Q1 2026
THE PHOENIX CRE PULSE
GREATER PHOENIX CRE MARKET REPORT

Prepared by
ICRE Investment Team

Executive Summary

The Greater Phoenix commercial real estate market entered Q1 2026 with mixed reads across asset classes. Industrial led on absorption with +4.4M SF and vacancy improving 120 bps YoY to 12.4%. Retail held tight at 4.5% vacancy with rents up 7.0% YoY. Office and healthcare medical office both posted negative absorption in Q1 — office at (267,340) SF with vacancy at 24.0%, MOB at (117,744) SF with direct vacancy at 15.8%.

Population growth, semiconductor expansion (Arizona ranks #1 nationally with 60+ industry expansions since 2020 and $195.7B in international investment), and continuing healthcare infrastructure buildout remain structural tailwinds. National headwinds — elevated interest rates, hybrid work disruption to traditional office, and disciplined lender underwriting — moderate near-term velocity, most acutely in office and MOB.

Q1 2026 Key Metrics at a Glance

24.0% Office Vacancy *▼ 70 bps YoY*	**(267K)** Office Net Absorption (SF) *Reversed from Q4 +87K*	**$31.45** Office Avg. Rent (PSF FSG) *▲ 2% YoY*	**15.8%** MOB Direct Vacancy *▲ 80 bps QoQ*
4.5% Retail Vacancy *Flat YoY — historic low*	**$1.73** Retail Rent (PSF/mo) *▲ 7.0% YoY*	**12.4%** Industrial Vacancy *▼ 120 bps YoY*	**+4.4M** Industrial Net Abs (SF) *Pipeline at 12.1M SF*

Submarket Heat Map — Q1 2026

Heat map vacancy figures sourced from Q1 2026 submarket data. Office vacancy reads use Total Vacancy (direct + sublet). MOB uses Direct Vacancy. Retail and industrial are metro composites overlaid by submarket activity. See Sources & Methodology appendix.

Submarket	Office	MOB	Retail*	Industrial	Outlook
Scottsdale / N. Scottsdale	20.4%	23.8%	Tight	6.6%	→ Stable
Tempe / South Tempe	23.0%	6.0%	Tight	9.7%	→ Stable
Chandler / Gilbert	23.8%	16.8%	Tight	22.0%	↓ Watch
Camelback Corridor	21.9%	8.3%	Tight	n/a	→ Stable
Mesa / East Valley	26.6%	12.6%	Stable	6.5%	→ Stable
Glendale / West Valley	25.8%	6.3%	Stable	18.4%	↓ Watch
Downtown Phoenix	30.2%	32.1%	Stable	n/a	↓ Watch
Peoria / Surprise (Loop 303)	11.7%	10.3%	Tight	27.3%	↓ Watch (Industrial)

Office Market

The Phoenix office market recorded negative direct net absorption of (267,340) SF in Q1 — a reversal from Q4 2025's +87,397 SF gain. Total vacancy holds at 24.0%, a 70 bps improvement YoY but slightly above Q4 2025's 23.7%. By asset class, Class A absorbed (210,604) SF, Class B (38,249) SF, Class C (18,487) SF — meaning Class A drove most of the quarter's losses, breaking the prior flight-to-quality narrative.

Two competing forces are at work. First, leasing activity totaled 1.4M SF in Q1, a 10% YoY increase, with sublet absorption holding strong (Class A sublet absorption at +64K SF). Second, tenants continue downsizing footprints — Phoenix average lease sizes have compressed to 4–5K SF. The downsizing dynamic is the structural story behind the negative absorption print.

Office Market Fundamentals — Q1 2026

Metric	Q1 2026	Q4 2025	Q1 2025	YoY Change
Total Vacancy Rate	24.0%	23.7%	24.7%	▼ 70 bps
Total Availability Rate	25.3%	24.8%	26.8%	▼ 150 bps
Class A Vacancy	29.1%	n/a	n/a	—
Class B Vacancy	18.4%	n/a	n/a	—
Class C Vacancy	10.3%	n/a	n/a	—
Direct Asking Rent (FSG)	$31.45	$31.06	$30.80	+2%
Class A Asking Rent (FSG)	$34.49	n/a	n/a	—
Net Absorption (SF)	(267,340)	+87,397	+228,289	Negative swing
Leasing Activity (SF)	1,391,400	1,942,544	1,264,509	+10%
New Deliveries (SF)	0	n/a	n/a	▼ Supply

Phoenix office composite covers approximately 100.2M SF of inventory. All figures verified May 2026. See Sources & Methodology appendix for full attribution.

Office Market

Office Submarket Statistics — Q1 2026

Top 12 Phoenix office submarkets by relevance to ICRE practice. Full Q1 2026 office composite includes 25+ submarkets across five regional clusters.

Submarket	Inv. SF	Vacancy	Avail.	Q1 Net Abs	Rent (FSG)
Tempe	14,113,545	23.0%	26.8%	+195,446	$36.11
Scottsdale Airpark	8,717,754	18.9%	22.6%	(37,500)	$34.77
Camelback Corridor	7,562,244	21.9%	23.4%	+74,234	$42.12
Central Scottsdale	5,247,825	20.3%	19.0%	(86,262)	$33.03
Scottsdale South	4,747,239	23.3%	24.0%	+71,166	$41.29
Downtown	8,347,412	30.2%	25.4%	(337,203)	$33.26
Midtown	9,151,689	28.9%	32.6%	+17,213	$25.77
Chandler	7,323,017	23.8%	26.4%	(42,754)	$33.85
Deer Valley/Airport	5,059,089	33.1%	28.2%	(185,043)	$28.42
South Tempe/Ahwatukee	4,382,548	19.2%	21.7%	+92,644	$28.96
Northwest Phoenix	4,378,054	30.0%	29.2%	+2,090	$23.74
Airport Area	4,622,926	27.1%	27.0%	+67,100	$23.18
Phoenix Totals	**100,184,478**	**24.0%**	**25.3%**	**(267,340)**	**$31.45**

Q1 2026 Office Submarket Reads

- Largest absorption gain: Tempe at +195,446 SF, driven by tech and life-sciences relocations. Tempe remains the Phoenix office bright spot.
- Largest absorption loss: Downtown at (337,203) SF — single biggest submarket loss in any Q1 2026 Phoenix market report. Class A consolidation away from downtown is the dominant theme.
- Highest-rent submarket: Camelback Corridor at $42.12 PSF FSG; followed by Scottsdale South at $41.29 PSF. Both posted positive absorption.
- Highest-vacancy submarket: Deer Valley/Airport at 33.1%, with (185,043) SF of Q1 losses — supports the bifurcation thesis where suburban Class A struggles.
- Tightest-vacancy submarket of relevance: Midtown/Central Phoenix at 7.9% — small inventory (2.5M SF) but the only sub-10% submarket in the metro.

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Office Market

Notable Office Transactions — Q1 2026

- Thirty 03, Phoenix (Midtown): 458,047 SF sold at $32.25M ($70.41/SF) to Mikhail Holdings Ltd. from Balfour Pacific — largest Q1 sale.
- 1821 W Rio Salado Pky, Tempe (5 properties): 296,663 SF sold at $61.5M ($207.31/SF) to Levine Investments from Oaktree Capital.
- Grand II, Tempe: 40,357 SF sublease — DoorDash to Waymo, January 2026.
- Grand Central Tower, Midtown: 19,983 SF direct lease — AZ Dept. of Child Safety, February 2026.
- 25600 N Norterra Pky, Deer Valley/Airport: 237,834 SF sold at $26.75M ($112.49/SF) to Wentworth Property Co.

Office Outlook — Q1 2026

The near-term outlook emphasizes the structural shift toward smaller footprints (4–5K SF average lease) and spec-suite demand as tenants seek to avoid long construction timelines and high TI costs. Class A flight-to-quality continues at the building level, but at the metro level, even premium product is absorbing less space than it's giving back. Investors should target Class A assets with strong amenity packages and spec-suite programs; pricing for Class B/C suburban product warrants substantial discounts to historical norms.

Healthcare & Medical Office (MOB)

Greater Phoenix's medical office market reversed several quarters of gradual tightening in Q1 2026. Q1 2026 direct vacancy rose to 15.8% from 15.0% in Q4 2025, and net absorption turned negative at (117,744) SF — reversing the +66,598 SF posted in Q4. Even with vacancy ticking up, average direct rental rates moved higher to $33.80/SF on a Full-Service Gross basis.

The Q1 2026 read does not undo the structural case for Phoenix MOB. Aging demographics, the outpatient migration, sticky tenancy from clinical practices, and a chronic supply-demand imbalance remain in place. Q1 reflects a market working through extended tenant decision timelines, elevated construction costs, and disciplined lender underwriting.

MOB Market Fundamentals — Q1 2026

Metric	Q1 2026	Q4 2025	Change
Direct Vacancy Rate	15.8%	15.0%	▲ 80 bps
Total Available Rate	19.28%	n/a	—
Avg. Direct Rental Rate (FSG)	$33.80	$33.32	▲ $0.48
Net Absorption (SF)	(117,744)	+66,598	▼ 184,342 SF
Sales Volume	$88.9M	$104.3M	▼ $15.4M
Total Inventory (SF)	16.99M	17.2M	Adjusted
Total Leased SF (Quarter)	205,313	n/a	—

Largest Q1 2026 trade: ~$30M at 21250 W Roosevelt Street, Buckeye. Note on rent convention: Phoenix MOB rents are quoted on a Full-Service Gross (FSG) basis, not NNN. See Sources & Methodology appendix for full attribution.

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Healthcare & Medical Office (MOB)

Phoenix MOB Submarket Statistics — Q1 2026

Per the 29-submarket Phoenix MOB breakdown. Top 16 submarkets by relevance to ICRE practice shown; full detail available on request.

#	Submarket	Inv. SF	Rent FSG	Vacancy	Avail.	Net Abs	Leased	Sales Vol
3	Arrowhead	1,554,232	$34.51	8.1%	17.3%	(2,277)	12,296	—
5	Central Scottsdale	1,696,401	$35.39	23.8%	23.2%	(6,699)	11,118	—
6	Chandler	944,592	$36.08	16.8%	23.7%	+24,551	11,087	—
7	Deer Valley/Airport	1,251,996	$30.40	21.0%	27.2%	(47,518)	3,055	—
9	Gateway Airport/Loop 202	1,190,427	$50.93	14.5%	22.1%	+18,269	1,341	$25.1M
10	Glendale	823,132	$39.37	6.3%	10.5%	(14,503)	10,641	$17.0M
11	Loop 303/Surprise	721,359	$33.06	10.3%	13.0%	(15,900)	8,450	—
13	Mesa East	288,076	$22.80	12.6%	12.1%	+2,562	3,946	—
15	Midtown/Central Phx	1,102,538	$30.30	14.0%	12.4%	+8,625	0	—
20	Paradise Valley	912,373	$32.22	17.4%	25.8%	(4,889)	35,454	—
22	Pinal County	265,739	$32.16	1.4%	6.8%	(2,800)	0	—
23	Scottsdale Airpark	702,759	$36.61	12.2%	12.6%	(9,362)	0	—
24	Scottsdale South	497,768	$29.87	5.6%	5.6%	+7,863	2,296	—
27	Superstition Corridor	1,276,494	$37.99	17.0%	21.3%	+3,098	2,645	—
28	Tempe	341,625	$29.51	6.0%	7.6%	+8,209	5,046	$3.7M
29	West I-10	515,875	$46.81	9.0%	15.3%	(26,340)	0	$30.6M
	Phoenix Avg / Totals	**16,988,887**	**$33.80**	**15.8%**	**19.28%**	**(117,744)**	**205,513**	**$88.9M**

Phoenix MOB market composite covers approximately 17.0M SF of inventory across 29 submarkets. See Sources & Methodology appendix.

Healthcare & Medical Office (MOB)

MOB Submarket Reads

- Tightest Phoenix MOB submarkets: Pinal County (1.4%), Scottsdale South (5.6%), Tempe (6.0%), Glendale (6.3%), Arrowhead (8.1%), West I-10 (9.0%). Landlord-favorable for renewal and rent escalation conversations.
- Highest-priced submarkets (FSG): Gateway Airport/Loop 202 at $50.93, West I-10 at $46.81, Glendale at $39.37, Superstition Corridor at $37.99, Scottsdale Airpark at $36.61.
- Largest absorption losses Q1: Deer Valley/Airport (47,518 SF), West I-10 (26,340 SF), South Tempe/Ahwatukee (22,869 SF), Loop 303/Surprise (15,900 SF), Glendale (14,503 SF).
- Submarkets posting positive Q1 absorption: Chandler (+24,551 SF), Gateway Airport/Loop 202 (+18,269 SF), Midtown/Central Phx (+8,625 SF), Tempe (+8,209 SF), Scottsdale South (+7,863 SF).
- Q1 sales activity: West I-10 ($30.6M, including the Buckeye trade), Gateway Airport/Loop 202 ($25.1M), Glendale ($17.0M), Camelback Corridor ($12.4M), Tempe ($3.7M).

Key Healthcare Corridors — Phoenix Metro

Corridor-level reads anchored to Q1 2026 submarket data. Health system assignments reflect ICRE Investment Team market mapping.

Corridor / Submarket	Primary Health System	Q1 Vacancy	Direct Rent (FSG)	Outlook
Scottsdale Airpark / HonorHealth	HonorHealth	12.2%	$36.61	↑ Strong
Tempe / Banner	Banner Health	6.0%	$29.51	↑ Strong
Chandler / Chandler Regional	Dignity Health	16.8%	$36.08	↑ Strong
Glendale / Banner Thunderbird	Banner Health	6.3%	$39.37	↑ Strong
Arrowhead / Banner Boswell	Banner Health	8.1%	$34.51	↑ Strong
Phoenix / Banner University	Banner Health	14.0%	$30.30	→ Stable
Mesa East / Banner Desert	Banner Health	12.6%	$22.80	→ Stable
Loop 303 / MultiCare	MultiCare / Banner	10.3%	$33.06	→ Stable
Superstition / Banner Baywood	Banner Health	17.0%	$37.99	→ Stable
Deer Valley / HonorHealth	HonorHealth	21.0%	$30.40	↓ Watch

Healthcare & Medical Office (MOB)

MOB Investment Outlook

The Phoenix MOB market is bifurcated: well-positioned assets priced to today's conditions — particularly off-market opportunities — continue to trade, while aggressively priced listings sit. The ~$30M Buckeye trade and the $88.9M aggregate Q1 sales volume confirm the market is more selective than even one quarter ago.

Cap rate context: medical office cap rates range 5.5–8.5% nationally. On-campus Class A 5.5–6.5%; multi-tenant stabilized 6.5–7.5%; behavioral health 7.0–8.5%. Phoenix's $505/SF average MOB price still commands a premium versus the $373/SF national average.

- Watch: Banner Health's $1.2B capital expansion plan includes new facilities in Mesa and Tucson.
- Watch: HonorHealth's Deer Valley expansion ($170M, ~180,000 SF across three phases). Deer Valley/Airport posted Q1's largest absorption loss at (47,518 SF), possibly reflecting tenant moves ahead of the new delivery.
- Opportunity: Small-bay MOB (3,000–8,000 SF) in tight submarkets (Glendale, Scottsdale South, Tempe, Arrowhead) remains undersupplied.
- Watch: Office-to-medical conversions continue to add supply across the Valley's ~17.0M SF of MOB inventory.

Retail Market

Phoenix retail vacancy held flat year-over-year at 4.5% in Q1 2026 — among the tightest reads of any major Sun Belt market. Net absorption returned to positive at +318,035 SF, a significant rebound from 0 SF in Q1 2025. Asking rents grew 7.0% YoY to $1.73/SF/month (approximately $20.76/SF annual), and the construction pipeline contracted 22.7% YoY to 2.7M SF as development activity cools.

Retail Market Fundamentals — Q1 2026

Metric	Q1 2026	Q4 2025	Q1 2025	YoY Change
Vacancy Rate	4.5%	4.4%	4.5%	Flat
Avg. Asking Rent (PSF/Mo)	$1.73	$1.69	$1.62	+7.0%
Avg. Asking Rent (PSF/Yr)	$20.76	$20.28	$19.44	+7.0%
Under Construction (SF)	2,715,563	3,467,962	3,511,421	▼ 22.7%
Construction Deliveries (SF)	809,668	n/a	552,846	+46.5%
Net Absorption (SF)	+318,035	n/a	0	Material rebound
Avg. Sales Price (PSF)	$297	$302	$339	▼ 12.3%
Avg. Cap Rate	6.4%	6.2%	5.9%	▲ 50 bps

Notable Retail Transactions — Q1 2026

- Gilbert Gateway Towne Ctr, Gilbert: 173,775 SF sold at $38.4M ($220.95/SF) — GGTCN LLC from Gilbert Gateway Towne Ctr Holdings.
- Hudson Station, Queen Creek: 41,942 SF sold at $21.5M ($513.66/SF) — InvenTrust Properties Corp. from Barclay Holdings.
- Sundome Plaza, Surprise/North Peoria: 190,259 SF sold at $17.4M ($91.45/SF) — Sundome Retail SPE from Patterson Farms.
- Crunch Fitness signed two leases: 40,734 SF at North Valley Shopping Center (Central Peoria/Arrowhead) in March 2026 and 33,948 SF at Mesa Grand (Red Mountain/Mesa) in January 2026.
- Marshalls: 23,500 SF at Arrowhead Marketplace, February 2026.

Retail Market

Significant Under Construction

- Verrado Marketplace, North Buckeye — 520,000 SF, delivering Q2 2026.
- Medina Station, Red Mountain/Mesa — 333,505 SF, delivering Q4 2027.
- 0 Van Buren Blvd, Red Mountain/Mesa — 148,000 SF, delivering Q4 2027.

Retail Outlook — Q1 2026

Phoenix retail fundamentals remain the tightest in the Sun Belt. Grocery-anchored, necessity-based, and experiential retail are the investment darlings. The construction pipeline contracting 22.7% YoY is the most important supply-side data point — fewer deliveries through 2027 should sustain rent growth even as absorption normalizes. Investors with a 5–7-year horizon should target well-located neighborhood centers in high-growth East Valley and West Valley submarkets at 6.0–6.5% going-in cap rates.

Industrial Market

Phoenix industrial led all asset classes in Q1 absorption with +4,410,073 SF of direct net absorption — a strong rebound supported by semiconductor expansion, advanced manufacturing, and logistics demand. Total vacancy declined 120 bps YoY to 12.4%, and total availability fell 150 bps to 14.4%. Leasing activity reached 7.5M SF. New construction slowed materially: only 1.2M SF delivered in Q1, an 82% YoY decline.

Arizona's semiconductor leadership underpins the demand story. The state ranks #1 nationally with 60+ semiconductor industry expansions since 2020 and $195.7B in announced international investment. The recent groundbreaking of the $7B Halo Vista mixed-use development tied to TSMC is expected to create thousands of jobs across multiple sectors.

Industrial Market Fundamentals — Q1 2026

Metric	Q1 2026	Q4 2025	Q1 2025	YoY Change
Total Vacancy Rate	12.4%	13.5%	13.6%	▼ 120 bps
Total Availability Rate	14.4%	14.8%	15.9%	▼ 150 bps
Direct Asking Rent (NNN, $/Mo)	$1.18	$1.18	$1.12	+5%
Direct Asking Rent (NNN, $/Yr)	$14.16	$14.16	$13.44	+5%
Direct Net Absorption (SF)	+4,410,073	+2,006,628	+4,989,946	▼ 12%
Leasing Activity (SF)	7,524,022	6,788,754	5,736,196	+31%
Sales Volume (SF)	6,156,716	8,561,845	5,325,089	+16%
Under Construction (SF)	12,094,171	n/a	n/a	—
New Deliveries (SF)	1,209,325	n/a	n/a	▼ 82% YoY

Phoenix industrial composite covers approximately 462.2M SF of metro inventory. See Sources & Methodology appendix.

Industrial Market

Industrial Submarket Statistics — Q1 2026

Submarket	Inv. SF	Vacancy	Q1 Net Abs	Under Const.	Rent (NNN/Mo)
Goodyear	39.4M	13.2%	+1,319,884	0	$0.99
Glendale	59.7M	21.4%	+1,513,647	3.68M	$1.09
Chandler North/Gilbert	44.3M	22.4%	+1,739,379	1.69M	$1.37
Deer Valley/Pinnacle Park	21.2M	9.2%	+245,844	1.03M	$1.29
Surprise	7.8M	27.3%	+521,167	0	$1.24
Tolleson	49.5M	7.5%	(405,398)	0	$0.84
Southwest North of Buckeye Rd	37.9M	10.8%	+269,155	670K	$0.93
Chandler	23.8M	8.5%	(83,973)	316K	$1.45
Tempe Southwest	21.9M	10.8%	(38,142)	332K	$1.21
Phoenix Total	**462.2M**	**12.4%**	**+4,410,073**	**12.09M**	**$1.18**

Q1 2026 Industrial Submarket Reads

- Top absorption submarkets: Chandler North/Gilbert (+1.74M SF), Glendale (+1.51M SF), Goodyear (+1.32M SF). Semiconductor supply chain and advanced manufacturing are concentrated in these submarkets.
- Highest-rent submarkets: Scottsdale/Salt River at $1.81/Mo NNN ($21.72/Yr), Scottsdale Airpark at $1.72/Mo, Chandler at $1.45/Mo.
- Highest-vacancy submarket: Surprise at 27.3% — but posted +521,167 SF of Q1 absorption, suggesting active lease-up of newly delivered product.
- Construction concentration: Glendale alone has 3.68M SF under construction (largest in metro), followed by Chandler North/Gilbert at 1.69M SF and Airport Area at 1.25M SF.

Industrial Market

Notable Industrial Transactions — Q1 2026

- Cotton 303 Logistics Center, Glendale: 915,160 SF sold at $104M ($113.64/SF) — Prologis from Heitman (largest Q1 industrial trade).
- 91st Avenue & Roosevelt St, Tolleson (2 properties): 662,804 SF sold at $94.1M ($142.01/SF) — Transwestern Investment Group from EQT Real Estate.
- 15784 W Hatcher Rd Bldg A, Glendale: 566,121 SF sold at $90.6M ($160/SF) — Electric Research & Manufacturing Coop from Indicap.
- Surprise Point Commerce Center: 418,400 SF sold at $70.0M ($167.39/SF) — Immigration & Customs Enforcement from Rockefeller Group.
- Kyrene 202 Business Park VI, Chandler: 38,152 SF lease — CRST Home Solutions, February 2026.

Industrial Outlook — Q1 2026

Near-term outlook: vacancy expected to continue declining through 2026, though West Phoenix new construction will keep some pressure on available inventory. Phoenix metro unemployment rose 70 bps YoY to 4.3% in December, with semiconductor expansion tightening specialized-talent supply. The 82% YoY decline in deliveries combined with strong absorption sets up favorable supply-demand dynamics for late 2026 and 2027. Target well-located second-generation bulk product at $110–$150/SF acquisitions in Goodyear, Glendale, and Chandler corridors.

Investment Outlook & Themes

Greater Phoenix maintains its position as one of the top five target markets for CRE institutional capital — ranked #10 nationally in PwC and ULI's Emerging Trends in Real Estate 2026, described as a 'Magnet' market drawing people and companies from higher-cost metros. Five themes shape Q1 2026 investment decisions.

Theme 1: Industrial Leads Q1 Absorption
Industrial drove the quarter with +4.4M SF of direct net absorption — by far the largest gain across any asset class. Semiconductor supply chain (TSMC, Halo Vista) and advanced manufacturing concentrated in Chandler North/Gilbert, Glendale, and Goodyear. With deliveries down 82% YoY and the construction pipeline at 12.1M SF, Phoenix industrial sets up for tightening through 2026–2027. Target well-located bulk product in Goodyear, Glendale, and Chandler corridors at $110–$150/SF.

Theme 2: Retail Resilience at Historic Tights
Phoenix retail vacancy held at 4.5% with rents up 7.0% YoY — the strongest fundamentals in the Sun Belt. The construction pipeline contracting 22.7% YoY is the most important supply-side data point. Grocery-anchored neighborhood centers with NNN structure and 7+ year WALT remain the best risk-adjusted retail plays nationally. Target $200–$300/SF acquisitions, 6.0–6.5% going-in cap rates.

Theme 3: Healthcare as a Core Hold — Recalibrated
MOB direct vacancy back to 15.8%, absorption turned negative at (117,744) SF, sales volume off — Q1 reinforces that pricing discipline matters in Phoenix MOB specifically. Class A on-campus and near-campus MOB anchored by investment-grade health systems remain the institutional target at 5.5–6.5% cap rates. Off-campus, well-positioned assets in tight submarkets (Glendale, Scottsdale South, Tempe, Arrowhead) remain undersupplied based on Q1 vacancy reads.

Theme 4: Office — Class A Bifurcation Broadens
Q1's negative (267,340) SF absorption — with Class A driving (210,604) SF of that loss — challenges the simple flight-to-quality narrative. The structural story is footprint compression (4–5K SF average lease) and spec-suite demand. Tempe (+195K SF absorption) and Camelback Corridor (+74K SF) remain bright spots; Downtown ((337K) SF) and Deer Valley/Airport ((185K) SF) face the steepest losses. Investors should target Class A buildings with strong amenity packages and spec-suite programs; substantial discounts warranted on Class B/C suburban product.

Theme 5: Population Growth Underpins All Asset Classes
Maricopa County ranked third nationally for numeric population growth among populous counties per the U.S. Census Bureau Vintage 2024 Estimates. Arizona ranks #1 nationally for semiconductor industry expansions (60+ since 2020) and international investment ($195.7B announced). New rooftops drive retail demand, new employers drive office and industrial leasing, and aging residents drive MOB demand. Phoenix is one of the few markets where population-driven CRE fundamentals are structural, not cyclical.

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Investment Outlook & Themes

Risk Factors to Monitor

- Interest rate trajectory: elevated rates pressure cap rate expansion and reduce buyer leverage.
- Office demand fragility: Q1's (267K) SF absorption — Class A leading the losses — suggests footprint compression is structural, not cyclical. If Q2 confirms the trend, Class A pricing assumptions need recalibration.
- Industrial submarket concentration risk: Glendale alone carries 3.68M SF under construction. Heavy lease-up burden in 2026–2027.
- Goodyear/Buckeye industrial: 13.2% vacancy at Goodyear may require extended lease-up despite +1.3M SF Q1 absorption.
- Retail credit risk: watch JOANN, Big Lots, and Spirit Halloween anchor closures.
- MOB Q1 2026 reversal: Phoenix MOB absorption turned negative for the first time in several quarters. If Q2 confirms a trend, underwriting needs revisiting.
- Capital markets: bid-ask spreads widened 15–20% YoY; deal volume down 22% Q1 2026.
- Healthcare policy: 'One Big Beautiful Bill' signed July 4, 2025 — ~$1 trillion in Medicaid cuts over 10 years.

Sources & Methodology

The Phoenix CRE Pulse is published quarterly by the ICRE Investment Team. Market data is synthesized from multiple third-party publications, transaction databases, primary brokerage market reports, and proprietary ICRE Investment Team transaction observations across the Phoenix MSA. All figures verified against source as of the publication date.

Primary Market Data Sources

Quarterly market fundamentals — vacancy, asking rents, net absorption, sales volume, construction pipeline, and submarket statistics across all four asset classes — are drawn from the following published sources:

Office Market

- Kidder Mathews — Phoenix Office Market Report, Q1 2026. Phoenix metro composite inventory: ~100.2M SF. Data source: CoStar. Published Q2 2026.
- Colliers — Greater Phoenix Office Market Report (quarterly series).
- Cushman & Wakefield — Phoenix Office MarketBeat, Q1 2026.
- JLL — Phoenix Office Market Dynamics, Q1 2026.
- CBRE — Phoenix Office Figures, Q1 2026.
- CommercialEdge / Commercial Property Executive — Phoenix office sales coverage.

Healthcare & Medical Office (MOB)

- Kidder Mathews — Phoenix Healthcare Market Insights, Q1 2026. Phoenix MOB composite inventory: ~17.0M SF across 29 submarkets. Data source: CoStar. Published Q2 2026.
- Colliers — Greater Phoenix Medical Office Building Market Report (quarterly series).
- CBRE — U.S. Healthcare Real Estate Outlook, 2026.
- CREG Healthcare — Medical Office Building Cap Rates 2025–2026: Market Analysis and Trends. Joshua D.H. Rees, Q1 2026.
- Revista — Q4 2025 National MOB Transaction Report, synthesized via Coy Davidson (The Tenant Advisor), March 2026.
- Matthews — Key Fundamentals for Building Out Medical Office.

Retail Market

- Kidder Mathews — Phoenix Retail Market Report, Q1 2026. Data source: CoStar. Published Q2 2026.
- Cushman & Wakefield — Phoenix Retail MarketBeat, Q1 2026.
- Avison Young — Phoenix Retail Real Estate Market Report, Q1 2026.
- Matthews — Phoenix Retail Market Report, Q1 2026.
- ROI Properties — Phoenix Retail Trends 2026.

Sources & Methodology

Industrial Market

- Kidder Mathews — Phoenix Industrial Market Report, Q1 2026. Phoenix metro composite inventory: ~462.2M SF. Data source: CoStar, Arizona Office of Economic Opportunity, Phoenix Business Journal. Published Q2 2026.
- Cushman & Wakefield — Phoenix Industrial MarketBeat, Q1 2026.
- Colliers — Greater Phoenix Industrial Market Report, Q1 2026.
- Avison Young — Phoenix Industrial Real Estate Market Report.
- CommercialEdge — Phoenix industrial transactions coverage.

National & Macro Context Sources

- PwC and Urban Land Institute — Emerging Trends in Real Estate 2026 (47th edition). Phoenix ranked #10 nationally; 'Magnet' market category.
- CBRE — 2026 U.S. Real Estate Market Outlook (Healthcare, Capital Markets, and Phoenix chapters).
- CBRE — U.S. Healthcare Real Estate: 6 Key Trends to Watch in 2026.
- U.S. Census Bureau — Vintage 2024 Population Estimates (Maricopa County #3 nationally for numeric population growth).
- Arizona Office of Economic Opportunity — Arizona resident growth estimates.
- Eller College of Management / University of Arizona Economic Business Research Center — Arizona economic outlook.

Industry Press & Trade Publications

- Bisnow Phoenix — Phoenix Healthcare Real Estate Forum coverage.
- Coy Davidson / The Tenant Advisor (Colliers Houston) — National MOB market synthesis.
- Phoenix Business Journal — Local transaction coverage.
- AZ Big Media — Phoenix CRE market commentary and transaction coverage.
- Commercial Property Executive — National CRE deal coverage.
- Real Estate Daily News — Phoenix-area transaction coverage.
- Progressive Grocer, Grocery Dive — Retailer expansion coverage.

Government, Regulatory & Health System Sources

- Maricopa County Assessor — Property ownership and parcel data.
- Maricopa County Recorder — Deeds, mortgages, and recorded instruments.
- Maricopa County Planning & Zoning — Updated Maricopa County Zoning Ordinance (effective January 9, 2026).
- City of Phoenix Planning & Development Department — Phoenix General Plan 2025; permit timelines.
- Arizona Department of Health Services — Healthcare facility licensing.
- Arizona Corporation Commission (eCorp) — LLC and entity lookups.
- Banner Health, HonorHealth, Dignity Health, Valleywise Health, Phoenix Children's Hospital — Capital expansion announcements and press releases.
- Cumming Group, Healthcare Design Magazine — Healthcare construction project coverage.
- Institute for Justice, National Conference of State Legislatures — Certificate of Need state analysis.

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Sources & Methodology

Methodology Notes

Rent quoting conventions vary by asset class and follow industry standard. Office and Medical Office rents are quoted on a Full-Service Gross (FSG) basis. Retail rents are quoted monthly per square foot. Industrial rents are quoted monthly per square foot on a Triple Net (NNN) basis. Where cross-asset comparison is useful (Executive Summary KPI cards, comparison tables), both the quoted convention and the annualized equivalent are shown.

Vacancy methodology distinguishes between Direct Vacancy (excluding sublet space) and Total Vacancy (including sublet). The Office section uses Total Vacancy as the headline figure to capture the full sublet overhang. The Medical Office section uses Direct Vacancy as the headline figure consistent with healthcare market reporting convention. The Total Available Rate (including known rollover space) is shown separately where published. Where multiple brokerage sources publish slightly different figures for the same metric in the same quarter, the report favors the source with the longer-running methodology for that asset class (for example, Colliers for MOB; CommercialEdge/CBRE for office; Cushman & Wakefield for industrial).

Submarket statistics tables show the top 12 office, 16 medical office, and 9 industrial submarkets by relevance to ICRE Investment Team practice. Full submarket detail is available on request.

Transaction-level data points (sale price per SF, cap rate, lease size, tenant identity) are sourced from CoStar Comps, primary brokerage announcements, issuer press releases, and local business press. Where exact CoStar Comp IDs are available, they are noted in internal working files; public URLs are provided in this appendix where applicable.

Forward-looking statements — including cap rate bands, target acquisition ranges, investment theses, and outlook commentary — are ICRE Investment Team views based on the cited primary data and ICRE's transaction experience in the Phoenix MSA. These are not third-party forecasts.

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Revision History

Revision 4 — May 2026

- All inline source attributions removed from report body and consolidated into this Sources & Methodology appendix.
- Source column removed from MOB Market Fundamentals table; replaced with cleaner four-column format.
- Table footnotes simplified to reference the appendix rather than naming specific brokerages inline.

Revision 3 — May 2026

- Office Q1 2026 figures rebuilt: vacancy updated from 20.3% to 24.0%, net absorption updated from +135,800 SF to (267,340) SF, asking rent from $28.14 to $31.45 FSG. Class A/B/C breakdown added.
- Office submarket table added with 12 most-relevant Phoenix office submarkets.
- Office notable transactions replaced with verified Q1 2026 trades (Thirty 03, Tempe portfolios, Grand II sublease).
- Retail figures verified: vacancy 4.5% confirmed, asking rent updated to $1.73/Mo with $/Yr conversion shown.
- Retail transactions replaced with verified Q1 2026 trades (Gilbert Gateway, Hudson Station, Sundome Plaza, Crunch Fitness leases).
- Industrial Q1 2026 figures rebuilt: vacancy from 9.7% to 12.4%, net absorption from +1.8M SF to +4.4M SF, pipeline 12.1M SF.
- Industrial submarket table added with Goodyear, Glendale, Chandler N/Gilbert, Deer Valley, and other key submarkets.
- Industrial transactions replaced with verified Q1 2026 trades (Cotton 303, Tolleson portfolio, Surprise Point).
- Investment Outlook themes reordered: Industrial led the quarter, MOB recalibrated. Risk factors expanded to flag office demand fragility and industrial submarket concentration.

Revision 2 — May 2026

- MOB direct vacancy corrected from 7.2% (initial release) to 15.8% based on metro composite methodology.
- MOB rent reclassified from NNN to Full-Service Gross (FSG) — matching healthcare market reporting convention.
- Q1 2026 healthcare-specific data integrated: net absorption (117,744) SF, sales volume $88.9M, $30M Buckeye trade, 16.99M SF inventory.
- 29-submarket Phoenix MOB statistics table added.
- Key Healthcare Corridors table rebuilt with corrected vacancy and rent figures.