



Q4  
2018

MARKET  
REPORT

PHOENIX METRO  
**OFFICE**



**LEE &  
ASSOCIATES**

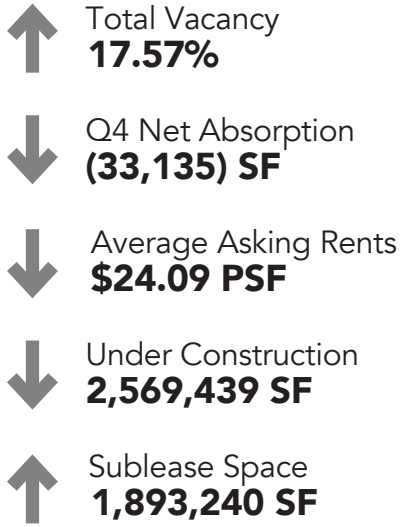
COMMERCIAL REAL ESTATE SERVICES



# Q4 Phoenix Office Market Overview

## Key Takeaways

\* Compared To Last Quarter



The Valley Office Market closed 2018 on a modest level as vacancy rates remain steady. Average asking rates hover in the mid \$20's at \$24.09 PSF and total sales for the quarter sit right at \$660M. Net absorption for the quarter saw a decline from Q3 due to over 800,000 square feet of office space being delivered.

More than 2.5 million square feet of office space is still under construction with over 300,000 square feet of it already leased. That number is down ever so slightly due to the amount of square feet delivered in the quarter at 824,092 square feet. The largest delivery in Q4 came from The Offices at Chandler Viridian, a 250,000 square foot spec Class A office building. Tempe still leads the Phoenix office market in construction at 1,132,314 square feet. The Chandler submarket still ranks second with 674,052 square feet under construction.

Vacancy rates rose to 17.57% compared to 17.25% in Q3. This slight increase can be credited to the amount of spec office space delivered in the quarter. Average asking rates saw little to no change, down just \$1.35 from the average rate of \$25.44 PSF in Q3. Vacancy rates for Class A office space did not move at all and remain at 15.8% for the quarter. The Camelback Corridor submarket still holds the highest average

asking rate at \$32.52 PSF, followed by South Scottsdale at \$30.60 PSF and Downtown Phoenix at \$29.88 PSF.

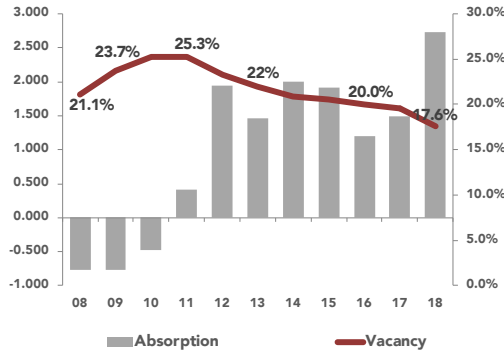
The Grand, Phase II and The Watermark, Phase I are still the largest office projects under construction totaling 636,481 square feet. Both projects are located in the Tempe submarket and expect to be completed later year.

The largest sale of Q4 was 723,922 square feet at Chase Tower for \$96,598,425 (\$133.44 PSF). This transaction occurred in the Downtown submarket with Taconic Capital Advisors as the seller and Vincent Viola as the buyer. The second largest sale of the quarter came from Raintree Corporate Center, which was purchased by Cypress Office Properties for \$91,700,000. The largest lease of the quarter came from Allstate who took 117,394 square feet at One Chandler.

Despite slower absorption this quarter has been highlighted by the continuance of strong vacancy rates, asking rates, and sales volume. Institutional and private investors dominate the Q4 buyer type and with the increasing number of Class A office space under construction, 2019 could attract some very respectable job opportunities to the Phoenix Market.

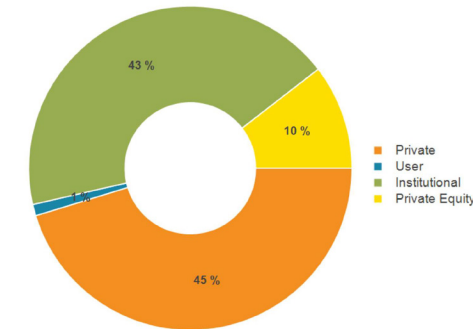
## Absorption/Vacancy

2008 - 2018



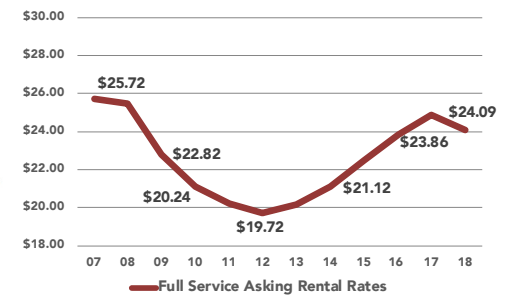
## Buyer Type

Q4 2018 Sales



## Rental Rates

Per Month, 2007 - 2018



## Sales by the Numbers: Q4 2018

No. of Transactions

**130**

Q3 2018: 212

Total Sales

**\$660M**

Q3 2018: \$622M

Average PSF

**\$149.27**

Q3 2018: \$172.57

Average Cap Rate

**7.29%**

Q3 2018: 6.61%

## Q4 2018 Top Office Leases

Tenant Name	Property Name	Address	Class	Submarket	SF	Lease
Allstate	One Chandler	350 N. McClintock Drive	A	Chandler	117,394	New
Dish Network	Thistle Landing	4811 E. Thistle Landing Drive	B	Tempe	74,550	Renewal
Konica Minolta	Quattro	4350 E. Cotton Center Boulevard	B	Sky Harbor	57,108	New
WeWork	Esplanade I	2425 E. Camelback Road	A	Camelback	53,976	New
Cascade Financial	The HUB	2701 E. Ryan Road	B	San Tan	52,608	New

## Q4 2018 Top Office Sales

Property Address	Buyer	Seller	Class	Sales Price	SF
201 N. Central Avenue	Vincent Viola	Taconic Capital Advisors	A	\$96,598,425	723,922
8800 - 8888 E. Raintree Drive	Cypress Office Properties	Equus Capital Partners	A	\$91,700,000	334,889
645 E. Missouri Avenue	El Dorado Holdings	ICIC Commercial Investments	A	\$41,400,000	190,419
1225 W. Washington Street	Alidade Capital	GLL Real Estate Partners	A	\$34,000,000	159,261
3141 N. 3rd Avenue	Holualoa Companies	Jerry & Vickie Moyes Trust	B	\$27,968,303	225,000

## Q4 2018 | Phoenix Office Market Statistics

Building Class	Inventory Total	Vacancy Rate						Net Absorption		Sublease Available			Under	Asking
		Direct SF	Percent	Sublease SF	Percent	Total SF	Percent	Q4 2018	YTD 2018	Vacant SF	Total SF	Percent	Construction	F5 Rents
Class A	40,651,968	5,954,697	14.6%	483,361	1.2%	6,438,058	15.8%	66,161	1,264,416	483,361	1,214,595	3.0%	-	\$29.28
Class B	52,866,277	9,751,977	18.4%	521,439	1.0%	10,273,416	19.4%	(190,510)	1,351,611	521,439	674,046	1.3%	-	\$20.52
Class C	5,977,605	766,269	12.7%	4,599	0.1%	770,868	13.5%	91,214	244,810	4,599	4,599	0.1%	-	\$15.72
Building Type Total	99,495,850	16,472,943	16.6%	1,009,399	1.0%	17,482,342	17.57%	(33,135)	2,860,837	1,009,399	1,893,240	1.9%	0	\$24.09

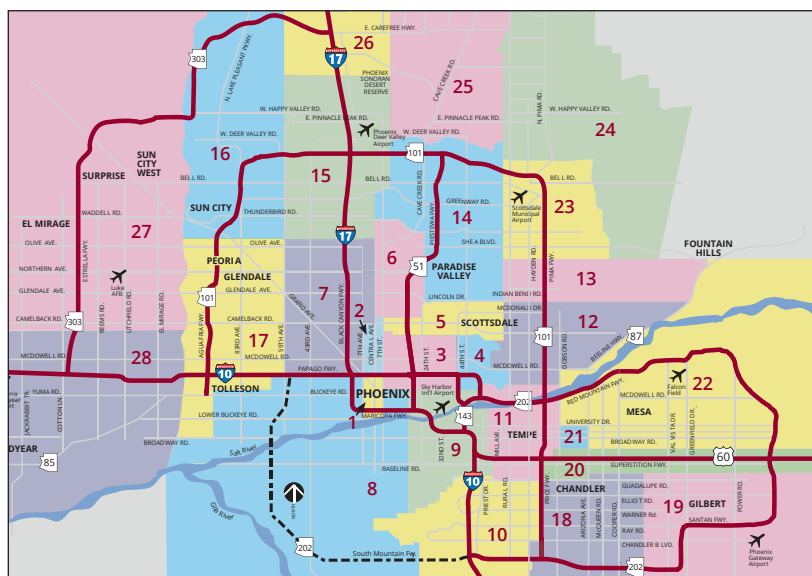
Office Submarket	Inventory Total	Vacancy Rate						Net Absorption		Sublease Available			Under	Asking
		Direct SF	Percent	Sublease SF	Percent	Total SF	Percent	Q4 2018	YTD 2018	Vacant SF	Total SF	Percent	Construction	FS Rents
1. Downtown Phoenix	6,711,507	937,419	14.0%	88,451	1.3%	1,025,870	15.3%	(167,479)	172,404	88,451	113,176	1.7%	205,000	\$29.88
2. Midtown Phoenix	9,169,022	2,198,909	24.0%	40,113	0.4%	2,239,022	24.4%	47,097	184,144	40,113	120,135	1.3%	-	\$22.80
3. Midtown/Central Phoenix	1,943,530	205,416	10.6%	5,761	0.3%	211,177	10.9%	59,899	47,604	5,761	15,051	0.8%	-	\$18.00
4. 44th St. Corridor	2,634,928	350,398	13.3%	4,286	0.2%	354,684	13.5%	73,092	101,012	4,286	14,569	0.6%	-	\$26.40
5. Camelback Corridor	7,446,206	1,376,557	18.5%	134,323	1.8%	1,920,372	20.3%	(95,549)	(155,752)	134,323	301,659	4.1%	-	\$32.52
6. Piestewa Corridor	2,342,555	416,398	17.8%	39,534	1.7%	455,932	19.5%	8,424	11,103	39,534	40,374	1.7%	-	\$21.72
7. Northwest Phoenix	6,148,036	1,501,967	24.4%	13,856	0.2%	1,515,823	24.7%	(26,527)	(47,360)	13,856	13,856	0.2%	-	\$18.84
8. Southwest Phoenix	1,310,322	232,182	17.7%	-	0.0%	232,182	17.7%	-	104,540	-	-	0.0%	-	\$23.28
9. Sky Harbor Airport	8,754,717	1,796,953	20.5%	214,304	2.4%	2,011,257	23.0%	(37,100)	869,833	214,304	287,296	3.3%	-	\$18.36
10. S. Tempe/Ahwatukee	5,085,226	919,022	18.1%	90,103	1.8%	1,009,125	19.8%	(49,078)	(76,996)	90,103	62,037	1.2%	200,000	\$18.24
11. Tempe	6,424,616	482,605	7.5%	16,197	0.3%	498,802	7.8%	59,126	554,314	16,197	140,246	2.2%	1,132,314	\$28.80
12. Scottsdale South	4,922,100	644,132	13.1%	28,906	0.6%	673,038	13.7%	20,038	16,882	28,906	104,164	2.1%	151,318	\$30.60
13. Central Scottsdale	5,269,696	634,900	12.0%	87,149	1.7%	722,049	13.7%	(134,696)	(68,143)	87,149	141,486	2.7%	123,020	\$25.92
14. Paradise Valley	2,063,308	313,936	15.2%	47,974	2.3%	361,910	17.5%	17,826	(29,835)	47,974	50,263	2.4%	-	\$26.16
15. Deer Valley Airport	5,520,683	1,034,120	18.7%	6,280	0.1%	1,040,400	18.8%	(99,379)	422,045	6,280	6,280	0.1%	-	\$20.16
16. Arrowhead	1,029,371	109,490	10.6%	2,114	0.2%	111,604	10.8%	11,219	32,465	2,114	2,114	0.2%	-	\$23.64
17. Glendale	1,414,004	223,666	15.8%	-	0.0%	223,666	15.8%	12,292	52,526	-	-	0.0%	-	\$21.72
18. Chandler	6,085,584	1,162,881	19.1%	110	0.0%	1,162,991	19.1%	119,261	537,043	110	98,171	1.6%	674,052	\$19.92
19. Gateway/Loop 202	358,426	22,006	6.1%	41,064	11.5%	63,070	17.6%	(3,000)	(6,771)	41,064	46,164	12.9%	-	\$20.04
20. Superstition Corridor	2,503,790	300,630	12.0%	13,051	0.5%	313,681	12.5%	2,453	6,662	13,051	31,836	1.3%	-	\$19.92
21. Mesa Downtown	620,657	34,596	5.6%	-	0.0%	34,596	5.6%	7,150	(8,490)	-	8,832	1.4%	-	\$13.80
22. Mesa East	527,399	36,182	6.9%	-	0.0%	36,182	6.9%	17,934	46,099	-	-	0.0%	-	\$16.80
23. Scottsdale Airport	8,952,483	1,099,985	12.3%	129,162	1.4%	1,229,147	13.7%	138,735	59,248	129,162	288,870	3.2%	83,735	\$28.20
24. N. Scottsdale/Carefree	612,000	125,910	20.6%	397	0.1%	126,307	20.6%	13,043	(12,843)	397	397	0.1%	-	\$20.64
25. N. Phoenix/Cave Creek	13,607	-	0.0%	-	0.0%	-	0.0%	-	-	-	-	0.0%	-	\$12.00
26. North I-17	300,117	85,832	28.6%	-	0.0%	85,832	28.6%	(3,772)	(2,178)	-	-	0.0%	-	\$23.76
27. Loop 303/Surprise	376,579	31,811	8.4%	-	0.0%	31,811	8.4%	8,116	52,181	-	-	0.0%	-	\$20.64
28. West I-10	955,381	195,040	20.4%	6,264	0.7%	201,304	22.4%	(32,260)	(900)	6,264	6,264	0.7%	-	\$22.80
Phoenix Metro Total	99,495,850	16,472,943	16.6%	1,009,399	1.0%	17,482,342	17.57%	(33,135)	2,860,837	1,009,399	1,893,240	1.9%	2,569,439	\$24.00

\* When inaccurate or newly updated information is discovered, it is incorporated into current reporting which may negate comparison to previously published market reports.

\* Net absorption is calculated by the net change in physically occupied space between the current period and the previous period based on our competitive building inventory

## Phoenix Office Submarket Map

1. Downtown Phoenix
2. Midtown Phoenix
3. Midtown/Central Phoenix
4. 44th St. Corridor
5. Camelback Corridor
6. Piestewa Corridor
7. Northwest Phoenix
8. Southwest Phoenix
9. Sky Harbor Airport
10. S. Tempe/Ahwatukee
11. Tempe
12. Scottsdale South
13. Central Scottsdale
14. Paradise Valley
15. Deer Valley Airport
16. Arrowhead
17. Glendale
18. Chandler
19. Gateway/Loop 202
20. Superstition Corridor
21. Mesa Downtown
22. Mesa East
23. Scottsdale Airpark
24. N. Scottsdale/Carefree
25. N. Phoenix/Cave Creek
26. North I-17
27. Loop 303/Surprise
28. West I-10





## About This Report

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The Phoenix Office Market Report compiles relevant market data by using a third-party database for the proprietary analysis of specific office properties above 10,000 SF in the Phoenix Metropolitan Area.

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**Market report analysis by:**  
Lee & Associates Arizona



# Q4 2018

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Now in our 27th year, Lee & Associates Arizona specializes in providing exceptional commercial brokerage services to the industrial, office, land and investment sectors of the Phoenix commercial real estate market. The Phoenix office was established in 1991 and is now recognized as one of the most successful brokerage firms in the state. Each of our 57 nationwide Lee & Associates offices has a strong local ownership combined with a powerful platform from the national Lee & Associates network.



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**The Offices at Chandler Viridian**



**Rivulon**

## Under Construction

Building Name	Class	Building Address	Type	Submarket	Total SF	Leased SF	Delivery
The Grand, Phase II	A	1127 N. Papago Dr., Tempe	Spec	Tempe	352,481	0	Q2 2019
The Watermark, Phase I	A	410 N. Scottsdale Rd., Tempe	Spec	Tempe	284,000	0	Q3 2019
Allred Park Place - Bldgs. 15 & 16	A	1650-1700 S. Price Rd., Chandler	Spec	Chandler	270,000	0	Q2 2019
Block 23 at Cityscape	A	101 E. Washington St., Phoenix	Spec	Downtown Phoenix	205,000	0	Q3 2019
Discovery Business Campus	B	2190 E. Elliot Rd., Tempe	BTS	S. Tempe/Ahwatukee	200,000	200,000	Q2 2019
I.D.E.A. Tempe Phase I	A	850 W. Rio Salado Pky., Tempe	Spec	Tempe	185,833	0	Q1 2020
RIO2100 Phase V	B	2100 E. Rio Salado Pky., Tempe	Spec	Tempe	160,000	0	Q4 2019
Chandler Freeway Crossing II	B	2625 W. Geronimo Pl., Chandler	Spec	Chandler	153,370	0	Q1 2019
SkySong Innovation Center 5	A	1465 N. Scottsdale Rd. Scottsdale	Spec	South Scottsdale	151,318	21,535	Q3 2019
RIO2100 Bldg. 3	A	2100 E. Rio Salado Pky., Tempe	BTS	Tempe	150,000	0	Q2 2019
Chaparral Commerce Center III	A	5801 N. Pima Rd., Scottsdale	Spec	Central Scottsdale	123,020	123,020	Q1 2019
The Commons at Rivulon - Bldg C	A	SEC Pecos Rd. & Gilbert Rd., Gilbert	Spec	Chandler	102,434	0	Q3 2019
The Commons at Rivulon - Bldg D	A	SEC Pecos Rd. & Gilbert Rd., Gilbert	Spec	Chandler	97,248	0	Q3 2019
New Square - Phase I	B	180 S. Arizona Ave., Chandler	Spec	Chandler	51,000	0	Q1 2020

### Under Construction (Continued)

Building Name	Class	Building Address	Type	Submarket	Total SF	Leased SF	Delivery
Perimeter Center	B	17300 N. Perimeter Dr., Scottsdale	Spec	Scottsdale Airpark	47,000	0	Q1 2019
Chauncey Lane	A	SEC Scottsdale Rd. & Chauncey Ln.	Spec	Scottsdale Airpark	36,735	3,746	Q3 2019
<b>Total</b>					<b>2,569,439</b>	<b>348,301</b>	

### Deliveries

Building Name	Class	Building Address	Type	Submarket	Total SF	Leased SF	Delivery
The Offices at Chandler Viridian	A	3133 W. Frye Rd., Chandler	Spec	Chandler	250,000	56,750	Q4 2018
Aetna Cotton Center	B	4755 S. 44th Pl., Phoenix	BTS	Airport Area	160,910	160,910	Q4 2018
Camelback Collective	A	2801 E. Camelback Rd., Phoenix	Spec	Camelback Corridor	118,500	0	Q4 2018
The Commons at Rivulon - Bldg. A	A	SEC Pecos Rd. & Gilbert Rd., Gilbert	Spec	Chandler	102,434	0	Q4 2018
The Commons at Rivulon - Bldg. B	A	SEC Pecos Rd. & Gilbert Rd., Gilbert	Spec	Chandler	97,248	0	Q4 2018
The Reserve at San Tan, Phase I	A	343 E. Germann Rd., Gilbert	Spec	Chandler	75,000	8,025	Q4 2018
Overstreet	A	101 N. Arizona Ave., Chandler	Spec	Chandler	20,000	7,800	Q4 2018
<b>Total</b>					<b>824,092</b>	<b>233,485</b>	Q4 2018