

Phoenix

Office Market | Q1 2026

New Leasing Offset by Downtown Vacancy

Market Observations

- The Phoenix office market showed positive signs in Q1, despite the negative absorption total which was largely attributed to one large (248K SF) move-out downtown. New leasing helped counter the new vacancy, leading to a direct vacancy of 16.9% a 10-basis point increase compared to Q4 2025.
- Metro net absorption was -211K SF quarterly versus +102K SF in the trailing 12-months. The former Freeport-McMoRan HQ (249K SF) now sits vacant and available downtown after the mining giant completed their move to the Cotton Center business park in the Southeast Airport Area, a submarket that has seen over 800K SF of positive absorption in the past year.
- Average full-service asking rents were \$31.65 PSF in Q1, ranging from \$26.33 in North Phoenix to \$39.35 in the Camelback Corridor. Class A rents peaked in Tempe at \$44.61 PSF, with several outlying and emerging submarkets seeing outsized rent growth, led by West Valley at \$33.73 PSF, up 5.7% QoQ and 6.4% YoY where Glendale rates climbed over 12% QoQ to \$36.48 PSF.



96.4 MSF
Inventory



(211K) SF
Net Absorption



16.9%
Direct Vacancy



23.8%
Total Availability



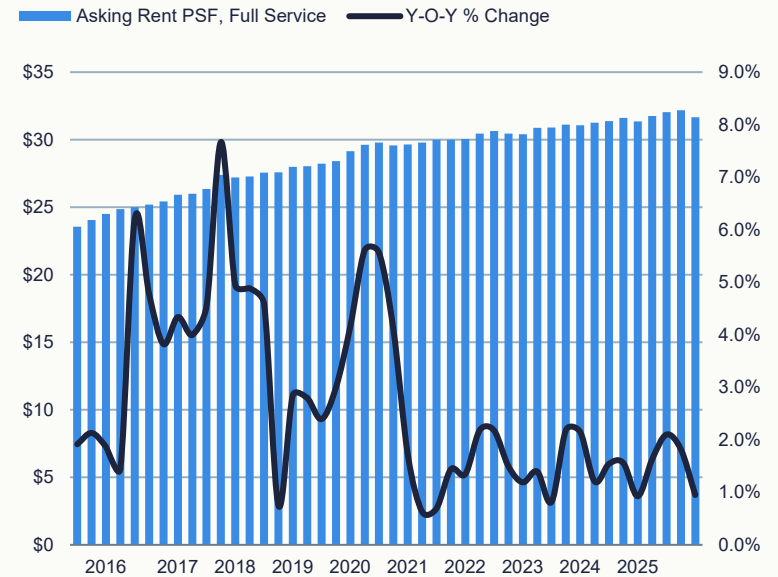
450K SF
Under Construction



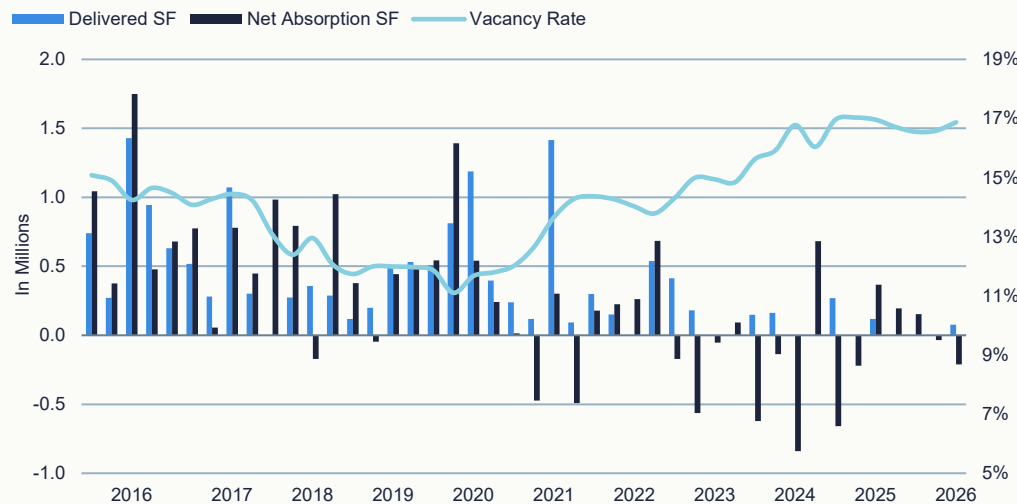
\$31.65 PSF
Asking Rent

- Phoenix's under construction pipeline now sits at 450K SF, following the delivery of Fender Music Corporation's new 78K SF HQ in the Paradise Valley submarket. The CityNorth development along Loop 101 accounts for the bulk of the remaining pipeline where new HQ locations for Fortune 500 companies, Republic Services & Sprouts are expected to deliver this summer.
- Glendale recorded the period's largest new signing with Concorde Career College inking a 53K SF, Class A office lease. Sublease availability continues to contract, falling to 4.9% of the market, its lowest level since 2022. Q1 sublease activity was driven by Nonstop Financials' 50K SF deal in Scottsdale and Waymo taking 40K SF off the market in Tempe.
- The direct vacancy rate remains highest in Downtown/Midtown where 27% of the 16M SF of inventory sits vacant, compared to Tempe where only 11.9% of 12M SF is vacant. Downtown investment signaled a potential rebound in Q1 with the sale of Thirty 03. The 458K-SF Class A office asset sold for \$32.2M (\$70/SF) marking a 24% discount from its 2019 purchase price.

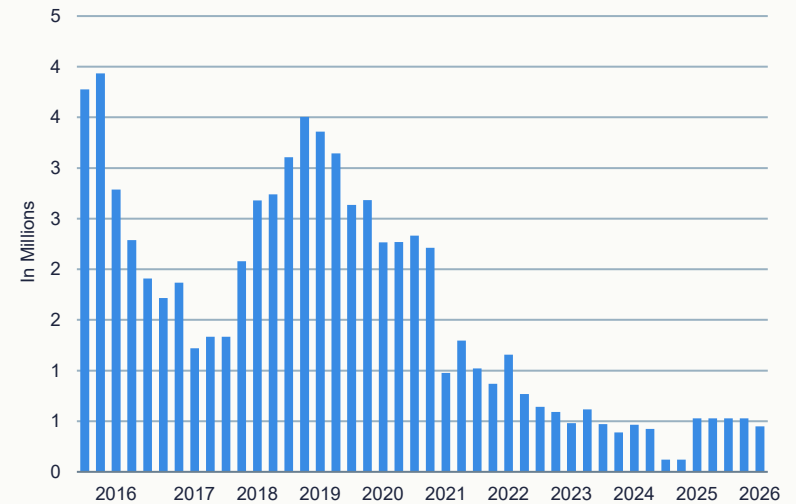
Asking Rent



Delivery Impact On Key Indicators



Under Construction



Market Indicators Table

Class A & B | Q1 2026

Submarket	Inventory SF	Direct Vacant SF	Direct Vacancy Rate	Overall Availability Rate	Under Construction SF	Net Absorption SF	Y-O-Y Net Absorption SF	Asking Rent PSF, Full Service
Airport Area	10,694,866	1,524,811	14.3%	26.9%		95,677	815,398	\$27.46
Camelback Corridor	10,343,624	1,715,585	16.6%	23.7%	40,000	37,354	74,870	\$39.35
Downtown/Midtown	15,982,593	4,040,504	25.3%	28.8%		(328,423)	(556,556)	\$28.28
East Valley	11,531,803	1,955,554	17.0%	22.4%		(98,044)	(102,360)	\$28.75
North Central Phoenix	7,620,597	1,628,099	21.4%	27.4%		73,579	(14,185)	\$26.48
North Phoenix	8,613,684	1,172,984	13.6%	18.4%	410,025	(33,441)	(283,954)	\$26.33
Scottsdale	17,201,954	2,656,834	15.4%	22.8%		(122,859)	(165,882)	\$37.85
Tempe	12,312,646	1,224,291	9.9%	19.4%		140,023	345,947	\$37.24
West Valley	2,080,317	344,094	16.5%	22.7%		25,258	(11,018)	\$33.73
Total	96,382,084	16,262,756	16.9%	23.8%	450,025	-210,876	102,260	\$31.65

Source: CoStar, Transwestern

Research Methodology

The information in this report is the result of a compilation of information on office properties located in the Phoenix. This report includes single tenant, multi-tenant and owner-user properties 15,000 SF and larger, excluding properties owned by a government agency and medical outpatient buildings.

About Transwestern

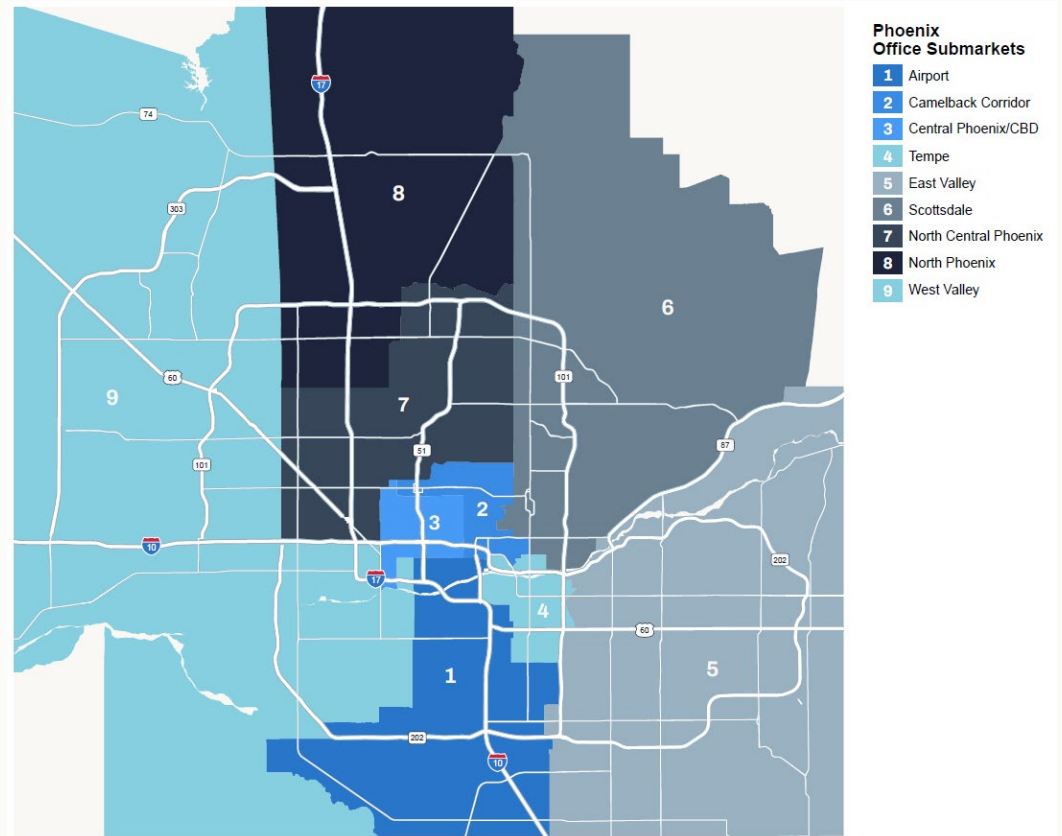
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(1) Includes all Transwestern enterprise assets and its RAUM as of April 1, 2026

For More Information

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