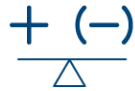




469.3 MSF

Inventory



5.5 MSF

Net Absorption



11.0%

Direct Vacancy



15.2%

Total Availability



17.2 MSF

Under Construction



\$1.14 PSF

NNN Asking Rent

Major Projects Announced As Construction Slows Down

Market Observations

- Q1 Net absorption reached 5.5 million square feet—nearly matching Q4 2024 and reflecting steady demand.
- Over 7.4 million square feet of new inventory was delivered in Q1, weighing on the direct vacancy rate which ended the quarter at 11.0%, up 20 basis points from Q4 2024.
- Despite reaching its lowest level since 2021, Phoenix's industrial pipeline under construction is still well above the US average at 17 million square feet.
- Phoenix's industrial asking rents rose to \$1.14/SF NNN in Q1—up 2% from Q4 driven by strong gains in the Northwest submarket.
- Sales volume in Q1 exceeded \$800M, which was less than half of the sales reported in Q4 2024; however, the price per square foot increased by \$2.
- Phoenix's unemployment rate has increased by 50 basis points since Q4 2024, driven in part by declines in industrial employment amid ongoing tariff uncertainty.
- While overall rent growth may face near-term pressure from rising vacancies and new speculative supply, continued commitments from advanced manufacturers signal strong long-term confidence in the region's future.



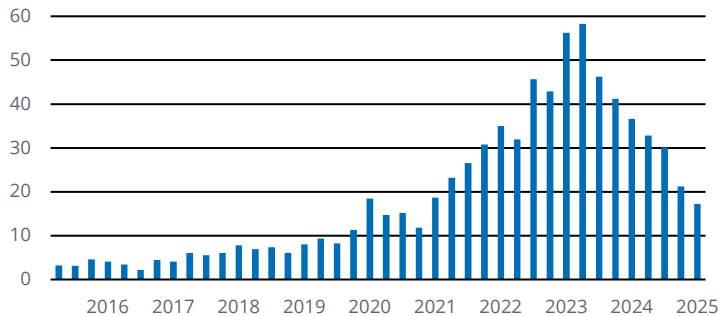


PHOENIX INDUSTRIAL MARKET | Q1 2025

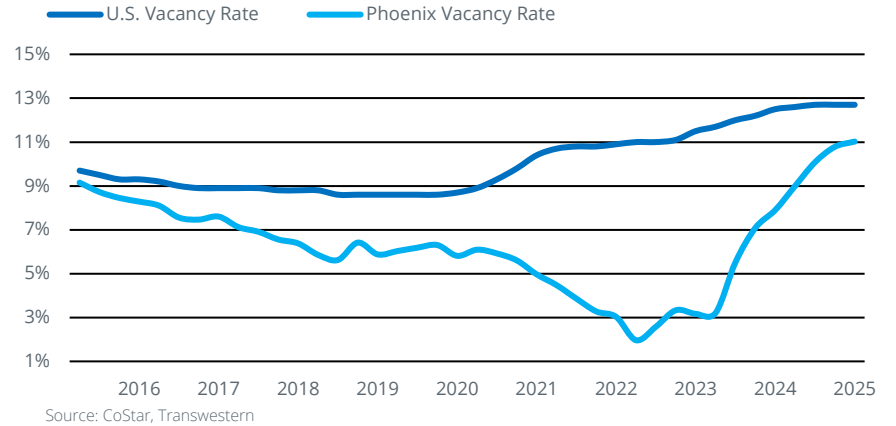
Vacancy Rate Continues Climb

- The **direct vacancy rate** continued its upward trajectory, reaching 11.0% at the end of Q1 2025, up 310 basis points from 7.9% a year ago. This marks the eighth consecutive quarter of rising vacancy, driven by a steady influx of new supply.
- Net absorption** totaled 5.5 million square feet in Q1 2025, nearly matching Q4 2024 and representing a year-over-year increase of approximately 500,000 square feet. Net absorption has remained stable, averaging more than 4 million square feet per quarter over the past two years.
- Asking rents** in Q1 were at \$1.14 per SF NNN, this reflects an increase of 2% vs Q4 2024 and up from \$1.10 per SF NNN year-over-year. Rent growth was strongest in the Northwest submarket year-over-year, rising over 30%.
- Sales volume** exceeded \$800M in Q1, driven by multiple portfolio sales. This was less than half of the sales reported in Q4 2024 however the price per square foot ticked up \$2 per SF.
- The Phoenix industrial **pipeline under construction** is well above the US average despite the total square feet under construction decreasing approximately 4 million square feet quarter-over-quarter to 17M sf, the lowest level since 2021.

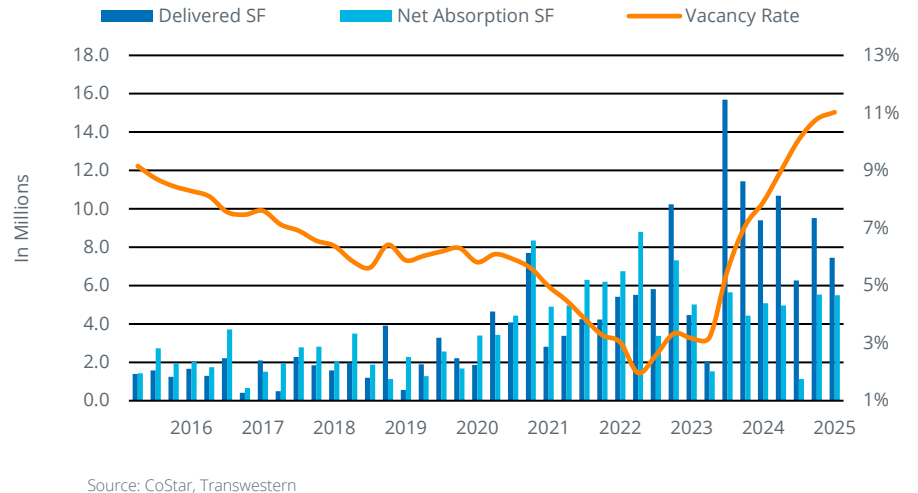
UNDER CONSTRUCTION SF (millions)



DIRECT VACANCY RATE



DELIVERY IMPACT ON KEY INDICATORS





PHOENIX INDUSTRIAL MARKET | Q1 2025

MARKET INDICATORS TABLE

Industrial | Q1 2025

SUBMARKET		INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	Y-O-Y NET ABSORPTION SF	ASKING RENT PSF, NNN
AIRPORT AREA	North Airport	13,647,508	432,175	3.2%	5.2%	79,210	43,585	84,260	\$1.26
	SC S of Salt River	2,270,767	77,516	3.4%	3.4%		1,816	9,584	\$0.71
	SC N of Salt River	14,964,527	597,365	4.0%	6.2%	25,000	116,953	24,091	\$1.15
	S Airport N of Roeser	14,812,952	658,593	4.4%	8.3%	130,300	(138,256)	(99,431)	\$1.10
	S Airport S of Roeser	4,494,190	49,779	1.1%	2.7%		29,736	78,885	\$1.45
	Total	50,189,944	1,815,428	3.6%	6.1%	234,510	53,834	97,389	\$1.17
NORTH CENTRAL PHOENIX	Central Phoenix	3,916,099	315,760	8.1%	14.2%	100,737	(40,379)	(12,512)	\$1.12
	North Black Canyon	4,388,197	560,802	12.8%	14.2%		29,867	10,587	\$1.00
	Total	8,304,296	876,562	10.6%	14.2%	100,737	(10,512)	(1,925)	\$1.06
GRAND AVE/US 60	Grand Ave	13,740,798	724,803	5.3%	5.6%	451,320	329,942	(194,297)	\$0.87
	W Phoenix N of Thomas	7,171,764	140,216	2.0%	3.9%		80,721	(164,196)	\$0.93
	W Phoenix S of Thomas	6,645,180	128,444	1.9%	2.0%		24,681	26,284	\$1.11
	Total	27,557,742	993,463	3.6%	3.9%	451,320	435,344	(332,209)	\$0.97
GLENDALE		55,567,465	12,487,125	22.5%	29.8%	3,213,178	2,635,724	704,282	\$1.10
WEST VALLEY	SW N of Buckeye	36,652,242	3,613,406	9.9%	14.7%	926,198	55,413	153,112	\$0.84
	SW S of Buckeye Rd	20,161,071	554,963	2.8%	6.5%	379,460	(130,198)	(115,446)	\$1.33
	Tolleson	49,778,037	1,537,613	3.1%	7.5%	95,580	(19,063)	(17,473)	\$0.85
	Goodyear	40,200,982	8,193,280	20.4%	26.4%	2,346,749	829,371	(2,738,707)	\$0.88
	Total	146,792,332	13,899,262	9.5%	14.3%	3,747,987	735,523	(2,718,514)	\$0.98
SURPRISE/LOOP 303		6,944,154	1,989,451	28.6%	31.9%	440,098	(53,033)	222,315	\$1.31
DEER VALLEY/PINNACLE PEAK		21,855,751	1,966,156	9.0%	12.9%	465,758	756,857	353,783	\$1.46
MESA N OF US 60		6,601,579	350,688	5.3%	6.5%		3,814	30,967	\$1.01
SCOTTSDALE	Scottsdale/Salt River	5,389,821	75,612	1.4%	7.6%	305,375	(14,884)	21,971	\$1.72
	Scottsdale Airpark	6,542,535	302,500	4.6%	6.6%	45,047	(29,821)	(15,943)	\$1.67
	Total	11,932,356	378,112	3.2%	7.1%	350,422	(44,705)	6,028	\$1.69
TEMPE	Tempe East	5,999,283	397,219	6.6%	7.4%		12,944	(176,881)	\$1.29
	Tempe NW	10,444,641	322,364	3.1%	5.7%	183,096	233,665	311,264	\$1.36
	Tempe SW	21,753,448	1,603,603	7.4%	11.7%	384,364	(155,374)	(80,942)	\$1.19
	Total	38,197,372	2,323,186	6.1%	8.2%	567,460	91,235	53,441	\$1.28
FALCON FIELD/APACHE JUNCTION		5,779,851	382,094	6.6%	11.9%	423,514	(26,412)	(19,369)	\$1.37
EAST VALLEY	Chandler N Gilbert	44,810,880	11,039,502	24.6%	26.6%	5,406,627	571,912	494,474	\$1.37
	Chandler Airport	9,131,899	1,221,622	13.4%	22.9%	432,098	148,217	85,611	\$1.56
	Total	53,942,779	12,261,124	22.7%	24.7%	5,838,725	720,129	580,085	\$1.46
CHANDLER/LOOP 202		22,568,439	1,284,749	5.7%	7.7%	755,347	(23,597)	(8,757)	\$1.14
PINAL COUNTY		13,087,237	761,783	5.8%	5.9%	640,000	231,573	176,845	\$0.88
TOTAL		469,321,297	51,769,183	11.0%	15.2%	17,229,056	5,505,774	(855,639)	\$1.14



Research Methodology

The information in this report is the result of a compilation of information on flex and industrial properties located in the Phoenix metro area. This report includes single tenant, multi-tenant and owner-user properties 10,000 SF and larger, excluding data centers, biotech, and properties owned by a government agency. To continually improve the content provided to our clients, starting at Q1 2025, Transwestern Research has revised its office methodology which may shift current and historical data in our market reporting. Please reach out to the research contact(s) noted in this report with any questions

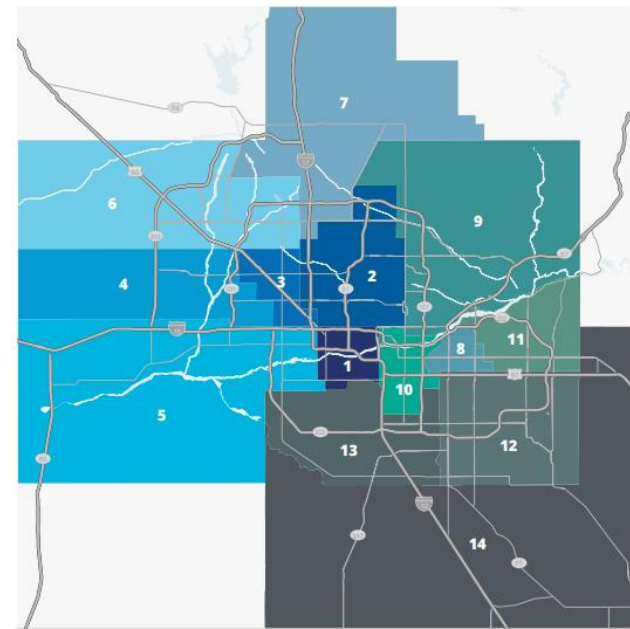
About Transwestern

Four dynamic, integrated companies make up the Transwestern enterprise, giving us the perspective to think broadly, deeply and creatively about commercial real estate. Clients and investors rely on us for expertise that spans institutional and opportunistic investment, development, hospitality, and brokerage and asset services. Our award winning, collaborative culture empowers team members with resources and independence to work across boundaries in pursuit of innovative solutions, reinforcing a reputation for service excellence that translates to measurable results. Through offices nationwide and alliance partners around the globe, we positively impact the built environment and our communities while fostering a work climate that champions career vitality for all. Learn more at transwestern.com and [@Transwestern](https://twitter.com/Transwestern).

For more information

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PHOENIX INDUSTRIAL SUBMARKETS

- | | |
|-----------------------------|---------------------------------|
| 1 Airport Area | 8 Mesa N of US 60 |
| 2 North Central Phoenix | 9 Scottsdale |
| 3 Grand Ave/US 60 | 10 Tempe |
| 4 Glendale | 11 Falcon Field/Apache Junction |
| 5 West Valley | 12 East Valley |
| 6 Surprise/LOOP 303 | 13 Chandler/LOOP 202 |
| 7 Deer Valley/Pinnacle Peak | 14 Pinal County |

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