



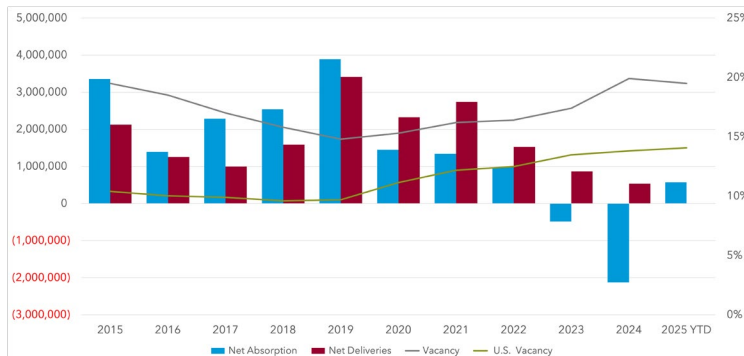
OFFICE MARKET OVERVIEW

CHRIS MCCHESENEY, *Research Director*

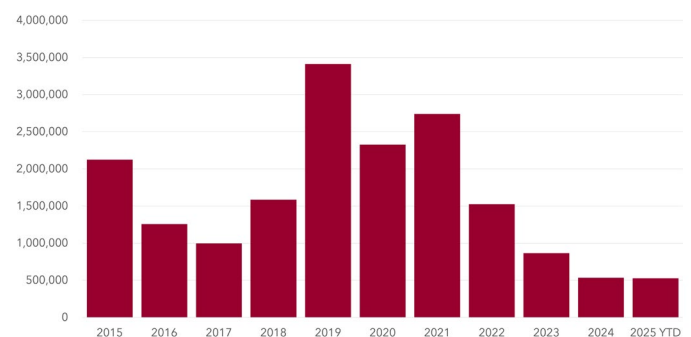
The Metro Phoenix office market showed signs of improvement in the third quarter, posting 120,763 square feet of positive net absorption. This rebound follows several quarters of uneven performance and signals that tenant demand is beginning to stabilize. The improvement contributed to a modest decline in overall direct vacancy, which decreased to 19.5 percent. While vacancy remains elevated compared to historic norms, the positive absorption reflects ongoing commitments from tenants seeking quality space in strategic Valley locations. Demand is expected to remain selective, with tenants prioritizing modern, amenity-rich environments, but the latest quarter demonstrates momentum toward a more balanced market.

MARKET INDICATORS	Q3 2025	Q2 2025	Q1 2025	Q4 2024	Q3 2024
▲ Qtrly Net Absorption SF	120,763	(77,780)	398,769	(90,817)	(740,026)
▼ Vacancy Rate	19.50%	19.80%	19.60%	19.90%	19.90%
▲ Avg NNN Asking Rate PSF	\$29.81	\$29.60	\$29.63	\$29.81	\$29.71
▼ Sale Price PSF	\$147.50	\$190.38	\$195.51	\$182.33	\$165.65
▲ Cap Rate	7.60%	7.20%	7.50%	6.20%	7.40%
▲ Under Construction SF	527,530	117,507	117,507	37,000	37,000
▲ Inventory SF	111,015,801	110,670,316	110,745,295	110,475,877	110,157,696

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
2800 N. Central Avenue Phoenix, AZ	370,736 SF	\$28,500,000 \$76.87 PSF	Skyline Real Estate Gaedeke Group	Class A
101 E. Washington Street Phoenix, AZ	307,000 SF	\$77,354,361 \$229.11 PSF	Southwest Value Partners City Office REIT, Inc.	Class A
6991 E. Camelback Road Scottsdale, AZ	174,000 SF	\$39,865,763 \$230.26 PSF	Southwest Value Partners City Office REIT, Inc.	Class A

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
1665 W. Alameda Drive Tempe, AZ	121,351 SF	Ascent REA	Amazon	E-Commerce
16260 N. 71st Street Scottsdale, AZ	68,721 SF	Vero Capital	Troon Companies	Hospitality/RE
1700 S. Price Road Chandler, AZ	55,429 SF	Douglas Allred Co.	Toyota Financial	Auto Finance

The information and details contained herein have been obtained from third-party sources believed to be reliable, however, Lee & Associates has not independently verified its accuracy. Lee & Associates makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to, the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information.

The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice. Third-party data sources: CoStar Group, Inc., The Economist, U.S. Bureau of Economic Analysis, U.S. Bureau of Labor Statistics, Congressional Budget Office, European Central Bank, GlobeSt.com, CoStar Property, and Lee & Associates Proprietary Data. ©

© Copyright 2025 Lee & Associates all rights reserved. Third-party Image sources: sorbis/shutterstock.com, shutterstock.com, pixabay.com, istock.com