



Phoenix, AZ

# Industrial 24Q2

## Key Takeaways

- Rental rates have increased over 9.9 percent Y-o-Y ending at \$1.12 NNN
- 10.0 million square feet of inventory delivered in Q2
- Vacancy increased 600 BPS Y-o-Y, ending at 9.0%



## Q2 2024

The second quarter had 10.0 million square feet of new inventory added, bringing the year-to-date total of deliveries to 19.7 million square feet. Direct vacancy increased for the fourth consecutive quarter, ending at 9.0 percent, marking a 600-bps increase year-over-year. Of the 10.0 million square feet that delivered, 40.3 percent of the space was pre-leased, which drove net absorption to reach 5.3 million square feet. The rapid pace of rental growth finally cooled down below 10 percent, posting 9.9 percent year-over-year growth, ending at \$1.12 per square foot (NNN).

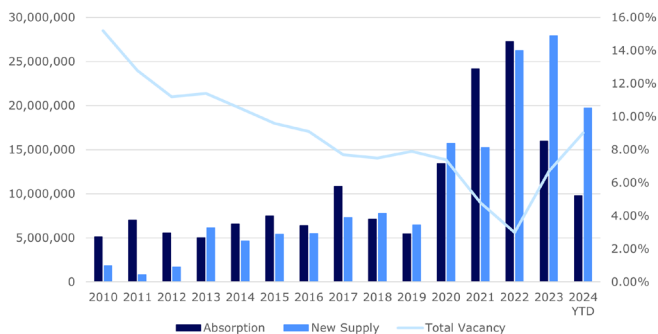
## Market Indicators



## Historic Comparison

	23 Q2	23 Q1	24 Q2
Total Inventory (in Thousands of SF)	381,828	413,800	425,596
New Supply (in Thousands of SF)	3,896	9,708	10,020
Net Absorption (in Thousands of SF)	3,970	4,478	5,318
Direct Vacancy	3.0%	8.1%	9.0%
Under Construction (in Thousands of SF)	49,373	33,080	28,010
Overall Asking Lease Rates (NNN)	\$1.01	\$1.09	\$1.12

## Historical Absorption, Deliveries and Vacancy Rates



## Lease Transactions



**Lease**  
Reems Ranch/  
15700 W Glendale ave  
Glendale  
595,381 SF



**Lease**  
Fairway Commerce Center/  
12250 W Corporate Dr  
Goodyear  
450,260 SF



**Lease**  
Power Industrial/  
7035 E Pecos Rd  
Chandler N/Gilbert  
229,876 SF

## Sale Transactions

Property Name/Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
Goodyear Airport Industrial/2250 S Litchfield Rd (2 bldg sale)	Goodyear	6/5	\$108,100,000	725,303	\$149	A
Merit Logistics Center/10100 N 151th Ave	Glendale	5/15	\$73,925,000	364,700	\$203	A
Gateway I-10/440 N 215th Ave	Goodyear	4/23	\$60,100,000	641,906	\$94	A



## Executive Summary

Q2 2024

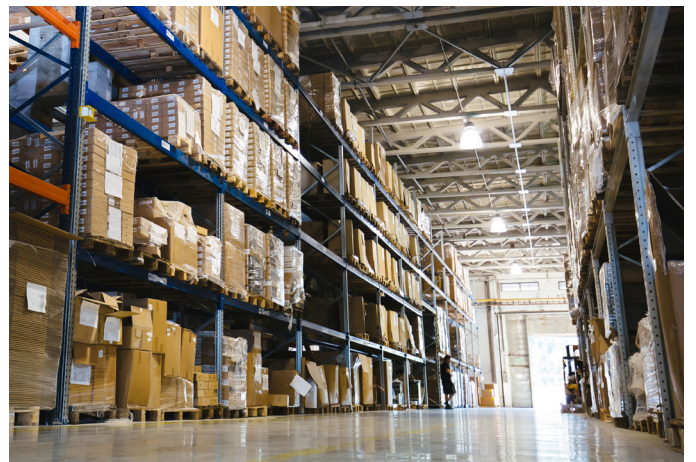
The Phoenix MSA continues to land top rankings nationally from multiple publications, which continues to attract more attention to the market. In June, Business Facilities 20th Annual Ranking Report awarded Phoenix the top ranking of “Large Metros for Manufacturing Hub” followed by Dallas, Philadelphia, and Detroit. As of May 2024, Phoenix metro had expanded its labor force by 54,600 employees compared to May 2023, which represents a 2.2 percent increase. Trade, Transportation, and Utilities supersector jobs have increased by 0.8 percent, and Construction jobs increased 0.9 percent over the same period.

Stemming from the industrial sector reaching a record level of product under construction at the end of the first half of 2023, deliveries of that new inventory led to us posting the market's second highest level of completions during second quarter. 10.0 million square feet of new inventory was added, bringing the year-to-date total of deliveries to 19.7 million square feet. Direct vacancy increased for the fourth consecutive quarter, ending at 9.0 percent, marking a 600-bps increase year-over-year. Of the 10.0 million square feet that delivered, 40.3 percent of the space was pre-leased, which drove net absorption to reach 5.3 million square feet. The rapid pace of rental growth finally cooled down below 10 percent, posting 9.9 percent year-over-year growth, ending at \$1.12 per square foot (NNN). Investment sales volume reached its highest level in over a year and a half, ending at \$837 million. The average price paid per square foot for the quarter was \$190.46, a 3.8 percent increase year-over-year.

## Outlook

Following the rapid increase of construction flowing into the market, demand for new construction started to settle and led to second quarter posting the lowest level of construction in the past 10 quarters. At worst case scenario, if all inventory were to deliver at its current lease-up position, direct vacancy would only increase 400 bps to 13.0 percent.

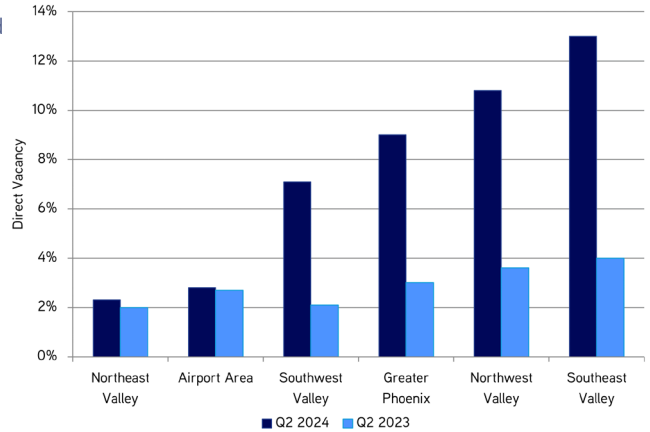
To help combat the labor force shortage, especially in the manufacturing sector, Governor Katie Hobb's recently announced a partnership with Intel Corporation that would make selected apprentice's full-time employees of Intel and allow them to receive college credits. Arizona State University's Fulton School of Engineering has increased its enrollment by 27 percent since 2020 and has increased the number of degrees granted by 45 percent over the same period.



## Vacancy

The Phoenix industrial market has added 39.2 million square feet of new inventory during the past 12 months, which has left the market lopsided compared to a year ago. Vacancy has increased 600 bps year-over-year, and 90 bps quarter-over-quarter ending at 9.0 percent. The ratio of deliveries compared to net absorption is nearly 2:1, which continues to drive up vacancy. The market added 5.9 million square feet of vacant new inventory, which represents 15.6 percent of direct market vacancy. Existing buildings over 300,000 square feet make up more than 42 percent of total direct vacancy, with a 12.2 percent vacancy rate. Existing buildings under 200,000 square feet have a lower vacancy rate of only 6.9 percent. There are currently 14 existing buildings that could accommodate a tenant looking for 500,000 square feet or more, totaling 9.9 million square feet, and making up nearly 25 percent of direct market vacancy.

The Southeast submarket cluster ended the quarter with the highest vacancy at 13.0 percent, which is attributed to the cluster of new projects delivering 7.3 million square feet in 2024 with a vacancy rate of 82 percent.

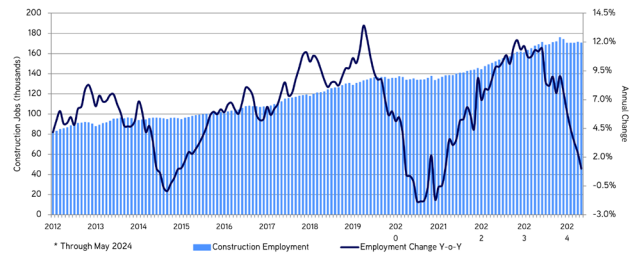


## Absorption and Leasing

The second quarter marked the 17th consecutive quarter surpassing one million square feet of net absorption. Second quarter posted 5.3 million square feet of positive absorption, bringing the year-to-date level to 9.7 million square feet. Net absorption in the second quarter was the highest level in the past five quarters. Of the 10.0 million square feet that delivered during second quarter, 4.0 million square feet was pre-leased by tenants including Amazon, Nestle, and JX Nippon.

Gross leasing activity in the second quarter reached 3.1 million square feet, with only one deal signed larger than 500,000 square feet, and four deals completed for more than 200,000 square feet. Deals signed between 20,000 and 100,000 square feet had the highest velocity of the quarter, making up over 65 percent of new leases signed.

The global logistics company Logistics Plus signed the largest deal of the quarter, agreeing to 595,381 square feet at Reem Ranch 303. The 1.1 million-square-foot speculative building on Glendale and Loop 303 delivered last quarter vacant.

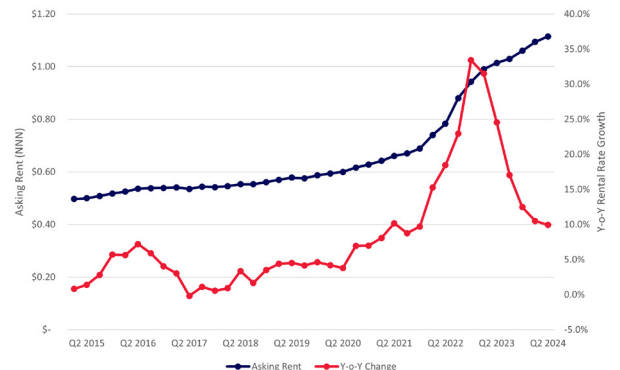


## Rental Rates

Despite the increase in vacancy, rental rates continue to rise. However, the pace of the rental rate escalation has slowed down to the lowest year-over-year level in the past ten quarters, moving up 9.9 percent to \$1.12 (NNN). Overall rental rates increased 1.9 percent quarter-over-quarter. Overall industrial rental rates have increased 68.6 percent over the past three years and have increased 42.3 percent during the past two years.

For the sixth consecutive quarter, the Southwest submarket cluster led the market with the highest year-over-year rate increase, jumping up 16.6 percent ending at \$0.98 NNN. Warehouse-Distribution building category in Southwest cluster had the largest increase year-over-year of any product type in the market, increasing 18.9 percent ending at \$0.95 NNN. The Northwest submarket cluster had a 13.8 percent rate increase year-over-year, ending at \$0.93 NNN.

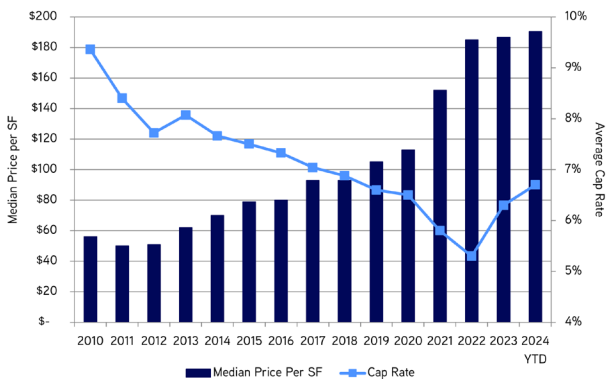
The Southeast cluster has the highest level of vacancy in the market, which has forced the decline of competition, handing the cluster its lowest level of year-over-year rental rate growth in three years, increasing 6.1 percent.



## Investment Trends

Following the lowest level of sales volume in the first quarter, investment activity in the second quarter catapulted up 78.9 percent ending at \$843 million. Sales volume reached its highest level for the past six quarters, outperforming second quarter 2023 by 44.5 percent. Year-to-date sales volume has reached \$1.3 billion, which was a 22.5 percent increase compared for the first half of 2023. Average price per square foot ended at \$190.46, increasing 3.8 percent year-over-year. The average building size of sales activity in the second quarter was 79,669 square feet.

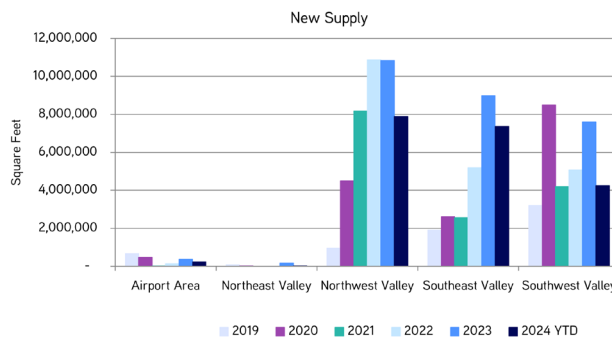
The West Valley represented nearly two-thirds of total sales volume, with \$313 million in the Southwest cluster and \$245 million in the Northwest cluster. The largest transaction of the quarter was a two-building sale near Goodyear Airport totaling 725,303 square feet. The two properties were 100 percent leased to NPSG Global and Meyer Burger and traded for \$108 million from CIM Group to Stonelake Capital Partners. The second largest transaction was a five-building, multi-tenant portfolio sale totaling 539,560 square feet. Blackstone acquired the properties from KKR at a blended rate of \$161.24 per square foot.



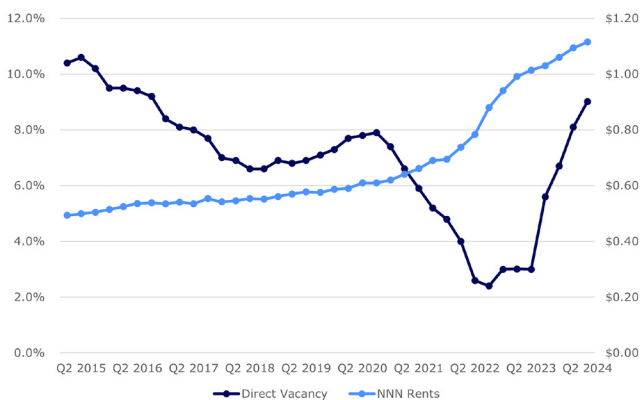
## Construction

The record levels of construction in 2023 have led to another quarter of increased deliveries. The market delivered 10.0 million square feet of new inventory in the second quarter, bringing the year-to-date figure to 19.7 million square feet. This level of first half deliveries is equivalent to 70.6 percent of total new supply delivered in 2023. Of the 19.7 million square feet of new inventory, 12.1 million is currently vacant, which makes up 31.6 percent of direct vacancy. During the past six quarters, the market has delivered 47.6 million square feet of new space, which equates to 11.2 percent of total inventory. The Northwest cluster delivered the most product in the second quarter, adding 5.6 million square feet that was 65.1 percent pre-leased.

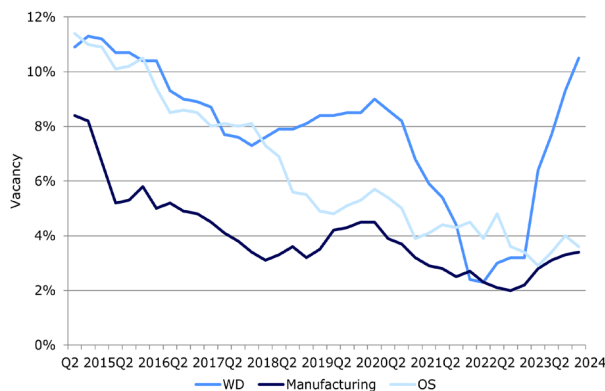
There are currently 28.0 million square feet of product under construction, which is over 50 percent concentrated in the Northwest cluster, at 15.6 million square feet. Of the 28.0 million square feet under construction, 26.7 percent of the space is pre-leased.



## Vacancy vs. Rental Rate



## Vacancy by Type



# Phoenix | Q2 2024 | Industrial | Market Statistics



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	SF	Total Available Q2-24	Vacant Rate Q2-23	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	36,969,376	1,266,094	3.4%	490,505	1.3%	1,756,599	4.8%	3.2%	(11,303)	124,225	-	222,104	99,582	\$1.30
MF	8,247,562	19,224	0.2%	-	0.0%	19,224	0.2%	1.3%	48,458	60,111	-	-	-	\$1.12
OS	3,799,120	78,345	2.1%	15,997	0.4%	94,342	2.5%	7.4%	40,967	43,889	-	-	-	\$1.32
<b>TOTAL</b>	<b>49,016,058</b>	<b>1,363,663</b>	<b>2.8%</b>	<b>506,502</b>	<b>1.0%</b>	<b>1,870,165</b>	<b>3.8%</b>	<b>3.2%</b>	<b>78,122</b>	<b>228,225</b>	<b>-</b>	<b>222,104</b>	<b>99,582</b>	<b>\$1.25</b>
<b>Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River</b>														
WD	8,071,385	217,511	2.7%	83,612	1.0%	301,123	3.7%	3.5%	14,014	47,561	-	10,000	287,787	\$1.49
MF	2,628,018	2,448	0.1%	10,602	0.4%	13,050	0.5%	-	1,200	(2,448)	-	-	-	\$1.44
OS	3,515,193	100,194	2.9%	-	0.0%	100,194	2.9%	1.2%	(11,584)	(30,904)	-	-	-	\$1.41
<b>TOTAL</b>	<b>14,214,596</b>	<b>320,153</b>	<b>2.3%</b>	<b>94,214</b>	<b>0.7%</b>	<b>414,367</b>	<b>2.9%</b>	<b>2.3%</b>	<b>3,630</b>	<b>14,209</b>	<b>-</b>	<b>10,000</b>	<b>287,787</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	82,355,718	10,196,474	12.4%	794,977	1.0%	10,991,451	13.3%	6.7%	3,964,057	5,927,265	5,108,448	7,267,550	14,307,784	\$0.91
MF	17,509,831	902,228	5.2%	72,072	0.4%	974,300	5.6%	3.5%	477,066	478,234	563,315	623,315	1,349,351	\$1.05
OS	3,821,832	64,363	1.7%	-	0.0%	64,363	1.7%	1.4%	(10,915)	(25,507)	-	-	-	\$1.15
<b>TOTAL</b>	<b>103,687,381</b>	<b>11,163,065</b>	<b>10.8%</b>	<b>867,049</b>	<b>0.8%</b>	<b>12,030,114</b>	<b>11.6%</b>	<b>5.8%</b>	<b>4,430,208</b>	<b>6,379,992</b>	<b>5,671,763</b>	<b>7,890,865</b>	<b>15,657,135</b>	<b>\$0.93</b>
<b>Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest</b>														
WD	86,254,922	13,894,638	16.1%	765,125	0.9%	14,659,763	17.0%	5.4%	452,369	1,404,846	4,108,945	7,126,861	4,018,182	\$1.30
MF	25,755,865	1,289,197	5.0%	47,995	0.2%	1,337,192	5.2%	4.9%	160,277	85,253	240,000	240,000	690,000	\$1.30
OS	8,546,989	502,764	5.9%	142,656	1.7%	645,420	7.6%	3.8%	21,728	(24,617)	-	-	-	\$1.39
<b>TOTAL</b>	<b>120,557,776</b>	<b>15,686,599</b>	<b>13.0%</b>	<b>955,776</b>	<b>0.8%</b>	<b>16,642,375</b>	<b>13.8%</b>	<b>5.1%</b>	<b>634,374</b>	<b>1,465,482</b>	<b>4,348,945</b>	<b>7,366,861</b>	<b>4,708,182</b>	<b>\$1.30</b>
<b>Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleason, Southwest Outlying</b>														
WD	123,251,765	9,722,573	7.9%	2,048,835	1.7%	11,771,408	9.6%	4.8%	202,248	1,705,262	-	4,239,803	7,142,874	\$0.95
MF	12,068,832	58,288	0.5%	32,200	0.3%	90,488	0.7%	0.4%	(30,095)	37,129	-	-	-	\$1.00
OS	2,800,225	55,030	2.0%	2,500	0.1%	57,530	2.1%	0.7%	0	(33,124)	-	-	114,630	\$0.98
<b>TOTAL</b>	<b>138,120,822</b>	<b>9,835,891</b>	<b>7.1%</b>	<b>2,083,535</b>	<b>1.5%</b>	<b>11,919,426</b>	<b>8.6%</b>	<b>4.5%</b>	<b>172,153</b>	<b>1,709,267</b>	<b>-</b>	<b>4,239,803</b>	<b>7,257,504</b>	<b>\$0.97</b>

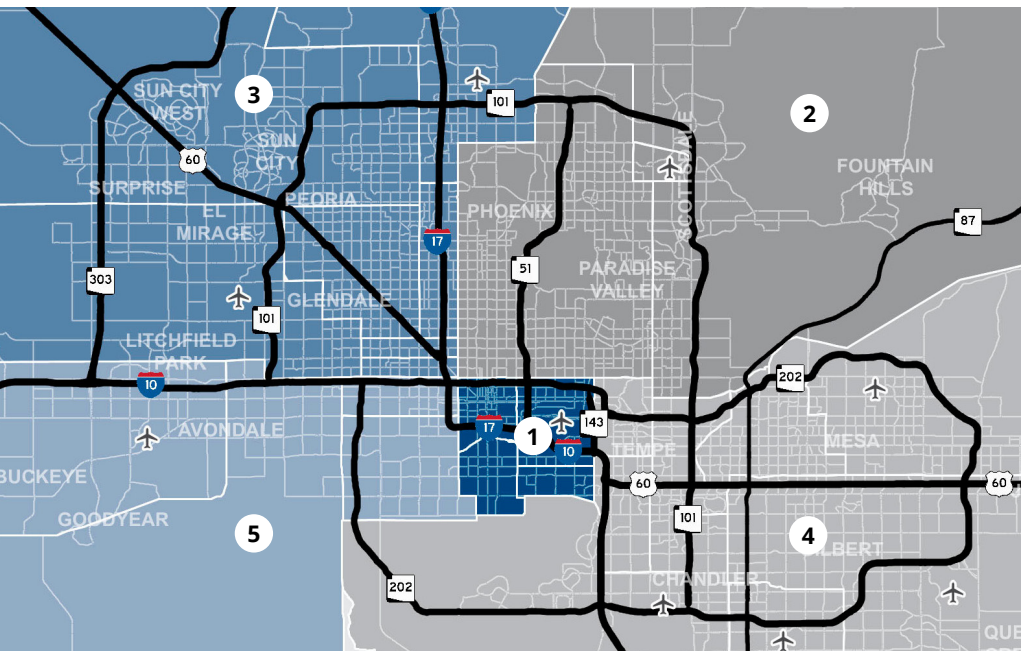
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LEGEND	
WD =	Warehouse-Distribution
MF =	Manufacturing
OS =	Office Services = Flex/R&D

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 Q2-24	Vacant Rate Q2-23	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)
<b>Grand Total</b>															
WD	336,903,166	35,297,290	10.5%	4,183,054	1.2%	39,480,344	11.7%	4.4%	4,621,385	9,209,159	9,217,393	18,866,318	25,856,209	\$1.10	
MF	66,210,108	2,271,385	3.4%	162,869	0.2%	2,434,254	3.7%	2.5%	656,906	658,279	803,315	863,315	2,039,351	\$1.16	
OS	22,483,359	800,696	3.6%	161,153	0.7%	961,849	4.3%	4.3%	40,196	(70,263)	-	-	114,630	\$1.39	
<b>TOTAL</b>	<b>425,596,633</b>	<b>38,369,371</b>	<b>9.0%</b>	<b>4,507,076</b>	<b>1.1%</b>	<b>42,876,447</b>	<b>10.1%</b>	<b>4.0%</b>	<b>5,318,487</b>	<b>9,797,175</b>	<b>10,020,708</b>	<b>19,729,633</b>	<b>28,010,190</b>	<b>\$1.12</b>	

Quarterly Comparisons and Totals														
<b>24Q2 Total</b>	425,596,633	38,369,371	9.0%	4,507,076	1.1%	42,876,447	10.1%	3.0%	5,318,487	9,797,175	10,020,708	19,729,633	28,010,190	\$1.12
<b>24Q1 Total</b>	413,800,158	33,523,083	8.1%	4,001,565	1.0%	37,524,648	9.1%	3.0%	4,478,688	4,478,688	9,708,925	9,708,925	33,080,065	\$1.09
<b>23Q4 Total</b>	404,228,532	27,025,992	6.7%	3,360,129	80.0%	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



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

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**\$4.3B**  
annual revenue



**2B**  
square feet managed



**19,000**  
professionals



**66**  
countries we operate in



**\$98B**  
assets under management



**46,000**  
lease and sale transactions

*Number of countries includes affiliates*

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