

# MIDQUARTER SNAPSHOT

## Office Q4 2022 Phoenix



### MARKET ACTIVITY

### KEY TAKE AWAYS

### ECONOMIC OUTLOOK

#### MARKET

- **Vacancy Rate:** Overall vacancy increased by 46 BPS since Q3 to 20.2%. An increase of 428K SF of vacant sublet space was the contributing factor for the increase overall.
- **Net Absorption:** Negative start to Q4, totaling over -469K SF.
- **Office Supply:** Construction activity revised to 464K SF.
- **Sales:** In Q4, the median price PSF is \$178.43. Volume has totaled only \$51.9M thus far in Q4.

#### ECONOMIC OUTLOOK

- **Interest Rates:** At their November meeting, the FOMC decided to increase interest rates by another 75 bps to a range of 3.75%-4.0%. Projections of an additional increase of 50 bps before the end of the year with the fed funds rate ending 2022 at a mid-point of 4.4%.
- **Inflation:** The latest CPI shows slight signs of moderation from peak inflation.
- **Supply Chain:** According to the Freightos Baltic Index, the cost to ship a container from China/East Asia to North America West Coast declined 13% since Q3, at \$2,563 per container. Since the start of 2022, these rate have declined over 81%.

  
Direct Vacancy  
▲ 16.5%

  
Net Absorption  
▼ -469,209 SF

  
Overall Vacancy  
▲ 20.2%

  
Gross Absorption  
▲ 2,182,330 SF


  
Under Construction  
▼ 463,677 SF

  
Rental Rates (FSG)  
▲ \$2.43

  
Median Sale \$/SF  
\$178.43

  
Deal Volume  
\$51.9M

  
U.S. Employment  
▲ 3.7%

  
U6 Rate  
▲ 6.8%

  
Interest Rate  
▲ 6.6%  
(30 year fixed)

  
Changing GDP  
▲ 2.6%

  
Port Traffic Y/Y Δ  
▼ 6.0%

  
NYSE Performance  
▲ 11.1%

  
Inflation Change  
▼ 7.76%

  
10 Yr. - 2 Yr. Spread  
▼ -57 BPS

EXPERIENCE IN A CHANGING MARKET  
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