

OFFICE MARKET REPORT - PHOENIX



Q4 2021

PHOENIX, ARIZONA

PHOENIX OFFICE MARKET ENDS 2021 ON HIGH NOTE

The Phoenix Office Market finished 2021 with the strongest quarter since the beginning of the pandemic, recording 807,244 square feet of positive net absorption, this lowering the overall vacancy from 17.8% to 17.4%. Rental rates saw a small increase rising from \$25.21 to \$25.95 as a few new high profile developments were delivered to the market. Available sublease space remained high at 4.4 million square feet compared with historical market averages, but seems to have plateaued heading into 2022.

Q4 2021 recorded 397 direct lease transactions and 1.5 million gross square feet of space, compared to 362 transactions and 1.2 million gross square feet in Q4 2020. The largest new transaction of the quarter landed at the Block 23 in the downtown submarket with Western Alliance Bank leasing 75,541 square feet, followed by Morgan Stanley leasing 48,624 square feet at Rivulon in Gilbert.

Following the national trend, new construction has slowed with only a handful of new projects under construction currently. The largest being the 287,000 square foot One Hundred Mill project in Tempe, which is 80% pre-leased to national tenants including Amazon and Deloitte. The second largest is the 248,006 square foot Scottsdale Entrada with 0% pre-leased, followed by the 183,526 square foot The Beam on Farmer in Tempe with 0% pre-leasing. All three speculative projects are scheduled to deliver in the first half of 2022.



DIRECT VACANCY

17.4%

VS. 17.8% IN Q3



NET ABSORPTION

807,244 SF

VS. 178,254 SF IN Q3



AVERAGE ASKING RENTS

\$25.95 PSF

VS. \$25.21 PSF IN Q3



UNDER CONSTRUCTION

1,959,057 SF

VS. 2,088,255 IN Q3



SUBLEASE SPACE

4,480,958 SF

VS. 4,321,213 IN Q3

Average rental rates saw a small increase despite the record levels of sublease space currently on the market. Rates increased 62 basis points quarter-over-quarter to \$25.95.

Investor confidence grew in the Phoenix Market posting \$1.1 billion in sales volume in the quarter, a 50% increase from Q4 2020. This quarter saw 178 sale transactions up 33% from this time last year and the average sale price was \$263.23/SF.

Although there is still a degree of uncertainty about the long-term effects of the pandemic, Phoenix has shown itself to be one of the most resilient markets in the US. With low cost of doing business, talented employment pool, and a business friendly environment, the Phoenix Office Market looks to 2022 to get back on track.

SALES BY THE NUMBERS: Q4 2021

NO. OF TRANSACTIONS

174

Q3 2021: 156

TOTAL SALES VOLUME

\$1.135B

Q3 2021: \$823M

AVERAGE PSF

\$264.51

Q3 2021: \$205.10

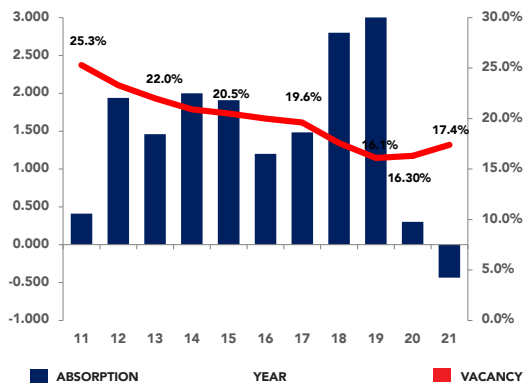
AVERAGE CAP RATE

6.8%

Q3 2021: 7.2%

ABSORPTION/VACANCY

2011- 2021

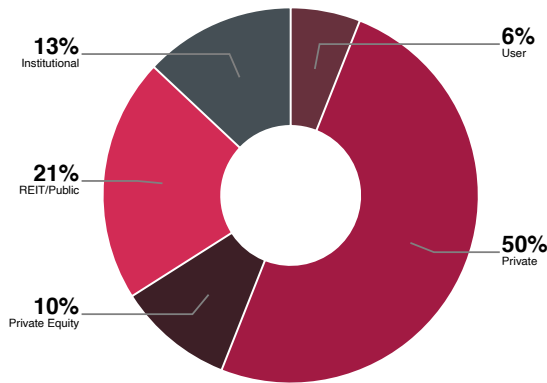


QUARTERLY TREND ANALYSIS

	Q4 2021	Q3 2021	Q2 2021	Q1 2021
Vacancy Rate	17.4%	17.8%	18%	17.3%
Availability Rate	19.9%	20.3%	21.3%	21.1%
Asking Lease Rate	\$25.96	\$25.21	\$25.43	\$25.13
Leased SF	1,477,571 SF	1,687,183 SF	1,382,395 SF	1,495,426 SF
Sold SF	3,424,600 SF	3,989,757 SF	3,029,776 SF	2,071,534 SF
Net Absorption	807,244 SF	178,254 SF	-107,920 SF	-550,501 SF

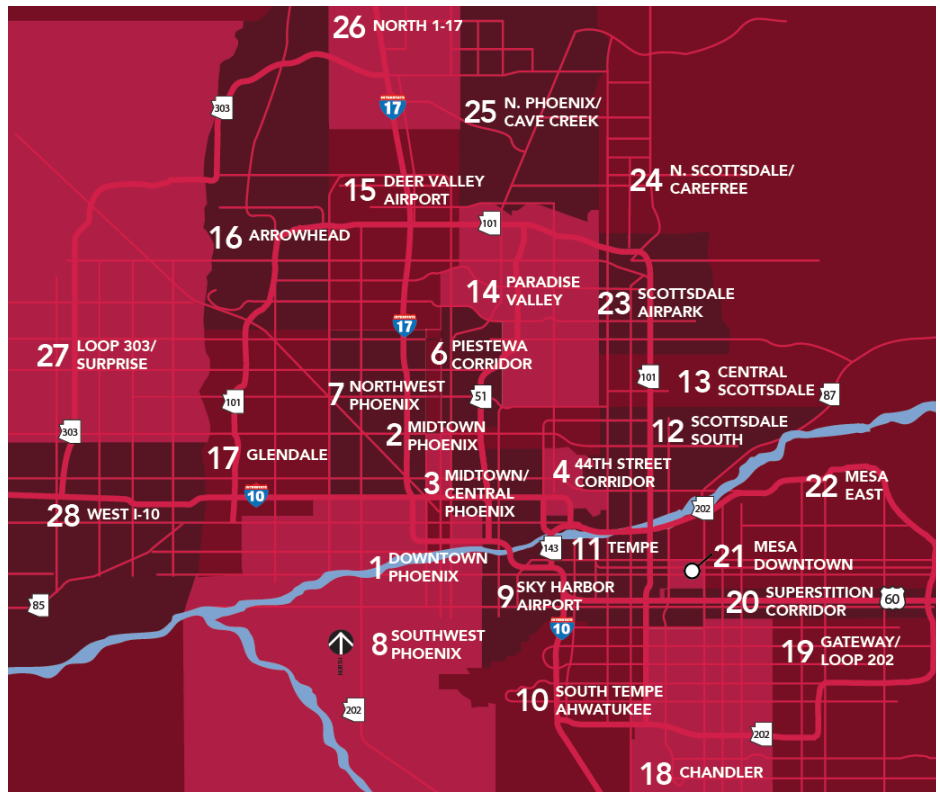
BUYER TYPE

Q4 2021 SALES



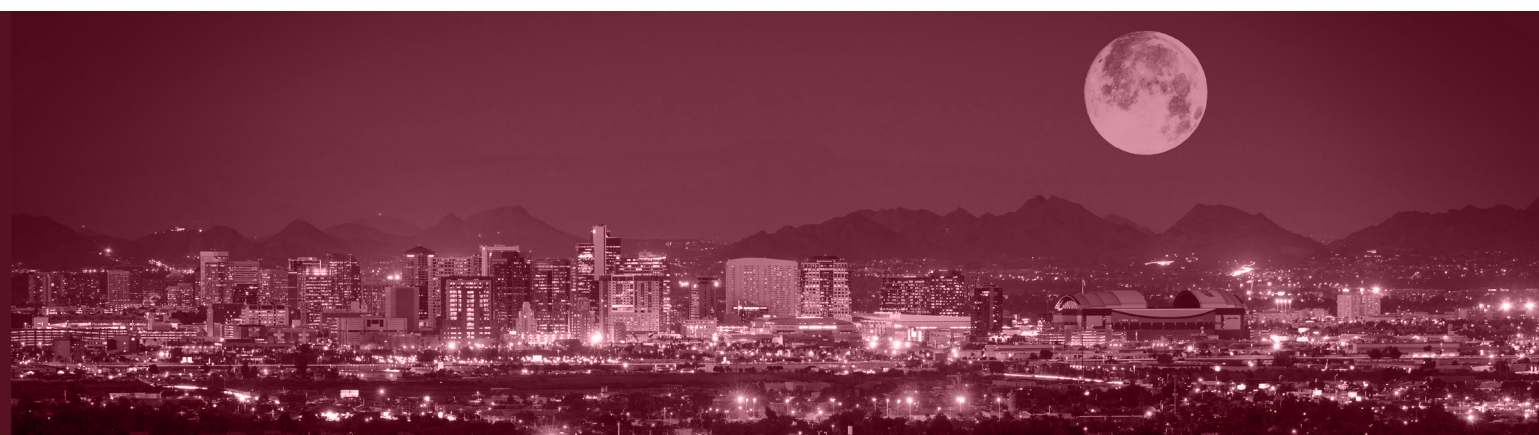
RENTAL RATES

PER YEAR, 2011 - 2021



BUILDING CLASS	INVENTORY TOTAL	VACANCY RATE						NET ABSORPTION		SUBLEASE AVAILABLE			UNDER CONSTRUCTION	ASKING \$ RENTS
		DIRECT		SUBLEASE		TOTAL								
		SF	PERCENT	SF	PERCENT	SF	PERCENT	Q4 2021	YTD 2021	VACANT SF	TOTAL SF	PERCENT		
Class A	45,917,591	8,139,949	17.7%	1,282,779	2.8%	9,422,728	20.5%	156,317	370,499	1,282,779	2,636,972	5.7%	1,959,057	\$31.80
Class B	55,196,427	10,031,537	18.2%	855,606	1.6%	10,810,253	19.8%	641,758	63,713	855,606	1,760,692	3.2%	-	\$23.04
Class C	6,029,697	572,640	9.5%	1,479	0.0%	574,119	9.5%	9,169	106,040	1,479	83,294	1.5%	-	\$16.92
Totals	107,143,715	18,744,126	17.4%	2,139,864	2.0%	20,807,100	19.4%	807,244	540,252	2,139,864	4,480,958	4.2%	1,959,057	\$25.95

Office Submarket	Inventory Total	Vacancy Rate						Net Absorption		Sublease Available			Under Construction	Asking FS Rents
		Direct		Sublease		Total								
		SF	Percent	SF	Percent	SF	Percent	Q4 2021	YTD 2021	Vacant SF	Total SF	Percent		
Downtown Phoenix	6,292,755	1,469,069	23.3%	100,146	1.6%	1,569,215	24.9%	56,535	16,862	100,146	162,076	2.6%	853,349	\$21.04
Midtown Phoenix	9,540,722	2,382,657	25.0%	104,607	1.1%	2,487,264	26.1%	(15,403)	(128,294)	104,607	212,862	2.2%	-	\$24.12
Midtown/Central Phoenix	1,884,216	100,560	5.3%	-	0.0%	100,560	5.3%	9,502	66,019	-	-	0.0%	-	\$21.36
44th St. Corridor	2,566,655	440,229	17.2%	40,795	1.6%	481,024	18.7%	(17,440)	(40,494)	40,795	166,802	6.5%	-	\$28.32
Camelback Corridor	7,385,415	1,569,902	21.3%	52,237	0.7%	1,622,139	22.0%	126,215	(114,530)	52,237	126,434	1.7%	251,494	\$35.16
Piestewa Corridor	2,167,054	296,743	13.7%	24,859	1.1%	321,602	14.8%	8,621	101,159	24,859	37,400	1.7%	-	\$23.64
Northwest Phoenix	6,271,600	1,461,847	23.3%	11,690	0.2%	1,473,537	23.5%	105,316	(225,889)	11,690	31,043	0.5%	-	\$20.88
Southwest Phoenix	1,468,219	178,821	12.2%	-	0.0%	178,821	12.2%	-	(6,306)	-	-	0.0%	-	\$25.32
Sky Harbor Airport	4,619,950	645,479	14.0%	248,189	5.4%	893,668	19.3%	37,670	(91,824)	248,189	700,922	15.2%	-	\$18.24
S. Tempe/Ahwatukee	5,385,042	919,947	17.1%	136,735	2.5%	1,056,682	19.6%	7,759	347	136,735	212,026	3.9%	-	\$21.48
Tempe	12,143,743	1,882,117	15.5%	305,126	2.5%	2,187,243	18.0%	1,423	63,576	305,126	929,757	7.9%	470,526	\$26.04
Scottsdale South	5,356,564	748,686	14.0%	85,394	1.6%	834,080	15.6%	112,504	(115,447)	85,394	148,027	2.8%	248,006	\$32.64
Central Scottsdale	5,429,832	864,132	15.9%	130,445	2.4%	994,577	18.3%	153,548	(42,803)	130,445	173,201	3.2%	-	\$28.56
Paradise Valley	2,079,845	282,506	13.6%	-	0.0%	282,506	13.6%	(58,882)	(8,838)	-	15,084	0.7%	-	\$28.80
Deer Valley Airport	5,936,519	1,312,359	22.1%	253,496	4.3%	1,565,855	26.4%	20,462	58,004	243,496	343,370	5.8%	-	\$20.64
Arrowhead	1,108,356	125,372	11.3%	7,687	0.7%	133,059	12.0%	(16,524)	25,771	7,687	7,687	0.7%	-	\$54.44
Glendale	1,854,299	275,386	14.9%	32,800	1.8%	308,186	16.6%	62,445	(4,229)	32,800	32,800	1.8%	-	\$24.00
Chandler	8,158,592	1,352,090	16.6%	425,330	5.2%	1,777,420	21.8%	132,494	272,873	425,330	465,245	5.7%	-	\$26.64
Gateway/Loop 202	470,002	42,474	9.0%	-	0.0%	-	9.0%	33,013	61,198	-	-	0.0%	-	\$25.20
Superstition Corridor	2,777,716	350,619	12.6%	4,182	0.2%	354,801	12.8%	17,955	(43,071)	4,182	4,182	0.1%	-	\$21.00
Mesa Downtown	670,995	89,617	13.4%	-	0.0%	89,617	13.4%	(22,675)	3,118	-	-	0.0%	-	\$21.36
Mesa East	1,245,260	288,106	23.1%	23,906	1.9%	312,012	25.1%	(128,244)	6,569	23,906	34,183	2.7%	-	\$34.20
Scottsdale Airpark	9,725,395	1,356,292	13.9%	146,767	1.5%	1,503,059	15.5%	180,053	607,710	146,767	664,684	6.8%	32,054	\$30.96
N. Scottsdale/Carefree	650,164	94,667	14.6%	-	0.0%	94,667	14.6%	(2,297)	27,587	-	7,700	1.2%	-	\$24.60
N. Phoenix/Cave Creek	13,607	-	0.0%	-	0.0%	-	0.0%	-	-	-	-	0.0%	-	\$12.00
North I-17	429,360	79,698	18.6%	-	0.0%	79,698	18.6%	(3,771)	(1,969)	-	-	0.0%	-	\$24.84
Loop 303/Surprise	433,777	34,416	7.9%	-	0.0%	-	7.9%	(1,000)	(806)	-	-	0.0%	-	\$25.08
West I-10	1,078,061	100,335	9.3%	5,473	0.5%	105,808	9.8%	7,965	53,959	5,473	5,473	0.5%	103,628	\$26.64
TOTALS	107,143,715	18,744,126	17.4%	2,139,864	2.0%	20,807,100	19.4%	807,244	540,252	2,129,864	4,480,958	4.2%	1,959,057	\$25.95



* 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.

Q4 2021 TOP OFFICE LEASES

Tenant Name	Property Name	Address	Class	Submarket	SF	Lease
Western Alliance Bank	Block 23	101 E. Washington St.	A	Downtown	75,541	New
Cenlar FSB	Tempe 4	8160 S. Hardy Dr.	A	Tempe	65,580	Renewal
Morgan Stanley	Rivulon	400 E. Rivulon Blvd.	A	Chandler	48,624	New
Cruise	AERO Scottsdale	14555 N. Hayden Rd.	B	Scottsdale Airpark	46,871	New
Jones Lang LaSalle, Inc.	The Grove	4300 E. Camelback Rd.	A	Camelback	38,971	New

Q4 2021 TOP OFFICE SALES

Property Address	Buyer	Seller	Class	Sales Price	SF	PSF
101 E. Washington St.	City Office REIT, Inc.	RED Development	A	\$150,000,000	307,030	\$488.55
1650 & 1700 S. Price Rd.	Manulife US REIT	Douglas Allred Company	A	\$106,000,000	181,138	\$390.63
3133 W. Frye Rd.	Macquarie Asset Mgmt.	Hines	A	\$102,000,000	250,630	\$406.97
2900 S. Diable Way (4)	Manulife US REIT	Muller Company	B	\$61,750,000	365,783	\$168.82
Quattro (4)	Haley Properties	Albany Road Real Estate	B	\$55,250,000	265,108	\$208.41

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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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