

The Real State®

The Real State of the Phoenix Commercial Real Estate Market



October 2025

Industrial Maintains Its Role as Economic Engine

We are seeing ongoing positive activity in the Greater Phoenix commercial real estate market, much of it spurred by years' worth of economic development efforts that are now coming to fruition. In particular, the action continues to be hot in and around the Northwest Valley area occupied by Taiwan Semiconductor Manufacturing Co. (TSMC), Amkor, and all of their assorted vendors. Just this week, TSMC announced that it has applied for 902 acres of state trust land just south of its existing campus, through an Arizona State Land Department auction planned for January 7, 2026 with a starting bid of \$197.25 million.

With a tighter supply overall, fewer players are able to purchase and develop the properties within that high-demand and increasingly pricey submarket. Other parts of the Valley still have significant vacancy levels from an industrial standpoint, but we seem to be burning through the excess inventory and reaching the price levels where properties are most likely to trade.

The most recent surge in activity has been within a growing number of industrial parks underway as well as changing hands. Notable events include:

- ViaWest Group's announcement of an office-to-industrial conversion in Deer Valley, an 809K SF industrial park that will be called ReDiscover Logistics Park.
- BKM Capital Partners' acquisition of 8 light industrial buildings in Phoenix and Tempe that total 900K SF across 46 buildings.
- Dollar Tree's acquisition of a 1.3 million SF Class A industrial building at Lincoln Property Co.'s Park303 logistics park near Glendale, Ariz., for \$147.1 million—the company's first regional distribution facility in the Valley.
- Barclay Group's announcement that it will build Vistancia Commerce Park, 239,700 SF planned for completion in mid-2027, located just a few minutes from TSMC.

Sector Roundup

Multifamily: Price discovery is ongoing. Prices are lower than they were in 2022, but without further deep cuts, offering more momentum for many multifamily buyers and property owners. While we are seeing some foreclosure activity, it's typically limited to individuals and/or institutions that acquired at or near the market peak (2021–early 2022, for multifamily) and cannot secure replacement financing due to lack of equity and higher interest rates.

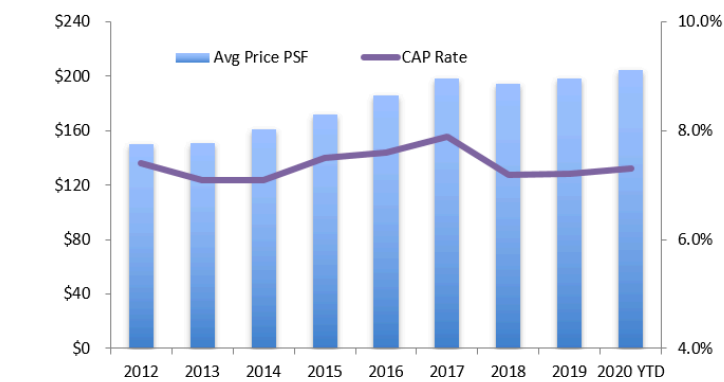
Retail: Single-tenant and multi-tenant strip centers are in high demand and at very low vacancy rates, around the 4.5% mark. It has been a relief to see growth in a sector that was in outright despair during the depths of Covid.

Office: Deals are still happening, particularly in owner-occupant product, including single-tenant buildings and smaller multi-tenant buildings with professional offices. On the other end of the spectrum, large institutional multi-tenant deals continue to play out, such as the Southwest Value Partners deal discussed in the August issue of *The Real State*. Camelback corridor properties are in high demand and no longer selling at a discount. With employers pressing to get employees back in the office, the office market is no longer appearing quite so speculative or uncertain. The Federal Reserve's 0.25 decrease in the Fed Funds rate on October 29 may slightly help lower borrowing costs and stimulate activity in this segment, but Fed Chair Jerome Powell said a December cut is "not a foregone conclusion."

Finding the Value in Commercial Properties

Whether you own commercial property that you are looking to sell, or are interested in owner-occupant or 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



Office construction in Phoenix has nearly come to a halt due to weaker tenant demand, high development costs, and limited financing. While this pause has helped ease the supply-demand imbalance, it may lead to a shortage of first-generation office space, limiting premium options for occupiers.

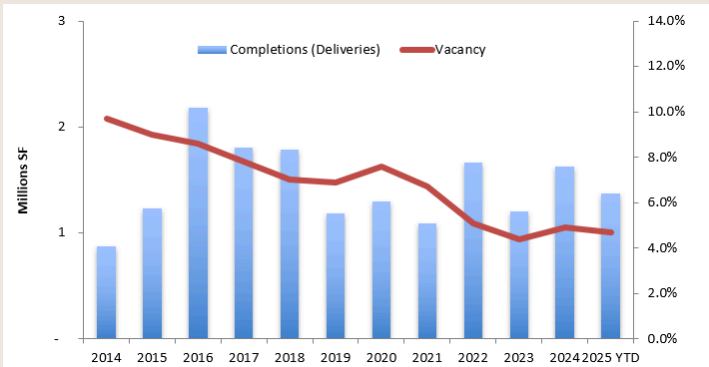
Only 2.2 million SF of gross office space has delivered over the past three years—well below the 2.8 million SF average added annually from 2015 to 2021. Since early 2024, the only two leasable non-medical offices completed were built-to-suits later left unoccupied by the intended users.

RETAIL

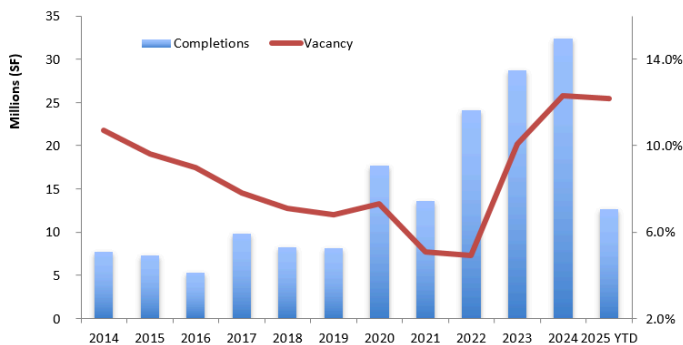
A decade of limited construction has contributed to tight retail conditions in the Valley. During the last expansion cycle, developers focused on other property types—especially in Phoenix, which was hit hard by the Global Financial Crisis.

In the past year, just 1.2 million SF of net new retail space was delivered—down sharply from the 10+ million SF added annually between 2006 and 2008. Although 2.4 million SF is now under construction, 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.



INDUSTRIAL



Phoenix is experiencing one of the most aggressive industrial development pipelines in the U.S. Over the past three years, 91.0 million SF of industrial space has been delivered—surpassing the metro’s total from 2007 to 2019 and exceeding Fresno’s entire inventory.

This construction boom has pushed vacancy rates higher and slowed rent growth. Supply pressure is expected to continue, with 19.6 million SF underway—ranking Phoenix second nationally behind Dallas-Fort Worth. The pipeline represents 3.9% of existing inventory, nearly triple the U.S. average of 1.6%.

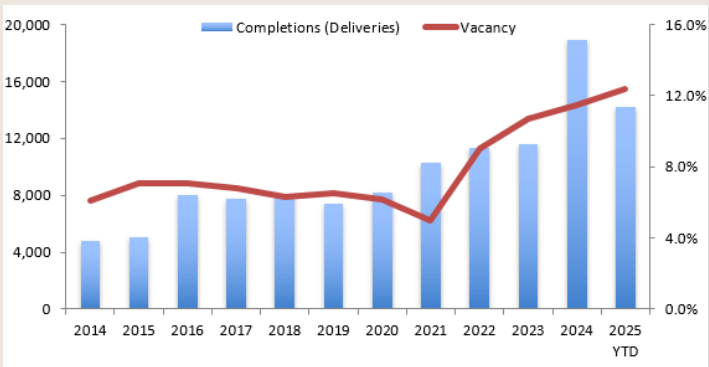
With about half of current projects being speculative, additional vacancy increases are expected into 2026.

MULTIFAMILY

The Phoenix multifamily market is facing ongoing supply-side pressure, with new deliveries far outpacing rental demand. In the past 12 months, 23,000 net new units were delivered—well above the pre-COVID annual average of 7,100—causing vacancy rates to rise since mid-2021 and keeping rent growth negative.

Roughly 21,000 units are under construction, equal to 4.9% of existing inventory, making Phoenix one of the most heavily built markets in the U.S.

However, the pipeline is about 40% below its mid-2023 peak due to a slowdown in construction starts over the past 18 months.



Residential Snapshot

The Federal Reserve's 0.25 decrease on October 29 was the first of two anticipated rate reductions for the remainder of 2025. Although the decrease to 3.75%-4.00% was effectively baked into the mortgage rate cake during the past few weeks by the bond market, the overall environment seems more hopeful, with buyer activity slowly ticking towards normal levels. The question remains how much longer the buyer's market lasts, which depends on the interaction between rates and inventory and how decreases impact demand. If further reductions are greeted by more inventory, those factors could offset. Even with an additional Fed cut, the anticipation is that 30-year rates will remain above 6%.

Looking at the numbers from September to October 2025, the supply-demand index decreased from 81.7 to 78.8, with the supply index up from 97.4 to 101.7, and the demand index up from 79.5 to 80.2. The October 24 CPI inflation report saw prices rise 3.0% year-over-year, up from 2.9% the previous month. This is considered a positive report as the increase was below expectations. If unemployment trends up, expect mortgage rates to drop again.

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

- The third quarter ended with 23,611 new listings added to the MLS, just 53 (+0.2%) more than last year's count of 23,558. New listings in October are following a similar trend so far. New listings under \$300K were up 18%, while those between \$300K–\$1M were only up 3%. New listings over \$1M were up 9%.
- While October doesn't usually see a massive increase of new listings in most areas and price points, it does see a significant increase in the retirement and luxury communities as the weather cools off and sellers re-list the properties they took off the market over the summer.
- Closed sales in September totaled 5,615, up 11% over last September and 4% over August. September this year had 21 closing days compared to 20 closing days last year—that extra closing day makes a big difference. When adjusted to a daily closing rate, September closed 267.4/day compared to 253.2/day last year, an extra 14 transactions per day, up 5.6% over last year and still respectable.

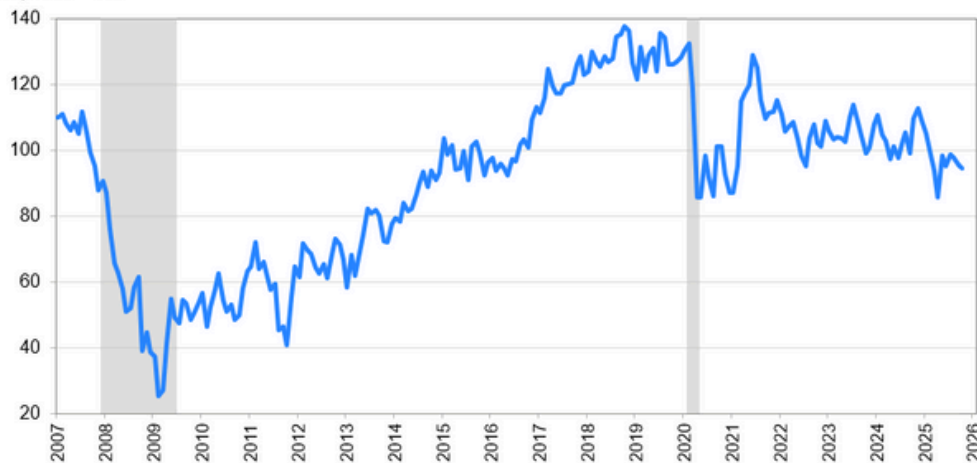
Your Expert Real Estate Advisors Under All Market Conditions

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.

CONSUMER CONFIDENCE – OCTOBER

Consumer Confidence Index®

Index, 1985 = 100



*Shaded areas represent periods of recession.
Sources: The Conference Board; NBER
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Source: The Conference Board

“Consumer confidence moved sideways in October, only declining slightly from its upwardly revised September level. Changes to the individual subcomponents were also limited and largely cancelled each other out. The Present Situation Index regained some strength after September's drop. Consumers' view of current business conditions inched upward, while their appraisal of current job availability improved for the first time since December 2024. On the other hand, all three components of the Expectations Index weakened somewhat. Consumers were a bit more pessimistic about future job availability and future business conditions while optimism about future income retreated slightly.”

—The Conference Board

GREATER PHOENIX BLUE CHIP ECONOMIC FORECAST



The table below displays 2026 forecasts for population, personal income, retail sales, wage and salary employment, manufacturing employment, and construction employment in Greater Phoenix (defined as the Phoenix Metropolitan Statistical Area, Maricopa County and Pinal County). Forecasts are updated quarterly and reflect percentage changes for the year.

October 2025 Update

2026 ANNUAL PERCENTAGE CHANGE						
	Population	Personal Income	Retail Sales	Wage & Salary Employment	Manufacturing Employment	Construction Employment
ASU Economic Outlook Center	1.6%	5.9%	3.2%	1.4%	1.0%	2.0%
EconLit LLC	1.6%	5.3%	3.2%	2.0%	1.9%	2.4%
Elliott D. Pollack & Co.	1.6%	5.8%	4.1%	1.7%	1.0%	3.4%
Joint Legislative Budget Committee	1.6%	5.7%	3.4%	2.0%	2.0%	2.0%
Rounds Consulting	1.3%	4.9%	3.5%	1.5%	1.5%	2.5%
Southwest Growth Partners	1.6%	4.7%	3.0%	1.5%	1.4%	-0.5%
The Maguire Company	1.5%	5.3%	3.2%	2.2%	2.2%	1.9%
University of Arizona Eller College	1.5%	6.2%	4.1%	1.8%	3.0%	-1.5%
CONSENSUS	1.5%	5.5%	3.5%	1.8%	1.8%	1.5%

Source: *Seidman Institute*

Articles of Interest

KTAR News – Oct. 28

[ViaWest sells building from East Valley industrial portfolio for nearly \\$3.6M](#)

AZ Big Media – Oct. 29

[Phoenix ramps up office development](#)

Phoenix Business Journal – Oct. 28

[Semiconductor giant TSMC targets state trust land for Arizona expansion](#)

GlobeSt. – Oct. 27

[Apartment Demand Rises As Mortgage Costs Widen Rent Gap](#)

Commercial Cafe – Oct. 21

[Top Markets' YTD Office Sales & Construction Starts Inch Up From 2024](#)

Commercial Property Executive – Oct. 3

[Dollar Tree Pays \\$147M for Phoenix-Area Industrial Asset](#)