

**MARKET TRENDS**

# PHOENIX INDUSTRIAL

**MARKET DRIVERS**

Arizona experienced a transformative year in 2025, marked by major wins across key industries such as semiconductors, aerospace, and AI, alongside robust job growth throughout the Valley. The state now ranks No. 1 nationally for semiconductors, with more than 60 industry expansions since 2020. This surge has been fueled by significant investments, including Amkor's \$7B advanced packaging campus, Busch Vacuum Solutions' new Tempe service center, and the continued growth of TSMC. Leasing activity reflected this momentum, totaling 27M SF in 2025 and generating 14M SF of direct net absorption, with TSMC-driven demand sparking major deals in Glendale, Deer Valley, and Goodyear. North Chandler/Gilbert also posted strong absorption of 1.1M SF, driven by advanced manufacturing and logistics needs for warehouse, distribution, and fulfillment space.

Market fundamentals shifted as vacancy rates for 4Q25 rose slightly to 13.5%, a 20 bps increase year-over-year, while total availability declined by 70 bps to 14.9%. The construction pipeline contracted sharply as developers prioritized absorbing existing inventory, resulting in 15.8M SF of industrial space delivered a 54% YOY decline. Direct average asking rates for spaces 10K SF and above climbed to \$1.19 PSF NNN in 4Q25, up 6% from \$1.13 PSF NNN the previous year. These trends underscore Arizona's evolving industrial landscape, where semiconductor-driven growth and advanced manufacturing continue to reshape demand and development strategies statewide.

**ECONOMIC REVIEW**

Arizona's technology and innovation, advanced manufacturing, and aerospace sectors continue to thrive. In 2025, the Arizona Commerce Authority and its economic partners secured 90 competitive projects, committing to 27,749 jobs and more than \$34B in capital investment.

**NEAR-TERM OUTLOOK**

Entering 2026, newer product is expected to continue leasing at a steady pace, while second-generation space will likely experience longer vacancy periods compared to conditions in 2023-2024. Rental rates are anticipated to stabilize; however, elevated concessions are expected to persist in select markets such as Mesa Gateway.

## Market Summary

	4Q25	3Q25	4Q24	YOY Change
Total Vacancy Rate	13.5%	13.4%	13.3%	<b>20 bps</b>
Total Availability Rate	14.9%	14.7%	15.6%	<b>-70 bps</b>
Direct Asking Lease Rate/SF/Mo	\$1.19	\$1.13	\$1.13	<b>6%</b>
	4Q25	2025	2024	YOY Change
Leasing Activity (SF)	4,273,896	27,002,051	26,322,823	<b>3%</b>
Sales Volume (SF)	8,352,780	27,373,378	26,681,778	<b>3%</b>
Direct Net Absorption (SF)	2,357,722	13,930,604	15,468,162	<b>-10%</b>



Year-Over-Year Trend

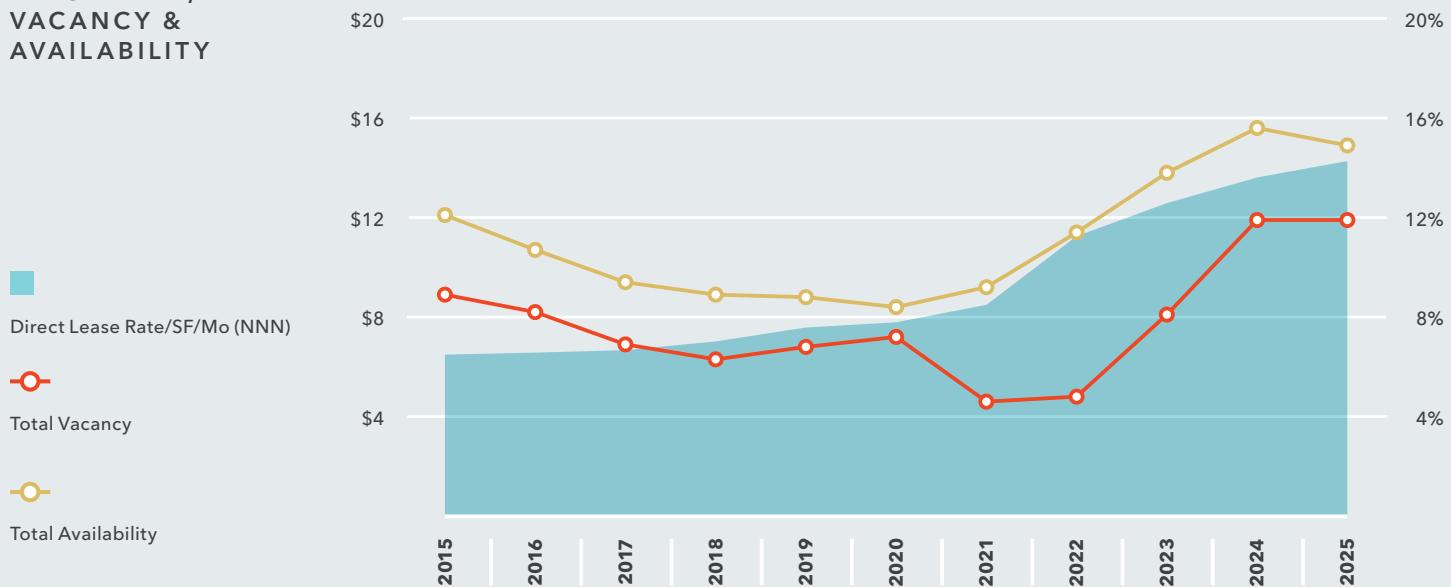
## Market Highlights

**CONSTRUCTION ACTIVITY**  
totaled 16M SF

**DIRECT NET ABSORPTION**  
reached 2.4M SF

**DELIVERIES DECREASED**  
54% from 2024

## LEASE RATE, VACANCY & AVAILABILITY

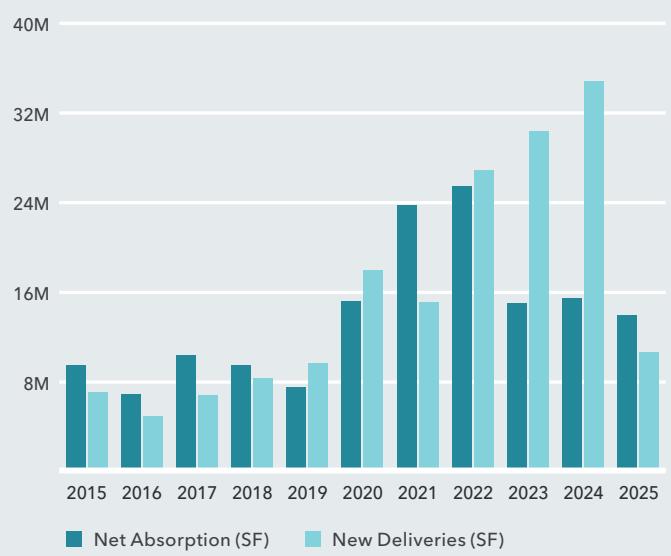


## BIGGEST SALE OF THE QUARTER

7733 N Litchfield RD, Glendale AZ



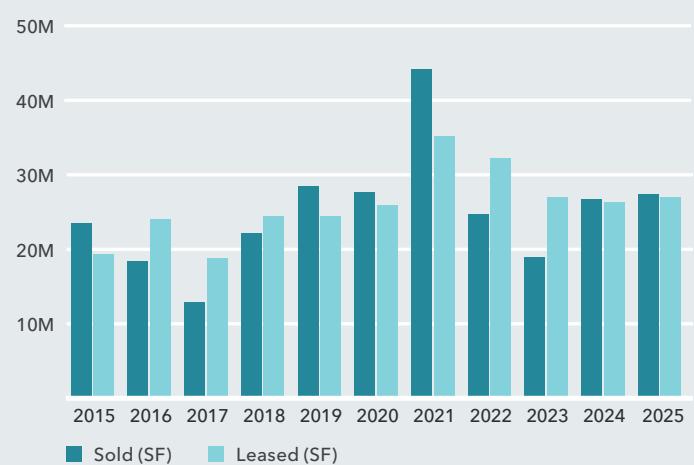
## NET ABSORPTION & NEW DELIVERIES



## AVERAGE SALES PRICE/SF & CAP RATE



## SALE VOLUME & LEASING ACTIVITY



## SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	4Q25 Direct Net Absorption	2025 Direct Net Absorption	SF Under Construction	2025 Construction Completions	4Q25 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	13,235,911	5.0%	5.4%	-32,863	51,161	705,956	67,150	203,173	656,345	\$1.27
South Airport North of Roeser	14,581,691	6.9%	7.9%	-141,655	-424,836	130,300	0	158,861	692,815	\$1.19
South Airport South of Roeser	4,522,875	1.9%	2.2%	26,228	-21,984	0	0	32,124	138,547	\$1.58
SC North of Salt River	14,806,084	5.9%	7.6%	-96,011	4,479	0	0	90,125	585,363	\$1.03
SC South of Salt River	2,387,900	2.4%	2.4%	22,696	21,146	357,721	0	17,744	25,916	\$0.78
<b>Airport Area</b>	<b>49,534,461</b>	<b>5.4%</b>	<b>6.4%</b>	<b>-221,605</b>	<b>-370,034</b>	<b>1,193,977</b>	<b>67,150</b>	<b>502,027</b>	<b>2,098,986</b>	<b>\$1.17</b>
Central Phoenix	3,340,217	3.9%	3.9%	10,209	-22,640	0	0	30,336	108,616	\$1.36
Scottsdale Airpark	6,566,097	5.4%	5.9%	38,112	6,548	0	0	74,017	381,852	\$1.71
Scottsdale/Salt River	5,582,297	6.7%	7.4%	-811	-39,899	572,426	266,022	18,887	129,692	\$1.77
<b>Northeast</b>	<b>15,488,611</b>	<b>5.6%</b>	<b>6.0%</b>	<b>47,510</b>	<b>-55,991</b>	<b>572,426</b>	<b>266,022</b>	<b>123,240</b>	<b>620,160</b>	<b>\$1.63</b>
Deer Valley/Pinnacle Park	21,226,408	9.6%	10.1%	509,123	1,458,810	1,031,267	1,501,897	320,094	1,571,115	\$1.32
Glendale	59,696,073	20.9%	23.9%	779,559	6,555,904	1,220,988	6,558,455	279,646	3,954,863	\$1.18
Grand Avenue	14,566,952	6.7%	7.5%	56,822	178,727	468,642	315,896	11,620	313,858	\$1.05
North Black Canyon	4,719,408	20.6%	20.6%	-48,417	-92,331	428,011	0	52,046	189,071	\$1.12
Surprise	7,751,854	33.1%	33.1%	-73,367	112,507	0	606,418	205,347	403,671	\$1.27
West Phoenix North of Thomas Road	7,232,673	4.5%	5.0%	-47,067	-17,482	0	57,057	114,245	321,245	\$0.87
West Phoenix South of Thomas Road	6,583,223	1.9%	1.9%	30,291	88,320	0	0	66,894	196,593	\$0.88
<b>Northwest</b>	<b>121,776,591</b>	<b>16.0%</b>	<b>17.7%</b>	<b>1,206,944</b>	<b>8,284,455</b>	<b>3,148,908</b>	<b>9,039,723</b>	<b>1,049,892</b>	<b>6,950,416</b>	<b>\$1.20</b>
Chandler Airport	9,608,196	11.2%	17.6%	142,743	692,285	357,776	432,098	56,553	519,456	\$1.62
Chandler	23,764,687	7.6%	8.2%	-102,507	2,912	314,961	171,500	391,389	1,100,490	\$1.29
Chandler North/Gilbert	44,305,473	25.3%	25.8%	1,143,176	2,739,700	1,808,100	2,075,040	434,985	4,572,604	\$1.39
Falcon Fld/Apache Junction	5,869,330	5.4%	5.9%	74,050	98,010	680,121	132,094	27,666	213,902	\$1.41
Mesa	6,664,210	6.7%	7.1%	2,841	-89,683	0	0	59,434	400,753	\$0.89
Tempe East	5,977,579	7.5%	7.9%	-32,298	8,867	689,109	0	56,433	387,492	\$1.40
Tempe Northwest	9,818,395	5.8%	6.2%	187,986	246,825	0	184,811	103,302	713,913	\$1.60
Tempe Southwest	21,935,299	9.3%	9.8%	-146,973	-121,620	273,341	384,364	110,168	999,981	\$1.14
<b>Southeast</b>	<b>127,943,169</b>	<b>14.0%</b>	<b>14.9%</b>	<b>1,269,018</b>	<b>3,577,296</b>	<b>4,123,408</b>	<b>3,379,907</b>	<b>1,239,930</b>	<b>8,908,591</b>	<b>\$1.30</b>
Goodyear	39,447,919	15.5%	20.9%	796,127	2,681,666	169,000	1,346,549	447,122	4,560,783	\$0.91
Southwest North of Buckeye Road	37,952,511	10.5%	11.9%	151,822	1,210,821	606,434	926,198	145,171	1,538,621	\$0.91
Southwest South of Buckeye Road	20,497,641	7.7%	7.9%	-455,557	-892,657	125,480	253,938	98,685	462,774	\$1.27
Tolleson	49,545,010	4.4%	6.5%	-436,537	-504,952	0	529,986	667,829	1,861,720	\$0.83
<b>Southwest</b>	<b>147,443,081</b>	<b>9.4%</b>	<b>11.9%</b>	<b>55,855</b>	<b>2,494,878</b>	<b>900,914</b>	<b>3,056,671</b>	<b>1,358,807</b>	<b>8,423,898</b>	<b>\$0.94</b>
<b>Phoenix Total</b>	<b>462,185,913</b>	<b>11.9%</b>	<b>13.5%</b>	<b>2,357,722</b>	<b>13,930,604</b>	<b>9,939,633</b>	<b>15,809,473</b>	<b>4,273,896</b>	<b>27,002,051</b>	<b>\$1.19</b>
Manufacturing & Warehouse	266,744,325	10.4%	11.5%	1,227,565	4,491,631	8,171,586	10,889,766	2,454,333	12,618,020	\$1.09
General Industrial	168,045,354	13.4%	16.0%	1,195,558	9,764,334	1,595,431	4,702,347	1,372,538	12,530,664	\$0.81
Flex	27,636,153	8.7%	8.9%	118,575	184,767	172,616	217,360	221,164	1,496,238	\$1.47

**SIGNIFICANT SALE TRANSACTIONS 4Q 2025**

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
7733 N Litchfield Rd Bldg C	Glendale	1,278,653	\$152,161,730	\$119.00	Walmart Inc.	Lincoln Property Co.
1775 W Alameda Rd (3 Prop.)	Deer Vly/Pinnacle Pk	332,544	\$90,700,000	\$272.75	Westcore Properties	Mack Real Estate Group
Fairway Commerce Ctr	Goodyear	450,260	\$89,800,000	\$199.44	Invesco Real Estate	Westfield Company, Inc.
Metro Ind Ctr, Black Canyon & Twin Business Prk	North Black Canyon	412,875	\$81,500,000	\$197.40	Terracore Capital	BKM Capital Partners
320 S 91st Ave (4 Prop.)	Tolleson	419,358	\$71,499,999	\$170.50	Clarion Partners	KKR Property Partners

**SIGNIFICANT LEASE TRANSACTIONS 4Q 2025**

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
Airpark Logistics Center - Bldg 3	Goodyear	300,249	November 2025	Prologis	Schneider Electric	Direct
Interstate Logistics Ctr - Bldg 1	Tolleson	237,788	October 2025	Wentworth Property Co	Metso	Renewal
VT 101 - Bldg B	Glendale	155,830	December 2025	High Street Logistics Properties	Undisclosed	Direct
Southeast Phx Distribution Ctr	Chandler	135,217	December 2025	JLL Income Property Trust	Undisclosed	Direct

**SIGNIFICANT UNDER CONSTRUCTION**

Property	Address	Submarket	SF	Delivery
West 101 Logistics Center	SEC Loop 101 & Indian School Rd	Glendale	1,088,824	3Q 2026
ReDiscover	2402 W Beardsley Rd	Deer Vly/Pinnacle Pk	807,437	1Q 2027
NextWave	1500 N McClintock Dr	Tempe East	689,109	2Q 2026
Sky Harbor Commerce Park	W/NWC Of Interstate 10 & Buckeye Rd	North Airport	500,591	1Q 2026
TEX 24	AZ-24 & N Meridian Rd	Chandler N/Gilbert	485,072	4Q 2026

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>53M SF</b> MANAGEMENT PORTFOLIO SIZE	<b>800+</b> ASSETS UNDER MANAGEMENT	<b>250+</b> CLIENTS SERVED
<b>VALUATION ADVISORY</b>	<b>2,400+</b> AVERAGE ANNUAL ASSIGNMENTS	<b>41</b> TOTAL APPRAISERS	<b>23</b> WITH MAI DESIGNATIONS