

FIGURES | PHOENIX OFFICE | Q3 2026

Deliveries reach a four-year high in the Phoenix office sector



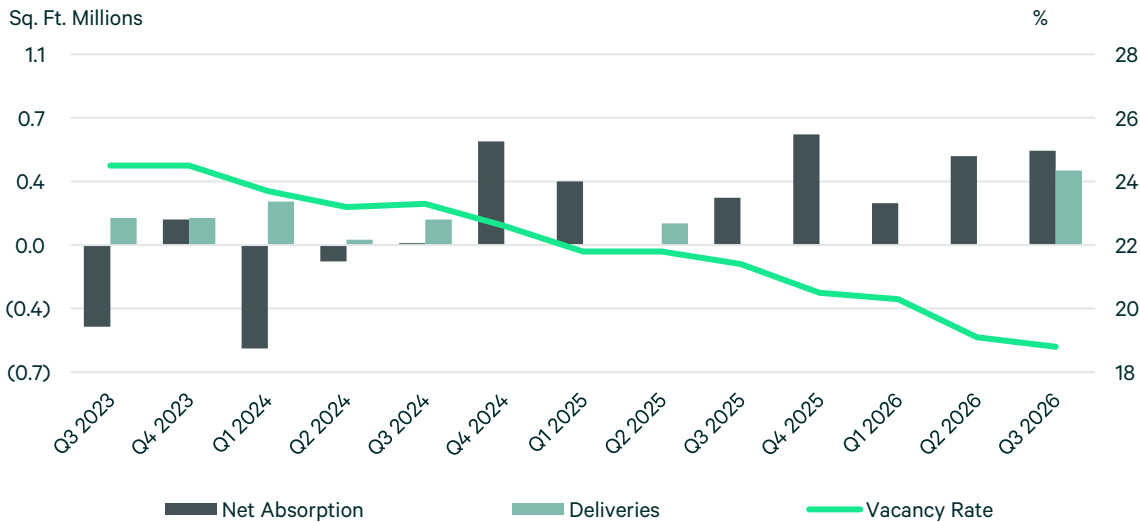
Note: Arrows indicate change from previous quarter.

Market Overview

Fundamentals were strong in Phoenix during Q3 2026. Net absorption was positive for the ninth consecutive quarter, while the average full-service gross (FSG) direct asking lease rate remained at an all-time high. The market also continued to demolish or repurpose obsolete office product, which helped reduce vacancy in tandem with robust tenant demand. Additionally, the development pipeline reached a near standstill, as only 40,000 sq. ft. remained under construction Valley-wide.

Net absorption in the Phoenix metro was largely driven by two built-to-suit projects delivering during Q3 2026. The completion of Republic Services and Sprouts Farmers Market headquarter locations both occurred in the Northeast Valley/Scottsdale submarket for a total of 411,000 sq. ft. This marks the largest delivery total in the metro since Q3 2022. These deliveries coupled with consistent leasing activity pushed net absorption to 518,000 sq. ft. for the quarter, which equates to more than 1.2 million sq. ft. year to date (YTD). In response, vacancy compressed by 30 bps to 18.8%, the lowest rate recorded in Phoenix since Q4 2020. Declining vacancy has been a consistent trend for the Phoenix market. Since reaching a peak of 24.5% in Q3 2024, the rate has plummeted 570 bps, emphasizing the metro’s resiliency following the pandemic. With virtually no supply pressure, robust tenant demand and a rapidly evolving workforce, fundamentals in the Phoenix office market should remain strong for the foreseeable future.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy

In Q3 2026, vacancy rates continued to decline in Class A and Class B offices while rising for Class C space. Class A overall vacancy stood at 18.9%, down 40 bps quarter-over-quarter, and Class B vacancy was 19.0%, down 30 bps, while Class C vacancy increased 20 bps to 17.3%. Year-over-year, Class A vacancy fell 230 bps and Class B declined 340 bps, compared to a 50 bps increase for Class C. Since Q3 2023, Class A vacancy dropped 720 bps from 26.1%, Class B fell 860 bps from 27.6%, and Class C rose 500 bps from 12.3%, highlighting tenant preferences for Class A and B product.

By submarket, Northeast Valley/Scottsdale recorded the lowest overall vacancy at 14.0%, which is 480 bps below the market average. Other submarkets with vacancy below the market average included West/Northwest Phoenix at 15.7%, Camelback/Piestewa Peak at 16.7% and Tempe at 17.6%. The CBD maintained the metro's highest vacancy rate at 27.1%.

Sublease space on the market totals 3.6 million sq. ft. across the metro. Availability is heavily concentrated in the Tempe and East Phoenix submarkets, with these areas recording 996,000 and 836,000 sq. ft. of available sublease space, respectively. Meanwhile, the CBD posted the least amount of sublease space among submarkets at just 150,000 sq. ft. Quarter-over-quarter, the metro's total available sublease space decreased by 251,000 sq. ft.

Asking Rent

In Q3 2026, the overall average asking rent was \$32.20 per sq. ft. FSG, remaining unchanged quarter-over-quarter. However, the average asking rate has grown 5.3% over the past year and 7.1% over the past 3 years. Prime office properties commanded a premium, with an average asking rent of \$54.80 per sq. ft. in Q3 2026. Among property tiers, Class A averaged at \$41.45 per sq ft., Class B at \$30.75 per sq. ft and Class C at \$22.16 per sq. ft. Although rates for overall Class A were down \$0.21 quarter-over-quarter, the average asking rent in prime office properties increased by \$1.02 during the same time-frame. Additionally, Class B and Class C rents increased by \$0.15 and \$0.11, respectively, in Q3 2026.

By submarket, Tempe posted the highest average asking rent in Q3 2026 at \$41.27 per sq. ft FSG. The Camelback/Piestewa Peak and Northeast Valley/Scottsdale submarkets followed closely with average asking rents of \$\$38.34 and \$36.67 per sq. ft. respectively. The average rent in the southeast Valley was moderately priced at \$32.22 per sq. ft. However, average asking rents in the CBD, East Phoenix and West/Northwest Phoenix submarkets were the lowest in the Valley, as all areas posted a rate below \$29.00 per sq. ft. in Q3 2026. Looking ahead, with minimal supply pressure and robust tenant demand, rent growth should remain prevalent in the near-to-mid term.

Figure 2: Vacancy Rates by Class



Figure 3: Average Direct Asking Rate by Class



Net Absorption

Total net absorption in Q3 2026 was 518,000 sq. ft. This total exceeded the 490,000 sq. ft. recorded in Q2 2026, indicating heightened tenant demand for space in the Valley. It also exceeded the 256,000 sq. ft. posted in Q3 2025, underscoring stronger fundamentals year-over-year. By property class, Class A contributed 552,000 sq. ft. of positive net absorption, Class B registered negative 45,000 sq. ft., and Class C added 11,000 sq. ft., highlighting the outsized role of Class A space in recent gains.

At the submarket level, Northeast Valley/Scottsdale and Camelback/Piestewa Peak recorded the strongest positive net absorption, with 428,000 sq. ft. and 132,000 sq. ft., respectively. The delivery of Sprouts Farmers Market and Republic Services headquarter locations in Scottsdale coupled with McCarthy Building Company’s new lease of over 96,000 sq. ft. at 3133 Camelback largely contributed to these figures. East Phoenix and Southeast Valley followed as the next highest areas with positive net absorption, posting 123,000 sq. ft. and 102,000 sq. ft. during the quarter. Conversely, the CBD and Southeast Valley registered the weakest tenant demand among submarkets, with net absorption of negative 139,000 sq. ft. and negative 112,000 sq. ft., respectively.

Construction Activity

In Q3 2026, the market posted substantial completions and a notably lean construction pipeline. Deliveries reached 411,000 sq. ft., the highest quarterly total Phoenix has recorded since Q3 2022, while space under construction fell to just 40,000 sq. ft. This combination of elevated completions and a sharply reduced pipeline indicate that the Valley will experience minimal supply pressure in the upcoming quarters. The two projects that delivered this quarter were Republic Services and Sprouts Farmers Market headquarter locations. They both were completed in the Northeast Valley/Scottsdale submarket, specifically in the North Scottsdale district. The lone building that remains under development is The Grove - 4210 in the Camelback/Piestewa Peak submarket. This is an owner/user project that is now expected to fully deliver in Q1 2027. As of Q3 2026, there were no speculative office projects active in the Phoenix metro.

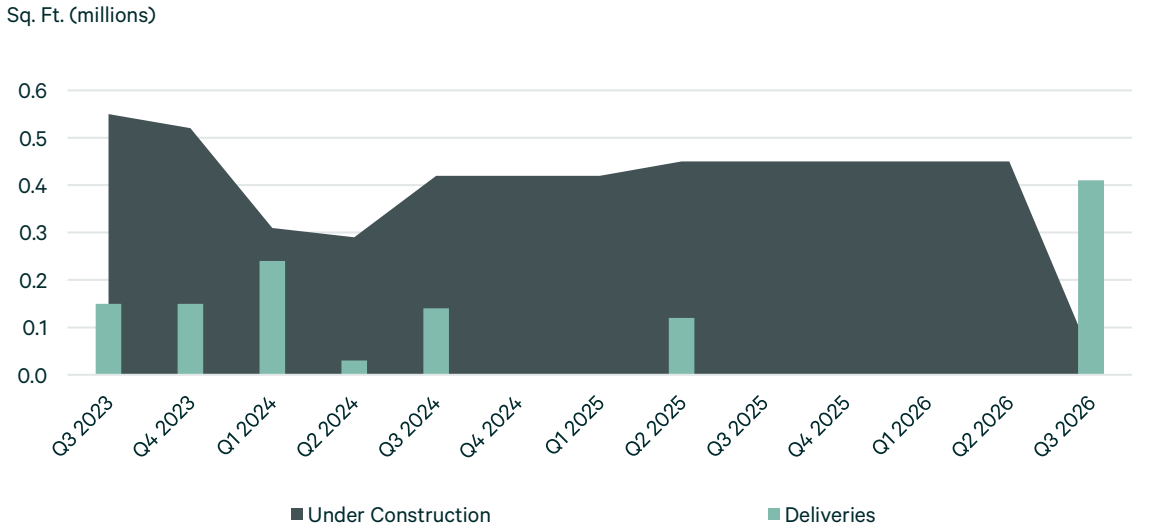
With the demand for top-of-market product continuing to increase, the need for premier multi-tenanted buildings is becoming more apparent across the Phoenix metro. Robust tenant demand for prime and Class A product continue to compress vacancy in the Valley’s most desirable buildings. As conditions continue to tighten, developers may explore speculative development opportunities to meet the demand. Additionally, high-profile, new-to-market tenants considering Phoenix as a potential headquarters location may need to explore build-to-suit options.

Figure 4: Net Absorption Trend



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Figure 5: Construction Activity



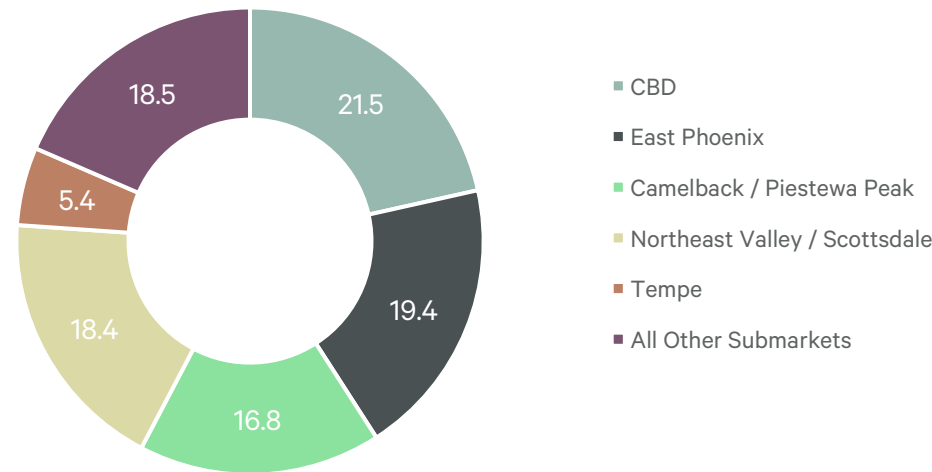
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Leasing Activity

Total leasing activity reached 1.9 million sq. ft. in Q3 2026, marking a 16.5% quarter-over-quarter decline from 2.3 million sq. ft. in Q2 2026. The metro recorded 5.9 million sq. ft. of leasing activity through the first three quarters of 2026, which slightly outpaces the 5.8 million sq. ft. of leasing activity reported through the first three quarters of 2025.

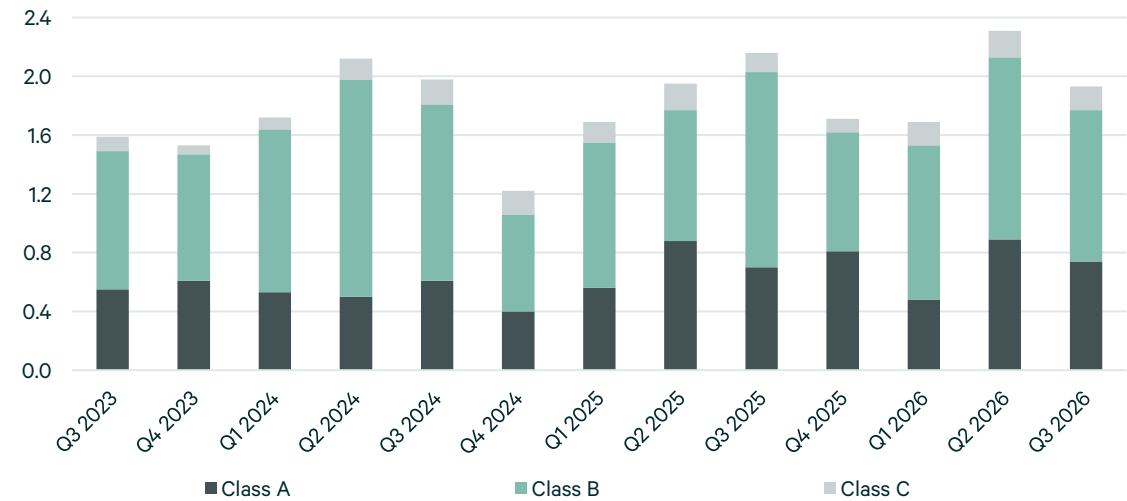
At the submarket level, leasing in Q3 2026 was strongest in the CBD and East Phoenix, which recorded 418,000 sq. ft. and 376,000 sq. ft. of leasing activity, respectively. The Camelback/Piestewa Peak submarket recorded 326,000 sq. ft. of leasing activity while Northeast Valley/Scottsdale posted 357,000 sq. ft. Leasing volumes were more modest in the Southeast Valley at 189,000 sq. ft., West / Northwest Phoenix at 168,000 sq. ft. and Tempe at 104,000 sq. ft.

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



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Figure 6: Leasing Activity Trend



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Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential	100,000	Renewal	1330 W Southern Ave	East Phoenix
McCarthy Building Company	96,250	New Lease	3133 E Camelback Rd	Camelback / Piestewa Peak
Lincoln Technical Institute	91,000	New Lease	1665 W Alameda Dr	East Phoenix
Western Alliance	84,200	Owner/User	410 N 44 th St	East Phoenix
Confidential	69,000	Renewal	201 E Washington St	CBD
Amcor	46,700	Sublease	2222 W Dunlap Ave	West / Northwest Phoenix
Arizona Commerce Authority	45,000	New Lease	201 E Washington St	CBD
Tesla	42,000	New Lease	500 E Rio Salado Pkwy	Tempe

Source: CBRE Research

Market Statistics by Index and Class

Figure 9

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	27.49M	18.9	22.4	17.7	4.8	41.45	552,000	529,000	411,000	-
Prime	8.79M	11.0	13.2	8.6	4.6	54.80	41,000	63,000	-	-
Other Class A	18.70M	22.6	26.8	21.9	4.8	39.04	511,000	466,000	411,000	-
Class B	61.98M	19.0	22.3	18.7	3.6	30.75	(45,000)	720,000	-	40,000
Class C	12.47M	17.3	19.8	19.0	0.8	22.16	11,000	(15,000)	-	-
Total	101.94M	18.8	22.0	18.5	3.6	32.30	518,000	1.23M	411,000	40,000

Source: CBRE Research

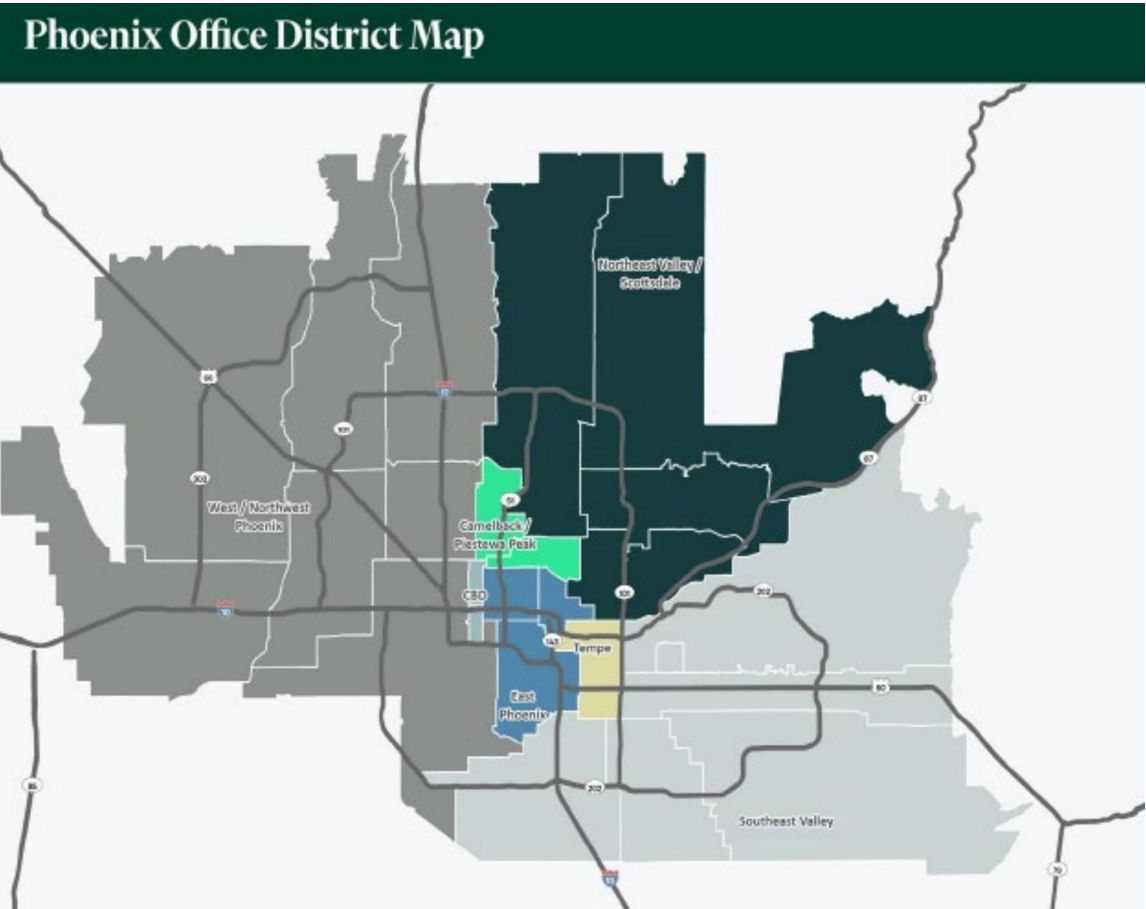
Market Statistics by Submarket

Figure 10

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	15.32M	27.1	30.9	29.9	1.0	28.51	34.09	(62,000)	(184,000)	-	-
Camelback / Piestewa Peak	9.97M	16.5	19.0	16.7	2.2	38.34	51.35	141,000	96,000	-	40,000
East Phoenix	10.48M	23.4	25.4	17.4	8.0	28.38	37.12	130,000	236,000	-	-
Northeast Valley / Scottsdale	22.45M	14.0	18.2	15.3	2.9	36.67	45.39	376,000	553,000	411,000	-
Southeast Valley	16.13M	19.9	22.7	19.4	3.3	32.22	39.40	(10,000)	204,000	-	-
Tempe	11.84M	17.6	20.2	11.8	8.4	41.27	49.54	33,000	171,000	-	-
West / Northwest Phoenix	15.75M	15.7	19.4	17.8	1.6	28.63	42.00	(90,000)	159,000	-	-

Source: CBRE Research

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. 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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