

PHOENIX MARKET INSIGHTS

HEALTHCARE INSIDER

Our Team's View of the Phoenix Medical Office Market

LEASING ACTIVITY

Direct vacancy increased slightly in Q1 2026, rising to 15.8% from 15.0% last quarter. This marks a shift after several quarters of gradual tightening. Even with that change, average direct rental rates moved higher, increasing to \$33.80/SF from \$33.32/SF on a full-service basis, which underscores that top-tier medical space is still achieving strong pricing. Leasing momentum softened as net absorption turned negative at (117,744) SF, reversing the 66,598 SF of positive absorption recorded in Q4. We are seeing longer decision timelines and fewer large space requirements as tenants adjust to higher operating costs. Construction costs remain elevated, but we continue to see more creative deal structures and negotiated solutions as groups work through today's cost environment.

SALES ACTIVITY

Sales volume eased in Q1 2026, declining to \$88.9 million from \$104.3 million in Q4. Buyer interest remains, but financing standards continue to shape pricing and transaction velocity. Lenders have held firm on underwriting, which has kept some deals from penciling at seller expectations. That said, notable trades, including the approximately \$30 million transaction at 21250 W Roosevelt Street in Buckeye, confirm that capital is still active for well-positioned assets. The market remains bifurcated: opportunities priced to today's conditions, particularly those sourced off-market or positioned thoughtfully, continue to trade, while aggressively priced listings can sit for extended periods.

CONSTRUCTION

Development remains limited in Q1 2026. High construction costs, paired with direct vacancy rising to 15.8%, continue to reduce speculative starts and keep many projects in planning longer than normal. Even so, select projects are moving forward where demand is clear and health system sponsorship supports execution. Office-to-medical conversions continue to add supply across the Valley's approximately 17.0 million square feet of medical office inventory, offering a more efficient path to new space in certain submarkets. With absorption turning negative this quarter, we expect new supply decisions to stay disciplined—targeted to proven demand, strong locations, and credit-backed tenancy.

Market Breakdown

	Q4 2025	Q1 2026	Quarterly Change
DIRECT VACANCY RATE (%)	15.0%	15.8%	0.8%
DIRECT RENTAL RATE	\$33.32	\$33.80	\$0.48
SOLD (\$)	\$104.3M	\$88.9M	(\$15.4M)
NET ABSORPTION (SF)	66,598	(117,744)	(184,342)

- ▼ ABSORPTION ▲ VACANCY
- ▲ RENTAL RATE ▲ CONSTRUCTION DELIVERIES

Q1 2026 MARKET SNAPSHOT



17.0M
INVENTORY SF



205.3K
LEASED SF



\$88.9M
SALE TRANSACTIONS



\$33.80
AVERAGE DIRECT RENTAL RATE PER SF



\$30M
LARGEST QUARTERLY TRANSACTION
21250 W Roosevelt St, Buckeye, AZ

RECENT TEAM SALES



4250 W PINNACLE PEAK RD Glendale, AZ

SUBMARKET	Deer Valley/Airport
SALE DATE	1/30/2026
SALE PRICE	\$4,200,000.00
SIZE	8,024 SF
PRICE/SF	\$523.43/SF



401 W BASELINE RD Tempe, AZ

SUBMARKET	Tempe
SALE DATE	2/12/2026
SALE PRICE	\$2,733,000
SIZE	30,408 SF
PRICE/SF	\$89.88/SF

RECENT TEAM LEASES



8415 N PIMA RD Scottsdale, AZ

SUBMARKET	Central Scottsdale
LEASE TYPE	Full Service
TENANT	Valley ENT
SIZE	3,227 SF
CLASS	A



9305 W THOMAS RD Phoenix, AZ

SUBMARKET	Glendale
LEASE TYPE	Modified Gross
TENANT	Banner Imaging
SIZE	13,399 SF
CLASS	A



4530 E SHEA BLVD Phoenix, AZ

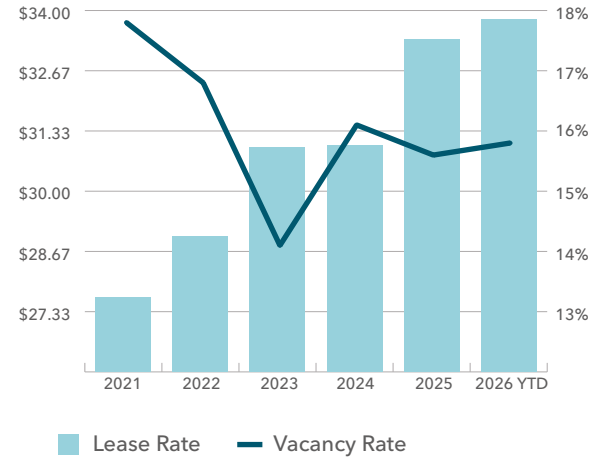
SUBMARKET	Paradise Valley
LEASE TYPE	Full Service
TENANT	AOC
SIZE	6,664 SF
CLASS	Class B



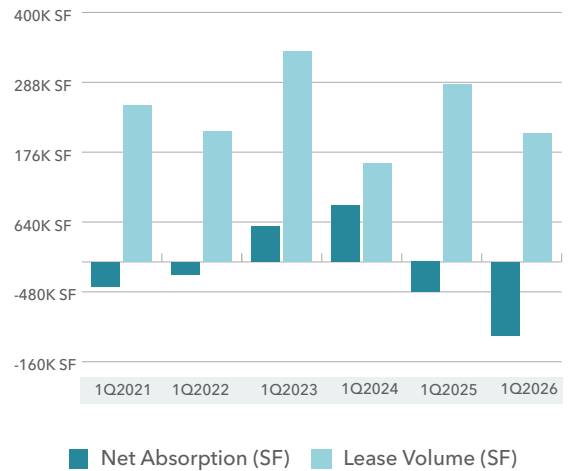
11000 N SCOTTSDALE RD Scottsdale, AZ

SUBMARKET	Central Scottsdale
LEASE TYPE	Full Service
TENANT	Avinity Health
SIZE	2,557 SF
CLASS	Class B

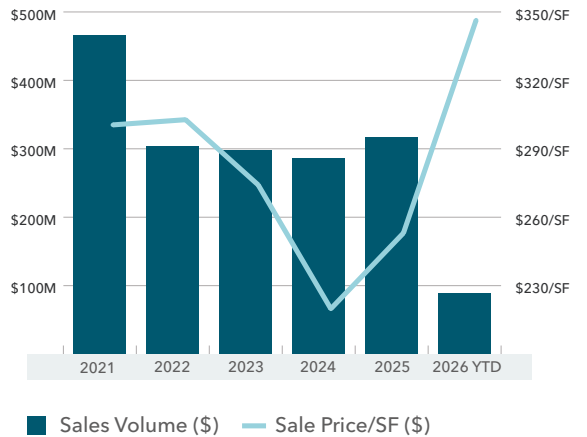
LEASE RATE & VACANCY



NET ABSORPTION & LEASE VOLUME

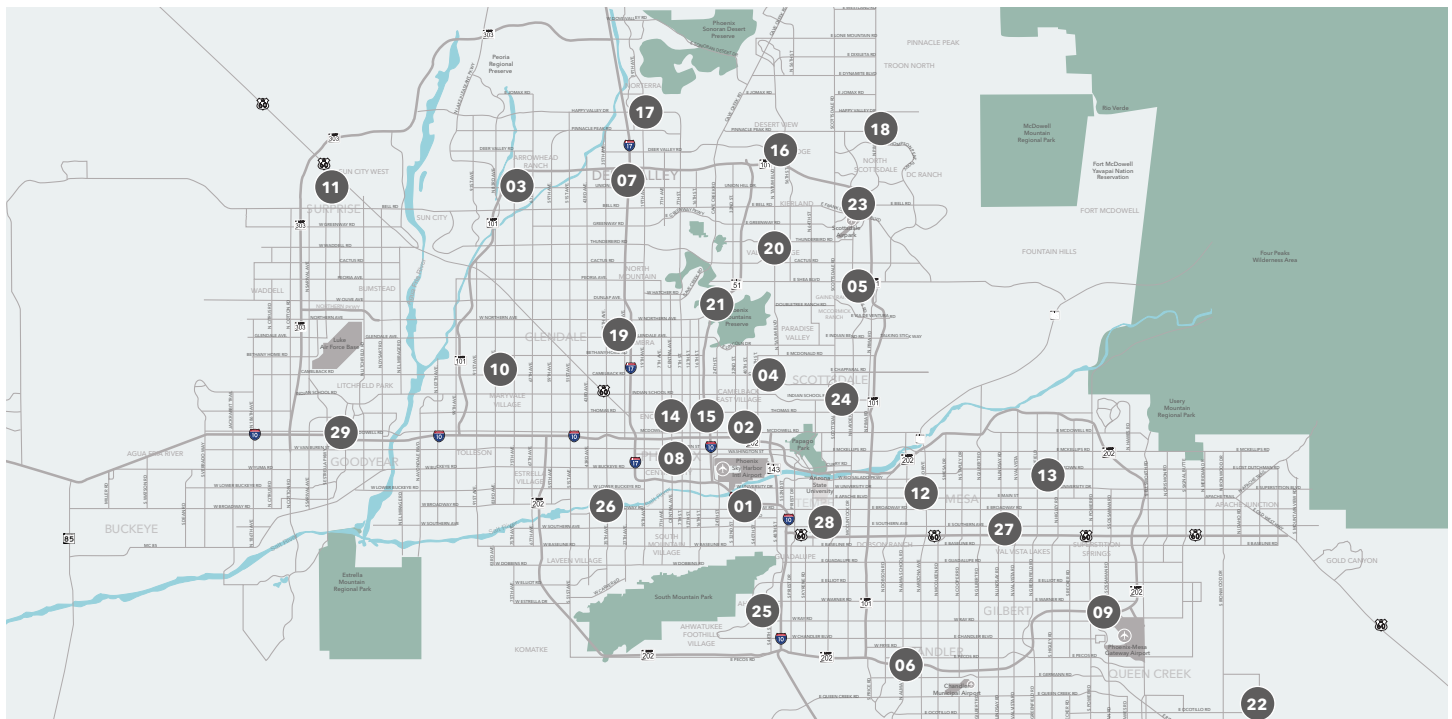


SALES VOLUME & SALE PRICE/SF



PHOENIX SUBMARKET STATISTICS - Q1 2026

#	Submarket	Total Inventory SF	Direct Rental Rate	Direct Vacancy Rate	Total Available Rate	Total Net Absorption	Total Leasing SF	Sales Volume
1	Airport Area	110,187	\$21.60	46.5%	41.8%	(2,766)	8,124	\$-
2	44th Street Corridor	98,685	\$23.33	67.3%	67.3%	(19,208)	0	\$-
3	Arrowhead	1,554,232	\$34.51	8.1%	17.3%	(2,277)	12,296	\$-
4	Camelback Corridor	352,601	N/A	8.3%	9.9%	3,448	0	\$12,400,000
5	Central Scottsdale	1,696,401	\$35.39	23.8%	23.2%	(6,699)	11,118	\$-
6	Chandler	944,592	\$36.08	16.8%	23.7%	24,551	11,087	\$-
7	Deer Valley/Airport	1,251,996	\$30.40	21.0%	27.2%	(47,518)	3,055	\$-
8	Downtown	44,510	N/A	32.1%	32.1%	0	0	\$-
9	Gateway Airport/Loop 202	1,190,427	\$50.93	14.5%	22.1%	18,269	1,341	\$25,125,000
10	Glendale	823,132	\$39.37	6.3%	10.5%	(14,503)	10,641	\$17,000,000
11	Loop 303/ Surprise	721,359	\$33.06	10.3%	13.0%	(15,900)	8,450	\$-
12	Mesa Downtown	26,734	N/A	0.0%	0.0%	0	0	\$-
13	Mesa East	288,076	\$22.80	12.6%	12.1%	2,562	3,946	\$-
14	Midtown	681,141	\$25.98	22.6%	19.7%	74	66,834	\$-
15	Midtown/Central Phoenix	1,102,538	\$30.30	14.0%	12.4%	8,625	0	\$-
16	N Phoenix/Cave Creek	26,871	\$28.70	9.1%	0.0%	1,117	0	\$-
17	North I-17	141,961	\$33.19	14.8%	16.1%	(9,104)	0	\$-
18	N Scottsdale/Carefree	96,701	\$27.06	18.6%	24.2%	(8,114)	0	\$-
19	Northwest Phoenix	698,425	\$22.75	29.2%	29.6%	1,910	22,466	\$-
20	Paradise Valley	912,373	\$32.22	17.4%	25.8%	(4,889)	35,454	\$-
21	Piestewa Peak Corridor	178,422	N/A	16.7%	21.6%	(2,876)	714	\$-
22	Pinal County	265,739	\$32.16	1.4%	6.8%	(2,800)	0	\$-
23	Scottsdale Airpark	702,759	\$36.61	12.2%	12.6%	(9,362)	0	\$-
24	Scottsdale South	497,768	\$29.87	5.6%	5.6%	7,863	2,296	\$-
25	South Tempe/Ahwatukee	363,870	\$33.05	20.4%	20.5%	(22,869)	0	\$-
26	Southwest Phoenix	83,393	\$18.93	24.2%	30.5%	(2,245)	0	\$-
27	Superstition Corridor	1,276,494	\$37.99	17.0%	21.3%	3,098	2,645	\$-
28	Tempe	341,625	\$29.51	6.0%	7.6%	8,209	5,046	\$3,740,000
29	West I-10	515,875	\$46.81	9.0%	15.3%	(26,340)	0	\$30,600,000
	Phoenix Avg/Totals	16,988,887	\$33.80	15.8%	19.28%	(117,744)	205,513	\$88,865,000



GRATITUDE

Hey Gang,

After battling cancer, I am pleased to share that I have returned to the office at full capacity following my medical leave. I am incredibly grateful to the team for their unwavering support and hard work during my absence; returning to such a high-performing environment has been both motivating and energizing.

This quarter, we welcomed Sam McCracken to our team. Sam has expertise in marketing and branding which will significantly elevate our brand and those of our clients.

With our leasing portfolio now exceeding 5,000,000 square feet, our team is better positioned than ever to deliver results. We remain committed to providing the highest level of service and outcomes in the market, and we thank you for your continued partnership with our team.

With gratitude,



-Rachael Thompson

OUR TEAM STATS

YTD 2026

5.0M+

SQUARE FOOT
PORTFOLIO

\$36.7M

TOTAL
CONSIDERATION

156K SF

TRANSACTIONS
CLOSED

32

TRANSACTIONS
CLOSED

3

COMPLETED
SALES

29

COMPLETED
LEASES

Phoenix healthcare experts with over 85+ years of combined experience

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