

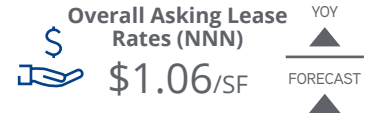
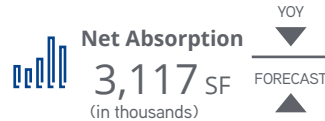


Phoenix, AZ

Industrial  
23Q4

## Key Takeaways

- Rental rates have increased over 12.5 percent Y-o-Y ending at \$1.06 NNN
- The market delivered a record level of new inventory in 2023, 27.9 million square feet
- Vacancy increased 370 BPS Y-o-Y due to the increase of new inventory, ending at 6.7%



## Q4 2023

2023 delivered a record-breaking amount of new inventory to the market, increased from 2022 historic year adding 27.9 million square feet. Resulting from the heavy amount of new inventory, vacancy kicked up 370 bps year-over-year ending at 6.7%. Active pre-leasing on new deliveries helped fuel the 3.1 million square feet of positive net absorption in the fourth quarter bringing the year-to-date total to 15.9 million square feet. The market ended with 39.7 million square feet currently under construction.

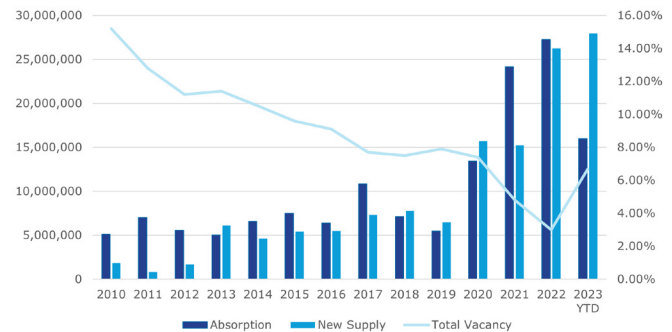
## Market Indicators



## Historic Comparison

|  | 22 Q4   | 23 Q23  | 23 Q4   |
|--|---------|---------|---------|
| <b>Total Inventory (in Thousands of SF)</b>    | 373,043 | 395,574 | 404,228 |
| <b>New Supply (in Thousands of SF)</b>         | 8,173   | 12,040  | 7,507   |
| <b>Net Absorption (in Thousands of SF)</b>     | 5,643   | 4,021   | 3,117   |
| <b>Direct Vacancy</b>                          | 3.0%    | 5.6%    | 6.7%    |
| <b>Under Construction (in Thousands of SF)</b> | 43,704  | 40,502  | 39,751  |
| <b>Overall Asking Lease Rates (NNN)</b>        | \$0.94  | \$1.03  | \$1.06  |

## Historical Absorption, Deliveries and Vacancy Rates



## Lease Transactions



**Lease**  
The Cubes Bldg E/  
7421 N Reems Rd  
Glendale  
570,080 SF



**Lease**  
Falcon Park 303/  
15152 W Camelback Rd  
Glendale  
326,018 SF



**Lease**  
107 S 41st Ave  
SW N of Buckeye Rd  
220,162 SF

## Sale Transactions

| Property Name/Property Address                        | Submarket          | Sale Date | Sale Price    | Size SF   | Sale Price SF | Class |
|---|--------------------|-----------|---------------|-----------|---------------|-------|
| Airpark Logistics Center - 3 bldgs with 84.14 AC land | Goodyear           | 10/10     | \$184,000,000 | 1,440,936 | \$128         | A     |
| Gateway University I&II - 16 bldgs business park      | Tempe Northwest    | 12/21     | \$48,300,000  | 256,655   | \$188         | A     |
| 5858 W Lower Buckeye Rd                               | SW S of Buckeye Rd | 11/29     | \$20,457,371  | 248,750   | \$82          | A     |



## Executive Summary

### Q4 2023

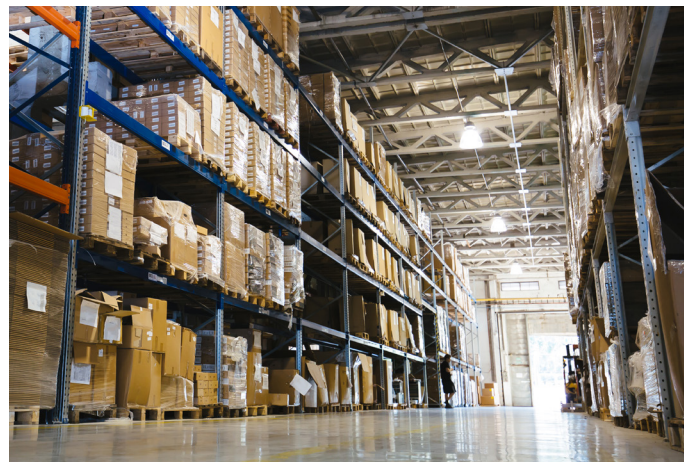
For the fourth consecutive year, Maricopa County ranked #1 in Lightcast's 2023 Talent Attraction Scorecard for large counties with population over 100,000 people. Out of the six variables measured, Maricopa County ranked in the top three for Migration and Competitive Advantage. As of November 2023, Phoenix metro had expanded its labor force by 43,900 employees compared to November 2022, which represents a 1.8 percent increase. Construction jobs have increased by 4.6 percent, and the Trade, Transportation, and Utilities supersector jobs increased 0.8 percent over the same period.

The industrial market is beginning to experience a cooling effect after two red-hot, record-breaking years. The fourth quarter delivered 7.5 million new square feet to inventory, bringing the year-end total to a record-breaking 27.9 million square feet delivered in a single year. The deliveries fueled the rapid increase in vacancy within the market, rising 110 bps quarter-over-quarter ending at 6.7 percent. Net absorption continued in the positive direction, ending the fourth quarter at 3.1 million square feet and bringing the year-to-date total to 15.9 million square feet. Currently there are 39.7 million square feet under construction. Overall rental rates increased 2.7 percent quarter-over-quarter and 12.5 percent year-over-year to \$1.06 per square foot (NNN). Sales volume reached the second lowest quarter of the year, ending at \$556 million, marking a 6.5 percent decrease quarter-over-quarter and only a slight decrease year-over-year of 1.5 percent.

### Outlook

Within the past 24 months, the industrial market has delivered 54 million square feet, which increased total inventory by 13.4 percent. This high volume of new product is impossible to rapidly lease at once, resulting in vacancy expected to remain elevated above six percent for the next 6-12 months. What is helping the market in the near future is the slowdown in construction starts, as the market needs to cycle through the existing product.

With the Phoenix manufacturing market getting recognized on a national and global scale, more and more businesses have selected Phoenix on their short list of potential relocation destinations. Helping the growth and sustainability of the workforce. The White House selected Phoenix as one of the first five "Workforce Hub's" with strategies and funding to help train, educate and preserve the skilled labor. The industrial market is still considered the dominant sector, along with retail, in the Phoenix market.

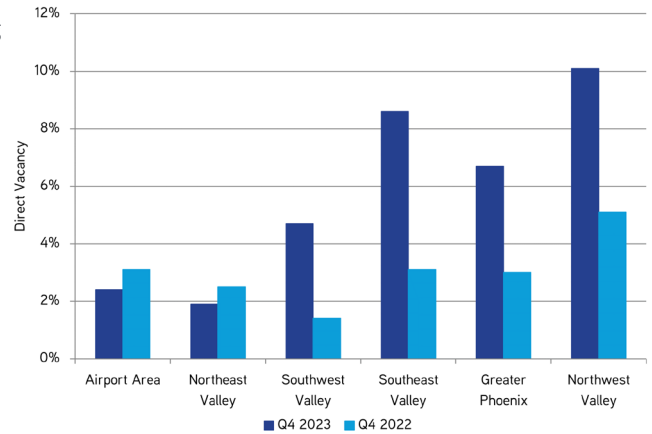


## Vacancy

Industrial vacancy has reached its highest level since year-end 2020, increasing 110 bps quarter-over-quarter, and 370 bps year-over-year, ending at 6.7 percent. However, the average 5-year vacancy rate of the industrial market, before the rapid boom in 2020, hovered at 7.2 percent. The market is not seeing large tenants vacating their space, unlike other sectors.

The cause of drastic vacancy rate increases was two consecutive quarters of strong deliveries. In the second half of 2023, the market delivered a record breaking 19.5 million square feet. Throughout the entire market we have three existing buildings over one-million square feet that are currently 100 percent vacant, and a total of 10 buildings over 500,000 square feet that are also completely vacant, making up 28 percent of the total market vacancy.

The Northwest submarket cluster, which delivered over 10.8 million square feet in 2023, ended the year with the highest vacancy rate at 10.1 percent, marking a 500 bps increase year-over-year. Over 66 percent of the vacancy in the Northwest valley is attributed to buildings that delivered this past year.



## Absorption and Leasing

The fourth quarter marked the 15th consecutive quarter surpassing one million square feet of net absorption, ending at 3.11 million square feet of positive absorption and bringing the year-to-date figure to 15.9 million square feet. Net absorption in 2023 was down 41.3 percent compared to the market's record breaking 2022. The velocity of leasing activity in the market declined during fourth quarter, marking the lowest quarter of net absorption in 2023, and the lowest quarter going back to Q3 2020. The average deal size in the fourth quarter (56,156 square feet) decreased 44.9 percent year-over-year (102,073 square feet), and a decrease of 37.4 percent comparing all of 2023 to 2022. Big-Box space is struggling the most. In 2023 the market witnessed only two direct deals signed over 500,000 square feet compared to 10 signed in 2022.

The largest lease of the quarter was also the largest deal signed in the second half of the year. The third-party logistics company, Saddle Creek Logistics Services, committed to the entire building of The Cubes at Glendale Building E, on a 10-year lease.

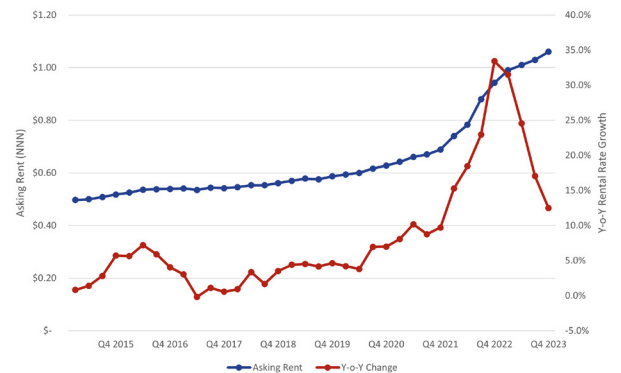


## Rental Rates

Overall industrial rental rates continue to climb in the Phoenix market, with a healthy quarter-over-quarter increase of 2.7 percent and a year-over-year increase of 12.5 percent, ending the year at \$1.06 NNN. Rates continue to rise, but not at the exorbitant pace they had been increasing between the quarter of Q3 2022 - Q2 2023, when the market averaged a 28.1 percent year-over-year increase. Overall industrial rental rates have increased 53.8 percent compared to year end 2021. There was not a single asset type or submarket cluster that had a decrease in rental rates either quarter-over-quarter or year-over-year.

Concessions for tenants are starting to pick up across the metro area, with landlords including tenant improvement packages upwards of \$20 per square foot on six-year deals and increasing near the \$28 per square foot range on deals with 7-10-year commitments.

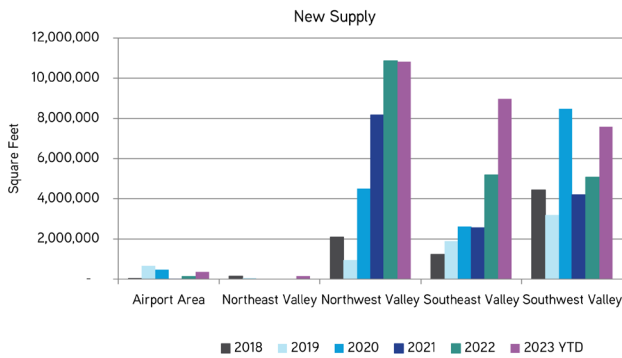
For the fourth consecutive quarter, the Southwest submarket cluster led the market with the highest year-over-year rate increase, jumping up 37.7 percent ending at \$0.93 NNN. The Northwest submarket cluster witnessed the largest quarter-over-quarter increase climbing 7.0 percent ending the year at \$0.88 per square foot.



## Investment Trends

The new interest rate environment continues to pressure the investment sales market, with sales volume ending at \$556 million in the fourth quarter, the second lowest quarter of the year behind the first quarter. The average deal size was 66,113 square feet, and an average price per square foot of \$203. There was a 6.5 percent decrease in sales volume compared to the previous quarter, and only a slight variation from fourth quarter 2022 with a decrease of 1.5 percent. Comparing sales volume of 2023 to 2022, the market was down 44.2 percent, with the year-end total of \$2.2 billion.

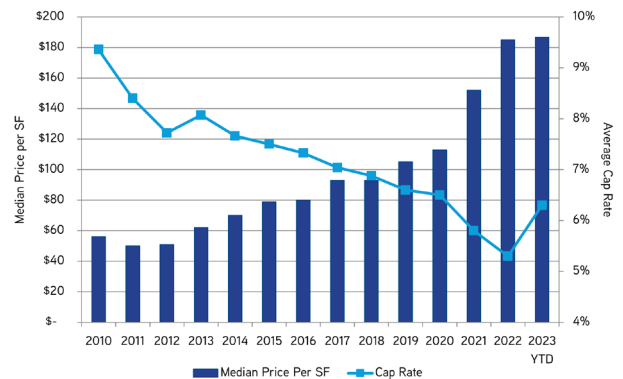
The Southwest submarket cluster led the quarter with highest sales volume, ending at \$251.5 million, with an average price per square foot of \$171.64. This was largely due to the deal of the quarter with Prologis purchasing the recently completed Airpark Logistics Center in Goodyear from developer Creation Equity. The \$184 million sale consisted of three vacant buildings totaling 1.4 million square feet with an additional 84.1 acres of land.



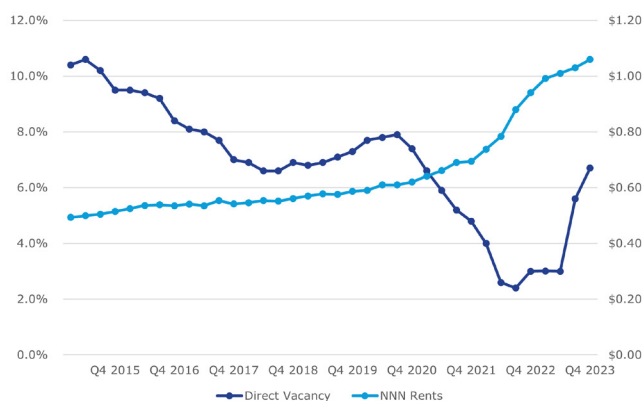
## Construction

The fourth quarter posted the second highest amount of product delivered in 2023, adding 7.5 million square feet of new space. 40 new buildings came online ranging from 13,000 -1,200,140 square feet, with an average size of 197,573 square feet. Following a record-breaking year of deliveries in 2022, the market outpaced the milestone by 6.4 percent, with the year-end new supply totaling 27.9 million square feet. Of the 7.5 million square feet that delivered in the fourth quarter, 6.1 million square feet delivered vacant, or 18.0 percent pre-leased. Of the 27.9 million square feet that delivered in 2023, 17.0 million of that space is currently vacant, making up 63.1 percent of total direct vacancy in the market. The Southeast submarket cluster led the market with most product delivered in the fourth quarter, adding 4.7 million square feet, which represented 63.04 percent of new inventory, and 16.6 percent of the new construction in Southeast cluster was pre-leased.

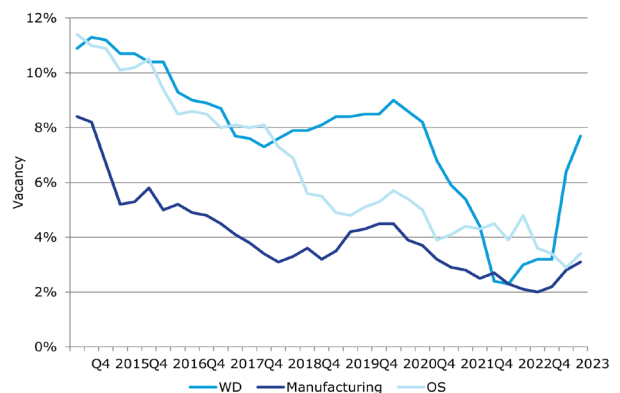
The Phoenix industrial market ended the quarter with the second most amount of product under construction in the nation trailing Dallas, TX, ending at 39.7 million square feet. The Northwest cluster leads the market with 18.2 million square feet underway, representing 45.9 percent of the market construction. Of the product under construction, 21.6 percent of the space is currently pre-leased.



## Vacancy vs. Rental Rate



## Vacancy by Type



| LEGEND |                            |
|--------|----------------------------|
| WD =   | Warehouse-Distribution     |
| MF =   | Manufacturing              |
| OS =   | Office Services = Flex/R&D |

| Existing Properties<br>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          | Total Available Q4-23 | Vacant Rate Q4-22   | Current Period | YTD              | Current Period   | YTD              | SF                | Rate (NNN)        |               |
| <b>INDUSTRIAL MARKET</b>  |                    |                  |                       |                  |               |                       |                     |                |                  |                  |                  |                   |                   |               |
| <b>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</b>  |                    |                  |                       |                  |               |                       |                     |                |                  |                  |                  |                   |                   |               |
| WD  | 37,126,458         | 998,843          | 2.7%                  | 591,964          | 1.6%          | 1,590,807             | 4.3%                | 2.7%           | 82,892           | 627,381          | -                | 367,479           | 325,863           | \$1.29        |
| MF  | 8,201,165          | 79,335           | 1.0%                  | 18,884           | 0.2%          | 98,219                | 1.2%                | 1.5%           | (53,252)         | 46,050           | -                | -                 | -                 | \$1.14        |
| OS  | 3,830,549          | 122,234          | 3.2%                  | 2,350            | 0.1%          | 124,584               | 3.3%                | 10.3%          | 54,258           | 220,700          | -                | -                 | -                 | \$1.33        |
| <b>TOTAL</b>  | <b>49,158,172</b>  | <b>1,200,412</b> | <b>2.4%</b>           | <b>613,198</b>   | <b>1.2%</b>   | <b>1,813,610</b>      | <b>3.7%</b>         | <b>3.1%</b>    | <b>83,898</b>    | <b>894,131</b>   | <b>-</b>         | <b>367,479</b>    | <b>325,863</b>    | <b>\$1.23</b> |
| <b>Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River</b>   |                    |                  |                       |                  |               |                       |                     |                |                  |                  |                  |                   |                   |               |
| WD  | 8,193,693          | 218,042          | 2.7%                  | 24,840           | 0.3%          | 242,882               | 3.0%                | 3.2%           | 86,777           | 302,084          | -                | 160,019           | 10,000            | \$1.47        |
| MF  | 2,627,354          | 0                | 0.0%                  | -                | 0.0%          | -                     | 0.0%                | 0.2%           | 0                | 4,492            | -                | -                 | -                 | \$1.44        |
| OS  | 3,456,692          | 53,227           | 1.5%                  | 1,904            | 0.1%          | 55,131                | 1.6%                | 1.9%           | 15,953           | 15,412           | -                | -                 | -                 | \$1.39        |
| <b>TOTAL</b>  | <b>14,277,739</b>  | <b>271,269</b>   | <b>1.9%</b>           | <b>26,744</b>    | <b>0.2%</b>   | <b>298,013</b>        | <b>2.1%</b>         | <b>2.3%</b>    | <b>102,730</b>   | <b>321,988</b>   | <b>-</b>         | <b>160,019</b>    | <b>10,000</b>     | <b>\$1.45</b> |
| <b>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</b> |                    |                  |                       |                  |               |                       |                     |                |                  |                  |                  |                   |                   |               |
| WD  | 73,441,417         | 8,726,211        | 11.9%                 | 903,024          | 1.2%          | 9,629,235             | 13.1%               | 10.6%          | 1,051,438        | 6,710,914        | 2,681,185        | 10,830,857        | 16,367,640        | \$0.84        |
| MF  | 16,446,510         | 754,811          | 4.6%                  | 72,072           | 0.4%          | 826,883               | 5.0%                | 3.9%           | (12,349)         | (73,874)         | -                | -                 | 1,909,351         | \$1.05        |
| OS  | 3,784,432          | 25,966           | 0.7%                  | -                | 0.0%          | 25,966                | 0.7%                | 3.8%           | 34,882           | 105,875          | -                | -                 | -                 | \$1.16        |
| <b>TOTAL</b>  | <b>93,672,359</b>  | <b>9,506,988</b> | <b>10.1%</b>          | <b>975,096</b>   | <b>1.0%</b>   | <b>10,482,084</b>     | <b>11.2%</b>        | <b>9.0%</b>    | <b>1,073,971</b> | <b>6,742,915</b> | <b>2,681,185</b> | <b>10,830,857</b> | <b>18,276,991</b> | <b>\$0.88</b> |
| <b>Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest</b>                 |                    |                  |                       |                  |               |                       |                     |                |                  |                  |                  |                   |                   |               |
| WD  | 77,021,569         | 8,107,071        | 10.5%                 | 534,000          | 0.7%          | 8,641,071             | 11.2%               | 4.5%           | 1,136,750        | 3,913,334        | 4,733,040        | 8,922,108         | 10,067,933        | \$1.24        |
| MF  | 27,740,895         | 1,134,450        | 4.1%                  | 27,818           | 0.1%          | 1,162,268             | 4.2%                | 4.2%           | 93,570           | 162,143          | -                | 59,346            | 930,000           | \$1.26        |
| OS  | 8,757,148          | 557,411          | 6.4%                  | 167,594          | 1.9%          | 725,005               | 8.3%                | 4.4%           | (200,987)        | (189,773)        | -                | -                 | -                 | \$1.40        |
| <b>TOTAL</b>  | <b>113,519,612</b> | <b>9,798,932</b> | <b>8.6%</b>           | <b>729,412</b>   | <b>0.6%</b>   | <b>10,528,344</b>     | <b>9.3%</b>         | <b>4.4%</b>    | <b>1,029,333</b> | <b>3,885,704</b> | <b>4,733,040</b> | <b>8,981,454</b>  | <b>10,997,933</b> | <b>\$1.25</b> |
| <b>Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleson, Southwest Outlying</b>  |                    |                  |                       |                  |               |                       |                     |                |                  |                  |                  |                   |                   |               |
| WD  | 118,479,426        | 6,133,347        | 5.2%                  | 956,391          | 0.8%          | 7,089,738             | 6.0%                | 3.3%           | 889,001          | 4,069,380        | 93,547           | 7,523,355         | 10,025,831        | \$0.91        |
| MF  | 12,112,863         | 93,138           | 0.8%                  | 59,288           | 0.5%          | 152,426               | 1.3%                | 1.7%           | (54,446)         | 35,620           | -                | 76,694            | -                 | \$0.92        |
| OS  | 3,008,361          | 21,906           | 0.7%                  | 0                | 0.0%          | 21,906                | 0.7%                | 1.8%           | (6,876)          | 33,124           | -                | -                 | 114,630           | \$0.97        |
| <b>TOTAL</b>  | <b>133,600,650</b> | <b>6,248,391</b> | <b>4.7%</b>           | <b>1,015,679</b> | <b>0.8%</b>   | <b>7,264,070</b>      | <b>5.4%</b>         | <b>3.1%</b>    | <b>827,679</b>   | <b>4,138,124</b> | <b>93,547</b>    | <b>7,600,049</b>  | <b>10,140,461</b> | <b>\$0.93</b> |

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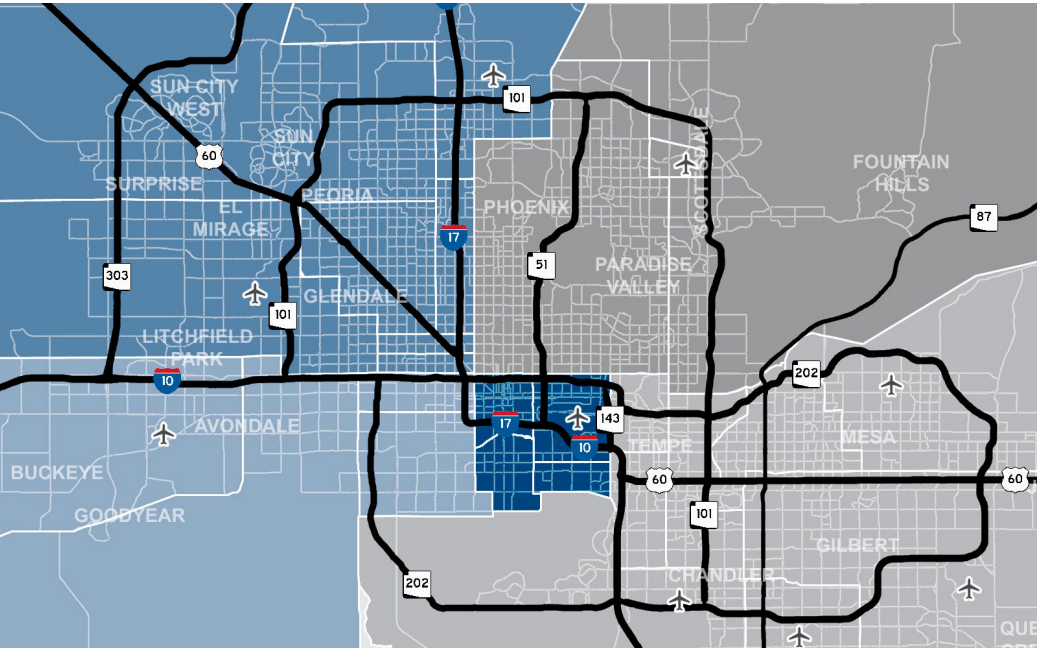
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| LEGEND |                            |
|--------|----------------------------|
| WD     | Warehouse-Distribution     |
| MF     | Manufacturing              |
| OS     | Office Services = Flex/R&D |

| 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        | Total Available Q4-23 | Vacant Rate Q4-22 | Current Period | YTD                 | Current Period    | YTD              | SF                | Rate (NNN)        |               |
| <b>Grand Total</b>                |                    |                   |             |                       |             |                       |                   |                |                     |                   |                  |                   |                   |               |
| WD                                | 314,262,563        | 24,183,514        | 7.7%        | 3,010,219             | 1.0%        | 27,193,733            | 8.7%              | 4.4%           | 3,246,858           | 15,623,093        | 7,507,772        | 27,803,818        | 36,797,267        | \$1.03        |
| MF                                | 67,128,787         | 2,061,734         | 3.1%        | 178,062               | 0.3%        | 2,239,796             | 3.3%              | 2.5%           | (26,477)            | 174,431           | -                | 136,040           | 2,839,351         | \$1.14        |
| OS                                | 22,837,182         | 780,744           | 3.4%        | 171,848               | 0.8%        | 952,592               | 4.2%              | 4.3%           | (102,770)           | 185,338           | -                | -                 | 114,630           | \$1.36        |
| <b>TOTAL</b>                      | <b>404,228,532</b> | <b>27,025,992</b> | <b>6.7%</b> | <b>3,360,129</b>      | <b>0.8%</b> | <b>30,386,121</b>     | <b>7.5%</b>       | <b>4.0%</b>    | <b>3,117,611</b>    | <b>15,982,862</b> | <b>7,507,772</b> | <b>27,939,858</b> | <b>39,751,248</b> | <b>\$1.06</b> |

| Quarterly Comparisons and Totals |             |            |      |           |      |            |      |      |           |            |            |            |            |        |
|----------------------------------|-------------|------------|------|-----------|------|------------|------|------|-----------|------------|------------|------------|------------|--------|
| <b>23Q4 Total</b>                | 404,228,532 | 27,025,992 | 6.7% | 3,360,129 | 0.8% | 30,386,121 | 7.5% | 3.0% | 3,117,611 | 15,982,862 | 7,507,772  | 27,939,858 | 39,751,248 | \$1.06 |
| <b>23Q3 Total</b>                | 395,574,716 | 22,178,257 | 5.6% | 2,510,399 | 0.6% | 24,688,656 | 6.2% | 2.4% | 4,021,880 | 12,865,251 | 12,040,105 | 20,411,988 | 40,502,603 | \$1.03 |
| <b>23Q2 Total</b>                | 381,828,855 | 11,513,378 | 3.0% | 2,086,502 | 0.5% | 13,599,880 | 3.6% | 2.6% | 3,970,398 | 8,843,371  | 3,896,119  | 8,371,883  | 49,373,328 | \$1.01 |
| <b>23Q1 Total</b>                | 378,893,905 | 11,388,438 | 3.0% | 1,315,967 | 0.3% | 12,704,405 | 3.4% | 4.0% | 4,872,973 | 4,872,973  | 4,475,764  | 4,475,764  | 46,804,021 | \$0.99 |
| <b>22Q4 Total</b>                | 373,043,956 | 11,051,168 | 3.0% | 1,429,817 | 0.4% | 12,480,985 | 3.3% | 4.8% | 5,643,143 | 27,260,319 | 8,173,974  | 26,240,813 | 43,704,820 | \$0.94 |



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

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**\$4.5B**  
annual revenue



**2B**  
square feet managed



**18,000**  
professionals



**66**  
countries we operate in



**\$98B**  
assets under management



**51,000**  
lease and sale transactions

*Number of countries includes affiliates*

## About Colliers

Colliers (NASDAQ, TSX: CIG) is a leading diversified professional services and investment management company. With operations in 66 countries, our 18,000 enterprising professionals work collaboratively to provide expert real estate and investment advice to clients. For more than 28 years, our experienced leadership with significant inside ownership has delivered compound annual investment returns of approximately 20% for shareholders. With annual revenues of \$4.5 billion and \$98 billion of assets under management, Colliers maximizes the potential of property and real assets to accelerate the success of our clients, our investors and our people. Learn more at [corporate.colliers.com](http://corporate.colliers.com), Twitter [@Colliers](https://twitter.com/Colliers) or [LinkedIn](https://www.linkedin.com/company/colliers).

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