

PHOENIX OFFICE MARKET

Yardi® Matrix

Market Analysis

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Demand on the Rise



Phoenix's office market is growing steadily, supported by exceptionally strong economic growth and **population gains**. Phoenix added **73,500 new jobs** in the 12 months ending in August, making it one of the strongest markets in the country. While the bulk of growth comes from industries such as construction and health care, the office-using sector is growing rapidly as well, adding 18,000 jobs over the past year. The metro continues to be a top option for companies seeking lower taxes and state incentives such as **nonrefundable R&D tax credits**, which encourage Arizona businesses to continue investing in research and innovation.

Although it is not yet a major technology hub, the metro is increasingly attracting tech companies—such as Uber and financial technology firm Upgrade—which have expanded operations outside of more expensive West Coast markets such as San Francisco and Los Angeles. In addition to that, large office-using employers such as Deloitte and Bank of America are expanding in the metro.

The office vacancy rate was **17.2% as of September**, bolstered by robust net absorption. Roughly **3 million square feet** is under construction to meet the growing demand for office space. About one-quarter of the space under development is pre-leased. Transaction volume totaled **\$1.2 billion year-to-date through September**, with one third of closed deals comprising Class B space.