



**96.6M**

Inventory SF



**47.8K**

Net Absorption SF



**16.8%**

Direct Vacant Available Rate



**25.1%**

Total Availability



**600.5K**

Under Construction SF



**\$31.51**

Full Service Rent PSF

## Vacancy & asking rates continue positive momentum in Q3

### Market Observations

- Direct vacancy rates improved by 30 basis points quarter-over-quarter, ending Q3 at 16.8%. This marks three consecutive quarters of improvement, suggesting the market may have reached its bottom at the end of 2024 when direct rates peaked at 17.4%, a ten-year high.
- Net absorption remained positive for the third straight quarter, ending Q3 up 48K SF. The Airport Area recorded the largest gain of 250K SF, driven by more than 160K SF of vacancy being removed from the market following recent owner/user acquisitions, including the 116K SF Cotton Corporate Center sale in July.
- Full-service rents averaged \$31.51 PSF in Q3 2025, up from \$31.27 PSF last quarter and up 1.2% year-over-year. Scottsdale and the Camelback Corridor remain hot, with strong quarter-over-quarter gains also seen near the Airport and East Valley, both up over 2% vs Q2 2025.
- Construction pipeline totals 600K SF in Q3 2025, the bulk of which is found in the City North development. The site near 56th Street and Loop 101 which will be home to new headquarters for both Republic Services (265K SF) and Sprouts Farmers Market (145K SF), expected to be completed in the second half of 2026.
- Phoenix's labor market remains strong with unemployment holding around 3.7% and continued growth in health care, construction, and tech sectors driving expansion. The metro area's population has climbed over 1.2% over the past year, making it one of the fastest-growing population centers in the U.S.

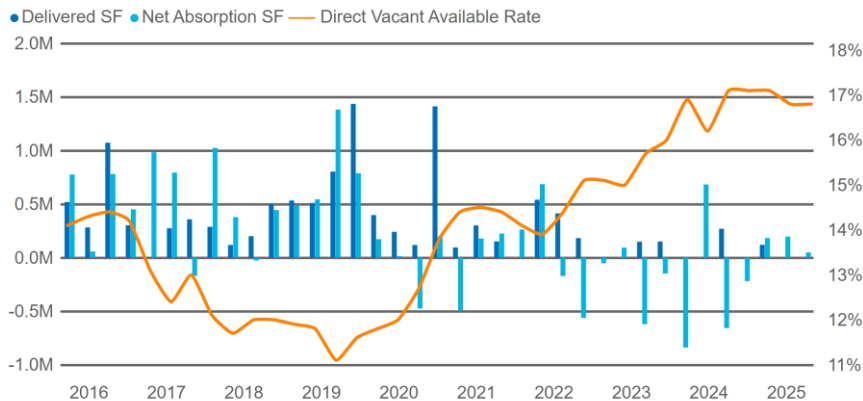




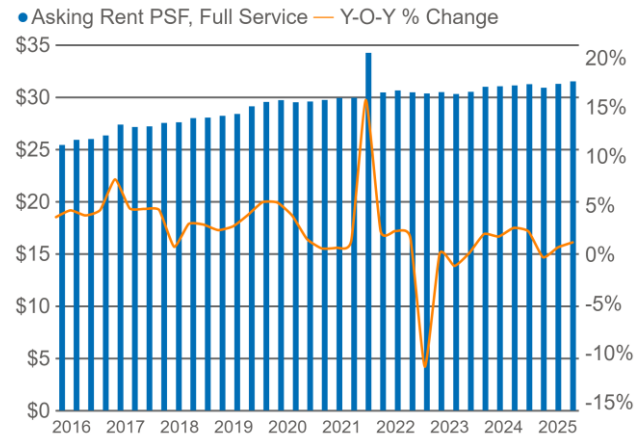
## PHOENIX OFFICE MARKET | Q3 2025

- Total Availability stands at 25.1%, down 90 basis points from last quarter and a 2% improvement year-over-year. Sublease availability also improved by 70 basis points quarter-over-quarter, highlighted by Toyota taking 55K SF off the market at Allred Park Place in Chandler.
- Net absorption totaled 47.8K SF this quarter, paced entirely by Class A growth (+235K SF), which offset a substantial contraction in Class B (-188K SF). Year-to-date, Class A has contributed +490K SF while Class B tracked a net loss of -63K SF. With Class A office still going up in parts of the metro, older Class B assets will continue to be targets for multi-family, hotel, and even industrial conversions. In August, construction began on a new 425K SF industrial park in place of the now-demolished seven-building, 338K SF, former Phoenix Corporate Center, in North Phoenix.
- After a hot 18-month run up, Tempe rents appear to be stabilizing with Q3 ending at \$35.51 PSF, Tempe's lowest average since the end of 2023. Sustained quarterly growth was seen in several areas: Chandler and Loop 303/Surprise each notched four straight quarters of rent increases, while Midtown delivered three consecutive quarterly gains, reaching \$26.54 PSF in Q3. North Phoenix also extended its streak with four consecutive annual and quarterly rent hikes.

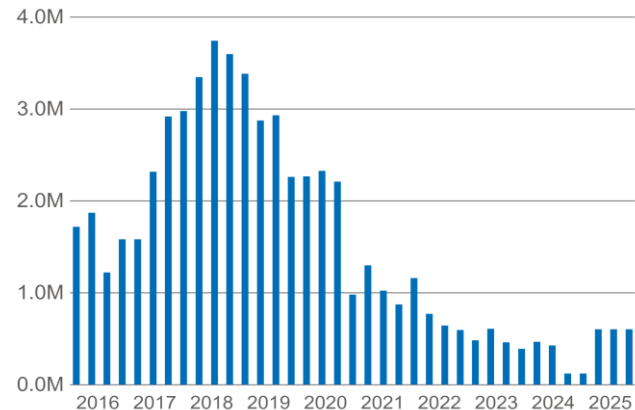
### DELIVERY IMPACT ON KEY INDICATORS



### ASKING RENT



### UNDER CONSTRUCTION





## PHOENIX OFFICE MARKET | Q3 2025

### OFFICE MARKET INDICATORS - CLASS A & B

| 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 | 2,010,901                  | 19.0%                        | 33.8%                   | 0                     | 250,488                     | \$30.48                       |
| Downtown/Midtown      | 15,950,956 | 3,418,021                  | 21.4%                        | 27.9%                   | 73,000                | 43,547                      | \$28.68                       |
| Camelback Corridor    | 10,477,473 | 1,805,390                  | 17.2%                        | 24.7%                   | 40,000                | 3,649                       | \$39.23                       |
| Tempe                 | 12,795,162 | 1,843,846                  | 14.4%                        | 22.0%                   | 0                     | (104,750)                   | \$35.34                       |
| East Valley           | 11,595,506 | 1,753,938                  | 15.1%                        | 24.1%                   | 0                     | 12,287                      | \$31.10                       |
| North Phoenix         | 8,608,540  | 985,637                    | 11.4%                        | 22.2%                   | 410,025               | (119,583)                   | \$28.18                       |
| West Valley           | 2,086,606  | 356,590                    | 17.1%                        | 24.4%                   | 0                     | 4,860                       | \$28.75                       |
| Scottsdale            | 16,939,295 | 2,379,034                  | 14.0%                        | 21.0%                   | 0                     | 51,451                      | \$34.83                       |
| North Central Phoenix | 7,537,839  | 1,660,700                  | 22.0%                        | 27.2%                   | 77,507                | (94,187)                    | \$24.45                       |
| Total                 | 96,560,559 | 16,214,057                 | 16.8%                        | 25.1%                   | 600,532               | 47,762                      | \$31.51                       |



# PHOENIX OFFICE MARKET | Q3 2025

## 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.

## 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](https://transwestern.com) and [@Transwestern](https://twitter.com/Transwestern).

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