

The Real State®

The Real State of the Phoenix Commercial Real Estate Market



August 2025

Phoenix Office Market Finds Its Footing

As we head into the final stretch of the year, one of the surprises is a resurgence in the office sector. It appears that we have reached a bottom from a pricing perspective, at significantly discounted levels—in some cases, as low as 10% of replacement cost for the properties that are selling. Northern California has been ahead of the pack, with many premium office property sales in San Jose leading to nearly \$2 billion in volume in the past year, but it is clear that there is a trickle-down effect in Phoenix. The market has reached the point where prices are unlikely to go lower, and the economics are favoring ownership rather than leasing space.

Phoenix does not have as many large businesses as Silicon Valley, capable of purchasing multi-tenant office buildings and converting to owner occupant use, but there are exceptions, such as U-Haul's purchase of Central/Thomas last year. The other piece of the dynamic is large companies moving their headquarters to Phoenix, such as the Kellwood deal on the Monroe building downtown, to capitalize on the city's affordability and favorable business climate. Some new data points that illustrate the emerging strength: According to Commercial Café, Phoenix experienced its first increase in average sales price per square foot in more than three years, rising from \$165/SF in 2024 to \$197/SF in 2025. In a recent report by Green Street, Phoenix ranked in the top 10 cities for commercial office sales in the \$5 million to \$25 million range.

This month's headline deal in the space was Southwest Value Partners' acquisition of seven class A properties across the Valley—a phenomenal nod from the investment community that good quality assets are there for the taking. The \$296 million deal totals 1.53 million SF, adding to the firm's Arroyo office campus in North Tempe.

Recent Office Deals Around the Valley

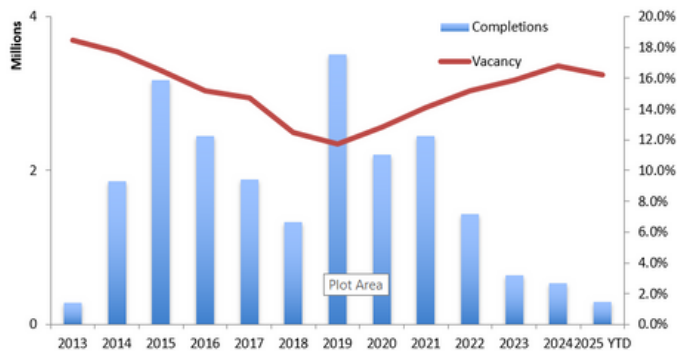
Address	Buyer	Date	Price (MM)	SF	\$/SF
20 E Thomas Rd	U-Haul	12/6/24	23.7	555,651	43
4950 S 48th St	First Citizens Bank	5/16/25	22.4	73,377	305
111 W Monroe St	Kellwood	6/23/25	17.1	261,672	65
2801 E Camelback Rd	Koelbel and Company	6/30/25	48.3	115,838	417
4645 E Cotton Center Blvd	Premier Realty Management	7/22/25	10.1	116,858	86
2800 N Central Ave	Skyline Real Estate	7/22/25	28.5	370,736	77

Beyond the attractive pricing, the uptrend has its roots in employers and employees alike seeking a return to the office, which could bode well for a run on high-profile multi-tenant office properties, chasing after value. "I don't even think it's a bet," Mark Schlossberg, principal and co-managing partner at SVP, told CoStar. "I think it's been demonstrated that it works better for companies to have people collaborating together in the office and available...but it's already happening."

Finding the Value in Office Space

Whether you own commercial office property that you are looking to sell, or are interested in investment opportunities, the R.O.I. Properties team can negotiate the most favorable deal for you. Please contact us at: info@roiproperties.com or 602-319-1326.

OFFICE



Like many metros, Phoenix has seen office construction slow to a near halt due to weaker tenant demand, rising development costs, and limited financing. This pause has helped ease the supply-demand imbalance but may lead to a midterm shortage of first-generation office space, limiting premium options for occupiers.

Only 2.5 million SF of new office space has delivered over the past three years—down from the 2.8 million SF annual average from 2015 to 2021. The only two leasable non-medical offices completed in the past year were built-to-suits later vacated: a 133,400 SF office for Carvana and a 135,000 SF office for Viasat. Both are in Tempe and remain vacant.

A decade of limited construction has contributed to the Valley's tight retail market. During the last expansion cycle, developers prioritized other property types—especially in Phoenix, which was hit hard during the Global Financial Crisis.

In the past 12 months, just 1.2 million SF of net new retail space was delivered, down sharply from over 10 million SF annually between 2006–08. Although construction has risen above pre-pandemic levels to 1.8 million SF, less than one-third is available for lease, keeping supply pressure low.

Spec big box development remains rare, with most projects securing anchors and preleasing shop space before construction begins.

RETAIL



INDUSTRIAL



Phoenix is facing one of the most aggressive industrial development pipelines in the U.S. Over the past three years, 90.9 million SF of space was delivered—matching the metro's total from 2007–2019 and exceeding Fresno's entire inventory.

This surge has driven vacancy rates higher and slowed rent growth. Supply pressure is expected to continue, with 24.1 million SF underway—ranking Phoenix second nationally, just behind Dallas-Fort Worth. The pipeline represents 4.8% of existing inventory, nearly triple the U.S. average of 1.6%.

Roughly 50% of current development is speculative, with no tenants in place, likely pushing vacancy even higher through 2026.

The Phoenix multifamily market is under pressure as new supply continues to outpace rental demand. In the past year, 23,000 net new units were delivered—more than triple the pre-COVID annual average of 7,100—pushing vacancies up since mid-2021 and turning rent growth negative.

Roughly 23,000 units remain under construction, equal to 5.3% of existing inventory and ranking Phoenix among the most heavily built markets in the U.S.

While still significant, the pipeline is down about 40% from its mid-2023 peak due to a slowdown in construction starts over the past 18 months.

MULTIFAMILY



Residential Snapshot

It's been a long, hot summer, but the back-to-school season appears to have created an uptick in interest and potential buyers touring homes. Although sales remained flat over the month, there are indications of increased activity coming in September. The anticipated rate reductions at the September 16 meeting of the Federal Reserve are effectively built into consumer sentiment and mortgage rates, which have now fallen into the 6.5% range—the lowest since October 2024.

A lot of inventory remains on the market, particularly in the lower price ranges. Among the unknowns, of course, is how the market might react to a formal interest rate reduction. Some buyers could continue to wait for additional decreases, while others may decide that the rates are good enough for now, with no need to hold off on purchasing.

July to August 2025, the supply-demand index increased 73.1 to 77.5, further into balance but still solidly in buyer's market range.

Other market factors that R.O.I. Properties is tracking include:

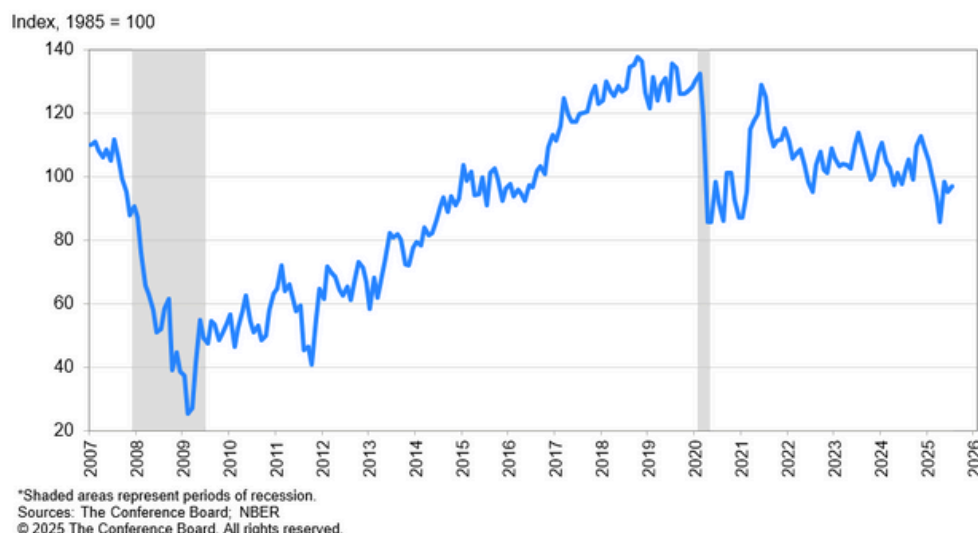
- July 2025 ended with 7,281 new listings added to the MLS, up just 3.2% over last July. However, August new listings are coming in weaker than last year, down 5.1% month-to-date and the second lowest August to date since 2001.
- Cancellations and expired listings saw another large increase year-over-year, with a 64% increase in cancellations and a 69% increase in expired listings. Since the end of April, overall supply has decreased 14% as new listings are not sufficient to replenish the number of listings that cancel, expire, and go under contract.
- Closed sales in July totaled 5,732, only 27 fewer sales than last year for a 0.5% drop. That was disappointing since the month started off so strong. Good news though, weekly new contracts for August are up 12.5% over last year, pushing listings under contract up 5.2% over last year, which is a good indicator for a higher sales rate in September.
- While list prices are coming down, sales prices are too. The median sales price measure is down just 0.9%, but the average sales price per square foot is down 2.0% year-over-year so far in August.

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At R.O.I. Properties, we work hard to ensure that our clients thrive in every real estate market—particularly as market conditions shift. Contact us at 602.319.1326 or info@roiproperties.com.

US CONSUMER CONFIDENCE

Consumer Confidence Index®



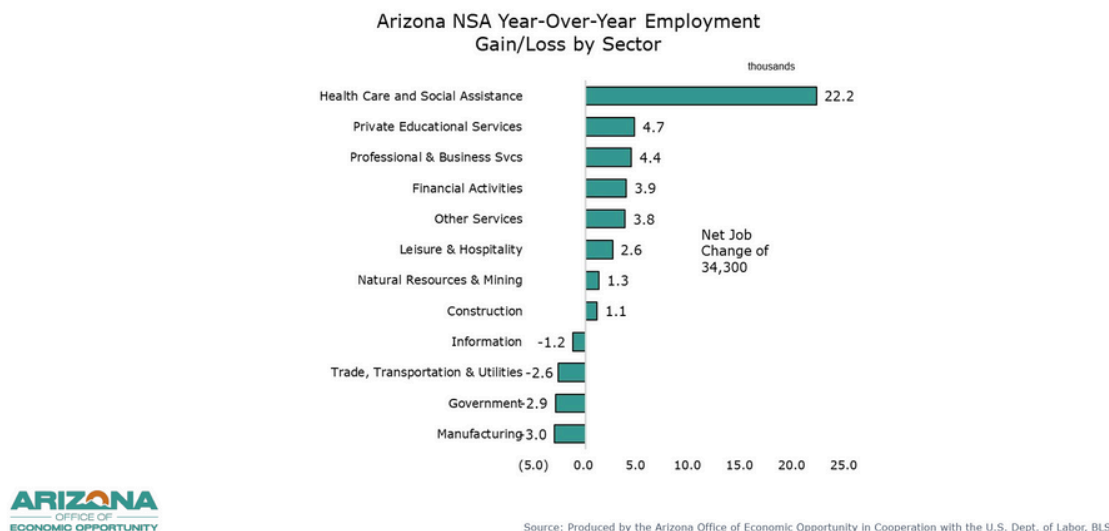
Source: U.S. Consumer Confidence

““Consumer confidence dipped slightly in August but remained at a level similar to those of the past three months,” said Stephanie Guichard, Senior Economist, Global Indicators at The Conference Board. “The present situation and the expectation components both weakened. Notably, consumers’ appraisal of current job availability declined for the eighth consecutive month, but stronger views of current business conditions mitigated the retreat in the Present Situation Index. Meanwhile, pessimism about future job availability inched up and optimism about future income faded slightly. However, these were partly offset by stronger expectations for future business conditions.”—The Conference Board

JULY 2025 EMPLOYMENT REPORT

YEAR-OVER-YEAR EMPLOYMENT CHANGE

Not Seasonally Adjusted, July 2025



Year-Over-Year (YoY) Highlights

- Arizona NSA nonfarm employment increased by 34,300 jobs (1.1%)
- Arizona private sector employment increased by 37,200 jobs (1.4%), while government employment fell by 2,900 jobs (-0.7%)
- Eight of the 12 major sectors recorded job gains. The largest gains were recorded in Health Care and Social Assistance (22,200 jobs), Private Education Services (4,700 jobs), and Professional & Business Services (4,400 jobs). The largest losses occurred in Manufacturing (-3,000 jobs), Government (-2,900), and Trade, Transportation & Utilities (-2,600 jobs)
- All Arizona metro areas (MSAs) gained jobs. The largest percentage gains were recorded in Phoenix-Mesa-Chandler MSA (1.2%) and Prescott-Prescott Valley MSA (0.9%)

Source: [AZ Office of Economic Opportunity](#)

Articles of Interest

CoStar – Aug. 19

[Empty office space tends to concentrate in a small number of buildings — but that number is rising](#)

AZ Big Media – Aug. 7

[10 biggest commercial real estate deals of the last 10 years](#)

Phoenix Business Journal – Aug. 27

[Amkor to relocate \\$2 billion Peoria chip plant project out of Vistancia](#)

GlobeSt. – Aug. 22

[Unexpected Strength in Office Transactions Lifts Small-Sized Property Market](#)

Connect CRE – Aug. 25

[Former Avnet Office Property Acquired by Phoenix Investor](#)

Commercial Cafe – July 21

[Office Sales Pick Up Y-o-Y, Phoenix Sees Long-Awaited Price Growth](#)