Phoenix

Industrial market snapshot | Q2 2025

Phoenix's industrial market is grappling with a record wave of new construction, pushing overall vacancy to 12.4%. In the past year, 24.3 million square feet of new space was delivered, significantly above the pre-pandemic average. Demand has not kept pace with supply, leading to a vacancy rate among buildings larger than 100,000 square feet reaching a 15-year high of over 16%. An additional 8 million square feet of unleased space is underway in that size category. Despite healthy leasing activity of 11.4 million square feet signed through midyear, rent growth has slowed and asking rates have stabilized as tenants find more options. Small bay and infill assets are faring better than larger spaces in the metro's outer areas.

14.9 msf

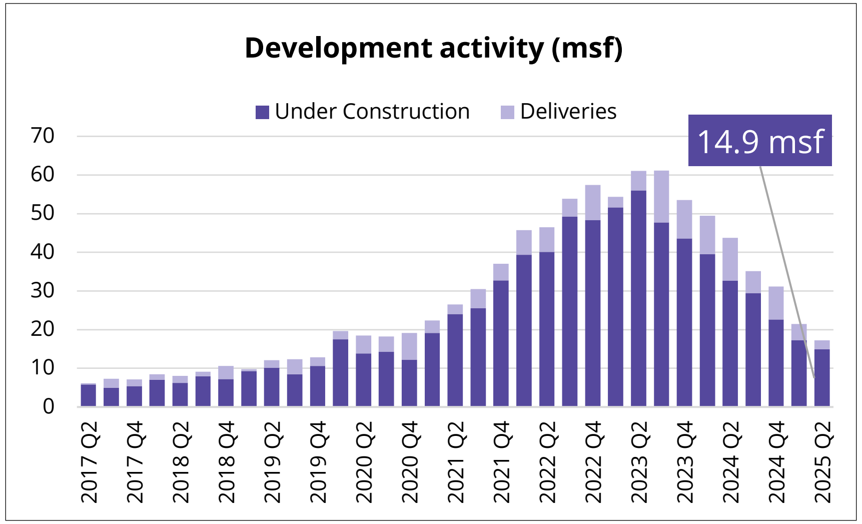
The construction pipeline has dropped to 14.9 million SF as developers respond to elevated vacancy and recent delivery saturation, but a robust proposed pipeline remains poised for future cycles.

11.4 msf

With 11.4 million SF leased YTD, Phoenix is on track to match recent years' demand levels, driven by steady expansion in logistics, retail, and industrial sectors.

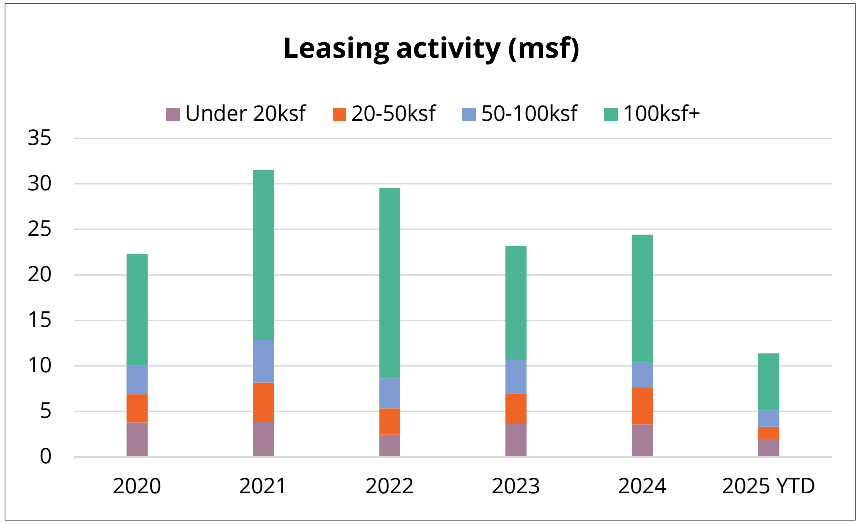
$1.08 psf

Asking rents reached $1.08/SF per month, showing stabilized growth with stronger pricing power in smaller infill submarkets versus larger peripheral developments.



Phoenix's industrial construction pipeline has dropped to 14.9 million square feet, down from recent highs. Developers are now more cautious due to rising vacancy rates and slower absorption. However, there are still 200 to 300 proposed projects that could offer future opportunities without immediate delivery pressure.

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



By midyear 2025, Phoenix recorded 11.4 million square feet of leasing activity, maintaining the momentum from the post-pandemic rebound. This figure matches leasing volumes from 2023 and 2024, highlighting strong demand in logistics and advanced manufacturing. Smaller-format and infill properties are the most active segments, while big-box spaces experience longer vacancies.

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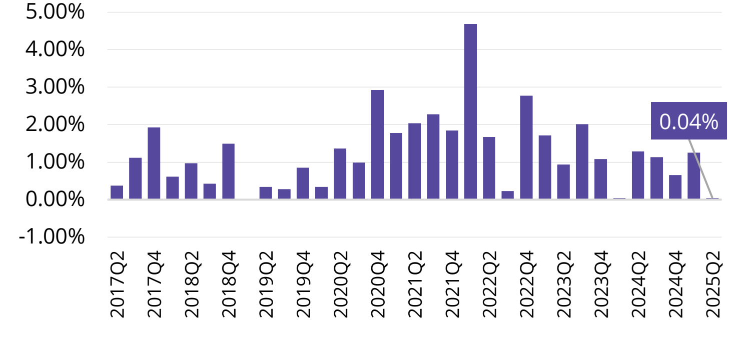
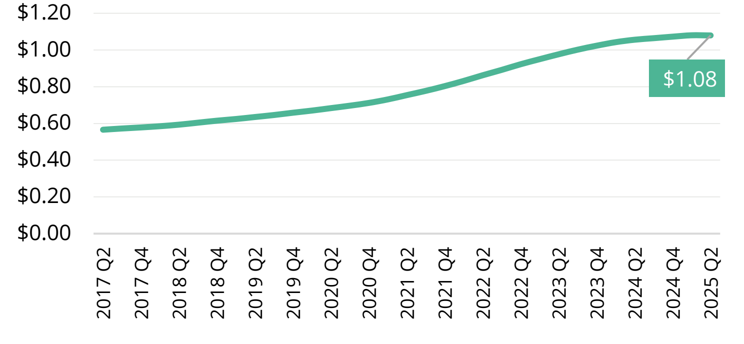
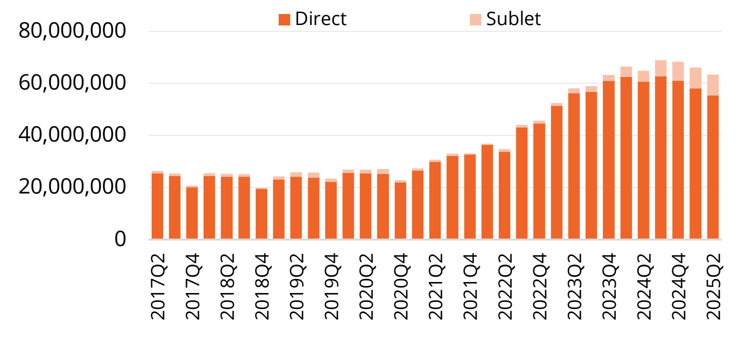
Net absorption as a % of inventory



Direct asking rents (psf/NNN)



Availabilities



Recent leasing activity

Tenant	Address	Size (sf)	Transaction type	Lease type
Verst Group Logistics	5125 N Alsup Rd	331,683	New Lease	Direct
JA Solar	1825 S 99th Ave	272,497	New Lease	Direct
Ball Corporation	16595 W Camelback Rd – Building B	257,000	New Lease	Direct
Ball Corporation	16395 W Camelback Rd – Building A	257,000	New Lease	Direct
United Sports Brands	1395 S Bullard Ave	245,519	New Lease	Direct

Recent sales activity

Buyer	Address	Sale price	Sale price psf	Seller
EQT Exeter Real Estate Income Trust	6390 N Sarival Ave-Building A	$128.2M	$110.82	Blackstone, Inc.
CBRE Investment Management	6860 S Harl Ave – Building 2	$58.69M	$291.70	ViaWest Group
CBRE Investment Management	6840 S Harl Ave	$44.36M	$284.53	ViaWest Group
Hillwood Development Corporation	13400 W Cactus Rd	$44.5M	$172.53	BlueScope Properties Group

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Submarket cluster	Existing inventory sf	Deliveries sf (Q2)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Total vacancy change (QoQ)	Net absorption (Q2)	Net absorption % of inventory (Q2)	Monthly direct asking rent psf NNN
Airport North Airport, South Airport, South Central Phoenix	37,850,690	34,000	1,179,687	4.5%	.9%	5.4%	-40bps	114,078	0.30%	$1.18
Northeast Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River	8,758,751	242,740	350,422	4.6%	.6%	5.2%	+300bps	-262,976	-3.00%	$1.69
Northwest Deer Valley/Pinnacle Peak, Glendale, Grand Avenue, North Black Canyon, Surprise, West Phoenix	97,469,128	1,403,417	5,128,779	20.2%	2.%	22.1%	+410bps	-273,005	-0.28%	$1.07
Pinal County	13,341,089	0	1,640,000	3.2%	.%	3.2%	-50bps	17,433	0.13%	$1.05
Southeast Chandler, Chandler Airport, Mesa East, Mesa, Gilbert, Tempe East, Tempe Northwest, Tempe Southwest	98,736,273	565,397	4,375,413	16.%	.8%	16.9%	+180bps	-50,331	-0.05%	$1.28
Southwest Goodyear, Tolleson, West 202	138,260,747	253,938	2,234,707	9.2%	2.5%	11.7%	-30bps	621,659	0.45%	$0.88
Market total	**394,416,678**	**2,332,089**	**14,909,008**	**12.9%**	**1.7%**	**14.5%**	**+160bps**	**166,858**	**0.04%**	**$1.08**

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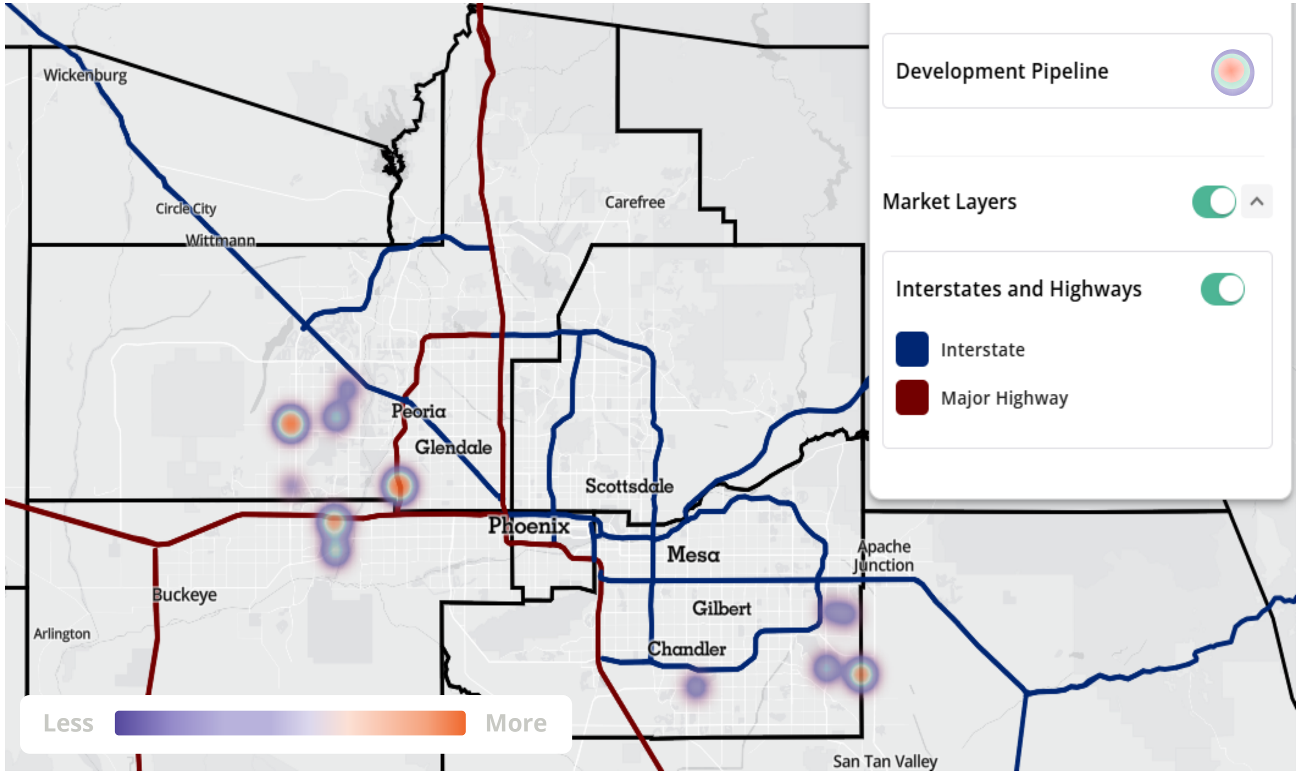
Industrial Development Pipeline

- 14.9 msf under construction = 3.8% of existing inventory
- 93.1% of total available space is existing inventory
- 5.5% of leasing activity in Q2 is under construction inventory

Development Activity



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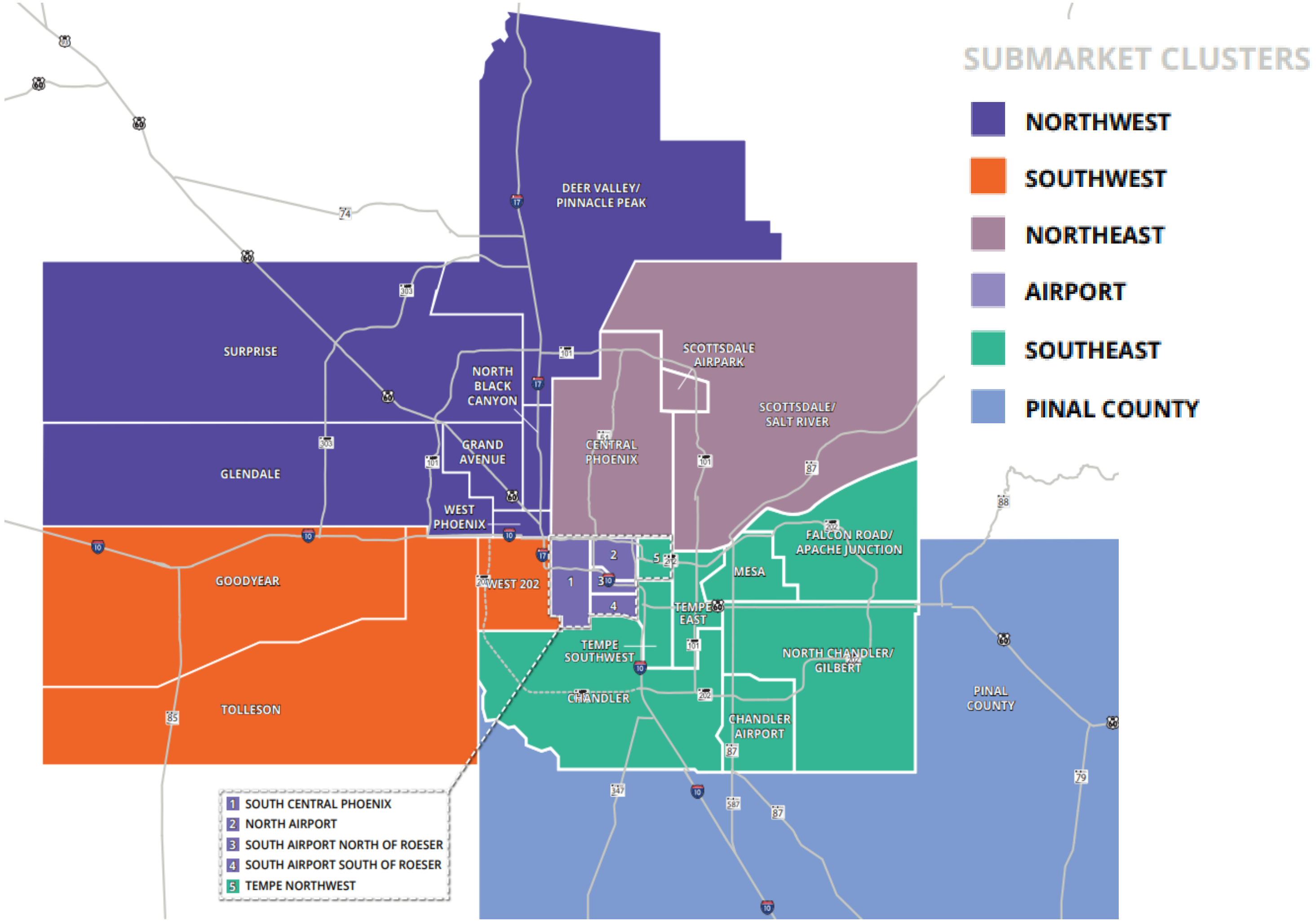

Source: Avison Young Market Intelligence, Costar