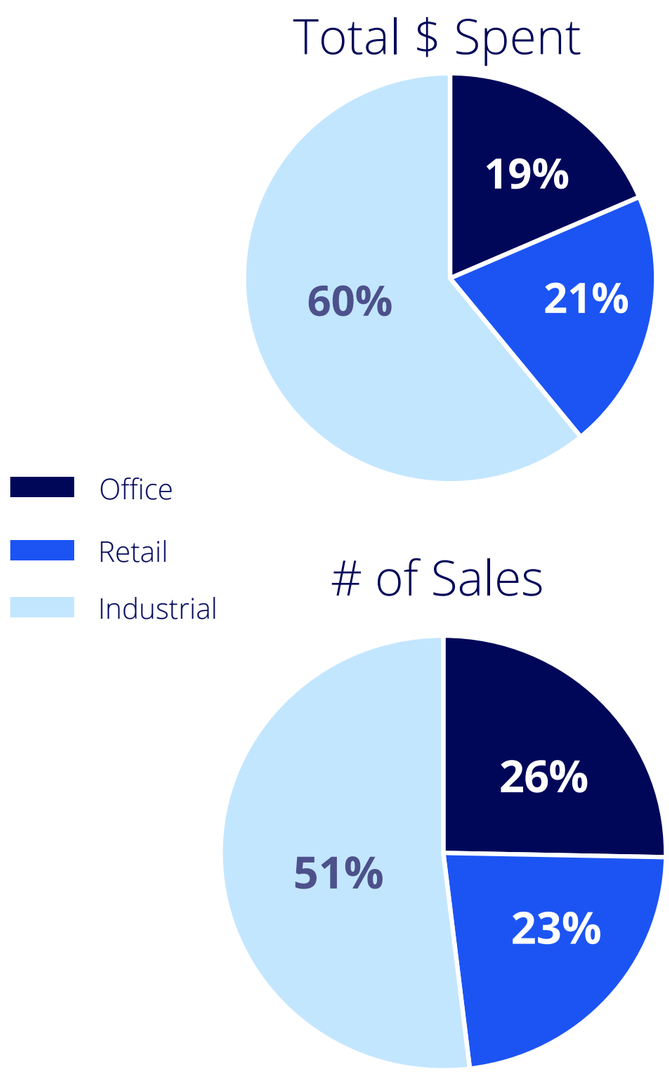
Quarterly Report

Phoenix Investment Sales | Q22025

Quarterly Highlights

- Population growth and the expansion of the labor force have necessitated expansion of existing infrastructure. A significant milestone to this end was completed in June with the successful conclusion of the four-year construction of the I-10 Broadway Curve Improvement Project. By 2040, that segment of the freeway system is expected to increase the number of daily commuters by 25%. Proposition 479, which passed in November 2024, allows funding for additional transportation infrastructure which will support sustainable growth.
- These infrastructure efforts will help support the region's continued job expansion, exemplified by the news that May 2025 total Nonfarm employment for Metro Phoenix increased by 8,700 jobs compared to May 2024.
- Industrial new deliveries, at 3.5 million square feet ("MSF") during the quarter, was the lowest level since Q2 2021. Fewer deliveries, combined with 2.6 MSF of net absorption (21st consecutive quarter surpassing one million SF of net absorption) enabled vacancy to decrease by 30 basis points ("bps") quarter-over-quarter ("Q-o-Q"), now at 10.9%. By midyear, there was 6.8 MSF of net absorption.
- Heightened office leasing activity, the removal of 700,000 SF of obsolete offices, and a continued low level of new office construction resulted in the Phoenix office market posting 286,309 SF of positive net absorption during the second quarter, and direct vacancy decreasing 40 bps Q-o-Q to 15.2%. Class A rental rates increased by 1.61% Y-o-Y to $33.99 PSF.
- Retail asking rates have been on a steady climb during the past 10 years, while occupancy levels remain at all-time high levels. Direct vacancy was at 4.1% as of Q2 2025, while retail asking rates were $17.7, a 3.21% Y-o-Y increase. The submarkets with new supply also saw the most net absorption, including East Valley, Northwest Phoenix, and West Valley. These three submarkets represented 97% of Q2 2025 deliveries (98% YTD), and 90% of net absorption for the quarter. The highest retail rents continue to be in Scottsdale.
- By midyear 2025, industrial property sales totaling $1.57 billion represented 64% of dollars spent, compared with $482 million in office property sales at 19% and $420 million in retail properties at 17%. Institutional investors purchased 48% of the industrial properties sold; while retail and office purchases by institutional investors were close to nil.
- During the first half of 2025 six office properties totaling 871,741 SF, five retail properties totaling 876,011 SF, and one industrial property totaling 30,374 SF were purchased for demolition and reuse of the site for an alternative purpose – eventually taking 1.8 million SF out of the inventory.
- Of the 78 industrial sales, 34 exceeded $200 PSF, and 13 exceeded $270 PSF. Medical offices continue to post the highest PSF office prices: the four MOB sales in the first half of 2025 ranged from $292 to $552 PSF, three of which were fully occupied. Specialty mixed use centers posted the highest PSF retail sales, including The Steelyard at $695 PSF and Scottsdale Quarter (mixture of retail, offices, and multi-family) at $729 PSF.
- There were only 28 retail property sales through midyear 2025, equal only to 2020 as the lowest midyear volume in the past 20 years. Other than the properties that sold for demolition and reuse, and a handful of vacant stores that sold to reconfigure and backfill, most retail properties were well occupied at the time of the sale.

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



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Monthly Snapshots

	Office	Retail	Industrial	Total
April				
Total Amount	$28,150,000	$159,847,000	$268,814,285	$456,811,285
Per Square Foot	$114	$206	$285	
Number of Transactions	5	6	9	20
May				
Total Amount	$88,613,393	$47,225,000	$196,137,222	$344,864,615
Per Square Foot	$240	$135	$178	
Number of Transactions	7	5	15	27
June				
Total Amount	$164,600,000	$108,276,500	$415,488,980	$688,365,480
Per Square Foot	$153	$183	$150	
Number of Transactions	9	8	18	35
Q2				
Total Amount	$281,363,393	$315,348,500	$880,440,487	$1,477,152,380
Per Square Foot	$167	$184	$183	
Number of Transactions	21	19	42	82

Market Makers

Office

Retail

Industrial

April

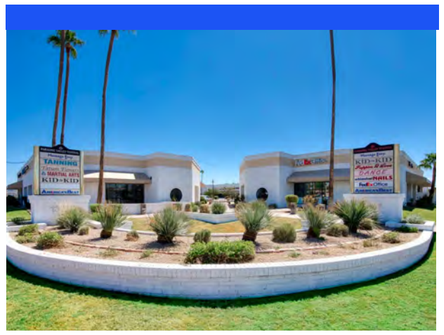
Sonoran Vein
3411 N 5th Ave, Phoenix, AZ
Size/Percent Leased: 38,929 SF / 0%
Sales Price: $6.2M ($160 PSF)

Superstition Gateway Shopping Center
1614-1959 E Signal Butte Rd,
10720-10746 E Baseline Rd, Mesa, AZ
Size/Percent Leased: 507,084 SF / 93%
Sales Price: $121M ($239 PSF)

Tailwinds at Gateway
8017-8121 E Pecos Rd (10 bldgs)
Size/Percent Leased: 172,451 SF / 100%
Sales Price: $51.5M ($299 PSF)

May

Rancho Santa Fe, Phase II
13028 W Rancho Santa Fe Blvd, Avondale, AZ
Size/Percent Leased: 29,000 SF / 100%
Sales Price: $16.0M ($552 PSF)



Paradise Valley Festival
13267, 13637 N Tatum Blvd, Phoenix, AZ
Size/Percent Leased: 85,647 SF / 91%
Sales Price: $19.0M ($222 PSF)

Phelan Pecos Center, Bldg C
8341 E Pecos Rd, Mesa, AZ
Size/Percent Leased: 141,117 SF / 100%
Sales Price: $29.4M ($209 PSF)

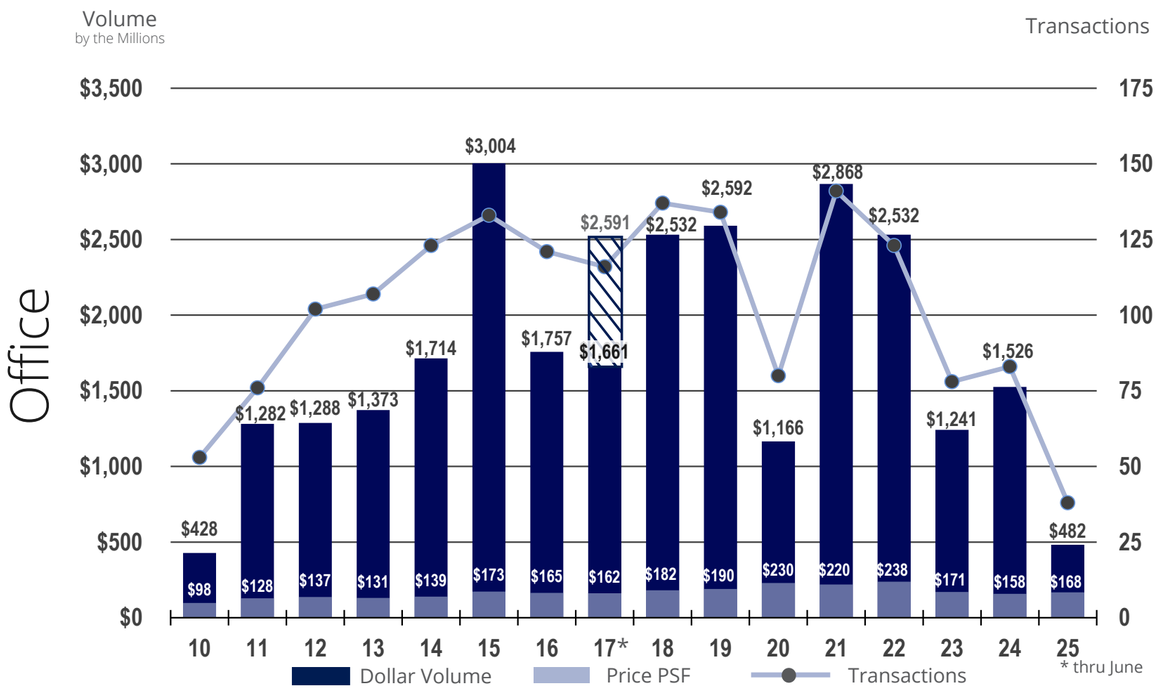
June

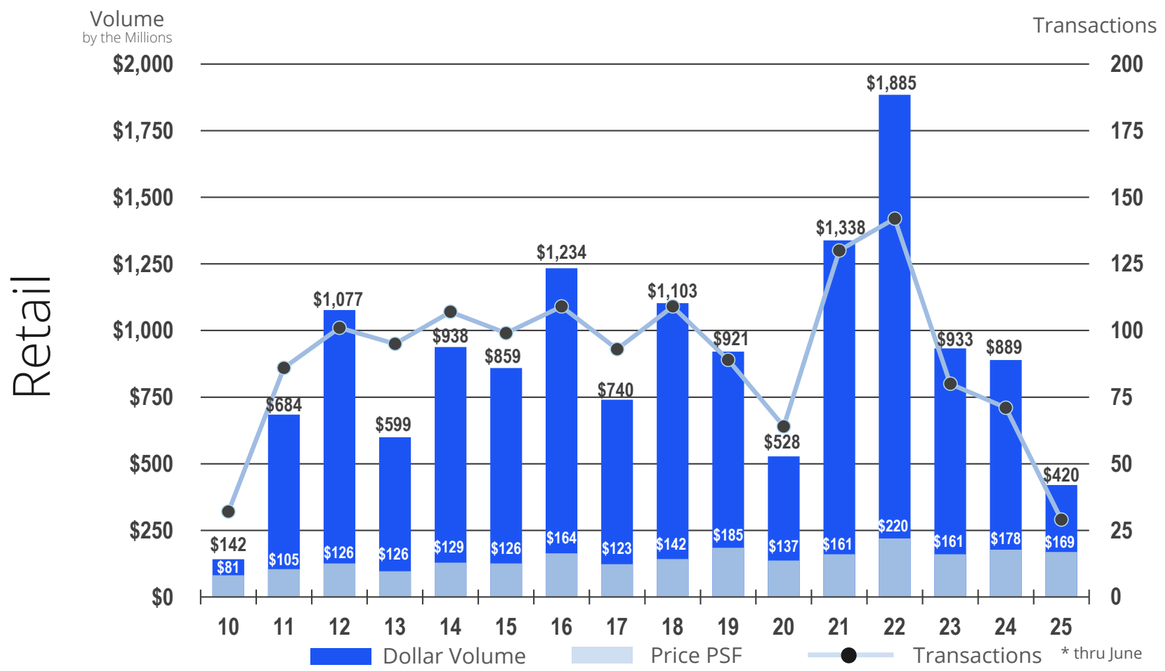
Camelback Collective
2801 E Camelback Rd, Phoenix, AZ
Size/Percent Leased: 115,838 SF / 74%
Sales Price: $48.3M ($417 PSF)

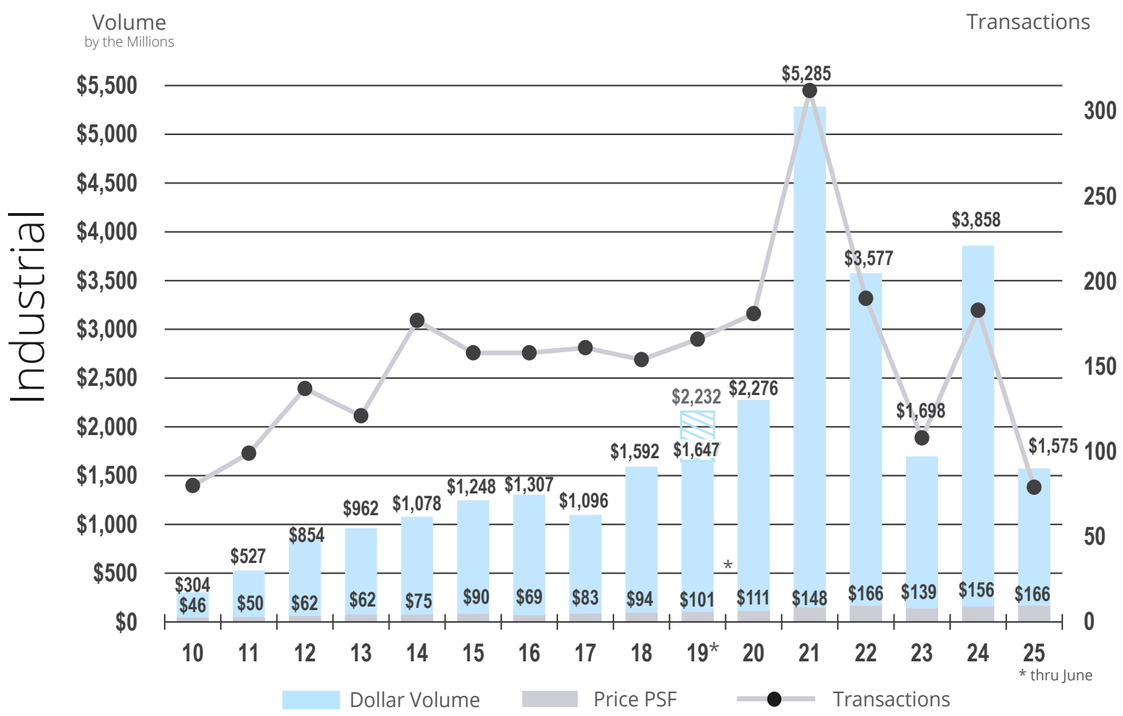
Sundance Towne Center
466-1160 S Watson Rd, Buckeye, AZ
Size/Percent Leased: 203,525 SF / 98%
Sales Price: $56.0M ($275 PSF)

6390 N Sarival Ave Building A
6390 N Sarival Ave Building A, Litchfield Park, AZ
Size/Percent Leased: 1,156,860 SF / 100%
Sales Price: $128.2M ($111 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

Thank You to our Economic Developers

As Christine Mackay transitions from leading the city of Phoenix Community and Economic Development Department to leading the Greater Phoenix Economic Council, we are reminded of how well equipped our community is throughout our economic development circles – with city, region, and state professionals working closely together to form the best version possible of our beloved Arizona. Taiwanese Semiconductor Manufacturing Corporation coming to Arizona was in large part driven by these dedicated teams. The ongoing successes before and after landing this major employer were also due to their collective efforts. In fiscal year 2025 alone, we can thank Arizona Commerce Authority and all the other ED professionals who assisted in creating more than 24,000 jobs that will inject $31 billion in capital investment. There are legions of others who serve on the boards and advisory councils, as well as scores of planners, designers, developers, and brokers who move mountains to achieve results. A huge thank you to all involved!

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