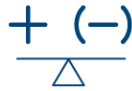




474.8 MSF
Inventory



4.8 MSF
Net Absorption



10.5%
Direct Vacancy



14.9%
Total Availability



20.6 MSF
Under Construction



\$1.14 PSF
NNN Asking Rent



Vacancy Rate Improves As Deliveries and Construction Ease

Market Observations

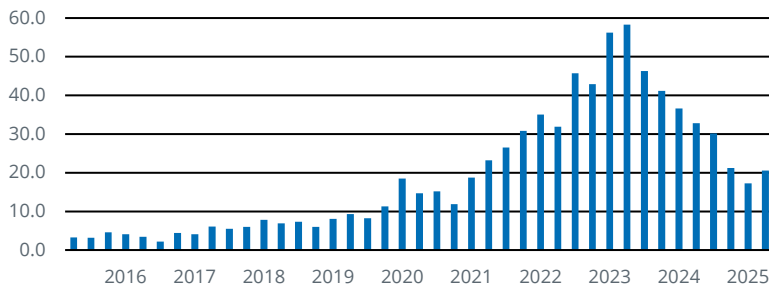
- Q2 net absorption totaled 4.8 million square feet, down 11% from Q1 2025 but still in line with the trailing twelve-month average.
- Over 3 million square feet of new inventory was delivered in Q2, less than half of the square footage added during Q1 2025. This marks the second straight quarter of decline, this time coinciding with a decrease in vacancy.
- The direct vacancy rate declined to 10.5% in Q2, marking a 50 basis-point improvement quarter-over-quarter and the first quarterly decrease to the vacancy rate since Q1 2023.
- The Phoenix industrial pipeline under construction grew to more than 20 million SF in Q2, an increase of 15% compared to Q1 2025. Despite the quarterly increase, the total square footage under construction is approximately 14 million square feet less than the prior two-year average.
- Asking rents averaged \$1.14 per SF NNN in Q2, unchanged from the prior quarter and up 3% compared to Q2 2024. While the Northeast maintains the highest rates in the region, the Northwest continues to see significant rate growth with average rates up 30% year-over-year.
- Sales volume exceeded \$1B in Q2, a slight increase compared to Q1 2025 and up over 20% compared to Q2 2024. Phoenix's industrial market has undergone a significant transformation over the past five years as a surge in new supply has delivered institutional-grade assets, drawing strong interest from new users and investors.



Vacancy Trend Reverses After Prolonged Climb

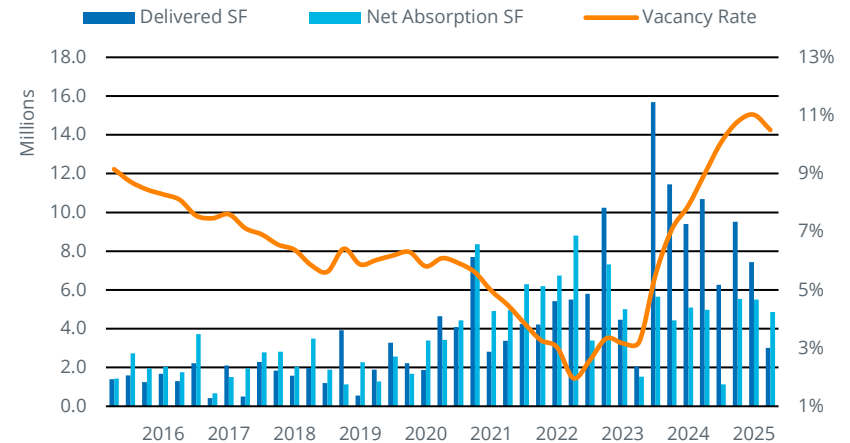
- After eight straight quarters of rising vacancy, the **direct vacancy rate** improved by 50 basis points quarter-over-quarter, ending at 10.5%. Given the strong leasing activity, the vacancy improvement reflects more than just a slowdown in deliveries this quarter.
- Net absorption** totaled 4.8 million square feet in Q2, representing a 12% drop from Q1 2025. Year-to-date net absorption is now over 10.3 million square feet, a 3% increase compared to the first half of 2024. Leasing momentum remained strong in the East and West Valley submarkets, each recording over 1.5 million square feet of positive net absorption.
- Asking rents** averaged \$1.14 per SF NNN in Q2, unchanged from the prior quarter and up 3% compared to Q2 2024. The Deer Valley submarket sustained the highest asking rates in Q2 at \$1.36 per SF NNN. Not far behind is the Chandler / Gilbert submarket where rates averaged \$1.30 per SF NNN during the second quarter.
- Sales volume** per square foot remains at record highs, above \$170 per SF for the fourth straight quarter. The West Valley submarket, particularly along the Loop 303 Corridor, has emerged as a key logistics hub, drawing major investors and tenants amid strong demand for large-scale space.
- The over 20.5 million square feet **under construction** is concentrated in the Southeast (9.3M SF), Northwest (5.3M SF), and the Southwest (4.1M SF) submarkets. Deliveries dropped by over 50% quarter-over-quarter to just over 3 million square feet, the lowest level since Q2 2023.

UNDER CONSTRUCTION SF (millions)



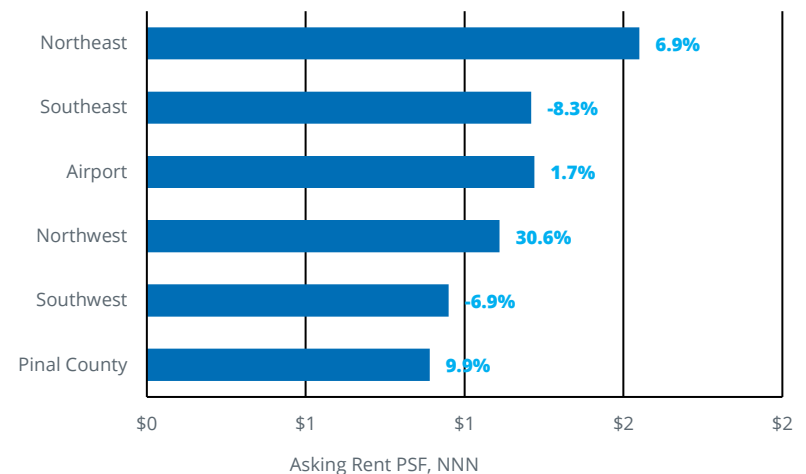
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

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



Source: CoStar, Transwestern



PHOENIX INDUSTRIAL MARKET | Q2 2025

MARKET INDICATORS TABLE

SUBMARKET		INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY RATE	TOTAL AVAILABILITY RATE	UNDER CONSTRUCTION SF	NET ABSORPTION SF	12-MONTH NET ABSORPTION SF	ASKING RENT PSF, NNN
AIRPORT AREA	North Airport	13,822,519	486,677	3.6%	10.2%	705,956	(21,352)	(100,727)	\$1.29
	SC S of Salt River	2,270,767	77,516	3.4%	16.6%	357,721		(12,002)	\$0.74
	SC N of Salt River	15,027,842	598,566	4.0%	6.9%	25,000	(1,201)	143,929	\$1.16
	S Airport N of Roeser	14,870,704	684,381	4.6%	9.0%	130300	(25,788)	(339,234)	\$1.23
	S Airport S of Roeser	4,494,190	71,929	1.6%	2.7%		(22,150)	12,656	\$1.56
	Total	50,486,022	1,919,069	3.8%	8.5%	1,218,977	(70,491)	(295,378)	\$1.23
NORTH CENTRAL PHOENIX	Central Phoenix	3,964,334	203,080	5.1%	11.3%	100,737	112,680	441,898	\$1.05
	North Black Canyon	4,398,909	571,901	13.0%	13.8%		(11,099)	(306,750)	\$1.05
	Total	8,363,243	774,981	9.3%	12.6%	100,737	101,581	135,148	\$1.05
GRAND AVE/US 60	Grand Ave	13,740,798	625,320	4.6%	9.3%	1,211,962	99,483	508,082	\$0.87
	W Phoenix N of Thomas	7,228,821	194,394	2.7%	5.2%		(51,428)	159,797	\$0.88
	W Phoenix S of Thomas	6,668,020	93,393	1.4%	2.3%		35,051	196,061	\$0.99
	Total	27,637,639	913,107	3.3%	5.6%	1,211,962	83,106	863,940	\$0.91
GLENDALE		56,371,315	13,120,014	23.3%	29.2%	3,577,408	164,881	4,682,794	\$1.12
WEST VALLEY	SW N of Buckeye	36,731,477	3,753,688	10.2%	14.5%	1,013,378	(99,920)	(196,457)	\$0.89
	SW S of Buckeye Rd	20,570,722	858,500	4.2%	6.2%	557,660	(238,377)	(370,347)	\$1.26
	Tolleson	50,409,390	1,423,518	2.8%	7.4%	95,580	114,095	70,894	\$0.83
	Goodyear	40,200,982	6,215,718	15.5%	21.5%	2,472,786	1,977,562	5,320,301	\$0.92
	Total	147,912,571	12,251,424	8.3%	12.8%	4,139,404	1,753,360	4,824,391	\$0.98
SURPRISE/LOOP 303		7,152,889	2,087,360	29.3%	31.3%	264,485	77,704	616,356	\$1.19
DEER VALLEY/PINNACLE PEAK		22,347,756	2,194,027	9.8%	12.3%	217,179	207,094	1,338,718	\$1.36
MESA N OF US 60		6,611,579	431,317	6.5%	7.6%		(80,629)	(135,050)	\$1.03
SCOTTSDALE	Scottsdale/Salt River	5,632,561	318,916	5.7%	11.4%	305,375	(564)	12,349	\$1.64
	Scottsdale Airport	6,542,535	288,208	4.4%	6.2%	45,047	14,292	(96,370)	\$1.69
	Total	12,175,096	607,124	5.0%	8.8%	350,422	13,728	(84,021)	\$1.67
TEMPE	Tempe East	6,059,283	415,733	6.9%	16.9%	689,109	(18,514)	(37,146)	\$1.34
	Tempe NW	10,444,641	449,724	4.3%	8.1%	413,096	(127,360)	28,367	\$1.07
	Tempe SW	21,753,834	1,405,865	6.5%	12.9%	657,705	197,738	19,058	\$1.18
	Total	38,257,758	2,271,322	5.9%	12.6%	1,759,910	51,864	10,279	\$1.20
FALCON FIELD/APACHE JUNCTION		5,779,851	329,142	5.7%	11.0%	434,844	52,952	(16,785)	\$1.37
EAST VALLEY	Chandler N Gilbert	45,867,878	10,516,370	22.9%	24.9%	5,187,095	1,201,653	2,300,075	\$1.30
	Chandler Airport	9,131,899	931,847	10.2%	19.9%	432,098	289,775	538,212	
	Total	54,999,777	11,448,217	20.8%	22.4%	5,619,193	1,491,428	2,838,287	\$1.30
CHANDLER/LOOP 202		22,608,439	1,194,921	5.3%	7.6%	1,568,636	129,828	957,508	\$1.27
PINAL COUNTY		14,048,086	416,050	3.0%	3.3%	100,000	885,733	1,427,079	\$0.89
TOTAL		474,752,021	49,958,075	10.5%	14.9%	20,563,157	4,862,139	17,163,266	\$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

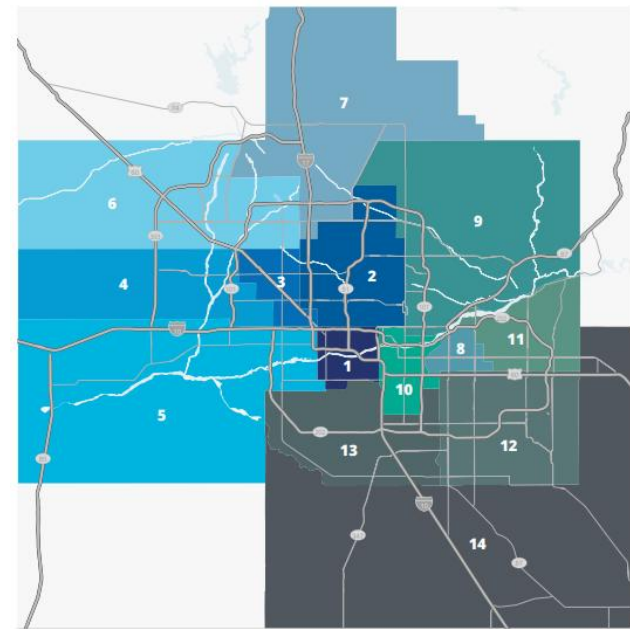
About Transwestern

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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