MARKET IN MINUTES
Savills Research

Q3 2022 - Office

Phoenix

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Leasing activity slows in the second half of the year

As the third quarter came to a close, the Phoenix office market has seen a continued slowdown in overall leasing activity in terms of square feet transacted but has seen an increase in the overall number of transactions compared to the previous quarter. In the third quarter, there were 270 total recorded leases signed, more than 40 transactions higher than last quarter. Leasing activity of 1.4 million square feet (msf) was down approximately 200,000 square feet (sf) from last quarter as many occupiers are still uncertain about their future return to office plans. The overall availability rate increased again to 26.1% while average asking rental rates have slightly increased to $28.36 per square foot (psf) as overall tenant flight to quality continues. The largest lease signed of the quarter was by Cirrus Logic, a semiconductor manufacturer for 51,419 sf at 2625 W Geronimo Place in Chandler.

Sublease availability continues to rise as direct asking rates seem to holding

The amount of sublease space on the market in the Phoenix metro has reached 6.4 msf, up 56% from 4.1 msf of sublease space reported a year ago. Most notably, Carvana recently listed their entire space for sublease totaling 267,962 sf at 4025 S Riverpoint Parkway near the airport despite themselves just subleasing from University of Phoenix earlier this year. With slowing economic growth, expect sublease space to increase as more companies put their spaces on the market as they look to cut costs.

Occupiers remain in the driver seat as Phoenix remains a tenant favorable market

Tenant demand continues to be the strongest in the Camelback Corridor and Scottsdale Airpark submarkets due to their denser centralized locations near a variety of amenities such as restaurants and retailers. Together, these two submarkets combined for 72 leases totaling 367,505 sf in the third quarter. As overall flight to quality is expected moving forward, tenants will continue to have the upper hand over landlords who will remain aggressive at chasing occupancy through higher concessions in order to hold their face rents.

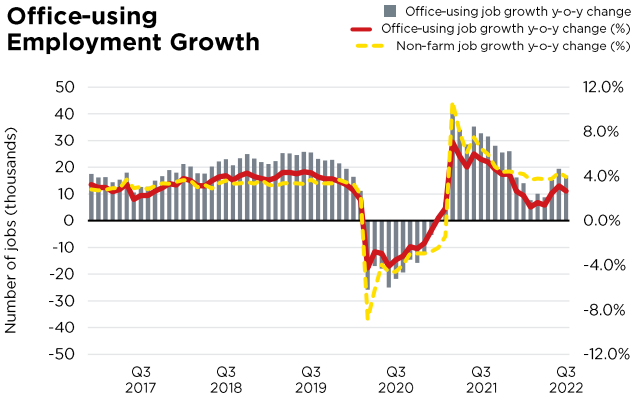
Outlook

- Overall, Phoenix is one of the nation's top markets for job growth with many companies relocating or opening satellite offices, much different from the financial crisis when Phoenix recovered roughly two years after the rest of the U.S.
- Expect tenants to continue to have the upper hand as tenant-favorable market conditions are here to stay over the short-term
- Availability levels are forecasted to remain high as more companies decide to shed space with economic uncertainty rising

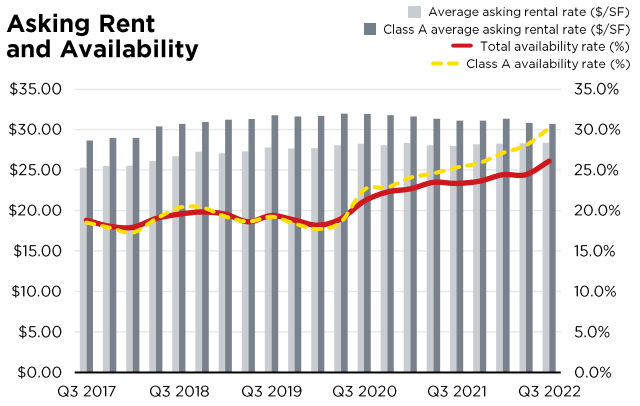
Key Statistics

	Q3 2021	Q3 2022	y-o-y Change
Inventory	104.7 MSF	105.8 MSF	▲
Availability Rate	23.3%	26.1%	▲
Asking Rental Rate	$27.98	$28.36	▲
Class A Asking Rental Rate	$31.12	$30.72	▼
Quarterly Leasing Activity	1.9 MSF	1.4 MSF	▼
Available Sublease Space	4.1 MSF	6.4 MSF	▲

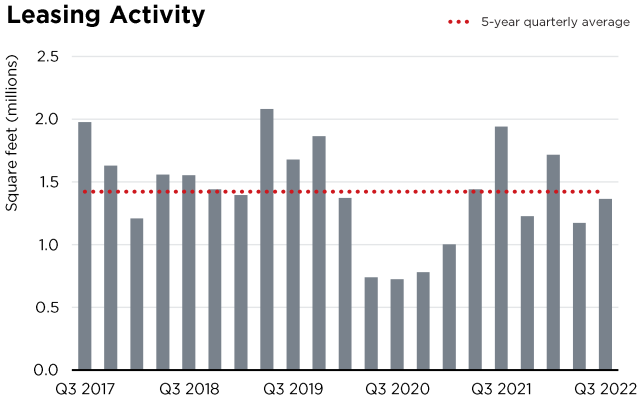
Office-using Employment Growth



Asking Rent and Availability



Leasing Activity



By the Numbers

3.4%
Phoenix unemployment rate (as of August 2022)

1.3%
Office-using employment growth year-over-year (as of Aug. 2022)

1.4 msf
Office space currently under construction

Top Transactions

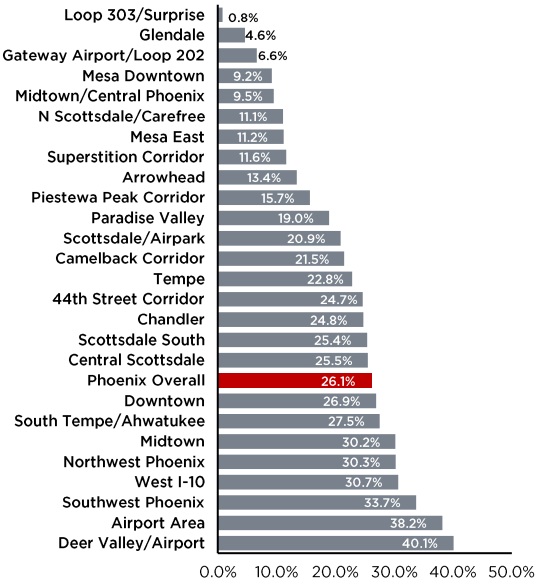
Tenant	Square Feet	Address	Transaction Type	Submarket	Industry
Cirrus Logic	51,419	2625 W Geronimo Place	Relocation	Chandler	TAMI
Northrop Grumman*	50,453	1700 S Price Road	New Location	Chandler	Aerospace
Trivita	47,745	16100 N Greenway Hayden Loop	Renewal	Scottsdale/Airpark	Healthcare
General Services Administration	42,686	250 N 7th Avenue	Renewal	SW Phoenix	Government
General Services Administration	39,431	5710 W Chandler Boulevard	Renewal	South Tempe	Government
ProCare MSO	28,019	4645 E Cotton Center Boulevard	New Location	Airport Area	Healthcare
CDW*	27,135	40 E Rio Salado Parkway	New Location	Tempe	TAMI
General Services Administration	26,226	250 N 7th Avenue	New Location	SW Phoenix	Government
Applied Materials	25,457	2030 E ASU Circle	New Location	South Tempe	Manufacturing
Achen-Gardner Construction	24,933	2195 W Chandler Boulevard	New Location	Chandler	Construction

*Sublease

Source: Savills Research

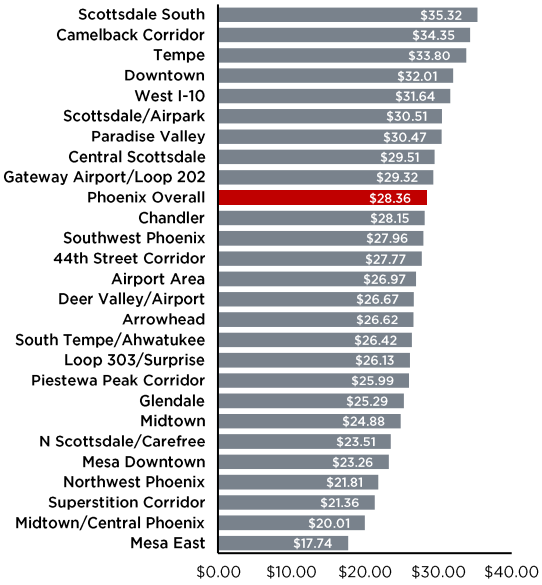
Availability Rate Comparison (%)

Phoenix Submarkets



Rental Rate Comparison ($/SF)

Phoenix Submarkets



Unless otherwise noted, all rents quoted throughout this report are average asking gross (full service) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical availability and rent data are subject to change due to changes in inventory.

The information in this report is obtained from sources deemed reliable, but no representation is made as to the accuracy thereof. Unless otherwise noted, source for data is Savills Research.

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