



Editor's Insights: This Office Market Finds Itself in a Liminal Space

Karen Schutte • published in the October 2024 issue

A liminal space is the boundary between two places. Liminal, from the Latin limen, or “threshold,” denotes a transitory place—neither here nor there, it’s the space between spaces. A liminal space is a position of potential and uncertainty; a thing neither fish nor fowl, but inevitably to become one or the other. Eventually, the liminality resolves.

We started 2024 with an economy in a liminal space, on the threshold of a soft landing but still possibly tipping into a hard one. The main economic concerns of 2023—high inflation and a looming recession—are almost, but not quite, resolved. Prudence would suggest that



we deem the recession avoided when the yield curve remains normalized, which just stopped flashing red last month, following the second anniversary of the longest yield curve inversion in U.S. history.

What can be expected is what is priced in. Consensus doesn’t move markets; it is deviations from expectations that shake things up. Office properties continue to be the most troubled sector in the commercial property market, as they were throughout 2023.

We thank our courageous contributors for their enlightened insights. There seems to be agreement with all, that when you’re in a liminal space, it’s best to focus on making the future happen.

Phil Skillings with NAI Horizon (Tucson) shows the way, in *West Coast Capital Partners Elevates Williams Centre Office Experience* on how a group of Tucson iconic office buildings in need of updating was brought back to a premier location with top-tier amenities.

Rick Kleiner with Cushman & Wakefield | PICOR in *What’s Happening in the Tucson Office Market?* talks about how enhanced amenities to differentiate properties and services that enhance tenant experience are essential particularly in high-demand areas.

In *Office Market Forecasts and Prophecies: As the Dust Settles, Where Do Things Stand?* by **Dave Volk** of VOLK Co., we find an in-depth analysis of what’s been happening in the Tucson office market who also concurs, it may take another year or two before we really know where the office markets are headed. Be happy to be in Tucson!

Congratulations on the Recent Merger of “Two Venerable Companies”: *Larsen Baker and Romano Real Estate* and to all the *2024 Tucson Metro Chamber Copper Cactus Award Winners!*

In *Large Office Move Outs Overshadow Strong Leasing During 2Q in Phoenix*, **Bob Mulhern and Phillip Hernandez** with Colliers discuss the Phoenix office market and pressures they are seeing. Office sales volume has hit the highest level in six quarters.

Dylan Whitwer with NAI Horizon in *Highs and Lows: A Tale of The Phoenix Office Market* explains as well, the Metro Phoenix and National Office markets. Phoenix is seeing a 10-year high vacancy rate following suit with national trends.

JLL Senior Researcher **Scott Reed** adds in *Q2 2024 Metro Phoenix Office Market Dynamics* that there is 300,000 SF of new office space under construction with 40% of it pre-leased!

The CBRE Research team in *Development Activity Remains Muted in the Tucson Office Sector* shows Tucson vacancy rate increasing to 15.3%, or 20 bps, while office space availability rose to 17% in Q2 2024. They concur with others that although fundamentals have softened, Tucson’s office market has held up much better relative to Phoenix and the national market.

In *2024 U.S. Elections: What Should Real Estate Investors Know?*, **Ellie Perlman** is reminiscent of past presidential elections that didn’t impact commercial real estate as much as the pre-election uncertainty and candidates’ proposed policies.

We end the issue with the *Top 5 Office Sales of the Year* totaling \$237 million. Three of the five are well over \$200 per square foot.

A sincere thank you to everyone who participated in this Trend Report issue!

We are also grateful for the Trend Report team: **Patti van Leer, Michael Rossmann, Melissa Vucijevic, and Jack Paddock.**

Work has already begun on our next “**Regional Infrastructure**” November issue. You won’t want to miss it!

As always, we appreciate your feedback and welcome your comments. Come tell us “Hi” at <https://trendreportaz.com> under the “Connect” tab.

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