

FIGURES | PHOENIX OFFICE | Q2 2026

# Fundamentals Remain Strong in the Phoenix Office Sector

▼ 19.1%

Vacancy Rate

▲ 489,981

SF Net Absorption

▶ 0

SF Construction Delivered

▶ 450,525

SF Under Construction

▲ \$32.30

FSG/YR Direct Lease Rate

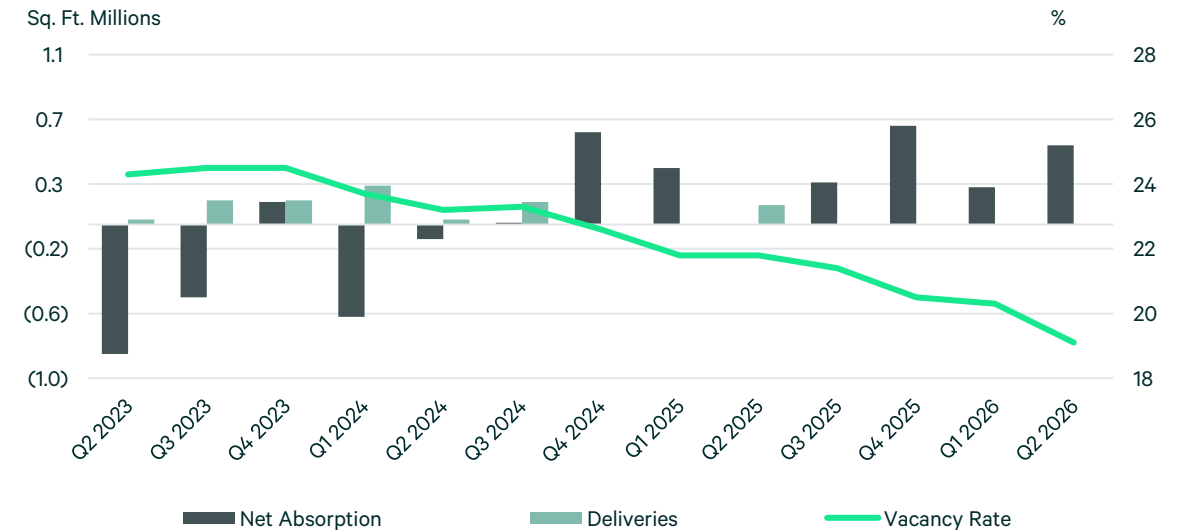
Note: Arrows indicate change from previous quarter.

## Market Overview

Over the past 3 years, the office market shifted from deep contraction to clear expansion. At the start of the period, net absorption was negative 798,000 sq. ft. By Q2 2026, net absorption improved to 490,000 sq. ft., marking a quarter-over-quarter increase of 263,000 sq. ft. On a year-over-year basis, net absorption improved by 488,000 sq. ft. Vacancy finished the quarter at 19.1%. This represented a tightening of 120 basis points quarter-over-quarter. Vacancy has also compressed by 270 basis points year-over-year. Availability ended the quarter at 22.8%. The rate decreased by 50 basis points quarter-over-quarter and was down 240 basis points year-over-year. Average asking rents closed the quarter at \$32.30 per sq. ft. Rents increased 0.7% quarter-over-quarter and were 3.4% higher year-over-year.

Leasing activity reinforced this improvement, as Consumer Cellular signed a 123,000 sq. ft. commitment in the Northeast Valley / Scottsdale submarket. AssistRx also subleased 49,790 sq. ft. in the Southeast Valley, while Honeywell Aerospace committed to 29,000 sq. ft. in East Phoenix. There were also 2 owner/user sales recorded during Q2 2026 totaling 197,000 sq. ft., which helped lift the quarterly net absorption figure. The construction pipeline remained stable at 451,000 sq. ft. with 3 projects active across the Valley.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q2 2026

## Vacancy

In Q2 2026, overall vacancy is closely clustered across property classes, with Class B at 19.4%, Class A at 19.3%, and Class C at 17.1%. Class A and B both declined quarter-over-quarter, down 80 and 140 basis points, respectively, while Class C fell 130 basis points. Year-over-year, vacancy has decreased by 250 basis points in Class A and 350 basis points in Class B, but increased by 60 basis points in Class C. Compared with Q2 2023, vacancy is lower by 500 basis points in Class A and 850 basis points in Class B, whereas Class C is 440 basis points higher, reflecting stronger demand for higher-quality space.

By submarket, Northeast Valley / Scottsdale has the lowest overall vacancy at 14.1%, with 2.6 million sq. ft. of direct vacant space. West / Northwest Phoenix is the second-lowest, at 15.2% overall vacancy and 2.1 million sq. ft. of direct vacancy. The CBD has the highest overall vacancy rate at 27.3% and contains roughly 4.1 million sq. ft. of direct vacant space, highlighting the depth of availability in the core office district.

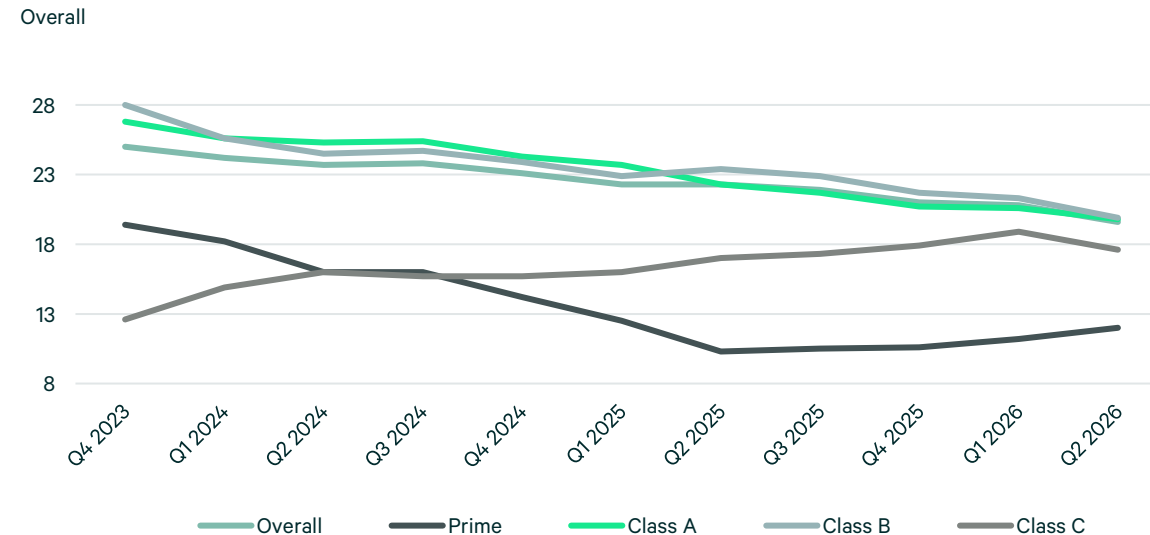
Sublease space on the market totals about 3.8 million sq. ft. across all submarkets and is heavily clustered in Tempe (949,415 sq. ft.) and East Phoenix (819,972 sq. ft.). Available sublease space decreased by 186,441 sq. ft. compared to Q1 2026. Additionally, vacant sublease space declined by 102,645 sq. ft. during the same period.

## Asking Rent

In Q2 2026, the overall average asking rent was \$32.30 per sq. ft., up 0.7% quarter-over-quarter from \$32.09 in Q1 2026 and 3.4% year-over-year from \$31.24 in Q2 2025. Across the data period, overall rents have risen from \$29.74 in Q2 2023 to \$32.30 in Q2 2026, an 8.6% increase. Class A space commands a clear premium, at \$41.66 per sq. ft. in Q2 2026—slightly below \$42.02 in Q1 2026 but above \$41.46 in Q2 2025 and \$38.88 in Q2 2023—while Class B and Class C rents have moved from \$28.01 and \$21.91 in Q2 2023 to \$30.60 and \$22.05 in Q2 2026.

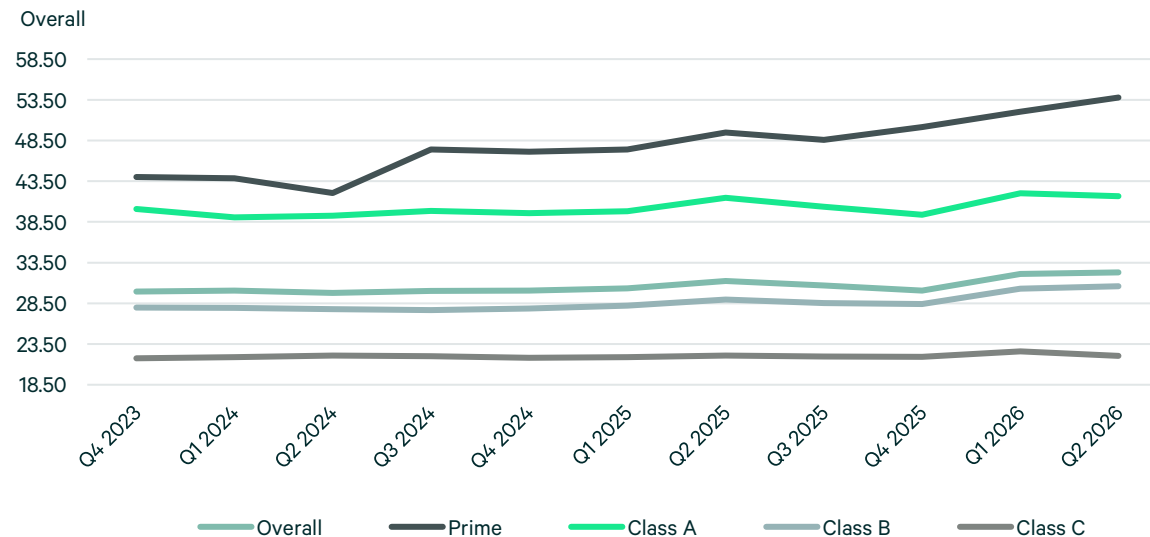
By submarket, Camelback / Piestewa Peak posted the highest average asking rent in Q2 2026 at \$36.98 per sq. ft., while the CBD recorded the lowest at \$27.46 per sq. ft. Northeast Valley / Scottsdale and Tempe followed closely with average asking rents of \$34.87 and \$34.72 per sq. ft., respectively, while Southeast Valley and West / Northwest Phoenix were moderately priced at \$30.61 and \$30.33 per sq. ft., and East Phoenix sat just below that group at \$29.41 per sq. ft.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q2 2026

## Net Absorption

In Q2 2026, the market recorded total net absorption of 490,000 sq. ft. across all property classes. This was an increase of 263,000 sq. ft. quarter-over-quarter, exceeding the 227,000 sq. ft. in Q1 2026. Year-over-year, Q2 2026 absorption exceeded the -8,693 sq. ft. posted in Q2 2025. Class B was the highest contributor at 398,000 sq. ft., followed by Class A at 79,000 sq. ft., while Class C remained the lowest at 13,000 sq. ft.

At the submarket level in Q2 2026, West / Northwest Phoenix posted the highest net absorption at 176,000 sq. ft., followed by Northeast Valley / Scottsdale at 173,000 sq. ft. Additional demand was concentrated in Northeast Valley / Scottsdale, which added 99,000 sq. ft., and Southeast Valley, which absorbed 60,000 sq. ft. On the downside, Camelback / Piestewa Peak recorded -49,000 sq. ft. of net absorption, while Tempe followed with -17,000 sq. ft.

## Construction Activity

In Q2 2026, the market had 451,000 sq. ft. under construction and no projects delivered. Under construction space was unchanged quarter-over-quarter and year-over-year, but down 251,000 sq. ft. from 702,000 sq. ft. in Q2 2023, marking a 35.8% decline over three years. Construction deliveries over the period from Q2 2023 through Q2 2026 totaled 856,000 sq. ft.; deliveries were flat quarter-over-quarter in Q2 2026 and declined year-over-year from 119,000 sq. ft. in Q2 2025.

Northeast Valley / Scottsdale is the most active submarket in Q2 2026, with 410,525 sq. ft. under construction across the Republic Services Headquarters and Sprouts Corporate Headquarters, both build-to-suit office projects. Camelback / Piestewa Peak follows with 40,000 sq. ft. underway at The Grove - 4210, which is 100.0% pre-leased and expected to deliver in Q3 2026. Together, these two submarkets account for all under construction projects across the Valley.

Figure 4: Net Absorption Trend

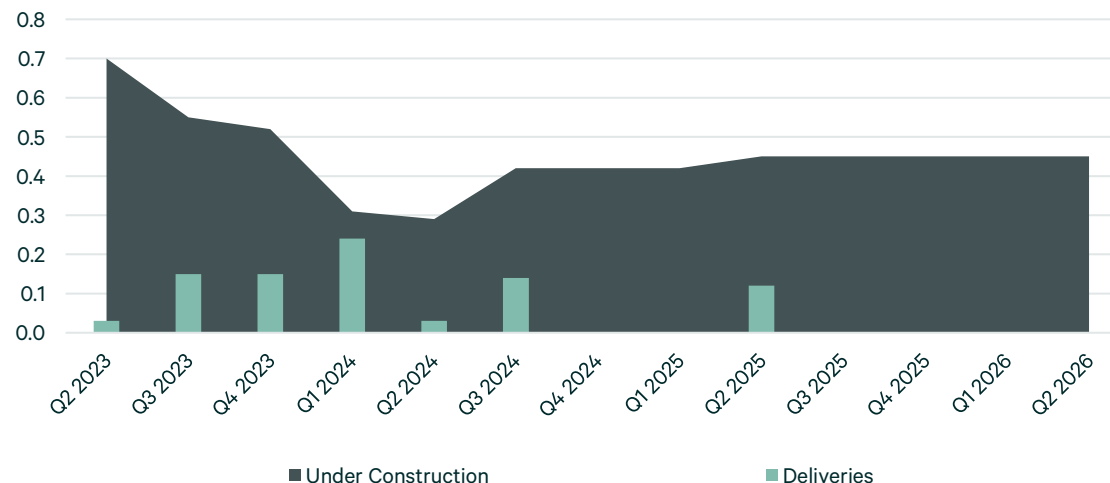
Sq. Ft. (millions)



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity

Sq. Ft. Millions



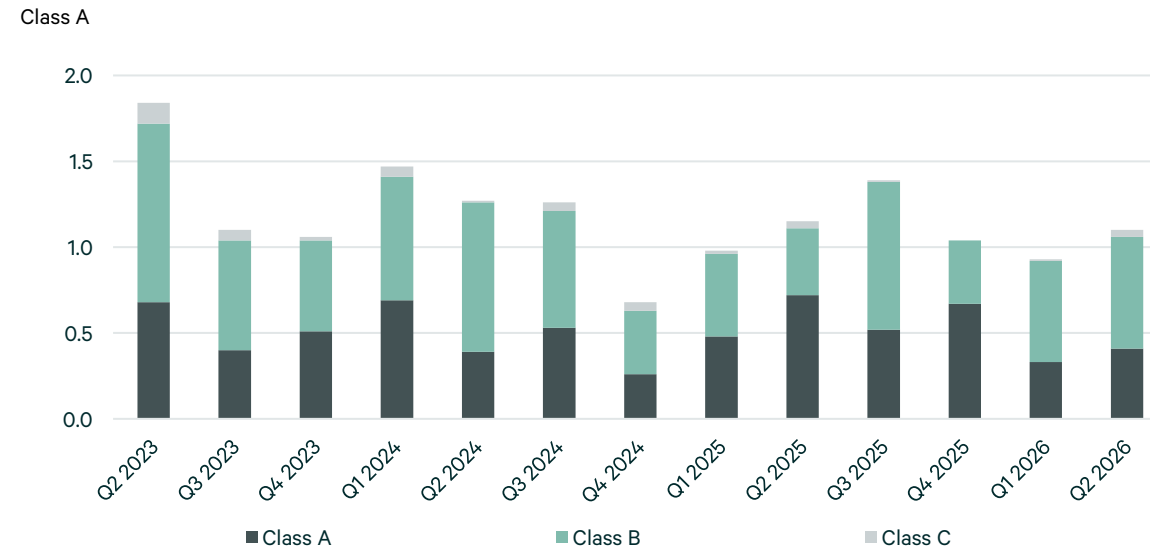
Source: CBRE Research, Q2 2026

## Leasing Activity

Total leasing activity in Q2 2026 reached about 1.1 million sq. ft., while full-year 2025 volume totaled roughly 4.5 million sq. ft. Q2 2026 leasing increased 14.6% quarter-over-quarter from 924,000 sq. ft. in Q1 2026 but declined 4.9% year-over-year compared with approximately 1.1 million sq. ft. in Q2 2025.

Northeast Valley / Scottsdale and Southeast Valley were the most active submarkets in Q2 2026, with 354,000 sq. ft. and 175,000 sq. ft. leased, respectively. Positive but more moderate leasing volumes were recorded in East Phoenix (126,000 sq. ft.), the CBD (124,000 sq. ft.), West / Northwest Phoenix (109,000 sq. ft.), Camelback / Piestewa Peak (92,000 sq. ft.), and Tempe (80,000 sq. ft.).

Figure 6: Leasing Activity Trend



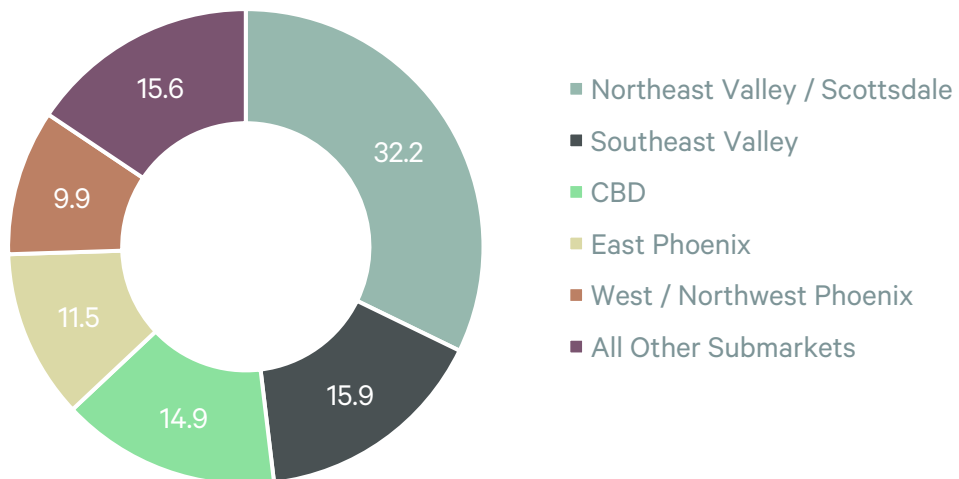
Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Consumer Cellular	123,000	New Lease	8501 E Raintree Dr	Northeast Valley / Scottsdale
Valley Metro Rail	70,000	Renewal	101 N 1st Ave	CBD
Confidential Tenant	61,000	New Lease	8667-8701 E Hartford Dr	Northeast Valley / Scottsdale
AssistRx	49,790	New Lease	2160 E Elliot Rd	Southeast Valley
Southwest Service Administrators	47,000	Renewal	2550 W Union Hills Dr	West / Northwest Phoenix
Northrop Grumman	46,000	Renewal	1233 S Spectrum Blvd	Southeast Valley
Honeywell	29,000	New Lease	1625 W Fountainhead Pkwy	East Phoenix
The Refrigeration School	29,000	New Lease	4129 E Van Buren St	East Phoenix

Source: CBRE Research, Q2 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q2 2026

## Market Statistics by Class

Figure 9: Metro Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	26.67M	19.3	23.9	18.8	5.1	41.66	79,000	(22,000)	-	411,000
Prime	8.79M	11.5	13.4	8.8	4.5	53.78	(54,000)	22,000	-	-
Other Class A	17.88M	23.2	29.1	23.7	5.4	39.18	133,000	(45,000)	-	411,000
Class B	62.44M	19.4	22.9	19.0	3.9	30.60	398,000	765,000	-	40,000
Class C	12.47M	17.1	19.6	18.8	0.8	22.05	13,000	(26,000)	-	-
<b>Total</b>	<b>101.58M</b>	<b>19.1</b>	<b>22.8</b>	<b>18.9</b>	<b>3.8</b>	<b>32.30</b>	<b>490,000</b>	<b>717,000</b>	<b>-</b>	<b>451,000</b>

Source: CBRE Research, Q2 2026

## Market Statistics

Figure 10: Suburban Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	22.40M	18.0	21.6	15.8	5.9	45.53	78,000	145,000	-	411,000
Prime	7.91M	11.6	13.2	8.1	5.0	56.85	(50,000)	26,000	-	-
Other Class A	14.49M	21.5	26.3	19.9	6.3	42.49	128,000	119,000	-	411,000
Class B	54.10M	17.7	21.3	17.0	4.3	31.56	386,000	727,000	-	40,000
Class C	9.79M	16.2	18.9	17.9	1.0	22.55	3,000	(34,000)	-	-
<b>Total</b>	<b>86.30M</b>	<b>17.6</b>	<b>21.1</b>	<b>16.8</b>	<b>4.3</b>	<b>33.54</b>	<b>467,000</b>	<b>839,000</b>	<b>-</b>	<b>451,000</b>

Source: CBRE Research, Q2 2026

Figure 11: Urban Market Statistics by Class

Property Class	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	4.27M	26.1	35.9	34.6	1.3	34.32	1,000	(168,000)	-	-
Prime	875,000	10.1	15.1	15.1	-	40.00	(4,000)	(4,000)	-	-
Other Class A	3.40M	30.3	41.3	39.7	1.6	33.76	5,000	(164,000)	-	-
Class B	8.33M	30.0	33.5	32.4	1.2	27.44	11,000	38,000	-	-
Class C	2.67M	20.7	22.1	22.1	-	20.61	10,000	8,000	-	-
<b>Total</b>	<b>15.28M</b>	<b>27.3</b>	<b>32.2</b>	<b>31.2</b>	<b>1.0</b>	<b>28.87</b>	<b>23,000</b>	<b>(122,000)</b>	<b>-</b>	<b>-</b>

Source: CBRE Research, Q2 2026

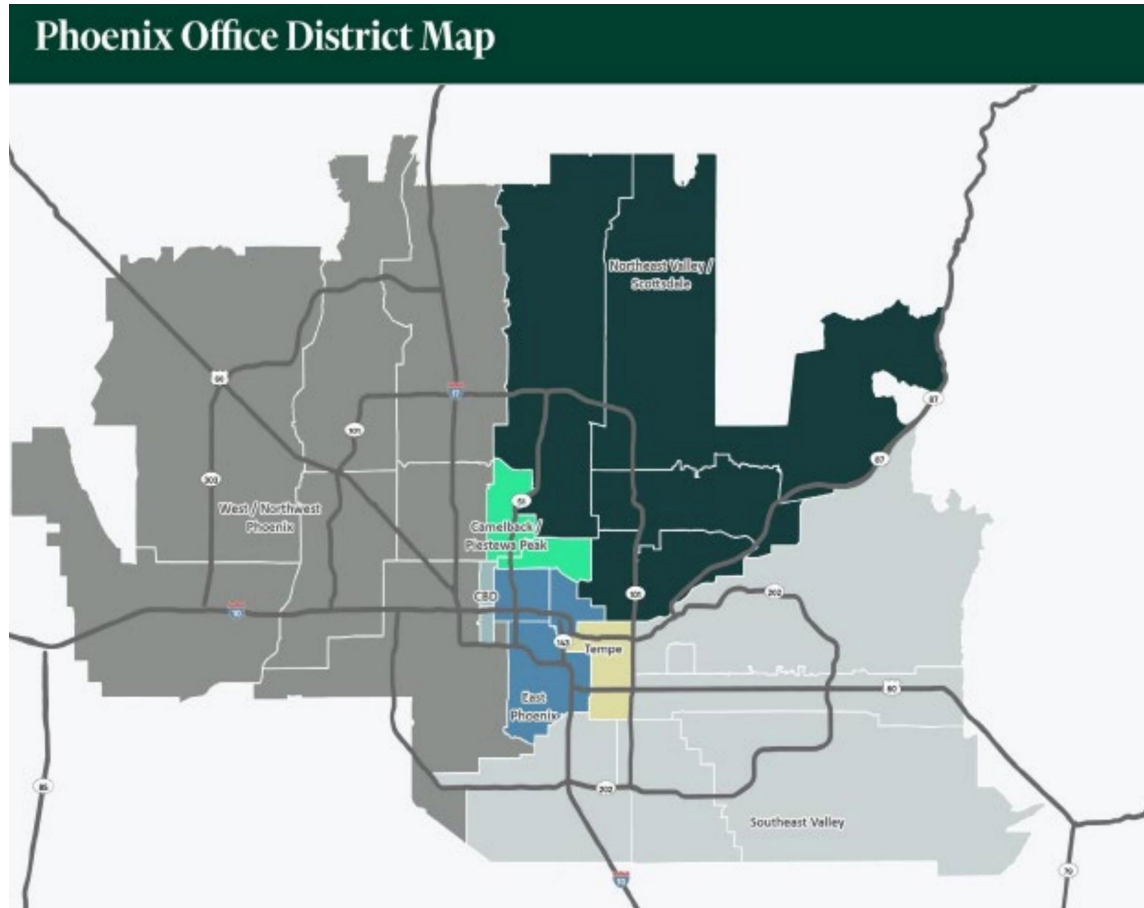
## Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate	Class A Asking Rent (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
CBD	15.28M	27.3	32.2	31.2	1.0	28.87	34.32	23,000	(122,000)	-	-
Camelback / Piestewa Peak	9.97M	17.7	20.8	18.7	2.1	39.27	51.46	(42,000)	(45,000)	-	40,000
East Phoenix	10.48M	24.3	25.9	17.9	8.1	29.10	37.13	20,000	105,000	-	-
Northeast Valley / Scottsdale	22.04M	14.1	19.1	15.8	3.3	36.46	45.08	272,000	177,000	-	411,000
Southeast Valley	16.13M	19.8	23.4	19.9	3.5	31.50	40.11	70,000	214,000	-	-
Tempe	11.94M	18.5	20.7	12.2	8.5	40.17	48.92	(28,000)	138,000	-	-
West / Northwest Phoenix	15.74M	15.2	18.7	16.4	2.3	27.84	40.00	176,000	249,000	-	-
<b>Total</b>	<b>101.58M</b>	<b>19.1</b>	<b>22.8</b>	<b>18.9</b>	<b>3.8</b>	<b>32.30</b>	<b>41.66</b>	<b>490,000</b>	<b>717,000</b>	<b>-</b>	<b>451,000</b>

Source: CBRE Research, Q2 2026

Market Area Overview



**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 total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building 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. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. 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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

**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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