

Yardi[®] Matrix

OFFICE MARKET REPORT

Phoenix Continues Positive Trajectory

Winter 2020

**Vacancy
Holds Steady**

**Corporate Expansions
Lead Demand**

**Development High
In Urban Cores**

PHOENIX OFFICE MARKET

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Strong Job Growth Fuels Demand

Phoenix continues its economic climb, bolstered by strong domestic migration, low taxes and light financial regulations. Companies are looking to attract and retain top talent, while Arizona State University's tech program and Arizona's Regulatory Sandbox Program continue to diversify the metro's business landscape through 2020's first quarter.

The professional and business services sector led the way in job gains (6,500 positions, up 16.7% year-over-year in October). The financial sector gained 2,800 jobs due to the expanding footprint of banks and insurance companies such as Wells Fargo, American Express and Allstate Insurance Co. Office vacancy was 18.7% as of November. However, the influx of new companies and large expansions—particularly in and around Phoenix's urban core—combined with amenitized new inventory and below-average asking rates (\$31.41 per square foot for Class A properties) will continue to attract tenants to the metro over the coming quarters, putting downward pressure on vacancy rates.

The development pipeline encompassed 2.5 million square feet as of November, as corporate expansions continued to fuel strong demand. Transaction activity was steady as investors focused on acquiring large campuses that allow them to consolidate their operations into one location.

Market Analysis

Winter 2020

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