Q4 2025 | **MEDICAL OFFICE**

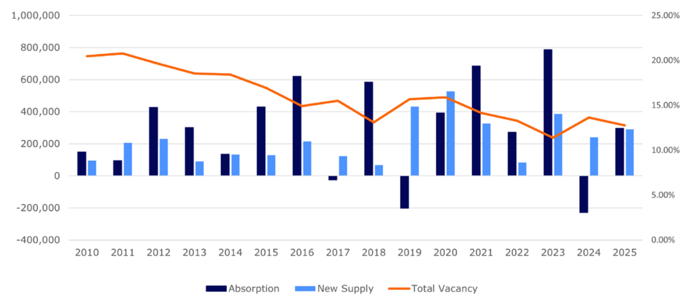
Arizona

VACANCY RATE	NET ABSORPTION	UNDER CONSTRUCTION	OVERALL ASKING LEASE RATES (NNN)
12.8%	143K SF	230K SF	$26.36 /SF
▼ YOY ▼ Forecast	▲ YOY ▼ Forecast	▲ YOY ▼ Forecast	▲ YOY ▼ Forecast

KEY TAKEAWAYS

- Investment activity strengthened significantly in Q4, with medical office sales volume reaching its highest level since Q1 2022, reflecting renewed investor confidence after a slower prior quarter. Pricing also increased sharply, supported by higher average price per square foot.
- New construction deliveries remained limited, but projects under construction picked up moderately in Q4, signaling continued confidence among developers in the long-term steady demand for medical office space across the Valley.
- Leasing activity rebounded in Q4, with the market posting positive net absorption, signaling renewed tenant demand after a slower prior period.
- The direct vacancy rate increased by ten basis points quarter over quarter while declined by 60 basis points year over year to 12.8%, continuing a longer-term trend of improving market fundamentals compared with prior years.
- Asking rents remained resilient, holding steady quarter over quarter while continuing to rise year over year, with all submarkets posting positive annual rent growth, led by the Southeast and Southwest Valley.

HISTORICAL ABSORPTION, DELIVERIES AND VACANCY RATES



The Phoenix medical office market has gone through ups and downs over the past 15 years. Some years saw strong tenant demand, especially in 2016, 2021, and 2023, while other years experienced move-outs, including 2017, 2019, and 2024. Even during years with a lot of new construction, such as 2019, 2020, and 2023, overall vacancy has steadily improved over time. Vacancy has dropped by over 700 basis points since 2010, reaching 12.8% in 2025. After a slowdown in 2024, leasing activity picked up again in 2025, showing that demand for medical office space in Phoenix remains solid.

HISTORIC COMPARISON

	24 Q4	25 Q3	25 Q4
Total Inventory (in Thousands of SF)	24,225	24,261	24,510
New Supply (in Thousands of SF)	29	100	14
Net Absorption (in Thousands of SF)	262	(99)	143
Direct Vacancy	13.4%	12.7%	12.8%
Under Construction (in Thousands of SF)	188	161	230
Overall Asking Lease Rates (NNN)	$25.87	$26.36	$26.36

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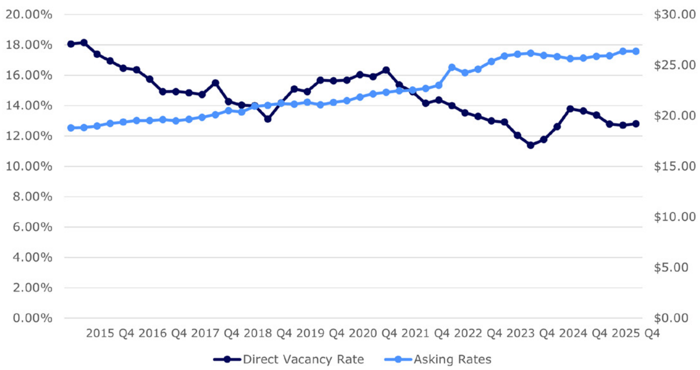
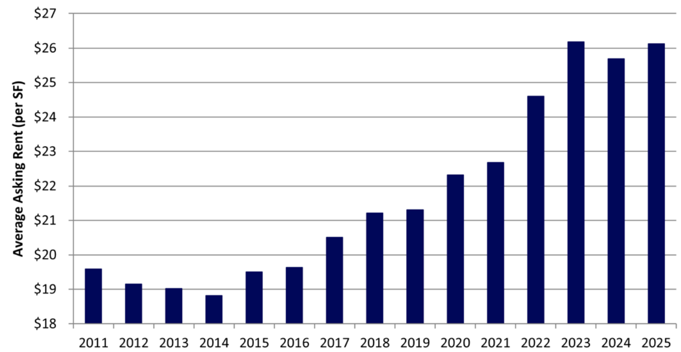
Market Update

VACANCY VS ASKING RENTS



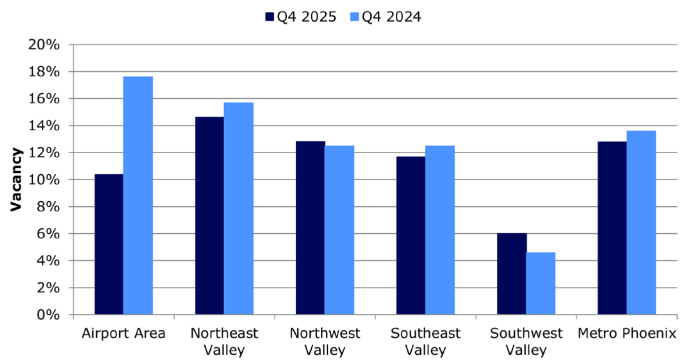
The direct vacancy rate declined 84 basis points year over year while increased 10 basis points quarter over quarter at 12.8%. Asking rents were unchanged from the previous quarter but increased 2.6% from a year earlier. Over the long term, the Phoenix medical office market continues to trend in a positive direction, with lower vacancy levels compared with prior years and steady upward pressure on rents. Together, these trends point to a market that remains fundamentally balanced, supported by consistent demand for healthcare services across the region.

ASKING RENTS



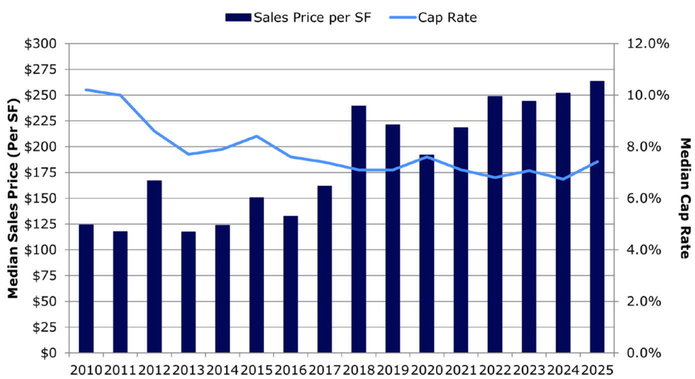
While asking rents were unchanged from the prior quarter, the annual average increased 1.7% compared with 2024. On a positive note, all submarkets recorded positive year-over-year rent growth, led again by the Southeast, where rents rose 11.8% to $26.78 per square foot NNN. The Southwest Valley posted the second-highest annual rent growth at 3.5% and continued to command the highest asking rents among all submarkets at $32.18 per square foot NNN.

VACANCY BY SUBMARKET



On a quarterly basis, vacancy declined in half of the Valley's submarkets, while four of the six submarkets recorded year-over-year declines. In Q4, the pattern shifted compared with last year. The Airport Area was no longer the highest-vacancy submarket and instead posted the largest reduction in vacancy, declining 7.2% both quarter over quarter and year over year to 10.4%. The Northeast Valley recorded the highest vacancy rate in Q4 at 14.6%. Meanwhile, the Southwest Valley posted the lowest vacancy rate, reflecting its smaller inventory base, and was the only submarket to deliver new medical office space during the quarter.

MOB SALES TRENDS



Total healthcare-related office sales volume performed strongly in the fourth quarter, increasing 207.7% quarter over quarter and 42.2% year over year to $141.3 million for properties larger than 10,000 square feet and priced above $1 million. The average price per square foot also rose to $362.40, up 84.8% from the previous quarter and 40.3% from a year earlier. Q4 recorded the highest sales volume since Q1 2022, signaling renewed investor confidence in the Valley's medical office market and continued opportunities despite the slowdown seen in the prior quarter.

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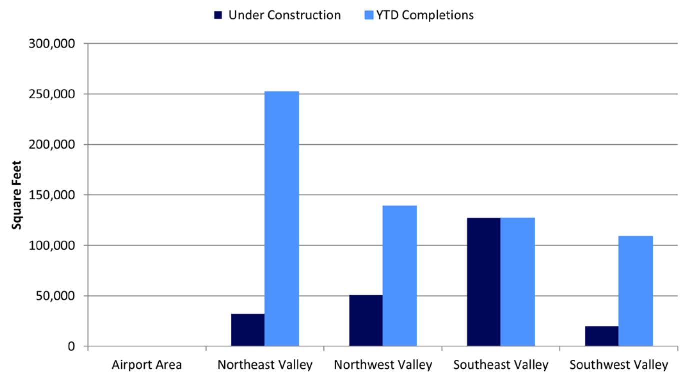
CONSTRUCTION BY SUBMARKET



New construction activity slowed significantly again this quarter, with just one delivery—a smaller 14,100-square-foot medical office building at the northwest corner of Thomas Road and Verrado Way in Buckeye—which was 38.7% leased at completion. Despite limited deliveries, projects under construction increased from both the prior quarter and a year ago, totaling 230,482 square feet. This rebound in construction activity reflects continued confidence among developers and investors; while overall construction activity has slowed in 2025 compared with 2024, demand for medical office space remains steady.

OUTLOOK

Arizona's healthcare real estate market closed Q4 2025 on increasingly solid footing, with fundamentals continuing to normalize after a volatile prior year or two. In the Phoenix medical office market, while direct vacancy increased to 12.8% from prior quarter, average asking rents remained steady at $26.36 per square foot NNN, underscoring landlords' ability to maintain pricing for well-located, high-quality assets when absorption rebounded from the prior quarter. Leasing activity remained steady, reflecting consistent demand from providers focused on outpatient growth and market expansion rather than large-scale relocations.

From an investment perspective, momentum strengthened meaningfully in Q4. Medical office sales volume rose sharply, reaching its highest quarterly total since early 2022, supported by higher pricing per square foot and renewed buyer engagement. While underwriting discipline continues to influence deal structure, capital is selectively targeting assets with durable tenancy, realistic pricing, and clear paths to long-term stability. Off-market and well-positioned opportunities are trading more consistently than broadly marketed offerings, reinforcing the importance of alignment between expectations and current market conditions. Availability of debt and equity is improving the outlook for the investment market along with liquidity.

Construction activity remains constrained, limiting near-term supply growth. However, projects under construction increased modestly, signaling confidence in Arizona's long-term healthcare demand drivers. Office-to-medical conversions are also emerging as a practical solution in select submarkets, allowing new space to come online efficiently without the cost profile of ground-up development

Looking ahead, Arizona's population growth, aging demographics, and continued shift toward outpatient care should support stable occupancy, measured rent growth, and disciplined investment activity through the coming quarters.

Contributed by Julie Johnson, CCIM; Andie Edmonds, CCIM; and Amita Sall

Arizona

LEASE TRANSACTIONS

Property Name/Property Address	Submarket	Lease/Deal Type	Tenant	Size SF	Class
One Chandler Corporate Center **4100 W Chandler Boulevard**	South Tempe	Direct / New	Orthopedic Specialists of North America, PLLC	30,683	B
Thunderbird Wellness Centre **6790 W Thunderbird Rd - Bldg D**	Arrowhead	Direct / New	CARE Surgery Center	21,998	B
8260 W Indian School Rd	Glendale	Sublease / New	Rise, Inc.	8,581	C

SALE TRANSACTIONS

Property Name/Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price/SF	Class
HonorHealth Complete Care **5316 E Shea Blvd**	North Phoenix	10/29/2025	$25,000,000	21,274	$1,175.14	A
Lincoln Plaza Medical Ctr **7125 E Lincoln Dr**	Scottsdale	10/1/2025	$20,000,000	27,000	$740.74	B
1300 Medical **1300 N 12th St (Buyer: Banner Health)**	East Phoenix	12/11/2025	$18,270,000	156,089	$117.05	B

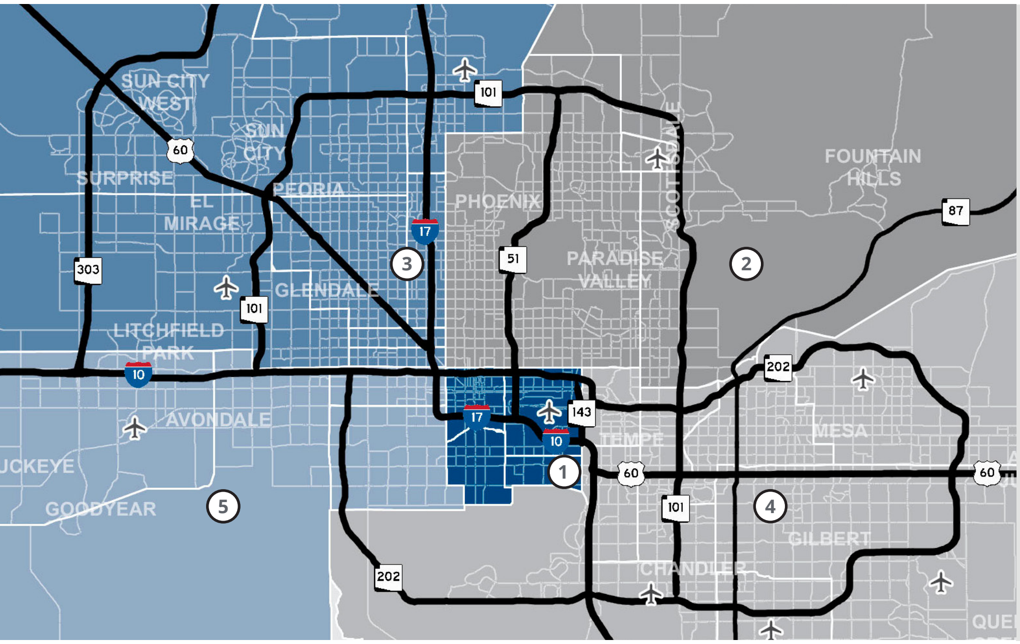
Arizona

Market Statistics

Existing Properties		Direct Vacancy		Sublease Availability		Total Available %	Direct Vacant	Net Absorption - SF		New Supply - SF		Under Constr.	Avg Rent
Submarket Cluster	Total Inventory SF	SF	Rate	SF	Rate	Q4-25	Q3-25	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)
Grand Total													
Airport Area	1,070,508	111,016	10.4%	8,897	0.8%	11.2%	17.6%	76,912	74,020	-	-	-	$20.97
Northeast Valley	8,823,065	1,289,078	14.6%	85,102	1.0%	15.6%	14.9%	26,894	(29,541)	-	100,000	32,232	$27.53
Northwest Valley	7,041,040	901,351	12.8%	104,370	1.5%	14.3%	12.1%	(32,434)	(1,594)	-	88,000	51,000	$25.20
Southeast Valley	6,618,556	773,083	11.7%	72,729	1.1%	12.8%	10.8%	66,901	157,958	-	-	127,250	$26.78
Southwest Valley	956,726	57,492	6.0%	14,813	1.5%	7.6%	3.9%	5,080	96,142	14,100	103,117	20,000	$32.18
Total	24,509,895	3,132,020	12.8%	285,911	1.2%	13.9%	13.6%	143,353	296,985	14,100	291,117	230,482	$26.36

Quarterly Comparisons and Totals													
2025 Q4	24,509,895	3,132,020	12.8%	285,911	1.2%	13.9%	13.6%	143,353	296,985	14,100	291,117	230,482	$26.36
2025 Q3	24,260,567	3,079,119	12.7%	528,862	2.2%	14.9%	13.2%	(98,924)	153,632	100,000	277,017	161,350	$26.36
2025 Q2	24,499,162	3,246,071	13.2%	339,930	1.4%	14.6%	13.4%	163,153	252,556	148,000	177,017	261,350	$25.92
2025 Q1	24,225,088	3,240,881	13.4%	429,845	1.8%	15.2%	13.6%	89,403	89,403	29,017	29,017	282,100	$25.87
2024 Q4	24,196,070	3,301,266	13.6%	502,106	2.1%	15.7%	13.8%	261,747	(229,009)	143,136	340,136	188,000	$25.69

(Criteria: MOB over 10,000 SF)



1. AIRPORT MARKET
2. NORTHEAST MARKET
3. NORTHWEST MARKET
4. SOUTHEAST MARKET
5. SOUTHWEST MARKET

$5.5B+
annual revenue

2B
square feet managed

24,000
professionals

70
countries we operate in

$108B
assets under management

46,000
lease and sale transactions

Number of countries includes affiliates

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