



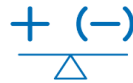
**95.1M**

Inventory SF



**26.8%**

Total Availability



**149.4K**

Net Absorption SF



**350.5K**

Under Construction SF



**17.3%**

Direct Vacant Available Rate



**\$30.87**

Asking Rent PSF

## Vacancy Holds as Positive Absorption Returns

### Market Observations

- Metro Phoenix's office market recorded positive net absorption of 149K SF in Q1 2025, putting an end to six consecutive quarters of negative absorption. The East Valley led all submarkets in positive absorption, marked by a new 47K sf lease to Invitation Homes at Chandler 202 Business Park.
- The direct vacant available rate ended Q1 2025 at 17.3%, unchanged from last quarter and up from 16.9% year-over-year. North Central Phoenix and the Downtown/Midtown submarkets posted the highest direct vacancy rates at 22.1% and 21.3%, respectively.
- Full-service rents averaged \$30.87 PSF in Q1 2025, down from \$31.14 PSF last quarter and \$30.98 PSF year-over-year. Tempe commanded the highest rents at \$37.65 PSF driven by Class A product, while North Central Phoenix averaged the lowest at \$24.17 PSF.
- Construction pipeline totals 350K SF in Q1 2025, down from 472K SF year-over-year, highlighted by Crown Realty Group's CityNorth complex in North Phoenix. The only Q1 delivery came in the East Valley where the 119K sf Gilbert Spectrum 3 building was delivered fully preleased to Northrop Grumman, expected to occupy in July following completion of tenant improvements.
- Unemployment rate climbed to 3.6% in Q1, this is an increase of 40 basis points compared to the 2024 average unemployment rate and 70 basis points higher than Q1 2024.





# PHOENIX OFFICE MARKET | Q1 2025

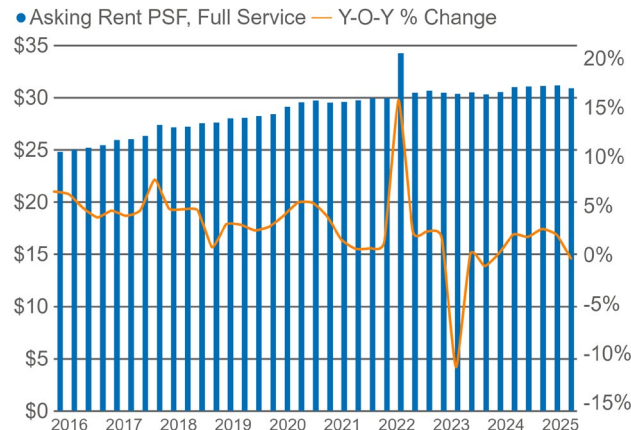
The **direct vacant available rate** held steady at 17.3% for two consecutive quarters. Total availability stands at 26.8%, even with last quarter and a 130 basis point improvement year-over-year. The lowest vacant available rates were found in the North Phoenix (12.3%) and Tempe (13.7%) submarkets.

**Net absorption** in Phoenix totaled 149K SF this quarter, driven largely by activity in the East Valley and Tempe. Class A lease activity represented nearly two-thirds of the top 10 leased square footage, highlighting the shift in demand toward higher quality space. North Central Phoenix was the largest drag on absorption (-75K sf) driven by a collection of move-outs in the 10K-15K sf range.

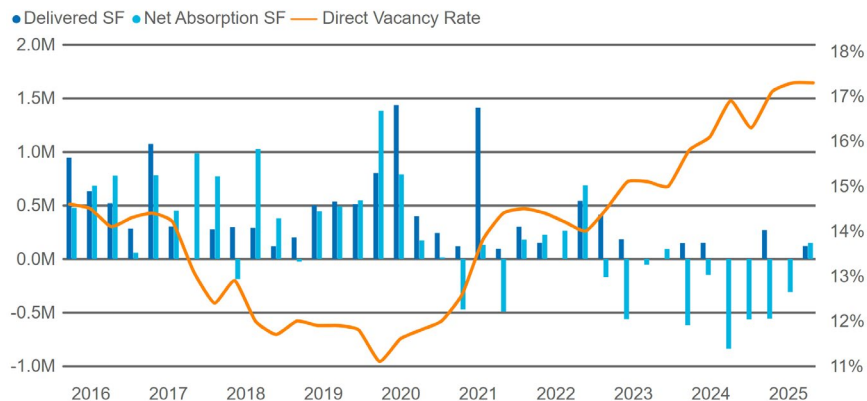
Average **full-service asking rents** declined to \$30.87 PSF due to metro softness, though Tempe continued to set the pace at \$37.65 PSF after annual and quarterly gains. Camelback Corridor trailed just behind at \$36.80 PSF with East Valley experiencing the largest annual decline, sliding -5.7% YoY to \$30.54 PSF.

**Notable Q1 Sales** included Element at Kierland in Scottsdale which sold for \$18.48M (Class A, 55K SF), Warner Crossing in the Airport Area closed at \$14.4M (Class B, 75K SF), and Elliot Center, also in the Airport Area, traded for \$13.5M (Class A, 223K SF).

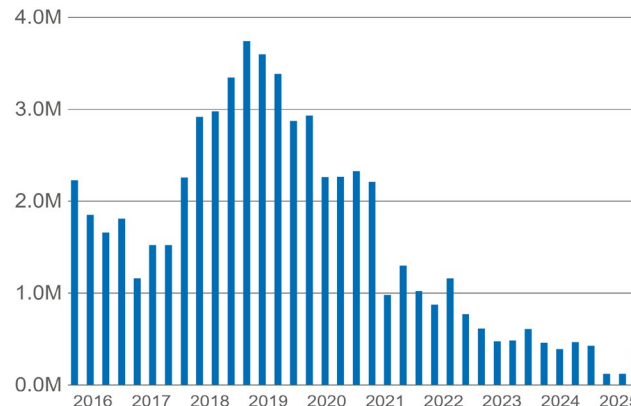
## ASKING RENT



## DELIVERY IMPACT ON KEY INDICATORS



## UNDER CONSTRUCTION





# PHOENIX OFFICE MARKET | Q1 2025

## OFFICE MARKET INDICATORS - ALL SPACE

MARKET	INVENTORY	DIRECT VACANT AVAILABLE SF	DIRECT VACANT AVAILABLE RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	QUARTERLY NET ABSORPTION SF	ASKING RENT PSF, FULL SERVICE
Airport Area	10,569,182	2,202,189	20.8%	34.8%	0	(5,579)	\$29.04
Downtown/Midtown	15,950,956	3,404,377	21.3%	27.1%	73,000	27,159	\$28.16
Camelback Corridor	10,477,473	1,790,455	17.1%	25.6%	40,000	19,506	\$36.80
Tempe	12,675,162	1,742,264	13.7%	23.6%	0	54,695	\$37.65
East Valley	11,764,571	1,977,002	16.8%	27.6%	0	145,070	\$30.54
North Phoenix	7,250,032	889,030	12.3%	29.0%	160,000	16,115	\$27.71
West Valley	1,936,606	357,926	18.5%	23.6%	0	7,058	\$28.67
Scottsdale	16,939,295	2,409,683	14.2%	23.2%	0	(39,063)	\$34.05
North Central Phoenix	7,537,839	1,663,610	22.1%	27.3%	77,507	(75,591)	\$24.17
<b>Total</b>	<b>95,101,116</b>	<b>16,436,536</b>	<b>17.3%</b>	<b>26.8%</b>	<b>350,507</b>	<b>149,370</b>	<b>\$30.87</b>



## Research Methodology

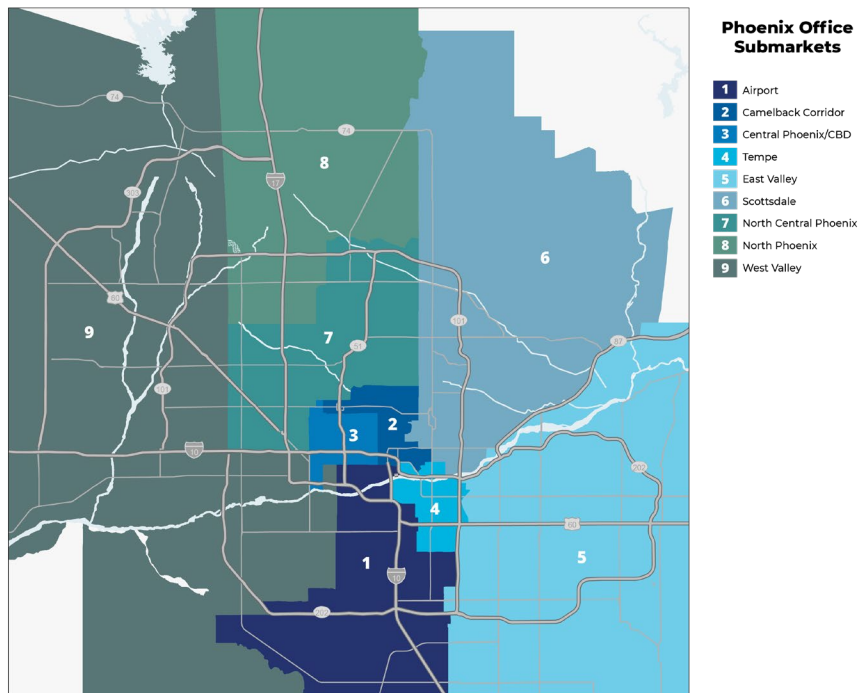
The information in this report is a compilation of single- and multitenant office properties 10,000 SF and larger in Phoenix. Medical offices and government-owned buildings are excluded from analysis. To continually improve the content provided to our clients, starting at Q1 2025, Transwestern Research has revised its office methodology which may shift current and historical data in our market reporting. Please reach out to the research contact(s) noted in this report with any questions

## About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award-winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at [transwestern.com](http://transwestern.com) and [@Transwestern](https://www.instagram.com/transwestern).

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