

The Real State®

The Real State of the Phoenix Commercial Real Estate Market



January 2026

CRE Buyers and Sellers Ready to Deal

Commercial real estate started the year busy across all asset classes, with market participants back and ready to make deals happen. Owner-occupant office and industrial properties, particularly in North Phoenix and beyond, are in high demand. Land and special-use properties are notably active, along with single tenant net lease properties. This segment has a unique buyer base, including family offices, cash buyers, and others who are interested in income-generating assets.

Office has continued its trend from last year. Large, multi-tenant high-rise office buildings are selling, albeit at extreme discounts, and some are selling with repurposing in mind. Some of these projects include converting some suites to condos, opening up ownership opportunities for occupants, and there have been a few sales of entire buildings to owner occupants. Medical office building sales are strong, with numerous transactions taking place since the beginning of December, and pricing remaining solid. Contributing to this subsector's resilience, and its vacancy rate at around 11.5%, are several factors: tenant retention/long-term leases, steady returns and cash flow, and limited new construction.

Meanwhile, multifamily is continuing to experience headwinds in occupancy, with a fairly high vacancy rate hovering around 12.9%. That is a concern, especially with additional inventory coming up on the market. Vacancies aside, multifamily properties are still selling, while competing against a lot of the same type of inventory that is currently on the market and soon to be delivered.

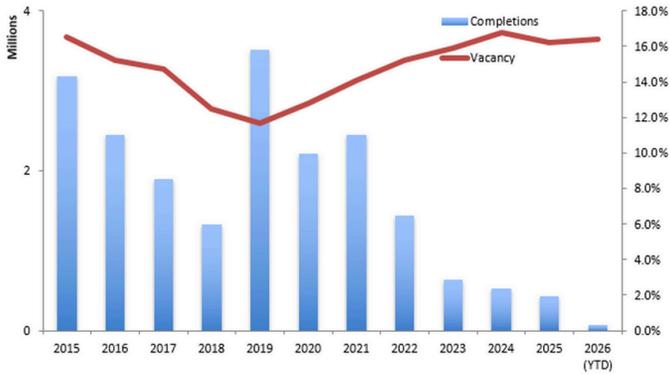
On January 16, the *Wall Street Journal* put the spotlight on Phoenix for having the largest percentage of rent concessions in the country: An estimated 54% of rentals in the Phoenix metro are giving tenants at least one month off their rent. Such an incentive allows landlords to keep the rent rolls higher. They get to the same place as they would from decreasing monthly rates, but the strategy makes the financials more attractive from an investor's perspective—especially given the vacancy rates. Making rent more affordable on the front end results in stabilized higher rental rates on the back end.

Beyond the financial incentives, landlords have gotten creative about how to entice would-be renters, with some offering options such as new appliances, Amazon gift cards, discounted sports tickets, and free moving trucks. Even with those incentives, the overall trend in the Valley has been a decrease in rental rates. At the end of 2025, rents in Phoenix had dropped 4% year-over-year compared to the national figure of 1.3%, according to Apartment List.

Finding the Value in Commercial Properties in 2026

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.

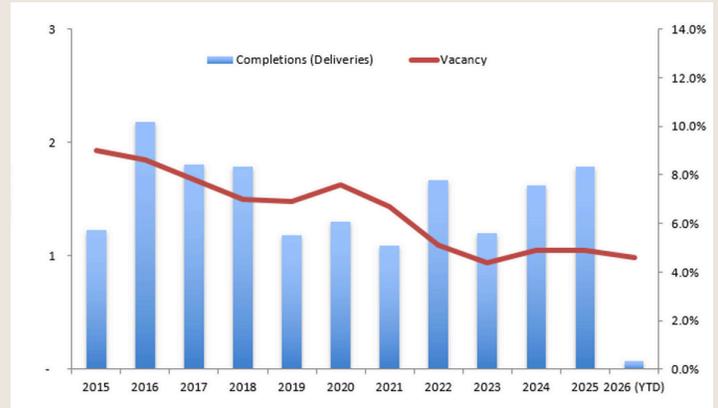
OFFICE



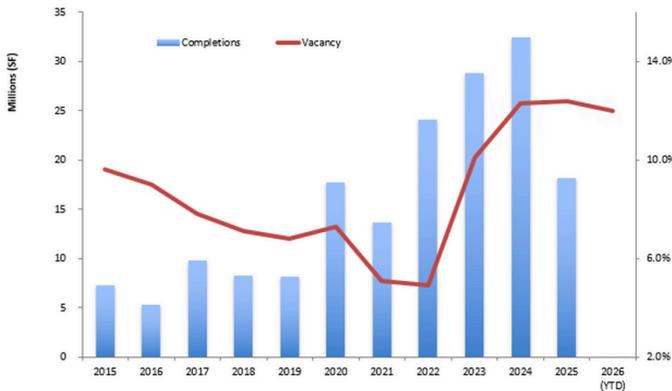
Office construction in Phoenix has slowed significantly due to weaker tenant demand, higher costs, and limited financing. Only 2.1 million SF delivered over the past three years, far below pre-pandemic averages. New groundbreakings are down about 70 percent, with just 1 million SF underway—mostly medical and smaller offices. Standalone speculative projects remain rare, while build-to-suits and mixed-use redevelopments are more common. Office-to-residential conversions are limited, but renovations and spec suites are gaining traction. Less than 2 million SF is expected to deliver in 2026–2027, keeping supply pressure low.

The Phoenix retail market remains tight due to a decade of limited construction. Over the past year, only 2.1 million SF of new retail space was delivered, far below the 10 million SF average seen annually from 2006 to 2008. Although 3.2 million SF is currently under construction, most of it is preleased, keeping supply pressures low. Demolition of outdated properties, including mall redevelopments like PV, Fiesta, and Metrocenter, has further reduced available inventory. Developers are cautious, citing that rents often remain too low to justify new projects. When construction does occur, it typically targets high-growth outer areas like Queen Creek, Buckeye, and Surprise. Notable projects include Verrado Marketplace and Buckeye Commons, both of which are largely preleased. Overall, the restrained development pipeline and scarcity of speculative building should help sustain healthy fundamentals and support continued, if slower, rent growth.

RETAIL



INDUSTRIAL



The Phoenix industrial market is facing intense supply-side pressure, with nearly 85 million SF of space delivered over the past three years—more than the total from 2007 to 2019. This boom has driven vacancy rates up and slowed rent growth. With over 18 million SF still under construction, and half of that without pre-leased tenants, vacancy is expected to remain elevated. Large-scale developments dominate, particularly in buildings over 100,000 SF, where vacant space has surged. Key development areas include the West Valley (Glendale, Goodyear, and Tolleson) and the Phoenix-Mesa Gateway Airport region. Although completions slowed in 2025, the construction pipeline has flattened rather than declined, suggesting continued pressure ahead.

Phoenix's multifamily market is under pressure from an oversupply of new units, with 21,000 delivered in 2025—triple the pre-COVID annual average. This surge has pushed vacancy rates higher and kept rent growth negative. While construction activity has slowed from its 2023 peak, around 20,000 units are still underway, particularly in high-impact areas like Downtown Phoenix and the West Valley. Roosevelt Row has seen a spike in luxury developments, while the West Valley has become a hub for build-to-rent communities, intensifying competition and slowing performance. In contrast, submarkets like Chandler and Old Town Scottsdale have been more insulated due to higher land costs and limited development space. A sharp decline in new permits over the past two years may help ease supply-side pressures moving forward.

MULTIFAMILY



Residential Snapshot

In the wake of a quiet holiday season, January started with a flurry of market activity. Interest rates at around three-year lows and stabilization are supporting offer activity across the board, whether entry-level, move-up, or even luxury and uber-luxury properties. Although there were concerns about a rapid increase in supply to kick off the year, current levels of product volume are nothing extraordinary. Properties are in demand, and sellers who price right and pair their properties with meaningful marketing are receiving interest and offers from buyers.

Earlier this week, the Federal Reserve held rates at the same level for the first time since July 2025. While that may come as a disappointment for buyers hoping for lower mortgage rates, it also staves off potential inflationary impacts in the market. If history is a guide, lower rates could result in additional appreciation and cancel out any affordability benefits.

From December 2025 to January 2026, the supply-demand index increased from 84.1 to 88.9, with the supply index down from 101.0 to 93.7 and the demand index rising from 85.0 to 88.9. The overall index is close to balance but has stalled just before breaking the barrier, giving buyers a little more time in a buyer's market.

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

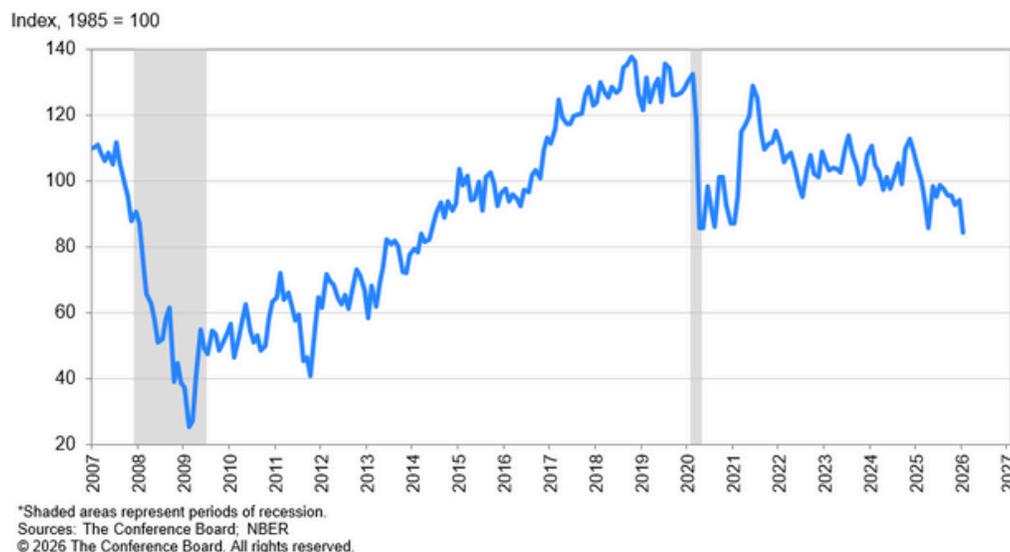
- New listings are subdued so far in January, down 3.2% from last year, while total inventory is up 6.2%. The biggest increase in new listings and total supply continues to be in the most affordable range under \$300K.
- Buyers still have more to choose from between \$300K-\$500K overall, but new listings are down in these price points, which could cause inventory to dwindle later as fewer sold listings are replaced.
- Closed sales totaled 69,483 at the end of 2025, up 3.5% over 2024 and up 2.1% over 2023. New home sales were down 5.9% according to RL Brown, which explains why permits were down 21%.
- At the highest price point, over \$10M, there were 32 sales in 2025. If that's not impressive enough, 2026 has already seen 8 closings over \$10M in the first 4 weeks

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

Consumer Confidence Index®



Source: *The Conference Board*

The Conference Board Consumer Confidence Index fell by 9.7 points in January to 84.5 (1985=100), from an upwardly revised 94.2 in December. A 5.1-point upward revision to December's reading of the Index resulted in a slight increase last month, reversing the initially reported decline. However, January's preliminary results showed confidence resumed declining after a one-month uptick.

GREATER PHOENIX BLUE CHIP ECONOMIC FORECAST - JAN. '26

2026 ANNUAL PERCENTAGE CHANGE						
	Population	Personal Income	Retail Sales	Wage & Salary Employment	Manufacturing Employment	Construction Employment
ASU Economic Outlook Center	1.6%	6.0%	3.5%	1.6%	1.0%	3.0%
EconLit LLC	1.6%	5.3%	3.2%	2.0%	1.9%	2.4%
Elliott D. Pollack & Co.	1.5%	5.8%	4.1%	1.7%	1.0%	1.4%
Joint Legislative Budget Committee	1.6%	5.7%	3.4%	2.0%	2.0%	2.0%
Rounds Consulting	1.5%	5.5%	3.5%	1.5%	1.0%	1.0%
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%	6.0%	4.6%	1.6%	0.4%	-0.5%
CONSENSUS	1.6%	5.5%	3.6%	1.8%	1.4%	1.3%

Articles of Interest

Commercial Cafe – Jan. 20

[Vacancy Rates Begin to Slip & Construction Starts Level Off as Coworking Maintains Competitive Edge](#)

CoStar – Jan. 16

[NYC, Phoenix projected to open the most hotel rooms in 2026](#)

Phoenix Business Journal – Jan. 12

[Investors grab Phoenix-area medical buildings as health care sector gains momentum](#)

Commercial Search – Dec. 31

[Phoenix Office Sector Shows Strong Sales, Tight Vacancy](#)

The Real Deal – Jan. 12

[Phoenix leads US in rent concessions: Apartment List](#)

CNN Business – Jan. 28

[Fed holds interest rates steady for first time since July](#)