

Phoenix

Healthcare Market | Q1 2026



Construction Activity Sustains Peak Levels

Market Observations

- The Phoenix Medical Office sector has seen a strong start to 2026, characterized by high-velocity acquisitions from institutional buyers and a continued trend of adaptive-reuse.
- Direct vacancy ticked up marginally to 13.5% following some year-end lease expirations. However, demand remains strong, underscored by an active construction pipeline exceeding 500K SF. Highlighting this growth is the 120K SF Banner Health campus expansion in Scottsdale, which will house an ambulatory surgery center, a pharmacy, imaging, and a suite of physician services, with Phase I expected to deliver later this year.
- Sales volume reached over \$113M in Q1, a 10% decline from the 2025 quarterly average. Activity was led by Cambridge Holdings' sale of the Abrazo Buckeye Medical Office to Hammes for \$30.6M and in the East Valley, Montecito Medical Real Estate acquired Ortho Arizona's 50K SF MOB in Gilbert for \$25.1M. Hammes remains been busy across the Valley with development progressing on their new Scottsdale Sierra Bloom MOB in partnership with NOVO, anticipated to deliver in Q3.



21.6 MSF
Inventory



(-37K) SF
Net Absorption



13.5%
Direct Vacancy



17.0%
Total Availability



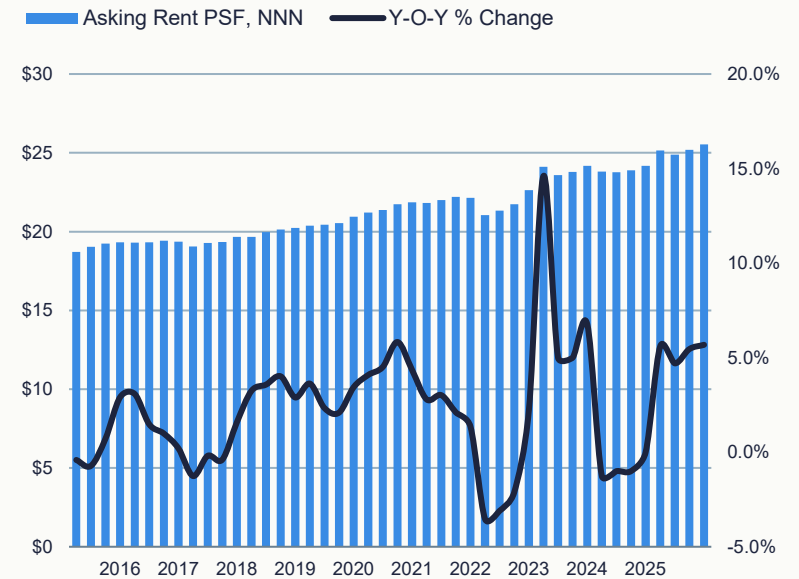
502K SF
Under Construction



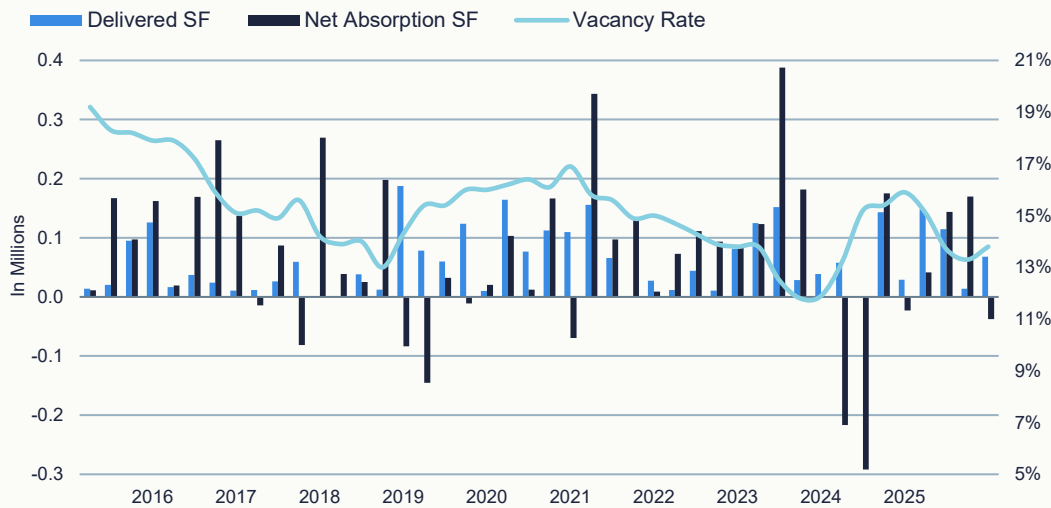
\$25.54 PSF
Asking Net Rent

- Strong demographic tailwinds and healthcare job growth, which accounted for over half of the Valley's 2025 gains, helped push leasing volume to over 250K SF in Q1, the highest quarterly amount since Q2 2025. Very little subleasing transacted in the quarter with the available sublease square footage down nearly 40% compared to 2024.
- Asking rates averaged \$25.54/SF NNN in Q1, reflecting a 5% increase from this time last year. This marks the fourth straight quarter of rent increases following a slowdown in 2024.
- Adaptive-reuse continues to be a common strategy across all asset types. Projects like the Chandler Integrated Care Campus retail-to-medical conversion and the Park Central mall mixed-use development in Midtown underscore a sustained developer appetite to be in the market. Performance continues to diverge by building type as single-story vacancy sits near a ten-year lows of 7%, while multistory assets trail with average vacancy over 15%.

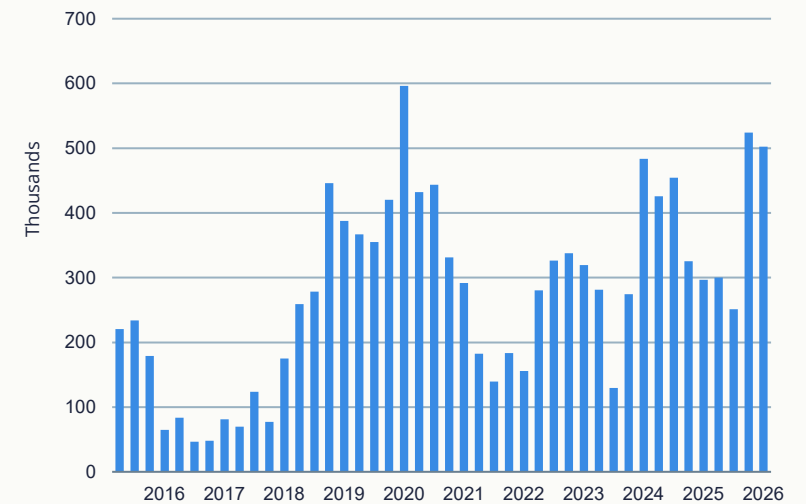
Asking Rent



Delivery Impact On Key Indicators



Under Construction



Notable Sales

| Address | Submarket | Sale Date | Sale Price | Building SF | Price PSF | Buyer | Seller |
|--------------------------------------|-------------------|-----------|--------------|-------------|-----------|-------------------------------|--|
| 21250 W Roosevelt St | SW Valley | Jan-26 | \$30,600,000 | 60,000 | \$510 | Hammes | Cambridge Holdings, Inc. |
| 1675 E Melrose St | Chandler/Gilbert | Mar-26 | \$25,125,000 | 49,318 | \$509 | Montecito Medical Real Estate | SPHERE Investments (formerly Flagler HC) |
| 8921 W Thomas Rd | SW Valley | Feb-26 | \$17,000,000 | 39,690 | \$428 | SSP Investments Inc | Cypress West Realty Partners |
| 2450 E Guadalupe Rd | Chandler/Gilbert | Feb-26 | \$9,800,000 | 29,827 | \$329 | Woodside Health (OH) | McDowell Enterprises |
| 9100 N 2nd St | North Central PHX | Jan-26 | \$7,000,000 | 27,072 | \$259 | Remedy Medical Properties | Welltower |
| 9225 N 3rd St | North Central PHX | Jan-26 | \$6,425,875 | 29,319 | \$219 | Remedy Medical Properties | Welltower |
| 710 W Bell Rd | North Central PHX | Jan-26 | \$3,800,000 | 14,046 | \$271 | Lasco Development | Wilmington Trust Fidelity National |
| 9327 N 3rd St | North Central PHX | Jan-26 | \$3,774,125 | 17,220 | \$219 | Remedy Medical Properties | Welltower |



Research Methodology

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

About Transwestern

Transwestern is a vertically integrated commercial real estate firm dedicated to serving investors, partners and clients through expertise in investment, development, brokerage and property management. We own, lease and operate \$64 billion (1) in assets. Our experience spans diverse property types, including logistics, multifamily, retail, mixed-use, healthcare, office, data centers, hotel, and life sciences. Across 33 offices nationwide, our team is united by a culture that cultivates agility, mutual trust and high performance. Learn more at transwestern.com.

(1) Includes all Transwestern enterprise assets and its RAUM as of April 1, 2026

For More Information

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