

JLL: Phoenix office space absorption headed toward 14-year record



More than 3 million s.f. of office space absorbed to date; 1 million more on the horizon

PHOENIX, Arizona – The Phoenix office market has already absorbed more than 3.07 million-square-feet of office space in 2019. According to the Q3 Office Insight report just released by the [Phoenix office of JLL](#), that is a three-quarter absorption rate record for the Valley, topping the last high water mark of 2.9 million-square-feet of space absorbed during the first three quarters of 2005.

“Phoenix office fundamentals continue to amaze even the tenured brokers in the community who are used to a much shorter real estate cycle,” said JLL Managing Director John Pierson. “Our strong economy, booming population and relatively affordable quality of life has companies lining up to move and expand here. That has our office pipeline stacked with activity that could easily push us over the 4 million-square-foot mark for 2019 absorption.”

In addition to record office space absorption – led by the strong-performing Class A sector – new office space continues to come online to the tune of 1.3 million-square-feet in the third quarter and another 1.2 million-square-feet expected to deliver between now and the end of Q1 2020.

This includes projects such as the Watermark Phase I building along Tempe Town Lake, Block 23 at CityScape in downtown

Phoenix and the first building within the I.D.E.A. Tempe technology and biotechnology campus, all of which are on track to complete in the coming months.

“The absorption of millions of square feet of new deliveries is staggering and is driving asking rents beyond all-time highs as vacancy rates continue to drop,” said Pierson. “That is another positive sign that ours is a very strong office market with a solid runway ahead of it.”

As noted in the company’s Q3 report, the average metro Phoenix vacancy rate is currently 17.6 percent and falling, and the average rent is \$27.26 per-square-foot, though the strongest submarkets are achieving vacancy rates in the low single digits and capturing rents exceeding \$40 per-square-foot.

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