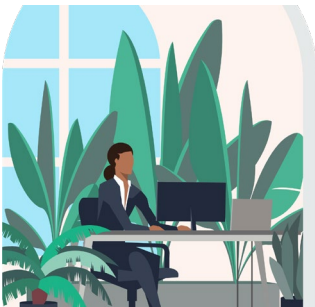


## Office

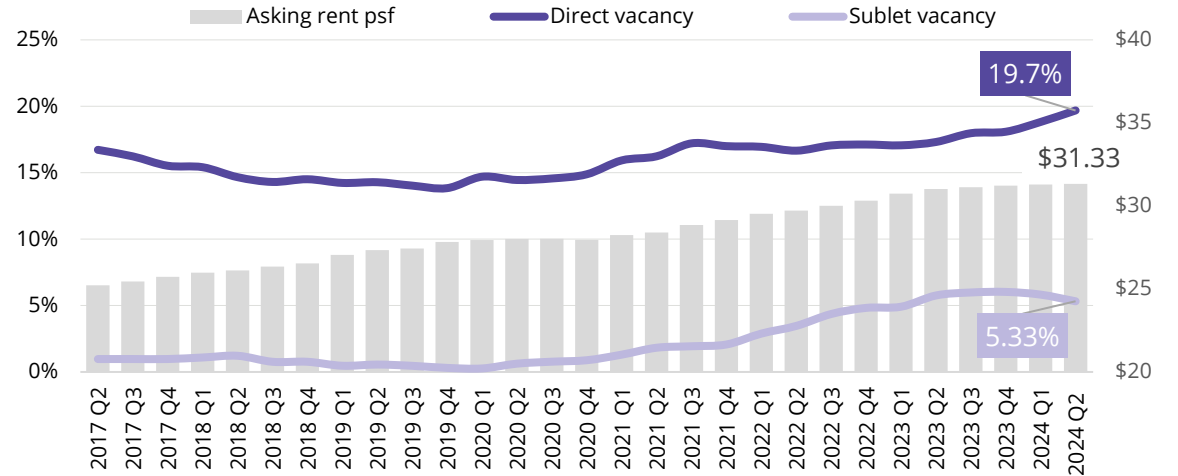
### Phoenix office market grapples with high vacancies amidst steady investment and rent growth.

Despite post-pandemic challenges, the Phoenix office market has seen a steady rise in asking rents, registering at \$31.33 per square foot at the end of Q2 2024. The total vacancy rate stands at 25.0%, largely driven by increased sublet spaces and larger building vacancies. However, smaller floorplate buildings remain relatively healthy. Investment sales have shown a significant uptick in transaction volumes in 2024 as investors capitalize on discounted property prices. Rental rates continue to increase, albeit at a slower pace, as landlords manage higher operating costs and inflation. This complex landscape highlights the volatile nature of the Phoenix office market.

Source: [Avison Young Phoenix Office Market Report Q2 2024](#)



### Vacancy (%)



Survey criteria: Values reflect data on office properties 20k square feet and above.

### Trends to focus on:

#### Increased sublet vacancies

The total vacancy rate reached 25.0% in Q2 2024, driven by a rise in sublet vacancies to 5.3%. Larger buildings face higher vacancy rates, while smaller floorplates below 10,000 square feet remain healthier at 10.7%.

#### Rising asking rents

Direct asking rents increased to \$31.33 per square foot in Q2 2024. Despite high vacancies, rents continue to climb due to rising operating costs and inflation, though the growth rate has slowed to 1% year-over-year.

#### Robust investment sales

Investment sales hit \$384.5 million by the midyear point of 2024, up by 111.4% from Q2 2023. This surge is driven by significant transactions as investors seize opportunities created by discounted property prices.

# Industrial

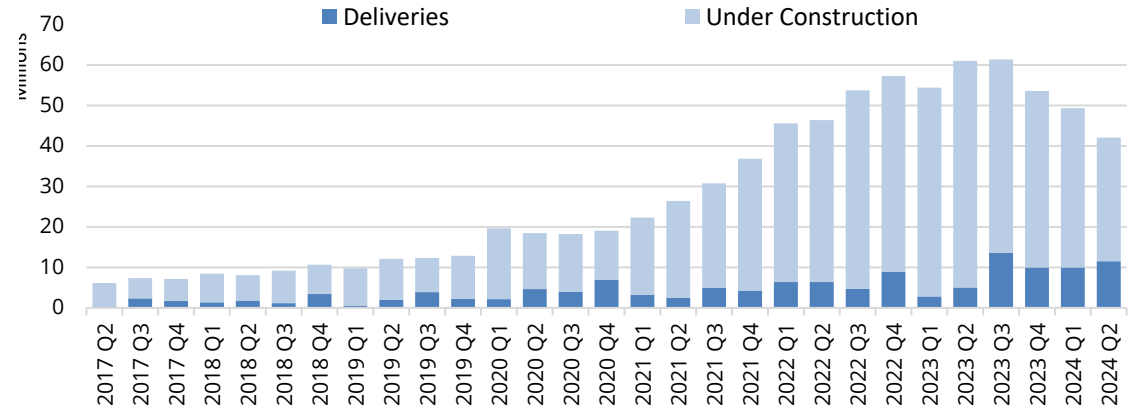
## Phoenix industrial market sees high vacancy from new development, yet strong demand sustains.

In the first half of 2024, the Phoenix industrial market thrived with a record 21.5 million square feet of new inventory delivered, notably in the Northwest submarket. Despite a rise in vacancy to 11.9% from new developments, robust net absorption of 11.1 million square feet underscored strong occupier demand and market resilience, with big moves such as Amazon’s leasing of over 3 million square feet across 3 facilities in the Northwest and Southeast submarkets. While new construction starts have slowed, ongoing investor confidence in Phoenix’s strategic logistics role and sustained demand bodes well for continued market strength, positioning it as a key hub for industrial growth in the southwestern U.S.

Source: [Avison Young Phoenix Industrial Market Report Q2 2024](#)



### Development activity (sf)



Survey criteria: Values reflect data on industrial properties 20k square feet and above.

### Trends to focus on:

#### Record deliveries

The Phoenix industrial market added 21.5 million square feet of new inventory year-to-date, with significant contributions in the Northwest submarket.

#### Robust net absorption

Year-to-date net absorption reached 11.1 million square feet, driven by strong demand and significant leasing activity, notably by Amazon.

#### Rising vacancy rates

The vacancy rate rose to 11.9% due to new deliveries, but as construction slows, vacancy rates are expected to stabilize and potentially trend lower.

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# Retail

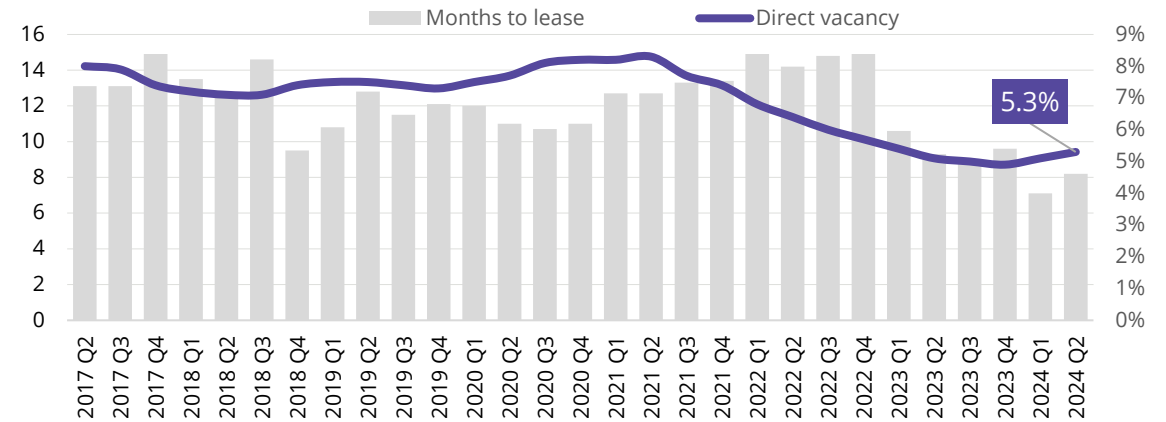
## Retail market remains competitive with low vacancies and climbing rental rates despite increased deliveries.

In the first half of 2024, Phoenix's retail market has demonstrated remarkable resilience and expansion. The period saw a moderate uptick in vacancy rates to 5.3% as a result of substantial new retail spaces entering the market, yet it continues to be fiercely competitive, driven by robust demand that surpasses available supply. Noteworthy developments such as the Buckeye Commons or Prasada North shopping centers have played a pivotal role in shaping the market's evolving landscape, showcasing significant investment and consumer interest in new retail destinations. This growth has coincided with historic highs in average asking rents, underscoring the market's vitality and sustained appeal to retailers and developers alike.

Source: [Avison Young Phoenix Retail Market Report Q2 2024](#)



### Vacancy (%) and Leasing time (months)



Survey criteria: Values reflect data on retail properties 10k square feet and above.

### Trends to focus on:

#### Low vacancy amidst haste leasing activity

Phoenix's retail vacancy rates remain impressively low at 5.3%, despite new deliveries, and the average time to lease retail spaces has decreased to 8.2 months, highlighting the market's competitiveness and strong demand for retail space.

#### Rising rents driven by demand

Average asking rents continue to climb, reaching \$24.97 per square foot, driven by the high demand and limited supply of retail space, with lifestyle centers commanding the highest rates.

#### Construction activity picks back up

1.9 million square feet of new retail space is under construction in Q2 2024, with significant projects in the West Phoenix and East Valley submarkets, contributing to the market's growth.

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