

# PHOENIX OFFICE MARKET

Yardi® Matrix

## Market Analysis

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## Relocations Drive Office Growth



Phoenix's office market is in good shape. Employment growth in the office sector is strong, driven by corporate relocation and expansion plans. At the same time, affordability has made Phoenix one of the U.S.'s fastest-growing metros as people continue to in-migrate, drawn by a burgeoning tech scene and stable employment opportunities in most sectors.

The vast majority of the more than \$1 billion in office sales closed this year involved Class B assets, as investors focused more on value-add acquisitions given soaring demand for high-end, amenitized space. This demand has also driven significant office construction in Phoenix. At the end of July, some 3.7 million square feet was under construction, most of it speculative. Leasing activity is likely to lead to even more development in the near term, particularly as the metro continues to position itself as a more affordable alternative to California's markets. Phoenix's average asking price was just under \$26 per square foot, more than \$10 below the national average.

Coworking is on the rise, comprising 1.5 million square feet as of July. WeWork entered the market earlier this year with four leases totaling nearly 270,000 square feet. As Phoenix's vacancy rate is likely to hold steady in the near future, shared space providers will presumably continue to increase their presence in high-demand areas of the market.