TRANSWESTERN

PHOENIX

INDUSTRIAL MARKET | Q3 2025

477 MSF
Inventory

7.6 MSF
Net Absorption

9.9%
Direct Vacancy

13.4%
Total Availability

11.2 MSF
Under Construction

$1.13 PSF
NNN Asking Rent

Vacancy Rates Improve Again As Construction Levels Stabilize

Market Observations

- Net absorption totaled 7.6 million square feet in Q3 2025 with year-to-date net absorption at nearly 18 million square feet, already surpassing the full year 2024 net absorption total of 16.6 million square feet.
- Over 5 million square feet of new inventory was delivered in Q3. The pace of new supply is now about 40% lower than the average quarterly volume recorded over the past two years.
- The direct vacancy rate improved in back-to-back quarters for the first time since 2022, ending Q3 at 9.9%, the lowest level in over a year.
- The Phoenix industrial pipeline under construction totaled 11.2 million square feet in Q3, a reduction of 30% from prior quarters this year. Construction levels are now at their lowest levels since before the pandemic.
- After reaching a record high earlier in the year, asking rents edged down slightly to $1.13 per SF NNN in Q3. Even with the modest dip, rents remain 5% above this time last year, reflecting steady pricing momentum.
- Sales volume exceeded $1.4B in Q3, marking a 40% increase compared to Q2 2025 and the second highest quarterly total over the past three years. Arizona's pro-business climate continues to attract both investors and corporate tenants to the region.

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Vacancy Rates Improve for Second Straight Quarter

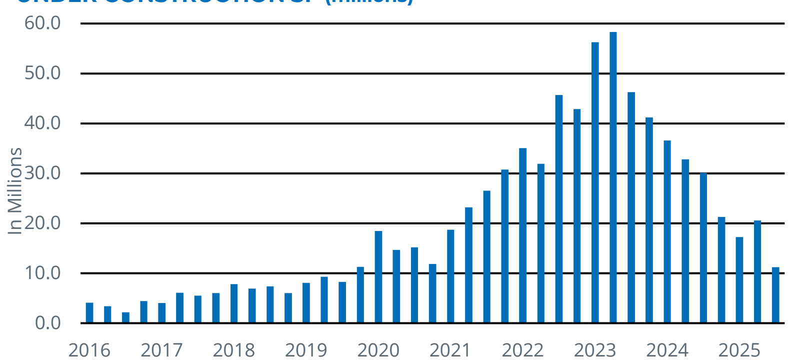
- The **direct vacancy rate** ended Q3 at 9.9%, a 60-basis-point improvement from Q2, highlighting the market's resilience, as demand continues to keep pace with new deliveries. The West Valley continues to lead the region where direct vacancy ended at 8.0%, a 70-basis point improvement quarter-over-quarter.

- **Net absorption** reached 7.6 million square feet in Q3, rising more than 50% from Q2 and pushing year-to-date figures ahead of last year's pace. Glendale led all submarkets with over 3.4 million-square-feet absorbed, while both the East and West Valley posted more than 1 million square feet of positive net absorption in the quarter.

- Over 5 million square feet of **new supply** was delivered in Q3, approximately 40% less square footage than the quarterly average over the past two years. The development pipeline also continues to contract, totaling 11.2 million square feet in Q3, down nearly 30% since the beginning of the year.

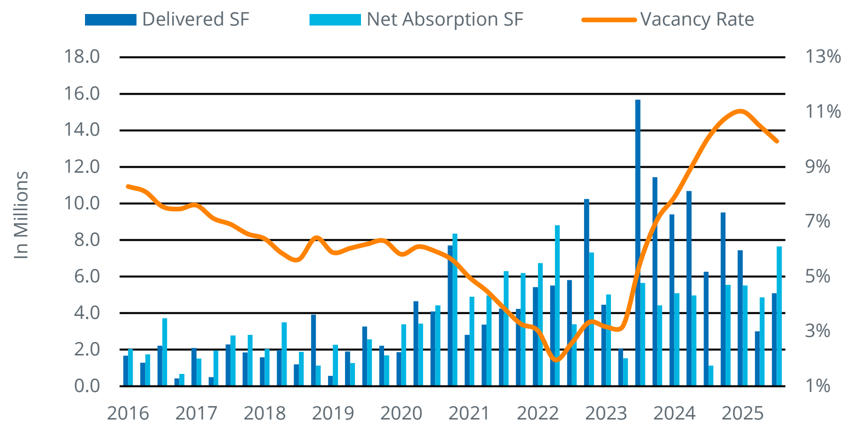
- Average **asking rents** held close to peak levels in Q3, averaging $1.13 per SF NNN. Among industrial submarkets with more than 20 million square feet, Deer Valley/Pinnacle Peak continues to command the highest rents, averaging $1.36 per SF NNN in Q3. However, pricing in the area has cooled 7% year-over-year, closing the gap with the East Valley.

UNDER CONSTRUCTION SF (millions)



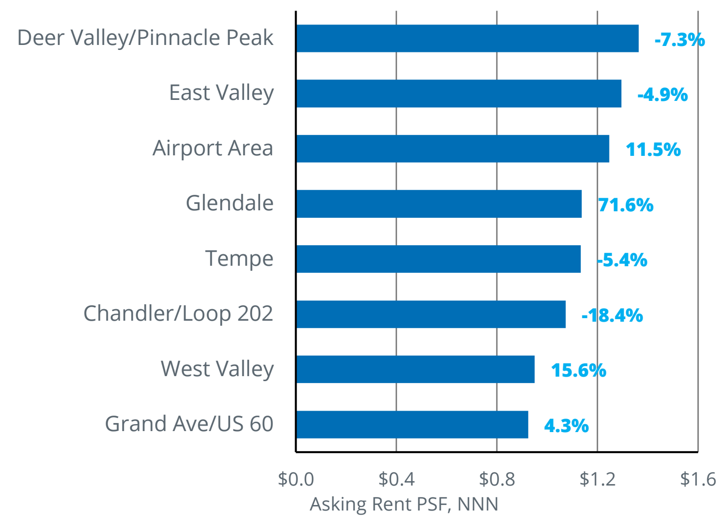
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



Source: CoStar, Transwestern

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



Source: CoStar, Transwestern

PHOENIX INDUSTRIAL MARKET | Q3 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	12,890,202	512,246	4.0%	9.4%	487,702	20,154	16,295	$1.31
	S Airport N of Roeser	14,276,987	765,851	5.4%	9.1%	130,300	(67,066)	(242,129)	$1.32
	S Airport S of Roeser	4,524,477	107,630	2.4%	6.7%		(35,701)	(28,115)	$1.50
	SC N of Salt River	15,342,201	581,990	3.8%	8.1%	218254	24,125	136,269	$1.09
	SC S of Salt River	2,302,623	63,138	2.7%	2.7%		14,378	16,194	$0.75
	Total	**49,336,490**	**2,030,855**	**4.1%**	**8.4%**	**836,256**	**(44,110)**	**(101,486)**	**$1.25**
NORTH CENTRAL PHOENIX	Central Phoenix	5,173,364	146,896	2.8%	17.9%	767,507	455,308	924,645	$1.33
	North Black Canyon	4,806,633	921,903	20.0%	21.1%		(45,900)	(31,234)	$1.05
	Total	**9,979,997**	**1,068,799**	**10.7%**	**19.5%**	**767,507**	**409,408**	**893,411**	**$1.15**
GRAND AVE/US 60	Grand Ave	13,959,896	933,113	6.7%	7.5%	426,320	102,462	531,887	$0.94
	W Phoenix N of Thomas	6,986,096	236,394	3.4%	6.6%		(42,000)	(12,707)	$0.88
	W Phoenix S of Thomas	6,682,428	75,659	1.1%	1.4%		17,734	77,466	$1.03
	Total	**27,628,420**	**1,245,166**	**4.5%**	**5.2%**	**426,320**	**78,196**	**596,646**	**$0.92**
GLENDALE		55,213,199	9,600,268	17.4%	20.8%	100,737	3,486,628	5,875,247	**$1.14**
WEST VALLEY	Goodyear	42,139,957	6,378,252	15.1%	17.2%	1,793,200	375,985	3,182,918	$0.92
	SW N of Buckeye Road	37,188,593	2,954,328	7.9%	11.9%	824,404	901,154	1,423,576	$0.90
	SW S of Buckeye Road	20,351,106	997,626	4.9%	7.5%		49,535	(318,923)	$1.23
	Tolleson	49,233,084	1,625,416	3.3%	8.0%	95,580	(201,898)	24,634	$0.85
	Total	**148,912,740**	**11,955,622**	**8.0%**	**11.5%**	**2,713,184**	**1,124,776**	**4,312,205**	**$0.95**
SURPRISE/LOOP 303		8,963,048	3,404,667	38.0%	39.3%	114,543	280,389	300,526	**$1.21**
DEER VALLEY/PINNACLE PEAK		21,689,616	2,010,807	9.3%	12.0%	217,179	262,019	470,801	$1.36
MESA N OF US 60		6,412,291	425,225	6.6%	8.3%		6,092	(70,723)	**$0.99**
SCOTTSDALE	Scottsdale/Salt River	5,483,355	362,437	6.6%	12.1%	305,375	(43,521)	(64,969)	$1.70
	Scottsdale Airpark	6,272,682	286,216	4.6%	6.1%	45,047	5,773	14,963	$1.71
	Total	**11,756,037**	**648,653**	**5.5%**	**9.1%**	**350,422**	**(37,748)**	**(50,006)**	**$1.71**
TEMPE	Tempe East	5,959,376	470,969	7.9%	17.8%	689,109	(55,236)	(60,806)	$1.42
	Tempe NW	11,088,158	581,351	5.2%	7.4%	230,000	88,706	195,011	$1.00
	Tempe SW	21,705,475	1,344,900	6.2%	11.7%	657,705	54,430	103,329	$1.14
	Total	**38,753,009**	**2,397,220**	**6.2%**	**12.3%**	**1,576,814**	**87,900**	**237,534**	**$1.13**
FALCON FIELD/APACHE JUNCTION		6,644,429	1,086,744	16.4%	21.2%	434,844	72,726	99,266	**$1.40**
EAST VALLEY	Chandler N Gilbert	45,016,284	9,267,249	20.6%	22.0%	2,056,541	1,270,129	3,075,545	$1.28
	Chandler Airport	8,888,488	720,461	8.1%	18.2%	432,098	211,386	599,378	$1.59
	Total	**53,904,772**	**9,987,710**	**18.5%**	**20.1%**	**2,488,639**	**1,481,515**	**3,674,923**	**$1.29**
CHANDLER/LOOP 202		25,300,060	1,312,234	5.2%	8.1%	172,115	339,633	445,864	**$1.07**
PINAL COUNTY		12,587,164	239,087	1.9%	2.0%	1,000,000	103,928	1,279,234	**$0.84**
TOTAL		**477,081,272**	**47,413,057**	**9.9%**	**13.4%**	**11,198,560**	**7,651,352**	**17,963,442**	**$1.13**

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 industrial 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

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