

FIGURES | PHOENIX OFFICE | Q1 2026

Consistent Tenant Demand Fuels the Phoenix Office Market Recovery



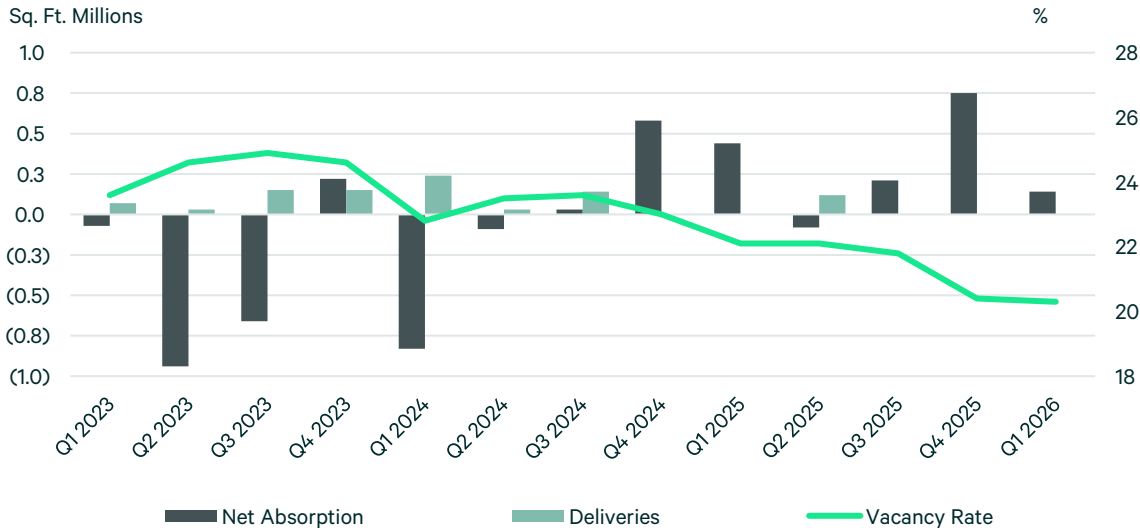
Note: Arrows indicate change from previous quarter.

Market Overview

The market continued to recover through Q1 2026 after a deep correction in 2023. Annual net absorption moved from about negative 1.4 million sq. ft. in 2023 to more than 1.3 million sq. ft. of positive net absorption in 2025. Additionally, Q1 2026 added a further 135,807 sq. ft. of positive demand. This sustained improvement translated into a steady tightening in occupancy: vacancy has decreased from 23.9% in Q1 2024 to 20.3% in Q1 2026.

Quarter-over-quarter, the market posted positive absorption in Q1 2026, but momentum eased from 749,729 sq. ft. recorded in Q4 2025. Vacancy edged down 10 basis points to 20.3% and availability fell 50 basis points to 23.3%. Year-over-year comparisons pointed to a healthier balance, with vacancy and availability down 180 and 200 basis points, respectively, compared to Q1 2025. Pricing responded accordingly: average asking rents in Q1 2026 were up 2.4% from the prior quarter and 2.5% from a year earlier. Construction remained measured, with 451,000 sq. ft. underway in Q1 2026, reinforcing the gradual tightening in fundamentals.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy
Sq. Ft. Millions



Source: CBRE Research, Q1 2026

Vacancy

In Q1 2026, total vacancy in Class A buildings increased 30 bps quarter-over-quarter, but the rate is down 270 bps year-over-year. Meanwhile, Class B vacancy fell 50 bps on the quarter and 240 bps over the past year to 20.8%. Class C also registered an increase, with overall vacancy rising 90 bps quarter-over-quarter and 280 bps year-over-year to 18.3%. Direct vacancy now ranges from 14.7% in Class A to 17.7% in Class B, while sublease vacancy is highest in Class A at 5.4% and lowest in Class C at 1.0%, underscoring a modest vacancy spread between higher- and lower-quality assets.

The metro’s core submarkets show wide dispersion in conditions. In the CBD, overall vacancy is 27.7%, compared with notably tighter areas such as Camelback / Piestewa Peak at 18.1%, Northeast Valley / Scottsdale at 16.1%, West / Northwest Phoenix at 17.5% and Tempe at 18.5%. Sublease space totals about 4.1 million sq. ft. across all submarkets, heavily clustered in Tempe (910,293 sq. ft.) and East Phoenix (847,286 sq. ft.). Available sublease space decreased by 500,950 sq. ft. compared to Q4 2025. Additionally, vacant sublease space declined by 149,451 sq. ft. during the same period. The largest sublease availability removed from the market during the first quarter was Equality Health’s space at Riverwalk Arizona (50,334 sq. ft.). Of the 11 recorded move-outs above 10,000 sq. ft., 4 were taken as vacant subleases.

Asking Rent

The overall average direct asking lease rate in Q1 2026 is \$32.09 per sq. ft., up 2.4% quarter-over-quarter from \$31.33 per sq. ft. in Q4 2025 and 2.5% above the \$31.32 per sq. ft. recorded in Q1 2025. Class A office asking rents increased from \$40.71 per sq. ft. to \$42.02 per sq. ft. over the quarter and are up 5.0% year-over-year, doubling the overall market’s 2.5% annual growth. Class B rents advanced to \$30.29 per sq. ft., an increase of 1.4% quarter-over-quarter and 2.9% year-over-year. Furthermore, Class C space averaged \$22.60 per sq. ft., up 2.4% quarter-over-quarter and 1.8% year-over-year.

The Tempe submarket currently has the highest average asking rate at \$39.74 per sq. ft., with Camelback / Piestewa Peak closely behind at \$39.63 per sq. ft. On the lower-cost side, the West / Northwest Phoenix submarket offers an average rate of \$27.25 per sq. ft., along with the CBD at a comparable \$28.53 per sq. ft.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q1 2026

Net Absorption

Total net absorption in Q1 2026 was 135,807 sq. ft., below the 749,729 sq. ft. recorded in Q4 2025 and the 441,123 sq. ft. posted in Q1 2025. Class B offices recorded the lion’s share of move-ins, recording 314,836 sq. ft. of positive absorption for the quarter. In contrast, Class A and C offices registered 179,029 sq. ft. of negative net absorption. Over the last four quarters, Class A net absorption has totaled 891,288 sq. ft., while all other classes have recorded 198,224 sq. ft.

Positive net absorption for Q1 2026 was concentrated primarily in the Tempe submarket with 166,031 sq. ft. for the quarter and the Southeast Valley submarket with 144,585 sq. ft. East Phoenix also observed positive tenant demand, with net absorption reaching 85,660 sq. ft. for the first quarter. Three submarkets recorded negative net absorption: the CBD with negative 144,884 sq. ft., Northeast Valley / Scottsdale with negative 136,978 sq. ft. and Camelback / Piestewa Peak with negative 13,009 sq. ft.

Construction Activity

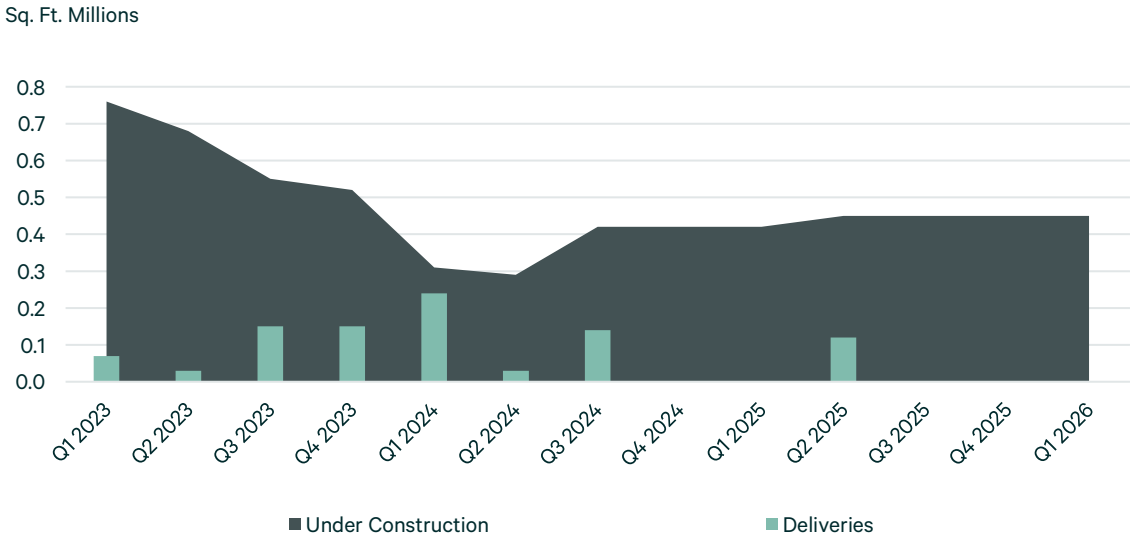
The Grove – 4210 remains under construction with a new expected delivery date in Q2 2026. The Sprouts corporate headquarters and Republic Services headquarters, both located at City North, make up the rest of the development pipeline, totaling 450,525 sq. ft. With the demand for top-of-market product 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.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



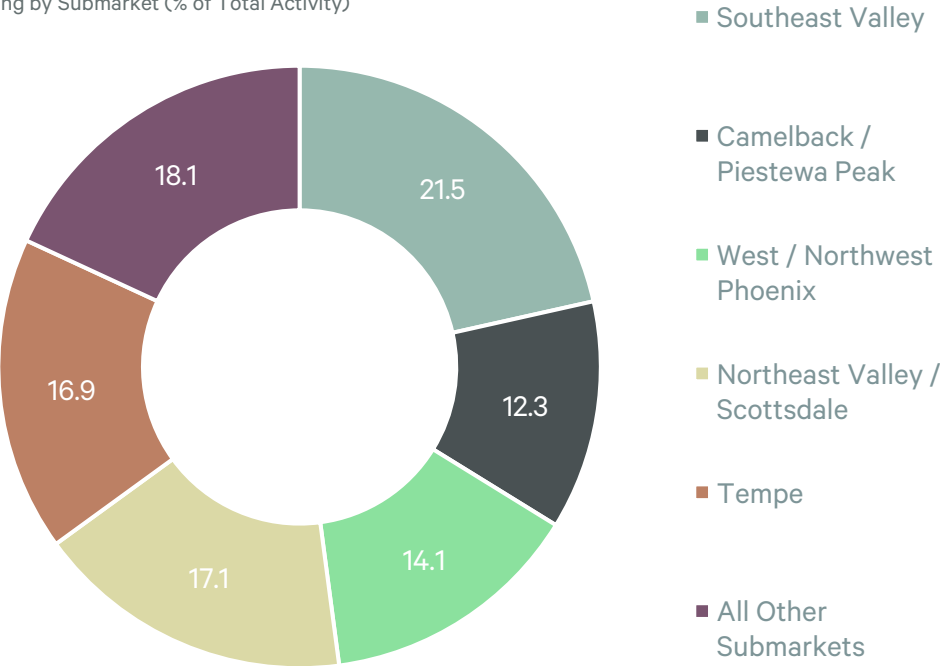
Source: CBRE Research, Q1 2026

Leasing Activity

Gross leasing activity totaled 1.5 million sq. ft. in Q1 2026, with 6.2 million sq. ft. leased over the last four quarters. Quarterly volume declined by 251,521 sq. ft. from Q4 2025. However, first quarter leasing volume is up 173,727 relative to Q1 2025. Class B recorded just over 1 million sq. ft. of leasing activity, with Class A and C offices reporting leasing activity totals of 369,965 sq. ft. and 136,553 sq. ft., respectively.

At the submarket level, Southeast Valley and Northeast Valley / Scottsdale posted the highest leasing volumes at 325,000 sq. ft. and 258,046 sq. ft., respectively. Other notable submarkets include Tempe at 255,618 sq. ft., West/ Northwest Phoenix at 212,241 sq. ft. and Camelback / Piestewa Peak at 186,346. The CBD registered the least amount of leasing activity among submarkets at 126,813 sq. ft.

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



Source: CBRE Research, Q1 2026

Figure 6: Leasing Activity Trend
Sq. Ft. Millions



Source: CBRE Research, Q1 2026

Figure 8: Key Transactions

Tenant	Sq. Ft.	Address	Submarket
Maricopa County Community College*	94,480	8530 S Priest Dr	Southeast Valley
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IES Communications*	56,680	8211 S 48 th St	East Phoenix
Concorde Career Colleges	52,702	8990 W Glendale Ave	West / Northwest Phoenix
Nonstop Financial	50,334	7720 N Dobson Rd	Northeast Valley / Scottsdale
Waymo	40,357	1033 W Roosevelt Way	Tempe
Wings Credit Union	37,398	1850 W Rio Salado Pkwy	Tempe
Cardiac Solutions	27,750	5651 W Talavi Blvd	West / Northwest Phoenix

Source: CBRE Research, Q1 2026

*Owner/User

Market Statistics

Figure 9: Suburban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	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	21.96	18.9	22.4	16.1	6.4	45.29	67,717	67,717	-	411,000
Prime	7.46	10.9	13.1	8.2	5.0	54.79	76,130	76,130	-	-
Other Class A	14.50	23.0	27.2	20.1	7.1	42.82	(8,413)	(8,413)	-	411,000
Class B	55.15	19.4	22.1	18.2	3.8	31.14	288,037	288,037	-	40,000
Class C	9.99	17.4	19.9	18.6	1.3	23.11	(75,063)	(75,063)	-	-
Total	87.10	19.1	21.9	17.7	4.2	33.23	280,691	280,691	-	451,000

Source: CBRE Research, Q1 2026

Figure 10: Urban Market Statistics by Class

Property Class	Net Rentable Area (MSF)	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	4.27	26.4	34.6	27.6	7.1	34.27	(169,312)	(169,312)	-	-
Prime	0.88	9.6	15.1	15.1	-	40.00	-	-	-	-
Other Class A	3.40	30.8	39.7	30.8	8.9	33.55	(169,312)	(169,312)	-	-
Class B	8.29	30.3	33.0	31.8	1.2	27.34	26,799	26,799	-	-
Class C	2.67	21.9	21.9	20.8	1.0	21.03	(2,371)	(2,371)	-	-
Total	15.23	27.7	31.5	28.7	2.8	28.53	(144,884)	(144,884)	-	-

Source: CBRE Research, Q1 2026

Figure 11: Metro Market Statistics by Class

Property Class	Net Rentable Area (MSF)	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	26.23	20.1	24.4	17.9	6.5	42.02	(101,595)	(101,595)	-	411,000
Prime	8.34	10.7	13.3	8.9	4.4	52.03	76,130	76,130	-	-
Other Class A	17.90	24.5	29.6	22.1	7.4	39.85	(177,725)	(177,725)	-	411,000
Class B	63.44	20.8	23.5	20.0	3.5	30.29	314,836	314,836	-	40,000
Class C	12.66	18.3	20.3	19.1	1.2	22.60	(77,434)	(77,434)	-	-
Total	102.33	20.3	23.3	19.3	4.0	32.09	135,807	135,807	-	451,000

Source: CBRE Research, Q1 2026

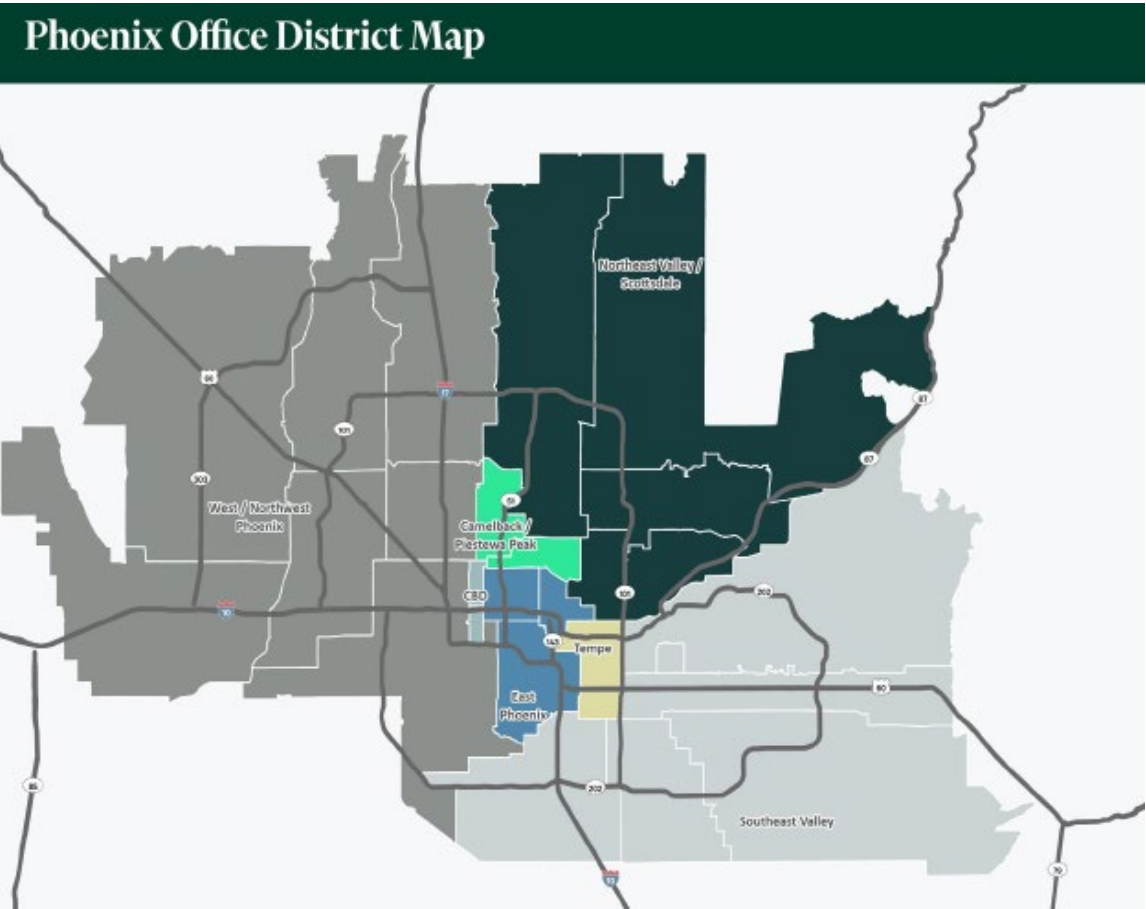
Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (MSF)	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)
CBD	15.23	27.7	31.5	28.7	2.8	28.53	(144,884)	(144,884)	-	-
Camelback / Piestewa Peak	9.93	18.1	22.0	19.2	2.8	39.63	(13,009)	(13,009)	-	40,000
East Phoenix	10.88	27.3	28.4	20.6	7.8	29.33	85,660	85,660	-	-
Northeast Valley / Scottsdale	22.13	16.1	20.3	17.5	2.8	35.96	(136,978)	(136,978)	-	411,000
Southeast Valley	16.21	20.1	22.5	18.9	3.7	30.53	144,585	144,585	-	-
Tempe	11.92	18.5	19.9	12.3	7.6	39.74	166,031	166,031	-	-
West / Northwest Phoenix	16.03	17.5	20.5	18.0	2.5	27.25	34,402	34,402	-	-
Total	102.33	20.3	23.3	19.3	4.0	32.09	135,807	135,807	-	451,000

Source: CBRE Research, Q1 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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