

## MARKET TRENDS

# PHOENIX INDUSTRIAL

### MARKET DRIVERS

Phoenix remains a well-positioned market for industrial tenants with over 475M SF in total inventory. The market has evolved into a booming hub for manufacturing and emerging technologies. Construction activity has slowed in 1Q25, with 16.3M SF currently underway, a significant decrease from 40M SF reported in 1Q24. This trend is expected to persist throughout the year, which may help address the demand-supply imbalance.

Total vacancy rate increased by 300 basis points (bps) year-over-year (YOY) to 12.8%, a total of 60.6M SF vacant. Compared to 4Q24, vacancy rates have remained flat. Availability rates experienced an increase of 160 bps to 15.5% YOY.

In 1Q25, vacancy rates in buildings sub 100K SF remained steady at 6.5% QOQ, which was a 90 bps increase YOY. Buildings above 100K SF also recorded no vacancy rate change QOQ, both measuring at 16.6%. This was a 300 bps increase YOY.

Leasing activity has dropped 30% from 6.8M SF in 4Q24 to 4.8M SF in 1Q25. However, direct net absorption in 1Q25 totaled 3.6M SF, driven by large 3PL groups beginning to occupy their spaces this quarter. Direct asking rents remain steady quarter-over-quarter (QOQ) at \$1.13 /SF NNN.

Sale activity remains lower than expected due to the lack of owner-user properties hitting the market, with a majority of transactions involving sub 100K SF buildings.

### ECONOMIC REVIEW

According to the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in February increased by 60 bps YOY to 3.6%. The increase is due to an increase of jobseekers entering the labor force alongside a slowdown in hiring momentum.

The Trump administration is focused on implementing reciprocal tariffs in response to trade policies with the US in 2Q25. The overall effect on the market is still uncertain, however, potential cost increases could impact project timelines and consumer spending in the long run.

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## Market Summary

	1Q25	4Q24	1Q24	YOY Change
Total Vacancy Rate	12.8%	12.8%	9.8%	<b>300 bps</b>
Total Availability Rate	15.5%	15.2%	13.9%	<b>160 bps</b>
Direct Asking Lease Rate	\$1.13	\$1.12	\$1.12	<b>0.6%</b>
	1Q25	4Q24	1Q24	YOY Change
Leasing Activity (SF)	4,780,197	6,807,492	9,341,572	<b>-48.8%</b>
Sales Volume (SF)	5,003,969	10,414,506	2,964,389	<b>68.8%</b>
Direct Net Absorption (SF)	3,631,172	3,454,082	2,759,095	<b>31.6%</b>

↓ **4.8M SF**  
LEASING ACTIVITY

↑ **3.6M SF**  
NET ABSORPTION

↑ **12.8%**  
VACANCY RATE

↑ **\$1.13 NNN**  
ASKING RENT (AVG)

↓ **6.5M SF**  
NEW DELIVERIES

Year-Over-Year Trend

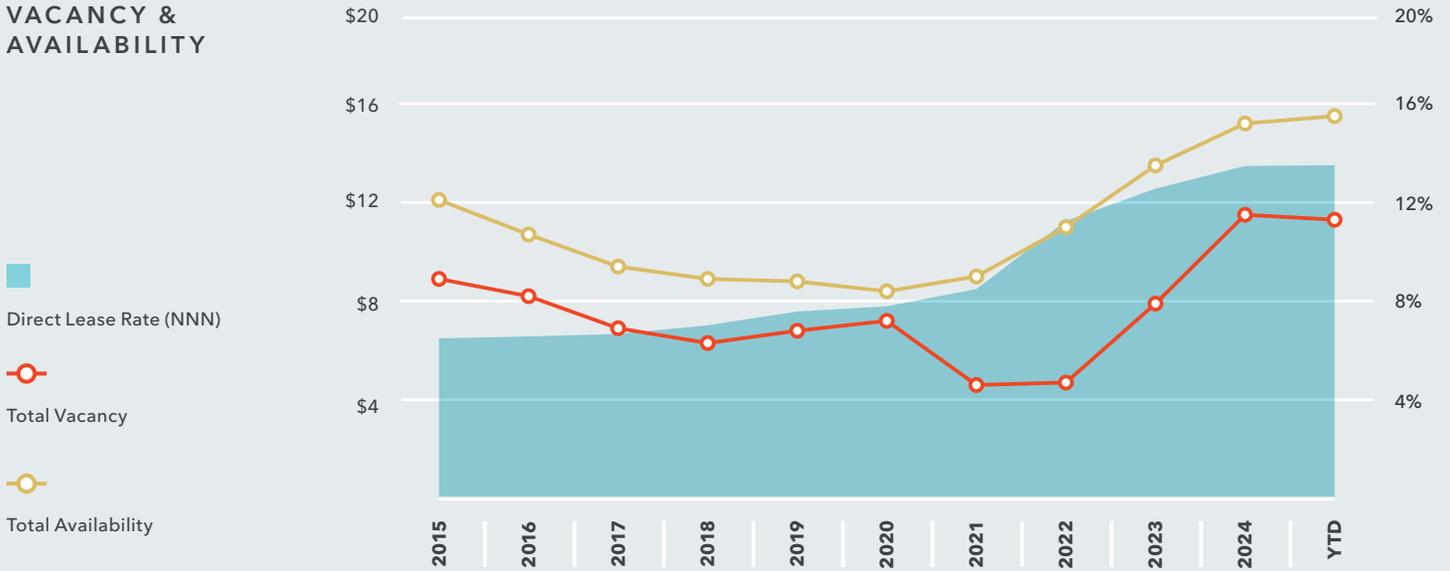
## Market Highlights

**CONSTRUCTION ACTIVITY** activity decreased to 16.3M SF in 1Q25.

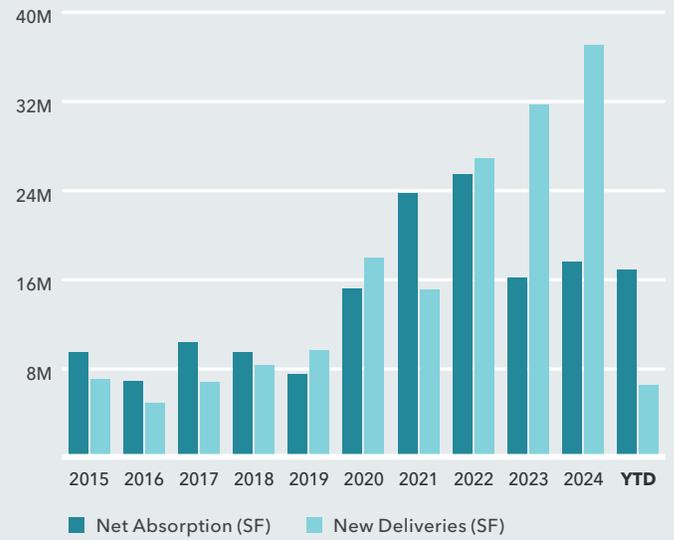
**VACANCY** increased 300 bps YOY to 12.8%.

**DIRECT NET ABSORPTION** reached 3.6M SF.

## LEASE RATE, VACANCY & AVAILABILITY



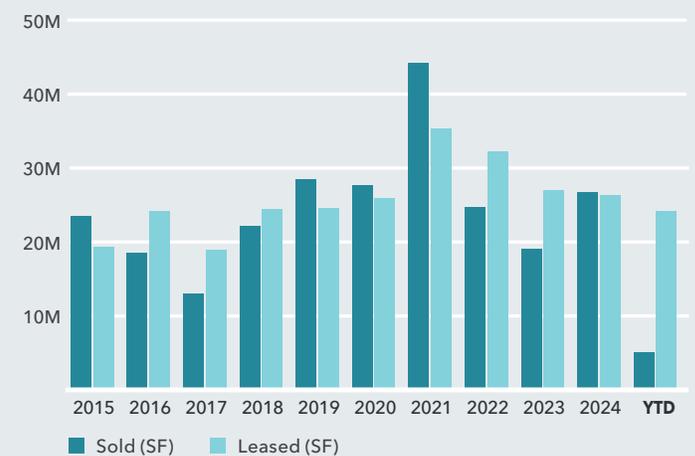
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	1Q25 Direct Net Absorption	2024 Direct Net Absorption	SF Under Construction	2024 Construction Completions	1Q25 Total Leasing Activity	2024 Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	13,788,372	4.1%	5.2%	85,314	-227,218	79,210	0	59,247	290,035	\$1.28
South Airport North of Roeser	14,770,430	5.4%	6.8%	-182,269	-247,933	130,300	0	60,238	763,863	\$1.21
South Airport South of Roeser	4,525,319	1.1%	2.1%	29,736	41,668	0	0	57,601	166,330	\$1.75
SC North of Salt River	15,306,209	5.6%	6.3%	16,157	117,219	0	0	282,867	1,250,611	\$1.07
SC South of Salt River	2,360,957	3.3%	3.3%	1,816	-23,618	0	0	4,994	10,000	\$0.75
<b>Airport Area</b>	<b>50,751,287</b>	<b>4.6%</b>	<b>5.6%</b>	<b>-49,246</b>	<b>-339,882</b>	<b>209,510</b>	<b>0</b>	<b>464,947</b>	<b>2,480,839</b>	<b>\$1.19</b>
Central Phoenix	3,481,714	5.1%	5.1%	-41,840	-36,006	0	0	20,883	77,629	\$1.12
Scottsdale Airpark	6,463,292	6.1%	6.6%	-35360	-111,980	45,047	0	102,632	303,568	\$1.66
Scottsdale/Salt River	5,369,395	1.6%	1.7%	-19,863	68,833	548,115	0	15,781	961,521	\$1.60
<b>Northeast</b>	<b>15,314,401</b>	<b>4.3%</b>	<b>4.5%</b>	<b>-97,063</b>	<b>-79,153</b>	<b>593,162</b>	<b>0</b>	<b>139,296</b>	<b>1,342,718</b>	<b>\$1.51</b>
Deer Valley/Pinnacle Park	21,817,168	9.5%	10.8%	200,290	1,137,144	498,476	870,055	262,292	1,300,258	\$1.43
Glendale	56,826,630	24.0%	26.0%	1,868,708	6,674,549	3,325,114	3,501,245	916,893	5,997,079	\$0.84
Grand Avenue	14,014,838	5.9%	6.1%	63,622	10,539	669,071	20,992	41,952	263,907	\$0.88
North Black Canyon	4,748,663	18.2%	18.8%	15,537	-280,577	0	0	48,719	158,730	\$1.03
Surprise	6,922,368	29.1%	29.1%	-211,047	943,130	440,771	165,647	58,513	327,940	\$1.33
West Phoenix North of Thomas Road	7,280,052	3.2%	3.4%	15,051	157,152	0	0	37,430	335,761	\$0.62
West Phoenix South of Thomas Road	6,702,408	3.2%	3.2%	-1,883	117,007	0	0	43,486	171,579	\$1.01
<b>Northwest</b>	<b>118,312,127</b>	<b>16.8%</b>	<b>18.0%</b>	<b>1,950,278</b>	<b>8,758,944</b>	<b>4,933,432</b>	<b>4,557,939</b>	<b>1,409,285</b>	<b>8,555,254</b>	<b>\$1.01</b>
Chandler Airport	9,188,853	13.3%	19.1%	113,333	190,505	432,098	0	86,064	559,119	\$1.49
Chandler	25,377,729	6.2%	6.2%	72,601	690,405	755,347	0	157,536	656,052	\$1.18
Chandler North/Gilbert	44,243,520	25.5%	25.9%	299,432	4,075,050	4,661,491	12,236	927,411	2,449,751	\$1.34
Falcon Fld/Apache Junction	5,790,809	6.6%	6.6%	-42,943	-4,408	423,514	53,645	26,678	153,844	\$1.35
Mesa	6,555,529	5.6%	6.3%	-11,353	-59,877	0	0	69,650	389,440	\$1.01
Tempe East	6,017,292	7.3%	7.8%	114,431	-302,692	0	0	39,967	297,229	\$1.43
Tempe Northwest	10,530,542	3.5%	3.8%	265,686	19,462	183,096	0	81,625	347,493	\$1.07
Tempe Southwest	21,774,262	7.8%	8.5%	-85,167	-247,958	384,364	0	146,173	1,401,097	\$1.22
<b>Southeast</b>	<b>129,478,536</b>	<b>13.4%</b>	<b>14.1%</b>	<b>726,020</b>	<b>4,360,487</b>	<b>6,839,910</b>	<b>65,881</b>	<b>1,535,104</b>	<b>6,254,025</b>	<b>\$1.24</b>
Goodyear	40,701,259	17.1%	22.8%	1,150,196	4,315,557	2,346,749	907,630	852,675	2,993,941	\$0.89
Southwest North of Buckeye Road	37,270,400	10.0%	11.4%	540,357	-800,983	926,198	99,498	157,016	1,552,012	\$0.93
Southwest South of Buckeye Road	20,343,380	2.7%	3.8%	-130,198	35,714	379,938	0	0	223,088	\$1.31
Tolleson	49,534,964	3.5%	5.1%	-459,172	621,191	95,580	300,000	221,874	695,818	\$0.84
<b>Southwest</b>	<b>147,850,003</b>	<b>8.8%</b>	<b>11.4%</b>	<b>1,101,183</b>	<b>4,171,479</b>	<b>3,748,465</b>	<b>1,307,128</b>	<b>1,231,565</b>	<b>5,464,859</b>	<b>\$0.95</b>
<b>Phoenix Total</b>	<b>475,380,579</b>	<b>11.3%</b>	<b>12.8%</b>	<b>3,631,172</b>	<b>16,871,875</b>	<b>16,324,479</b>	<b>5,930,948</b>	<b>4,780,197</b>	<b>24,097,695</b>	<b>\$1.13</b>
Manufacturing & Warehouse	261,849,461	8.6%	9.9%	3,534,992	13,381,653	11,797,484	3,899,854	1,815,932	19,515,019	\$1.10
General Industrial	153,822,303	12.5%	14.6%	2,424,360	4,629,268	1,556,512	2,646,094	1,959,868	3,853,170	\$0.94
Flex	31,666,085	7.3%	7.8%	-34,913	-122,631	4,070,483	0	257,092	1,127,026	\$1.38

## NEAR-TERM OUTLOOK

Due to market uncertainty, a decrease in leasing activity may persist as warehouse tenants delay signing new leases until there is more clarity on the impact of enacted tariffs. In the long term, demand could rise in the logistics and manufacturing sectors.

Vacancy rates will continue to rise into 2025 until new supply is absorbed and new construction continues to decline.

## SIGNIFICANT SALE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
6700 W Morelos Pl	Chandler N/Gilbert	231,500	\$47,260,000.00	\$204.13	Samuel & Co, Inc.	Avent, Inc.
REI Districution Facility	Glendale	410,421	\$46,400,000.00	\$113.05	Madison Capital	REI
Super Radiator Coils	Chandler N/Gilbert	118,392	\$42,309,359.00	\$357.37	Super Radiator Coils	Scannell Properties
Echo Park 303-Building A	Glendale	220,240	\$39,000,000.00	\$177.08	LBA Logistics	Echo R.E. Capital, Inc.   Grandview Ptns.

## SIGNIFICANT LEASE TRANSACTIONS 1Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Gateway I-10	Goodyear	641,906	March 2025	EQT Real Estate	Kenco
16400 W Glendale Ave- Building B	Glendale	483,300	January 2025	LPC Desert West	Logisticus Group
8142 E Pecos Rd	Chandler N/Gilbert	289,463	January 2025	Undisclosed	Hims
17000 W Glendale Ave	Glendale	233,988	February 2025	DWS Group	La-Zboy
Elliot Gateway	Mesa	151,264	February 2025	Trammell Crow	Turafab

## SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Olive Logistics Center-Building 1	17210 W Olive Ave	Glendale	611,797	Logistics Property Company	2Q25
Olive Logistics Center-Building 2	17240 W Olive Ave	Glendale	420,282	Logistics Property Company	2Q25
Southwest Logistics Center - Bldg 2	2950 S Litchfield Rd	Goodyear	403,200	Stream Data Centers	3Q25
Peoria Logistics Park	SWC Olive Ave & 75th Ave	Grand Avenue	376,320	Undisclosed	3Q25

Data Source: CoStar, AZ Office of Economic Opportunity, PBJ



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The information in this report was composed by the Kidder Mathews Research Group.

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<b>COMMERCIAL BROKERAGE</b>	<b>\$9B</b> AVERAGE ANNUAL TRANSACTION VOLUME	<b>26.2M</b> ANNUAL SALES SF	<b>36.7M</b> ANNUAL LEASING SF
<b>ASSET SERVICES</b>	<b>58M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>850+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,400+</b> AVERAGE ASSIGNMENTS	<b>39</b> TOTAL APPRAISERS	<b>24</b> WITH MAI DESIGNATIONS

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