

Phoenix

Office market snapshot | Q1 2025

Phoenix's office market continues to navigate a period of gradual stabilization, with key indicators pointing toward a slow but steady recalibration. While vacancy rates remain elevated at 24%, there has been a slight decrease in available space due to sublease absorption. Rent growth has moderated after the rapid increases seen in prior years, mainly due to elevated construction and tenant improvement costs. Meanwhile, investment activity has surged, driven by recent federal rate cuts and significant discounts on office properties, drawing renewed interest private investors.

24%

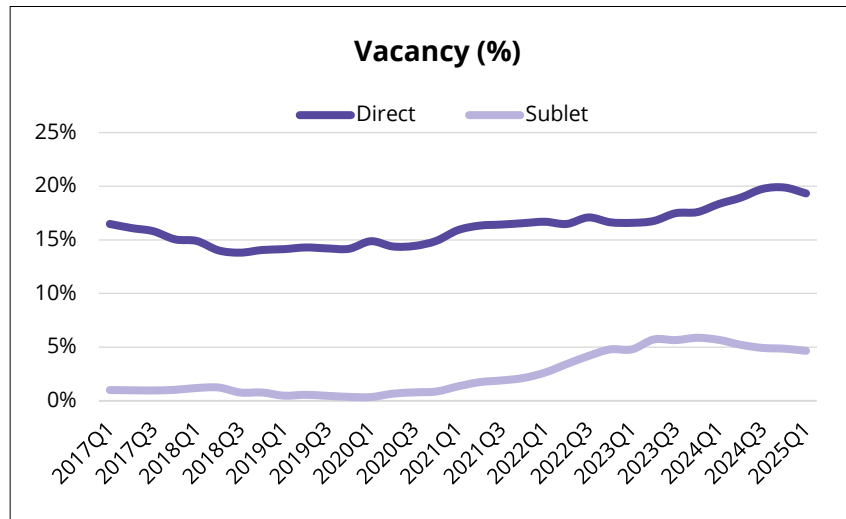
Vacancy rates continue a slow downward trend, with sublease space being gradually absorbed and total sublease vacancy falling to 4.7%.

\$30.76

Asking rent growth has decelerated, with rates increasing at a much slower pace compared to the previous two years.

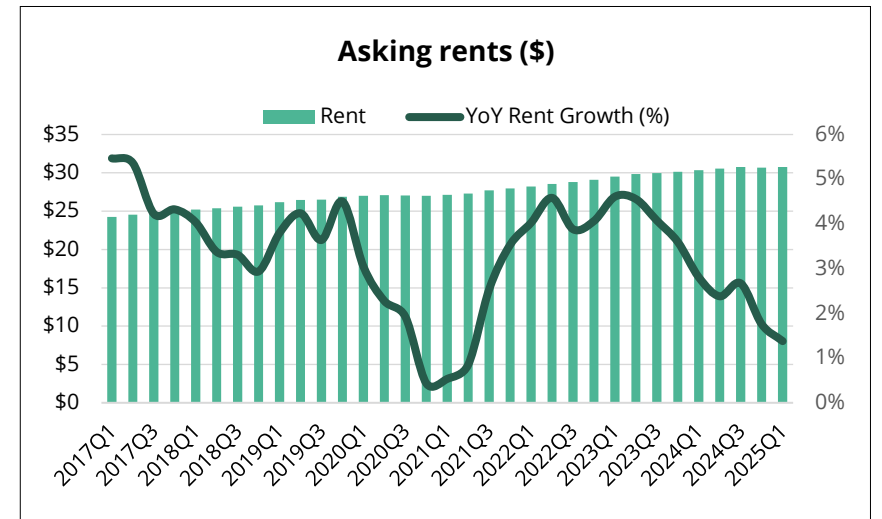
\$77.5M

Investment activity has rebounded, fueled by a recovering lending landscape as investors have capitalized on discounted office sales.



Phoenix's office vacancy rate stands at 24%, continuing a slight downward trend. Sublease vacancy has dropped to 4.7%, a 100-basis point decline since Q1 2024, driven by leases like Flexi-Van Leasing's 34,000-square-foot deal in Q1 2025. This reduction signals incremental market recovery as tenants capitalize on discounted sublease opportunities.

Survey criteria: Non-owner-occupied office buildings that are 20k square feet or greater in size.
Source: Avison Young Market Intelligence, Costar

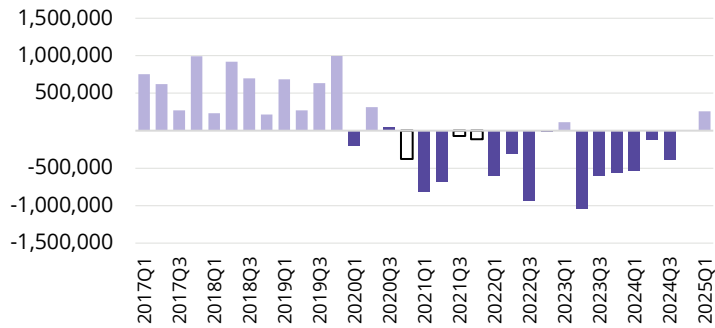


Rent growth has slowed significantly from previous years, with direct asking rents reaching \$30.76 per square foot in Q1 2025, just \$0.40 higher than a year ago. This shift has been driven by continuous increases in construction costs, both for new buildings and tenant improvements.

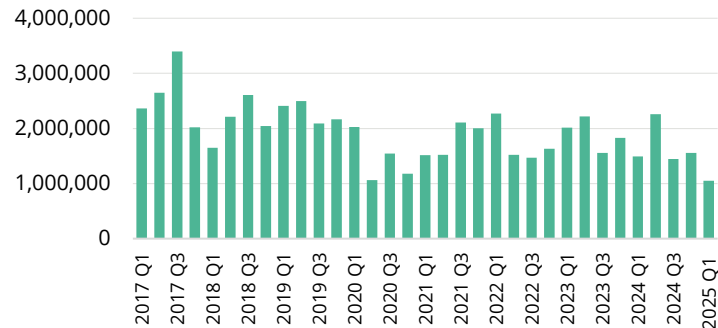
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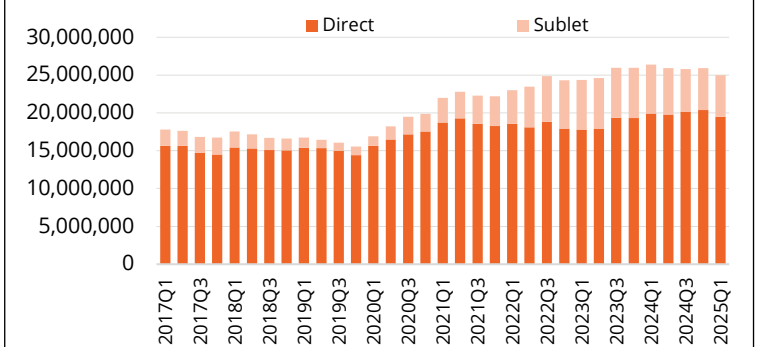
Net absorption (sf)



Leasing activity (sf)



Availability (sf)



Recent leasing activity

Tenant	Address	Size (sf)	Transaction type	Lease type
Invitation homes	2525 W Frye Rd	47,435	New	Direct
Flexi-van Leasing	8377 E Hartford Dr	34,057	New	Sublease
SAP	1101 W Washington St	32,880	Renewal	Direct
Visit Phoenix	1 E Washington St	24,722	New	Direct

Recent sales activity – Traditional office

Buyer	Address	Sale price	Sale price psf	Seller
Element LLC	14614 N Kierland Blvd – Element at Kierland	\$18,479,487	\$334.36	Providence Real Estate Group
Stuart Erskine	9501 W Kelton Ln – Phase I	\$6,200,000	\$184.20	Hill Trust
Johnston Family Properties V, LLC	13951 N Scottsdale Rd – Scottsdale Executive Square	\$4,900,000	\$164.40	Highland

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Submarket cluster	Existing inventory sf	Deliveries sf (YTD)	Under development sf	Direct availability	Sublet availability	Total availability*	Net absorption sf (Q1)	Net absorption % of inventory (Q1)	Annual direct asking rent psf FS
Airport Area	14,794,240	0	0	22.6%	10.4%	31.8%	-10,943	-0.07%	\$28.54
Central Corridor	16,440,633	0	0	25.8%	2.6%	28.3%	52,104	0.32%	\$28.84
East Phoenix	10,989,000	0	0	23.7%	2.9%	26.7%	65,341	0.59%	\$34.57
East Valley	16,719,404	0	119,222	17.8%	8.6%	26.4%	56,586	0.34%	\$32.62
Northwest Phoenix	9,524,544	0	0	20.3%	9.1%	29.4%	174,413	1.83%	\$26.86
North Phoenix	3,565,803	0	0	22.3%	6.4%	28.7%	-31,610	-0.89%	\$27.13
Scottsdale	17,009,728	0	0	17.7%	3.8%	21.6%	-92,276	-0.54%	\$31.89
West Phoenix	5,638,598	0	0	9.9%	0.6%	10.5%	45,139	0.80%	\$28.73
Market total	94,681,950	0	119,222	20.6%	5.8%	26.2%	258,754	0.27%	\$30.76

*Availability rates differ from vacancy rates due to space being listed as available before the current leases' expiration and the pre-leasing of unreleased space.

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Office market submarket map

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