

# PHOENIX INDUSTRIAL MARKET

## Q3 2023



### ECONOMIC SNAPSHOT FOR PHOENIX

AVERAGE WAGE GROWTH	3.9%
UNEMPLOYMENT RATE	4.0%
INFLATION RATE	3.7%

### INDUSTRIAL SNAPSHOT

CURRENT AVAILABLE SPACE	59.1SF	MARKET CAP RATE	6.0%
SQUARE FOOT UNDER CONSTRUCTION	47.7 SF	MARKET ASKING RENT	\$12.47/SF
SQUARE FOOT PROPOSED	126M SF	MARKET VACANCY RATE	6.4%

## INDUSTRIAL OVERVIEW

### RECORD BREAKING DELIVERIES IN Q3

Vacancy increased 2.1% Q-O-Q, likely a direct result of the record breaking 13M SF of product delivered in Q3. To illustrate the gravity of the number, this one quarter of deliveries accounts for nearly 45% of the total square footage delivered over the past year. We have oft discussed the possibility of overbuilding industrial space in Phoenix; this is likely the quarter to watch with bated breath. If the market can absorb much of the new product, it will go a long way to dispel any mutterings about overbuilding. As a side note, Q3 saw the first decline of under construction industrial space in 13 quarters.

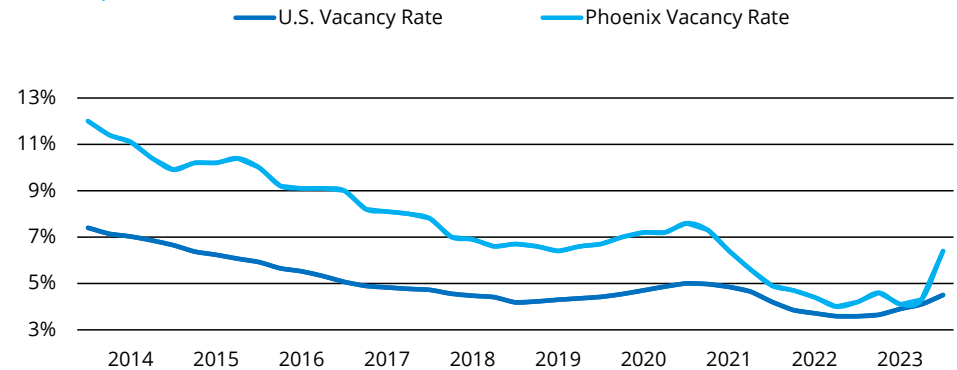
### TRENDLINES

	Q3 2023	Q3 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	4%	3.8%	↑	4.6%	↑
NET ABSORPTION (Thousands SF)	4.1	3.8	↑	4.0	↔
OVERALL VACANCY RATE	6.4%	4.2%	↑	5.9%	↑
OVERALL VACANT SF (MSF)	26.0	16.1	↑	20.5	↑
UNDER CONSTRUCTION (MSF)	47.7	49.0	↓	26.2	↔
ASKING RENT, FULL SERVICE (PSF)	\$12.47	\$10.45	↑	\$8.74	↑
SALES VOLUME (Millions)	\$588	\$1,153	↓	\$859	↔

Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

## OVERALL VACANCY RATE

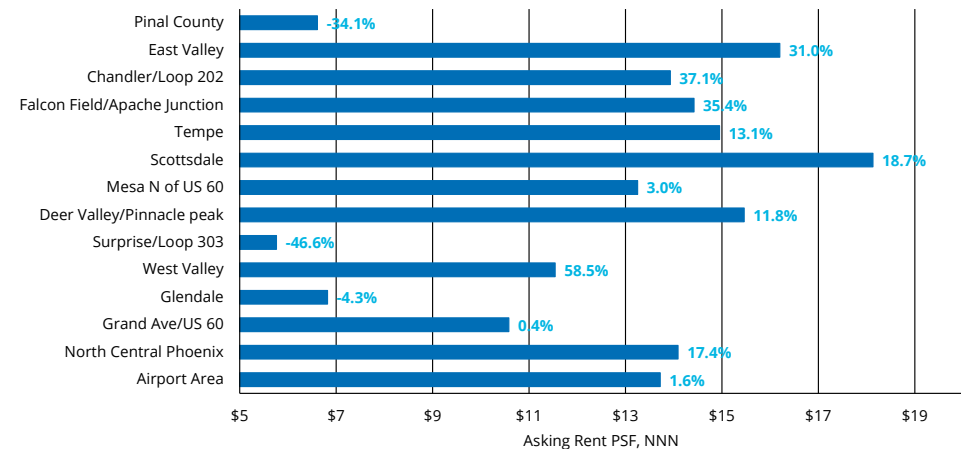
Phoenix | Q3 2023



Source: Bureau of Labor Statistics, Transwestern

## ASKING RENTS BY SUBMARKET AND Y-O-Y GROWTH

Phoenix | Q3 2023



Source: Bureau of Labor Statistics, Transwestern



## ARRAY OF RENTAL RATES

Let's just say there was a lot of variability noted in Y-O-Y rental rates this quarter. West Valley, Falcon Field/Apache Junction, Chandler/Loop 202, and East Valley submarkets all saw rental growth above 30% over same quarter last year. However, some of the traditionally inexpensive submarkets saw a significant drop in rates. Surprise, which seems to have plateaued demand for the moment, saw rental rates drop by nearly half and Pinal County saw a 30% drop in rental rates. Each of these submarkets have tight availability, though Surprise seems to have a bit less demand, as evidenced by very stable absorption and a newly delivered block of space which has not yet leased up.

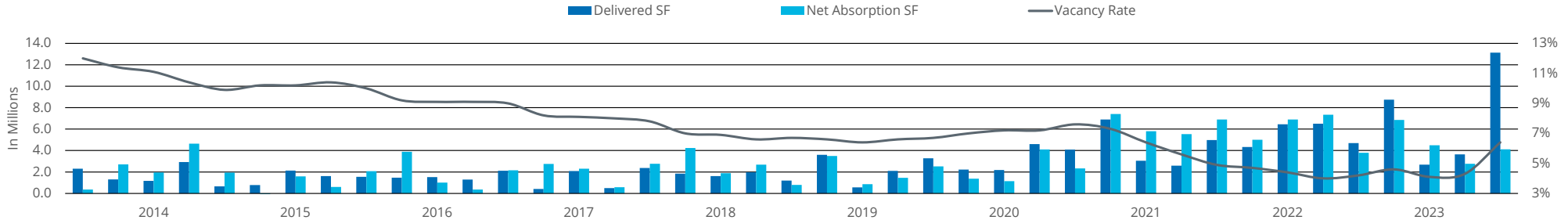
## MARKET INDICATORS Logistics | Q3 2023

SUBMARKET	INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	OVERALL VACANCY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN	
AIRPORT AREA	North Airport	11,991,383	399,621	3.3%	4.5%	0	27,612	\$14.63	
	SC S of Salt River	2,349,757	55,714	2.4%	2.8%	0	(43,523)	\$11.89	
	SC N of Salt River	14,768,978	515,261	3.5%	4.7%	301,063	(80,138)	\$14.36	
	S Airport N of Roeser	14,845,452	493,381	3.3%	4.4%	0	150,751	15.18	
	S Airport S of Roeser	4,375,377	95,211	2.2%	2.2%	24,800	(37,737)	\$12.53	
	<b>Total</b>	<b>48,330,947</b>	<b>1,559,188</b>	<b>2.9%</b>	<b>3.7%</b>	<b>325,863</b>	<b>86,488</b>	<b>113,759</b>	<b>\$13.72</b>
NORTH CENTRAL PHOENIX	Central Phoenix	3,363,213	93,675	2.5%	2.5%	10,000	17,030	\$15.05	
	North Black Canyon	3,939,545	108,836	2.8%	2.8%	0	(1,146)	\$13.13	
	<b>Total</b>	<b>7,302,758</b>	<b>202,511</b>	<b>2.7%</b>	<b>2.7%</b>	<b>10,000</b>	<b>15,884</b>	<b>(5,574)</b>	<b>\$14.09</b>
GRAND AVE/US 60	Grand Ave	12,997,259	311,780	2.4%	2.9%	432,910	(70,928)	\$9.00	
	W Phoenix N of Thomas	7,100,657	256,314	3.6%	3.6%	109,600	(13,506)	\$11.23	
	W Phoenix S of Thomas	6,567,508	271,041	4.1%	4.1%	0	(203,689)	\$11.52	
	<b>Total</b>	<b>26,665,424</b>	<b>839,135</b>	<b>3.4%</b>	<b>3.5%</b>	<b>542,510</b>	<b>-288,123</b>	<b>(115,196)</b>	<b>\$10.58</b>
GLENDALE		38,043,949	5,815,197	15.3%	15.4%	12,143,204	1,520,339	\$6.82	
WEST VALLEY	SW N of Buckeye	36,521,572	3,045,782	8.3%	8.9%	0	325,074	\$9.94	
	SW S of Buckeye Rd	19,456,263	960,927	4.9%	5.3%	142,121	283,825	\$10.34	
	Tolleson	48,988,169	1,470,713	3.0%	3.2%	285,294	1,316,341	\$14.30	
	Goodyear	29,012,555	3,013,043	10.4%	11.5%	9,056,944	466,903	\$11.57	
	<b>Total</b>	<b>133,978,559</b>	<b>8,490,465</b>	<b>6.7%</b>	<b>7.2%</b>	<b>9,484,359</b>	<b>2,392,143</b>	<b>6,055,156</b>	<b>\$11.54</b>
SURPRISE/LOOP 303		4,440,099	476,080	10.7%	10.7%	1,720,283	(8,625)	\$5.76	
DEER VALLEY/PINNACLE PEAK		18,173,629	931,637	5.1%	5.5%	2,865,329	56,416	\$15.46	
MESA N OF US 60		6,456,275	250,843	3.9%	4.0%	0	3,198	\$13.25	
SCOTTSDALE	Scottsdale/Salt River	5,207,040	132,609	2.5%	2.7%	0	87,476	\$18.38	
	Scottsdale Airpark	6,391,628	328,316	5.1%	5.3%	0	(141,700)	\$17.87	
	<b>Total</b>	<b>11,598,668</b>	<b>460,925</b>	<b>3.8%</b>	<b>4.0%</b>	<b>0</b>	<b>-54,224</b>	<b>21,733</b>	<b>\$18.13</b>
TEMPE	Tempe East	6,028,626	108,273	1.8%	1.8%	0	47,501	\$14.98	
	Tempe NW	10,496,107	692,412	6.6%	7.1%	0	(222,677)	\$15.06	
	Tempe SW	21,457,381	923,123	4.3%	5.0%	356,904	(22,728)	\$14.82	
	<b>Total</b>	<b>37,982,114</b>	<b>1,723,808</b>	<b>4.2%</b>	<b>4.6%</b>	<b>356,904</b>	<b>(197,904)</b>	<b>(339,576)</b>	<b>\$14.95</b>
FALCON FIELD/APACHE JUNCTION		5,481,908	27,335	0.5%	1.5%	244,286	43,389	\$14.42	
EAST VALLEY	Chandler N Gilbert	29,807,956	3,258,471	11.0%	11.2%	15,477,452	410,765	\$15.62	
	Chandler Airport	7,617,458	299,393	3.9%	5.7%	1,226,164	6,276	\$16.77	
	<b>Total</b>	<b>37,425,414</b>	<b>3,557,864</b>	<b>7.5%</b>	<b>8.5%</b>	<b>16,703,616</b>	<b>417,041</b>	<b>2,523,195</b>	<b>\$16.20</b>
CHANDLER/LOOP 202		21,490,483	1,609,484	7.5%	7.6%	1,501,869	97,943	\$13.93	
PINAL COUNTY		9,638,739	81,356	0.8%	0.8%	2,344,688	(27,229)	\$6.61	
<b>TOTAL</b>		<b>407,008,966</b>	<b>26,025,828</b>	<b>5.1%</b>	<b>5.4%</b>	<b>48,242,911</b>	<b>4,056,736</b>	<b>17,204,958</b>	<b>\$13.17</b>

Source: CoStar, Transwestern

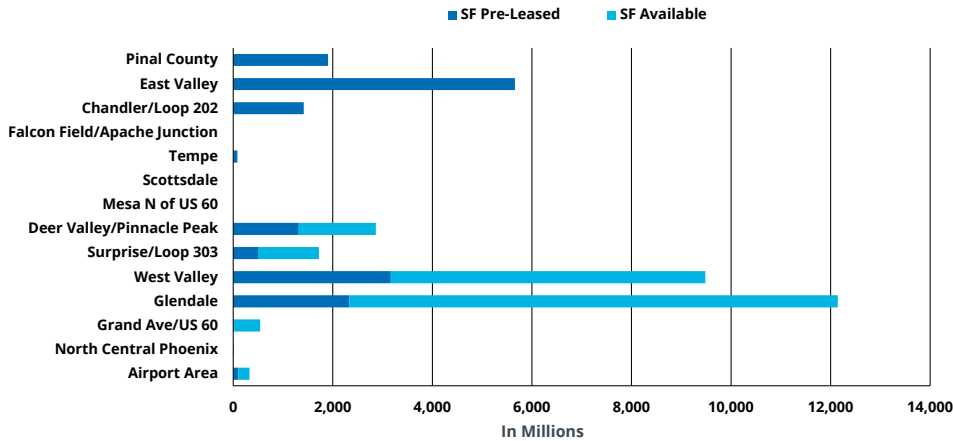


### DELIVERY IMPACT ON KEY INDICATORS



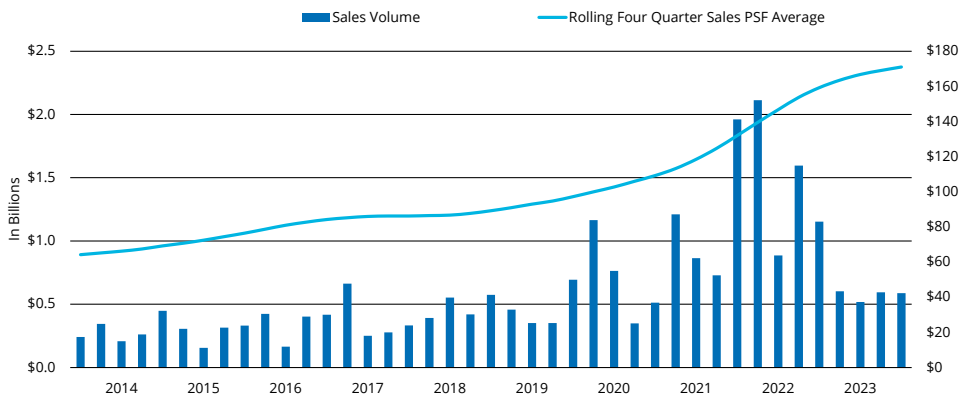
Source: CoStar, Transwestern

### UNDER CONSTRUCTION



Source: CoStar, Transwestern

### SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

### RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on industrial properties located in the Phoenix area. This report includes warehouse/distribution and manufacturing properties 10,000 SF and larger, excluding R&D/flex facilities and industrial condominium buildings.

### FOR MORE INFORMATION

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