



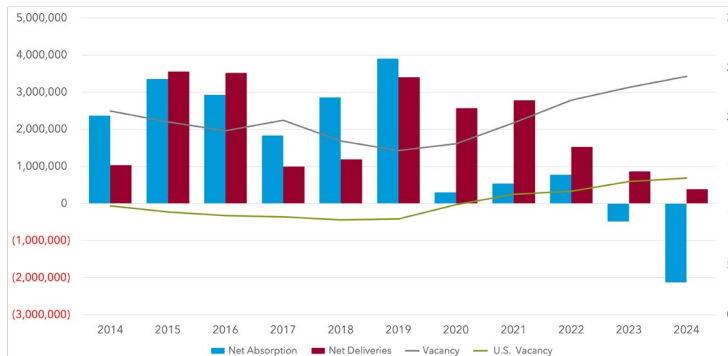
OFFICE MARKET OVERVIEW

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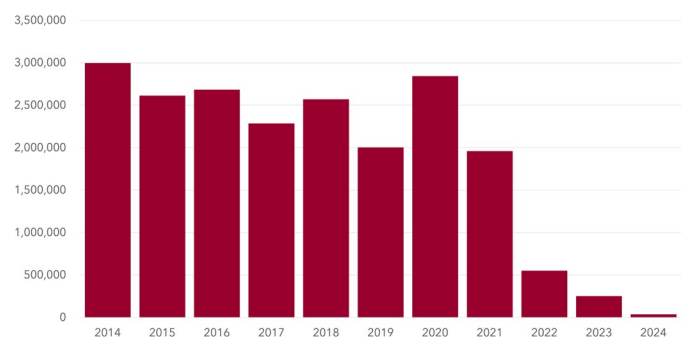
The Phoenix office market, like much of the broader U.S. office sector, continues to grapple with challenges stemming from shifts to in-office, hybrid, and remote work models. In 2024, the market faced its most difficult year on record, with a negative net absorption of 2 million square feet and direct vacancy rates hovering around 24%. The third quarter alone saw a negative net absorption of 90,417 square feet, capping off a historically challenging year. Looking ahead, Metro Phoenix is poised to rely on its business-friendly policies, strategic location, and affordable cost of living as key drivers to stabilize and rejuvenate its office market.

MARKET INDICATORS	Q4 2024	Q3 2024	Q2 2024	Q1 2024	Q4 2023
▲ 12 Mo. Net Absorption SF	(90,817)	(740,026)	(883,286)	(497,019)	68,616
◀ ▶ Vacancy Rate	19.9%	19.9%	19.2%	18.4%	17.8%
▲ Avg NNN Asking Rate PSF	\$29.81	\$29.71	\$29.45	\$29.86	\$29.56
▲ Sale Price PSF	\$177.18	\$160.74	\$164.65	\$165.26	\$197.97
▼ Cap Rate	6.2%	7.4%	8.0%	6.7%	7.2%
◀ ▶ Under Construction SF	37,000	37,000	387,578	387,578	252,578
▲ Inventory SF	110,475,877	110,157,696	109,294,275	109,186,633	109,075,724

NET ABSORPTION, NET DELIVERIES, & VACANCY



UNDER CONSTRUCTION



TOP SALE TRANSACTIONS BY SF	SIZE	SALE PRICE	BUYER / SELLER	BUILDING CLASS
2325 E. Camelback Road Phoenix, AZ	306,877 SF	\$97,900,000 \$319.02 PSF	Roger Norman Hines	Class A
Desert Ridge Corp. Center (2 Bldgs) Phoenix, AZ	275,208 SF	\$35,000,000 \$127.18 PSF	Discount Tire Co. Regent Properties	Class A
Camelback Lakes (4 Bldgs) Phoenix, AZ	208,105 SF	\$60,000,000 \$288.32 PSF	Circle Road Equities DRA Advisors	Class A

TOP LEASE TRANSACTIONS BY SF	SIZE	LANDLORD	TENANT	TENANT INDUSTRY
20410 N. 19th Avenue Phoenix, AZ	57,336 SF	Everest Holdings	Chamberlaion University	Education
2701 E. Ryan Road Chandler, AZ	52,608 SF	InSight	Barrett Financial Group	Financial
80 E. Rio Salado Parkway Tempe, AZ	51,775 SF	Cousins Properties	CliftonLarsonAllen	Financial

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