

MARKETBEAT PHOENIX

Office Q1 2021



CUSHMAN &
WAKEFIELD

YoY
Chg

12-Mo.
Forecast

21.0%

Vacancy Rate



-740K

YTD Net Absorption, SF



1.3M

Under Construction, PSF



\$27.44

Asking Rent, PSF



In Q3 2020, reporting on the office market moved to a new platform and processes which did not allow for adjustments to the historical data.

ECONOMIC INDICATORS Q1 2021

YoY
Chg

12-Mo.
Forecast

2.1M

Phoenix
Employment



6.4%

Phoenix
Unemployment Rate



6.0%

U.S.
Unemployment Rate



Source: BLS

**Q1 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA).*

ECONOMY

In Q1 2021, the Phoenix market recorded an employment level of 2.1 million jobs. The unemployment rate increased from 4.4% in Q1 2020 to 6.4% in Q1 2021, but a strong improvement from the 7.5% unemployment rate in Q4 2020.

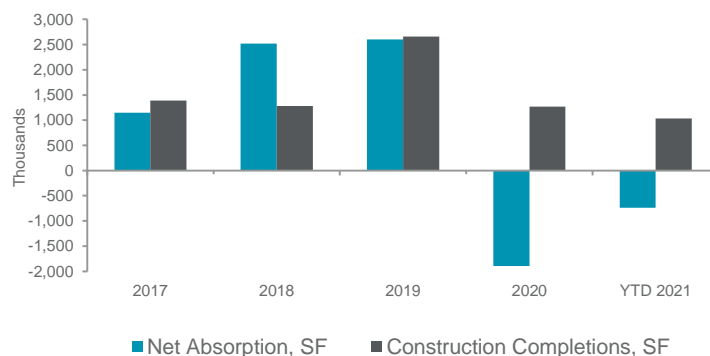
MARKET OVERVIEW

In Q1 of 2021 the office vacancy rate across the Phoenix metro office market has risen to 21.0%. While vacancy has increased, the office market is seeing an improvement in occupier demand in Q1 2021. The Phoenix Metro office market was -1.9 million square feet (msf) in Q4 2020 compared to -740k sf this quarter, a turning point as the COVID-19 vaccine continues to enter the population. Another indicator of positive activity is visible in the gross leasing activity for the quarter which reached (734,000) square feet (sf).

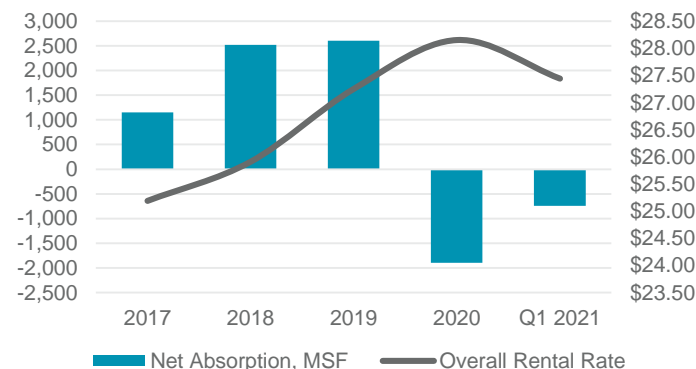
In Q1 2021, the Phoenix market recorded negative absorption of 740,026 sf for all building classes. In the quarter, all building classes recorded negative absorption. Class A buildings had negative absorption of 50,827 sf, Class B buildings had negative absorption of 505,571 sf, and Class C buildings had negative absorption of 183,628 sf.

Of the 22 office submarkets in the Phoenix metro, five experienced positive absorption in Q1 2021. The submarket performing the best in the quarter was the Scottsdale Airpark submarket with 186,850 sf of positive absorption. The North Tempe submarket recorded the largest negative absorption in the quarter with 207,120 sf.

SPACE DEMAND / DELIVERIES



YEARLY ABSORPTION & ASKING RENT





In Q1 2021, the market delivered approximately 1.0 msf of new product across the Phoenix metro. This number comprised of six properties across the valley with the biggest property, the Nationwide Cavasson building, delivering in the Scottsdale Airpark submarket with 460,000 sf. Q1 2021 contained no deliveries in the CBD area as the suburban submarkets continue to dominate the development pipeline.

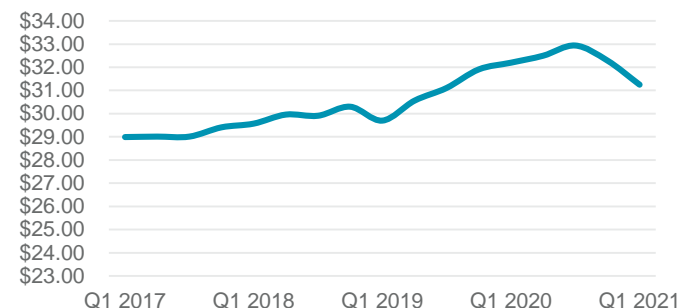
Construction in the Phoenix metro office market remained strong in Q1 2021, with approximately 1.3 msf of space currently under construction. The Chandler/Gilbert submarket leads all submarkets with 300,000 sf under construction. The largest for-lease project under construction is the 287,000 sf office building, 100 Mill, in the North Tempe submarket.

The overall full service gross asking rental rate in the Phoenix Metro office market in Q1 2021 lowered to \$27.44 per square foot (psf) from \$28.15 psf, in Q4 2020. The Camelback Corridor remained the most expensive submarket at \$35.51 psf. The Black Canyon Corridor was the least expensive at \$17.50 psf.

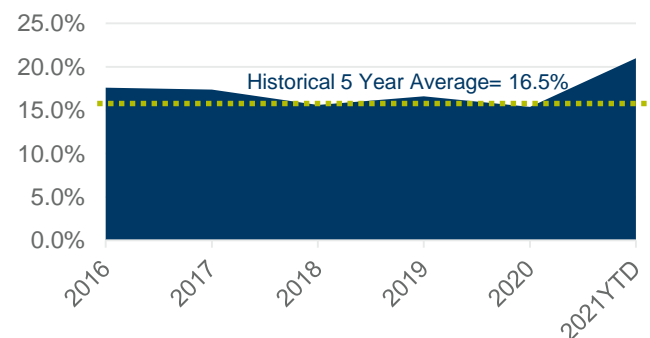
Outlook

- Continued increase in space listed as sublease, available.
- With less deals in the market for space, owners are getting more competitive in the form of concessions. This is being seen in increased free rent and tenant improvement allowances being offered throughout the market.
- Increased demand for turnkey space & spec suites in the current market as tenants appear either out of time or not wanting to deal with hassle of building out space.
- Large user activity is still slow as tenants wait for vaccine and COVID-19 climate to improve. The busiest sector of the market is under 20,000 RSF, likely due to many of those tenants being either local or regional companies, as opposed to national corporations.

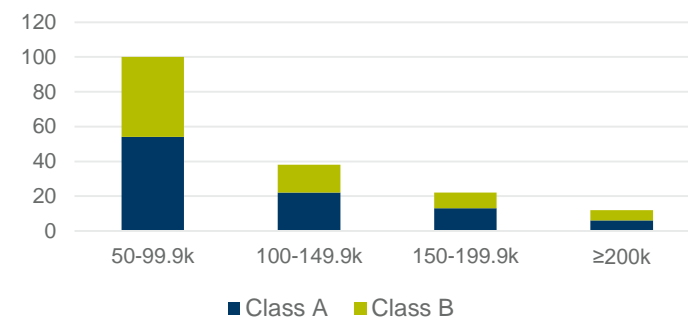
CLASS A RATE



VACANCY RATE



CONTIGUOUS BLOCKS OF VACANT AVAILABLE SPACE





MARKET STATISTICS

SUBMARKET NAME	TOTAL INVENTORY	TOAL DIRECT VACANCY SF	TOTAL SUBLEASE VACANCY SF	TOTAL OVERALL VACANT RATE	YTD LEASING ACTIVITY	OVERALL NET ABSORPTION Q1	OVERALL NET ABSORPTION YTD	TOTAL UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)
Downtown (1)	7,113,440	1,634,412	143,311	25.0%	163,842	(64,050)	(64,050)	-	\$32.00
Midtown (2)	9,625,904	2,329,798	187,102	26.1%	45,519	(101,197)	(101,197)	-	\$23.78
Camelback Corridor (3)	6,730,310	1,396,602	206,228	23.8%	39,033	(101,644)	(101,644)	-	\$35.51
44th Street/East Phoenix (4)	2,758,647	510,999	139,898	23.6%	9,635	(21,450)	(21,450)	-	\$26.96
Central Phoenix (5)	1,758,762	134,695	2,000	7.8%	16,800	(4,084)	(4,084)	-	\$21.28
Piestewa Peak (6)	2,463,768	481,578	36,574	21.0%	52,523	23,293	23,293	-	\$25.13
North Phoenix (7)	1,857,552	224,202	57,724	15.2%	6,940	9,040	9,040	-	\$26.52
Scottsdale Airpark (8)	9,612,579	1,606,219	260,119	19.4%	79,441	186,850	186,850	150,000	\$29.89
Central Scottsdale (9)	4,815,969	1,015,341	81,603	22.8%	39,024	(100,089)	(100,089)	-	\$26.24
South Scottsdale (10)	4,289,531	681,563	155,206	19.5%	45,730	(107,336)	(107,336)	242,940	\$31.49
South Tempe (11)	2,223,673	285,603	4,405	13.0%	13,263	(26,770)	(26,770)	-	\$21.45
Mesa (12)	1,173,872	119,204	31,430	12.8%	2,859	(41,517)	(41,517)	238,347	\$23.83
Chandler/Gilbert (13)	8,330,234	1,505,488	223,309	20.8%	90,450	(88,790)	(88,790)	318,000	\$28.23
West County (14)	543,729	79,200	8,446	16.1%	989	(6,026)	(6,026)	-	\$24.80
Metrocenter (15)	4,489,577	1,520,726	18,037	34.3%	27,121	(39,340)	(39,340)	-	\$20.56
Black Canyon Corridor (16)	535,933	67,197	-	12.5%	5,700	5,700	5,700	-	\$17.50
Deer Valley Corridor (17)	4,738,755	812,626	206,055	21.5%	8,807	114,683	114,683	-	\$24.48
North Tempe (18)	12,109,180	1,841,969	259,514	17.4%	46,501	(207,120)	(207,120)	380,125	\$31.63
Arrowhead (19)	944,505	57,707	-	6.1%	7,505	7,558	7,558	-	\$27.38
Superstition Corridor (20)	2,105,866	357,421	2,570	17.1%	17,069	(73,499)	(73,499)	-	\$20.57
Glendale (21)	1,114,048	110,609	-	9.9%	7,637	(32,470)	(32,470)	-	\$22.11
South Airport (22)	2,932,605	415,342	128,162	18.5%	3,942	(71,768)	(71,768)	-	\$21.93
Phoenix CBD	16,739,344	3,964,210	330,413	25.7%	209,361	(165,247)	(165,247)	-	\$27.01
Phoenix Non-CBD	75,529,095	13,224,291	1,821,280	19.9%	520,969	(574,779)	(574,779)	1,329,412	\$27.59
Grand Total	92,268,439	17,188,501	2,151,693	21.0%	730,330	(740,026)	(740,026)	1,329,412	\$27.44

CLASS	TOTAL INVENTORY	TOAL DIRECT VACANCY SF	TOTAL SUBLEASE VACANCY SF	TOTAL OVERALL VACANT RATE	YTD LEASING ACTIVITY	OVERALL NET ABSORPTION Q1	OVERALL NET ABSORPTION YTD	TOTAL UNDER CONSTRUCTION (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)
Class A	41,208,825	6,859,027	1,339,034	19.9%	360,853	(50,827)	(50,827)	1,329,412	\$31.25
Class B	44,710,747	9,360,928	776,177	22.7%	335,947	(505,571)	(505,571)	-	\$24.98
Class C	6,348,867	968,546	36,482	15.8%	33,530	(183,628)	(183,628)	-	\$21.49
Grand Total	92,268,439	17,188,501	2,151,693	21.0%	730,330	(740,026)	(740,026)	1,329,412	\$27.44



KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SF	TENANT	TRANSACTION TYPE	CITY	SUBMARKET
CityScape	156,330	Alliance Bank of Arizona	Renewal/Expansion	Phoenix	Downtown
Papago Buttes Corporate Plaza	72,715	MUFG	Renewal	Tempe	North Tempe
One Renaissance	58,822	Quarles & Brady	Renewal/Downsize	Phoenix	Downtown
Elevate 24	50,741	Financial Engines	Renewal/Expansion	Phoenix	Camelback Corridor
The Park at SanTan	44,439	Savvas Learning	Renewal	Chandler	Chandler/Gilbert

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SF	BUYER	PRICE	PRICE/\$ PSF	CITY	SUBMARKET
PetSmart Headquarters	365,672	BPM Real Estate Group	\$110,000,000	\$300.82	Phoenix	Deer Valley Corridor
Anchor Centre	333,284	TerraCap Management	\$103,500,000	\$310.55	Phoenix	Camelback Corridor
Raintree Corporate Center	149,424	Held Properties	\$34,000,000	\$227.54	Scottsdale	Scottsdale Airpark
Hayden Station	107,508	George Oliver Companies	\$26,150,000	\$243.24	Tempe	North Tempe

KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Cavasson	Scottsdale Airpark	Nationwide	460,000	Nationwide Insurance
Axis Raintree	Scottsdale Airpark	N/A	175,112	Trammell Crow Company

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Office Submarket Map

Phoenix Metro Area

