Quarterly Report

Phoenix Investment Sales | Q42025

Quarterly Highlights

Greater Phoenix remains a focal point for investor interest and strong economic development. Employment across the area remains resilient. The unemployment rate stood 50 basis points below the national average in November 2025, and employment increased by 16,700 jobs year-over-year, a 0.70% job growth.

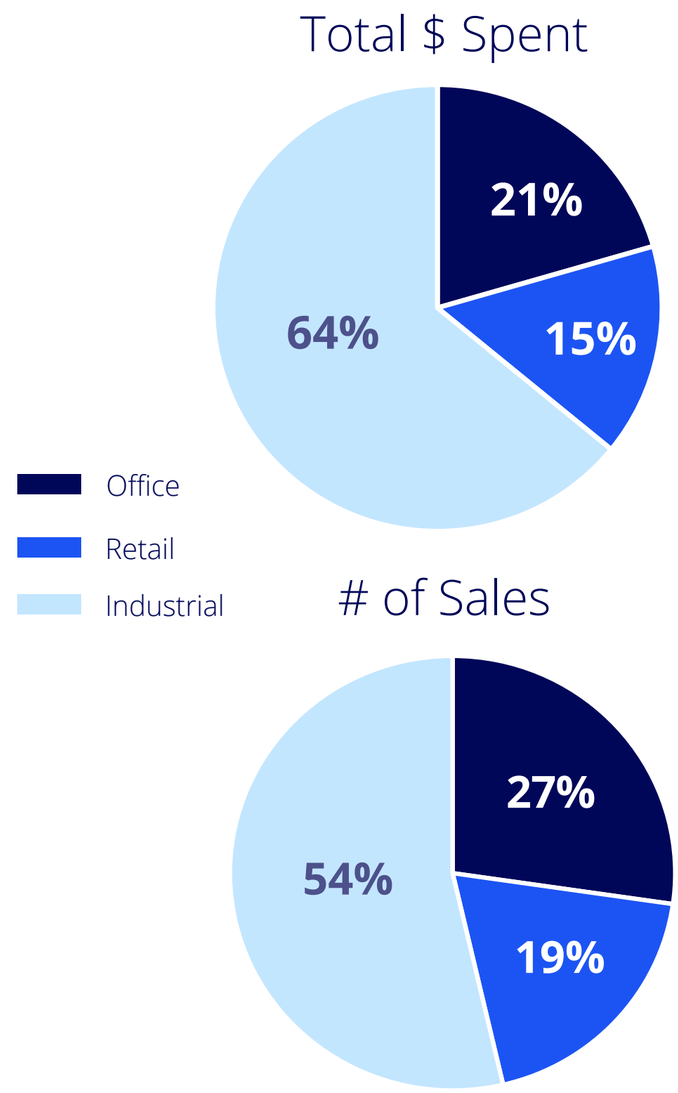
The Phoenix office market **ended 2025 with positive momentum**, recording the strongest quarter since YE 2019, with 531,893 SF of net absorption; matched by a decline in vacancy, and a decline in sublease availability. The trend of developers acquiring obsolete offices for conversion to alternative uses continued in Q4, with six sales totaling 448,147 SF. Office construction levels are at a 10-year low and are expected to decline further in 2026, with no projects anticipated to break ground during the 1H 2026. More than $1.5 billion in office sales closed in 2025 through 95 transactions, the highest annual total since 2022. This is a mixture of fully stabilized to fully vacant, many users taking advantage of the lower prices, and many developers planning to scrape and reuse the land – all of which is leading to the office market recovery.

While retail occupancy continues to be at historical highs, there was a minor slippage because of some recent store closures. Much of this availability is welcomed by other retailers competing for space, that otherwise sees healthy tenant retention. Asking rates continue to rise – growing 5.5% over the past 12 months, outpacing the national level and ranking Phoenix as a **top 10 retail market in the country**. New developments continue to be mostly at the fast-growing communities, such as Buckeye, Surprise, and Queen Creek. Of the 67 retail sales more than 20,000 SF totaling $1.08 billion during 2025, 10 were empty and 8 of those are planned for redevelopment. The remaining 57 averaged 93% occupancy – a strong testament to the strong, stable retail investment marketplace.

The Phoenix industrial market continued stabilizing throughout 2025, after a supply-driven increase in vacancy that had distorted property sector performance since early 2023. Increased competition from new supply weighed down rent growth, posting a 3.1% year over year increase as compared with 13.0% rent growth in the prior year. The favorable absorption has continued to encourage investor demand, with no end in sight, seeking durable income streams, and willing to pay in the mid- to high-5% cap rate range with rents at market. There were **191 industrial property sales** in 2025 totaling $4.4 billion averaging $167 PSF, **eclipsing office and retail sales** combined. Seven of these exceeded 800,000 SF, and 57 were single-tenant sales.

Greater Phoenix is poised for a strong performance of investment property sales across all sectors during 2026.

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



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Monthly Snapshots

October

	Office	Retail	Industrial	Total
Total Amount	$198,937,083	$38,440,000	$406,191,950	$643,569,033
Per Square Foot	$347	$184	$256	
Number of Transactions	8	6	17	31

November

Total Amount	$64,969,000	$161,336,850	$503,645,758	$729,951,608
Per Square Foot	$91	$234	$136	
Number of Transactions	5	8	18	31

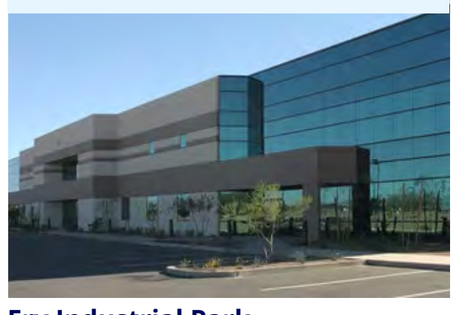
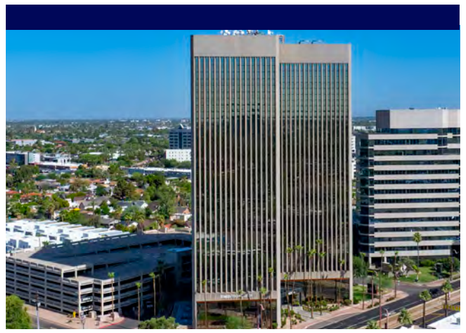
December

Total Amount	$202,961,306	$149,514,163	$546,032,972	$898,508,441
Per Square Foot	$159	$215	$190	
Number of Transactions	17	7	24	48

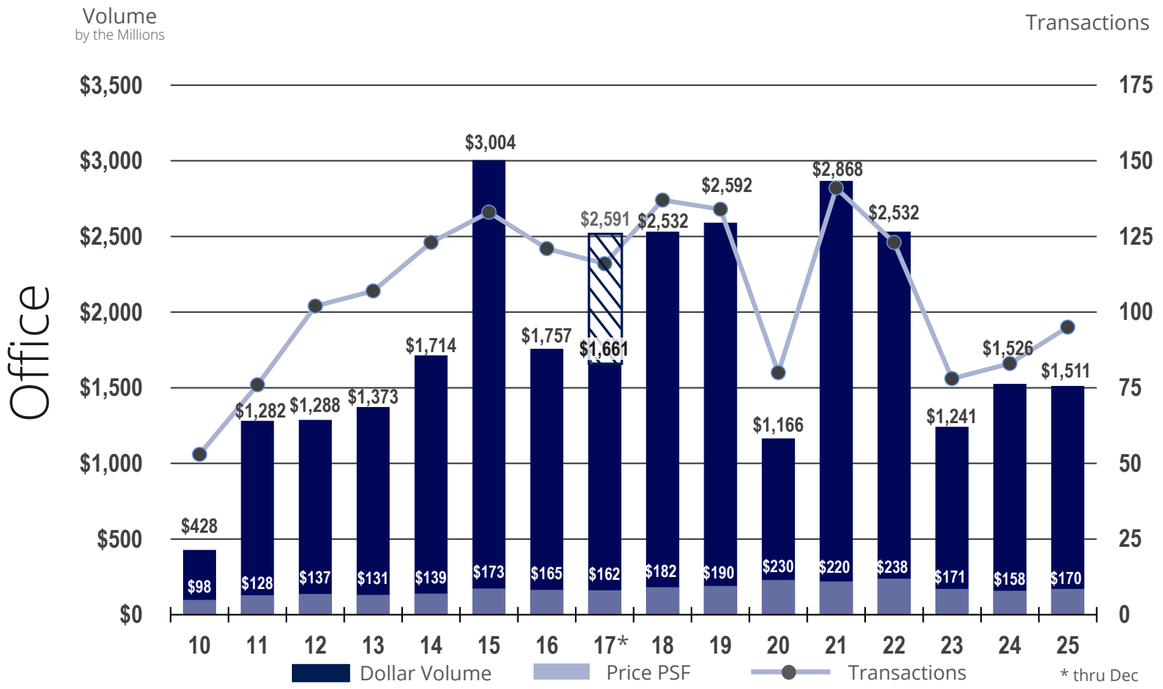
Q4

Total Amount	$466,867,389	$349,291,013	$1,455,870,680	$2,272,029,082
Per Square Foot	$182	$219	$178	
Number of Transactions	30	21	59	110

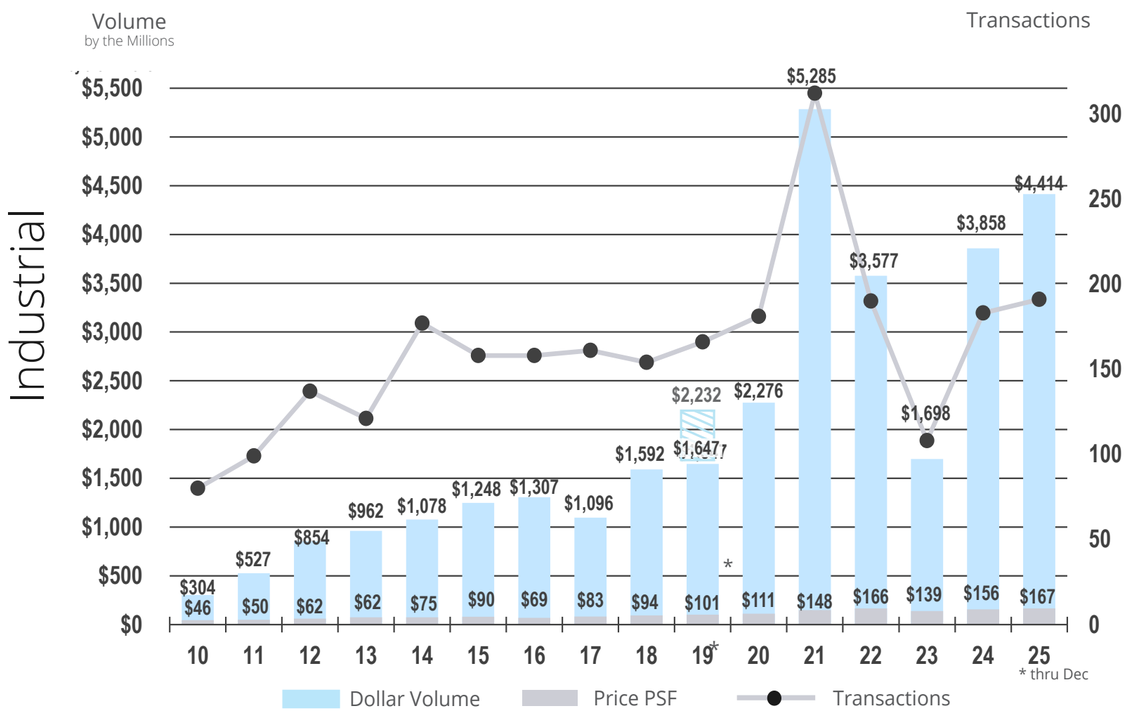
Market Makers

	Office	Retail	Industrial
October	 **8605 E Raintree Dr** 8605 E Raintree Dr, Scottsdale, AZ Size/Percent Leased: 179,360 SF / 93.0% Sales Price: $70.7M ($394 PSF)	 **Summit at Chandler Heights** SEC Chandler Heights Rd and Alma School Rd, Chandler, AZ Size/Percent Leased: 25,611 SF / 91.5% Sales Price: $5.9M ($230 PSF)	 **Fry Industrial Park** SWC Fyre Rd and Ellis Rd, Chandler, AZ Size/Percent Leased: 206,078 SF Sales Price: $45.0M ($218 PSF)
November	 **2600 Tower** 2600 N Central Ave, Phoenix, AZ Size/Percent Leased: 317,687 SF / 63.0% Sales Price: $15.0M ($47 PSF)	 **Ninety Ninth Ave** 1775 N 99th Ave, Phoenix, AZ Size/Percent Leased: 47,201 SF / 100.0% Sales Price: $30.7M ($650 PSF)	 **Luke Field, Bldg C** 7733 N Litchfield Rd, Glendale, AZ Size/Percent Leased: 1,278,653 SF / 0.0% Sales Price: $152.2M ($119 PSF)
December	 **Norterra West - Phase I** 25700 N Norterra Pky, Phoenix, AZ Size/Percent Leased: 147,688 SF / 0.0% Sales Price: $45.8M ($310 PSF)	 **Mesa Shores** 2048-2060 NE Baseline Rd, Mesa, AZ Size/Percent Leased: 104,250 SF / 97.5% Sales Price: $36.7M ($353 PSF)	 **Mack Innovation Park** 1775 W Alameda Rd, Phoenix, AZ Size/Percent Leased: 332,544 SF / 100.0% Sales Price: $90.7M ($273 PSF)

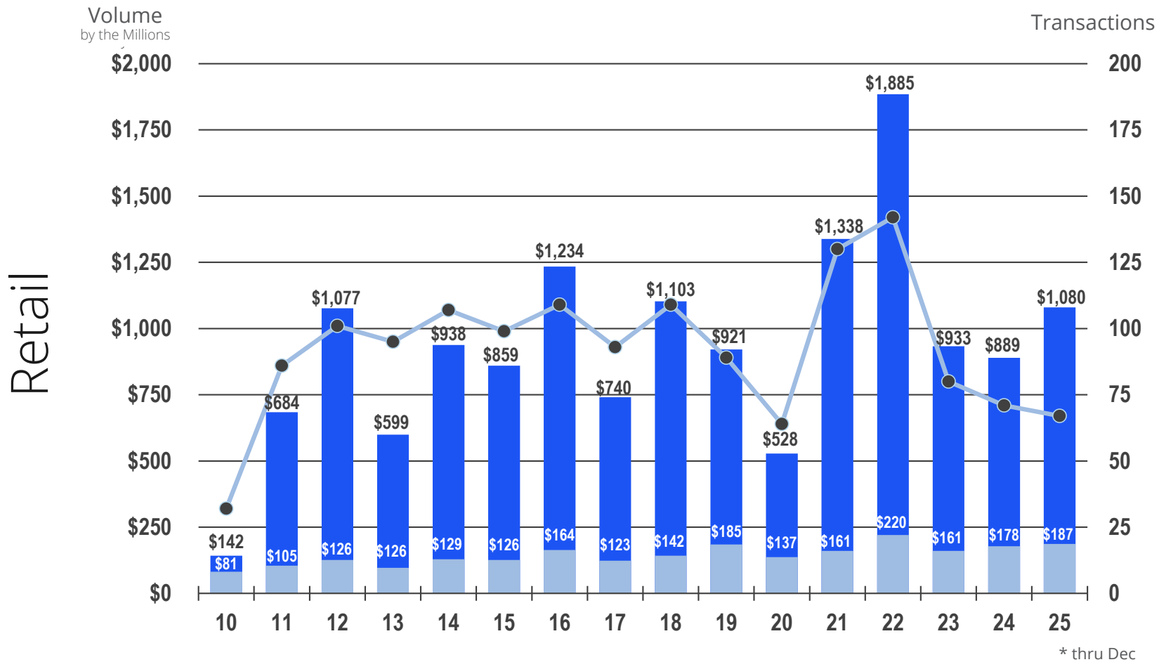
Historical Volume vs. Avg PSF and Number of Transactions



* 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

Industrial and Multi-Family are Favorite Sectors of Institutional Investors Despite Oversupply

Even with high vacancies and overbuilding, institutional investors and large fund managers are mostly focused on these two sectors throughout greater Phoenix, as evidenced by $4.4 billion in 191 industrial sales in 2025, and $4.04 billion in multi-family sales in 2025. Recent absorption statistics justify these targets. There were 12 warehouses larger than one MSF available two years ago, compared to one currently available, which is about to be spoken for. First time home buyers are priced out of affording a home due to high interest rates, thus accelerating the absorption of apartments. Some areas, such as the North Valley, are experiencing rental demand outstripping the supply. Contrarian investors are looking more closely at offices, realizing the office recovery that has been underway is accelerating. With historically high retail occupancies, shopping center investors are paying up, by carefully reviewing rent rolls to see when they can move “old” rents to current rates.

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