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VANTAGE POINT

RISING LIKE A PHOENIX

The **rebirth, transformation,** and **renewal** of obsolete office space in Metro Phoenix

Better never settles

One of the most notable shifts in Phoenix's office sector in recent years has been the rise in property conversions and demolitions. Prolonged vacancy pressures associated with hybrid work have challenged the performance of aging offices, prompting many owners and investors to turn to redevelopment as a strategic response.

KEY POINTS

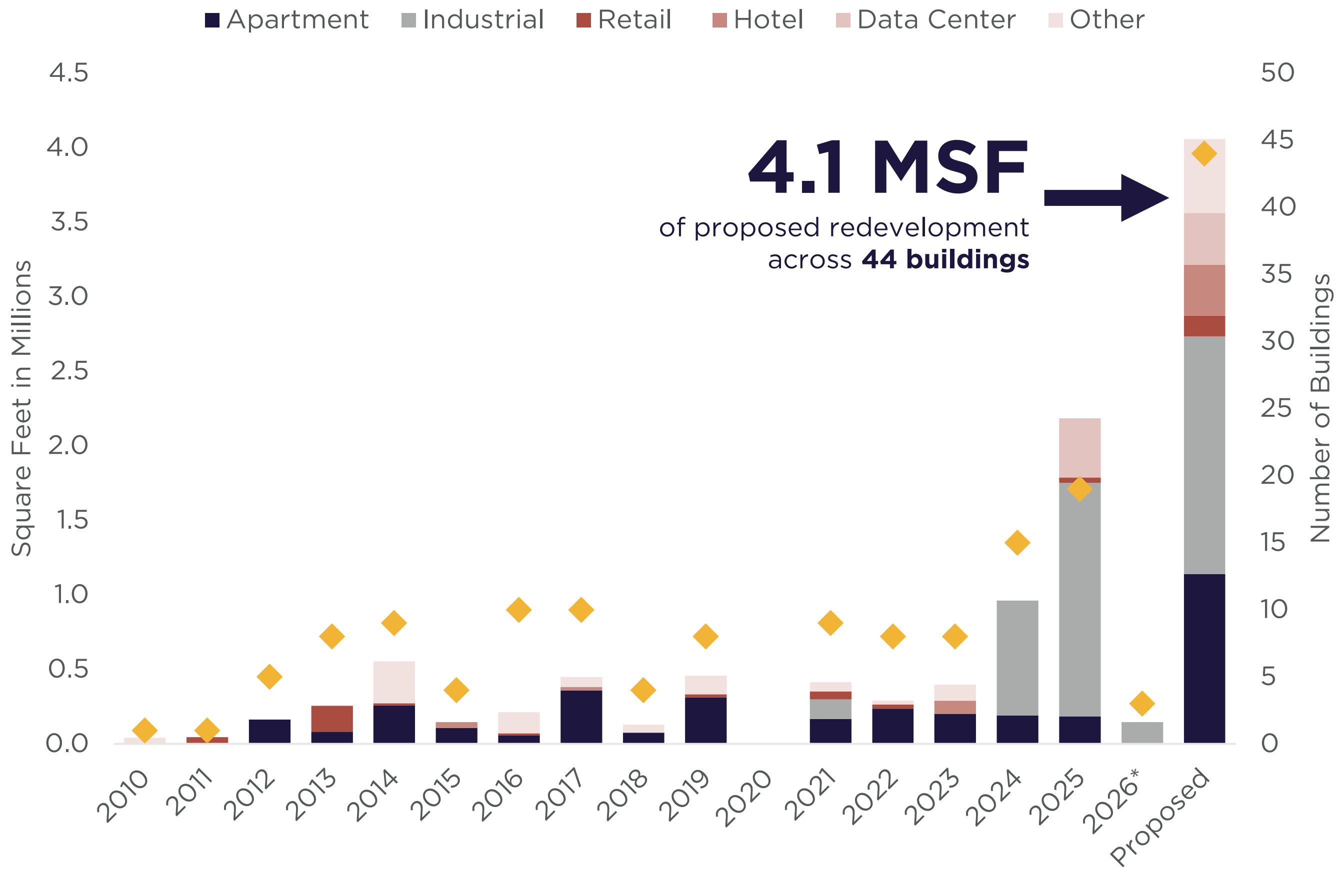
The Phoenix Metro has recently observed all-time highs for office conversions and demolitions, with just **under 1.0 million square feet (msf)** removed in 2024 and another **2.2 msf in 2025.**

Removals are likely to continue accelerating in the near-term, with **4.1 msf of office space** currently proposed for conversion or demolition.

Offices are being redeveloped for a wide variety of uses, but **industrial** and **apartment** conversions account for the bulk of the projects.

Phoenix's office redevelopment pipeline is highly concentrated geographically, with **five submarkets accounting for over 80%** of the space slated for removal.

PHOENIX OFFICE CONVERSIONS & DEMOLITIONS AT RECORD-HIGH



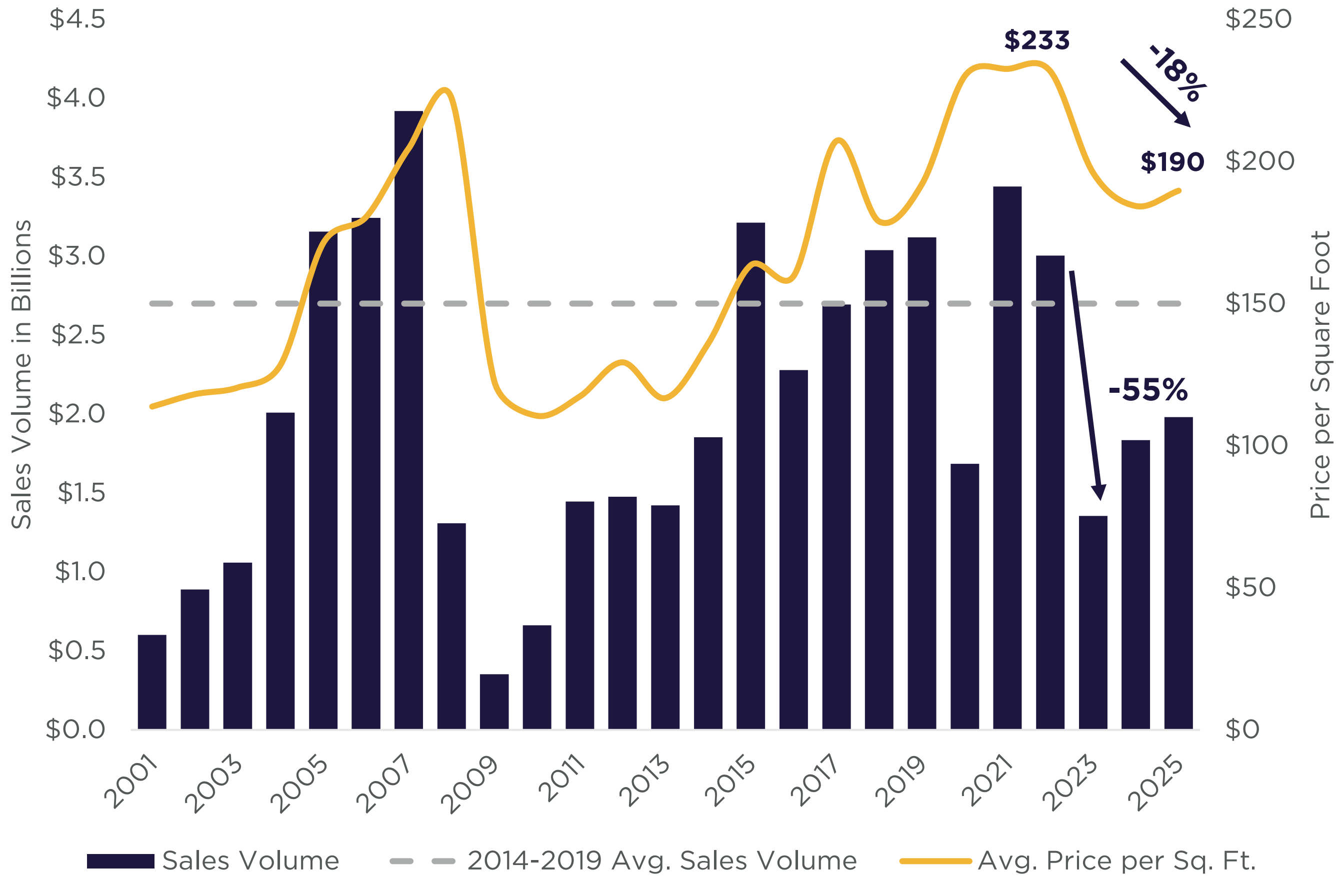
**As of February 2026*
Other includes storage, healthcare facilities, parking, single-family housing, and specialty buildings
Source: Cushman & Wakefield, CoStar

Since 2024, a total of **3.3 msf across 37 buildings** were demolished or converted, surpassing the combined total for the 10 years prior. **An additional 4.1 msf of projects are now proposed,** signaling a continuation of this trend into the foreseeable future.

Over time, the removal of these properties is expected to help stabilize the office market by reducing excess supply and gradually redirecting tenant demand toward higher-performing assets.

WHAT'S DRIVING THE INCREASE?

Phoenix Office Investment Trends



Source: Cushman & Wakefield, CoStar

Office redevelopment has accelerated alongside the post-pandemic shift in Phoenix's investment market. From 2010 to 2023, conversion and demolition starts averaged just **253,969 sf** annually, with only one year (2014) surpassing 500,000 sf. Then, following a -55% drop in sales volume in 2023, redevelopment starts surged to **consecutive all-time highs of 961,083 sf in 2024 and 2.2 msf in 2025.**

With office investment sales volume still below pre-pandemic norms, and the average price per square foot sitting -18% lower than the 2022 peak, investors are increasingly pursuing conversions and demolitions as viable strategies for repositioning aging and obsolete office assets.

WHAT'S DRIVING THE INCREASE?

Policy & Regulatory Changes

01
Arizona Adaptive Reuse Law (HB 2110)

Beginning in 2025, cities with more than 150,000 residents **must allow office-to-residential conversions by right without rezoning or discretionary review,** reducing entitlement risk and improving feasibility for a greater number of potential projects.

02
Phoenix Zoning Ordinance Rewrite

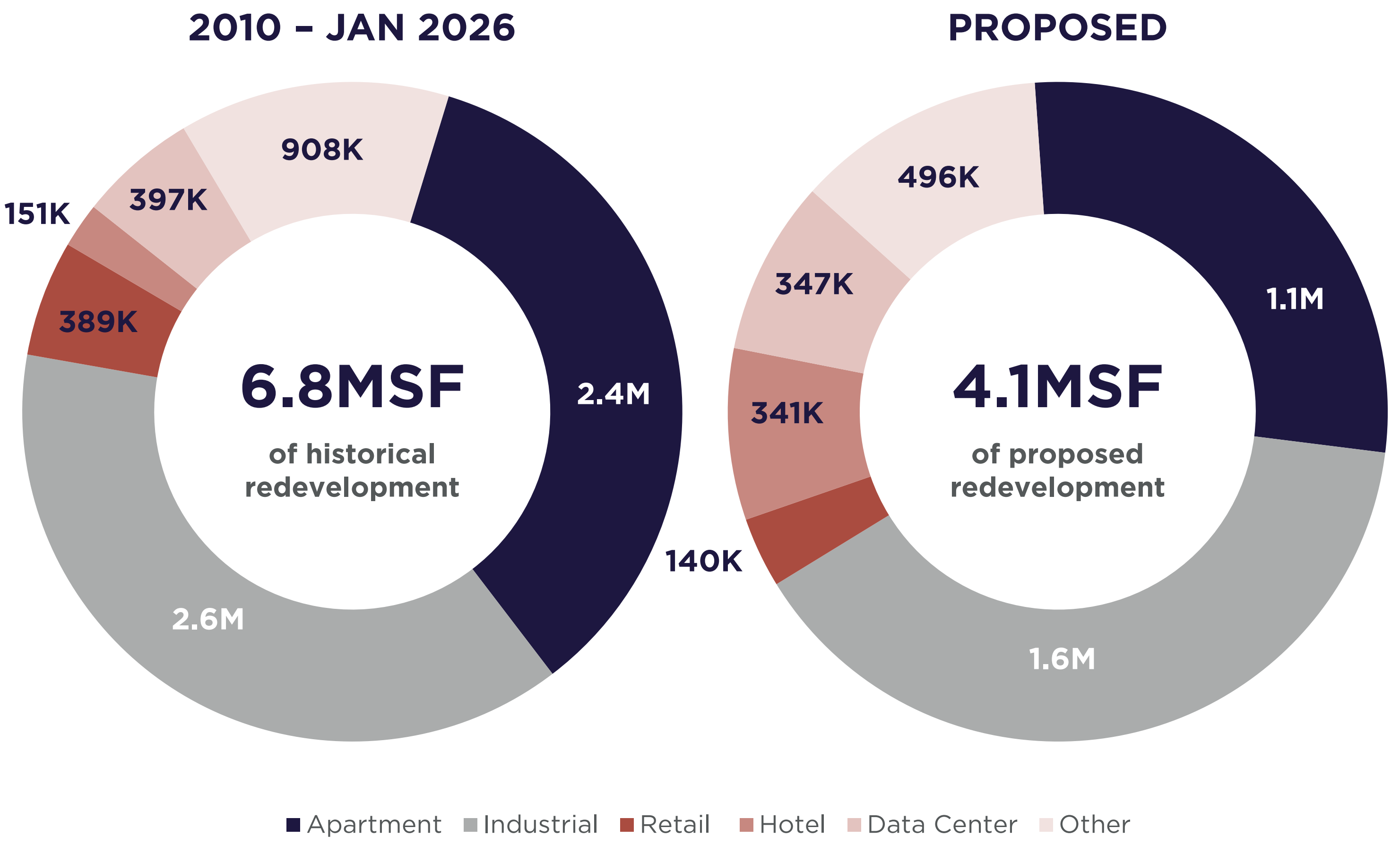
Beginning in 2025, the revised ordinance **preserves existing heights/setbacks, limits parking to the lower of old or new standards, and recognizes obsolete buildings as adaptive-reuse candidates,** broadening the pool of viable conversions.

03
Phoenix Adaptive Reuse Program Expansion

Approved in 2008 and expanded multiple times since, the City of Phoenix Adaptive Reuse Program offers **faster processing, incentives, and regulatory relief** for converting office buildings under 25,000 sf and built before 2000.

Sources: Arizona House of Representatives, Phoenix Municipal Codes, City of Phoenix

REDEVELOPMENT SHARE BY PROPERTY TYPE



As of February 2026
Other includes self-storage, healthcare facilities, parking, and other specialty property types
Source: Cushman & Wakefield, CoStar

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Nearly three-fourths of the space demolished or converted from 2010 to January 2026 was redeveloped into apartments or industrial buildings. Previously, low vacancy rates, limited supply pressures, and comparatively stronger investment returns made these types of projects attractive; however, the composition of proposed pipeline is shifting.

Most notably, the share of **office-to-apartment conversions has dropped from 35% historically to 28% in the proposed pipeline**. While the need for new housing remains strong in Phoenix, fewer projects are being penciled following four consecutive years of record supply additions from 2021-2024.

While the industrial market has faced similar dynamics over the last few years, its share has remained stable (38% to 39%), **reflecting a persistent need for new industrial development in infill areas with limited land availability.**

PHYSICAL ASPECTS OF PROPOSED OFFICE REDEVELOPMENT PIPELINE

Proposed Pipeline	# of Buildings	Building Age (Years)	Parking Ratio	Lot Size (AC)	Floor-to-Area Ratio
Overall	44	40	4.76	6.10	0.46
Office-to-Industrial	19	39	4.96	6.45	0.27
Office-to-Apartment	16	41	4.16	4.37	0.43

Distance from Closest Interchange	0-0.5 Miles	0.5-1.0 Miles	1.0-2.0 Miles	2.0+ Miles
Overall	41% (18/44)	36% (16/44)	18% (8/44)	5% (2/44)
Office-to-Industrial	58% (8/19)	42% (8/19)	0%	0%
Office-to-Apartment	25% (4/16)	19% (3/16)	50% (8/16)	6% (1/16)

Source: Cushman & Wakefield

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Key Takeaways

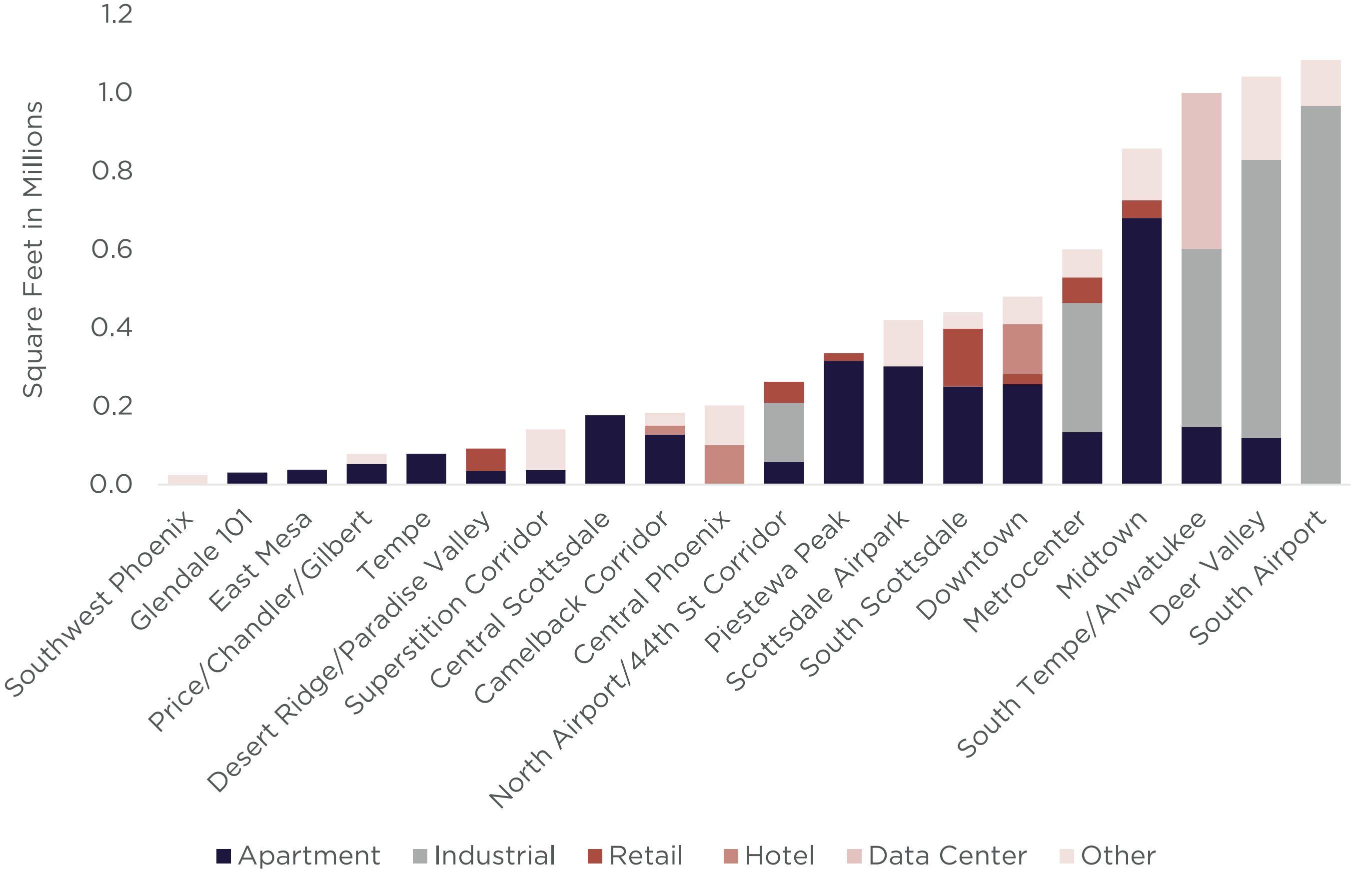
Age: The average building in the proposed redevelopment pipeline is about 40 years old, underscoring that **aging inventory remains the core driver of redevelopment.**

Parking: Parking ratios for proposed projects are typically larger than the market average, offering **excess land for higher-density redevelopment.**

Lot Size/FAR: Redevelopment sites for industrial are, on average, larger than other proposed conversions. Proposed office-to-apartment projects generally sit on smaller sites and have greater levels of existing coverage.

Freeway Access: Connectivity is a primary catalyst for industrial redevelopment. **All 19 tracked proposed-office-to-industrial conversions are located within one mile of a freeway interchange.**

HISTORICAL REDEVELOPMENT BY SUBMARKET



2010 through January 2026
Source: Cushman & Wakefield, CoStar

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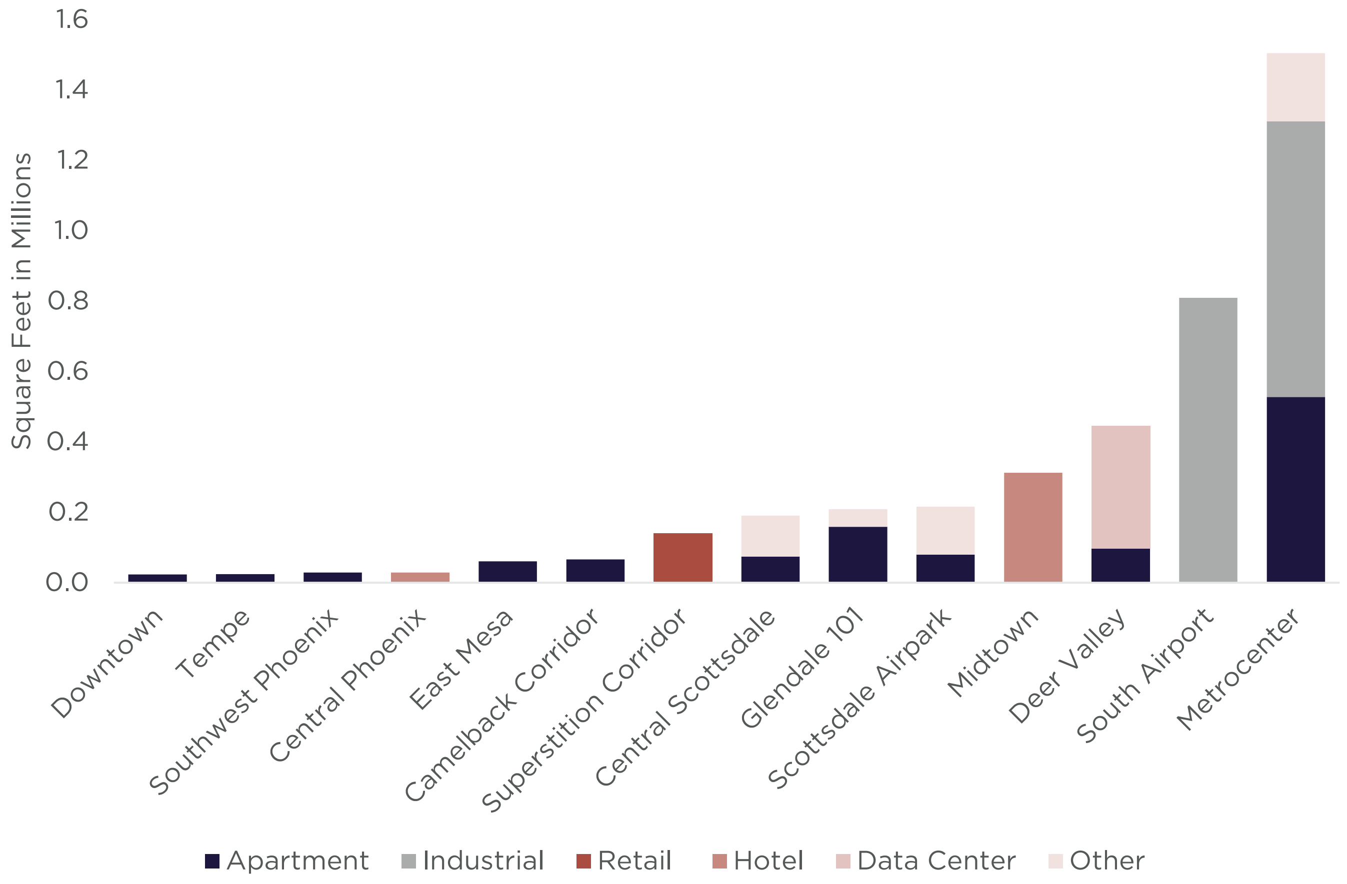
Historically, the most office redevelopment has occurred in the following submarkets:

- **South Airport — 1.1 msf**
- **Deer Valley — 1.0 msf**
- **South Tempe/Ahwatukee — 1.0 msf**
- **Midtown — 857,987 sf**
- **Metrocenter — 600,992 sf**

In most of these areas, **vacancy was already above 20%** before the pandemic, reflecting a high share of buildings conducive to conversions.

PROPOSED REDEVELOPMENT BY SUBMARKET



As of February 2026
Source: Cushman & Wakefield

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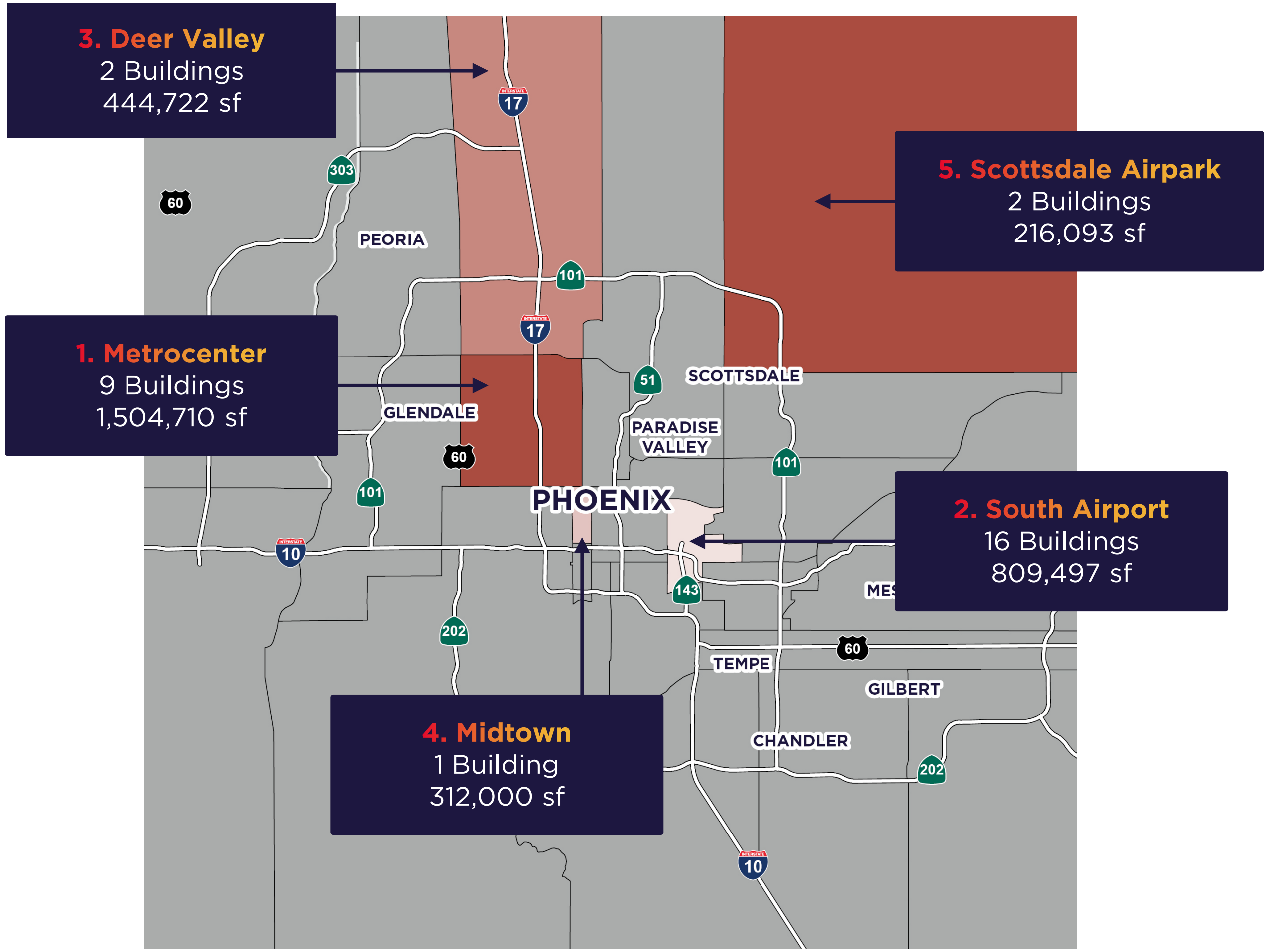
The proposed office redevelopment **pipeline is becoming increasingly concentrated, with 83% of projects planned** in the following submarkets:

- **Metrocenter — 1.5 msf**
- **South Airport — 809,497 sf**
- **Deer Valley — 444,722 sf**
- **Midtown — 312,000 sf**
- **Scottsdale Airpark — 216,093 sf**

TOP SUBMARKETS FOR PROPOSED OFFICE REDEVELOPMENT



As of February 2026
Source: Cushman & Wakefield

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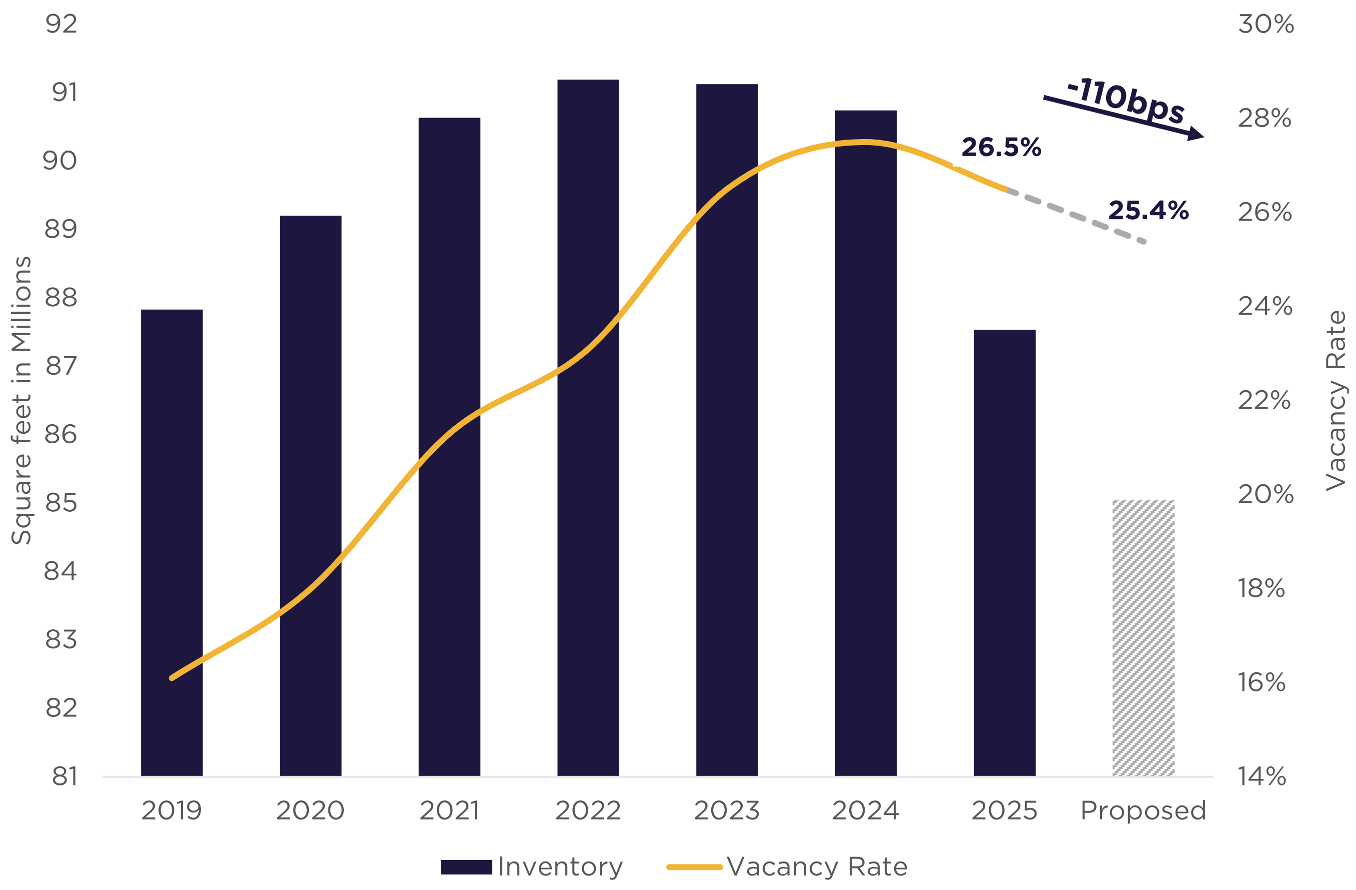
Submarket	Vacancy Rate	Vacancy Change Since 2019	Avg Building Age	Avg Parking Ratio
Metrocenter	36.0%	+600 bps	38	4.59/1,000
South Airport	37.6%	+1,590 bps	32	5.49/1,000
Deer Valley	30.8%	+2,250 bps	24	5.01/1,000
Midtown	30.4%	+670 bps	44	4.30/1,000
Scottsdale Airpark	17.9%	+540 bps	25	4.46/1,000
Metro Phoenix	26.5%	+1,040 bps	30	4.58/1,000

Redevelopment Demand Drivers

1. **Metrocenter:** High vacancy, aging inventory, and stronger demand for apartments and industrial
2. **South Airport:** 2nd-highest vacancy rate in Phoenix, highest parking ratio, aging inventory, and limited infill land sites for new industrial development
3. **Deer Valley:** High vacancy, limited private land, and proximity to Taiwan Semiconductor Manufacturing Company's Arizona fabs
4. **Midtown:** 3rd-oldest inventory and high vacancy
5. **Scottsdale Airpark:** Limited private land and high demand for multifamily housing

IMPACT OF PROPOSED REDEVELOPMENT ON MARKET VACANCY



As of February 2026
Source: Cushman & Wakefield

If all currently proposed redevelopment projects advance as expected, **approximately 1.6 msf of vacant office space would be removed from the market,** equating to an estimated **110-basis-point reduction in the Metro's vacancy rate.**

However, these numbers may **understate the full impact.** Several projects have planned tenant move-outs that have not yet occurred, and a meaningful share are also not being captured in Cushman & Wakefield's tracked office inventory.

All in all, these factors point toward **additional tightening ahead,** although the pace at which this space will be removed remains to be seen.

POTENTIAL FUTURE CONVERSIONS:
HIGH-VACANCY BUILDINGS WITH UPCOMING LOAN MATURITIES

As of Q4 2025
**Includes buildings that are over 15 years old with at least 50% availability*
Source: Cushman & Wakefield, Real Capital Analytics

Despite the recent surge in office conversions and demolitions, many Phoenix office properties still face financial conditions that make them **strong candidates for redevelopment into other uses.**

Currently, *there are 23 older** office buildings that are **at least 50% available** with **upcoming loan maturities in the next five years, totaling 2.3 msf.**

While loan modifications and short-term maturity bridges have recently limited the number of distressed sales in the market, these properties are the **likeliest to be targeted for conversions given their financial conditions.**

CONVERSIONS MAP

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#	Address	Office Sf	Conversion/Demolition Start	New Property Type
1	14601-14605 S 50th Street (2 bldgs)	146,368	2025	Apartment
2	7000 E Shea Boulevard	38,113	2025	Apartment
3	2402 W Beardsley Road	350,000	2025	Industrial
4	875 W Elliot Road	223,392	2025	Industrial
5	4110-4130 N Goldwater Boulevard	36,075	2025	Retail
6	10010-10220 N 25th Avenue (7 bldgs)	329,151	2025	Industrial
7	1820 E Sky Harbor Circle	494,504	2025	Industrial
8	1401 S 52nd Street	169,907	2025	Industrial
9	4801-4811 E Thistle Landing Drive (4 bldgs)	397,136	2025	Data Center
10	1910-1920 W University Drive (2 bldgs)	100,500	2026	Industrial
11	4415 S Wendler Drive	45,000	2026	Industrial
12	2400 E Arizona Biltmore Circle (4 bldgs)	65,978	Proposed	Apartment
13	2700-2925 S Sunland Drive (4 bldgs)	331,437	Proposed	Industrial
14	2750-2980 S Priest Drive (2 bldgs)	89,565	Proposed	Industrial
15	3310 N 19th Avenue	28,500	Proposed	Multifamily
16	840 N Central Avenue	23,120	Proposed	Multifamily
17	9070 W Glendale Avenue	50,000	Proposed	Other
18	10001 N 92nd Street	116,200	Proposed	Other
19	2444-2544 E University Drive	107,773	Proposed	Industrial
20	2211 S 47th Street	176,402	Proposed	Industrial
21	2525 W Townley Avenue	99,918	Proposed	Other
22	560 W Brown Road	60,506	Proposed	Multifamily
23	2510-2512 W Dunlap Avenue (2 bldgs)	313,818	Proposed	Multifamily
24	1550 W Southern Avenue	140,000	Proposed	Retail
25	20022 N 31st Avenue	347,350	Proposed	Data Center
26	2233 W Dunlap Avenue	93,661	Proposed	Other
27	17600 N Perimeter Drive	136,556	Proposed	Other
28	14646 N Kierland Boulevard	79,537	Proposed	Multifamily
29	3443 N Central Avenue	312,000	Proposed	Hotel
30	8900 N 22nd Avenue	125,172	Proposed	Multifamily
31	19825 N 7th Street	97,372	Proposed	Multifamily
32	1900-1910 W University Drive (2 bldgs)	104,320	Proposed	Industrial
33	10301 N 92nd Street	74,425	Proposed	Multifamily
34	20 E University Drive	24,000	Proposed	Multifamily
35	2445 W Dunlap Avenue	88,699	Proposed	Multifamily
36	7410 N Zanjero Boulevard	158,957	Proposed	Multifamily
37	10400 N 25th Avenue	109,332	Proposed	Industrial
38	1146 E McDowell Road	29,088	Proposed	Hotel
39	13450-13610 N Black Canyon Highway (2 bldgs)	674,110	Proposed	Industrial

Conclusion

The recent surge of **conversions and demolitions highlights a defining trend for Phoenix's office landscape in the post-pandemic era.** While office redevelopment alone won't resolve the Metro's ongoing challenges, they have become a critical mechanism for removing obsolete space, repositioning underperforming assets, and optimizing supply.

Supported by **recent policy changes** and an **increasingly clear need to modernize aging inventory, demolitions and conversions are expected to remain an important tool** in helping the office sector stabilize in the years ahead.

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