



## Key Takeaways

- Rental rates have increased over 8 percent Y-o-Y
- Net absorption hit the highest mark in a single quarter, and YTD net absorption has surpassed all 2020
- Median price per square foot is up nearly 20 percent Y-o-Y to \$135.



## Q3 2021

At the end of the third quarter there were 20.0 million square feet under construction, setting yet another high point for the market. The third quarter posted two single transactions over \$100 million, bring year-to-date investment sale to \$2.6 billion, and the median price per square foot has jump nearly 20 percent year-over-year. The industrial market is showing no signs of slowing down and will finish the year with over 20 million square feet of positive net absorption.

## Market Indicators



**4.81%**  
Unemployment  
Rate (August-21)



**8.84%**  
GDP - Quarterly  
% change yr/yr



**1.483%**  
U.S. 10 Year  
Treasury Note

## Historic Comparison

	20 Q3	21 Q2	21 Q3
<b>Total Inventory</b> (in Thousands of SF)	320,842	333,094	336,692
<b>New Supply</b> (in Thousands of SF)	3,232	2,450	4,650
<b>Net Absorption</b> (in Thousands of SF)	6,632	5,843	7,261
<b>Direct Vacancy</b>	7.9%	5.9%	5.2%
<b>Under Construction</b> (in Thousands of SF)	9,274	19,177	20,040
<b>Overall Asking Lease Rates (NNN)</b>	\$0.61	\$0.65	\$0.66

## Historical Absorption, Deliveries and Vacancy Rates



## Lease Transactions



**Lease**  
G303  
6610 N Alsup Ave  
Glendale | 1.3M SF



**Lease**  
10 West Commerce Park  
Lower Buckeye Rd  
Goodyear | 863k SF



**Lease**  
The HUB at Goodyear  
305 S Bullard Ave  
Goodyear | 603K SF

## Sale Transactions

Property Name/Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
Walmart @ Park 303 - 6600 N Sarival Ave	Glendale	9/13	\$186,000,000	1,257,838	\$148	A
Goodyear Logistic Center - 575 S 143rd Ave	Goodyear	8/3	\$103,214,650	901,700	\$114	A
Ryan West Business Park - 8313 W Latham St	Tolleson	9/22	\$46,755,375	242,863	\$193	A

Phoenix, AZ | Industrial  
**21Q3**



## Executive Summary

### Q3 2021

According to US Census data, the City of Phoenix was America's fastest growing major city from 2010-2020, expanding by 11.2 percent and passed Philadelphia for the fifth largest city in the nation. Metro Phoenix labor market has pushed full throttle, according to a report from Labor IQ, Metro Phoenix ranked 2nd nationally for top labor markets, just behind Dallas-Fort Worth. As of August, Phoenix MSA had recovered from the 223,8000 jobs lost last April, and currently Phoenix has 13,800 more private jobs than in March 2020, marking a surplus of 1 percent. Total non-farm jobs have increased 7 percent compared to August of 2020, and the Transportation, Warehousing and Utilities supersector jobs have increased by 12 percent over the same period. Manufacturing jobs have increased by 3.3 percent, and this trend is expected to continue following Intel, TSMC and KORE POWER announcing the addition of over 8,000 new jobs in the next couple of years.

During the third quarter, the Phoenix Industrial market was more active than at any time in its history, posting 7.2 million square feet of positive net absorption, outperforming last quarter which was a previous milestone. This marks the 10th consecutive quarter of more than 1,000,000 square feet of positive net absorption. Direct vacancy has decreased 70 bps quarter-over-quarter and 270 bps year-over-year to finish third quarter at 5.2 percent. This is another benchmarking quarter for Phoenix, reaching the lowest vacancy rate ever achieved in the market.

Approximately 5.9 million square feet of new product was delivered during third quarter with a vacancy of below 30 percent. Another 20.0 million square feet are currently underway, marking the highest level of construction activity ahead of last quarter that was previously a milestone.

Rental rates continue to rise because of strong demand for space, increasing 1.54 percent over-the-quarter and 8.49 percent year-over-year, settling at \$0.66 per square foot. Resulting from increased rental rates and tight vacancy, the median price per square foot increased by nearly 20 percent year-over-year settling at \$135 per square foot. Investment sales were extremely active this quarter totaling over \$1.1 billion and comprising more than 43 percent of total sales in 2021.

### Outlook

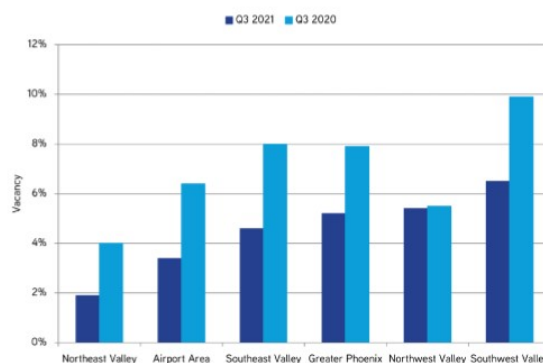
More developers and tenants are noticing the growing activity of the Phoenix market, illustrated in the fact that the largest sale of the quarter was a new-to-market buyer. The activity does not look to be slowing down any time soon. Arizona's pro-business economy and workforce development are attracting more high-tech manufacturing companies, which has placed the market at the top of multiple site selections for companies looking to relocate.



# Phoenix, AZ | Industrial 21Q3

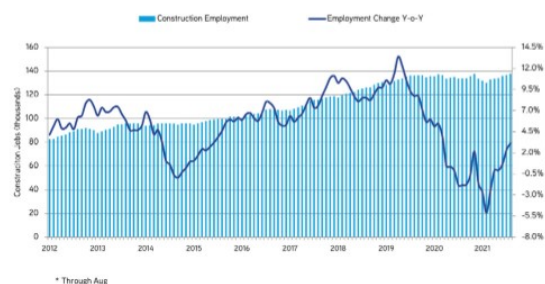
## Vacancy

The strong demand for industrial space has marked a new record in the Phoenix market. The city has achieved the lowest level of vacancy, decreasing over-the-quarter by 70 bps, and year-over-year by 270 bps to finish the quarter at 5.2 percent. Every submarket cluster posted decreased vacancy year-over-year, with the Southwest and Southeast clusters posting the largest decreases both dropping 340 bps ending at 6.5 percent and 4.6 percent, respectively. Over-the-quarter Airport Area, Southwest and Northwest submarket cluster vacancies each decreased 90 bps, ending at 1.9, 6.5 and 5.4 percent, respectively. Astonishingly, the Northwest submarket cluster delivered the most inventory for the third consecutive quarter, completing 4.0 million square feet. This submarket decreased its vacancy by 90 bps over-the-quarter, to 5.4 percent. Larger blocks of space are in such high demand that currently only 17 existing buildings throughout metro Phoenix offer options for tenants seeking 150,000 square feet and only 10 options offer available blocks of space over 300,000 square feet.



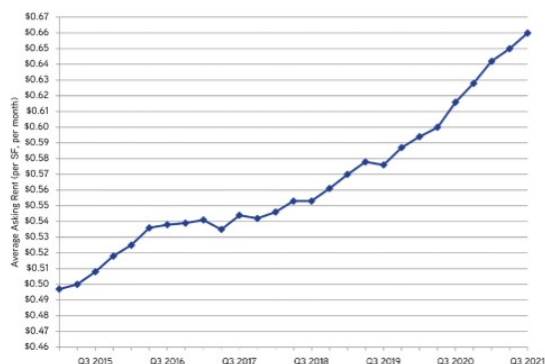
## Absorption and Leasing

Third quarter marked the highest level of net absorption ever recorded in a single quarter in Phoenix. The market posted over seven million square feet of net absorption, bringing year-to-date absorption to 18.2 million square feet. Through the first three quarters, net absorption has top 2020 by 36 percent and is on path to surpass 20 million square feet by the end of the year. This quarter marked the sixth consecutive quarter of net absorption over two million square feet. Mattress manufacture MLILY expanded its footprint in the west valley in July, committing to 1.25 million square feet at G303. This expansion brings the company's total footprint to over 1.8 million square feet. In September the toy manufacturer, Funko, committed to 862,602 square feet at 10 West Commerce Park in Buckeye. The project is currently under construction but is expected to deliver early 2022. The market is seeing increased activity in electric vehicle manufacturing. In July, Zero Electric Vehicles signed a lease for 103,275 square feet at Gilbert Crossroads. The firm recently announced a battery development agreement with KORE POWER, who recently announced plans to develop a manufacturing facility in Buckeye. Phase one is planned for delivery mid-2023 and the company expects to employee 3,000 people upon full completion.



## Rental Rates

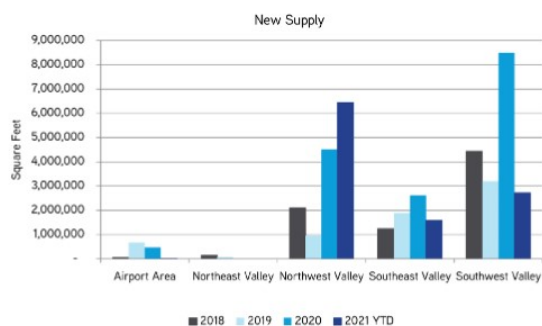
Rental rates continued to increase, rising 8.4 percent year-over-year and 1.8 percent over-the-quarter, reaching \$0.66 per square foot. Since 2018, rental rates have increased at an average of 4.75 percent annually, increasing rapidly in recent years with a total of 12 percent since 2019. Because of the recent increases, the market is starting to see annual escalation rates jump up to 3.5 to 4 percent instead of the historic 2-3 percent annual increases. The Airport Area submarket cluster for the third consecutive quarter led the market in rental rate increases with year-over-year improvement of 11 percent to \$0.83. Airport Area is followed by the Southwest submarket cluster, which is experiencing tremendous activity. Southwest rates increased by 9.4 percent year-over-year to \$0.50 per square foot. The Southeast cluster had the largest increase over-the-quarter, increasing 3.2 percent ending at \$0.75. Manufacturing space posted the largest increases both year-over-year and over-the-quarter, increasing 14.4 and 6.1 percent, respectively, ending at \$0.73 per square foot. Manufacturing space in the Southwest submarket cluster had the largest increase of any property type in any submarket cluster, increasing 24 percent year-over-year to \$0.53.



# Phoenix, AZ | Industrial 21Q3

## Construction

This first two quarters of 2021 were record setting for largest amount of product under construction, peaking at 19.1 million square feet. At the end of the third quarter there were 20.0 million square feet under construction, setting yet another high point for the market, with an availability rate of 71 percent, illustrating the strong demand for speculative construction. Approximately 5.9 million square feet of new space hit industrial inventory in the third quarter, the second largest addition in any quarter following Q4 2020. This brings the year-to-date total to 10.7 million square feet. Groundbreakings in third quarter totaled 6.8 million square feet of new construction. Approximately 76 percent of the buildings currently under construction are being developed in the Northwest and Southwest submarket clusters. The three largest completions this quarter were in the West Valley and delivered 100 percent occupied. These include Five Below, Red Bull, and XPO projects which total 2.3 million square feet. The Southeast Valley has averaged below 1.5 million square feet of construction since 2015 and currently has 4.3 million square feet underway. This submarket delivered an additional 621,852 square feet during third quarter with a low vacancy of only 18 percent.



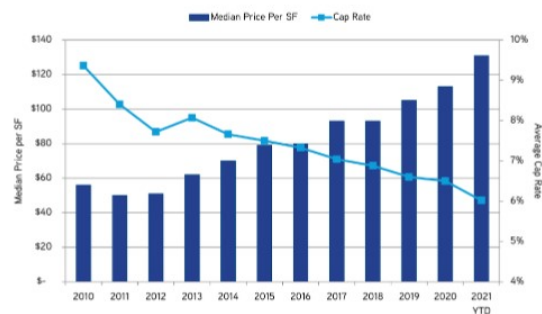
## Vacancy vs. Rental Rate



## Investment Trends

Investment sales volume during third quarter reached \$1.13 billion, bringing the year-to-date total to \$2.61 billion. Sales volume in the third quarter was the second largest in the past 10 years, just falling short of fourth quarter 2019. The median price per square foot in the third quarter increased 19.9 percent year-over-year to \$135 per square foot. Year-to-date the median price has reached \$131 per square foot. Cap rates continued compressing, dropping 18 bps to 6.02 percent.

The third quarter had the largest single property sale ever completed in metro Phoenix history. Park 303, a 1.2 million-square-foot distribution facility sold for \$186 million to BentallGreenOak, (\$147/square foot) and is 100 percent leased to Walmart. Surprisingly, the third quarter posted two single transactions over \$100 million. The second transaction involved the former Nike building, which was never occupied and 100 percent vacant, at 575 S 143rd Avenue. The property sold to American Realty Advisors for \$103 million (\$114 per square foot). Southwest submarket cluster ended the quarter with the highest sales volume totaling \$402 million, with an average price per square foot of \$119. This was followed by Northwest submarket cluster that ended the quarter with \$338 million in sales volume and an average price per square foot of \$130.



## Vacancy by Type





## Phoenix | Q3 2021 | Industrial | Market Statistics



## LEGEND

WD = Warehouse-Distribution

MF = Manufacturing

OS = Office Services = Flex/R&amp;D

Existing Properties		Direct Vacancy		Sublease Availability		Total Vacancy			Net Absorption - SF		New Supply - SF		Under Constr.	Avg Rent
Building Type	Total Inventory SF	SF	Rate	SF	Rate	SF	Total Available Q3-21	Vacant Rate Q3-20	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)
INDUSTRIAL MARKET														
Airport Market Cluster: North Airport, S Airport N of Roeser, S Airport S of Roeser, SC N of Salt River, SC S of Salt River														
WD	33,954,446	1,112,147	3.3%	202,853	0.6%	1,315,000	3.9%	7.5%	468,478	687,777	17,100	17,100	207,701	\$0.75
MF	8,258,352	125,404	1.5%	9,414	0.1%	134,818	1.6%	1.7%	(3,758)	12,245	-	-	-	\$0.71
OS	3,915,203	344,853	8.8%	5,813	0.1%	350,666	9.0%	5.7%	(25,284)	(3,162)	-	-	-	\$1.20
TOTAL	46,128,001	1,582,404	3.4%	218,080	0.5%	1,800,484	3.9%	6.4%	439,436	696,860	17,100	17,100	207,701	\$0.83
Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River														
WD	6,595,103	195,954	3.0%	48,696	0.7%	244,650	3.7%	5.2%	(18,335)	175,649	-	-	-	\$1.01
MF	3,632,588	34,231	0.9%	-	0.0%	34,231	0.9%	2.0%	4,946	18,481	-	-	-	\$0.89
OS	3,566,072	37,664	1.1%	-	0.0%	37,664	1.1%	3.9%	23,572	51,850	-	-	-	\$1.06
TOTAL	13,793,763	267,849	1.9%	48,696	0.4%	316,545	2.3%	4.0%	10,183	245,980	-	-	-	\$0.98
Northwest Market Cluster: Deer Valley/Pinnacle Peak, Glendale, Grand Avenue, N Glendale/Sun City, North Black Canyon, North Outlying, W Phx N of Thomas, W Phx S of Thomas														
WD	49,515,689	3,305,715	6.7%	20,630	0.0%	3,326,345	6.7%	6.1%	3,972,420	6,592,953	4,037,940	6,161,325	7,923,665	\$0.56
MF	15,337,796	322,646	2.1%	89,556	0.6%	412,202	2.7%	3.3%	(74,248)	454,486	-	280,000	648,165	\$0.68
OS	4,008,236	88,629	2.2%	15,000	0.4%	103,629	2.6%	6.0%	35,390	105,979	-	-	-	\$0.98
TOTAL	68,861,721	3,716,990	5.4%	125,186	0.2%	3,842,176	5.6%	5.5%	3,933,562	7,153,418	4,037,940	6,441,325	8,571,830	\$0.61
Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest														
WD	55,395,803	2,540,647	4.6%	303,955	0.5%	2,844,602	5.1%	9.5%	726,319	3,322,812	400,905	1,106,535	4,254,096	\$0.72
MF	27,995,198	1,337,124	4.8%	7,500	0.0%	1,344,624	4.8%	5.6%	277,729	608,280	220,947	484,592	105,363	\$0.77
OS	8,929,425	353,608	4.0%	7,007	0.1%	360,615	4.0%	6.7%	(53,364)	138,751	-	-	-	\$1.15
TOTAL	92,320,426	4,231,379	4.6%	318,462	0.3%	4,549,841	4.9%	8.0%	950,684	4,069,843	621,852	1,591,127	4,359,459	\$0.75
Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleson, Southwest Outlying														
WD	100,475,147	7,284,692	7.3%	238,279	0.2%	7,522,971	7.5%	10.7%	1,778,892	5,844,992	1,296,154	2,726,922	6,901,311	\$0.50
MF	11,828,008	120,026	1.0%	0	0.0%	120,026	1.0%	5.8%	136,847	289,337	-	-	-	\$0.53
OS	3,285,524	152,396	4.6%	0	0.0%	152,396	4.6%	0.6%	11,648	(19,182)	-	-	-	\$0.62
TOTAL	115,588,679	7,557,114	6.5%	238,279	0.2%	7,795,393	6.7%	9.9%	1,927,387	6,115,147	1,296,154	2,726,922	6,901,311	\$0.50

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## Phoenix | Q3 2021 | Industrial | Market Statistics

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## LEGEND

WD = Warehouse-Distribution

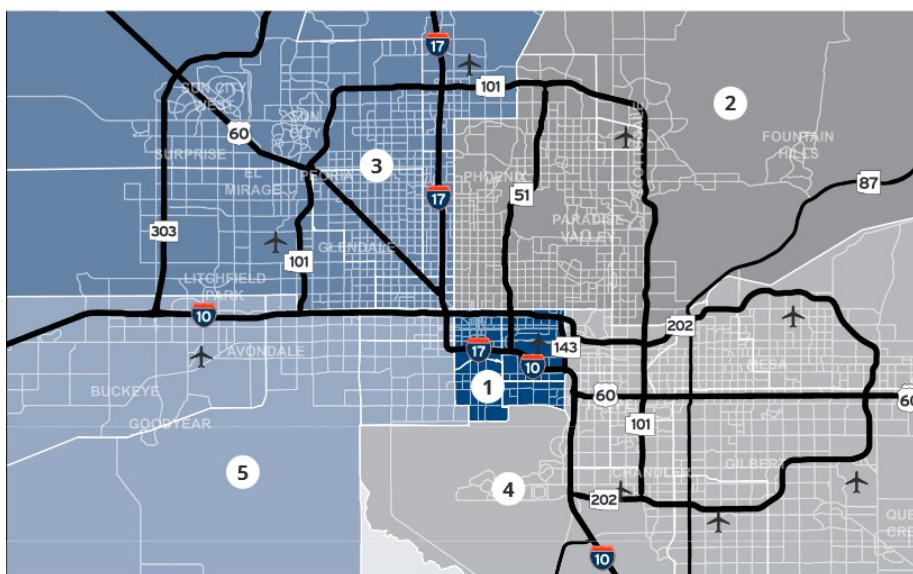
MF = Manufacturing

OS = Office Services = Flex/R&amp;D

Existing Properties Building Type	Direct Vacancy		Sublease Availability		Total Vacancy		Net Absorption - SF		New Supply - SF		Under Constr.		Avg Rent	
	Total Inventory SF	SF	Rate	SF	Rate	SF	Total Available Q3-21	Vacant Rate Q3-20	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)
<b>Grand Total</b>														
<b>WD</b>	245,936,188	14,439,155	5.9%	814,413	0.3%	15,253,568	6.2%	8.5%	6,927,774	16,624,183	5,752,099	10,011,882	19,286,773	\$0.62
<b>MF</b>	67,051,942	1,939,431	2.9%	106,470	0.2%	2,045,901	3.1%	9.7%	341,516	1,382,829	220,947	764,592	753,528	\$0.73
<b>OS</b>	23,704,460	977,150	4.1%	27,820	0.1%	1,004,970	4.2%	5.1%	(8,038)	274,236	-	-	-	\$1.06
<b>TOTAL</b>	336,692,590	17,355,736	5.2%	948,703	0.3%	18,304,439	5.4%	7.8%	7,261,252	18,281,248	5,973,046	10,776,474	20,040,301	\$0.66

## Quarterly Comparisons and Totals

<b>21Q3 Total</b>	336,692,590	17,355,736	5.2%	948,703	0.28%	18,304,439	5.44%	7.80%	7,261,252	18,281,248	5,973,046	10,776,474	20,040,301	\$0.66
<b>21Q2 Total</b>	333,094,639	19,534,724	5.9%	806,908	0.2%	20,341,632	6.1%	7.8%	5,843,973	11,020,032	2,450,697	4,809,327	19,177,091	\$0.65
<b>21Q1 Total</b>	329,686,220	21,905,853	6.6%	962,751	0.3%	22,868,604	6.9%	7.7%	5,176,059	5,176,059	2,358,630	2,358,630	17,789,405	\$0.64
<b>20Q4 Total</b>	326,705,035	24,320,884	7.4%	1,703,673	0.5%	26,024,557	8.0%	7.2%	7,085,545	13,908,003	6,537,748	16,093,159	7,009,753	\$0.63
<b>20Q3 Total</b>	320,842,177	25,435,452	7.9%	1,599,539	0.5%		8.4%	7.1%	2,579,685	6,632,601	3,232,596	9,896,928	9,274,288	\$0.61



1. Airport Market
2. Northeast Market
3. Northwest Market
4. Southeast Market
5. Southwest Market

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United States: 115  
Canada: 41  
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EMEA: 78



**\$3.3B**  
in revenue



**2B**  
square feet under management



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