



# Phoenix office market report

Q1 2022

**AVISON  
YOUNG**

# Office market trends

## 01

### **A slowdown in the labor market is impacting the office market**

In 2021, the local unemployment rate came in at 6.6% in January and ended the year at 2.4%. In January 2022, the unemployment rate rose to 3.2% and the number of office-using jobs declined by 17,000.

#### **Our take on this trend...**

Net absorption totaled -1,062,080 sf in the quarter, resulting in the second largest amount of negative quarterly net absorption since the start of 2018. Total vacancy rates also continued to rise, increasing from 19.0% to 21.4% over the last four quarters. The slowing labor market directly impacts both measures.

## 02

### **Construction activity highly concentrated in Tempe and Central Phoenix**

At the end of the first quarter, there was just over 1.0 msf in ongoing office construction activity in the Phoenix MSA. Nearly 71% of ongoing construction activity is concentrated in Tempe and Central Phoenix.

#### **Our take on this trend...**

Office tenants are seeking quality space in these two submarkets, with total vacancy rates well below the market average in Tempe and Central Phoenix. Future construction starts will continue to occur in these popular submarkets primarily, as well as the Camelback Corridor.

## 03

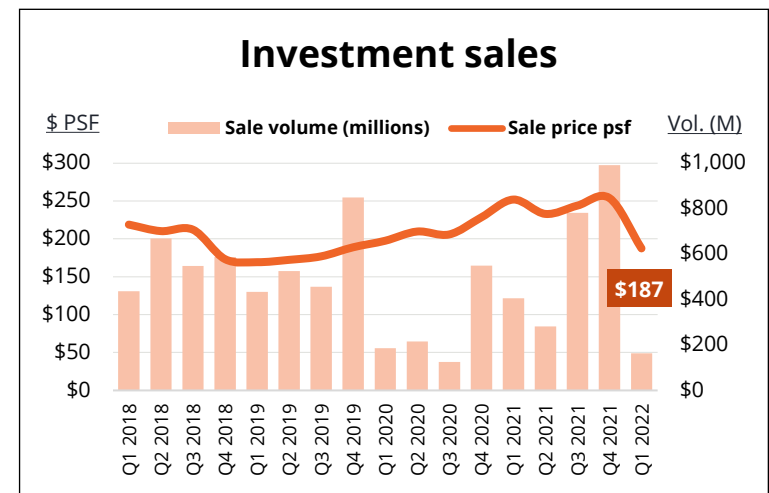
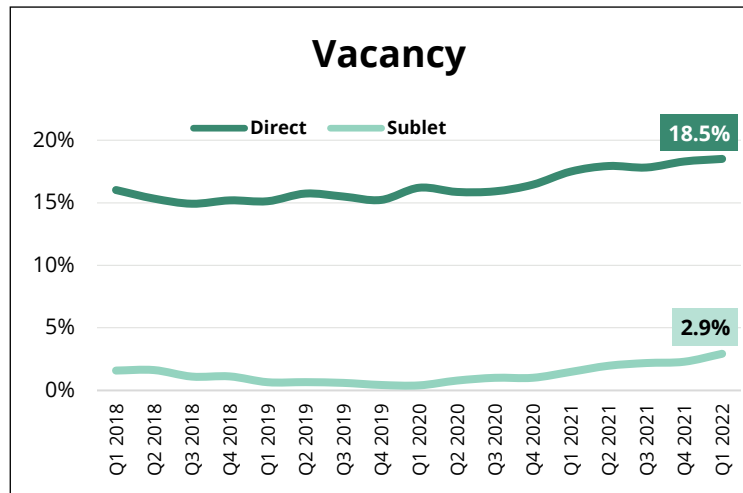
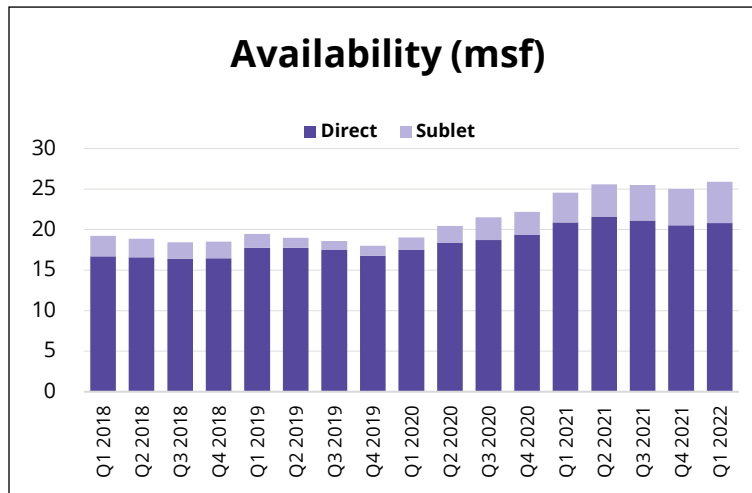
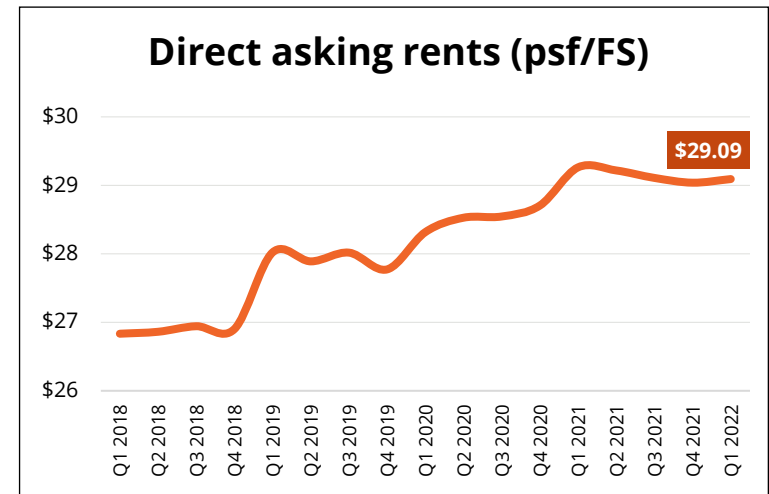
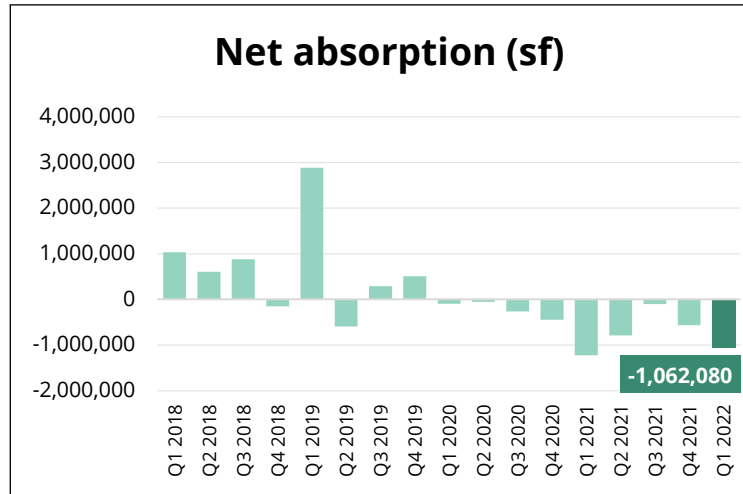
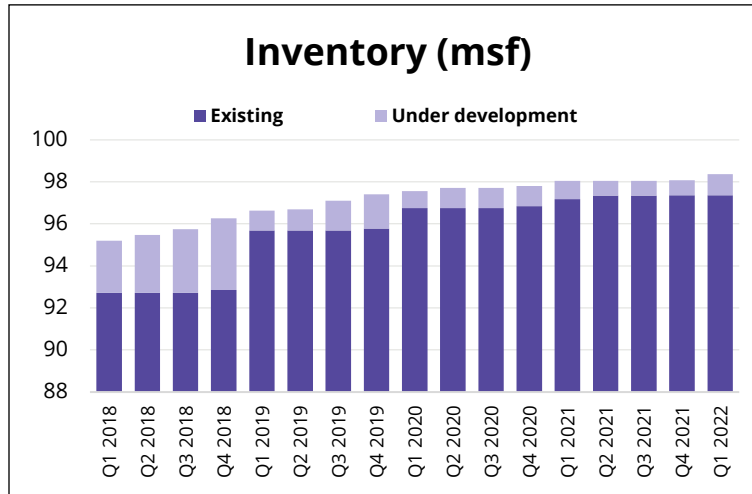
### **Rent pricing remains relatively unchanged from start of 2021**

The average full service (FS) asking rate for Phoenix office properties declined from \$29.26 psf to \$29.04 psf from Q1 to Q4 2021. In Q1 2022 the average FS asking rate increased slightly to \$29.09 psf.

#### **Our take on this trend...**

Average asking rates are predicted to remain level for the remainder of the year.

# Office market indicators



# Office market activity

## Recent leasing activity

Tenant name	Address	City	Sign date	Size (sf)	Transaction type	Lease type	Term	Rent
Carvana	1415 W 3 <sup>rd</sup> St	Tempe	Jan 2022	82,257	New	Direct	-	\$19.50 NNN
Avertium	3110 N Central Ave	Phoenix	Jan 2022	17,042	New	Direct	3 years	\$29.75 +ELEC
Grand Canyon Title Agency	3900 E Camelback Rd	Phoenix	Mar 2022	13,348	New	Direct	-	\$35.00 FS
Salad & Go	5555 E Van Buren St	Phoenix	Jan 2022	10,938	New	Direct	7 years	\$29.00 FS
New York Life	2355 E Camelback Rd	Phoenix	Jan 2022	10,783	New	Direct	-	\$36.00 FS

## Recent sales activity

Buyer	Address	City	Sale date	Sale price	Size (sf)	Sale price (psf)	Seller
Higley Project LLC	1830/1840/1850 N 95 <sup>th</sup> Ave	Phoenix	Feb 2022	\$24,700,000	118,853	\$207.82	The Humphreys Co
Stafford Land Co	2222 W Dunlap Ave	Phoenix	Feb 2022	\$23,000,000	140,161	\$164.10	ViaWest Group
Katz Real Estate Investments	2025 N 3 <sup>rd</sup> St & 340 E Palm Ln	Phoenix	Feb 2022	\$18,200,000	126,506	\$143.87	Murphy Ventures
WJM Enterprises LLC	11022 - 11024 N 28 <sup>th</sup> Dr	Phoenix	Feb 2022	\$11,500,000	102,000	\$112.75	Gammaville LLC
EW Salad Funding LLC	1625 E Northern Ave	Phoenix	Mar 2022	\$6,500,000	22,709	\$286.23	DeFT IV LLC

## 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	May 2022	309,829	1-16	\$27.50 FS	Cushman & Wakefield
ViaWest Group	2512 W Dunlap Ave	Phoenix	Vacant	178,138	1-5	\$27.00 FS	JLL
Colonial Funding LLC	8900 N 22 <sup>nd</sup> Ave	Phoenix	May 2022	138,900	1-3	\$22.00 FS	CBRE

# Office market stats by submarket

Submarket	Inventory (sf)	Vacancy	Net Absorption	SF Under	Average Asking Rent (FS)		
		Total %	1Q22	Construction	Total	Class A	Class B
Camelback Corridor	6,901,767	20.7%	-301,506	181,494	\$34.70	\$37.95	\$28.23
Central Phoenix	3,963,305	15.0%	-76,182	244,094	\$26.87	\$29.13	\$23.70
Chandler	11,695,364	23.2%	-169,946	-	\$29.75	\$33.01	\$27.56
Downtown	7,202,586	23.3%	215,740	-	\$31.95	\$32.23	\$30.86
Mesa	3,534,083	12.0%	13,094	56,358	\$24.63	\$27.93	\$23.84
Midtown	8,358,018	24.6%	35,266	-	\$24.29	\$26.41	\$22.25
N Phoenix	7,953,296	23.1%	-457,469	-	\$27.43	\$29.05	\$26.41
NW Outlying	2,162,416	16.7%	49,855	-	\$25.93	\$25.11	\$26.84
NW Phoenix	4,396,533	25.6%	-89,144	-	\$22.11	\$24.78	\$20.30
PPC & PV	3,285,124	15.4%	-22,582	-	\$26.54	\$29.83	\$23.29
S Scottsdale	8,946,836	18.3%	-108,675	-	\$30.45	\$32.66	\$28.17
Scottsdale Airpark	8,646,619	19.3%	-73,659	32,054	\$32.22	\$33.16	\$30.04
Sky Harbor	9,731,744	21.1%	-65,527	-	\$28.00	\$31.14	\$27.53
SW Valley	939,343	22.8%	-38,787	25,000	\$27.18	\$28.00	\$26.11
Tempe	9,635,467	14.7%	27,442	470,526	\$36.48	\$38.45	\$29.62
<b>Market Total</b>	<b>97,352,501</b>	<b>21.4%</b>	<b>-1,062,080</b>	<b>1,009,526</b>	<b>\$29.09</b>	<b>\$32.03</b>	<b>\$26.05</b>



# Office market stats by class

By Class	Inventory (sf)	Vacancy	1Q Absorption	Under Construction (sf)	Available Direct (sf)	Available Sublease (sf)
Class A	48,023,506	22.9%	-1.2%	896,114	11,408,395	2,780,554
Class B	46,339,101	20.3%	-0.9%	113,412	9,072,998	2,224,076
Class C	2,989,894	14.5%	3.0%	-	336,725	81,815
<b>Market Total</b>	<b>97,352,501</b>	<b>21.4%</b>	<b>-1.1%</b>	<b>1,009,526</b>	<b>20,818,118</b>	<b>5,086,445</b>

For more market insights  
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