

PHOENIX

HEALTHCARE MARKET | Q4 2025



21.6 MSF
Inventory



170K SF
Net Absorption



13.3%
Direct Vacancy



4.1M SF
Total Availability



524K SF
Under Construction

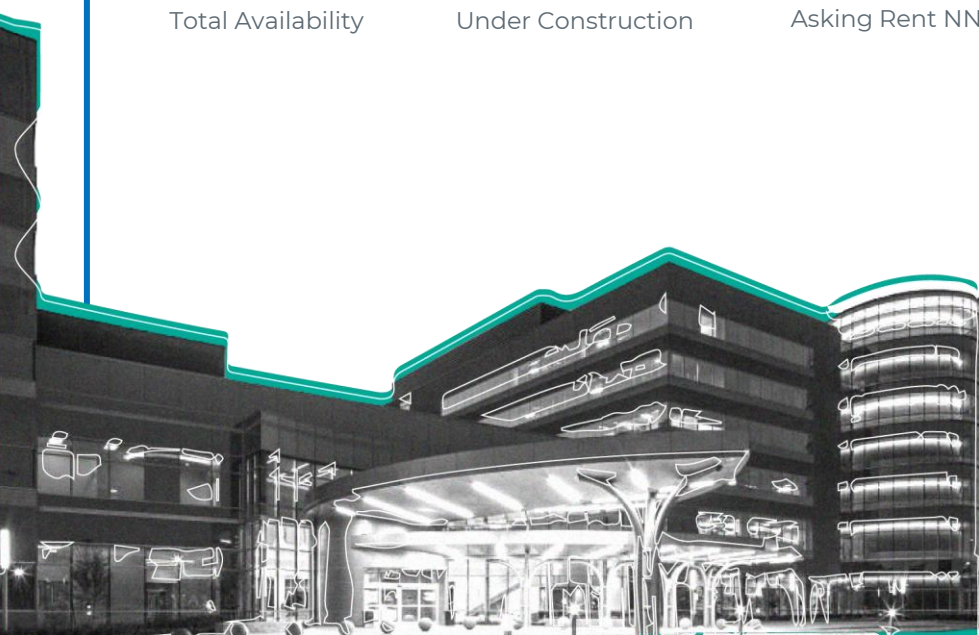


\$25.18 PSF
Asking Rent NNN

Vacancy continues retreat in Q4 amid steady construction levels

Market Observations

- Momentum in Phoenix's medical office sector remained strong through year-end, with vacancy rates declining another 40-basis points quarter-over-quarter, ending at 13.3%, the lowest level since early 2024.
- Positive net absorption reached 170K SF in Q4, marking the strongest quarter for the market this year. This late-year surge brought the annual total to 332K SF, signaling an acceleration in tenant demand heading into 2026. Secular demographic tailwinds, specifically accelerated in-migration and the rising density of high-utilization age cohorts, are expected to support long-term absorption trends across the Valley.
- Total sales volume slowed further in Q4, reaching \$117M, with pricing averaging \$270/SF. Despite tempered investment volume, the quarter was defined by Welltower's \$7.2 billion portfolio sale to the Remedy Medical Properties and Kayne Anderson Real Estate joint venture, now the largest owner of outpatient medical buildings. The deal represented the largest transaction in the history of the outpatient medical sector and featured three local assets, most notably the 91% leased Biltmore Medical Mall, which traded for \$38.3 million, or \$251/SF.
- The development pipeline expanded to over 500K SF in Q4, bolstered by several strategic groundbreakings. Notable new starts include the 80K SF Cielo Vista Medical Commons in Northwest Phoenix, a submarket seeing rapid growth driven by the new TSMC semiconductor campus. Additionally, construction commenced on the 32K SF Sierra Bloom MOB in Scottsdale; the project is already over 50% pre-leased, with delivery anticipated in Q3 2026.

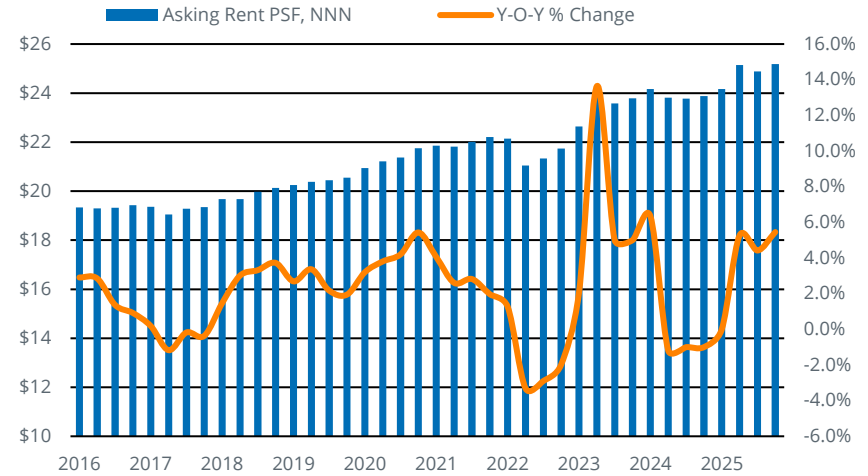




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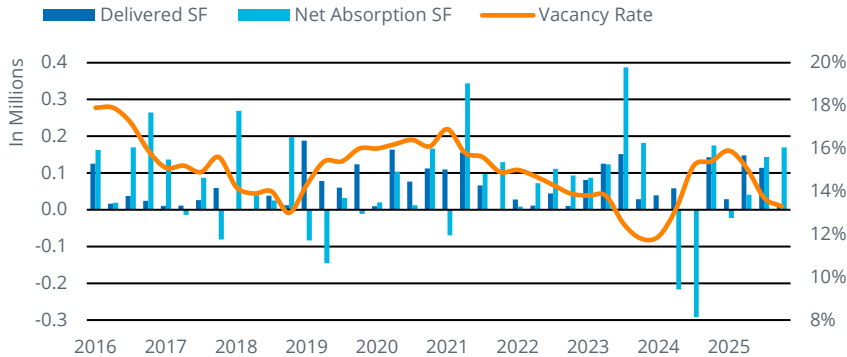
- Strong pricing power maintained through year-end, with average NNN asking rates reaching \$25.18/SF. This 5.5% annual appreciation underscores the sector's ability to drive rent growth even as sales volume moderated, reflecting a tightening supply of premium clinical space. The East Valley submarket has emerged as a primary growth corridor, with average asking rates surging 17% over 2024 levels.
- Arizona State University will soon break ground on its new 200K SF downtown HQ, a project that reinforces the Bioscience Core's status as a hub for medical education and clinical activity. By co-locating a new medical school with HonorHealth, the development creates a multi-disciplinary environment that will draw clinical research tenants to the area. Upon its 2028 completion, the project is anticipated to drive significant absorption of nearby second-generation medical office space.
- Healthcare providers are increasingly adopting retail-style site selection strategies, expanding beyond hospital campuses into high-visibility locations that prioritize proximity to patients. This demand is further intensified by the 'TSMC effect,' where massive semiconductor and residential growth in the Northwest and East Valleys are coercing health systems to aggressively decentralize into community-based outpatient facilities. Consequently, the market is poised for sustained success as high-credit clinical tenants prioritize limited second-generation space.

ASKING RENT



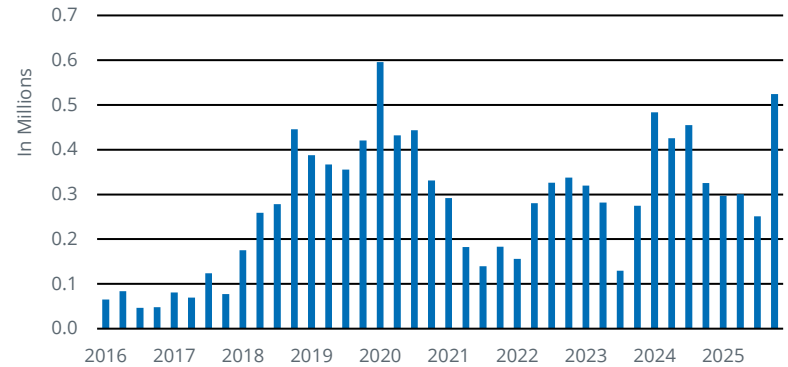
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern



Notable Sales

Sale Date	Address	Property Type	Total SF	Sale Price	Price Per SF	Buyer Company	Seller Company
11/1/25	2222 E Highland Ave, Phoenix,	Medical Office	152,600	\$38,385,000	\$251	Remedy Medical Properties	Welltower Inc.
10/21/25	2270 S Ridgeview Dr, Yuma	Medical Office	47,813	\$14,650,000	\$306	Remedy Medical Properties	Welltower Inc.
12/9/25	11000 N Scottsdale Rd, Scottsdale	Medical Office	59,445	\$13,300,000	\$224	Albany Road Real Estate Partners	Mark IV Capital
10/21/25	140 N Litchfield Rd, Goodyear	Medical Office	34,950	\$11,100,000	\$318	Remedy Medical Properties	Welltower Inc.
12/7/25	11209-11211 N Tatum Blvd, Phoenix	Medical Office	97,289	\$11,000,000	\$113	Nuveen	Diversified Healthcare Trust
12/1/25	1727 W Frye Rd, Chandler	Medical Condos	28,069	\$10,730,000	\$382	Coast Income Properties	Willis & Melrose LLC



Research Methodology

The information in this report is the result of a compilation of information on flex and industrial properties located in the Phoenix metro area. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger.

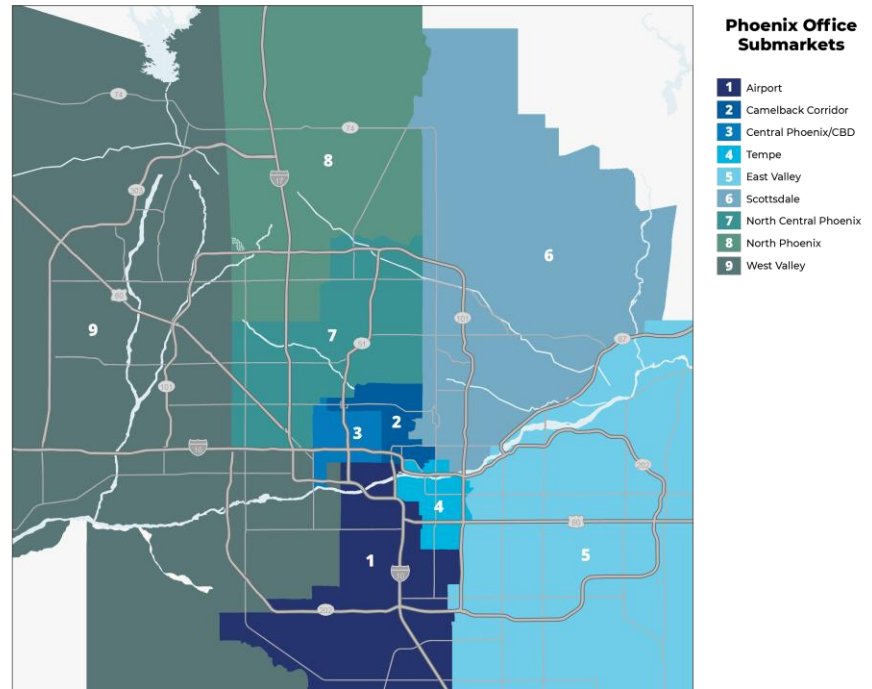
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For more Information

Ian Wolfe

Senior Research Analyst
Ian.Wolfe@transwestern.com
213.314.5056



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