MARKETBEAT
PHOENIX
OFFICE Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
25.4% Vacancy Rate	▼	▼
765K YTD Net Absorption, SF	▲	▲
$30.47 Asking Rent, PSF	▲	▲

(Overall, All Property Classes)

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.5M Phoenix Employment*	▲	▲
4.0% Phoenix Unemployment Rate*	▲	▼
4.2% U.S. Unemployment Rate	—	▲

Source: BLS, Moody's Analytics

ECONOMY: OUTPUT ACCELERATES AMID SUSTAINED JOB GROWTH

In Q2 2026, the Phoenix Metro reported an employment level of 2.5 million, after adding 20,500 jobs over the last year. While the unemployment rate ticked up from 3.8% to 4.0% during that timeframe, it remained below the national average of 4.2% and ranked third-lowest among major U.S. metros with total employment of at least 2 million jobs. Continued wage growth encouraged new entrants into the labor force, with the median household income increasing by 3.8% year-over-year (YOY) to $97,400. Population growth also more-than doubled the national average, however, the 0.8% YOY increase marked a deceleration from previous quarters. Annual GDP growth, meanwhile, accelerated up from 2.0% in Q2 2025 to 3.5% in Q2 2026, underscoring the Metro's positive economic momentum.

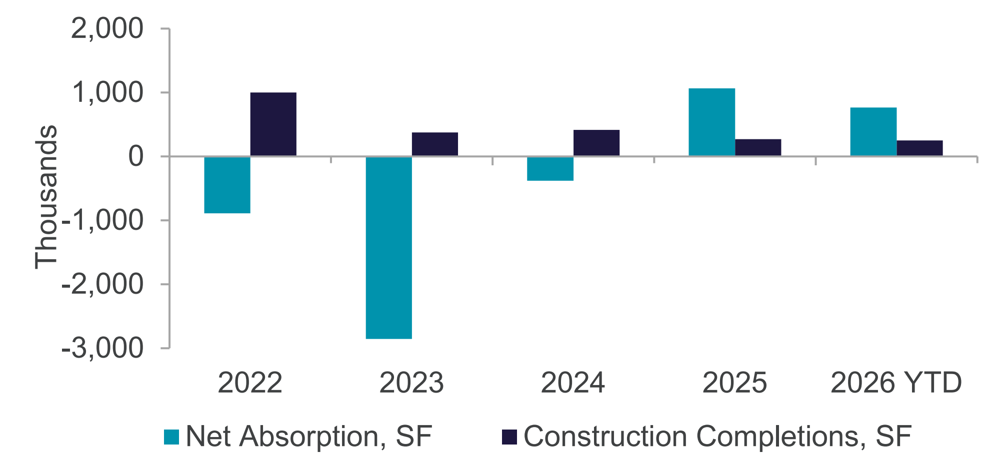
DEMAND: VACANCY DECLINES BY LARGEST MARGIN IN 10 YEARS

Phoenix's office vacancy rate fell by the fastest pace in over a decade, declining by 70 basis point (bps) quarter-over-quarter (QOQ) to 25.4%. Following multiple years negative net absorption, demand trends have now been positive in six of the past seven quarters, helping drive vacancy down by a total of 250 basis points (bps) over that span. Class B buildings have observed the most significant recovery, with the 25.7% rate in Q2 representing a 380 bps reduction from the Q3 2024 peak. Vacancy compression among Class A spaces has also been notable, with the sector reporting a 120 bps decrease QOQ to 27.1% in Q2. Across all asset classes, that submarkets that recorded the largest QOQ vacancy declines were aided by large owner-user acquisitions or office demolitions, including South Airport (-270 bps), Price/Chandler/Gilbert (-230 bps) and Metrocenter (-220 bps).

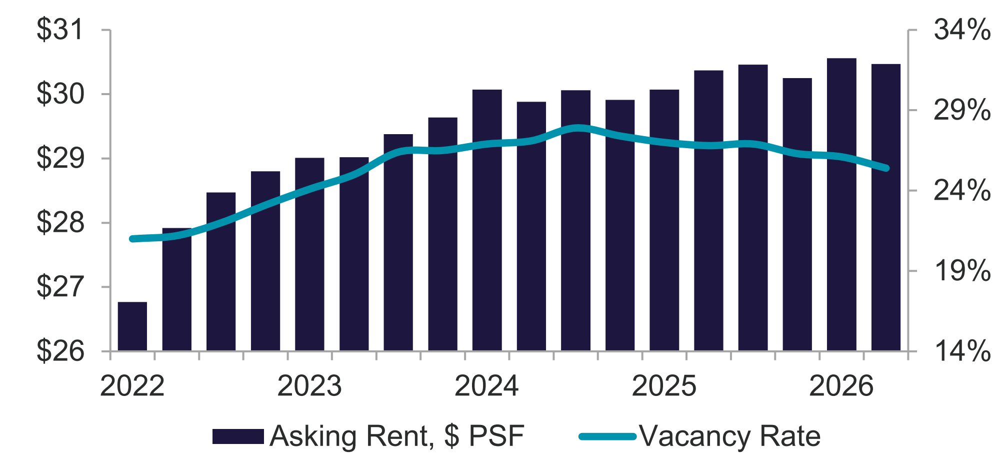
DEMAND: LEASING IMPROVEMENT LED BY CLASS A BUILDINGS

Leasing activity in Phoenix totaled 1.5 million square feet (msf) in Q2 2026, up 12.9% from Q1. This growth was primarily driven by the Class A sector, which noted a 26.7% rise QOQ to 579,769 square feet (sf). Still, Class B spaces continued to account for the greatest volume of overall leasing, with 755,175 sf in Q2. Among submarkets, the Scottsdale Airpark stood out, posting a four-year high of 364,856 sf. The area has become increasingly attractive for cost-conscious tenants looking to relocate or consolidate within the market, with average asking rents growing at roughly one-fifth of the overall Metro's pace during the last three years. Other submarkets with notable levels of leasing in Q2 included Price/Chandler/Gilbert (125,207 sf), Camelback Corridor (106,859 sf) and South Scottsdale (106,698 sf).

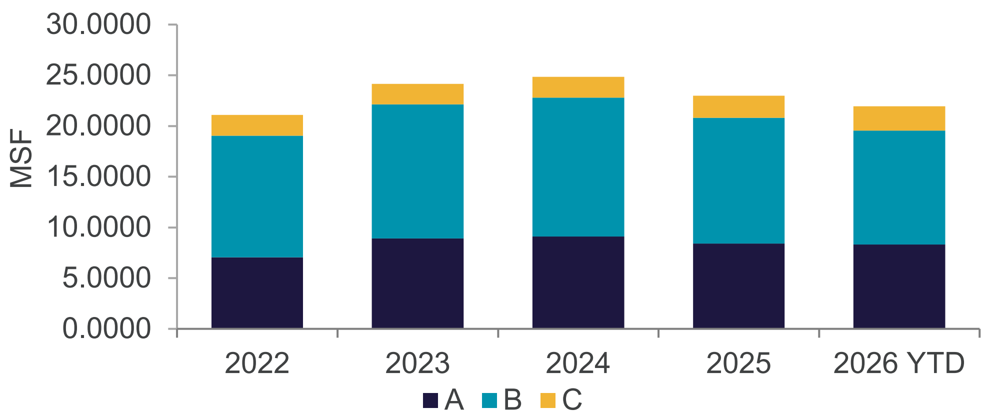
SPACE DEMAND / DELIVERIES



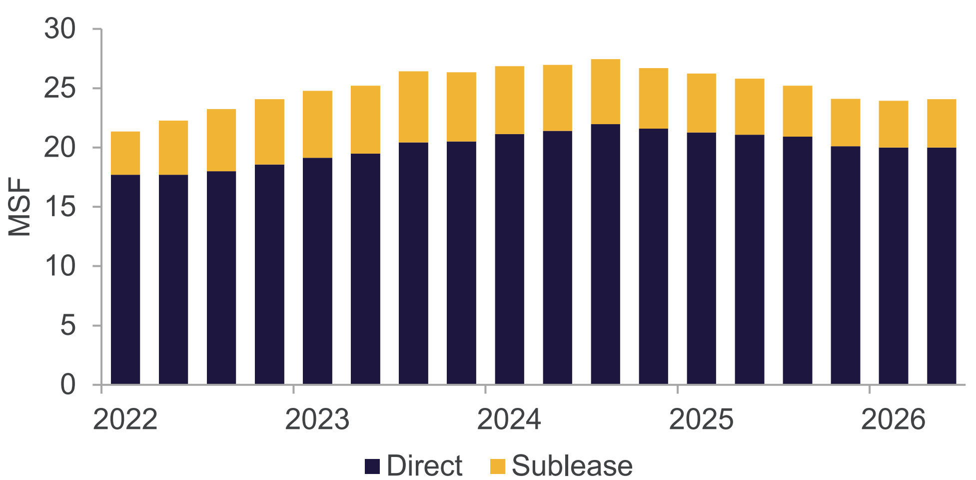
OVERALL VACANCY & ASKING RENT



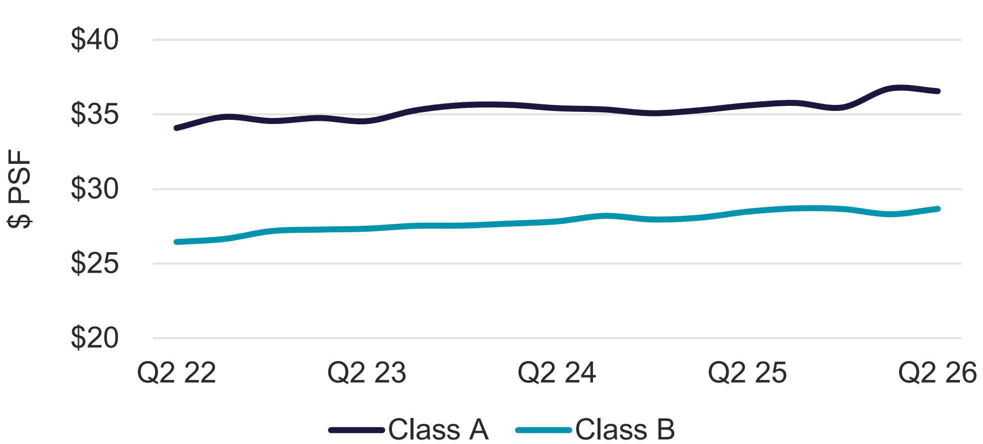
VACANT SPACE BY CLASS



DIRECT VS. SUBLEASE SPACE AVAILABLE COMPARISON



ASKING RENT COMPARISON



DEMAND: TRAILING 12-MONTH ABSORPTION PUSHES TO SIX-YEAR HIGH

Office net absorption in Phoenix reached 450,074 sf in Q2 2026, lifting the trailing 12-month total to a six-year high of 1.3 msf. Momentum broadened during the quarter, with 14 out of 24 submarkets recording positive net absorption, compared to just eight in Q1. The Price/Chandler/Gilbert area led the overall Metro with 191,794 sf of absorption, followed by South Airport (78,159 sf) and Deer Valley (64,625 sf), reflecting growing occupier demand for suburban locations with strong freeway connectivity. Market-wide, Class A properties posted 341,135 sf of net absorption, marking the sector's strongest quarterly performance since Q1 2022. This performance pushed the Class A trailing 12-month total to 1.0 msf, which surpassed the 2014-2019 rolling annual average of 990,410 sf. Looking ahead, overall net absorption is expected to remain positive during the remainder of 2026, supported by over 700,000 sf of signed leases that are scheduled to commence.

SUPPLY: SUBLEASE VACANCY DECLINES WHILE AVAILABILITIES TICK UP

In Q2 2026, Phoenix's total volume of vacant sublease space declined for the tenth consecutive quarter and reached an over-four-year low of 2.9 msf. Although several large blocks have been listed for sublease this quarter, expanding the number available options for prospective tenants, many are unlikely to be vacated before securing a new sublessee. Notable new listings include Nextiva's 101,865-sf campus in Scottsdale, Benchmark's 63,500-sf Rio 2100 building, and Offerpad's 41,164-sf floor at The Beam, all of which remain occupied while being marketed for sublease.

PRICING: GROWTH PAUSES AS CLASS A OWNERS GAUGE MARKET

Phoenix's average full-service gross asking rent declined 0.3% from Q1 2026's all-time high, settling at $30.47 psf in Q2. This pause in growth is likely temporary, as an increasing number of landlords have opted to momentarily withhold asking rents from public listings to reassess pricing amid improving market fundamentals. This dynamic was most evident in the Class A sector, which noted a 0.5% decrease QOQ to $36.56 psf. Class B spaces, meanwhile, continued to observe above-average growth, with asking rents rising 1.3% QOQ to $28.67 psf. The average Class B rent has now grown 9.6% in the last five years, outpacing the Class A (8.1%) and C (5.1%) sectors.

EMERGING TREND: LARGER BUILDINGS OBSERVE STRONG DEMAND

Vacancy among offices 100,000 sf and larger fell by 80 bps QOQ to 29.2% in Q2, marking a near-three-year low. vacancy in this segment remained elevated compared to buildings under 100,000 sf, which posted an 18.0% rate, larger product is observing much stronger tenant demand. During Q2, buildings below 100,000 sf recorded 1,427 sf of negative absorption, while offices above that threshold observed 451,501 sf of positive absorption. This trend may reflect a growing flight-to-quality trend, with more tenants occupying spaces at larger Class A and B+ properties.

OUTLOOK

- Recovery is continuing to take hold in the Phoenix office market, with net absorption totaling at positive 1.9 msf over the last 24 months. Strong population growth and a steadily diversifying economy are expected to support long-term office demand, helping to counterbalance the impact of occupiers recalibrating their footprints. With employers increasingly looking for ways to boost attendance and retention, we believe the highest-quality and most amenity-rich offices will outperform in the next 3-5 years.
- Sublease vacancy likely peaked in Q4 2023 and has since declined by 2.4 msf over the last ten quarters. We anticipate this trend to continue as fewer sublease vacancies come to market, and as many tenants capitalize on opportunities to secure space in desirable locations at a significant discount to direct lease rates.
- Phoenix is forecasted to observe a net supply reduction over the next few years. Only one built-to-suit office project is underway: the Sprouts Farmers Market (144,500 sf) headquarters slated to deliver in Q3 2026. Meanwhile, over 2 million square feet of traditional office space is currently proposed for conversion or demolition.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)**
(1) Arrowhead	480,517	9,823	70,573	16.7%	-2,662	-6,074	9,124	-	$31.30
(2) Metrocenter	4,672,300	71,578	1,559,435	34.9%	34,689	10,642	83,639	-	$22.84
(3) Glendale 101	750,087	-	152,710	20.4%	5,467	-19,815	109,197	-	$36.38
(4) Southwest Phoenix	285,243	-	5,418	1.9%	-	-5,418	-	-	-
(5) Piestewa Peak	2,281,500	81,055	511,222	26.0%	-8,049	-65,898	49,795	-	$26.82
(6) Midtown	8,483,909	24,032	2,445,837	29.1%	53,007	93,295	157,833	-	$25.33
(7) Downtown	5,918,793	301,913	1,692,459	33.7%	-6,516	-69,142	17,061	-	$31.65
(8) Desert Ridge/Paradise Valley	2,037,204	23,263	373,807	19.5%	4,962	266,938	61,320	144,500	$32.39
(9) Camelback Corridor	7,060,655	94,014	1,502,448	22.6%	-67,970	-38,364	293,838	-	$43.02
(10) Central Phoenix	882,187	-	186,699	21.2%	-15,644	-39,682	31,528	-	$20.61
(11) North Airport/44th St Corridor	2,435,086	107,837	817,525	38.0%	-3,362	-13,964	67,520	-	$29.80
(12) South Airport	4,539,736	580,193	967,401	34.1%	78,159	94,371	174,833	-	$28.29
(13) Scottsdale Airpark	9,233,445	115,265	1,499,965	17.5%	58,700	114,138	485,827	-	$32.31
(14) Central Scottsdale	4,704,440	101,654	622,380	15.4%	-8,962	-43,915	146,576	-	$31.87
(15) South Scottsdale	4,333,046	35,470	965,339	23.1%	26,509	65,688	210,582	-	$40.41
(16) Tempe	10,225,480	694,898	1,749,631	23.9%	18,981	237,824	275,151	-	$34.94
(17) South Tempe/Ahwatukee	1,675,191	23,548	377,238	23.9%	-20,759	-22,754	51,523	-	$25.71
(18) East Mesa	489,078	-	101,861	20.8%	5,772	1,213	19,710	-	$20.72
(19) Superstition Corridor	2,674,604	11,606	618,445	23.6%	22,306	-41,317	129,113	-	$23.54
(20) Price/Chandler/Gilbert	8,333,894	470,122	1,631,786	25.2%	191,794	187,523	213,152	-	$31.66
(21) Deer Valley	4,121,282	163,922	1,091,884	30.5%	64,625	64,301	115,188	-	$28.85
(22) West I-10	317,672	5,953	43,029	15.4%	18,735	-3,442	34,370	-	$35.95
(23) Loop 303/Surprise	129,735	-	31,213	24.1%	-	1,052	14,975	-	$35.00
(24) Phoenix-Mesa Gateway/Loop 202	354,172	4,500	4,484	2.5%	292	-2,187	4,708	-	$32.16
PHOENIX TOTALS	**86,419,256**	**2,920,646**	**19,022,789**	**25.4%**	**450,074**	**765,013**	**2,756,563**	**144,500**	**$30.47**
Class A	30,605,981	1,794,368	6,514,852	27.1%	341,135	689,240	1,037,348	144,500	$36.56
Class B	43,706,806	1,104,608	10,141,020	25.7%	199,720	289,354	1,476,967	-	$28.67
Class C	12,106,469	21,670	2,366,917	19.7%	-90,781	-213,581	242,248	-	$21.48
PHOENIX TOTALS	**86,419,256**	**2,920,646**	**19,022,789**	**25.4%**	**450,074**	**765,013**	**2,756,563**	**144,500**	**$30.47**

**Renewals not included in leasing statistics. **Rental rates reflect full service asking.*

MAJOR MARKET STATISTICS

MAJOR MARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)*	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)**	OVERALL AVG ASKING RENT (CLASS A)**
Camelback/Piestewa Peak	9,342,155	175,069	2,013,670	23.4%	-76,019	-104,262	343,633	-	$38.63	$46.43
Central Business District	14,402,702	325,945	4,138,296	31.0%	46,491	24,153	174,894	-	$28.15	$35.18
East Phoenix	7,857,009	688,030	1,971,625	33.9%	59,153	40,725	273,881	-	$28.28	$31.70
Northeast Valley/Scottsdale	20,308,135	275,652	3,461,491	18.4%	81,209	402,849	904,305	144,500	$34.41	$42.10
Southeast Valley	13,526,939	509,776	2,733,814	24.0%	199,405	122,478	418,206	-	$29.00	$32.66
Tempe	10,225,480	694,898	1,749,631	23.9%	18,981	237,824	275,151	-	$34.94	$41.58
West/Northwest Phoenix	10,756,836	251,276	2,954,262	29.8%	120,854	41,246	366,493	-	$26.33	$33.50
PHOENIX TOTALS	**86,419,256**	**2,920,646**	**19,022,789**	**25.4%**	**450,074**	**765,013**	**2,756,563**	**144,500**	**$30.47**	**$36.56**

**Renewals not included in leasing statistics. **Rental rates reflect full service asking.*

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
8501 E Raintree Drive	Scottsdale Airpark	Consumer Cellular	123,340	Direct New
Two Scottsdale Landing	Scottsdale Airpark	Confidential	90,078	Direct New
Discovery Business Campus	Price/Chandler/Gilbert	AssistRX	49,790	Sublease
Union Hills Office Plaza	Deer Valley	Southwest Service Administrators	47,296	Expansion/Renewal*
Allred Park Place – Building 10	Price/Chandler/Gilbert	Northrop Grumman	46,225	Renewal

**Renewals not included in leasing statistics*

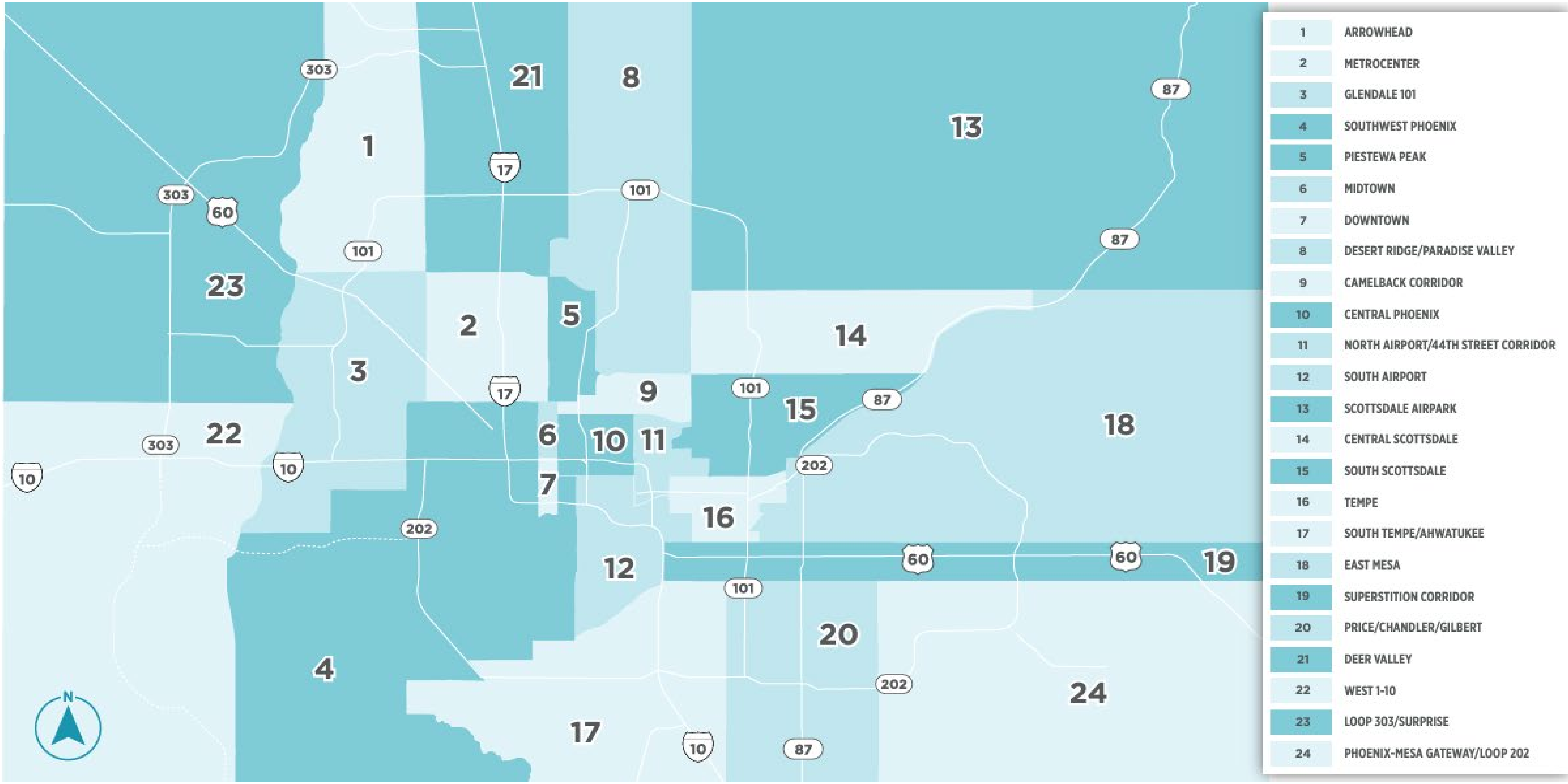
KEY SALE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
Apollo Corporate Headquarters	South Airport	Epic Apollo / LXP Industrial Trust	599,664	$103M / $172
Campus Park Tempe	South Airport	JDM Partners / Panattoni	462,000	$37.5M / $81
Stapley Medical Center	Superstition Corridor	Cypress Office Properties / RXHST	181,710	$48.0M / $264
Regents Centre	South Airport	Opus Group / Nuveen	159,796	$23.2 / $145
17600 N Perimeter Dr	Scottsdale Airpark	Tryperion Holdings / Finish Line Auto Storage	129,521	$20.8M / $160

KEY CONSTRUCTION COMPLETIONS YTD 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Republic Services HQ	Desert Ridge/Paradise Valley	Republic Services	250,000	Ryan Companies

OFFICE SUBMARKETS



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