

# SMALL OFFICE RESILIENCE

Metro Phoenix

NOVEMBER 2024

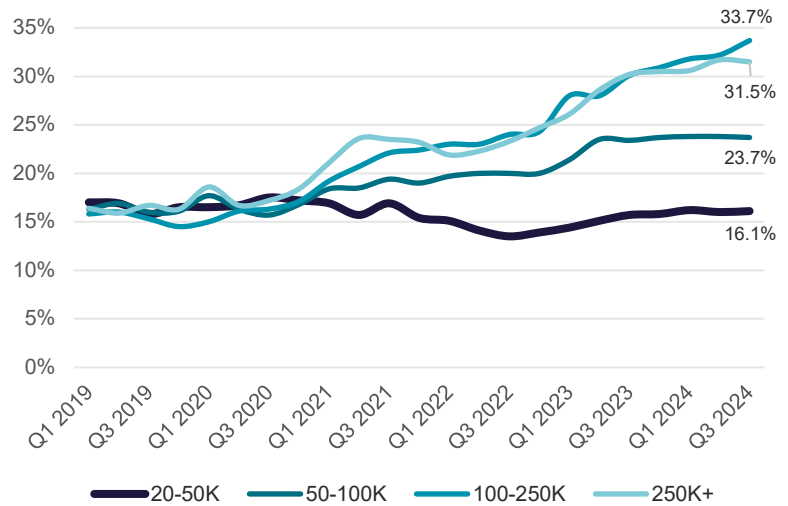
## MARKET OBSERVATIONS:

- Over the last four years, small office product between 20,000-50,000 square feet (sf) has outperformed larger product greater than 50,000 sf.
- There are 393 buildings in the 20,000-50,000 sf size range, accounting for 40% of all office buildings in metro Phoenix. In square footage terms, this equals nearly 12 million square feet (msf), or about 14% of the total inventory.
- Vacancy rates in the 20,000-50,000 sf size range have dropped below 2019 averages, while office buildings larger than 50,000 sf have trended higher.
- Despite aggregate negative net absorption across all building sizes over the trailing 12-months ending September 30th, 2024, the office product at 20,000-50,000 sf recorded 19,439 sf of negative absorption, well below the absorption rates in larger office product.

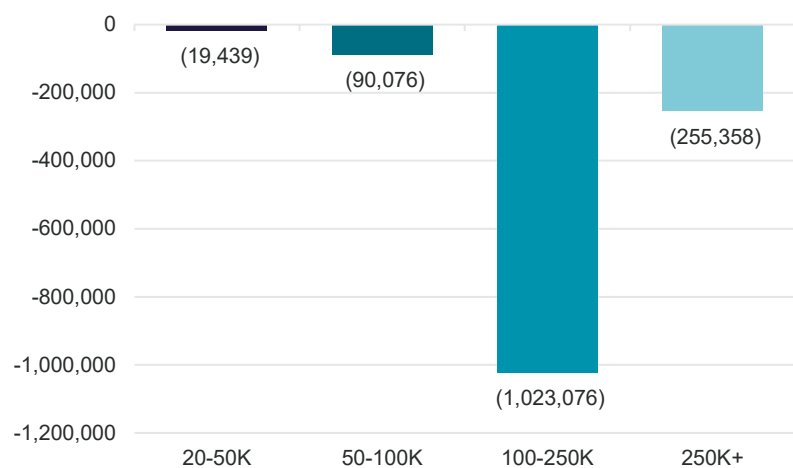
## WHAT THIS MEANS FOR CRE:

- Flexibility is key for occupiers of small office space. These tenants tend to prefer short- to medium-term lease options which allows them to adapt relatively quickly to changing office market conditions.
- Small office users are also likely to support hybrid or rotational work options for their employees, and these tenants must make the most out of a smaller footprint without sacrificing productivity.
- To stay competitive, landlords must attract smaller-footprint office users. While total building space typically cannot be changed, segmenting large floor plates into smaller, more collaborative spaces, as well as updating interiors with fresh finishes and tech-enabled infrastructure can appeal to tenants looking to reduce move-in costs and time.

## Overall Vacancy Rates by Building Size



## Net Absorption (SF): Trailing 12-Months\*



Source: Cushman & Wakefield Research; Statistics based on leasable office buildings larger than 20K SF in metro Phoenix.

\*Renewals not included in net absorption statistics.

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