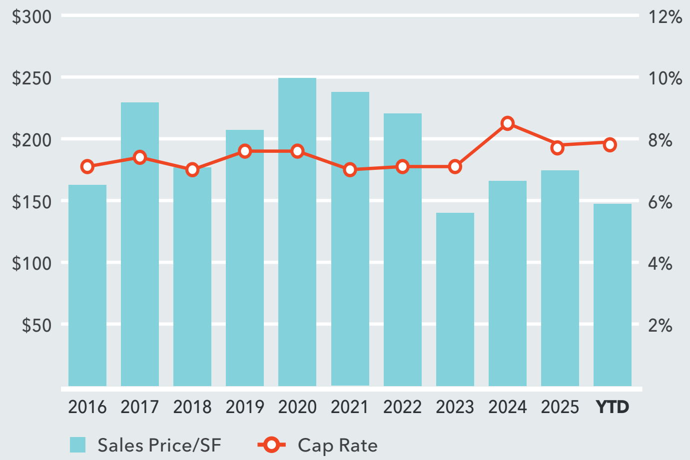


BIGGEST SALE OF THE QUARTER

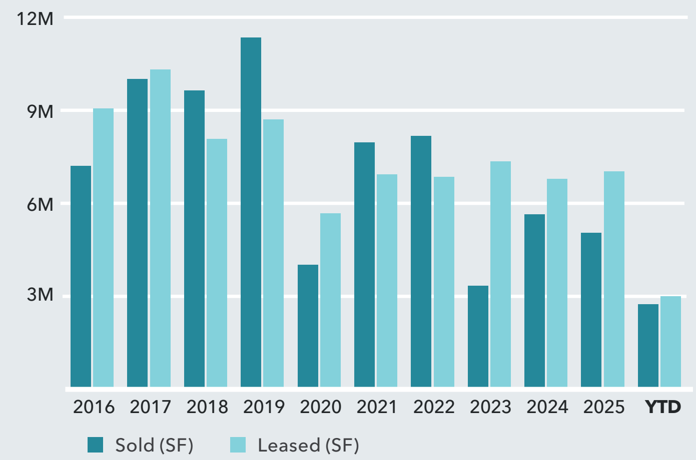
Apollo Corp Headquarters
Phoenix, AZ (3 Properties)

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	2Q26 Direct Net Absorption	YTD Direct Net Absorption	2Q26 Leasing Activity	YTD Leasing Activity	Average Direct Rental Rate (FS)
Airport Area	4,426,272	28.3%	13.7%	15.4%	29.1%	30,613	100,479	13,911	51,007	$22.70
South Tempe/Ahwatukee	4,019,031	19.8%	4.2%	18.5%	22.7%	5,207	-3,614	98,285	138,095	$29.76
Airport	**8,445,303**	**24.2%**	**9.2%**	**16.9%**	**26.0%**	**35,820**	**96,865**	**112,196**	**189,102**	**$26.54**
Downtown	8,289,672	30.1%	1.0%	20.4%	21.4%	29,653	-410,550	2,593	43,931	$33.70
Midtown	9,125,702	28.4%	0.6%	34.3%	34.9%	37,409	61,522	80,796	202,939	$26.22
Central Corridor	**17,415,374**	**29.2%**	**0.8%**	**27.7%**	**28.5%**	**67,062**	**-349,028**	**83,389**	**246,870**	**$28.24**
44th Street Corridor	2,175,890	35.5%	4.9%	28.9%	33.8%	1,323	3,157	42,125	61,198	$29.43
Camelback Corridor	7,571,242	20.7%	2.3%	18.7%	21.0%	-125,646	-48,705	187,638	398,402	$43.05
Midtown/Central Phoenix	2,424,553	9.0%	0.7%	9.0%	9.6%	-35,650	-72,250	16,883	28,837	$20.94
East Phoenix	**12,171,685**	**21.0%**	**2.4%**	**18.6%**	**21.0%**	**-159,973**	**-117,798**	**246,646**	**488,437**	**$37.09**
Chandler	7,321,006	22.6%	7.7%	20.7%	28.4%	88,556	44,202	88,207	205,084	$34.06
Gateway Airport/Loop 202	256,790	11.0%	0.0%	11.0%	14.9%	0	-6,403	182	182	$47.12
Mesa Downtown	536,383	13.5%	0.0%	14.1%	14.4%	5,348	10,124	4,897	11,345	$19.69
Mesa East	1,069,112	36.7%	0.5%	37.2%	37.8%	-109,663	-114,668	7,257	12,222	$42.53
Superstition Corridor	2,178,159	25.4%	1.3%	26.3%	27.7%	-25,255	-64,417	36,439	83,760	$23.89
Tempe	14,085,788	22.9%	8.8%	16.9%	25.8%	69,000	277,800	162,150	454,892	$35.42
East Valley	**25,447,238**	**23.3%**	**7.2%**	**19.6%**	**26.9%**	**27,986**	**146,638**	**299,132**	**767,485**	**$33.52**
Paradise Valley	1,558,633	20.9%	3.9%	19.6%	23.5%	-7,461	17,402	25,860	32,194	$34.60
Piestewa Peak Corridor	1,809,214	27.1%	4.2%	26.9%	31.1%	-41,455	-99,877	18,423	38,055	$29.54
North Phoenix	**3,367,847**	**24.2%**	**4.1%**	**23.5%**	**27.6%**	**-48,916**	**-82,475**	**44,283**	**70,249**	**$32.41**
Arrowhead	758,419	14.7%	3.7%	21.0%	24.7%	-537	10,430	7,096	14,835	$35.52
Deer Valley/Airport	4,756,765	32.6%	5.4%	23.9%	29.3%	-1,163	-183,744	108,909	118,854	$29.42
North I-17	90,432	35.4%	0.0%	35.4%	35.4%	0	1,592	0	0	$31.84
Northwest Phoenix	4,381,919	23.2%	1.8%	21.8%	23.6%	297,642	410,743	43,784	64,194	$24.20
Northwest Phoenix	**9,987,535**	**27.1%**	**3.6%**	**22.8%**	**26.5%**	**295,942**	**239,021**	**159,789**	**197,883**	**$27.33**
Central Scottsdale	5,112,401	18.2%	8.0%	14.6%	22.6%	13,515	-72,747	59,734	146,451	$33.25
N Scottsdale/Carefree	285,707	21.3%	1.1%	12.8%	13.9%	-2,221	4,289	0	10,787	$23.85
Scottsdale Airpark	8,686,881	14.9%	1.8%	17.3%	19.2%	189,379	153,643	359,005	460,119	$34.96
Scottsdale South	4,768,569	22.9%	1.2%	21.2%	22.4%	67,278	139,023	117,026	204,092	$40.92
Scottsdale	**18,853,558**	**17.9%**	**3.3%**	**17.5%**	**20.8%**	**267,951**	**224,208**	**535,765**	**821,449**	**$36.03**
Glendale	1,295,581	23.9%	0.0%	14.7%	14.7%	-6,873	-13,448	32,216	163,024	$36.95
Loop 303/Surprise	267,118	11.7%	0.0%	6.9%	6.9%	0	9,558	0	14,975	$34.45
Southwest Phoenix	1,171,070	13.0%	0.0%	13.0%	13.0%	1,963	1,963	0	1,963	$29.50
West I-10	673,230	14.6%	0.5%	15.6%	16.1%	11,663	6,817	30,890	38,227	$35.38
West Phoenix	**3,406,999**	**17.3%**	**0.1%**	**13.7%**	**13.8%**	**6,753**	**4,890**	**63,106**	**218,189**	**$34.63**
Phoenix Totals	**99,095,539**	**23.3%**	**4.2%**	**20.5%**	**24.7%**	**492,625**	**162,321**	**1,544,306**	**2,999,664**	**$31.65**
Class A	55,250,784	28.1%	5.4%	23.7%	29.1%	314,317	4,574	1,091,108	2,071,764	$34.59
Class B	38,242,830	18.4%	2.8%	17.9%	20.7%	64,761	81,038	428,613	884,303	$26.13
Class C	5,581,925	9.9%	2.8%	6.8%	9.6%	113,547	76,709	24,585	43,597	$21.57

SIGNIFICANT SALE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
Apollo Corporate HQ (3 prop)	Airport Area	599,664	$103,000,000	$171.76	LXP Industrial Trust	EPIC, LLC
Desert Vista Corporate Center	Deer Valley/Airport	97,372	$19,458,000	$199.83	Transdien Engineering	101 & 7th Street Ptns., LLC
Fairmount Place	Midtown	87,030	$11,500,000	$132.14	AS Realty Investors	Metro Resources, Inc.
8010 E McDowell Rd	Scottsdale South	43,368	$10,000,000	$230.58	Arizona Ptns. Retail Inv. Group	HOH Inv. Group, LLC
North Loop Business Center - Bldg C	Deer Valley/Airport	45,189	$8,710,000	$192.75	Turbow Family Trust	Regent Properties

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
8501 E Raintree Dr	Scottsdale Airpark	123,340	May 2026	Oaktree Capital Mgmt., LP	Consumer Cellular	Direct
3133 E Camelback Rd	Camelback Corridor	96,252	June 2026	Reliance Management	McCarthy Building Co.	Direct
2160 E Elliot Rd	South Tempe/Ahwatukee	49,790	May 2026	Discover Business Campus Owners Assoc.	AssistRx	Sublease
Union Hills Office Plaza	Deer Valley/Airport	47,905	May 2026	RFA Asset Management	SW Service Admin., Inc.	Renewal
SkySong Innovation Ctr	Scottsdale South	36,046	May 2026	Holualoa Companies	Undisclosed	Direct

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

Kidder Mathews

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	32.4M	32.5M
AVERAGE ANNUAL TRANSACTION VOLUME	ANNUAL SALES SF	ANNUAL LEASING SF

ASSET SERVICES

54M SF	800+	250+
MANAGEMENT PORTFOLIO SIZE	ASSETS UNDER MANAGEMENT	CLIENTS SERVED

VALUATION ADVISORY

2,700+	42	23
AVERAGE ASSIGNMENTS	TOTAL APPRAISERS	WITH MAI DESIGNATIONS