



Phoenix office market report

Q3 2022

**AVISON
YOUNG**

Office market trends

01

Declines in net absorption continue

The most significant highlight for the office market in Q3 was the jump in negative net absorption, totaling a decline of 963,252 sf. This is the largest amount of negative net absorption the market has seen in recent years.

Our take on this trend...

Office vacancies continue to increase with landlords chasing fewer and smaller tenants while seeking ways to try to attract potential tenants back to the market. This was the 11th consecutive quarter of negative net absorption in the market, going all the way back to Q1 2020.

02

Rents rise despite competitive leasing environment

The average direct full service asking rate reached a new all-time high of \$29.98 psf. These increases occurred despite the total vacancy rate rising to 23.0% for the overall office market, largely due to a few new deliveries.

Our take on this trend...

Inflation and the flight to quality have helped to drive rents higher despite the decline in demand for office space. Desirable submarkets including the Camelback Corridor, Scottsdale, and Tempe should continue to act as key drivers for the overall rise in rents in the Phoenix MSA.

03

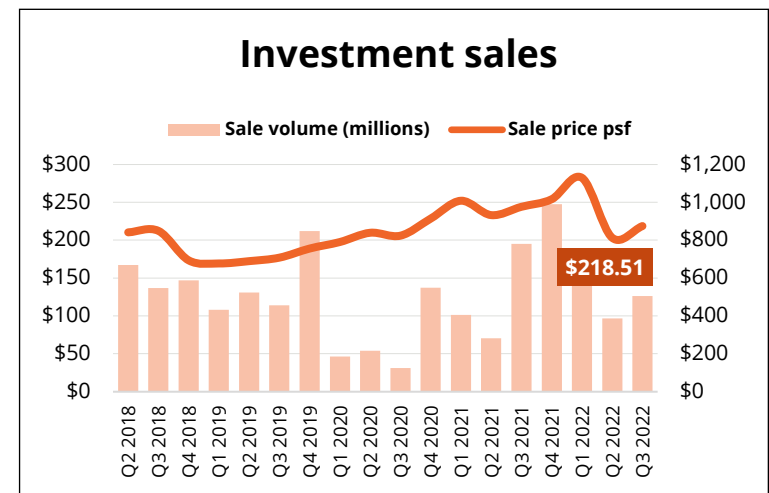
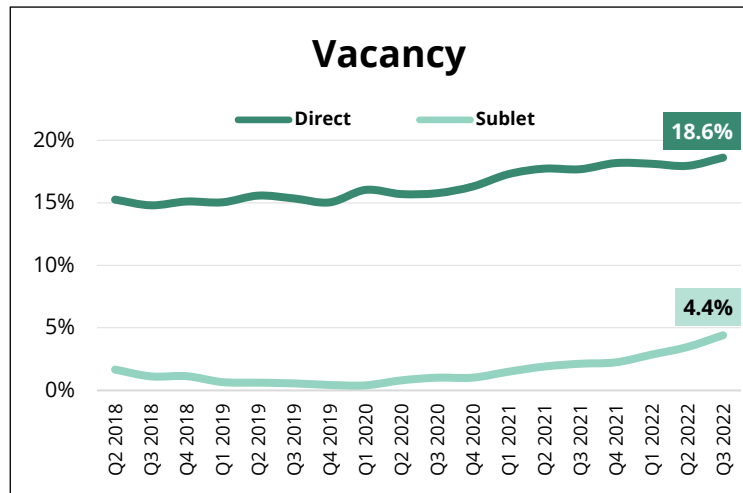
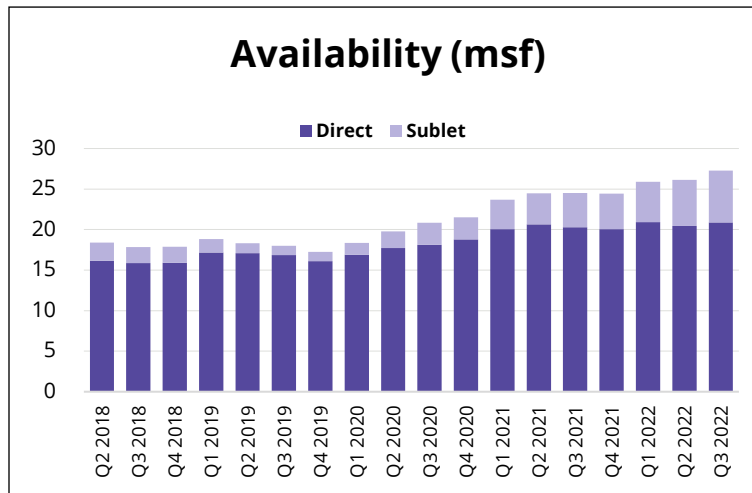
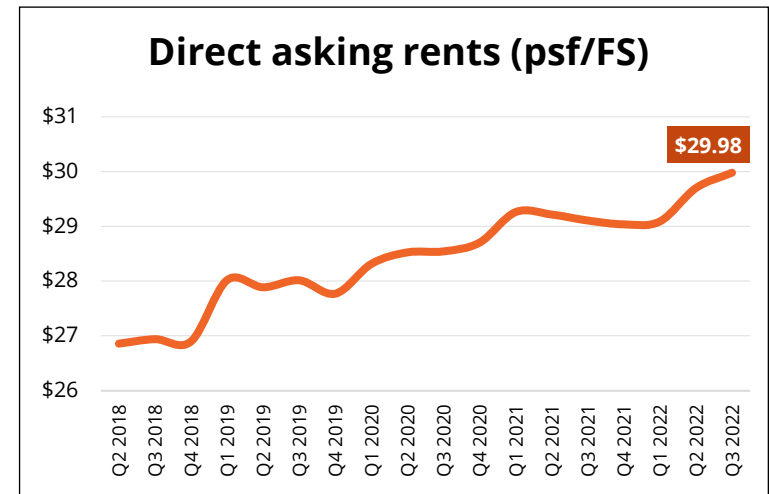
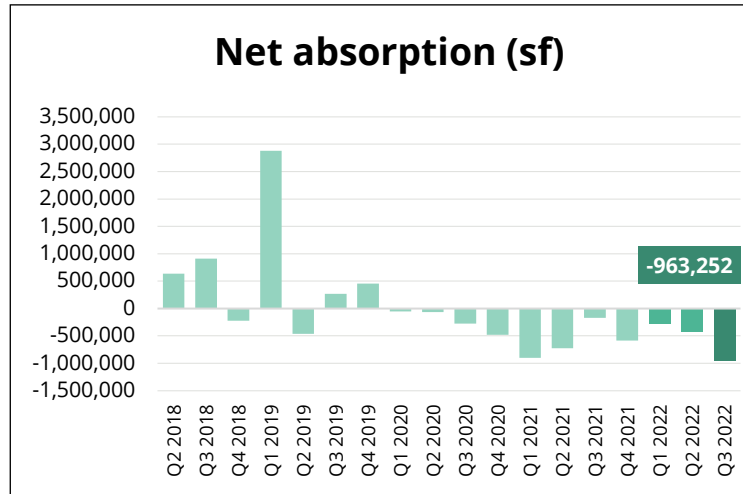
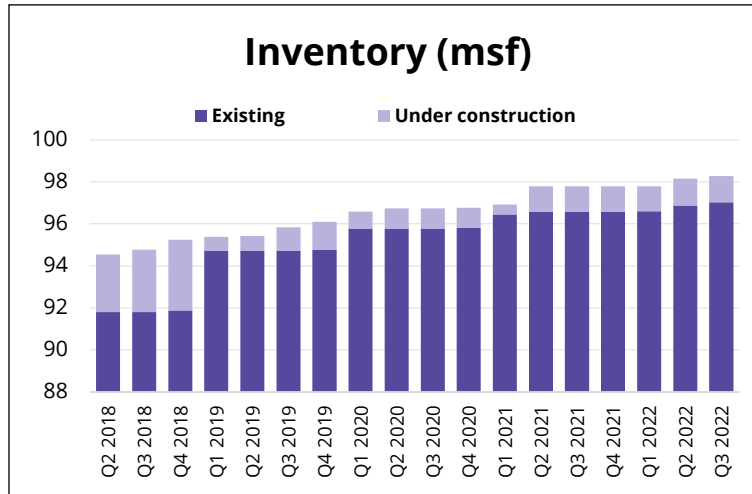
New construction activity remains muted

The total amount of office space under construction remained steady at just over 1.2 msf. This is indicative of the small number of new construction starts for office projects in the last couple of years.

Our take on this trend...

Demand for new office space hasn't been exceptionally high during the pandemic and hasn't improved much since. However, newly developed highly-amenitized properties are leasing well at record rental rates.

Office market indicators



Office market activity

Recent leasing activity

Tenant name	Address	City	Sign date	Size (sf)	Transaction type	Lease type	Term	Rent
Northrop Grumman	1700 S Price Rd	Chandler	Aug 2022	55,429	New	Sublease	97 months	\$18.20 FS
Cirrus Logic	2625 W Geronimo Pl	Chandler	Jul 2022	51,419	New	Direct	-	\$22.50 NNN
Achen-Gardner Construction	2195 W Chandler Blvd	Chandler	Sep 2022	24,933	New	Direct	10 years	\$30.00 FS
Le Nid Consortium	6991 E Camelback Rd	Scottsdale	Aug 2022	16,671	New	Sublease	56 months	\$33.50 FS
STOA	2398 E Camelback Rd	Phoenix	Jul 2022	16,640	New	Direct	76 months	\$30.50 FS

Recent sales activity

Buyer	Address	City	Sale date	Sale price	Size (sf)	Sale price (psf)	Seller
Humphreys Capital	2801 E Camelback Rd	Phoenix	Jul 2022	\$66,350,000	115,838	\$573	Holualoa Companies
Bridge Investment Group	2355 E Camelback Rd	Phoenix	Sep 2022	\$61,800,000	236,553	\$261	Nuveen
Edgewood REIT	16767 N Perimeter Dr	Scottsdale	Jul 2022	\$59,294,313	180,000	\$329	Wentworth Property Co.
Federal Realty Investment	6263 N Scottsdale Rd	Scottsdale	Jul 2022	\$53,600,000	213,500	\$251	CapRidge Partners
Aligned Data Centers	3151 W Behrend Dr	Phoenix	Sep 2022	\$52,108,201	300,000	\$174	Griffin Realty Trust

Large contiguous space availabilities

Owner	Address	City	Date available	Block size (sf)	Floors	Asking rent	Landlord Broker
Rowan Technology	201 N Central Ave	Phoenix	Vacant	721,349	3-38	Withheld	CBRE
LBA Realty	20 E Thomas Rd	Phoenix	Vacant	309,829	1-17	\$27.50 FS	Cushman & Wakefield
Griffin Realty Trust	20022 N 31 st Ave	Phoenix	Vacant	298,746	1-4	\$19.50 NNN	Cushman & Wakefield
Shorenstein Properties	1625 W Fountainhead Pky	Tempe	Sep 2023	277,545	1-10	Withheld	CBRE

Office market stats by submarket

Submarket	Inventory (sf)	Vacancy Total %	Net Absorption 3Q22	SF Under Construction	Average Asking Rent (FS)		
					Total	Class A	Class B
Camelback Corridor	6,808,879	18.6%	47,610	251,494	\$35.34	\$37.83	\$29.52
Central Phoenix	3,901,418	22.9%	1,950	-	\$30.58	\$32.94	\$23.40
Chandler	11,592,137	24.6%	-139,367	365,000	\$29.54	\$32.02	\$27.89
Downtown	7,261,253	26.0%	4,970	-	\$32.78	\$33.16	\$30.35
Mesa	3,045,064	11.8%	-83,324	36,000	\$23.45	\$28.53	\$20.90
Midtown	8,363,327	24.9%	50,871	-	\$25.45	\$26.89	\$23.60
N Phoenix	8,468,557	28.7%	-34,948	-	\$27.85	\$29.42	\$26.85
NW Outlying	2,180,645	17.4%	-29,326	-	\$26.08	\$27.10	\$25.96
NW Phoenix	4,253,561	31.3%	-26,620	-	\$22.53	\$24.74	\$21.02
PPC & PV	3,230,624	18.3%	-46,793	-	\$29.37	\$30.44	\$26.19
S Scottsdale	8,832,218	16.7%	-34,794	-	\$31.54	\$33.05	\$29.62
Scottsdale Airpark	8,554,675	17.8%	-8,458	32,054	\$35.91	\$36.88	\$31.04
Sky Harbor	9,620,624	25.4%	-410,323	-	\$28.82	\$28.94	\$28.12
SW Valley	962,131	28.0%	-13,797	94,000	\$28.03	\$28.15	\$27.24
Tempe	9,950,067	18.6%	-240,903	465,000	\$38.37	\$40.80	\$25.68
Market Total	97,025,180	23.0%	-963,252	1,243,548	\$29.98	\$32.75	\$26.45

Office market stats by class

By Class	Inventory (sf)	Vacancy	3Q Absorption	Under Construction (sf)	Available Direct (sf)	Available Sublease (sf)
Class A	49,829,781	24.4%	-0.9%	956,494	11,713,410	3,737,929
Class B	44,248,174	21.9%	-0.9%	287,054	8,772,780	2,656,377
Class C	2,907,225	16.0%	-0.4%	-	378,402	1,479
Market Total	97,025,180	23.0%	-0.9%	1,243,548	20,864,592	6,395,785

For more market insights
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