

PHOENIX MARKET INSIGHTS

HEALTHCARE INSIDER

Our Team's View of the Phoenix Medical Office Market

LEASING ACTIVITY

Direct vacancy tightened again in Q4, moving from 15.2% in Q3 to 15.0%, which points to a slow but steady improvement in occupancy. Asking rents increased as well, rising from \$31.58 to \$33.32, suggesting landlords still have pricing power for well located, high quality space. Leasing activity remains steady, but net absorption cooled to 66,598 SF versus 189,205 SF in Q3. In other words, deals are getting done, but the market saw fewer large move-ins this quarter. Construction costs remain elevated, which continues to affect tenant improvement budgets and the economics of building upgrades.

SALES ACTIVITY

Sales volume increased significantly in Q4, jumping to \$104.3M from \$41.5M in Q3. Buyer interest is improving, and sentiment around rates has helped bring more groups back into the market. That said, lenders remain disciplined, and tighter underwriting still plays a major role in pricing and deal structure. We continue to see a clear separation between opportunities that are priced to current conditions and those that are not. Well positioned, realistically priced deals, especially those sourced off market, are trading more consistently than aggressively priced on market offerings.

CONSTRUCTION

Development remains constrained as high costs continue to limit speculative starts and keep many projects in planning. Even so, we are seeing more projects move from concept to active discussion where demand is clear and preleasing supports execution. Office to medical conversions are also contributing incremental supply in select submarkets, offering a path to deliver space more efficiently than ground up development. With continued population growth across the Valley, demand for healthcare services remains strong, and that should support targeted medical office development where fundamentals and pricing align.

Market Breakdown

	Q3 2025	Q4 2025	Quarterly Change
DIRECT VACANCY RATE (%)	15.2%	15.0%	(0.2%)
DIRECT RENTAL RATE	\$31.58	\$33.32	\$1.74
SOLD (\$)	\$41.5M	\$104.3M	\$62.8M
NET ABSORPTION (SF)	189,205	66,598	(122,607)

▼ ABSORPTION ▼ VACANCY

▲ RENTAL RATE ▼ CONSTRUCTION DELIVERIES

Q4 2025 MARKET SNAPSHOT



17.2M
INVENTORY SF



143.4K
LEASED SF



\$104.3M
SALE TRANSACTIONS



\$33.32
AVERAGE DIRECT
RENTAL RATE PER SF



\$25M
LARGEST QUARTERLY
TRANSACTION
5316 E Shea Blvd, Scottsdale, AZ

RECENT TEAM SALES



702 & 706 E BELL RD

Phoenix, AZ

SUBMARKET	Deer Valley/Airport
SALE DATE	12/29/2025
SALE PRICE	\$14,800,000.00
SIZE	84,703 SF
PRICE/SF	\$174.73/SF



9069 W LAKE PLEASANT PKWY

Peoria, AZ

SUBMARKET	Ctrl Peoria/Arrowhead
SALE DATE	11/7/2025
SALE PRICE	\$3,100,000
SIZE	13,386 SF
PRICE/SF	\$231.56/SF



7125 E LINCOLN DR

Paradise Valley, AZ

SUBMARKET	Scottsdale South
SALE DATE	10/1/2025
SALE PRICE	\$20,000,000
SIZE	27,000 SF
PRICE/SF	\$740.74/SF

RECENT TEAM LEASES



8200 E MCQUEEN RD & CHANDLER

Chandler, AZ

SUBMARKET	Chandler
LEASE TYPE	NNN
TENANT	Advanced Neurologic Rehab
SIZE	6,799 SF
CLASS	B



9305 W THOMAS RD

Phoenix, AZ

SUBMARKET	Glendale
LEASE TYPE	MG
TENANT	Gastro & Liver Center
SIZE	4,407 SF
CLASS	Class A

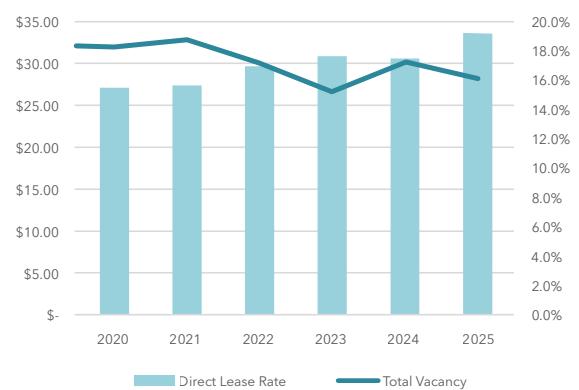


6525 W SACK DR

Glendale, AZ

SUBMARKET	Arrowhead
LEASE TYPE	NNN
TENANT	VHS of Arrowhead
SIZE	3,058 SF
CLASS	Class B

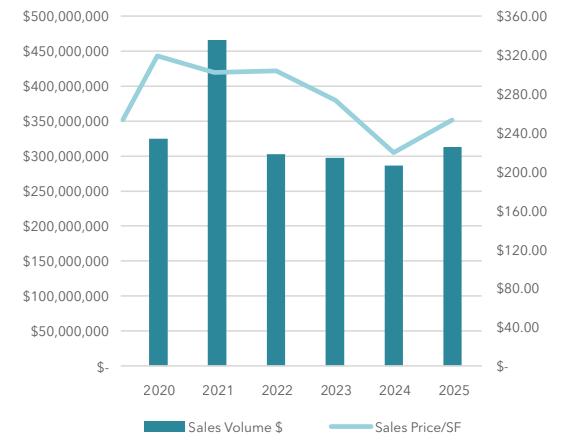
LEASE RATE & VACANCY



NET ABSORPTION & LEASE VOLUME

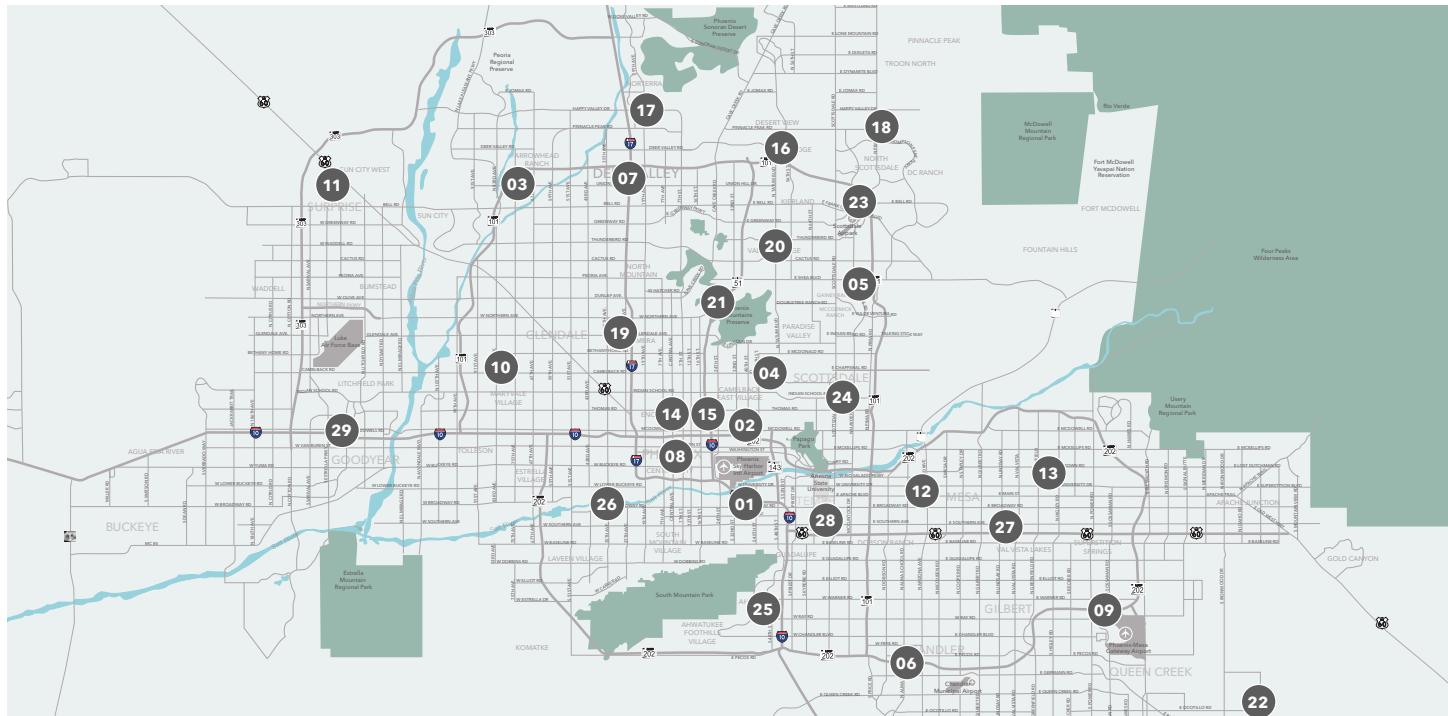


SALES VOLUME & SALE PRICE/SF



PHOENIX SUBMARKET STATISTICS - Q4 2025

#	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	\$21.68	44.0%	44.0%	0	0	\$-
2	44th Street Corridor	99,270	\$23.33	47.5%	46.0%	(13,385)	1,526	\$-
3	Arrowhead	1,556,702	\$33.41	8.0%	17.7%	10,359	21,998	\$-
4	Camelback Corridor	352,601	N/A	8.3%	9.9%	(11,791)	0	\$-
5	Central Scottsdale	1,697,532	\$35.37	23.4%	22.8%	21,383	18,289	\$13,880,634
6	Chandler	944,523	\$36.25	18.7%	27.7%	(34,052)	1,980	\$10,730,000
7	Deer Valley/Airport	1,252,476	\$30.00	17.2%	27.2%	(15,448)	6,610	\$5,154,220
8	Downtown	271,623	\$20.84	15.9%	20.4%	(28,717)	0	\$-
9	Gateway Airport/Loop 202	1,122,399	\$50.87	11.2%	23.6%	(3,282)	11,933	\$-
10	Glendale	862,457	\$37.21	4.8%	7.2%	4,481	4,796	\$-
11	Loop 303/Surprise	721,359	\$30.68	8.4%	13.2%	46	0	\$-
12	Mesa Downtown	26,734	N/A	0.0%	0.0%	0	0	\$-
13	Mesa East	288,076	\$21.59	13.4%	13.4%	(1,965)	11,176	\$246,700
14	Midtown	681,452	\$26.39	22.6%	23.5%	(3,423)	0	\$-
15	Midtown/Central Phoenix	1,134,962	\$30.38	17.3%	15.4%	58,695	3,613	\$18,270,000
16	N Phoenix/Cave Creek	26,871	\$30.30	13.3%	13.3%	0	0	\$-
17	North I-17	141,961	\$31.73	6.5%	13.1%	1,338	3,915	\$-
18	N Scottsdale/Carefree	96,701	\$26.95	10.2%	15.8%	0	0	\$-
19	Northwest Phoenix	698,040	\$22.82	29.5%	27.2%	11,800	4,140	\$-
20	Paradise Valley	908,583	\$30.35	17.0%	25.6%	7,468	18,511	\$36,000,000
21	Piestewa Peak Corridor	178,422	N/A	15.1%	20.0%	8,951	3,590	\$-
22	Pinal County	265,739	\$32.15	0.4%	6.8%	0	0	\$-
23	Scottsdale Airpark	702,859	\$36.50	10.9%	10.9%	(8,331)	5,866	\$-
24	Scottsdale South	497,768	\$29.00	7.2%	5.8%	3,570	9,859	\$20,000,000
25	South Tempe/Ahwatukee	363,870	\$33.05	14.1%	14.2%	40,160	0	\$-
26	Southwest Phoenix	83,393	\$18.93	24.2%	27.8%	(2,980)	6,159	\$-
27	Superstition Corridor	1,212,613	\$38.68	17.5%	21.0%	(12,538)	2,687	\$-
28	Tempe	394,056	\$27.74	12.1%	12.0%	5,303	0	\$-
29	West I-10	515,875	\$46.60	5.7%	12.3%	28,956	6,754	\$-
Phoenix Avg/Totals		17,209,104	\$33.32	15.0%	19.21%	66,598	143,402	\$104,281,554



STABLE GROUND

We finished 2025 strong. I'm proud of our team for facing individual and collective challenges head on and rising to the occasion.

In a weird way, I feel the same way about the commercial real estate market. After a tough stretch, we're on more stable ground heading into 2026 than we've been at any point over the last 36 months.

We know where interest rates are, inflation has cooled off, construction costs have stabilized and capital is starting to move again. Buyers/sellers and landlords/tenants aren't perfectly aligned yet, but the gap continues to narrow, and transactions are getting done when expectations match reality.

We continue to try to stay proactive, stay disciplined, and keep earning trust. If you're thinking about a lease decision, a purchase, or a sale in 2026, we're here. Pressure free and practical.



-Michael Dupuy

OUR TEAM STATS 2025

4.3M+ SQUARE FOOT PORTFOLIO	\$307.1M TOTAL CONSIDERATION	1.7M SF TRANSACTIONS CLOSED
189 TRANSACTIONS CLOSED	25 COMPLETED SALES	164 COMPLETED LEASES

Phoenix healthcare experts with over 75+ years of combined experience

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km **Kidder Mathews**