Phoenix Office Market

Phoenix Chapter Fall Forum on Real Estate Trends

November 13, 2025

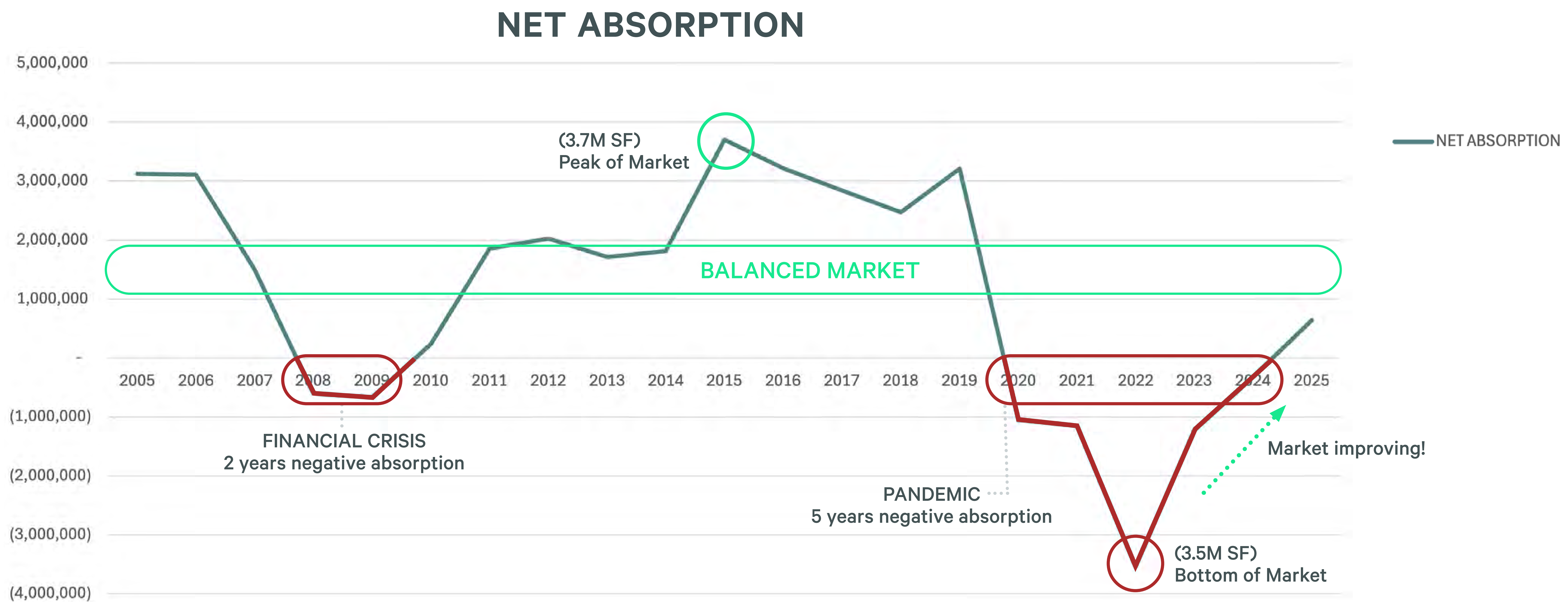
PRESENTED BY:

Jamie Swirtz
Senior Vice President | Office Leasing & Sales

Table of Contents

Izzy, Nash, Zane, Miles and Twyla

Market Cycles: Heading Towards a Balanced Market



	Absorption
Balanced Market	1,000,000 – 2,000,000
Today's Market	645,009 YTD (forecast) 900,000

Source: CBRE Research.

Demands for Class A Office Remains Strong

As tenants right size their office footprint (downsizing) they are choosing Class A space to create an office experience that employees want to come into the office.

PHOENIX | NET ABSORPTION

	Class A	Class B	Class C
Q1 2025	158,738	346,342	(63,957)
Q2 2025	336,679	(243,923)	(101,449)
Q3 2025	260,149	2,253	(49,733)
2025 YTD	755,556	104,672	(215,139)

21.8%
VACANCY RATE

645,089
TOTAL 2025 YTD
CLASS A, B, C

450,525
SF CONSTRUCTION

$31.73
FSG / LEASE RATE

1,176
BUILDINGS

105,105,004 SF
GENERAL OFFICE BASE

U.S. | NET ABSORPTION Q3 2025

18.8%
VACANCY RATE

$36.40
EA ASKING RENT

16.0 MSF
NET ABSORPTION

6.1 MSF
COMPLETIONS

6th
CONSECUTIVE QUARTER OF
POSITIVE NET ABSORPTION

Lowest Amount
OF COMPLETIONS IN A DECADE

Footnote: Arrows indicate change from previous quarter. Source: CBRE Research.

Leasing Rises in Gateway Markets

- The year-to-date share of office leasing in gateway markets increased slightly to 56%.
- Manhattan again led the top 20 markets for year-to-date leasing activity with a 14.6% share, up from 10.9% last year.
- Year-to-date leasing activity increased in half of the top 12 office markets by inventory, led by San Francisco, Manhattan and Philadelphia.
- Leasing declined year-over-year in Texas markets (Houston, Dallas and Austin) and several Sun Belt markets, including Phoenix and Atlanta.

Market	2025 YTD Leasing Volume MSF	YoY Change	Share of U.S. Total Leasing Volume
Manhattan*	23.4	▲	14.6%
Washington, D.C.*	9.1	▼	5.7%
Chicago*	8.9	▲	5.6%
Los Angeles*	7.8	▲	4.9%
Dallas-Fort Worth*	6.9	▼	4.3%
San Francisco*	6.3	▲	4.0%
Boston*	5.9	▲	3.7%
Houston*	5.7	▼	3.6%
Atlanta*	5.2	▼	3.3%
New Jersey	4.5	▼	2.8%
Silicon Valley	4.1	▲	2.6%
Seattle*	4	▼	2.5%
Denver*	3.8	▼	2.4%
Orange County, CA	3.2	▼	2.0%
Philadelphia*	3.1	▲	1.9%
Phoenix	3.1	▼	1.9%
Austin	3.1	▼	1.9%
Charlotte	2.9	▲	1.8%
Salt Lake City	2.5	▲	1.6%
Minneapolist-St. Paul	2.4	▲	1.5%

**Gateway market. Notes: Top 20 markets by total leasing volume (sq. ft.). Includes new and renewal leases for 10,000 sq. ft. or more. Year-over-year change compares year-to-date leasing volume for the current and prior year. Source: CBRE Research, Q3 2025.*

Slower 2025 1st Half, Expected Stronger 2026

In August 2025, Southwest Value Partners acquired a 6 building portfolio (1.2M SF) from City Office REIT. $266,000,000 ($212/sf)

Block 23
101 E Washington St | Phoenix, AZ

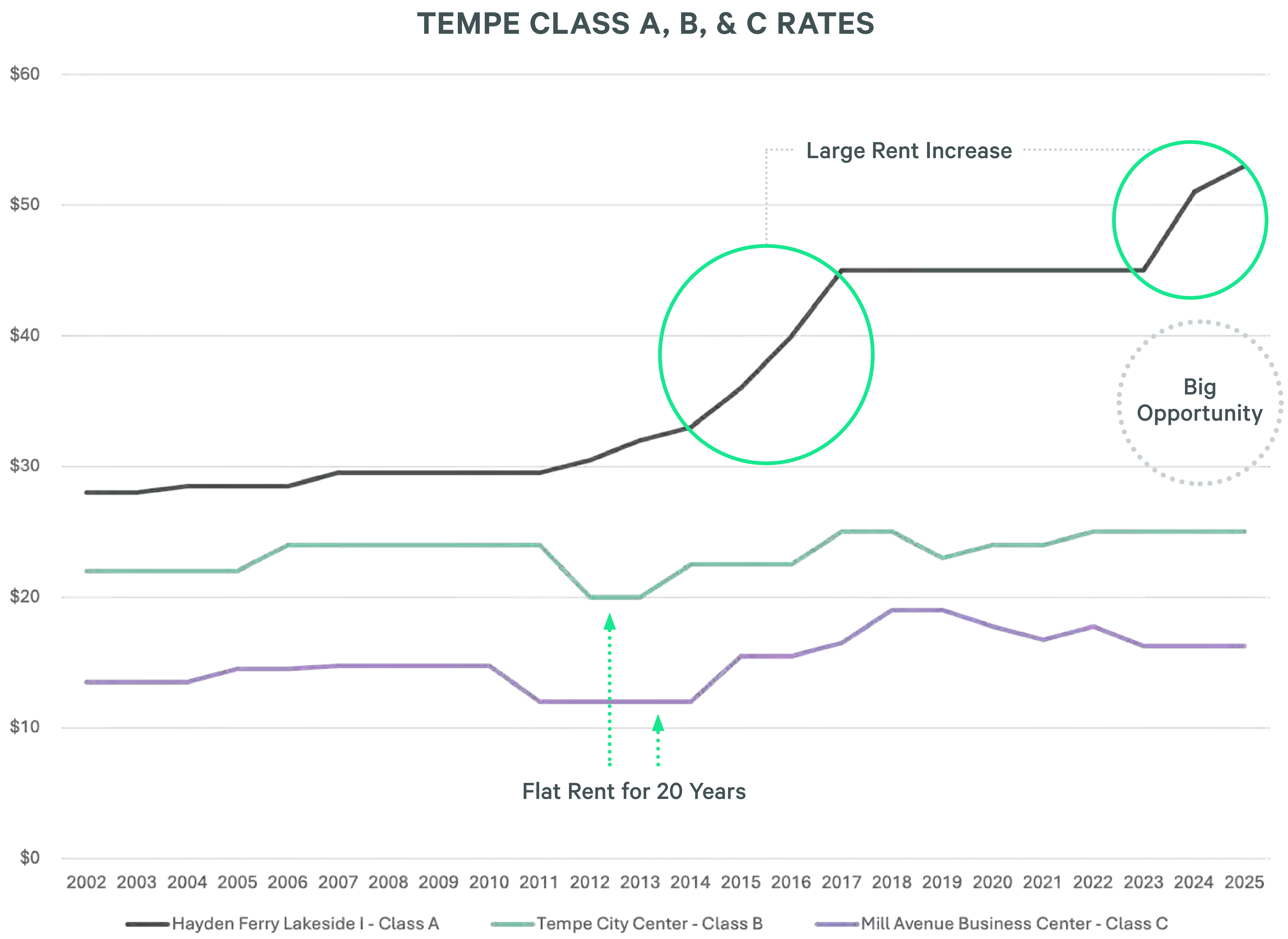
The Square
6991 E Camelback Rd | Scottsdale, AZ

FIFTY90
5090 N 40th St | Phoenix, AZ

	# of Sales	$ Value	SF	Average $ PSF
2024	56	$953M	6.9M	$138
2025 (YTD)*	48	$909M	5.5M	$165
YOY Change %	-14%	-5%	-20%	20%
2007 Peak of Market		$3.25B		
2009 Bottom of Market		$200M		
Balanced Market		$1.5B		

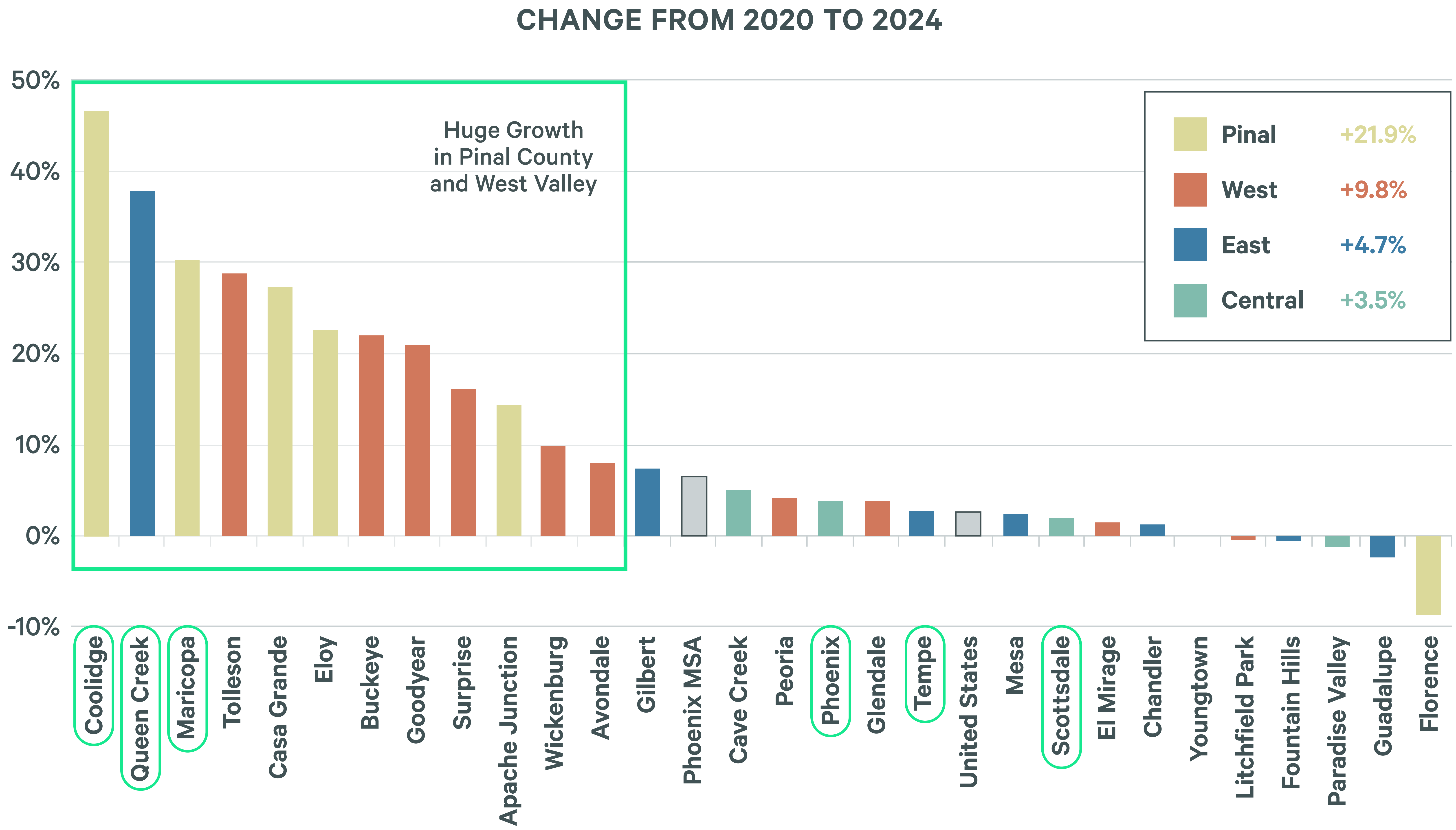
*Source: RCA Real Estate Analytics, Min. 20k SF, Min $1M sale price . *January 1, 2025 – October 2025.*

Wide Range Between Class A, B, & C in Core Districts



Source: CBRE Research.

Pinal County Growing Fast; Not Central Phoenix



Source: U.S. Census Bureau, Vintage 2024 Estimates
Change from July 1, 2020 to July 1, 2024
Includes cities and towns with at least 5,000 residents

Maricopa County Still Top Growth Market

#6 in US. Added 84,938 people.

U.S. METROPOLITAN STATISTICAL AREAS BY NUMERIC GROWTH: JULY 1, 2023 – JULY 1, 2024

Rank	Metro Area	Numeric Change
1	New York-Newark-Jersey City, NY-NJ	213,403
2	Houston-Pasadena-The Woodlands, TX	198,171
3	Dallas-Fort Worth-Arlington, TX	177,922
4	Miami-Fort Lauderdale-West Palm Beach, FL	123,471
5	Washington-Arlington-Alexandria, DC-VA-MD-WV	90,608
6	Phoenix-Mesa-Chandler, AZ	84,938
7	Orlando-Kissimmee-Sanford, FL	75,969
8	Atlanta-Sandy Springs-Roswell, GA	75,134

Rank	Metro Area	Numeric Change
9	Chicago-Naperville-Elgin, IL-IN	70,762
10	Seattle-Tacoma-Bellevue, WA	66,666
11	Charlotte-Concord-Gastonia, NC-SC	61,176
12	Boston-Cambridge-Newton, MA-NH	58,251
13	Austin-Round Rock-San Marcos, TX	58,019
14	Tampa-St. Petersburg-Clearwater, FL	50,482
15	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	49,520
16	San Antonio-New Braunfels, TX	47,297

New York July 2020 negative 276,000

Source: U.S. Census Bureau, Vintage 2024 Population Estimates.

Over 4M SF Removed from Office Base

Since 2019, 34 Office Buildings have been converted to a different use.

CONVERTED TO MULTIFAMILY

1.54M SF

One Camelback
Shea 92
The Monroe
Valley Insurance Center
Mesquite Corporate Center
Tempe Towne Center
Take Charge America National Headquarters
Canyon Corporate Plaza
Farnam Center
Westmount Place
6210 E Oak St
Kierland Executive Center I
Zanjero Falls
8080 S Pointe Pkwy
Cabrillo Executive Center

CONVERTED TO INDUSTRIAL/DATA CENTER

1.67M SF

Crosspoint at Beardsley
Thistle Landing
1515 Corporate Center
ICE Gallery
2402 W Beardsley Rd
The Center
Executive Center at Southbank
Riverpoint
Red Mountain Corporate Center
Chandler Freeways Business Park - Building A
7155 W Detroit St
Elliot Center

CONVERTED TO HOTEL, MIXED-USE. OTHER

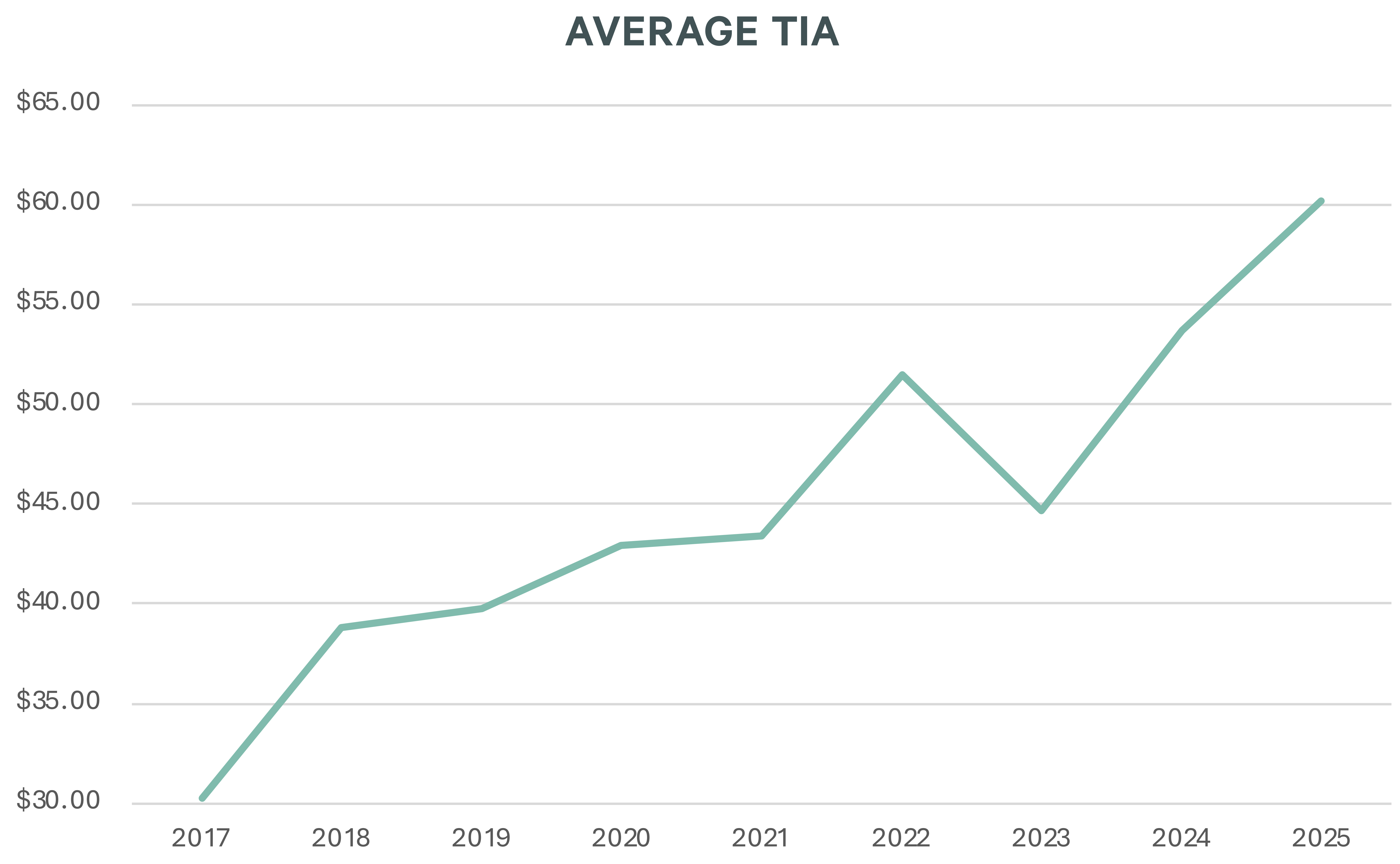
1.51M SF

Luhrs Building
Punchcard Building
Kierland Business Center
Oakplace
Arizona Business Park

Source: CBRE Research.

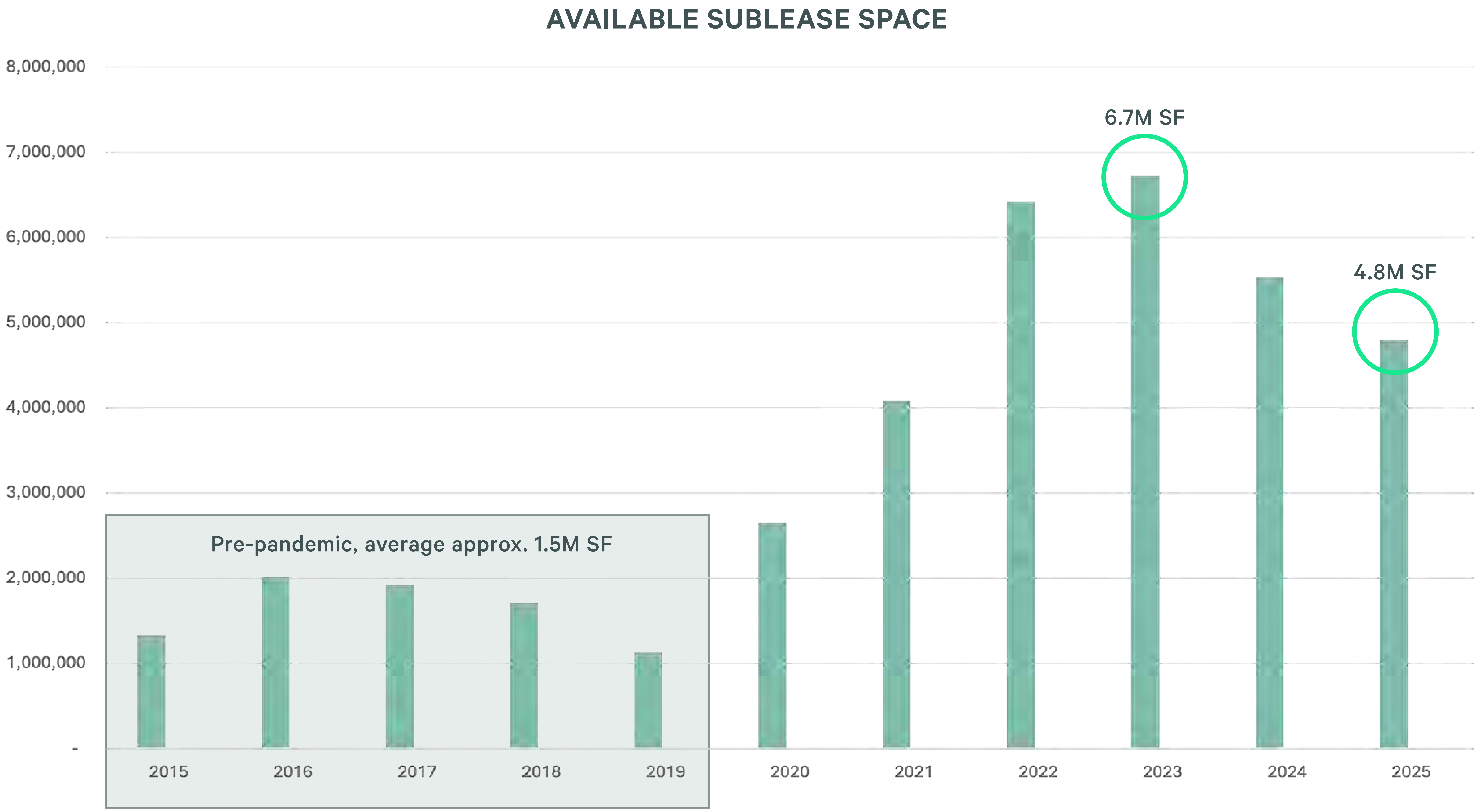
TI Cost Has Doubled

The increasing cost of tenant improvements due to inflation has made it hard for deals to pencil, since rent have not increased as much.



Source: CBRE Research.

Sublease Space Peaked



Source: CBRE Research.

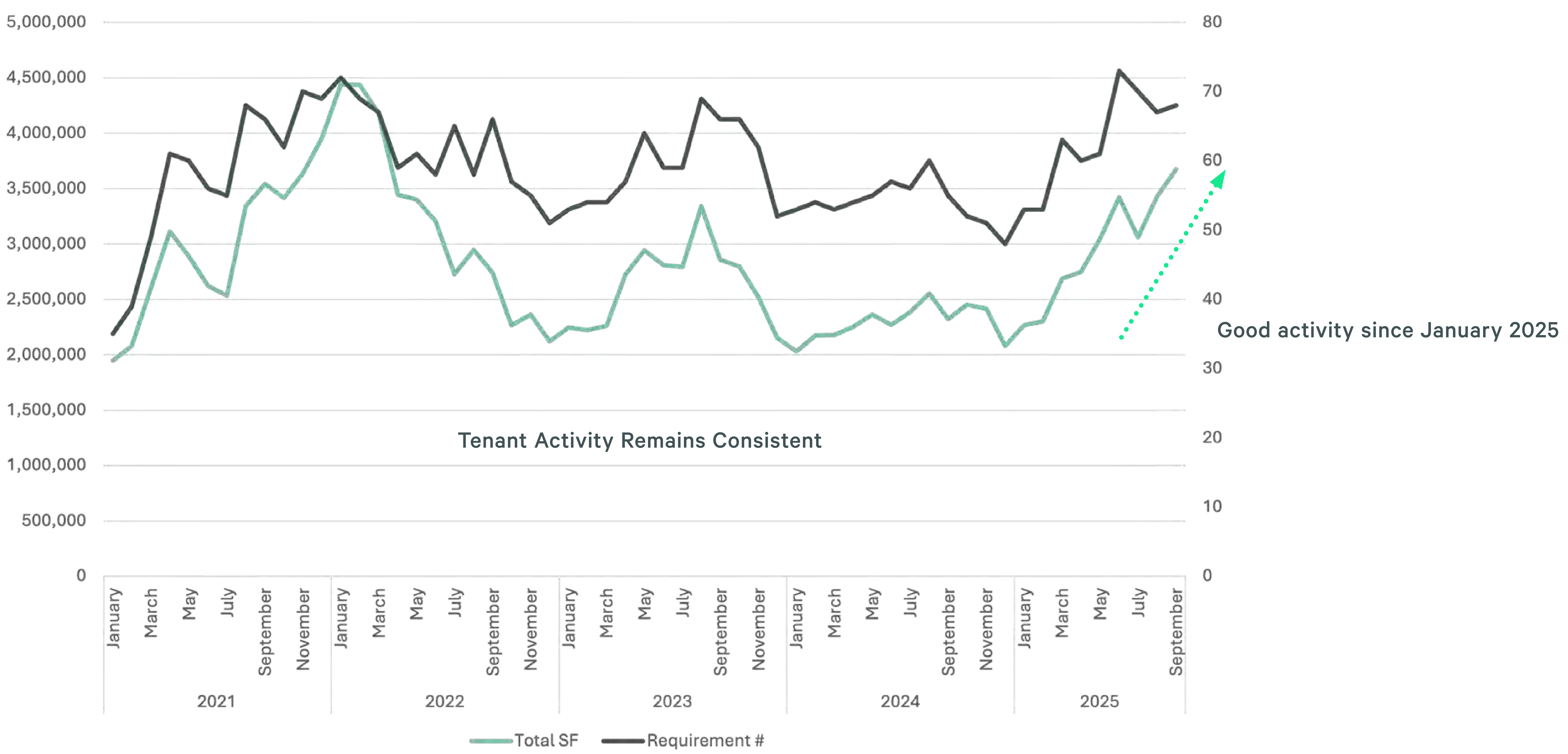
Since October 2023 the Stock is Trending Upward. Showing We are Past the Bottom of Market

BXP, Inc. is a publicly traded real estate investment trust which invests in premier workplaces in Boston, Los Angeles, New York City, San Francisco, Seattle, and Washington, D.C.

Source: CBRE Research.

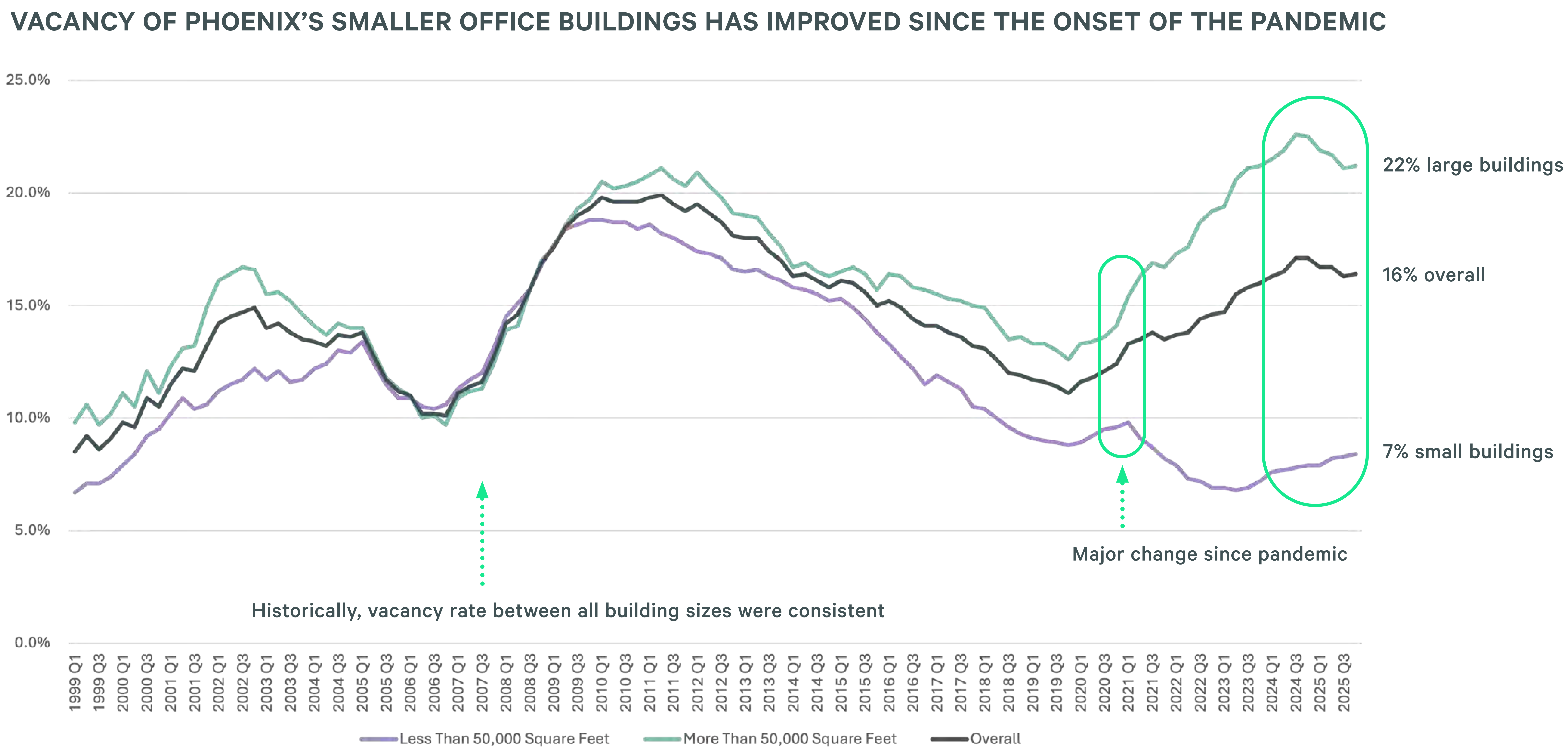
Tracking 3.7M SF of Active Tenants

ACTIVE TENANTS IN THE MARKET



Source: CBRE Research.

Smaller Buildings Performing Better Since Pandemic



Source: CBRE Research, CoStar.

Class AA Office Rents Soaring

Esplanade I

2425 E Camelback Rd, Phoenix | AZ 85016

240,350 SF

Deal Size	2,500 SF	Deal Size	60,000 SF
Sign Date	07/24/2025	Sign Date	03/17/2025
Lease Term	65 Months (01/01/2026 – 05/31/2031)	Lease Term	156 Months (05/01/2026 – 04/30/2039)
Base Rent	$62.50 FSG / Yr	Base Rent	$53.00 FSG / Yr
Escalations	3%	Escalations	2.5%
Free Rent Months	5 Mo	Free Rent Months	12 Mo
TIA (Tenant Improvement Allowance)	$30.00	TIA (Tenant Improvement Allowance)	$130.00

10 YEARS AGO, RENT WAS $33.00/SF. THAT'S 89% RENT INCREASE! (8.9% PER YEAR)

Source: CBRE Research.

Rare Class A Multi-Tenant Office Sale

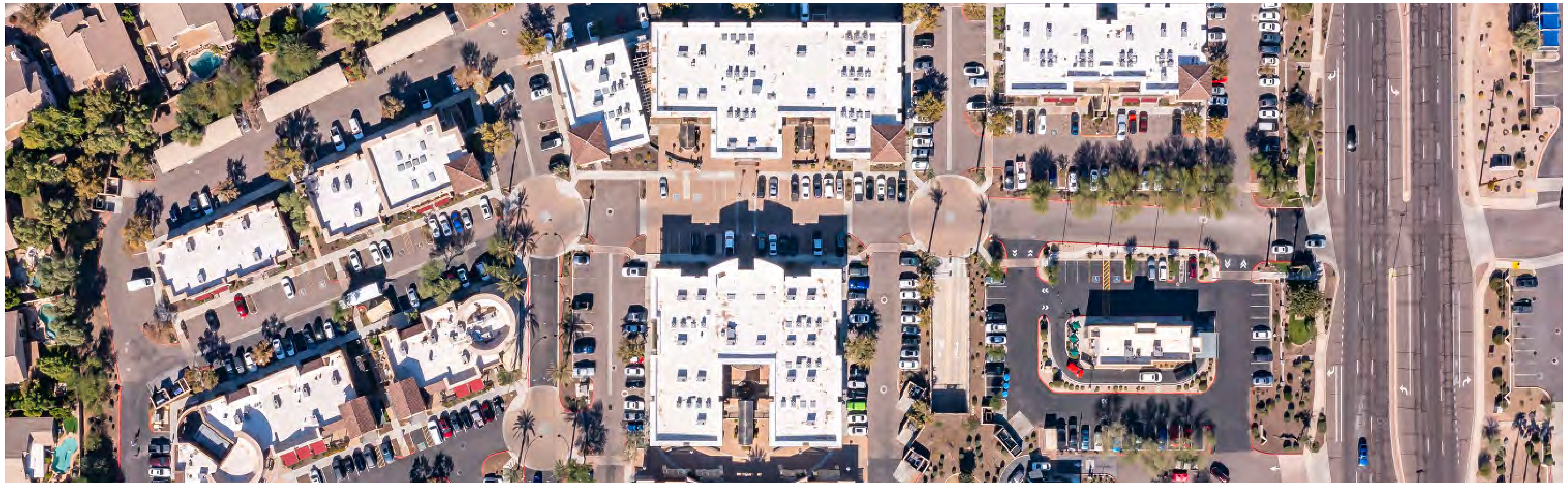
The Forum at Gilbert Ranch

1472, 1482, 1528 & 1530 E Williams Field Rd & 2314 S Val Vista Dr

Gilbert, AZ

Sold Date	2/28/2025
Building Size	±96,962 SF
Land Size	6.54 Acres
Seller	Forum at Gilbert I LLC (Private Investor)
Buyer	Private Investor
Occupancy	97%
Property Type	Office
Tenancy	Multi Tenant
WALT	3.29 Years
Sale Type	Stabilized Investment

Price	$23,500,000
Building PSF	$242
Land PSF	$82
Year 1 Cap Rate	8%
Loan Type	Bank
1031 Buyer	Yes



IN ESCROW 3 TIMES BEFORE IT SOLD.

Source: CBRE Research.

Small Office Condos in High Demand

Only 2 competing options delivered high price quickly! Quick Sale!

PROPERTY FEATURES

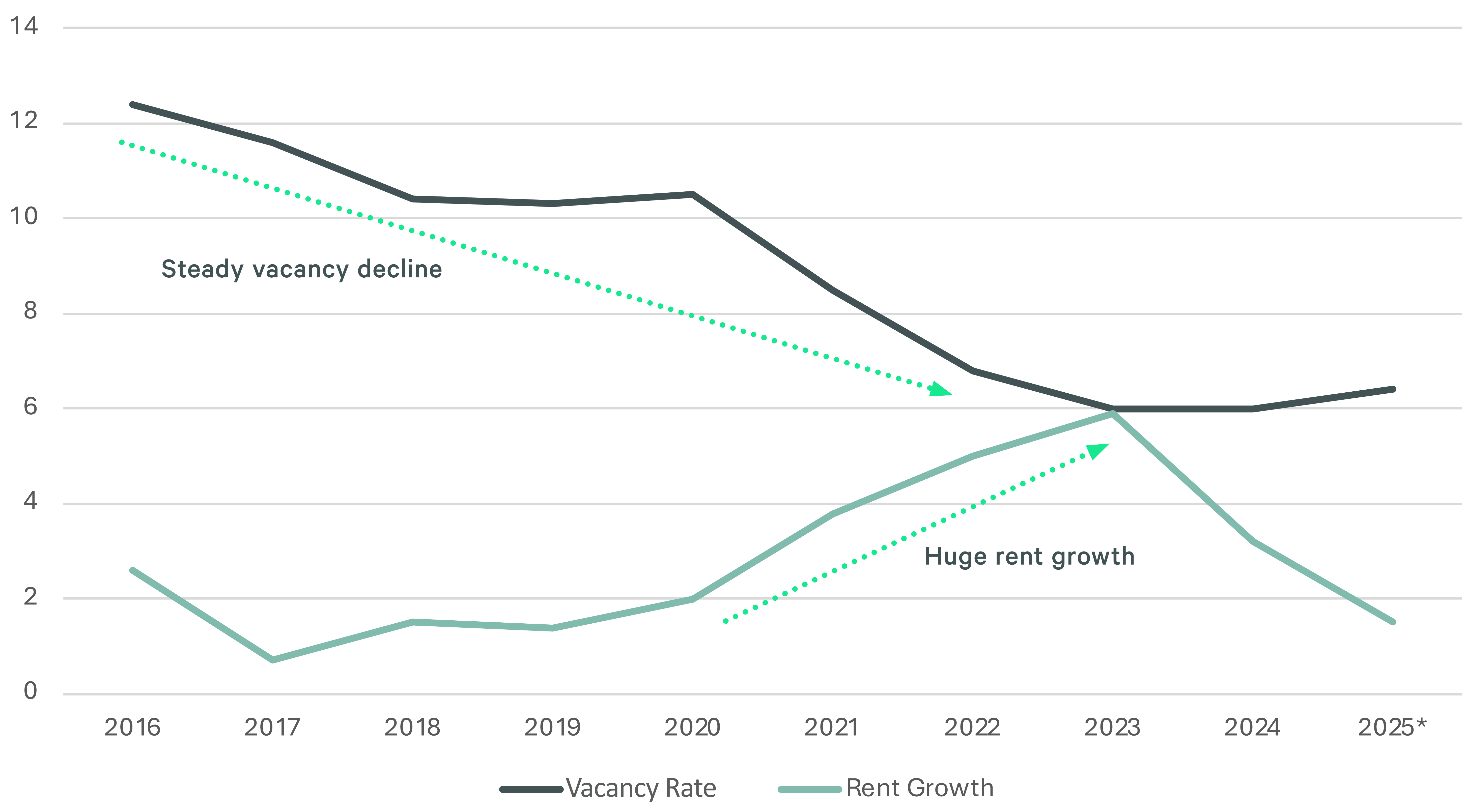
Asking Price	$832,125 ($375/SF)
Office Condo	±2,219 SF
Parking	4/1,000 SF includes 2 covered spaces
Year Built	2003
Prior Use	Law Firm
Buyer	Local Real Estate Company (Owner/User)

Source: CBRE Research.

Retail Comparison

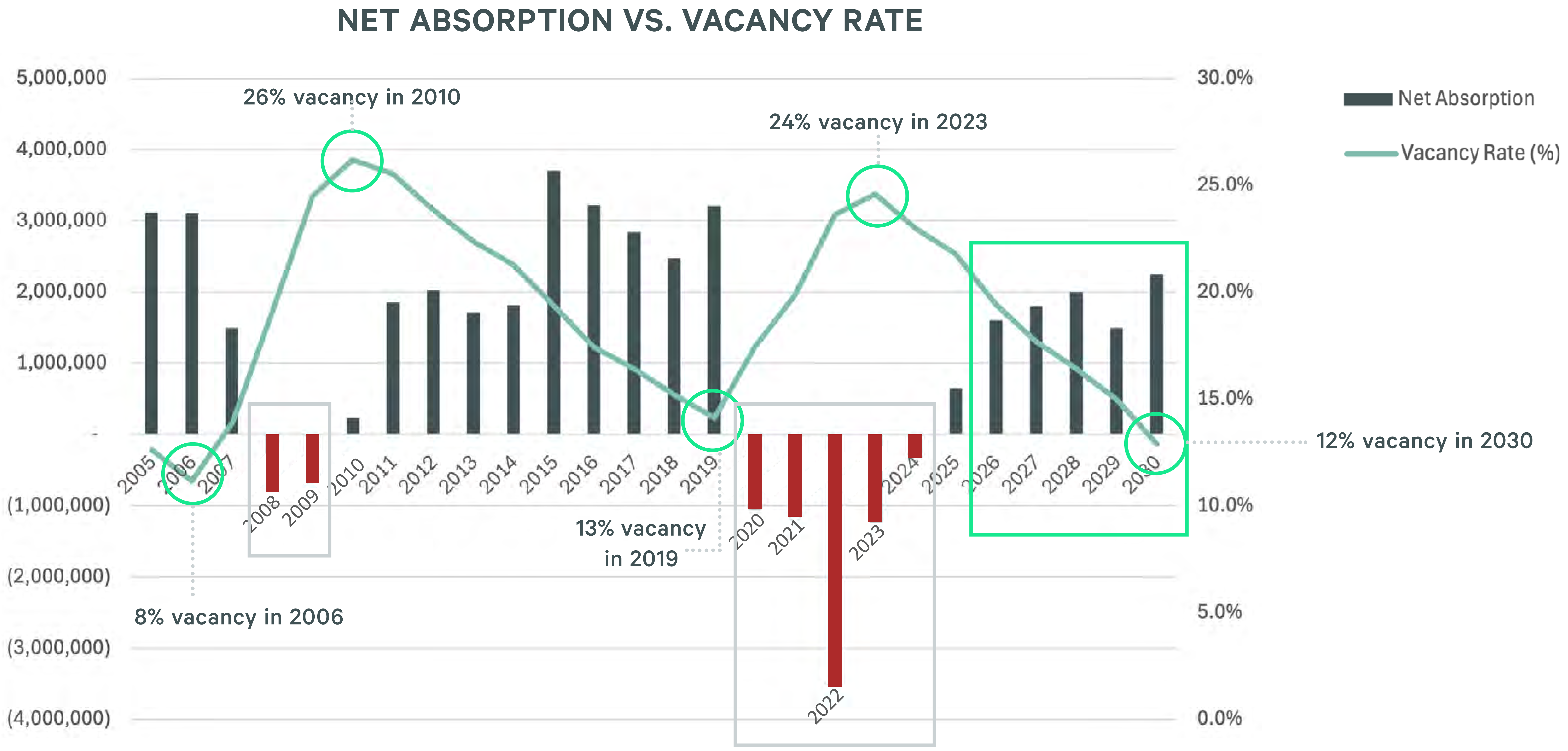
- Retail had no construction and very little rent growth since online shopping (last 10 years). Now they have a shortage of available space. High rent growth and new construction.
- Office will follow this trend in 5 years.

RENT GROWTH & VACANCY RATE



*Forecasted. Source: CBRE Research.

The Market will Improve, Predicting 12% Vacancy in 2030



	Vacancy	Absorption
Today's Market	21.8%	645,009 YTD 900,000 forecast
Balanced Market	17%	1,00,000 – 2,000,000
Future: 2030	12%	1,750,000

Source: CBRE Research.

Thank You!

Jamie Swirtz
Senior Vice President
Office Leasing & Sales

2575 East Camelback Road #500, Phoenix, AZ 85016
+1 480 343 8586 | jamie.swirtz@cbre.com