

PHOENIX MEDICAL OFFICE MARKET REPORT

Q1 2023

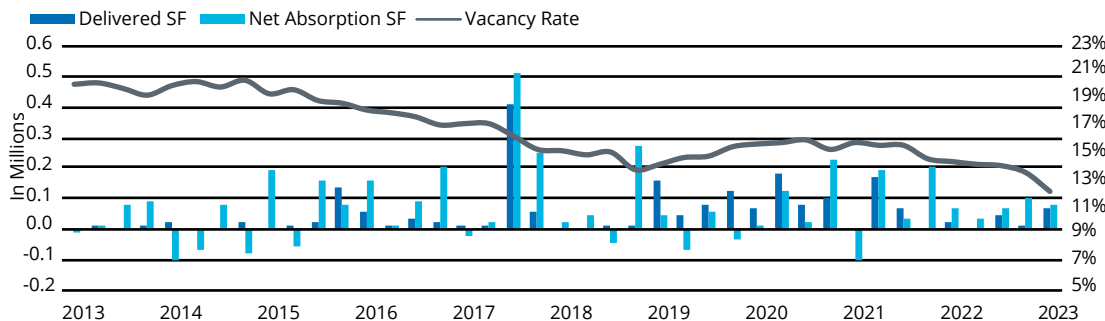
ECONOMIC SNAPSHOT FOR PHOENIX

4.9% AVERAGE WAGE GROWTH

3.1% UNEMPLOYMENT RATE

8.5% INFLATION RATE

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

MEDICAL OFFICE MARKET HIGHLIGHTS

- High construction costs are a major factor in the slowing of new medical office development. This supply/demand bottleneck is likely to intensify in the near term as construction bottoms out while growth continues at an elevated pace. This will cause increasing pressure to rental and vacancy rates for second generation product too, as new space becomes increasingly difficult to find.
- Landlords are increasing tenant improvement allowances, giving 10%-15% more than they did just a year ago, these costs are being passed on to tenants in the form of higher rental rates.
- Lease terms have been lengthening, averaging 5-7 years on smaller and mid-sized deals, or 10-12 years for larger deals. This is an important change to note as lease terms were averaging 3 years just one year ago.

TRENDLINES

MEDICAL OFFICE ALL CLASSES	Q1 2023	Q1 2022	ONE-YEAR TREND	PREVIOUS FIVE-YEAR AVERAGE	12-MONTH FORECAST
INVENTORY (MSF)	21.4	21.3	↔	20.8	↔
NET ABSORPTION (THOUSANDS SF)	75.1	72.4	↑	66.8	↓
OVERALL VACANCY RATE	12.3%	14.5%	↓	14.9%	↓
OVERALL VACANT SF (MSF)	2.4	2.8	↓	2.9	↓
UNDER CONSTRUCTION (THOUSANDS SF)	0.2	0.2	↔	0.3	↔
ASKING RENT, NNN (PSF)	\$23.80	\$22.77	↑	\$21.73	↑
SALES VOLUME (MILLIONS)	\$109.1	\$166	↓	\$93.6	↔


Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

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NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
SIMON MED	10825 W. Mc Dowell Rd.	West Valley	New	6,814
HONOR HEALTH 	2222 E. Highland Ave	Camelback Corridor	New	6,141
ACCESS AUTISM	2451 E. Baseline	East Valley	New	5,434
GILBERT COUNSELORS	2509 S. Power Rd.	East Valley	New	4,479
INSIGHT PSYCHOLOGY HEALTH	21803 N. Scottsdale Rd	Scottsdale	New	3,500

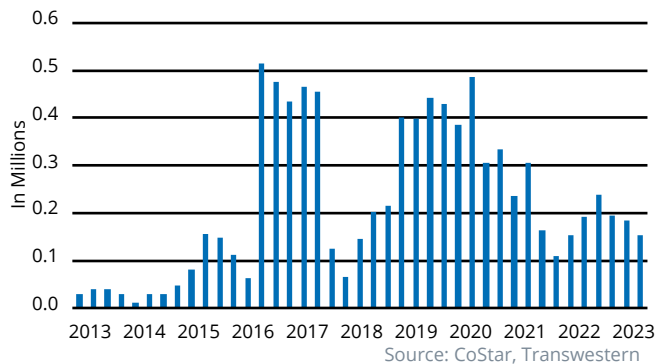
 = Transwestern deal

NOTABLE SALES

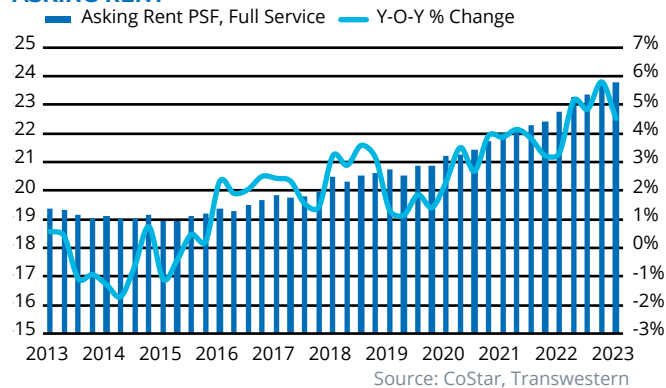
ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
4200 E. CAMELBACK RD.	Camelback Corridor	\$48,500,000	70,000	\$693	Virtus Real Estate Capital	RED Development
1546 N. PARKWAY DR.	East Valley	\$4,460,000	7,786	\$573	Siouxland Paramedica Inc	Bungalow Ventures
13640 N. PLAZA DEL RIO BLVD.	West Valley	\$29,000,000	73,327	\$395	Montecito Medical Real Estate	Banner Health
8410 W. THOMAS RD.	West Valley	\$3,400,000	10,243	\$332	Michael T Kroes	Dan Oas
8630 E. VIA DE VENTURA	Scottsdale	\$6,300,000	22,148	\$284	MCG Commercial	Scott McGill

 = Transwestern deal

UNDER CONSTRUCTION



ASKING RENT



SALES VOLUME

