MARKET TRENDS

PHOENIX *INDUSTRIAL*

2Q 2026

MARKET DRIVERS

Arizona advanced its global technology leadership with the opening of the Taiwan Trade and Investment Service Center in Phoenix, strengthening collaboration, trade and foreign direct investment opportunities. These efforts continue to elevate Arizona's national leadership in semiconductors and advanced technology while promoting the state as a premier destination for innovation and global investment. Construction is underway on the $7 billion Halo Vista development, a 2,300-acre innovation district adjacent to TSMC's expanding Arizona campus. The project is poised to support Arizona's rapidly growing semiconductor ecosystem, attract global companies and investment, and create thousands of jobs across advanced industries.

The total vacancy rate declined to 11.4%, marking a 210 bps YOY decrease, while total availability fell 190 bps to 13.6%. Leasing activity reached 7.9M SF, supported by 5.4M SF of direct net absorption, with Glendale, Chandler North/Gilbert, and Goodyear posting the strongest gains amid continued industrial demand. Direct average asking rents for spaces 10K SF and larger increased 3% year over year to $1.18 PSF NNN in Q2. At the same time, new construction slowed significantly as the market continued to absorb existing inventory, with only 3.2M SF delivered YTD, a 66% YOY decline.

ECONOMIC REVIEW

According to the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate increased 40 bps YOY to 4.1% in May. Arizona's labor market continues to navigate slower job growth and a tightening labor force, while semiconductor expansion, advanced manufacturing investment, and infrastructure growth continue to drive demand for specialized talent.

NEAR-TERM OUTLOOK

Vacancy rates are expected to continue declining through the remainder of 2026 as strong absorption supports market fundamentals; however, ongoing West Phoenix development will add new supply and maintain competitive conditions.

↓ *7.9M SF*
LEASING ACTIVITY

↑ *5.4M SF*
NET ABSORPTION

↓ *11.4%*
VACANCY RATE

↑ *$1.18 NNN*
ASKING RENT (AVG)

↓ *1.0M SF*
NEW DELIVERIES

Year-Over-Year Trend

Market Summary

	2Q26	1Q26	2Q25	YOY Change
Total Vacancy Rate	11.4%	12.5%	13.5%	**-210 bps**
Total Availability Rate	13.6%	13.9%	15.5%	**-190 bps**
Direct Asking Lease Rate/SF/Mo	$1.18	$1.18	$1.15	**3%**
	2Q26	**2026 YTD**	**2025 YTD**	**YOY Change**
Leasing Activity (SF)	7,940,039	16,632,829	13,663,110	**22%**
Sales Volume (SF)	6,408,888	12,820,875	10,439,270	**23%**
Direct Net Absorption (SF)	5,422,100	10,152,950	7,457,339	**36%**

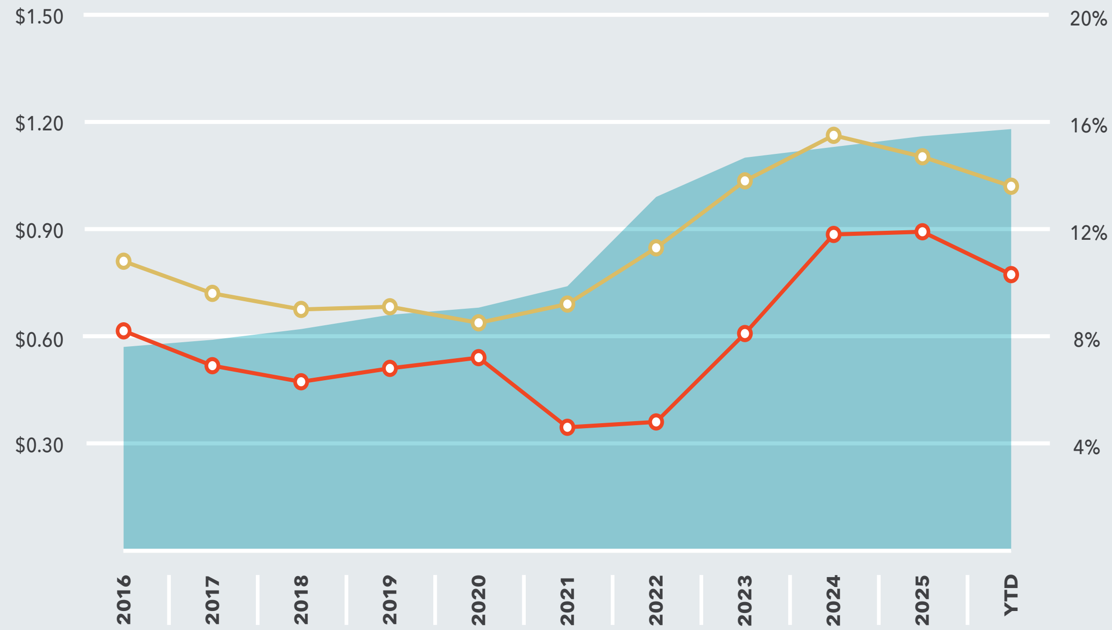
Market Highlights

TOTAL LEASE TRANSACTIONS
totaled 7.9M SF

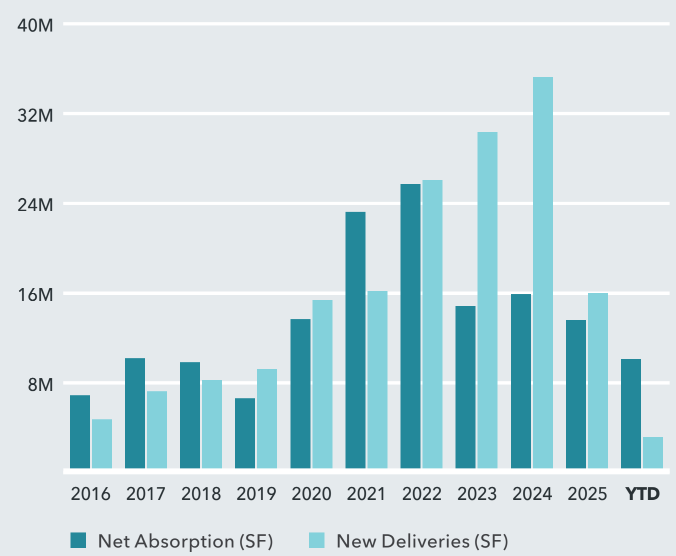
DIRECT NET ABSORPTION
reached 5.4M SF

DELIVERIES DECREASED
66% YOY

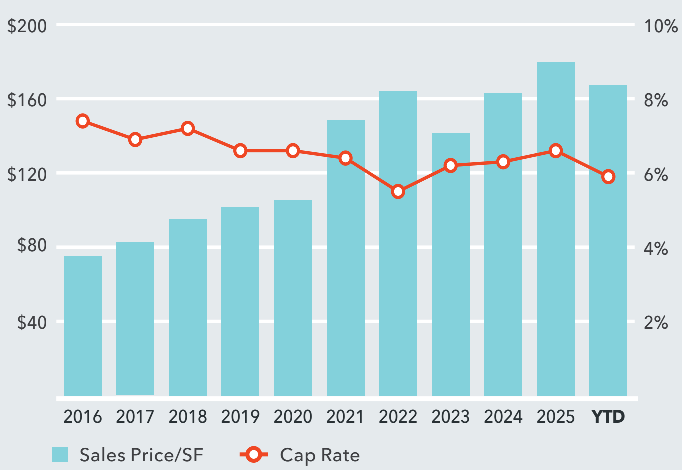
LEASE RATE, VACANCY & AVAILABILITY



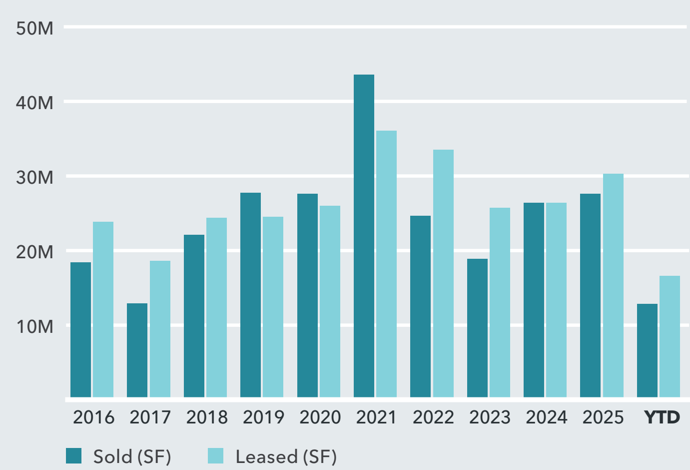
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	2Q26 Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	2Q26 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	13,355,167	6.1%	6.4%	34,435	34,438	648,028	205,365	90,846	90,846	$1.29
South Airport North of Roeser	15,029,452	10.5%	11.4%	-288,358	-349,629	224,274	216,819	187,499	187,499	$1.25
South Airport South of Roeser	4,520,634	3.7%	3.7%	-84,934	-81,155	0	0	153,469	153,469	$1.35
SC North of Salt River	14,861,086	6.9%	9.3%	-57,178	-148,317	0	0	103,471	103,471	$1.12
SC South of Salt River	2,423,176	2.2%	2.2%	67,579	5,372	357,721	357,721	0	0	$0.76
Airport Area	**50,189,515**	**7.2%**	**8.3%**	**-328,456**	**-539,291**	**1,230,023**	**779,905**	**535,285**	**1,144,392**	**$1.22**
Central Phoenix	3,327,757	2.7%	2.7%	-9,116	34,978	70,000	0	9,102	9,102	$1.32
Scottsdale Airpark	6,558,323	4.8%	5.6%	43,661	34,687	0	0	112,156	112,156	$1.73
Scottsdale/Salt River	6,255,265	11.5%	11.5%	66,334	150,445	267,051	305,375	48,461	48,461	$1.79
Northeast	**16,141,345**	**7.0%**	**7.3%**	**100,879**	**220,110**	**337,051**	**305,375**	**169,719**	**414,685**	**$1.66**
Deer Valley/Pinnacle Park	20,833,769	7.6%	8.3%	200,713	446,557	1,083,734	0	308,213	609,432	$1.33
Glendale	59,813,362	10.4%	12.7%	4,764,304	6,355,541	4,305,470	80,060	3,565,121	5,798,789	$1.05
Grand Avenue	14,726,296	8.5%	9.5%	94,259	-228,309	418,642	50,000	129,598	253,242	$0.85
North Black Canyon	4,879,987	22.9%	22.9%	-152,908	-146,906	428,011	0	50,177	86,658	$1.13
Surprise	7,427,985	17.3%	17.3%	706,285	1,246,710	57,520	0	84,628	143,546	$1.38
West Phoenix North of Thomas Road	7,209,446	4.0%	4.0%	13,536	36,601	0	0	145,103	222,249	$1.09
West Phoenix South of Thomas Road	6,585,747	1.6%	1.6%	138,652	18,735	0	0	21,950	31,377	$1.20
Northwest	**121,476,592**	**9.7%**	**11.1%**	**5,764,841**	**7,728,929**	**6,293,377**	**130,060**	**4,304,790**	**7,145,293**	**$1.17**
Chandler Airport	9,715,688	11.1%	19.1%	-60,756	-11,340	486,154	0	71,731	315,738	$1.48
Chandler	23,832,569	7.0%	7.4%	237,571	153,598	315,961	0	232,401	484,588	$1.43
Chandler North/Gilbert	45,047,076	22.2%	22.7%	123,834	1,926,591	992,468	733,431	971,194	1,908,897	$1.37
Falcon Fld/Apache Junction	6,201,686	8.5%	8.9%	131,819	141,774	352,706	356,395	44,839	110,160	$1.35
Mesa	6,612,538	5.4%	5.7%	76,136	92,590	0	0	30,874	101,433	$0.95
Tempe East	6,040,236	7.5%	7.7%	-2,242	-3,034	689,109	0	72,462	134,658	$1.26
Tempe Northwest	9,679,782	8.8%	9.7%	-5,509	-153,879	124,444	0	157,630	384,048	$1.24
Tempe Southwest	22,227,267	11.1%	12.2%	-55,034	-93,176	507,799	273,341	209,475	604,079	$1.18
Southeast	**129,356,842**	**13.4%**	**14.6%**	**445,819**	**2,053,124**	**3,468,641**	**1,363,167**	**1,792,960**	**4,043,601**	**$1.28**
Goodyear	40,499,730	12.3%	12.6%	257,347	1,578,615	78,548	480,586	434,265	1,812,809	$1.07
Southwest North of Buckeye Road	37,786,672	10.9%	11.9%	-414,362	-145,207	673,419	0	316,249	1,135,867	$0.97
Southwest South of Buckeye Road	20,692,997	9.5%	9.5%	-329,481	-267,950	0	125,480	199,746	270,358	$1.31
Tolleson	49,767,418	5.6%	7.5%	-74,487	-475,380	1,100,500	0	187,025	665,824	$0.85
Southwest	**148,746,817**	**9.4%**	**10.3%**	**-560,983**	**690,078**	**1,852,467**	**606,066**	**1,137,285**	**3,884,858**	**$0.96**
Phoenix Total	**465,911,111**	**10.3%**	**11.4%**	**5,422,100**	**10,152,950**	**13,181,559**	**3,184,573**	**7,940,039**	**16,632,829**	**$1.18**
Manufacturing & Warehouse	268,429,672	10.1%	11.0%	1,844,438	2,319,393	9,823,651	2,334,235	4,941,209	10,905,454	$1.09
General Industrial	165,556,768	11.7%	13.5%	3,520,326	7,198,849	2,684,388	850,338	2,506,062	4,790,167	$0.82
Flex	27,542,725	9.0%	9.7%	-146,156	-146,156	673,520	0	256,273	256,273	$1.37

SIGNIFICANT SALE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Sale Price	$/SF	Buyer	Seller
The Hub @ 202 (10 Properties)	Chandler N/Gilbert	1,271,390	$135,000,000	$106.18	Machine Inv. Grp/Miramar Cap. /Axonic Cap	Affinius Cap., LLC/Wharton Equity Ptnrs/BDT & MSD Ptnrs
The Cubes at Mesa Gateway	Chandler N/Gilbert	1,200,000	$116,000,000	$96.67	La Costa Capital Partners, LLC	CRG
Elliot Gateway	Chandler N/Gilbert	516,944	$98,000,000	$189.58	Cohen Asset Management, Inc.	Trammell Crow Company
9175 E Pima Center Pky	Scottsdale/Salt River	316,585	$79,500,000	$251.12	Miramar Capital	MainSpring Capital Group
West Summit at Surprise	Surprise	453,960	$63,887,560	$140.73	U.S. Merchants	Mohr Capital

SIGNIFICANT LEASE TRANSACTIONS 2Q 2026

Property	Submarket	SF	Transaction Date	Landlord	Tenant	Lease Type
Luke Field -13543 W Northern Ave Bldgs A & B	Glendale	1,215,396	May 2026	Lincoln Property Co.	Fluidstack	Direct
Northern Parkway Logistics - Bldg D	Glendale	1,184,591	June 2026	Merit Partners, Inc.	DHL	Direct
16811 W Commerce Dr - Blue Buffalo Goodyear	Goodyear	540,349	May 2026	LXP Industrial Trust	Blue Buffalo	Renewal
16451 W Glendale Ave	Glendale	40,027	April 2026	EQT Real Estate	Undisclosed	Direct

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery Date
Northern Parkway Logistics - Bldg D	Reems Rd & Northern Pky	Glendale	1,184,591	Merit Partners	4Q 2026
VT303 North - Bldg A	7842 N Reems Rd	Glendale	1,146,518	VanTrust Real Estate	4Q 2026
NorthPark Logistics Center - Bldg 1	W Northern Pky & 147th Dr	Glendale	1,142,071	Lovett Industrial, LLC	3Q 2027
West 101 Logistics - Bldg 1,2,3,4,5	SEC Loop 101 & Indian School Rd	Glendale	1,088,806	Trammell Crow Company	3Q 2026

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

Kidder Mathews

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 19 offices in Washington, Oregon, California, 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
Greater LA, SoCal & Arizona
602.513.5200
darren.tappen@kidder.com

COMMERCIAL BROKERAGE

$9B — AVERAGE ANNUAL TRANSACTION VOLUME
32.4M — ANNUAL SALES SF
32.5M — ANNUAL LEASING SF

ASSET SERVICES

54M+ SF — MANAGEMENT PORTFOLIO SIZE
800+ — ASSETS UNDER MANAGEMENT
250+ — CLIENTS SERVED

VALUATION ADVISORY

2,700+ — AVERAGE ANNUAL ASSIGNMENTS
42 — TOTAL APPRAISERS
23 — WITH MAI DESIGNATIONS