



Office Market Report

METRO PHOENIX 2021

NAIHorizon

AT A GLANCE

Q4 Vacancy: 14.1%

Q4 SF Construction: 1.6 M SF

Q4 SF Leased: 2M SF

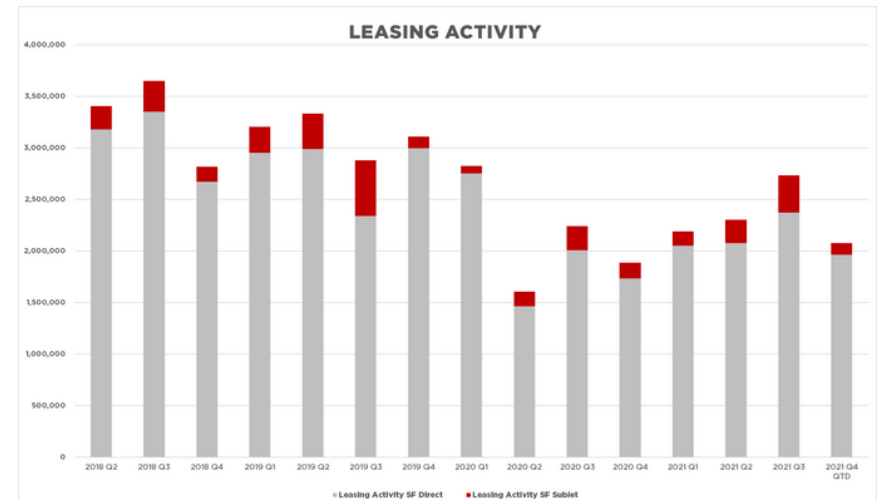
Despite that less-than positive-data, however, there is some underlying strength and sustainability to the Phoenix office market and namely, in average asking rents because they have held steady, finishing the year at \$27.79 for the overall market.

More upside for the regional office market is that most companies have returned to the office on a full-time basis or have adopted hybrid work models with more people coming to the office.

2021 Q4 Phoenix

The 4th quarter Phoenix office market was the best 90-day period since the pandemic, yet it wasn't enough to erase an otherwise soft year for office leasing and absorption.

A few years ago and prior to the onset of the global pandemic, with the office market just bumping along after the energizing moves to The Valley by State Farm and a handful of tech companies, some of the agents in our office sagely predicted that their concerns were less focused on current market conditions and rather, that companies would let go of office space as renewal periods were reached – in the future. The future, or at least that aspect of it, seems to have arrived in 2021, based on net absorption data.



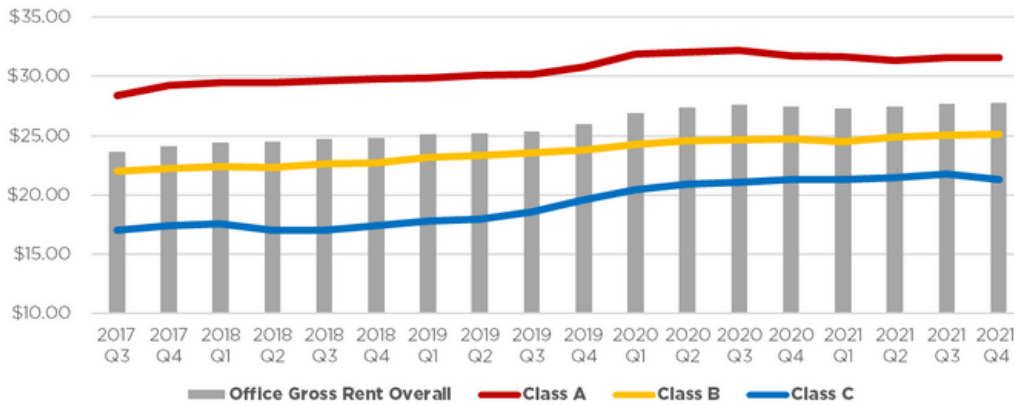
There are two trends in the current Phoenix office market that are consistent with other U.S. markets, and they are in high levels of leasing activity by healthcare providers and the number of lease renewals and extensions for shorter terms – 1-3 years.



Q4 Office Market Report

METRO PHOENIX 2021

Phoenix Office Market Rents



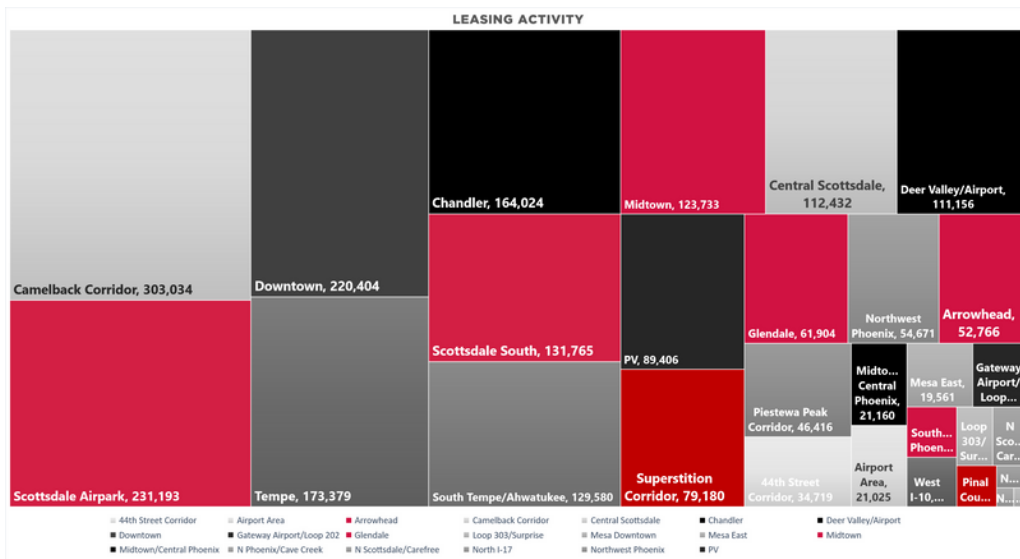
Q4 Data

Reversing a trend from the previous three quarters in 2021, net absorption of office space during the 4th quarter was positive by 788,570 square feet. That helped offset the 1.81 million square feet of negative net absorption through September yet even so, the Phoenix office market closed out the year with over 1 million square feet of negative net absorption.

The overall Valley total for office vacancy was 14.1% at the end of the 4th quarter, indicating that the market is slightly over-supplied based on historical standards, which holds that a balanced office market has an office vacancy rate between 10% and 11%.

Available sublease space finished the year relatively high by historical standards, at over 4 million square feet, yet the amount of sublease space coming to the market appeared to be slowing as the quarter ended.

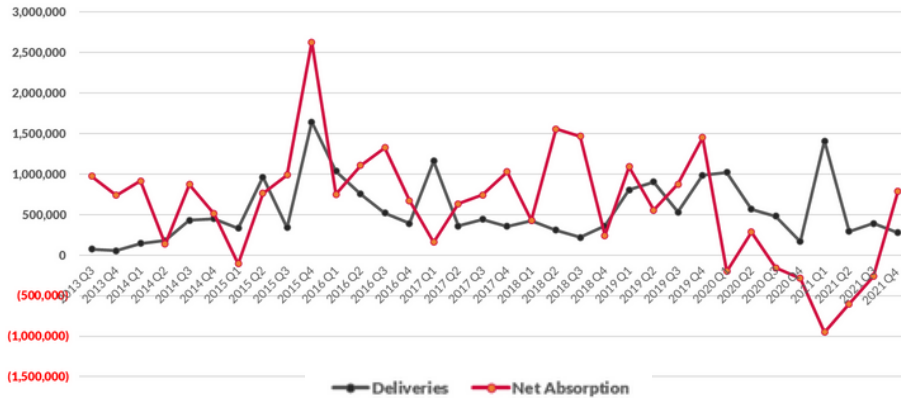
Asking rents for new, Class A office product is coming in at more than \$45 per foot in select buildings. At the end of 2021 developers were working toward delivering 1.66 million square feet of new office supply.



Q4 Office Market Report

METRO PHOENIX 2021

Supply and Demand



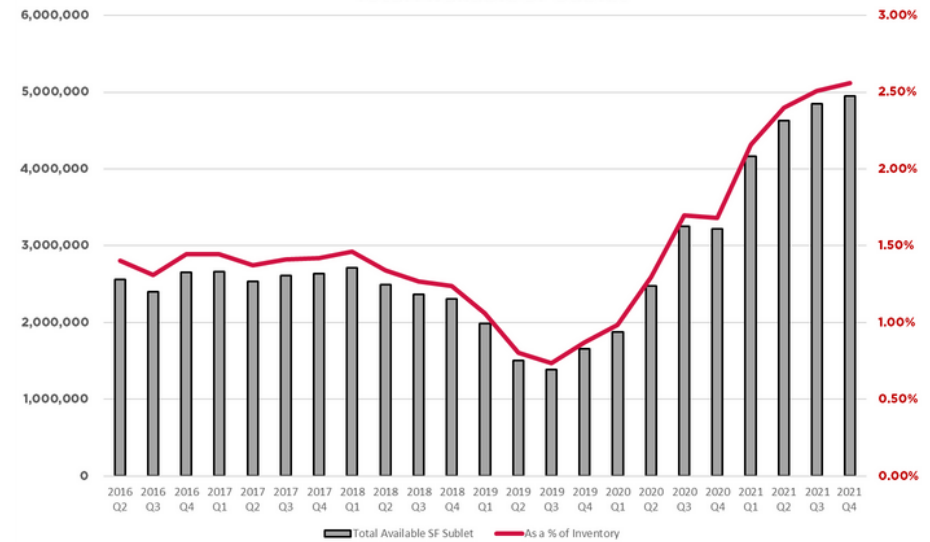
Top Leases

Early Warning Systems, a fintech company owned by numerous banks, inked the largest lease in the 4th quarter, followed by Willmeng Construction, a general contractor serving the southwest. Financial services firm Morgan Stanley executed the third largest lease in the period, while Radnet, a company that operates outpatient diagnostic imaging centers and publicly traded on the NASDAQ, signed the fourth biggest lease during the quarter. See below for more details.

Top Sales

The top office investment transactions (measured by sale price) traded at \$488.55 a foot, \$406.97 per-square-foot, \$452.77 psf and \$497.97. Two of the deals were in the Chandler-Price Corridor while the others were in Downtown Phoenix and Scottsdale South. See below for more details.

Total Available SF Sublet




Total Job Quits in US



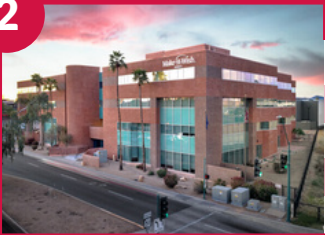
Q4 Top Leases

1 **5801 N Pima Rd**




Submarket	Scottsdale South
Tenant	Early Warning Services
Size	124,879 SF
Class	A
Move in Date	11/1/2021

2 **101 E Washington St**




Submarket	Camelback Corridor
Tenant	Willmeng
Size	50,913 SF
Class	B
Move in Date	12/12/2021

3 **400 E Rivulon Blvd**



Submarket	Tempe
Tenant	Morgan Stanley
Size	48,624 SF
Class	A
Move in Date	10/15/2021

4 **3110 N Central Ave**



Submarket	Midtown Phoenix
Tenant	Radnet
Size	30,300 SF
Class	B
Move in Date	11/17/2021

Photos & Information provided by CoStar

Q4 Top Sales

1 **101 E Washington St - Block 23**



Sale Price	\$150,000,000
Price/SF	\$505.05
Submarket	Downtown Phoenix
Size	307,030 SF
Class	A

2 **3133 W Frye Rd - Offices Chandler Viridian**




Sale Price	\$102,000,000
Price/SF	\$406.97
Submarket	Chandler - Price Corridor
Size	250,630 SF
Class	A

3 **1700 S Price Rd - Allred Park Place**



Sale Price	\$68,531,119
Price/SF	\$452.77
Submarket	Chandler - Price Corridor
Size	151,359 SF
Class	A

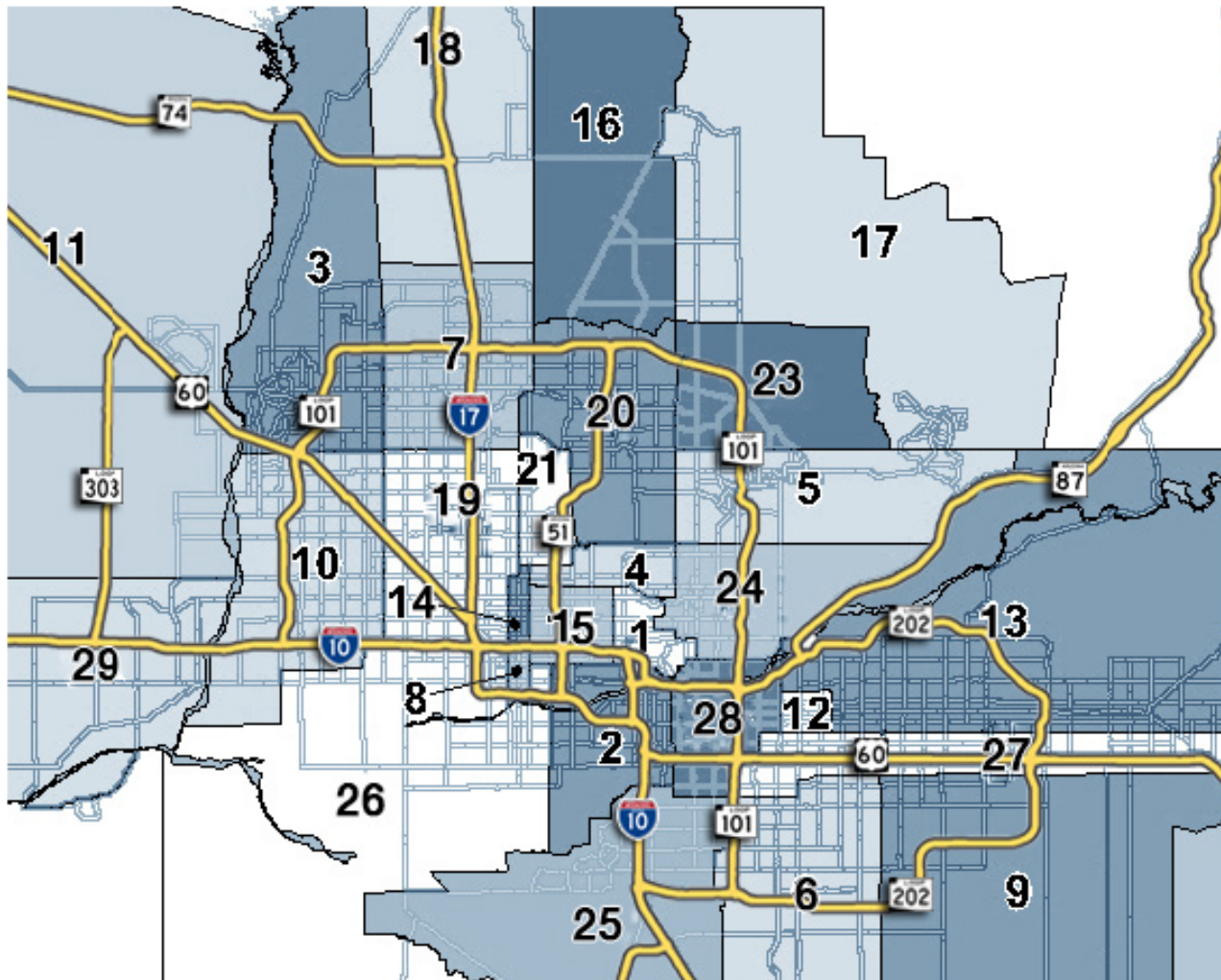
4 **7242 E Osborn Rd - HonorHealth**



Sale Price	\$62,914,775
Price/SF	\$497.97
Submarket	Scottsdale South
Size	126,342 SF
Class	A



Phoenix Submarkets



1. 44th St Corridor
2. Airport Area
3. Arrowhead
4. Camelback Corridor
5. Central Scottsdale
6. Chandler
7. Deer Valley/Airport
8. Downtown
9. Gateway Airport/Loop 202
10. Glendale
11. Loop 303/ Surprise
12. Mesa Downtown
13. Mesa East
14. Midtown
15. Midtown/Central Phoenix
16. N Phoenix/Cave Creek
17. N Scottsdale/Carefree
18. North I-17
19. Northwest Phoenix
20. Paradise Valley
21. Piestewa Peak Corridor
22. Pinal County
23. Scottsdale Airpark
24. Scottsdale South
25. South Tempe
26. Southwest Phoenix
27. Superstition Corridor
28. Tempe
29. West I-10



Submarket Performance

Submarket	RBA	Vacant SF	Vacant %	Net Absorption	Deliveries	Under Construction	Average FSG Rate
44th Street Corridor	4,015,588	▼ 536,474	▼ 13.4%	▼ (410)	▲ -	▲ -	▲ \$27.53
Airport Area	6,453,140	▼ 914,967	▼ 14.2%	▼ 40,980	▲ -	▼ -	▼ \$21.90
Arrowhead	4,624,413	▼ 448,061	▼ 9.7%	▼ 27,295	▲ 22,300	▼ -	▲ \$27.35
Camelback Corridor	9,008,032	▲ 1,687,439	▲ 18.7%	▲ 129,254	▼ -	▲ 251,494	▲ \$34.40
Central Scottsdale	9,096,861	▼ 1,274,678	▼ 14.0%	▼ 87,266	▲ 100,000	▲ -	▲ \$28.02
Chandler	13,206,643	▲ 1,967,006	▲ 14.9%	▲ 33,364	▲ 150,000	▲ 14,000	▼ \$29.57
Deer Valley/Airport	12,345,147	▲ 2,235,491	▲ 18.1%	▲ 58,706	▲ -	▲ 15,191	▼ \$25.73
Downtown	11,595,405	▼ 2,349,449	▲ 20.3%	▲ 84,673	▼ -	▲ -	▼ \$31.49
Gateway Airport/Loop 202	2,894,341	▲ 175,348	▼ 6.1%	▼ 19,791	▼ 5,000	▲ 82,358	▼ \$31.14
Glendale	3,610,117	▼ 431,180	▲ 11.9%	▲ 72,816	▼ -	▼ 13,000	▲ \$26.32
Loop 303/Surprise	2,627,178	▼ 184,079	▼ 7.0%	▼ 14,805	▲ -	▲ -	▲ \$28.56
Mesa Downtown	1,516,116	▼ 109,162	▼ 7.2%	▼ (12,619)	▼ -	▲ -	▼ \$21.26
Mesa East	4,839,929	▼ 466,912	▲ 9.6%	▲ (114,528)	▼ -	▲ -	▼ \$32.81
Midtown	13,069,437	▼ 2,644,746	▲ 20.2%	▲ (52,696)	▼ -	▲ -	▼ \$23.91
Midtown/Central Phoenix	6,088,350	▼ 373,374	▲ 6.1%	▼ 12,946	▼ -	▲ -	▼ \$23.14
N Phoenix/Cave Creek	148,013	▼ 2,660	▼ 1.8%	▲ -	▲ -	▲ -	▲ \$23.22
N Scottsdale/Carefree	1,889,017	▼ 176,854	▼ 9.4%	▼ 18,858	▲ -	▲ -	▼ \$26.11
North I-17	895,235	▼ 128,661	▼ 14.4%	▼ (1,437)	▲ -	▲ -	▲ \$26.11
Northwest Phoenix	11,061,667	▼ 2,037,224	▲ 18.4%	▲ 124,544	▼ -	▲ -	▲ \$21.22
Paradise Valley	5,019,013	▼ 550,121	▼ 11.0%	▼ (40,016)	▲ -	▲ -	▼ \$28.91
Piestewa Peak Corridor	3,496,811	▼ 393,143	▼ 11.2%	▼ 19,749	▼ -	▲ -	▲ \$23.38
Pinal County	1,676,320	▲ 169,467	▼ 10.1%	▼ 5,780	▲ -	▲ 22,954	▲ \$14.68
Scottsdale Airpark	14,123,354	▼ 2,215,388	▼ 15.7%	▼ 62,089	▲ -	▲ 32,054	▼ \$30.08
Scottsdale South	7,569,009	▼ 953,296	▼ 12.6%	▼ 124,623	▲ -	▲ 248,006	▲ \$33.19
South Tempe/Ahwatukee	7,959,882	▼ 1,131,378	▼ 14.2%	▼ 20,966	▲ -	▲ -	▼ \$26.04
Southwest Phoenix	4,986,446	▼ 207,125	▼ 4.2%	▼ (10,213)	▼ -	▲ -	▼ \$27.30
Superstition Corridor	6,744,536	▼ 811,046	▼ 12.0%	▼ 10,834	▲ -	▼ 10,791	▲ \$24.64
Tempe	19,924,853	▼ 2,482,204	▲ 12.5%	▲ 28,019	▼ -	▲ 635,526	▲ \$29.70
West I-10	2,584,944	▼ 133,859	▼ 5.2%	▼ 23,131	▲ -	▼ 330,628	▲ \$30.58
Total Valley	193,489,278	▲ 27,196,792	▲ 14.1%	▲ 788,570	▲ 277,300	▼ 1,656,002	▼ \$27.79
2021 Q3	193,286,878	▲ 27,782,962	▲ 14.4%	▲ (263,857)	▼ 391,634	▼ 1,713,057	▲ \$27.69
2021 Q2	193,038,772	▲ 27,270,999	▲ 14.1%	▲ (601,829)	▼ 294,678	▲ 1,954,716	▼ \$27.50
2021 Q1	192,883,845	▲ 26,514,243	▼ 13.7%	▼ (950,870)	▲ 1,409,590	▲ 1,767,240	▲ \$27.31



About NAI Horizon

Exceptional global commercial real estate solutions begin with local market leadership and expertise. Established in 1992, NAI Horizon is a full-service commercial real estate company serving Arizona with offices located in Phoenix and Tucson. NAI Horizon is passionate about the commercial real estate business, providing Brokerage and Property Management Services for local, national and international clients. NAI Horizon is a member of the NAI Global commercial real estate network providing real estate solutions to more than 300 offices worldwide. For more information visit www.naihorizon.com.

About NAI Global

Advisory Services | Leasing | Property Management
Property & Note Sales | Tenant Representation

NAI Global is a leading global commercial real estate brokerage firm. NAI Global offices are leaders in their local markets and work in unison to provide clients with exceptional solutions to their commercial real estate needs. NAI Global has more than 300 offices in 43 countries strategically located throughout North America, Latin America and the Caribbean, Europe, Africa and Asia Pacific, with 5,100 local market professionals, managing in excess of 1.1 billion square feet of property and facilities. Annually, NAI Global completes in excess of \$20 billion in commercial real estate transactions and a gross revenue of \$1.5 billion.

NAI Global professionals achieve extraordinary results for clients locally and globally through creativity, collaboration and the consistent delivery of exceptional knowledge and service that only market-leading firms can provide. NAI Global provides a full range of corporate real estate services, including brokerage and leasing, property and facilities management, real estate investment and capital market services, due diligence, global supply chain and logistics consulting and related advisory services.

©2021 NAI Horizon. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including that of CoStar Commercial Real Estate Information Company. Any projections, opinions, assumptions or estimates used are for example only. No warranty or representation, expressed or implied, is made as to the accuracy of the information contained herein, and the same is submitted subject to errors and omissions.

NAI Horizon Office Specialists



TROY GIAMMARCO
First Vice President
Troy.Giammarco@naihorizon.com



JOE PEQUENO
Vice president
Joe.Pequeno@naihorizon.com



DON MORROW
Senior Vice President
Don.Morrow@naihorizon.com



THOMAS BEAN, CCIM
First Vice President
Thomas.Bean@naihorizon.com



DYLAN WHITWER
Associate
Dylan.Whitwer@naihorizon.com



JAY MININBERG, J.D.
Associate
Jay.Mininberg@naihorizon.com



LAUREL LEWIS
Senior Vice President
Laurel.Lewis@naihorizon.com



KEVIN HIGGINS
Vice President
Kevin.Higgins@naihorizon.com



MIKE MYRICK
Senior Vice President
Mike.Myrick@naihorizon.com

NAI Horizon Marketing/Research Team

MATT FEYEREISEN
Senior Marketing Specialist
matt.feyereisen@naihorizon.com

MICHELLE GUTIERREZ
Research/GIS Specialist
Michelle.Gutierrez@naihorizon.com

ANTONIO CARMONA
Research/GIS Specialist
Antonio.Carmona@naihorizon.com

LARSON WILCKE
Research/GIS Specialist & Junior Agent
Larson.Wilcke@naihorizon.com

