Phoenix

Industrial market snapshot | Q1 2025

The Phoenix industrial market is navigating a period of adjustment after a record surge in new construction, with vacancy rates reaching a decade-high level of 13%. Although demand for space remains steady, the influx of new supply has outpaced absorption, creating an imbalance that will take time to correct. The market is showing signs of stabilization, with slower construction activity and a rise in leasing transactions, offering room for vacancy rates to normalize over the coming months.

17.2msf

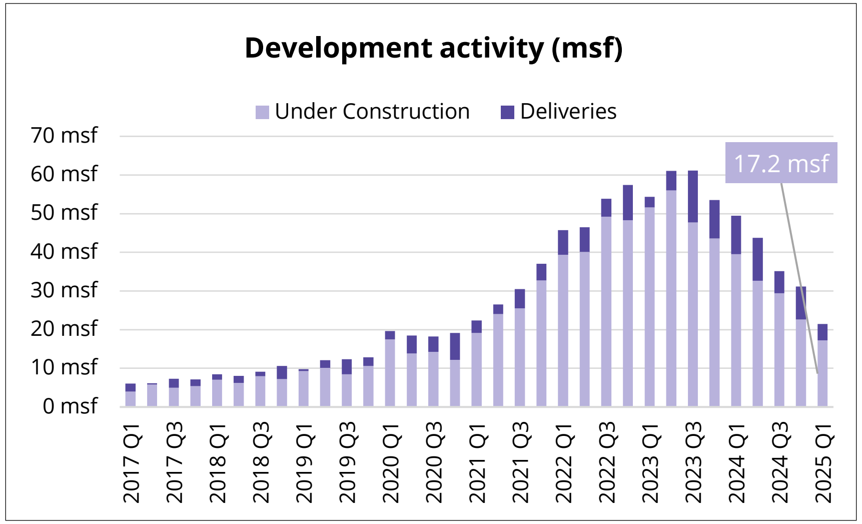
The industrial construction pipeline has fallen to 17.2 MSF, down from nearly 60 msf in 2023, as speculative developers become more cautious about bringing new product to market.

4.2msf

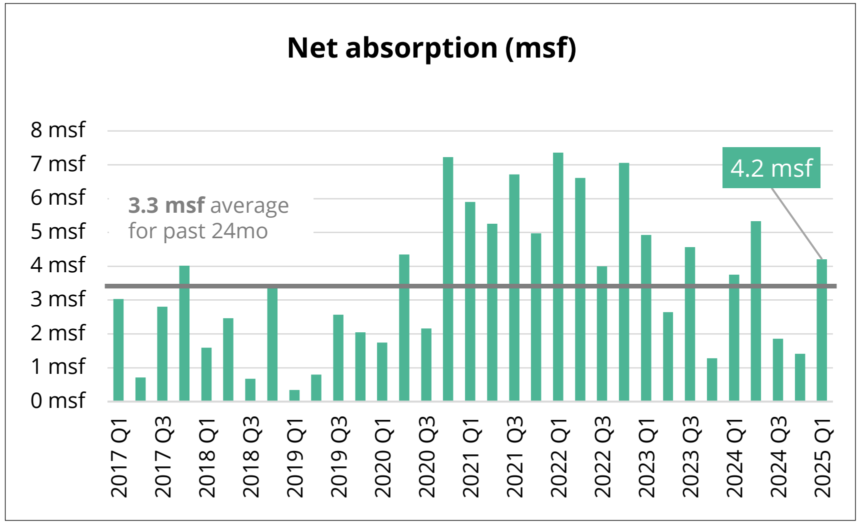
Net absorption in Q1 2025 reached 4.2 msf, reflecting a strong recovery after slower leasing activity in previous quarters.

13%

The Phoenix industrial market is still experiencing its highest vacancy rate in a decade, due to a surge in new deliveries.



The Phoenix industrial market has seen a significant reduction in the construction pipeline, dropping from nearly 60 million square feet in 2023 to 17.2 million square feet as of Q1 2025. This slowdown in new projects gives the market a chance to absorb existing supply, with fewer new buildings coming online. As a result, if current demand continues, vacancy will quickly stabilize.



Net absorption surged to 4.2 million square feet in Q1 2025, marking a rebound from slower leasing activity in previous quarters. Large leases, including Kenco's 640,000-square-foot deal in Buckeye and Logisticus Group's 480,000-square-foot lease in Litchfield Park, pushed absorption above the 3.3 million square foot average of the past two years. This increase in leasing activity signals a positive shift, suggesting the market is regaining momentum and heading toward stabilization.

Survey criteria: Industrial properties that are 20k square feet and larger in size.
Source: Avison Young Market Intelligence, Costar

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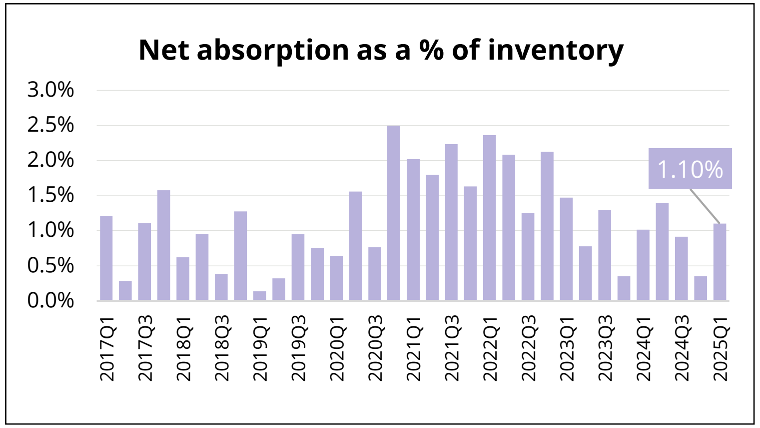

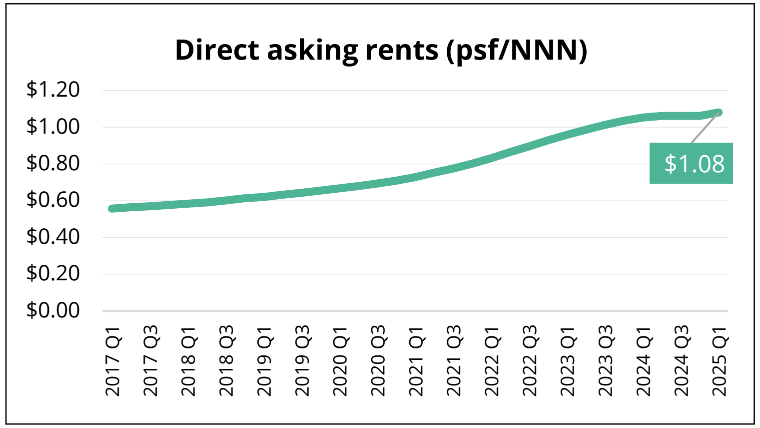

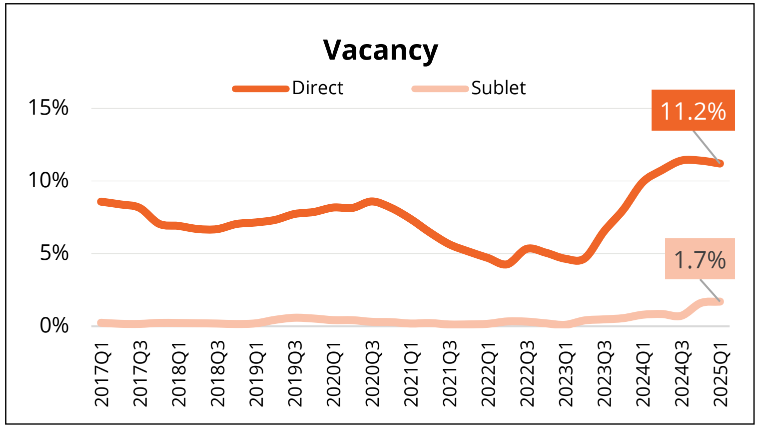

Recent leasing activity

Tenant	Address	Size (sf)	Transaction type	Lease type
Kenco	440 N 215th Ave	641,906	New	Direct
Logisticus Group	16400 W Glendale Ave	483,300	New	Direct
Hims	8142 E Pecos Rd	289,463	New	Direct
La-Z-Boy	17000 W Glendale Ave	233,988	New	Direct
Turfab	8903 E Peterson Ave	151,000	New	Direct
Maverick	1100 E Hammond Ln	100,683	New	Direct

Recent sales activity

Buyer	Address	Sale price	Sale price psf	Seller
LBA Realty	9701 N 151st Ave – Building A	$39M	$177.08	Echo Real Estate Capital, Inc.
Eaton Vance Real Estate Investment Group	9850 S 65th Ave	$32.25M	$245.22	Scannell Properties
Foundation Capital Partners	11701 N 132nd Ave	$20.5M	$150.85	SWC Development Partners
HBI International	3401 W Papago St	$17M	$192.12	Taurus Investment Holdings, LLC

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Submarket cluster	Existing inventory sf	Deliveries sf (Q1)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Total vacancy change (QoQ)	Net absorption (QTD)	Net absorption % of inventory (Q1)	Monthly direct asking rent psf NNN
Airport North Airport, South Airport, South Central Phoenix	37,802,746	0	161,084	4.7%	1.1%	5.8%	+40bps	-109,718	-0.29%	$1.18
Northeast Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River	8,780,155	242,740	0	1.6%	0.5%	2.2%	+50bps	196,777	2.24%	$1.69
Northwest Deer Valley/Pinnacle Peak, Glendale, Grand Avenue, North Black Canyon, Surprise, West Phoenix	92,376,668	2,145,431	7,509,373	16.5%	1.5%	18%	+170bps	201,363	0.22%	$1.08
Pinal County	13,321,089	540,000	1,120,000	3.7%	0%	3.7%	-390bps	1,069,565	8.03%	$1.05
Southeast Chandler, Chandler Airport, Mesa East, Mesa, Gilbert, Tempe East, Tempe Northwest, Tempe Southwest	97,083,494	0	4,244,229	14.2%	0.8%	15.1%	-40bps	373,703	0.38%	$1.27
Southwest Goodyear, Tolleson, West 202	134,609,210	1,327,795	4,206,411	9%	3%	12%	-40bps	2,476,625	1.8%	$0.89
Market total	**384,086,628**	**4,255,966**	**17,241,097**	**11.2%**	**1.7%**	**12.9%**	**-10bps**	**4,208,315**	**1.1%**	**$1.08**

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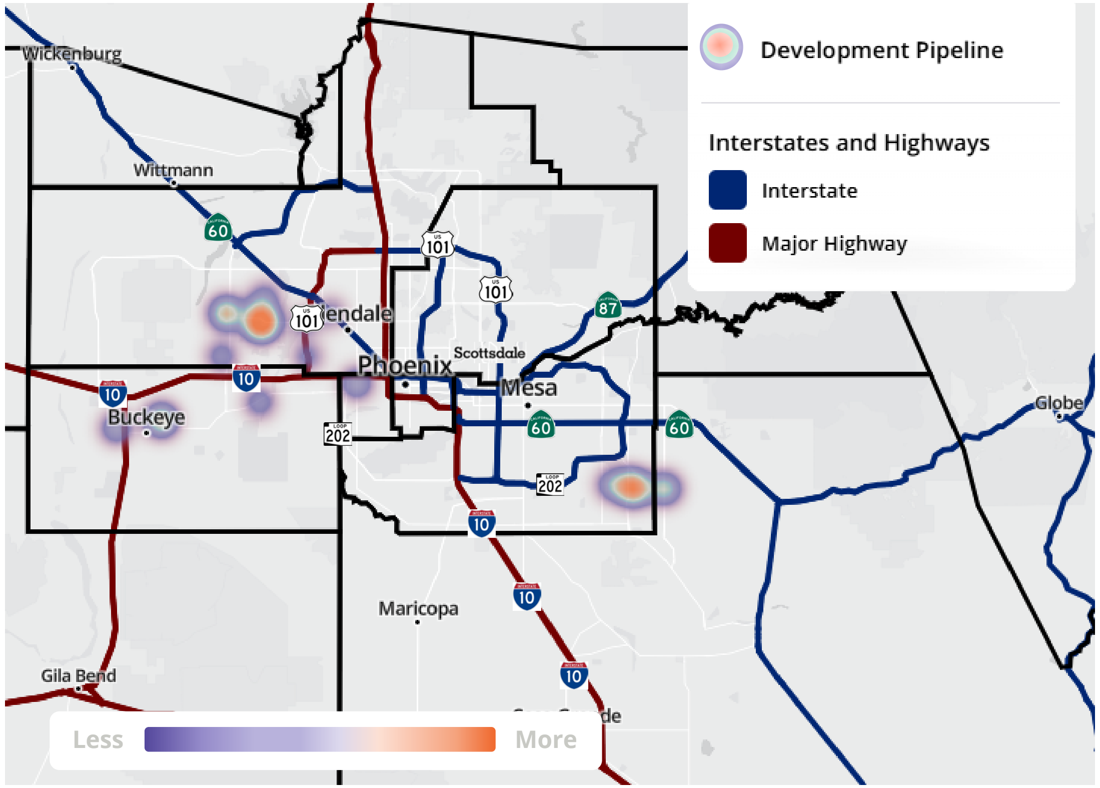
Industrial Development Pipeline

- 17.2 msf under construction = 4.5% of total inventory
- 63.7% of industrial properties currently under construction remain available.
- Pre-leased industrial space accounted for 3.0% of Phoenix's total leasing activity in Q1.

Development Activity



Source: Avison Young Market Intelligence, Costar

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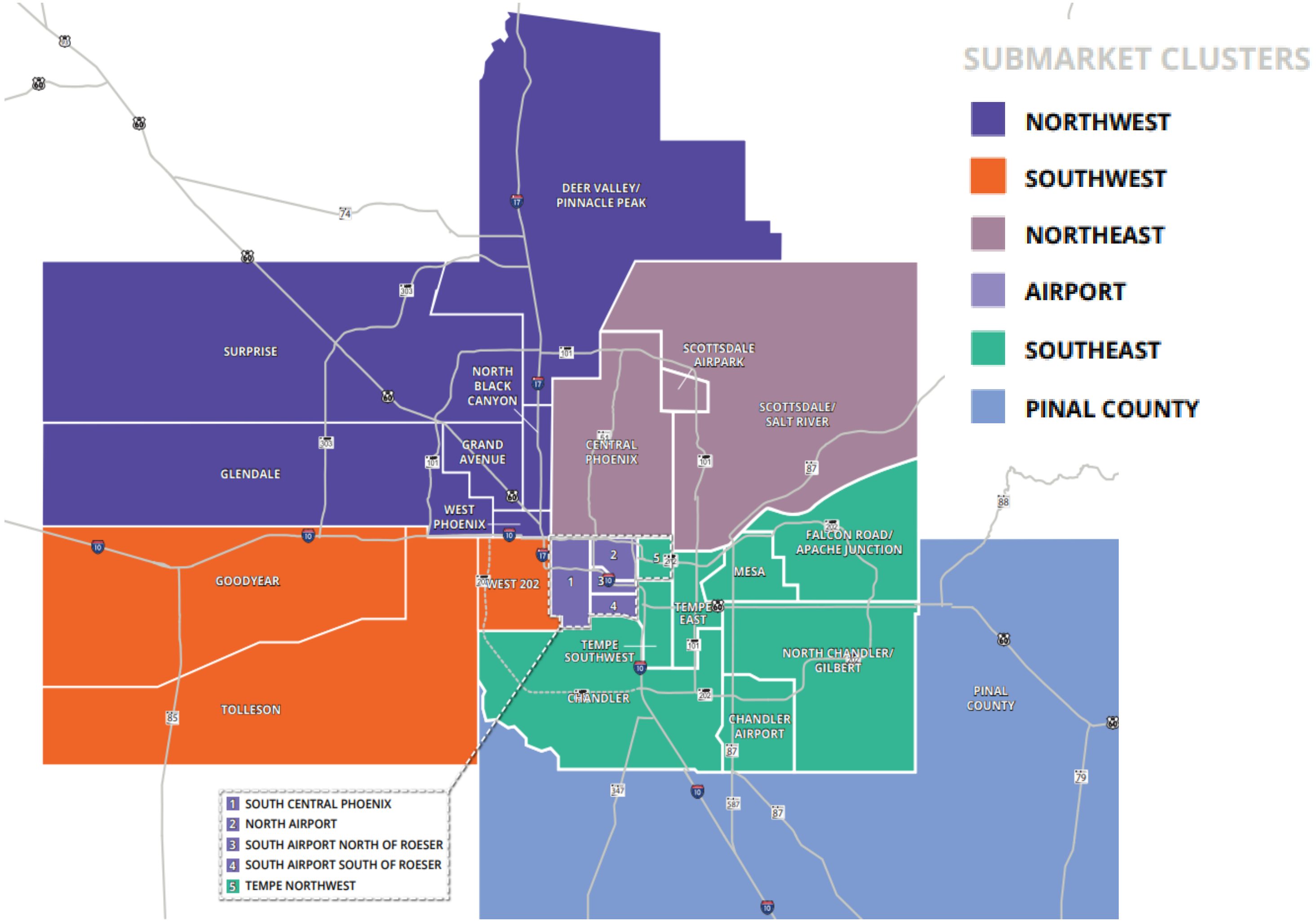

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