Kidder Mathews

Q2 2026

PHOENIX MARKET INSIGHTS

HEALTHCARE INSIDER

Our Team's View of the Phoenix Medical Office Market

LEASING ACTIVITY

The leasing market improved in Q2 2026. Direct vacancy fell to 15.1%, down from 15.8% in Q1. Average direct rents also increased to $34.39/SF from $33.80/SF on a full-service basis. Put simply, more space was occupied, and rents moved higher. Net absorption also turned positive at 60,076 SF after being negative last quarter at (117,744) SF. Tenant decisions are still taking time, and costs remain a factor, but the quarter was clearly better than Q1. The market is not running hot, but it is moving in the right direction. Good medical office space in strong locations continues to see demand.

SALES ACTIVITY

Sales activity picked up in Q2 2026. Total sales volume increased to $151.8 million, up from $88.9 million in Q1. The quarter was led by three larger sales: 9000 W Thunderbird Rd in Peoria for $20.55 million, 3530 S Val Vista Dr in Gilbert for $51.5 million, and 1840 & 1910 S Stapley Rd in Mesa for $48.0 million. Together, those three deals made up nearly 79% of the quarter's total sales volume. Buyers are still being careful, but they are not sitting on the sidelines. When a property is well located, priced correctly, and has a strong story, deals are getting done. Our team was involved in the leasing or sale of two of the three largest transactions, giving us a nice view of where and why transactions can happen.

CONSTRUCTION

There were no new deliveries to the market in Q2 2026 which contributes to why leasing activity improved. With no new buildings added, the drop in vacancy coupled with positive absorption becomes more meaningful. It shows that the improvement came from tenants taking space in the existing market, not from changes in new supply. New development remains careful and selective. Construction costs are still high, and most projects need very strong tenant interest before moving forward. Office-to-medical conversions remain part of the story in certain areas and new medical office development is still being carefully evaluated. As the Valley continues to grow, the long-term need for healthcare space remains strong, but new projects will likely be focused on locations where demand is already clear.

Market Breakdown

	Q1 2026	Q2 2026	Quarterly Change
DIRECT VACANCY RATE (%)	15.8%	15.1%	(0.7%)
DIRECT RENTAL RATE	$33.80	$34.39	$0.59
SOLD ($)	$88.9M	$151.8M	($15.4M)
NET ABSORPTION (SF)	(117,744)	60,076	(57,668)

▲ ABSORPTION ▼ VACANCY

▲ RENTAL RATE ▼ CONSTRUCTION DELIVERIES

Q2 2026 MARKET SNAPSHOT

17.3M
INVENTORY SF

165.4K
LEASED SF

$151.8M
SALE TRANSACTIONS

$34.39
AVERAGE DIRECT RENTAL RATE PER SF

$51.5M
LARGEST QUARTERLY TRANSACTION
3530 S Val Vista Dr, Gilbert, AZ

RECENT TEAM SALES

9000 W THUNDERBIRD RD
Peoria, AZ

SUBMARKET	Arrowhead
SALE DATE	5/21/2026
SALE PRICE	$20,550,000
SIZE	43,873 SF
PRICE/SF	$468.40/SF

8913 E BELL RD
Scottsdale, AZ

SUBMARKET	Scottsdale Airpark
SALE DATE	6/11/2026
SALE PRICE	$8,750,000
SIZE	11,559 SF
PRICE/SF	$754.38/SF

RECENT TEAM LEASES

14642 N DEL WEBB BLVD
Sun City, AZ

SUBMARKET	Central Scottsdale
LEASE TYPE	NNN
TENANT	Banner Atlas
SIZE	14,866 SF
CLASS	A

4444 N 32ND ST
Phoenix, AZ

SUBMARKET	Midtown/Central Phoenix
LEASE TYPE	Full Service
TENANT	Spooner Physical Therapy
SIZE	6,411 SF
CLASS	A

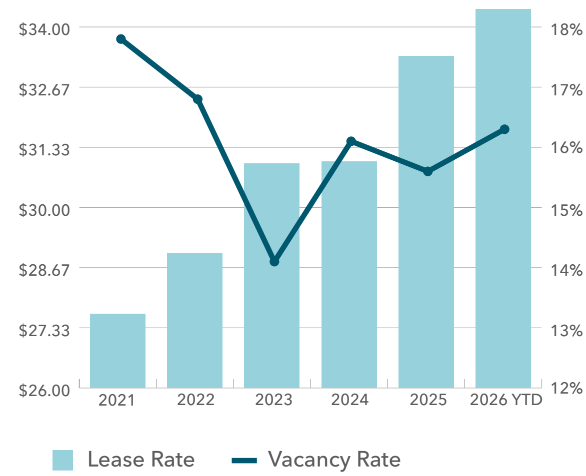
6525 W SACK DR
Glendale, AZ

SUBMARKET	Arrowhead
LEASE TYPE	NNN
TENANT	Undisclosed Oncology
SIZE	11,701 SF
CLASS	B

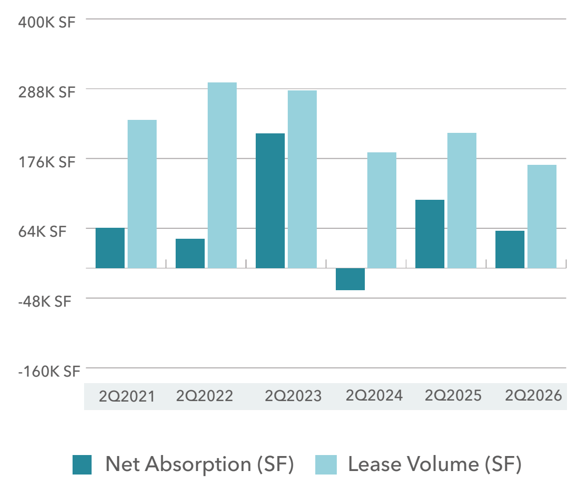
20940 N TATUM BLVD
Phoenix, AZ

SUBMARKET	Paradise Valley
LEASE TYPE	Full Service
TENANT	HonorHealth
SIZE	3,166 SF
CLASS	A

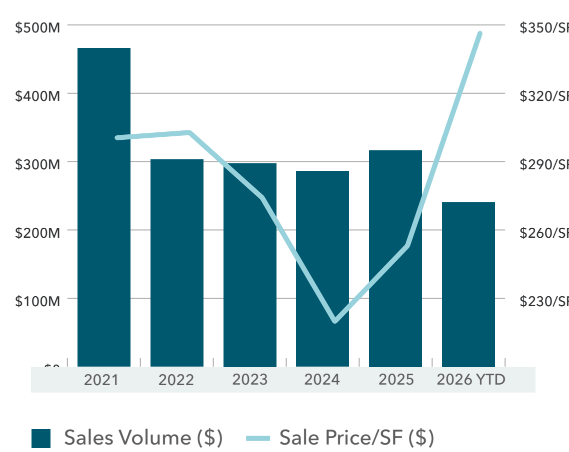
LEASE RATE & VACANCY



NET ABSORPTION & LEASE VOLUME

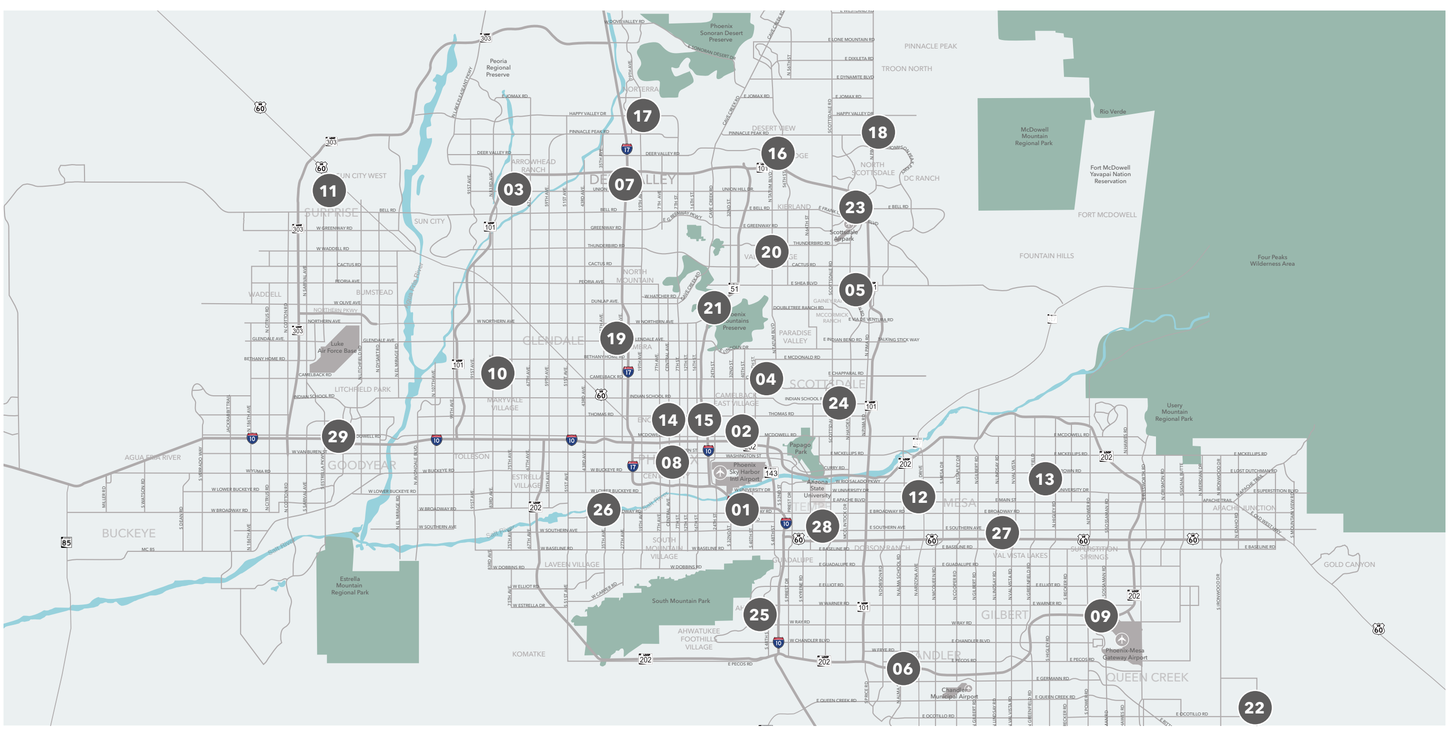


SALES VOLUME & SALE PRICE/SF



PHOENIX SUBMARKET STATISTICS - Q2 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	$21.71	38.5%	35.8%	5,974	6,602	$-
2	44th Street Corridor	98,685	$24.01	67.3%	67.3%	0	0	$-
3	Arrowhead	1,559,196	$37.36	6.7%	17.5%	19,619	11,501	$20,550,000
4	Camelback Corridor	352,601	-	8.9%	9.9%	(2,294)	0	$-
5	Central Scottsdale	1,800,394	$34.30	23.4%	23.0%	(14,335)	11,463	$-
6	Chandler	966,785	$36.27	10.6%	12.4%	55,944	12,179	$17,750,000
7	Deer Valley/Airport	1,251,996	$30.77	22.3%	28.9%	(16,777)	1,088	$-
8	Downtown	44,510	$20.83	11.0%	11.0%	9,370	0	$-
9	Gateway Airport/Loop 202	1,190,427	$52.13	13.7%	22.1%	777	2,722	$51,500,000
10	Glendale	823,132	$40.62	5.6%	10.8%	1,603	6,712	$-
11	Loop 303/Surprise	746,390	$32.01	9.7%	13.4%	10,301	1,069	$-
12	Mesa Downtown	26,734	-	0.0%	0.0%	0	0	$-
13	Mesa East	288,076	$23.13	11.7%	11.2%	2,519	2,519	$-
14	Midtown	681,141	$25.56	21.6%	21.8%	7,324	0	$-
15	Midtown/Central Phoenix	1,102,538	$29.92	12.8%	10.0%	14,139	19,046	$-
16	N Phoenix/Cave Creek	26,871	$29.19	9.1%	0.0%	0	0	$-
17	North I-17	141,961	$33.51	15.2%	19.0%	1,230	0	$-
18	N Scottsdale/Carefree	96,701	$26.97	18.6%	18.6%	0	0	$-
19	Northwest Phoenix	834,090	$21.99	28.1%	40.6%	(16,750)	16,467	$10,400,000
20	Paradise Valley	912,373	$32.45	17.3%	22.7%	3,634	30,614	$-
21	Piestewa Peak Corridor	178,422	-	21.5%	31.7%	(8,594)	0	$-
22	Pinal County	285,739	$24.53	1.9%	16.3%	(32,165)	0	$-
23	Scottsdale Airpark	702,759	$39.73	9.5%	14.7%	18,823	15,187	$-
24	Scottsdale South	497,768	$29.81	5.0%	5.0%	3,084	2,759	$-
25	South Tempe/Ahwatukee	363,870	$33.09	18.5%	18.6%	7,035	0	$-
26	Southwest Phoenix	83,393	$18.93	0.0%	6.3%	20,189	0	$-
27	Superstition Corridor	1,301,863	$36.48	19.4%	20.6%	(30,406)	18,587	$48,000,000
28	Tempe	341,625	$27.53	6.0%	6.6%	(168)	3,385	$3,550,000
29	West I-10	515,875	$48.09	9.0%	14.0%	0	3,451	$-
	Phoenix Avg/Totals	**17,326,102**	**$34.39**	**15.1%**	**19.13%**	**60,076**	**165,351**	**$151,750,000**



FUN

Our team has been spending a lot of time working "on the business" together. We have talked about team our values, personal stories, battle cries, and best practices from other high-performing teams. In some ways, the work has been challenging. In other ways, it has been enjoyable.

I have been in and around this business for more than 20 years, and I have never had as much fun coming to work as I do today. That matters to me because fun is one of our team's four shared values. Team lunches, outings, group text messages, silly rivalries, client events, conferences, and the daily back-and-forth all help create the locker room we are lucky to have.

It is a sincere blessing to me, and I hope it shows up in the way we serve our clients and work with our partners. The younger people on our team are talented, hardworking, and high-character. I am proud of who they are, how they show up, and the all-stars they are becoming.

Do you know any fun, young, talented all-stars that may be a fit to join our high performing team? Email me here: michael.dupuy@kidder.com or call/text me at: (602) 882-1337.

Sincerely,

Michael Dupuy

OUR TEAM STATS

YTD 2026

5.0M+ SQUARE FOOT PORTFOLIO	*$120.3M* TOTAL CONSIDERATION	*402K SF* TRANSACTIONS CLOSED
71 TRANSACTIONS CLOSED	*6* COMPLETED SALES	*65* COMPLETED LEASES

Phoenix healthcare experts with over 85+ years of combined experience

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Data Source: CoStar