Q2 2026

THE PHOENIX CRE PULSE

GREATER PHOENIX CRE MARKET REPORT

Prepared by

ICRE Investment Team

Revision 1 - July 2026

Office, Retail & Industrial verified against Q2 2026; MOB reflects latest available (Q1 2026)

Sources & methodology in appendix

Executive Summary

Greater Phoenix commercial real estate strengthened across three of four asset classes in Q2 2026. Industrial led again on absorption with +5.4M SF of direct net absorption and total vacancy improving 210 bps YoY to 11.4%. Office reversed Q1's negative print, posting +492,625 SF of positive net absorption as total vacancy improved to 23.3% and direct asking rents set an all-time market high of $31.65 PSF FSG. Retail held tight at 4.5% vacancy with rents up 9.4% YoY to $1.78 PSF/month.

Healthcare medical office remains the lagging read. The latest published MOB data - Q1 2026 - shows direct vacancy at 15.8% and net absorption at (117,744) SF; the Q2 2026 MOB report has not yet published, so the Healthcare section that follows reflects the most recent available quarter and will be refreshed on release. Population growth, semiconductor expansion (Arizona ranks #1 nationally, with the new Taiwan Trade and Investment Service Center and the $7B Halo Vista district reinforcing the pipeline), and healthcare infrastructure buildout remain structural tailwinds. Elevated interest rates and disciplined lender underwriting continue to moderate near-term velocity, most acutely in office and MOB.

Q2 2026 Key Metrics at a Glance

23.3% Office Vacancy *▼ 100 bps YoY*	**+493K** Office Net Absorption (SF) *Reversed from Q1 (267K)*	**$31.65** Office Avg. Rent (PSF FSG) *▲ 2% YoY — record high*	**15.8%** MOB Direct Vacancy *Q1'26 latest — Q2 pending*
4.5% Retail Vacancy *▲ 10 bps YoY — sub-5%*	**$1.78** Retail Rent (PSF/mo) *▲ 9.4% YoY*	**11.4%** Industrial Vacancy *▼ 210 bps YoY*	**+5.4M** Industrial Net Abs (SF) *Pipeline at 13.2M SF*

Submarket Heat Map — Q2 2026

Office and industrial vacancy reads use Q2 2026 submarket data; MOB reads reflect the latest available Q1 2026 submarket data. Office uses Total Vacancy (direct + sublet). MOB uses Direct Vacancy. Retail is a metro composite overlaid by submarket activity. See Sources & Methodology appendix.

Submarket	Office	MOB*	Retail	Industrial	Outlook
Scottsdale / N. Scottsdale	17.9%	23.8%	Tight	5.6%	→ Stable
Tempe / South Tempe	22.9%	6.0%	Tight	12.2%	→ Stable
Chandler / Gilbert	22.6%	16.8%	Tight	22.7%	↓ Watch
Camelback Corridor	20.7%	8.3%	Tight	n/a	→ Stable
Mesa / East Valley	25.4%	12.6%	Stable	5.7%	→ Stable
Glendale / West Valley	23.9%	6.3%	Stable	12.7%	↑ Improving
Downtown Phoenix	30.1%	32.1%	Stable	n/a	↓ Watch
Peoria / Surprise (Loop 303)	11.7%	10.3%	Tight	17.3%	↓ Watch (Industrial)

**MOB submarket vacancy reflects the latest published quarter (Q1 2026); the Q2 2026 MOB report has not yet released. Retail submarket reads are qualitative — the Q2 2026 retail composite shows metro-wide vacancy at 4.5% but submarket-level retail vacancy is not consistently published*

Office Market

Phoenix office reversed course in Q2, recording +492,625 SF of positive direct net absorption after Q1's (267,340) SF loss. Total vacancy improved to 23.3%, a 100 bps improvement YoY. Every property class posted positive absorption — Class A led at +314,317 SF, and Class C added +113,547 SF. Sublet demand drove more than half of Class A's total net absorption, with 407,000 SF of sublet space absorbed during the quarter.

Pricing set a record even as the market carries elevated vacancy. Direct asking rents climbed to an all-time market high of $31.65 PSF FSG, with Class A commanding $34.59 PSF as tenants continue to favor highly amenitized buildings. Leasing activity held steady at 1.5M SF. The read is a bifurcated one: headline vacancy remains high at 23.3% and Class A vacancy sits at 28.1%, but the flight to quality and sublet absorption are pulling occupancy and rents in ICRE's direction.

Office Market Fundamentals — Q2 2026

Metric	Q2 2026	Q1 2026	Q2 2025	YoY Change
Total Vacancy Rate	23.3%	24.0%	24.3%	▼ 100 bps
Total Availability Rate	24.7%	25.3%	26.3%	▼ 160 bps
Class A Vacancy	28.1%	29.1%	n/a	—
Class B Vacancy	18.4%	18.4%	n/a	—
Class C Vacancy	9.9%	10.3%	n/a	—
Direct Asking Rent (FSG)	$31.65	$31.45	$31.03	+2%
Class A Asking Rent (FSG)	$34.59	$34.49	n/a	—
Net Absorption (SF)	+492,625	(267,340)	n/a	Positive swing
Leasing Activity (SF)	1,544,306	1,391,400	n/a	Steady
New Deliveries (SF)	0	0	n/a	▼ Supply

Phoenix office composite covers approximately 99.1M SF of inventory. YTD 2026 leasing activity totals 3.0M SF; YTD office sales volume reached 2.75M SF, up 66% YoY. All figures verified July 2026. See Sources & Methodology appendix for full attribution.

Office Market

Office Submarket Statistics — Q2 2026

Top 12 Phoenix office submarkets by relevance to ICRE practice. The full Q2 2026 office composite spans 25+ submarkets across eight regional clusters.

Submarket	Inv. SF	Vacancy	Avail.	Q2 Net Abs	Rent (FSG)
Tempe	14,085,788	22.9%	25.8%	+69,000	$35.42
Scottsdale Airpark	8,686,881	14.9%	19.2%	+189,379	$34.96
Camelback Corridor	7,571,242	20.7%	21.0%	(125,646)	$43.05
Central Scottsdale	5,112,401	18.2%	22.6%	+13,515	$33.25
Scottsdale South	4,768,569	22.9%	22.4%	+67,278	$40.92
Downtown	8,289,672	30.1%	21.4%	+29,653	$33.70
Midtown	9,125,702	28.4%	34.9%	+37,409	$26.22
Chandler	7,321,006	22.6%	28.4%	+88,556	$34.06
Deer Valley/Airport	4,756,765	32.6%	29.3%	(1,163)	$29.42
South Tempe/Ahwatukee	4,019,031	19.8%	22.7%	+5,207	$29.76
Northwest Phoenix	4,381,919	23.2%	23.6%	+297,642	$24.20
Airport Area	4,426,272	28.3%	29.1%	+30,613	$22.70
Phoenix Totals	**99,095,539**	**23.3%**	**24.7%**	**+492,625**	**$31.65**

Q2 2026 Office Submarket Reads

- Largest absorption gain: Northwest Phoenix at +297,642 SF, the single biggest submarket gain in the metro — a decisive swing that carried the quarter's positive print.
- Only negative submarket: Camelback Corridor at (125,646) SF. It remains the highest-priced office submarket at $43.05 PSF FSG, so the loss reflects pricing resistance rather than weak demand — worth flagging for renewal negotiations.
- Scottsdale led the region: Scottsdale Airpark added +189,379 SF at 14.9% vacancy, among the tightest institutional-quality office submarkets in the Valley, alongside +67,278 SF at Scottsdale South.
- Highest-vacancy submarket of scale: Deer Valley/Airport at 32.6%, essentially flat on absorption at (1,163) SF — suburban Class A continues to trail the urbanized, amenity-rich cores.
- Rent leadership: Camelback Corridor ($43.05) and Scottsdale South ($40.92) are the only submarkets above $40 PSF FSG; Class A metro-wide commands $34.59 versus the $31.65 composite.

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Office Market

Notable Office Transactions — Q2 2026

- Apollo Corporate HQ (3-property portfolio), Airport Area: 599,664 SF sold at $103M ($171.76/SF) to LXP Industrial Trust from EPIC, LLC — the largest Q2 office trade.
- Desert Vista Corporate Center, Deer Valley/Airport: 97,372 SF sold at $19.46M ($199.83/SF) to Transdien Engineering.
- Fairmount Place, Midtown: 87,030 SF sold at $11.5M ($132.14/SF) to AS Realty Investors from Metro Resources.
- Consumer Cellular: 123,340 SF direct lease at 8501 E Raintree Dr, Scottsdale Airpark (Oaktree Capital), May 2026 — the largest Q2 office lease.
- McCarthy Building Co.: 96,252 SF direct lease at 3133 E Camelback Rd, Camelback Corridor, June 2026.

Office Outlook — Q2 2026

Q2 confirms a stabilizing, bifurcated office market: positive absorption returned, rents set a record, but headline vacancy stays north of 23% and Class A carries the highest vacancy of any class. The actionable read is that sublet absorption and spec-suite demand — driven by tenants avoiding long build-outs and rising TI costs — are where the occupancy gains are coming from. Target well-located Class A assets with amenity packages and active spec-suite programs in Scottsdale Airpark and the Camelback/Scottsdale cores; underwrite suburban Class B/C at meaningful discounts to historical norms, particularly in Deer Valley/Airport and Airport Area.

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Healthcare & Medical Office (MOB)

The Q2 2026 Phoenix medical office report has not yet published. This section reflects the most recent available quarter — Q1 2026 — and will be refreshed the moment Q2 data releases. In Q1 2026, Phoenix MOB reversed several quarters of gradual tightening: direct vacancy rose to 15.8% from 15.0%, and net absorption turned negative at (117,744) SF, reversing the +66,598 SF posted in Q4 2025. Even so, average direct rental rates moved higher to $33.80 PSF on a Full-Service Gross basis.

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

Read across independent datasets, the Q1 MOB signal is mixed. Reported vacancy ranges from roughly 12.6% to 15.8% depending on the inventory universe and methodology, and the two most-followed sources diverge even on direction — one shows continued tightening alongside a record development pipeline, while the other shows a modest reversal and negative absorption. That divergence is itself the takeaway: the competitive medical-office set is defined differently across datasets, which argues for waiting on the Q2 read before repricing. Rents held firm or rose in both.

MOB Market Fundamentals — Q1 2026 (latest available)

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	—

Latest available MOB quarter is Q1 2026; Q2 2026 report pending. Largest Q1 2026 trade: ~$30M at 21250 W Roosevelt Street, Buckeye. 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 (latest available)

Per the 29-submarket Phoenix MOB breakdown. Top 16 submarkets by relevance to ICRE practice shown; full detail available on request. These figures will be updated when the Q2 2026 MOB report publishes.

#	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: Deer Valley/Airport (47,518 SF), West I-10 (26,340 SF), Loop 303/Surprise (15,900 SF), Glendale (14,503 SF), Scottsdale Airpark (9,362 SF).
- Submarkets posting positive 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).
- Sales activity: West I-10 ($30.6M, including the Buckeye trade), Gateway Airport/Loop 202 ($25.1M), Glendale ($17.0M), Tempe ($3.7M).

Key Healthcare Corridors — Phoenix Metro

Corridor-level reads anchored to the latest available (Q1 2026) MOB submarket data. Health system assignments reflect ICRE Investment Team market mapping and will be refreshed when Q2 2026 MOB data is published.

Corridor / Submarket	Primary Health System	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 quarterly sales volume confirm a market more selective than a year ago. The next MOB release will show whether Q1's negative absorption was a one-quarter reversal or the start of a trend.

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 premium MOB pricing continues to run above the 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 the largest MOB absorption loss at (47,518 SF), possibly reflecting tenant moves ahead of 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 held tight at 4.5% vacancy in Q2 2026 — up just 10 bps YoY and among the tightest reads of any major Sun Belt market. Asking rents grew 9.4% YoY to $1.78 PSF/month (approximately $21.36 PSF annual), continuing a steady climb from $1.73 the prior quarter. Q2 net absorption of +143,184 SF kept the market positive, though YTD absorption of 590,640 SF trailed the exceptional 2025 pace by 62%. The construction pipeline expanded 11.5% YoY to 3.29M SF even as YTD deliveries slowed.

Retail Market Fundamentals — Q2 2026

Metric	Q2 2026	Q1 2026	Q2 2025	YoY Change
Vacancy Rate	4.5%	4.5%	4.4%	▲ 10 bps
Avg. Asking Rent (PSF/Mo)	$1.78	$1.73	$1.63	+9.4%
Avg. Asking Rent (PSF/Yr)	$21.36	$20.76	$19.56	+9.4%
Under Construction (SF)	3,287,703	3,342,654	2,948,661	▲ 11.5%
Construction Deliveries (SF)	422,399	870,937	n/a	YTD 1.29M SF
Net Absorption (SF)	+143,184	+447,456	n/a	YTD 590,640 SF
Avg. Sales Price (PSF)	$296	$303	$246	▲ 20.5%
Avg. Cap Rate	6.5%	6.1%	6.1%	▲ 40 bps

Rents quoted per industry convention as monthly; annualized figures shown for cross-asset comparison. Q1 2026 deliveries and net absorption derived from YTD-minus-Q2. YTD 2026 net absorption is 590,640 SF (down 62.2% YoY); YTD deliveries 1,293,336 SF (down 9.8% YoY). See Sources & Methodology appendix.

Notable Retail Transactions — Q2 2026

- Goodwill, South Buckeye: 25,000 SF sold at $18.31M ($732.22/SF) — Abi Properties Inc from SimonCRE Summit III — the largest Q2 retail trade.
- Bethany Marketplace, N Phoenix/I-17 Corridor: 59,262 SF sold at $14.05M ($237.08/SF) — Bethany Crossing LLC from Southwestern Investments.
- 25166 S Ellsworth Rd, Queen Creek: 20,452 SF sold at $13.35M ($652.75/SF) — NRP Pecan Plaza LLC from Riggs & Ellsworth NW.
- Tractor Supply Company: 45,593 SF at Glendale Market Square, Central Peoria/Arrowhead, May 2026 — the largest Q2 retail lease.
- Additional leasing: Absolut Recomp (35,399 SF, SanTan Village Marketplace, Gilbert) and Sunset Wholesale (31,617 SF, Bethany Marketplace).

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Retail Market

Significant Under Construction

- Medina Station, Red Mountain/Mesa — 333,505 SF, delivering Q4 2027.
- NEC Signal Butte & Rt 60, Red Mountain/Mesa — 300,000 SF, delivering Q4 2027.
- Signal Butte & Williams Field Rd, Gateway Airport — 250,000 SF, delivering Q4 2027.

Retail Outlook — Q2 2026

Phoenix retail fundamentals remain the tightest in the Sun Belt, with vacancy holding below 5% for another quarter and rent growth accelerating to 9.4% YoY. The 20.5% YoY jump in average sale price to $296 PSF — even as cap rates expanded 40 bps to 6.5% — signals investors are still paying up for well-located necessity retail. Moderating absorption and slower deliveries argue for patience on new development bets. Target grocery-anchored and necessity-based 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 again in Q2 with +5,422,100 SF of direct net absorption, lifting YTD absorption to 10.2M SF. Total vacancy declined 210 bps YoY to 11.4%, and total availability fell 190 bps to 13.6%. Leasing activity reached 7.9M SF (16.6M SF YTD, up 22% YoY). New construction continued to pull back — only 3.2M SF delivered YTD, a 66% YoY decline — as the market absorbed existing inventory.

Arizona's semiconductor leadership underpins the demand story. The state opened the Taiwan Trade and Investment Service Center in Phoenix this quarter, and construction is underway on the $7B, 2,300-acre Halo Vista innovation district adjacent to TSMC's expanding campus. Glendale, Chandler North/Gilbert, and Goodyear posted the strongest absorption gains, with Glendale alone recording +4.76M SF of direct net absorption.

Industrial Market Fundamentals — Q2 2026

Metric	Q2 2026	Q1 2026	Q2 2025	YoY Change
Total Vacancy Rate	11.4%	12.4%	13.5%	▼ 210 bps
Total Availability Rate	13.6%	14.4%	15.5%	▼ 190 bps
Direct Asking Rent (NNN, $/Mo)	$1.18	$1.18	$1.14	+3%
Direct Asking Rent (NNN, $/Yr)	$14.16	$14.16	$13.74	+3%
Direct Net Absorption (SF)	+5,422,100	+4,410,073	n/a	YTD +10.2M
Leasing Activity (SF)	7,940,039	7,524,022	n/a	YTD 16.6M
Sales Volume (SF)	6,400,000	6,156,716	n/a	YTD 12.8M
Under Construction (SF)	13,181,559	12,094,171	n/a	—
New Deliveries (SF, YTD)	3,200,000	1,209,325	n/a	▼ 66% YoY

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

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Industrial Market

Industrial Submarket Statistics — Q2 2026

Submarket	Inv. SF	Vacancy	Q2 Net Abs	Under Const.	Rent (NNN/Mo)
Goodyear	40.5M	12.6%	+257,347	78.5K	$1.07
Glendale	59.8M	12.7%	+4,764,304	4.31M	$1.05
Chandler North/Gilbert	45.0M	22.7%	+123,834	992K	$1.37
Deer Valley/Pinnacle Park	20.8M	8.3%	+200,713	1.08M	$1.33
Surprise	7.4M	17.3%	+706,285	57.5K	$1.38
Tolleson	49.8M	7.5%	(74,487)	1.10M	$0.85
Southwest N. of Buckeye Rd	37.8M	11.9%	(414,362)	673K	$0.97
Chandler	23.8M	7.4%	+237,571	316K	$1.43
Tempe Southwest	22.2M	12.2%	(55,034)	508K	$1.18
Phoenix Total	**465.9M**	**11.4%**	**+5,422,100**	**13.18M**	**$1.18**

Q2 2026 Industrial Submarket Reads

- Glendale carried the quarter: +4.76M SF of direct net absorption — the overwhelming majority of the metro total — driven by semiconductor and advanced manufacturing demand tied to Arizona's growing tech sector.

- Other absorption leaders: Surprise (+706,285 SF, lease-up of newly delivered product despite 17.3% vacancy), Goodyear (+257,347 SF), Chandler (+237,571 SF), Deer Valley/Pinnacle Park (+200,713 SF).

- Highest-rent submarkets (NNN/Mo): Scottsdale/Salt River at $1.79, Scottsdale Airpark at $1.73, Chandler Airport at $1.48, Chandler at $1.43.

- Softest submarkets on absorption: Southwest N. of Buckeye Rd (414,362 SF), Tolleson (74,487 SF), Tempe Southwest (55,034 SF) — pockets of give-back amid an otherwise tightening metro.

- Construction concentration: Glendale carries 4.31M SF under construction — by far the largest in the metro — followed by Tolleson (1.10M SF) and Deer Valley/Pinnacle Park (1.08M SF).

Industrial Market

Notable Industrial Transactions — Q2 2026

- The Hub @ 202 (10-property portfolio), Chandler N/Gilbert: 1,271,390 SF sold at $135M ($106.18/SF) — Machine Investment Group / Miramar Capital / Axonic Capital from Affinius Capital / Wharton Equity / BDT & MSD — the largest Q2 industrial trade.
- The Cubes at Mesa Gateway, Chandler N/Gilbert: 1,200,000 SF sold at $116M ($96.67/SF) — La Costa Capital Partners from CRG.
- Elliot Gateway, Chandler N/Gilbert: 516,944 SF sold at $98M ($189.58/SF) — Cohen Asset Management from Trammell Crow.
- Fluidstack: 1,215,396 SF direct lease at Luke Field (13543 W Northern Ave, Bldgs A & B), Glendale (Lincoln Property Co.), May 2026 — the largest Q2 industrial lease. DHL followed with a 1,184,591 SF lease at Northern Parkway Logistics, Glendale.
- Blue Buffalo: 540,349 SF renewal at 16811 W Commerce Dr, Goodyear (LXP Industrial Trust), May 2026

Industrial Outlook — Q2 2026

Industrial remains the strongest Phoenix asset class, and Q2 tightened it further: vacancy down 210 bps YoY, five-plus million SF of absorption, and deliveries off 66% YoY. Glendale is both the demand engine and the supply risk — it drove nearly all the metro's absorption while carrying 4.31M SF under construction. The combination of falling deliveries and a still-substantial 13.2M SF pipeline sets up favorable supply-demand dynamics into 2027, with lease-up risk concentrated in a handful of West Valley submarkets. Target well-located second-generation bulk product at $105–$150/SF in the Goodyear, Glendale, and Chandler corridors.

Investment Outlook & Themes

Greater Phoenix maintains its position as one of the top target markets for CRE institutional capital, drawing people and companies from higher-cost metros. Five themes shape Q2 2026 investment decisions, ordered by which asset class led the quarter.

Theme 1: Industrial Leads Again on Absorption

Industrial drove the quarter with +5.4M SF of direct net absorption — the largest gain of any asset class for a second straight quarter. Semiconductor supply chain (TSMC, Halo Vista, the new Taiwan Trade Center) and advanced manufacturing concentrated in Glendale, Chandler North/Gilbert, and Goodyear. With deliveries down 66% YoY and the pipeline still at 13.2M SF, Phoenix industrial sets up for continued tightening into 2027. Target well-located bulk product in Goodyear, Glendale, and Chandler at $105–$150/SF.

Theme 2: Office Turns the Corner

Office reversed Q1's loss with +492,625 SF of positive absorption, improved vacancy to 23.3%, and set a record $31.65 PSF FSG asking rent. Class A led absorption and sublet space is clearing. The read is stabilization, not full recovery — vacancy stays above 23% and Class A vacancy sits at 28.1%. Target amenitized Class A with spec-suite programs in Scottsdale Airpark and the Camelback/Scottsdale cores; discount suburban Class B/C.

Theme 3: Retail Resilience at Historic Tights

Phoenix retail vacancy held at 4.5% with rents up 9.4% YoY — the strongest fundamentals in the Sun Belt. Average sale price jumped 20.5% YoY to $296 PSF even as cap rates expanded 40 bps to 6.5%. Grocery-anchored, necessity-based neighborhood centers with NNN structure and 7+ year WALT remain the best risk-adjusted retail plays. Target $200–$300/SF acquisitions at 6.0–6.5% going-in cap rates in high-growth East and West Valley submarkets.

Theme 4: Healthcare as a Core Hold — Awaiting the Q2 Read

The latest published MOB data (Q1 2026) shows direct vacancy at 15.8% and absorption at (117,744) SF — a reversal that makes pricing discipline paramount in Phoenix MOB. 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. The pending Q2 MOB release will confirm whether Q1's reversal was a one-quarter event.

Theme 5: Population Growth Underpins All Asset Classes

Maricopa County continues to rank among the national leaders for numeric population growth, and Arizona ranks #1 nationally for semiconductor industry expansions and international investment. 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 across all asset classes.
- **Office recovery durability:** Q2's +493K SF absorption is one positive quarter against 23.3% vacancy and 28.1% Class A vacancy. If Q3 gives back the gain, the stabilization thesis needs revisiting.
- **Industrial submarket concentration:** Glendale drove nearly all of Q2's absorption while carrying 4.31M SF under construction. A single-submarket demand engine is also a single-submarket lease-up risk.
- **West Valley give-back:** Southwest N. of Buckeye Rd ((414,362) SF) and Tolleson ((74,487) SF) posted negative absorption — watch for broader softening as new supply delivers.
- **Retail absorption moderation:** YTD net absorption is down 62% YoY. Vacancy stays tight, but the demand tailwind is normalizing.
- **MOB data lag and Q1 reversal:** the Q2 MOB report is still pending, and the last read turned negative. Underwriting off Q1 figures carries timing risk.
- **Capital markets:** bid-ask spreads remain wide and lender underwriting disciplined, holding transaction velocity below prior-cycle norms.
- **Healthcare policy:** Medicaid funding changes enacted in 2025 continue to shape health-system capital planning and MOB tenant demand.

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. Office, Retail, and Industrial reflect Q2 2026; Healthcare/MOB reflects the latest available quarter (Q1 2026), pending the Q2 2026 MOB release.

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, Q2 2026. Phoenix metro composite inventory: ~99.1M SF. Data source: CoStar, AZ Commerce, Arizona Labor Statistics, AZ Big Media, Phoenix Business Journal. Published Q3 2026.
- Colliers — Greater Phoenix Office Market Report; U.S. Office Market Outlook, Q2 2026.
- Cushman & Wakefield — Phoenix Office MarketBeat, Q2 2026.
- JLL — Phoenix Office Market Dynamics, Q2 2026.
- CBRE — Phoenix Office Figures, Q2 2026.
- CommercialEdge / Commercial Property Executive — Phoenix office sales coverage.

Healthcare & Medical Office (MOB)

- Kidder Mathews — Phoenix Medical Office CRE Market Update, Q1 2026 (latest available; Q2 2026 pending). Phoenix MOB composite inventory: ~17.0M SF across 29 submarkets. Data source: CoStar. Published May 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.
- Revista — National MOB Transaction Report, synthesized via Coy Davidson (The Tenant Advisor).
- Matthews — Key Fundamentals for Building Out Medical Office.

Retail Market

- Kidder Mathews — Phoenix Retail Market Report, Q2 2026. Data source: CoStar. Published Q3 2026.
- Cushman & Wakefield — Phoenix Retail MarketBeat, Q2 2026.
- Avison Young — Phoenix Retail Real Estate Market Report, Q2 2026.
- Matthews — Phoenix Retail Market Report, 2026.
- ROI Properties — Phoenix Retail Trends 2026.

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Industrial Market

- Kidder Mathews — Phoenix Industrial Market Report, Q2 2026. Phoenix metro composite inventory: ~465.9M SF. Data source: CoStar, AZ Office of Economic Opportunity, Phoenix Business Journal. Published Q3 2026.
- Colliers — Q2 2026 Phoenix Industrial Market Report.
- Cushman & Wakefield — Phoenix Industrial MarketBeat, Q2 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.
- CBRE — 2026 U.S. Real Estate Market Outlook (Healthcare, Capital Markets, and Phoenix chapters).
- CBRE — U.S. Healthcare Real Estate: Key Trends to Watch in 2026.
- U.S. Census Bureau — Vintage 2024 Population Estimates.
- Arizona Office of Economic Opportunity — Arizona resident and employment estimates.
- Eller College of Management / University of Arizona Economic Business Research Center — Arizona economic outlook.

Industry Press & Trade Publications

- Bisnow Phoenix — Phoenix CRE and healthcare real estate coverage.
- Coy Davidson / The Tenant Advisor — 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 — Maricopa County Zoning Ordinance.
- City of Phoenix Planning & Development Department — Phoenix General Plan; 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.
- 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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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 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.

Timing note: at publication, the Q2 2026 reports for Office, Retail, and Industrial were available and are reflected here. No reputable Q2 2026 Phoenix Medical Office report had released as of the publication date — the latest available across the major research sources was Q1 2026. The Healthcare/MOB section therefore reflects Q1 2026 and is clearly labeled as such throughout; it will be refreshed as a revision when Q2 2026 MOB data publishes (historically 4–6 weeks after quarter close, implying a mid-to-late August release).

Medical office cross-source note: the two most-followed Phoenix MOB datasets diverged in Q1 2026. One reported vacancy at 12.6% on an NNN-quoted basis with a record development pipeline and continued tightening; the other reported direct vacancy at 15.8% on a Full-Service Gross basis with negative net absorption. The difference stems primarily from how each defines the competitive medical-office inventory (Kidder tracks ~17.0M SF across 29 submarkets). The MOB Market Fundamentals table in the body uses a single, consistent methodology to avoid mixing conventions; the range is disclosed here.

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.

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 1 — July 2026 (Q2 2026 initial release)

- New quarter. Office rebuilt on Q2 2026 data: vacancy 23.3% (▼100 bps YoY), net absorption +492,625 SF (reversal from Q1's (267,340) SF), record asking rent $31.65 PSF FSG, Class A rent $34.59. New Q2 submarket table and transactions (Apollo Corporate HQ, Consumer Cellular, McCarthy).
- Industrial rebuilt on Q2 2026 data: vacancy 11.4% (▼210 bps YoY), net absorption +5,422,100 SF (YTD 10.2M), pipeline 13.2M SF, deliveries down 66% YoY. Glendale led with +4.76M SF. New transactions (The Hub @ 202, The Cubes at Mesa Gateway, Fluidstack, DHL).
- Retail rebuilt on Q2 2026 data: vacancy 4.5% (▲10 bps YoY), rent $1.78 PSF/mo (+9.4% YoY), avg sale price $296 PSF (+20.5% YoY), cap rate 6.5%. New transactions (Goodwill South Buckeye, Bethany Marketplace, Tractor Supply).
- Healthcare/MOB retained at latest available Q1 2026 data and clearly labeled as such — no reputable Q2 2026 Phoenix MOB report had published at build time. Section, tables, corridors, and KPI card flagged 'Q2 pending' and will be refreshed on release.
- Added a second independent MOB source (Colliers Q1 2026) for corroboration: vacancy 12.6%, asking rent $26.52 NNN, record 353,000+ SF pipeline. Body now discloses the cross-source vacancy range (12.6%–15.8%) and directional divergence; appendix and methodology notes updated accordingly.
- Executive Summary, heat map, KPI cards, investment themes, and risk factors reordered and rewritten for the Q2 2026 read (Industrial and Office leading).