

FIGURES | PHOENIX OFFICE MARKET | Q4 2025

Tenant Demand Accelerates; Pushing Net Absorption to a 5-Year High

▼ 20.4%
Vacancy Rate

▲ 749,729
SF Net Absorption

▶ 450,525
SF Construction

▼ \$31.33
FSG / Lease Rate

Note: Arrows indicate change from previous quarter.

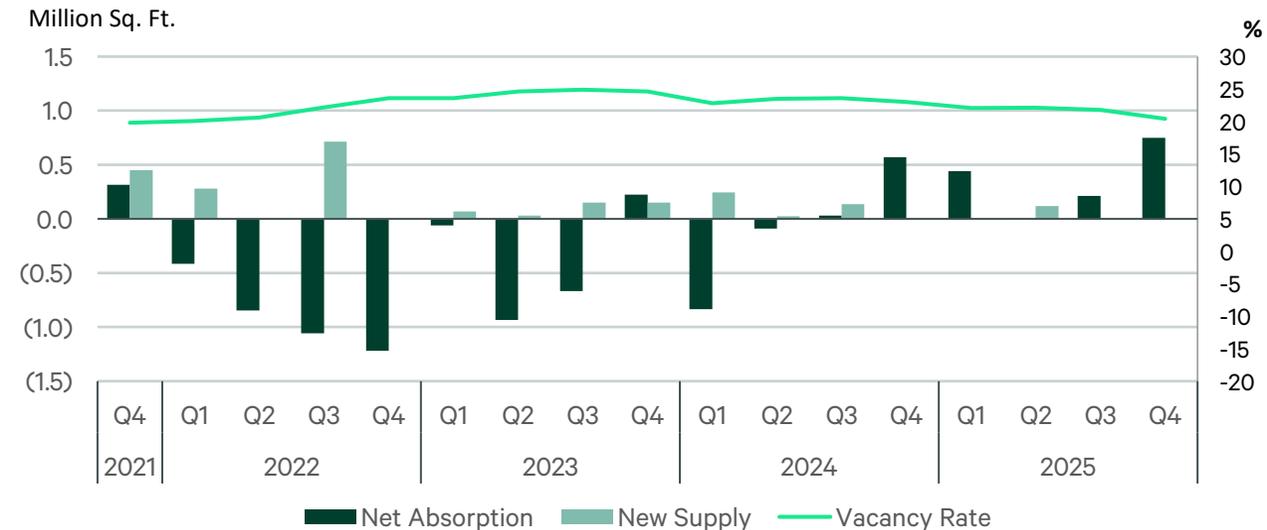
KEY TAKEAWAYS

- Phoenix experienced 749,729 sq. ft. of positive net absorption in Q4 2025.
- The vacancy rate dropped 140 basis points, finishing at 20.4%.
- The average full-service gross direct asking lease rate decreased 1.3% quarter-over-quarter to \$31.33 per sq. ft.

Phoenix posted 749,729 sq. ft. of positive net absorption in Q4 2025, pushing the 2025 total to 1.3 million sq. ft. This marks the highest quarterly net absorption total the market has recorded since Q4 2019. Although the average asking rent fell 1.3% during the quarter, the rate is still up 0.6% over the past year. The current under-construction office buildings in Phoenix include Sprouts' corporate headquarters, Republic Services' headquarters, and The Grove – 4210, which is now expected to deliver in Q1 2026.

*CBRE updated the statistical office inventory in Q1 2024. Due to modified methodology, historical statistical data, including vacancy rates, may not align with previously published reports.

FIGURE 1: Supply and Demand



Source: CBRE Research, Q4 2025.

Availability and Vacancy

In the fourth quarter of 2025, the metro-wide availability rate decreased by 110 bps to 23.8%, while the vacancy rate dropped to 20.4%. Leasing velocity in Class A and B offices remained strong, with these segments posting 396,055 and 441,078 sq. ft. of positive net absorption, respectively. Class A vacancy declined by 100 bps during the fourth quarter to 19.8%, while vacancy in Class B fell by 190 bps to 21.3%. Class C vacancy rates continued to rise quarter-over-quarter, increasing by 60 bps to 17.0%, marking the fifth consecutive quarter of rising vacancy in the segment.

The Northeast Valley submarket maintained the lowest vacancy rate, concluding the quarter at 15.1%. The Camelback/Piestewa Peak submarket continued to record the second-lowest vacancy rate, finishing the quarter at 17.9%. Vacancy in the West/Northwest submarket fell under the 20% threshold for the first time since 2019, as the area saw four new deals over 10,000 sq. ft., totaling 241,239 sq. ft., in previously vacant space. East Phoenix and the CBD were the only two submarkets that saw vacancy increase, each rising by 20 bps during the quarter.

**CBRE updated the statistical office inventory in Q1 2024. Due to modified methodology, historical statistical data, including vacancy rates, may not align with previously published reports.*

Sublease Space

Available sublease space decreased by 212,005 sq. ft. compared to Q3 2025. Additionally, vacant sublease space has decreased by 140,661 sq. ft. during the same period. There is currently 4,582,207 sq. ft. of sublease space on the market, of which 79.2% is vacant. The largest sublease availability removed from the market in the fourth quarter was the Republic Services space at North Scottsdale Corporate Center III (154,497 sq. ft.). Of the 15 recorded move-outs above 10,000 sq. ft., 6 were taken as vacant subleases.

Lease Rates

In Q4 2025, the average asking lease rate fell to \$31.33 per sq. ft. However, the average asking rent is still up 0.6% year over year and has grown 3.9% over the past 3 years. The submarket with the highest asking rate at the end of the fourth quarter was Camelback / Piestewa Peak at \$39.57 per sq. ft., with Tempe closely behind at \$38.23 per sq. ft. Class A and B asking lease rates fell \$0.43 per sq. ft. & \$0.14 per sq. ft., respectively, while Class C rates decreased by just \$0.09 per sq. ft.

**CBRE recently audited and updated our Office inventory to align closer with National Research standards in Q1 2024. This resulted in the change of total SF compared to previous reports*

FIGURE 2: Overall Vacancy Rate and Lease Rate



Source: CBRE Research, Q4 2025.

FIGURE 3: Lease Rates by Class



Source: CBRE Research, Q4 2025.

Development Activity

The Grove – 4210 remains under construction with a new expected delivery date in Q1 2026. The Sprouts corporate headquarters and Republic Services headquarters, both located at City North, make up the rest of the development pipeline, totaling 450,525 sq. ft. With the demand for top-of-market product continuing to increase, the need for premier multi-tenanted buildings is becoming more apparent across Phoenix Metro. Additionally, decreasing vacancy and strong leasing in Class A buildings could require luxury build-to-suits for high-profile new-to-market tenants considering Phoenix as a potential headquarters location.

Macro Economic Outlook

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

The picture gets more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

FIGURE 6: Under Construction and Construction Deliveries



Source: CBRE Research, Q4 2025.

FIGURE 7: Market Statistics by Submarket

	Net Rentable Area (Sq. Ft.)	Availability	Vacancy	Net Absorption (Sq. Ft.)		Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg Dir Asking Lease Rate (\$PSF/FSG)
				Q4 2025	2025 YTD			
Tempe	12,257,529	22.2%	20.5%	95,144	199,083	0	0	\$38.23
Northeast Valley/Scottsdale	22,164,883	19.9%	15.1%	130,961	456,316	410,525	0	\$34.29
Southeast Valley	17,053,911	23.6%	19.9%	339,454	723,479	0	0	\$30.42
Central Business District	15,484,596	30.2%	26.0%	(63,260)	(70,474)	0	0	\$28.02
East Phoenix	11,690,342	29.2%	27.9%	(20,601)	(23,028)	0	0	\$29.43
Camelback/Piestewa Peak	9,962,488	22.6%	17.9%	83,770	178,391	40,000	0	\$39.57
West/Northwest Phoenix	16,481,070	21.3%	18.8%	184,261	(68,939)	0	0	\$24.97
Phoenix Total	105,094,819	23.8%	20.4%	749,729	1,394,828	450,525	0	\$31.33

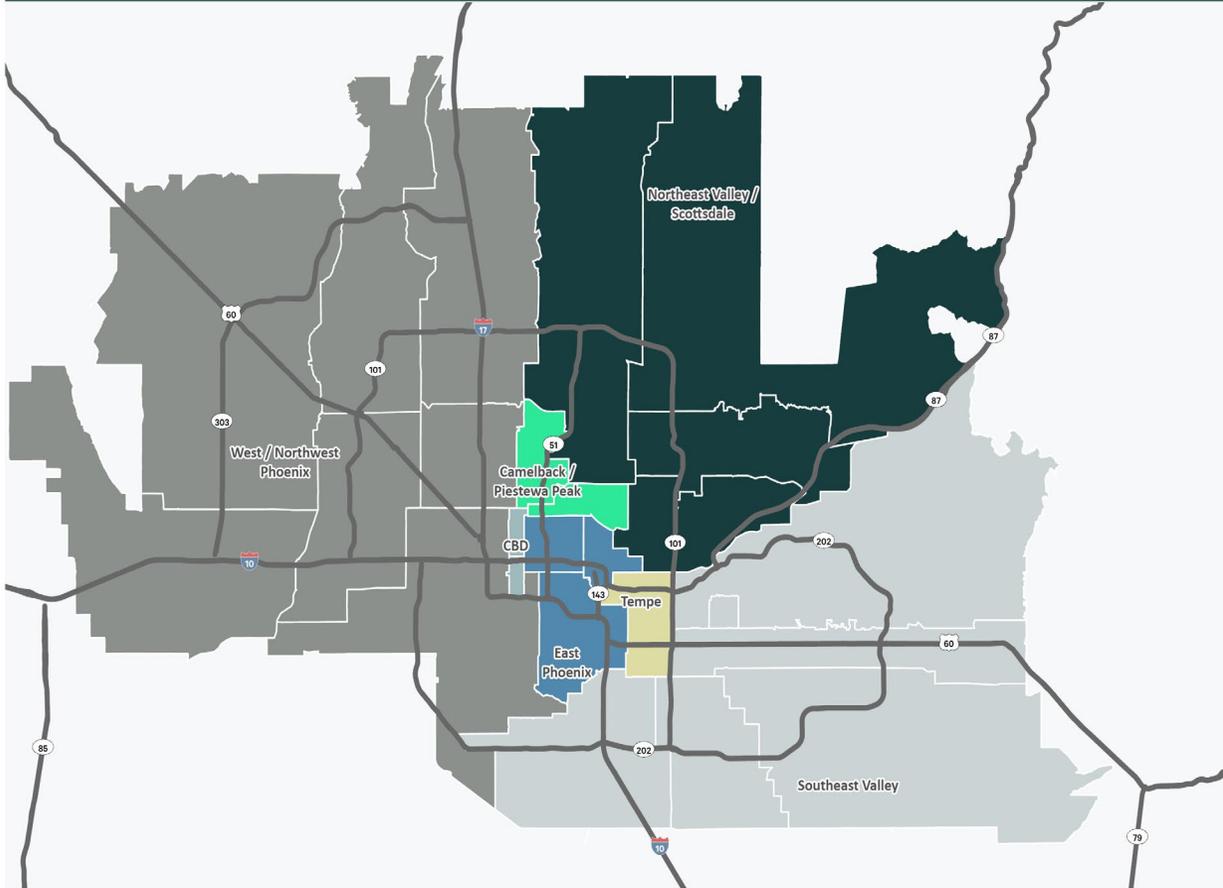
Source: CBRE Research, Q4 2025.

FIGURE 8: Market Statistics by Class

	Net Rentable Area (Sq. Ft.)	Availability	Vacancy	Net Absorption (Sq. Ft.)		Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg Dir Asking Lease Rate (\$PSF/FSG)
				Q4 2025	2025 YTD			
Class A	26,552,079	25.1%	19.8%	396,055	1,151,621	410,525	0	\$40.71
Class B	65,596,734	24.2%	21.3%	441,078	545,750	40,000	0	\$29.88
Class C	12,946,006	19.2%	17.0%	(87,404)	(302,543)	0	0	\$22.08
Phoenix Total	105,094,819	23.8%	20.4%	749,729	1,394,828	450,525	0	\$31.33

Source: CBRE Research, Q4 2025.

Phoenix Office District Map



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Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the net rentable area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Net Rentable Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all office buildings 20,000 sq. ft. and greater in size in Phoenix metro. Buildings which have begun construction as evidenced by site excavation or foundation work.

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