

MARKET TRENDS

PHOENIX
INDUSTRIAL

MARKET DRIVERS

Phoenix remains a well-positioned market for industrial tenants with 460M SF in total inventory, making it a booming hub for manufacturing and emerging technologies. The total inventory in Phoenix for manufacturing and warehouse space is 284M SF.

Construction activity is continuing to slow down in 2025, with 11.9M SF currently underway, a significant decrease from 28M SF reported in 2Q24. This trend is expected to persist throughout the year, which may help address the demand-supply imbalance.

Construction deliveries in 2Q25 totaled 2.9M SF, approximately 8M SF below YOY. Glendale leads all Phoenix submarkets in YTD deliveries with 4.3M SF, followed by Deer Valley with 1.3M SF.

Total availability rates increased by 150 bps YOY to 16% and remained steady QOQ. Total vacancy rates rose by 220 bps YOY and 20 bps QOQ to 13.4%.

Sales volume totaled 4.8M SF in 2Q25 coupled with 6M SF in total leasing activity.

Manufacturing and warehouse vacancies continue to rise with 39.7M SF of vacant space across the valley. An additional 10M SF of warehouse and manufacturing space are under construction.

ECONOMIC REVIEW

In June 2025, the Federal Open Market Committee (FOMC) unanimously decided to maintain the target range for the federal funds rate. Median projections indicate an estimate of two rate cuts later this year, however, ongoing inflation concerns may delay that action in the short term.

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.

The North Chandler/Gilbert submarket, which includes the Mesa-Gateway Airport, has a large vacant inventory due to deliveries surpassing net absorption figures since 2023. As construction volume continues to slow, the submarket is expected to stabilize in upwards of four years.

Market Summary

	2Q25	1Q25	2Q24	YOY Change
Total Vacancy Rate	13.4%	13.6%	11.2%	220 bps
Total Availability Rate	16.0%	16.0%	14.5%	150 bps
Direct Asking Lease Rate	\$1.15	\$1.13	\$1.12	2%
	2Q25	2025 YTD	2024 YTD	YOY Change
Leasing Activity (SF)	6,042,635	11,293,917	13,729,301	-18%
Sales Volume (SF)	4,787,645	10,155,981	8,298,262	22%
Direct Net Absorption (SF)	2,441,076	6,968,350	7,835,779	-11%

↑ 6.0M SF
LEASING ACTIVITY

↓ 2.4M SF
NET ABSORPTION

↑ 13.4%
VACANCY RATE

↑ \$1.15NNN
ASKING RENT (AVG)

↓ 2.9M SF
NEW DELIVERIES

Year-Over-Year Trend

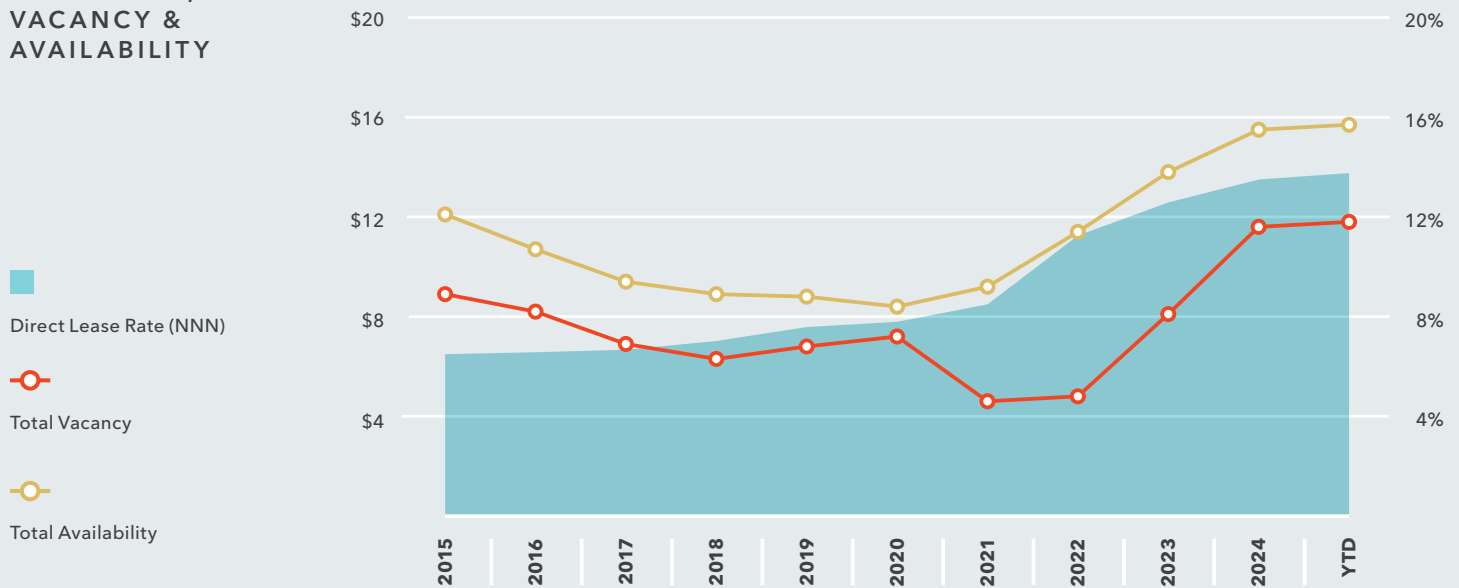
Market
Highlights

CONSTRUCTION ACTIVITY
totaled 11.9M SF.

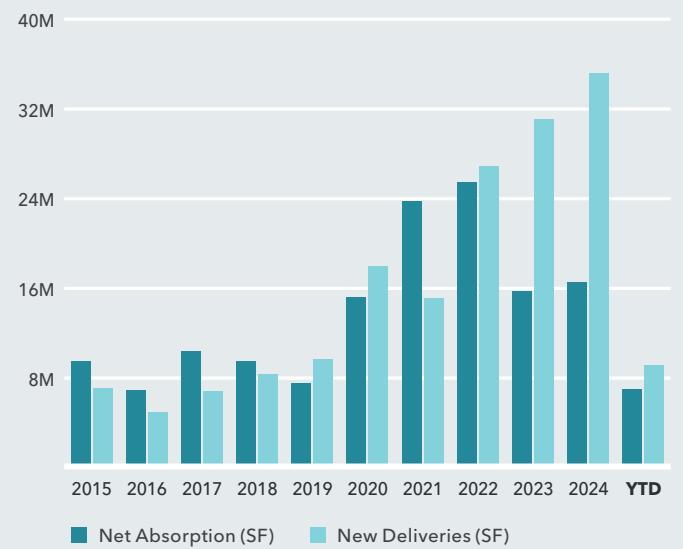
DIRECT NET ABSORPTION
reached 2.4M SF.

TOTAL LEASING ACTIVITY YTD
is 11.3M SF.

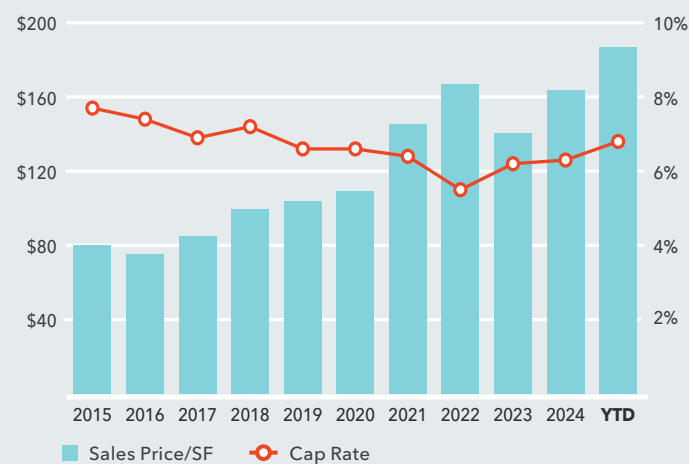
LEASE RATE, VACANCY & AVAILABILITY



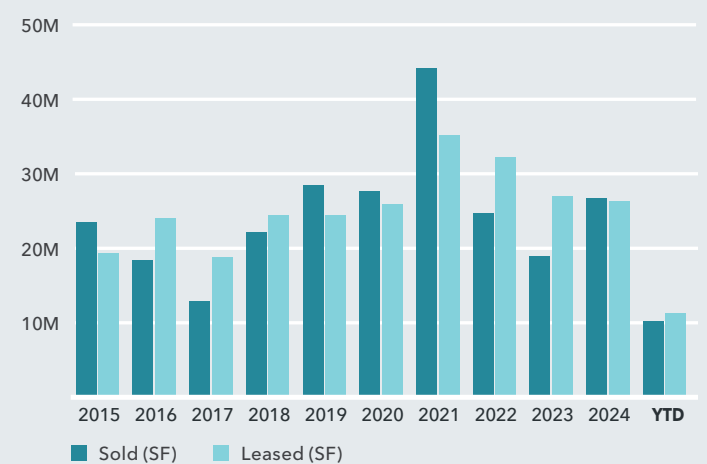
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	2Q25 Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	2Q25 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	13,384,911	5.0%	5.6%	-38,655	46,659	705,956	67,150	64,152	132,604	\$1.21
South Airport North of Roeser	14,640,969	5.3%	6.5%	-1,965	-189,992	130,300	0	134,217	199,139	\$1.22
South Airport South of Roeser	4,511,724	1.3%	2.1%	-25,750	3,986	0	0	27,811	85,412	\$1.05
SC North of Salt River	14,998,512	5.6%	6.4%	14,122	30,279	0	0	119,896	415,866	\$1.09
SC South of Salt River	2,363,978	3.3%	3.3%	0	1,816	357,721	0	0	4,994	\$0.73
Airport Area	49,900,094	4.9%	5.7%	-52,248	-107,252	1,193,977	67,150	346,076	838,015	\$1.16
Central Phoenix	3,275,318	3.5%	3.5%	38,300	-36,006	0	0	38,343	69,371	\$1.18
Scottsdale Airpark	6,455,154	5.4%	6.3%	45,303	-111,980	45,047	0	77,061	156,741	\$1.65
Scottsdale/Salt River	5,500,749	6.0%	6.0%	-2,701	68,833	305,375	266,022	61,034	71,514	\$1.62
Northeast	15,231,221	5.2%	5.6%	80,902	-79,153	350,422	266,022	176,438	297,626	\$1.52
Deer Valley/Pinnacle Park	21,649,201	11.2%	11.7%	76,019	1,137,144	217,179	1,299,851	532,592	766,328	\$1.43
Glendale	57,442,429	24.3%	27.5%	599,851	6,674,549	2,497,344	4,309,005	916,836	1,856,639	\$0.86
Grand Avenue	13,923,570	5.5%	5.7%	56,587	10,539	1,137,713	20,992	152,925	194,877	\$1.06
North Black Canyon	4,719,408	19.0%	19.4%	-34,351	-280,577	0	0	44,862	100,501	\$1.05
Surprise	7,098,369	29.8%	29.8%	73,153	943,130	114,543	491,875	35,536	75,710	\$1.21
West Phoenix North of Thomas Road	7,305,598	3.1%	3.5%	63,072	157,152	0	57,057	84,936	128,059	\$0.84
West Phoenix South of Thomas Road	6,708,776	2.6%	2.6%	40,693	117,007	0	0	37,077	80,563	\$1.12
Northwest	118,847,351	17.3%	19.0%	875,024	8,758,944	3,966,779	6,178,780	1,804,764	3,202,677	\$1.08
Chandler Airport	9,188,885	10.2%	16.0%	284,185	190,505	432,098	0	135,327	221,391	\$1.51
Chandler	23,926,246	6.8%	6.9%	276,469	690,405	189,161	171,500	184,602	510,211	\$1.31
Chandler North/Gilbert	45,137,839	25.8%	26.2%	578,305	4,075,050	2,140,465	781,749	1,036,424	1,922,397	\$1.34
Falcon Fld/Apache Junction	5,814,101	6.9%	6.9%	-23,737	-4,408	434,844	53,645	78,675	105,221	\$1.35
Mesa	6,554,079	6.7%	7.4%	-76,019	-59,877	0	0	52,112	112,344	\$0.99
Tempe East	5,882,382	6.2%	6.4%	-21,207	-302,692	689,109	0	10,651	52,562	\$1.44
Tempe Northwest	9,899,474	7.1%	7.4%	-159,992	19,462	20,000	163,096	54,151	144,644	\$1.04
Tempe Southwest	21,775,779	7.1%	7.8%	145,920	-247,958	657,705	0	367,701	477,104	\$1.18
Southeast	128,178,785	13.8%	14.6%	1,003,924	4,360,487	4,563,382	1,169,990	1,919,643	3,545,874	\$1.24
Goodyear	40,433,924	15.7%	21.0%	608,303	4,315,557	722,549	793,000	1,282,246	2,127,085	\$0.91
Southwest North of Buckeye Road	37,018,881	11.1%	12.2%	-255,834	-800,983	1,013,378	99,498	162,034	321,607	\$0.94
Southwest South of Buckeye Road	20,598,845	4.5%	4.7%	-121,725	35,714	0	253,938	188,661	188,661	\$1.28
Tolleson	49,621,560	3.3%	5.2%	114,279	621,191	95,580	300,000	507,148	772,372	\$0.83
Southwest	147,673,210	8.8%	11.2%	345,023	4,171,479	1,831,507	1,446,436	2,140,089	3,409,725	\$0.97
Phoenix Total	459,830,661	11.8%	13.4%	2,441,076	6,968,350	11,906,067	9,128,378	6,042,635	11,293,917	\$1.15
Manufacturing & Warehouse	284,126,461	12.8%	13.8%	726,607	4,127,849	10,071,309	5,823,158	6,662,634	9,410,461	\$0.79
General Industrial	152,662,283	13.8%	16.3%	1,507,580	3,559,968	1,662,142	3,089,271	3,126,213	3,853,170	\$0.96
Flex	27,351,013	8.1%	8.6%	206,889	156,625	172,616	215,949	330,216	1,127,026	\$1.35

SIGNIFICANT SALE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Sarival Logistics Center - Bldg A	Glendale	1,156,860	\$128,200,000	\$110.82	EQT Exeter R.E. Income Trust	Blackstone Inc.
Sight Logistics Park	Tempe Southwest	357,103	\$103,050,000	\$288.57	CBRE Investment Management	ViaWest Group
Tailwinds at Gateway	Chandler N/Gilbert	172,451	\$51,500,000	\$298.64	McCarthy Cook & Co	Cedar Point Enterprises
Seventy5 Business Park	Tolleson	222,396	\$46,750,000	\$210.21	MIG Real Estate	Baron Properties
Blue Cactus Logistics	Surprise	257,920	\$44,500,000	\$172.53	Hillwood Development Corp	BlueScope Properties Group

SIGNIFICANT LEASE TRANSACTIONS 2Q 2025

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Litchfield Palms - Bldg C	Goodyear	521,302	June 2025	Johnson Development Associates	Project Braves
Commerce @ 303	Glendale	331,683	May 2025	Steelwave	Vestgroup Logistics
Centris Industrial at Mesa - Bldg B	Chandler N/Gilbert	324,800	May 2025	Centris Industrial	Undisclosed
Coldwater Depot Logistics Center	Goodyear	302,609	June 2025	Avondale City Engineering	Freeport Logistics
99th Avenue Logistics - Bldg 2	Tolleson	272,497	April 2025	KKR & Co LP	JA Solar

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Olive Logistics Center - Bldg 1 & 2	17210-17240 W Olive Ave	Glendale	1,032,079	Logistics Property Co	3Q25
CapRock West 202 Logistics - Bldg F,G,H	5302 W Van Buren St	SW North of Buckeye Road	824,404	CapRock Partners	4Q25
Park Algodon - Bldg B,C,D,E	NWC Indian School Rd & Loop 101	Glendale	767,507	Creation Clarian Partners	3Q25
Queens Crossing - Bldg A,B,C	Queen Creek Rd & McQueen Rd	Chandler Airport	432,098	Ryan Companies	4Q25

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



Kidder Mathews is the largest fully independent commercial real estate firm in the Western U.S., with over 900 real estate professionals and staff in 20 offices in Washington, Oregon, California, Idaho, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

GARY BARAGONA
Vice President of Research
415.229.8925
gary.baragona@kidder.com

DARREN TAPPEN
Regional President, Brokerage
602.513.5200
darren.tappen@kidder.com
LIC N° SA510719000

COMMERCIAL
BROKERAGE

\$9B

AVERAGE ANNUAL
TRANSACTION VOLUME

26.2M

ANNUAL
SALES SF

36.7M

ANNUAL
LEASING SFASSET
SERVICES

58M SF

MANAGEMENT
PORTFOLIO SIZE

850+

ASSETS UNDER
MANAGEMENT

250+

CLIENTS
SERVEDVALUATION
ADVISORY

2,400+

AVERAGE ANNUAL
ASSIGNMENTS

39

TOTAL
APPRAISERS

24

WITH MAI
DESIGNATIONS