

MARKET TRENDS

PHOENIX OFFICE

MARKET DRIVERS

The Phoenix office market recorded 23.6K SF of positive direct net absorption in 3Q26. Central Corridor recorded the highest positive net absorption at 105.6K SF, while East Phoenix saw the lowest, with negative net absorption of 64.6K SF. Class A recorded a direct net absorption of 48,820 SF and Class C posted 14,036 SF, both positive for the quarter, while Class B posted negative 39,236 SF.

Sublet demand remained strong, with Class A sublet absorption totaling 40.3K SF, accounting for just under half of total Class A net absorption of 89.2K SF.

Total leasing activity totaled 1.3M SF in 3Q26, down from the prior quarter. Average direct rates held at \$31.66/SF FSG, representing a 2% increase year over year. Total vacancy stood at 23.7% in 3Q26, down just 10 bps from both last quarter and the same period last year. Class A total vacancy stood at 28.3%, Class B at 18.5%, and Class C at 11.1%, with all three class types remaining relatively consistent with the prior quarter. Class A rates continue to lead average direct rental rates at \$34.50/SF FSG, reflecting the premium associated with Class A office product.

NEAR-TERM OUTLOOK

The Phoenix office market is continuing to move toward stabilization, with office-using employment increasing 1.3% year over year in July, the strongest annual growth since mid-2022. As employment grows, developers are taking a more selective approach to new office investment, with greater emphasis on renovating and repositioning existing properties.

Limited new office development and the potential removal or repositioning of older, underperforming buildings could gradually reduce available inventory. As available space becomes more limited, competition is likely to increase for well-located, updated properties, particularly those offering modern amenities and flexible space. Properties that can adapt to evolving tenant needs are likely to remain better positioned to attract and retain demand, while older commodity space may continue to face a slower recovery.

Market Summary

	3Q26	2Q26	3Q25	YOY Change
Total Vacancy Rate	23.7%	23.8%	23.8%	-10 bps
Total Availability Rate	24.4%	25.1%	25.4%	-100 bps
Direct Asking Lease Rate/SF/Yr	\$31.66	\$31.69	\$31.15	2%
	3Q26	2026 YTD	2025 YTD	YOY Change
Leasing Activity (SF)	1,296,066	4,205,080	4,788,946	-12.2%
Sale Volume (SF)	469,574	3,176,575	2,763,527	14.9%
Net Absorption (SF)	23,620	-156,525	392,459	-139.9%

3Q 2026

↓ **1.3M SF**
LEASING ACTIVITY

↓ **24K SF**
NET ABSORPTION

↓ **23.7%**
VACANCY RATE

↑ **\$31.66**
ASKING RENT (AVG)

↔ **0 SF**
NEW DELIVERIES

Year-Over-Year Trend

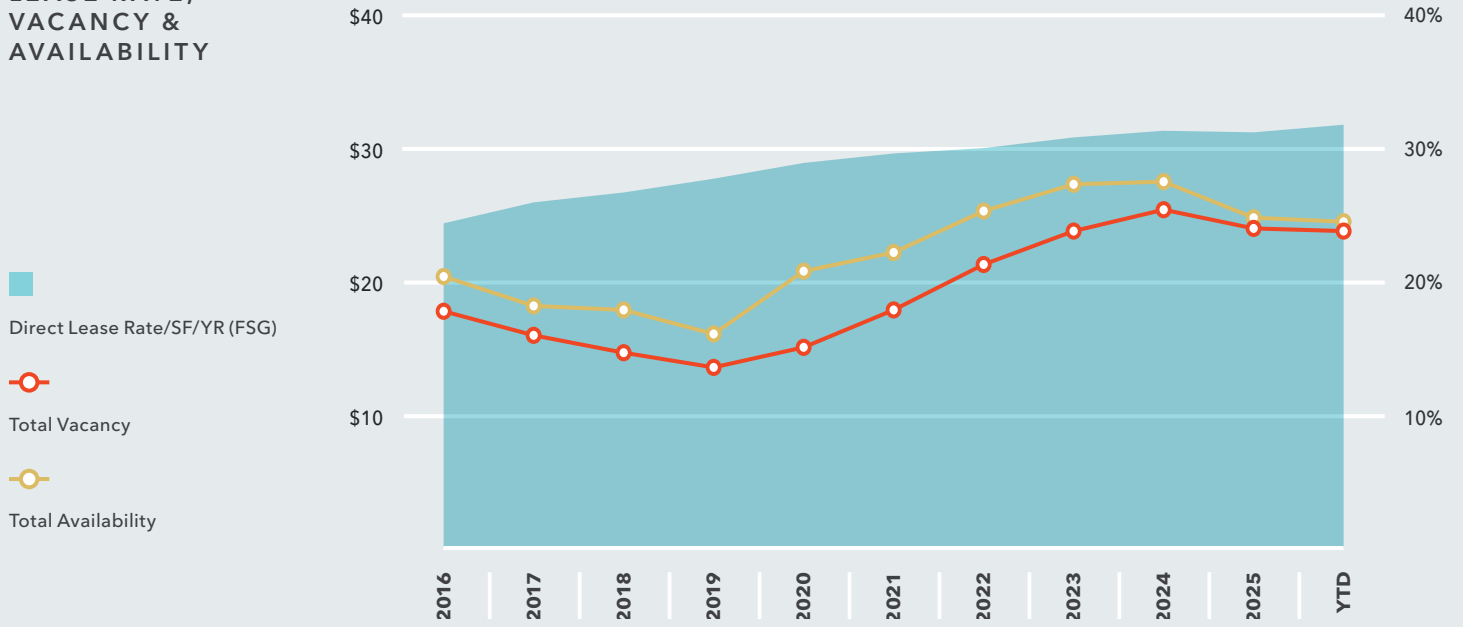
Market Highlights

LEASING ACTIVITY
decreased YOY to 1.3M SF

SALES VOLUME was 470K SF
for 3Q26

TOTAL VACANCY RATES
decreased 10 bps YOY

LEASE RATE, VACANCY & AVAILABILITY



BIGGEST SALE OF THE QUARTER

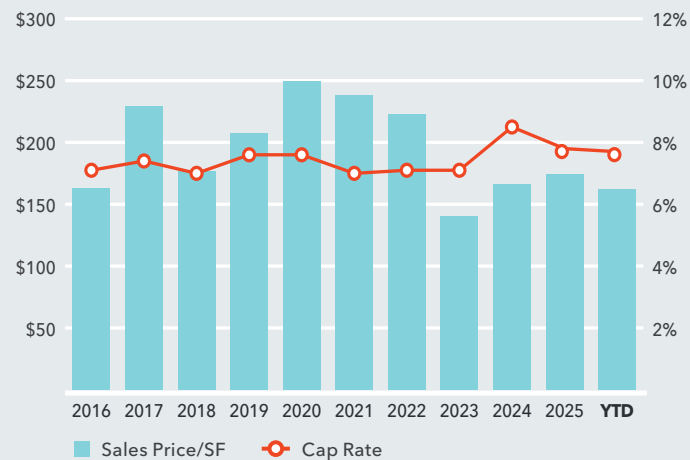
Camelback Esplanade III, Phoenix



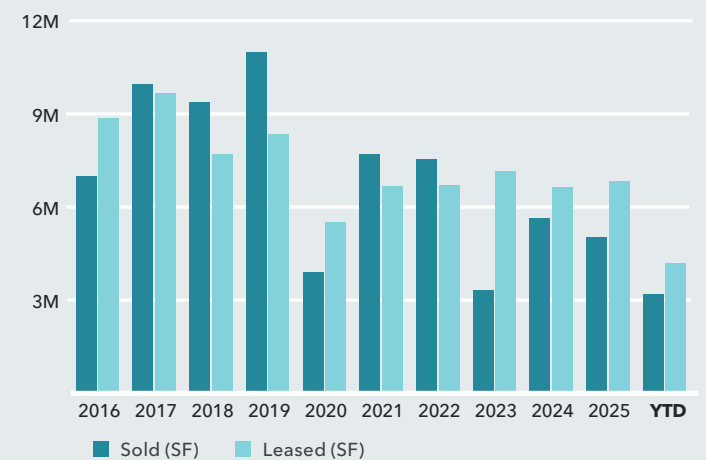
NET ABSORPTION & NEW DELIVERIES



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	3Q26 Direct Net Absorption	YTD Direct Net Absorption	3Q26 Leasing Activity	YTD Leasing Activity	Average Direct Rental Rate (FS)
Airport Area	4,254,765	27.7%	13.8%	14.5%	28.3%	-9,397	82,115	9,557	45,838	\$22.46
South Tempe/Ahwatukee	3,824,853	20.2%	4.5%	19.1%	23.6%	24,703	11,410	22,146	169,825	\$29.95
Airport	8,079,618	24.1%	9.4%	16.7%	26.1%	15,306	93,525	31,703	215,663	\$26.78
Downtown	8,261,230	30.4%	1.0%	19.9%	20.8%	-25,209	-435,761	112,490	156,421	\$33.96
Midtown	9,029,270	27.2%	0.6%	33.0%	33.6%	130,810	196,581	66,066	275,588	\$25.98
Central Corridor	17,290,500	28.7%	0.8%	26.7%	27.5%	105,601	-239,180	178,556	432,009	\$28.21
44th Street Corridor	2,132,884	39.8%	5.0%	32.1%	37.1%	-249,847	-246,690	129,907	191,105	\$29.16
Camelback Corridor	7,277,558	20.1%	1.7%	17.7%	19.4%	199,337	149,693	200,165	676,462	\$43.75
Midtown/Central Phoenix	2,271,042	9.4%	0.7%	9.3%	10.1%	-14,068	-77,966	8,411	28,071	\$21.18
East Phoenix	11,681,484	21.6%	2.1%	18.7%	20.8%	-64,578	-174,963	338,483	895,638	\$37.13
Chandler	7,115,265	22.6%	7.6%	21.4%	29.1%	-40,627	-33,628	81,841	287,201	\$34.00
Gateway Airport/Loop 202	184,336	7.0%	0.0%	6.0%	10.5%	-6,418	-12,821	5,981	6,163	\$50.38
Mesa Downtown	536,383	13.3%	0.0%	13.9%	13.9%	-6,418	10,346	1,406	12,751	\$19.36
Mesa East	1,020,033	34.4%	0.3%	35.0%	35.4%	224	-73,949	10,709	29,200	\$38.70
Superstition Corridor	2,043,432	25.3%	1.5%	25.2%	26.7%	31,897	-11,280	37,797	110,556	\$23.78
Tempe	13,555,269	24.3%	8.4%	17.5%	25.9%	-66,160	115,673	208,105	652,538	\$34.38
East Valley	24,454,718	24.0%	7.0%	19.9%	26.9%	-40,365	-5,657	345,839	1,098,409	\$33.13
Paradise Valley	1,537,359	22.7%	4.0%	20.3%	24.3%	-4,253	13,149	29,381	61,575	\$34.75
Piestewa Peak Corridor	1,710,364	28.4%	4.0%	27.7%	31.8%	-5,913	-104,498	8,624	44,585	\$29.60
North Phoenix	3,247,723	25.7%	4.0%	24.2%	28.2%	-10,166	-91,349	38,005	106,160	\$32.63
Arrowhead	600,224	14.0%	3.6%	16.1%	19.8%	-8,668	-1,817	6,544	13,530	\$32.81
Deer Valley/Airport	4,574,965	32.6%	3.7%	25.8%	29.6%	14,056	-162,463	44,804	153,459	\$30.43
North I-17	64,473	47.1%	0.0%	47.1%	47.1%	0	1,592	0	0	\$32.00
Northwest Phoenix	4,071,553	28.5%	0.8%	21.7%	22.4%	-17,943	162,547	20,198	74,526	\$24.54
Northwest Phoenix	9,311,215	29.7%	2.4%	23.5%	25.9%	-12,555	-141	71,546	241,515	\$27.75
Central Scottsdale	4,790,183	17.2%	8.3%	15.2%	23.5%	20,024	-37,857	46,983	216,342	\$32.93
N Scottsdale/Carefree	226,269	15.6%	1.4%	7.3%	8.7%	19,924	14,951	7,888	10,388	\$25.07
Scottsdale Airpark	8,351,243	14.4%	1.3%	16.8%	18.1%	-32,026	115,994	145,741	523,802	\$34.80
Scottsdale South	4,595,827	23.4%	1.2%	21.1%	22.2%	-18,908	118,163	72,419	273,516	\$41.59
Scottsdale	17,963,522	17.5%	3.1%	17.3%	20.5%	-10,986	211,251	273,031	1,024,048	\$36.20
Glendale	1,247,964	25.2%	0.0%	12.2%	12.2%	27,404	13,956	11,306	129,627	\$35.51
Loop 303/Surprise	267,118	6.9%	1.1%	6.9%	8.0%	12,695	22,253	0	14,975	\$35.00
Southwest Phoenix	1,171,070	13.0%	0.0%	13.0%	13.0%	0	1,963	0	1,963	\$29.50
West I-10	625,975	13.6%	0.4%	13.2%	13.5%	1,264	11,817	7,597	45,073	\$35.96
West Phoenix	3,312,127	17.2%	0.2%	12.2%	12.4%	41,363	49,989	18,903	191,638	\$33.86
Phoenix Totals	95,340,907	23.7%	4.0%	20.5%	24.4%	23,620	-156,525	1,296,066	4,205,080	\$31.66
Class A	54,466,510	28.3%	4.9%	23.0%	27.9%	48,820	-278,263	1,035,006	3,114,973	\$34.50
Class B	35,615,329	18.5%	2.6%	18.6%	21.2%	-39,236	105,687	249,789	1,037,013	\$26.35
Class C	5,239,068	11.1%	3.0%	6.7%	9.7%	14,036	16,051	11,271	53,094	\$21.77

SIGNIFICANT SALE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Camelback Esplanade III	Camelback Corridor	221,836	\$86,000,000	\$387.67	Southwest Value Partners	Esplanade III Owner, LLC
Surprise Office Center	Loop 303/Surprise	54,735	\$13,400,000	\$244.82	Woodside Health	XCD Realty
Three Scottsdale Landing	Scottsdale Airpark	81,000	\$10,270,000	\$126.79	Envita Medical Centers of America	Wentworth Property Co.
702 E Osborn Rd	Midtown/Central Phoenix	35,346	\$6,800,000	\$192.38	AZ E Osborn, LLC	702 East Osborn, LLC
19th Ave Corner Offices	Deer Valley/Airport	28,479	\$5,175,000	\$181.71	Austin Property Mgmt.	1838 West Parkside Lane, LLC

SIGNIFICANT LEASE TRANSACTIONS 3Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Lease Type
The Alameda	Tempe	90,924	August 2026	Ascent Real Estate Advisors, LLC	Direct
Three Gateway	44th Street Corridor	84,262	July 2026	Western Alliance Bank	Direct
State Farm - Bldg D	Tempe	42,000	September 2026	JDM Partners, LLC	Sublet
Park Place South	Chandler	33,200	August 2026	Jon Hancock Real Estate	Sublet
One Gateway	44th Street Corridor	24,698	July 2026	Western Alliance Bank	Direct

Data Source: Costar, AZ Big Media, U.S. Bureau of Labor Statistics, Yardi Research



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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

32.4M

ANNUAL
SALES SF

32.5M

ANNUAL
LEASING SFASSET
SERVICES

55M+ SF

MANAGEMENT
PORTFOLIO SIZE

800+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,700+

AVERAGE
ASSIGNMENTS

42

TOTAL
APPRAISERS

23

WITH MAI
DESIGNATIONS