Quarterly Report

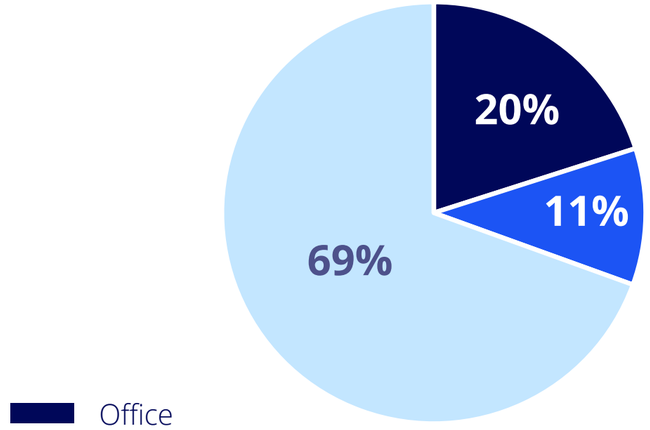
Phoenix Investment Sales | Q12025

Quarterly Highlights

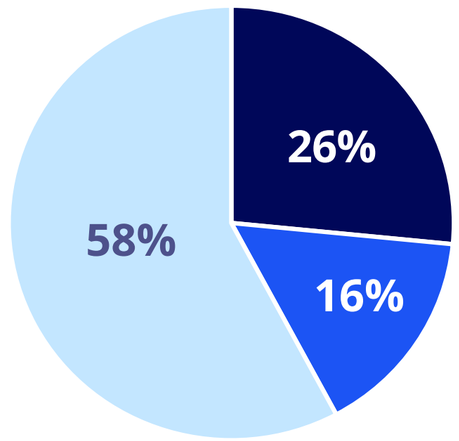
- The diverse ecosystem of metro Phoenix's economy is strategically positioned to fuel economic growth, as evidenced through recent historic announcements of capital investments. Shortly after completion of phase I, TSMC announced in March an additional $100 billion expansion of their operations in North Phoenix to build three additional semiconductor fabs, as well as two advanced packaging facilities. The ripple effect is well underway – an example of this is northwest Glendale and the West Deer Valley residential submarkets saw increases of 51% and 23% in closed home sales in 2024.
- Earlier in the year Mayo Clinic committed a $1.9 billion investment to further transform its Phoenix campus. And Arizona is one of nine states where Apple specified plans to invest the more than $500 billion in new U.S. funding over the next four years. The company plans to hire 20,000 more employees as it increases investment in advanced technologies.
- At 3.5%, Phoenix's unemployment rate remained well below the national average of 4.1% and was the second-lowest rate of any major city with employment exceeding 2 million jobs. The metro area continued to experience strong growth, as the number of households increased by 2.5% year-over-year (YOY) to 2.0 million; while the median household income reached $90,600, up 4.5% YOY. Phoenix outperformed national figures due to its robust job market, steady population growth, and competitive wages, which attracted both businesses and workers to the region.
- Having delivered 7.3 million square feet (MSF) during 1Q2025, 75.5% of which was in the Northwest Submarket, industrial construction has tapered off, with the lowest level of construction since year end 2020, giving the increases in vacancy and available sublease space a chance to catch up. With that said, 1Q2025 posted another strong quarter, with 4.1 million square feet of positive net absorption, landing Phoenix as the third top market nationally.
- Office rental rates in Class A assets have continued to increase, posting a 2.27% Y-o-Y increase to $33.85 PSF. At 15.6% at the end of 1Q2025, direct vacancy increased despite positive leasing activity due to expiring sublease space rolling to direct vacancy and a few move-outs.
- Retail vacancy rates have shown impressive resiliency across metro Phoenix, averaging only 4.2% at the end of 1Q2025, while asking rental rates averaged $17.57 NNN, a 3.66% Y-o-Y increase. Of the 2.3 MSF of retail properties under construction, one-half is located across the outskirts of the west valley.
- Investment sales volume during 1Q2025 was dominated by industrial properties, with $694 million through 37 transactions, as compared with 17 office sales totaling $200.5 million, and 10 retail sales totaling $104.8 million.
- Interestingly, 8 of the 10 retail property sales were 96% to fully occupied, with the other 2 as redevelopment opportunities; while one-half of the office sales were less than 75% occupied, five of which were vacant at the time of sale.

Direct Quarterly Sales (over 20,000 SF & $1 M)

Total $ Spent



# of Sales



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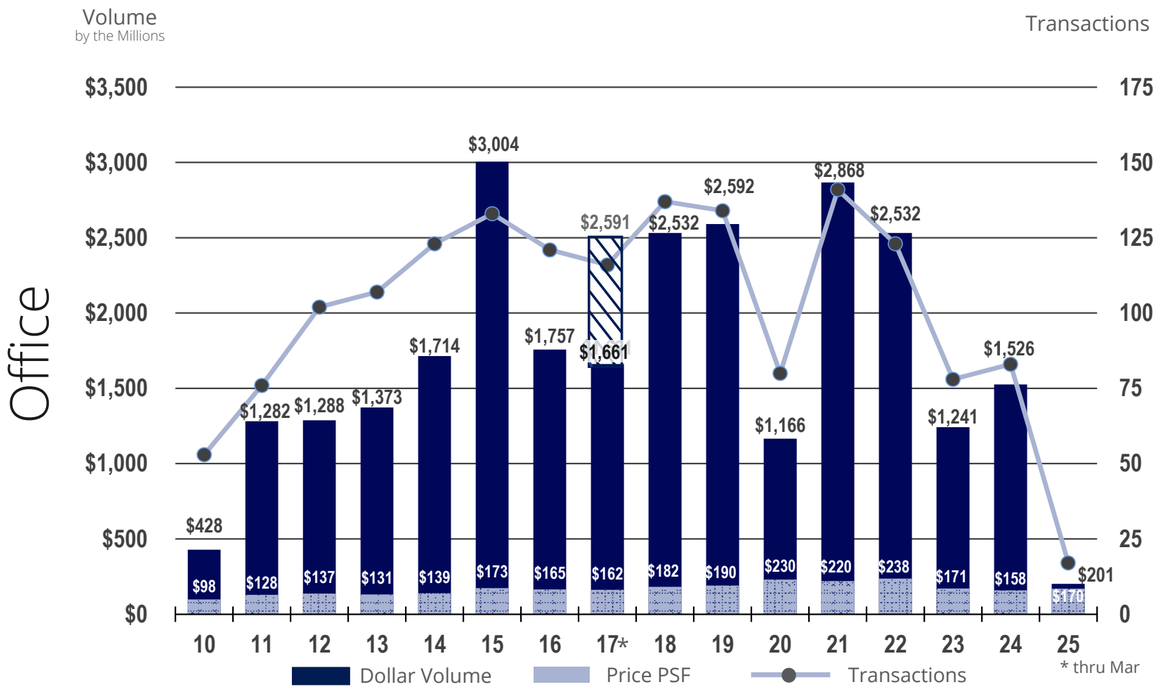
Monthly Snapshots

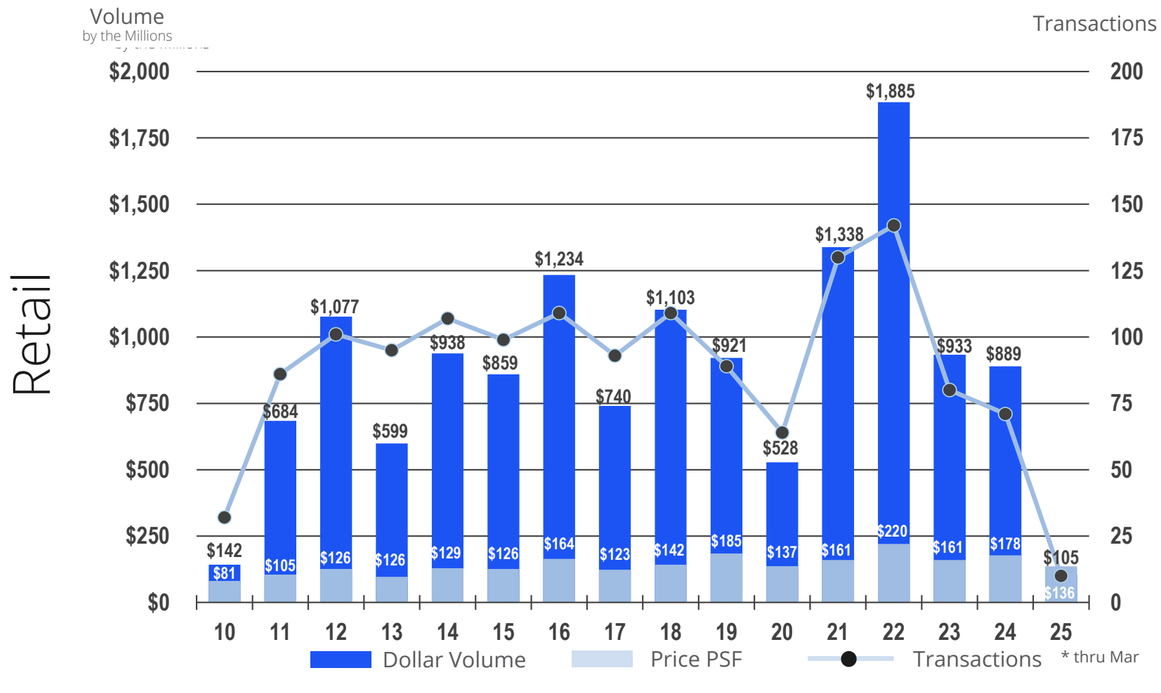
January	Office	Retail	Industrial	Total
Total Amount	$38,800,020	$28,130,000	$124,878,825	$191,808,845
Per Square Foot	$94	$218	$172	
Number of Transactions	5	4	12	21
February				
Total Amount	$79,474,000	$44,347,945	$135,475,000	$259,296,945
Per Square Foot	$235	$83	$157	
Number of Transactions	6	3	8	17
March				
Total Amount	$84,529,487	$32,353,092	$433,877,016	$550,759,595
Per Square Foot	$201	$297	$135	
Number of Transactions	6	3	17	26
Q1				
Total Amount	$200,503,487	$104,831,037	$694,230,841	$999,565,365
Per Square Foot	$170	$136	$148	
Number of Transactions	17	10	37	64

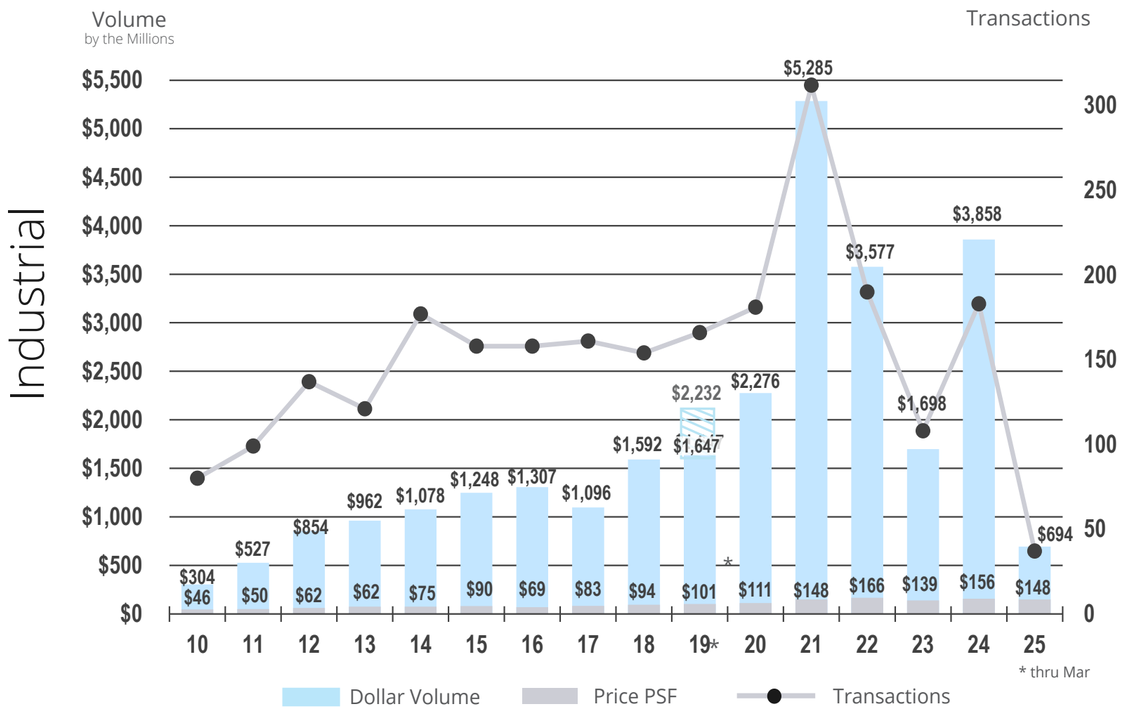
Market Makers

	Office	Retail	Industrial
January	 Arrowhead Professional Plaza 9051 W Kelton Ln, Phoenix, AZ Size/Percent Leased: 33,659 SF / 83% Sales Price: $6.2M ($184 PSF)	 Happy Valley Center 6520-6530 W Happy Valley Rd, 25155-25255 N 67th Ave, Glendale, AZ Size/Percent Leased: 28,992 SF / 100% Sales Price: $11.1M ($384 PSF)	 Dobbins Industrial Tech Park, Ph 1 9850 S 65th Ave, Laveen, AZ Size/Percent Leased: 131,500 SF / 100% Sales Price: $32.2M ($245 PSF)
February	 National Healthcare 2-Property Portfolio 13657 W McDowell Rd, Goodyear, AZ 18700 N 63th Dr, Glendale, AZ Size/Percent Leased: 84,589 SF / 97% Sales Price: $26M ($308 PSF)	 Fiesta Mall 1445-1455 W Southern Ave, Mesa, AZ Size/Percent Leased: 444,000 SF / 0% Sales Price: $24M ($54 PSF)	 REI Distribution Facility 4877 N Cotton Ln, Goodyear, AZ Size/Percent Leased: 410,421 SF / 100% Sales Price: $46.4M ($113 PSF)
March	 Baseline Medical Plaza 2451 E Baseline Rd, Gilbert, AZ Size/Percent Leased: 39,315 SF / 100% Sales Price: $11.9M ($304 PSF)	 The Steelyard 5091 S Gilbert Rd, Chandler, AZ Size/Percent Leased: 26,260 SF / 100% Sales Price: $18.3M ($695 PSF)	 BKM Capital Portfolio Purchase 3 Industrial Parks/Bldgs in Metro Phx Size/Percent Leased: 763,359 SF / 94% Sales Price: $136.9M ($179 PSF)

Historical Volume vs. Avg PSF and Number of Transactions







* 2017 sales exclude State Farm @ Marina Heights which if included totals $2.591 B; 117 sales; $211 PSF and if excluded totals $1.661 B; 116 sales; $162 PSF

* 2019 sales exclude the GLP/Blackstone Group portfolio, which if included would total $2,232B; 177 sales; $103 PSF and if excluded would total $1.647B; 166 sales; $101 PSF

Trend Spotting

Sales Prices Range Broadly, especially in Office Properties

During the first quarter of 2025, there were only 17 office sales larger than 20,000 SF and $1 million, of which seven were less than 50% occupied when sold. Of these, three were purchased for redevelopment, averaging $84 PSF to the building ($19 PSF to the land); while the other four were user-related that averaged $167 PSF, a couple of which require extensive renovations. The other 10 office sales averaged $247 PSF, and averaged 94% occupancy, of which three were medical offices that averaged $306 PSF. The average office price per square foot at 1Q2025 of $170 PSF ranged from $60 to $334 PSF.

This trend of price variation was evident throughout 2024 and will continue as the obsolete portion of the office inventory works through the system. This is not to say that all offices are unfavorable, however. There are excellent office redevelopment opportunities, while simultaneously there are excellent office investments that provide secure long-term cash flow.

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