AVISON YOUNG

Year over Year Trends

Market Inventory

28,430,324 SF

Vacancy Rate

12.4%

Net Absorption

446,206 SF

Construction Pipeline

481,613 SF

Average Asking Rate

$25.43 PSF

2020 / Research Report

Phoenix Healthcare Market

Given the tremendous upheavals of 2020, medical office market fundamentals held steady in comparison to other product types. The global health crisis put healthcare at the center of an urgent national discussion. It also forced rapid medical innovation and quickened real estate development pipelines, particularly in the Life Sciences sector. On-campus medical office inventory got a boost in 2020 with key completions of IDEA Phase I adjacent to ASU in Tempe and the expanding Phoenix Biomedical Campus downtown, featuring the new 169ksf Wexford Science + Technology building.

Those seeking new space must now reconsider site selection factors, as demand surges for suburban medical office and clinic alternatives to on-campus hospital visits.

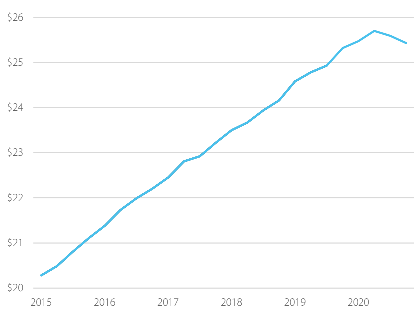
Phoenix healthcare real estate ranks in the top tier of US healthcare markets, improving its position in 2020 across categories. The region rose from 14th to 11th place on Revista Med's table of total inventory. It landed 10th for total sales volume, up from 13th the previous year, and 5th for total square feet under construction, up from 8th place. The 12-month net deliveries of 506,280 square feet are double 2019's count, contributing to slowing sales volume and net absorption, as well as decelerating rent growth. Average rent rose 6% over 2019 to finish the year at $25.43.Rents peaked in 2Q 2020 at $25.70 per square foot (psf). Net absorption made gains through each quarter of 2020, totaling 446,206, a rise of 69% over 2019.

Healthpeak Properties was the region's top buyer in 2020, based on a single purchase of the 107,000 sf Scottsdale Gateway I in 3Q 2020 for $27 million or $252 psf. Total investment volume fell 41.4% in 2020 to $325.8 million. Average price per square foot increased $1 to $194. Three of the five top sales of the year occurred in Scottsdale, a major medical office cluster in the Valley.

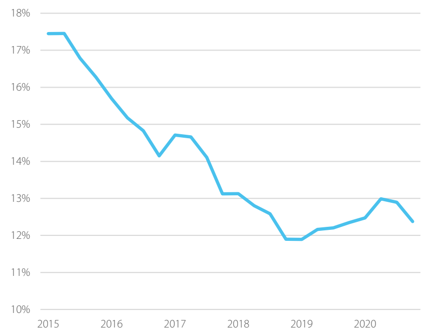
Healthcare Market Snapshot

The Phoenix MOB market has rarely been this dynamic. In a year that challenged the national healthcare system, medical office real estate moved from a niche to a key product type.

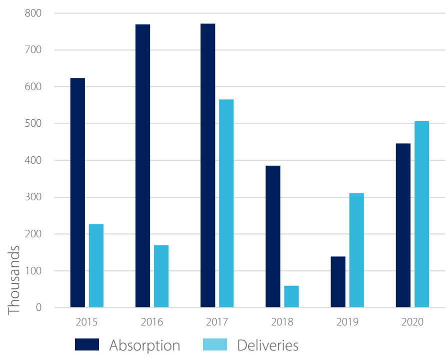
Rental Rates



Vacancy Rates



Absorption & Deliveries



Top 2020 Leases

Tenant	Building	Submarket	Square Feet	Type	Quarter
State of Arizona - Public Administration	4441 E McDowell Rd	44th St Corridor	18,000	New / Direct	2Q 2020
Paradise Valley Multi-Specialty Surgery Ctr	Lincoln Medical	Paradise Valley	15,582	New / Direct	1Q 2020
Family Practice Specialists	4600 E Shea Blvd	Paradise Valley	9,531	New / Direct	2Q 2020
Arizona Prostate Cancer Center	7340 E Thomas Rd	South Scottsdale	9,189	New / Direct	4Q 2020
MD VIP	Mescal Medical Park	Central Scottsdale	7,491	New / Direct	3Q 2020

Top 2020 Sales

Buyer	Building	Submarket	Square Feet	Sale Price	Price/SF
Remedy Medical Properties	Spectrum Medical Commons - Building 1	Chandler	44,000	21,200,000	$482
ExchangeRight	Dignity Health Urgent Care and Emergency	Glendale	11,129	15,227,680	$1,368
Montecito Medical Real Estate	Advanced Medical Plaza	Chandler	20,084	9,718,000	$484
Cypress West Realty Partners	Tatum Highlands	North Phoenix / Cave Creek	26,871	5,134,061	$191
Equity Inc.	McClintock Medical and Dental Center	Tempe	22,845	4,950,000	$217

Under Construction

Property	Completion	Submarket	Square Feet	% Preleased/Owned
Wexford	1Q 2021	Downtown	227,113	100.0%
Banner Health - Arrowhead	2Q 2021	Arrowhead	128,000	100.0%
Akos Medical Campus	1Q 2021	Southwest Phoenix	68,000	100.0%
Chandler Medical Plaza	3Q 2021	Chandler	65,000	72.3%
OrthoArizona	1Q 2021	N Scottsdale	50,000	n/a

Market By The Numbers*

Submarket	Total RBA (SF)	Vacant Space Direct	Vacant Space Sublease	Class A Vacancy Rate	Class B Vacancy Rate	Class C Vacance Rate	Available Space Direct	Available Space Sublease	Annual Net Absorption (SF)	Avg. Ask Total (FS)
44th St Corridor	101,929	16,923	0	-	21.5%	7.0%	15,723	0	2,985	-
Airport Area	155,399	220	0	-	0.0%	0.0%	0	0	5,559	-
Arrowhead/Loop 303/Surprise	3,658,933	470,919	13,072	14.6%	12.2%	6.5%	440,181	13,072	44,075	$25.34
Camelback Corridor	492,957	38,848	9,928	2.6%	12.7%	14.4%	38,848	9,928	34,678	$26.95
Central Scottsdale	1,481,647	143,782	3,762	8.1%	10.0%	0.0%	135,195	3,762	(20,419)	$25.82
Chandler/Gilbert	1,747,639	156,128	8,908	0.0%	9.6%	2.9%	152,740	8,908	98,637	$18.22
Downtown	676,931	34,611	0	0.0%	9.3%	0.0%	34,611	0	2,790	-
Gateway Airport/Loop 202	1,556,428	139,795	1,973	19.7%	5.6%	0.0%	106,140	1,973	22,383	$27.42
Glendale	1,104,932	132,765	5,997	22.2%	10.7%	6.7%	132,795	5,997	185,622	$25.67
Mesa	1,375,908	158,961	2,995	0.0%	11.6%	14.9%	156,081	2,995	(12,112)	$14.48
Midtown	1,774,047	165,051	1,356	0.0%	9.8%	10.1%	166,051	1,356	(3,344)	$20.63
Central Phoenix	1,360,256	174,066	0	0.0%	11.5%	2.7%	177,738	0	(17,228)	$20.27
North Scottsdale/Carefree	523,172	44,670	3,300	0.0%	6.9%	15.3%	44,670	3,300	(15,611)	$19.81
North I-17/Deer Valley/Airport	1,654,478	240,145	4,574	2.7%	16.5%	11.8%	221,066	4,574	11,180	$20.81
Northwest Phoenix	1,838,274	430,345	7,336	0.0%	18.7%	8.3%	424,345	7,336	31,193	$16.42
Paradise Valley	1,349,076	208,583	0	25.6%	14.7%	7.1%	204,174	0	(3,610)	$20.39
Piestewa Peak Corridor	376,333	80,352	1,200	28.0%	23.9%	5.2%	80,352	1,200	5,771	$18.27
Pinal County	699,354	85,587	0	-	14.5%	3.2%	85,587	0	5,293	$14.19
Scottsdale Airpark	895,189	84,357	14,073	7.0%	11.6%	-	84,357	14,073	11,793	$25.07
South Scottsdale	860,851	137,451	12,564	-	19.0%	15.2%	135,449	12,564	(14,986)	$20.97
South Tempe/Ahwatukee	535,926	97,550	15,810	-	20.7%	0.0%	89,050	15,810	32,293	$17.21
Southwest Phoenix/Outlying	212,063	0	0	0.0%	0.0%	0.0%	0	0	21,655	$23.63
Superstition Corridor	1,719,601	216,917	5,000	0.0%	12.8%	8.7%	208,477	5,000	(46,818)	$18.43
Tempe	1,055,782	188,223	0	-	13.0%	16.4%	155,523	0	32,725	$21.58
West I-10	1,223,219	46,875	2,356	-	4.0%	0.0%	46,875	2,356	66,789	$22.63
Total	28,430,324	3,493,124	114,204	14.9%	12.1%	10.2%	3,336,028	114,204	446,206	$25.43

*The data contained in this market report is obtained from The CoStar Group, Inc., and Revista, and is used under licensed permission. The report is based on all Metro Phoenix markets for medical buildings, regardless of size. It includes sublease space only upon the date of availability, and includes any owner and renter occupied space.

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