Quarterly Report

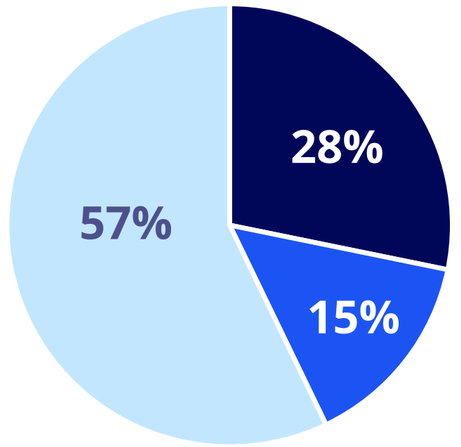
Phoenix Investment Sales | Q12026

Quarterly Highlights

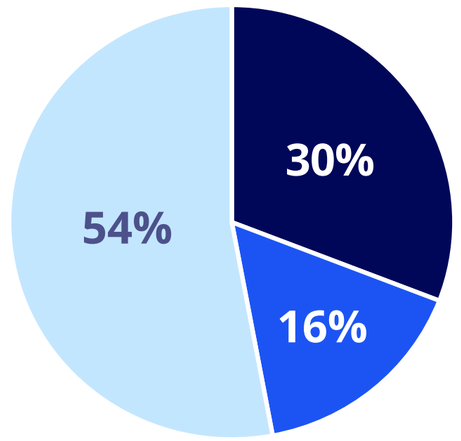
- Greater Phoenix Economic Council reported **a successful year to date** 2026 business recruitment of **208 companies**, of which **52 are international**; along with 187 current active prospects of which 25% are from international businesses from Australia, Canada, China, Denmark, Germany, Israel, Japan, Taiwan, South Korea and The United Kingdom. **Employment growth in greater Phoenix remains robust.** Total non-farm jobs increased by 14,000 in January compared to January 2025 representing a 0.57% increase.
- Industrial properties reported the **fourth consecutive quarterly decline in vacancy**, falling to 9.2%; down 50 bps Q-O-Q and 200 bps since peaking at 11.2% in 1Q 2025, confirming a **sustained market recovery** as absorption of new deliveries through tenant demand **continues to outpace** a moderated pace of new deliveries. Net absorption for the quarter reached 4.81MSF – more than **three and a half times** the 1.38MSF of new supply delivered this quarter. **Construction pipeline is growing with intention**: under-construction activity rose to 14.3MSF in 1Q 2026, up 35% from the 4Q 2025 trough of 10.6MSF, yet significantly below the 2024 peak of 33MSF. **With new deliveries at a cycle low** of 1.38MSF this quarter and **absorption running well ahead of supply**, the pipeline expansion reflects **developer conviction** without the oversupply risk seen in 2023–2024. The **Northeast submarket** posted the **strongest rent growth**, with average asking rates climbing to $1.60 PSF – up 2.6% Q-O-Q and the highest of any submarket cluster.
- The Phoenix market continues to see **tremendous economic growth** from **manufacturing** and **technology** sectors, and the **office market is benefitting from this growth.** The 432,379 SF of net absorption this quarter, equaled **80% of the 2025's full year absorption**, stemming from **robust leasing activity**. Simultaneously, many obsolete office buildings are being removed from the inventory, in favor of redevelopment to a better use – three 1Q 2026 office sales were purchased by developers to redevelop the sites. Republic Service's new headquarters at City North totaling 265,525 SF was the only delivery of the quarter. Office properties under construction reported a **new market low** of only 184,500 SF.
- Medical offices continue to be the **darling of office properties** as evidenced by **direct vacancy declining an impressive 108 basis points since 4Q 2025**, to 12.6%; and average asking rents rising to $26.52 NNN in 1Q 2026, with most submarkets posting rental growth. In some submarkets, MOB vacancies are at **such low levels**, MOB tenants are **unable to find space**, thus **stimulating new development**. The construction pipeline reached 353,389 SF by end of 1Q 2026, with only one 68,000 SF project delivered during the quarter. These developments are focused along the Valley's growth ring – the Northeast Valley, Northwest Valley, Southeast Valley, and Southwest Valley.
- Retail vacancies continue to be at **record low levels**. Overall, **only 4.3% of retail space was vacant**, with the lowest vacancy rates reported in Northwest Phoenix, West Valley, and North Scottsdale (2.9%, 2.9% and 3.2% respectively). Simultaneously, **average asking rent grew by 2.2%** in the first quarter alone, and by 7.7% over year end 2024, with the highest rates in Scottsdale. Space under construction fell to 2.46MSF, after 770,600 SF were delivered in the first quarter. The deliveries were **substantially pre-leased**, resulting in an **impressive 905,000 SF of net absorption** during the quarter.

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	$208,664,500	$100,200,000	$301,477,860	$610,342,360
Per Square Foot	$198	$260	$166	
Number of Transactions	11	4	14	29

February

	Office	Retail	Industrial	Total
Total Amount	$92,562,750	$54,450,000	$328,587,415	$475,600,165
Per Square Foot	$100	$227	$216	
Number of Transactions	7	4	17	28

March

	Office	Retail	Industrial	Total
Total Amount	$44,775,000	$24,755,053	$157,821,065	$227,351,118
Per Square Foot	$387	$321	$132	
Number of Transactions	3	3	6	12

Q1

	Office	Retail	Industrial	Total
Total Amount	$346,002,250	$179,405,053	$699,850,812	$1,225,258,115
Per Square Foot	$164	$255	$164	
Number of Transactions	21	11	37	69

Market Makers

January

Office

Abrazo Health
21250 W Roosevelt St, Buckeye, AZ
Size/Percent Leased: 60,000 SF / 83.3%
Sales Price: $30.6M ($510 PSF)

Retail

Gilbert Gateway Towne Center
4900-5052 S Power Rd, Mesa, AZ
Size/Percent Leased: 265,112 SF / 94.4%
Sales Price: $85.0M ($321 PSF)

Industrial

Virgin Industrial Park, Bldg A
15784 W Hatcher Rd, Waddell, AZ
Size/Percent Leased: 566,121 SF / 0.0%
Sales Price: $90.6M ($160 PSF)

February

25500, 25600 N Norterra Pkwy
25500, 25600 N Norterra Pkwy, Phoenix, AZ
Size/Percent Leased: 233,563 SF / 0.0%
Sales Price: $26.8M ($115 PSF)

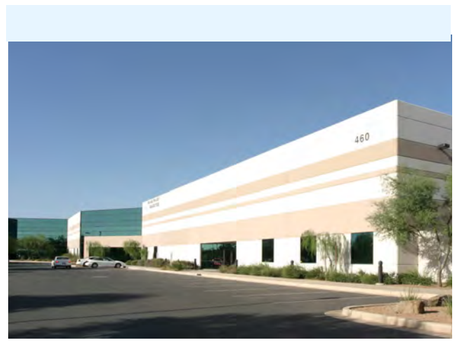
Marketplace at Hudson Station
SWC Queen Creek Rd and Signal Butte Rd, Queen Creek, AZ
Size/Percent Leased: 60,094 SF / 100.0%
Sales Price: $31.3M ($520 PSF)

Deer Valley Technology Park
2908 W Deer Valley Rd, Phoenix, AZ
Size/Percent Leased: 43,243 SF / 0.0%
Sales Price: $11.0M ($255 PSF)

March

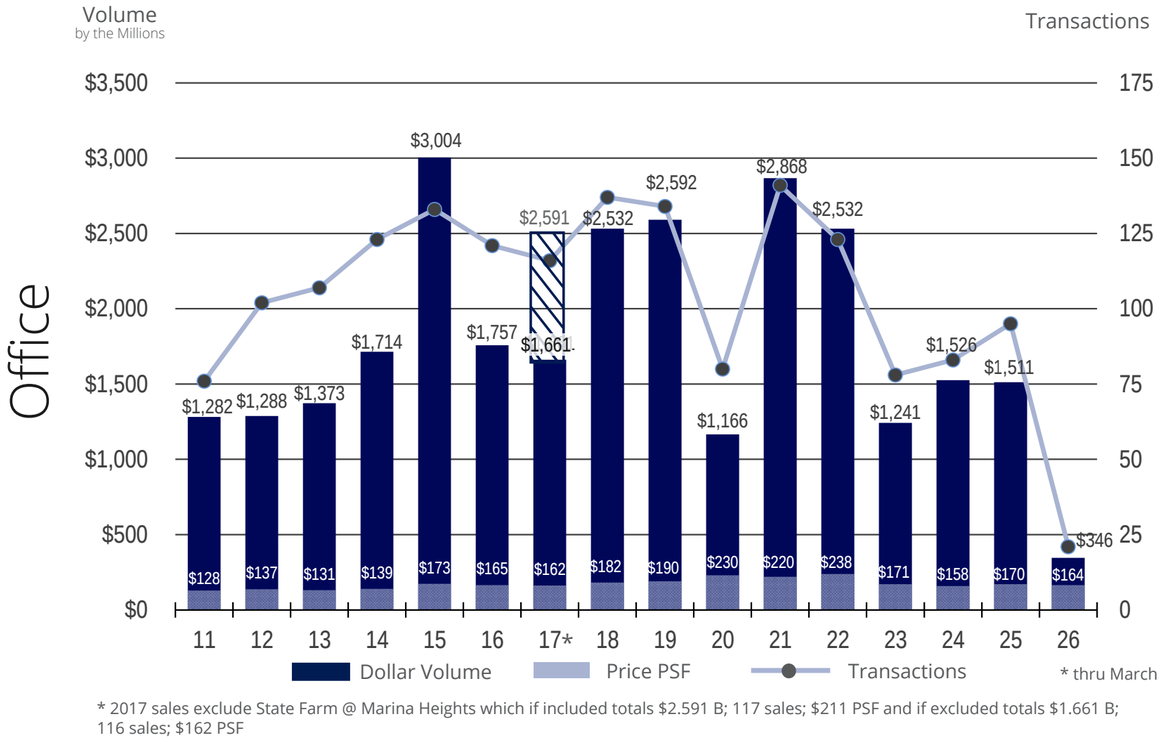
OrthoArizona Surgery Center & Hospital
1675 E Melrose St, Gilbert, AZ
Size/Percent Leased: 50,513 SF / 100.0%
Sales Price: $25.1M ($497 PSF)

Shops at Civic Center
211, 235, 263 E Warner Rd, Gilbert, AZ
Size/Percent Leased: 25,690 SF / 95.0%
Sales Price: $10.8M ($420 PSF)

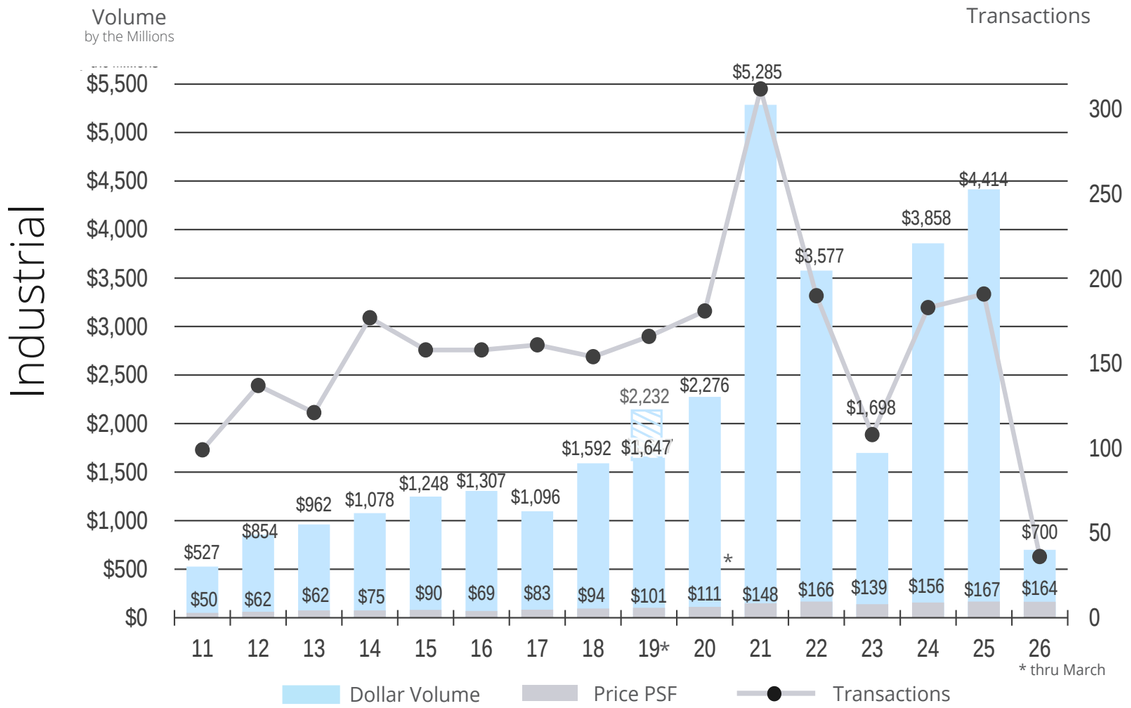


Frye Industrial Park
410, 460 S Benson Ln, Chandler, AZ
Size/Percent Leased: 90,785 SF / 0.0%
Sales Price: $23.5M ($259 PSF)

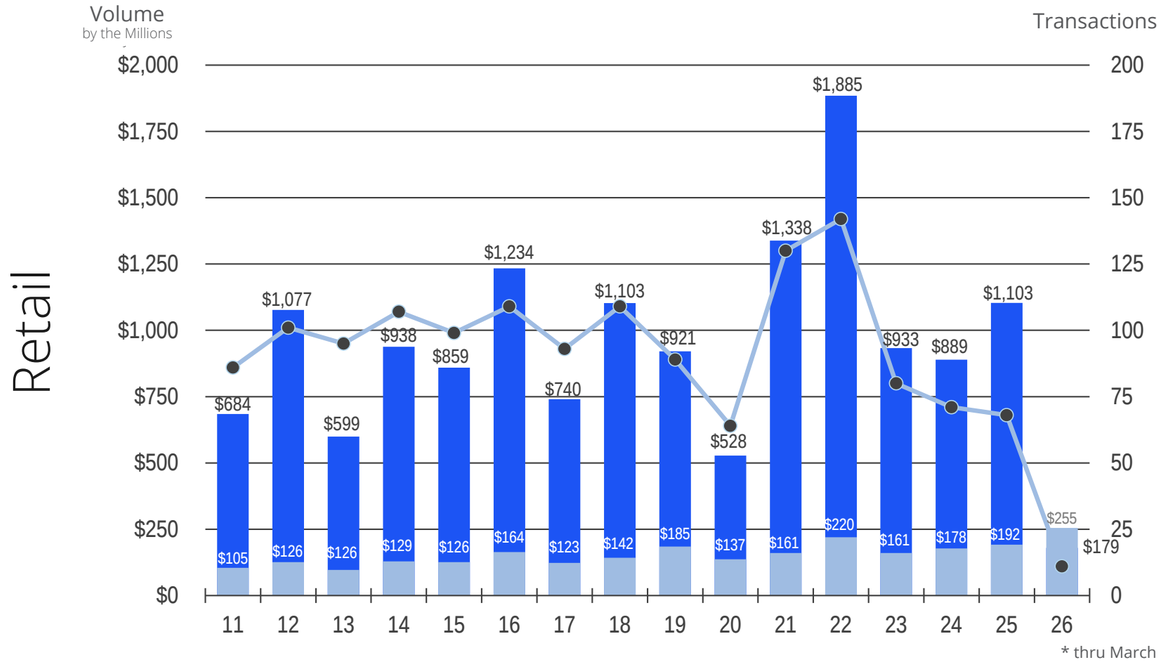
Historical Volume vs. Avg PSF and Number of Transactions



* 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

Phoenix is seeing a rise in offshore investors of commercial real estate

Not long ago, when we discussed international investment in Phoenix-area commercial real estate, we meant Canadians. Other offshore capital typically flowed quietly through private equity funds or REITs. That changed in 2025. Momentum accelerated, driven in large part by TSMC's massive investment in its advanced chip manufacturing facility in north Phoenix. Today, international investors are directly targeting Phoenix opportunities. They recognize TSMC's transformational impact on the region and are confident in the investment thesis it supports. These investors are exploring all property types and are eager to participate in the Valley's continued growth. At the same time, they seek a deeper understanding of how the region functions—its submarkets, economic drivers, and daily dynamics—insight traditionally provided by fund managers. GPEC, the Arizona Commerce Authority, local economic development teams, and brokerage firms like ours offer valuable perspective.

Please feel free to contact me at mindy.korth@colliers.com or 602-531-5538 — I'd welcome the conversation.

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