

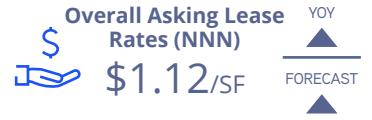


Phoenix, AZ

Industrial
24Q4

Key Takeaways

- 2024 set a market record for the most amount of deliveries in a single year, 34.8 million square feet.
- Vacancy increased 390 bps Y-o-Y, ending at 10.6%
- Construction levels are normalizing, lowest level of industrial space under construction since 2021, at 19.3 million square feet.



Q4 2024

A very active December of leasing activity coupled with 7.8 million square of new deliveries which was 32.7 percent pre-leased, drove net absorption to 3.8 million square feet in the fourth quarter. Investment sales volume reached the highest level since 2021, landing at \$1.88 billion in the fourth quarter, bringing total volume in 2024 to \$4.27 billion. The level of product under construction continues to decline, with 19.3 million square feet under development. Industrial rental rates showed a minimal softening quarter-over-quarter decreasing 0.22 percent to \$1.12 per square foot. Resulting from a record setting year of deliveries, vacancy increased 390 bps year-over-year to 10.6 percent.

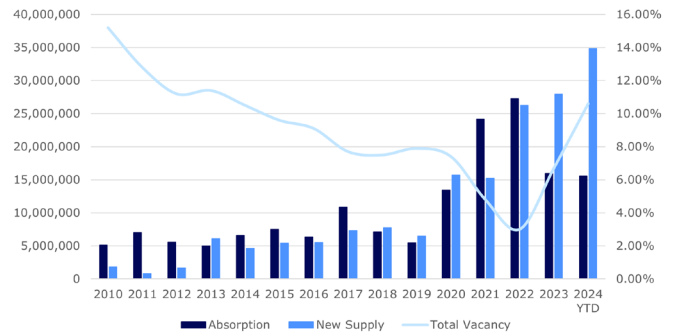
Market Indicators



Historic Comparison

	23 Q4	24 Q3	24 Q4
Total Inventory (in Thousands of SF)	404,228	432,930	441,602
New Supply (in Thousands of SF)	7,507	6,713	7,873
Net Absorption (in Thousands of SF)	3,117	1,922	3,846
Direct Vacancy	6.7%	10.1%	10.6%
Under Construction (in Thousands of SF)	39,751	25,560	19,331
Overall Asking Lease Rates (NNN)	\$1.06	\$1.13	\$1.12

Historical Absorption, Deliveries and Vacancy Rates



Lease Transactions



Lease
Reems Ranch/
15700 W Glendale Ave
Glendale
1,123,360 SF



Lease
Park 303 Phase II Bldg B/
5501 N Cotton Ln
Glendale
483,300 SF



Lease
Park 303 Phase II Bldg C/
5501 N Cotton Ln
Glendale
465,119 SF

Sale Transactions

Property Name/Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
Broadway 101 Commerce Park - 11 Bldgs	Mesa	12/31	\$168,262,000	856,894	\$196	A
Paloma Vista Logistics Center/18900 W McDowell Rd	Goodyear	11/20	\$118,250,000	1,056,353	\$112	A
Tempe Commerce Park - 5 Bldgs	Tempe Southwest	12/26	\$112,000,000	536,053	\$209	A



Executive Summary

Q4 2024

In October, the U.S. Census Bureau released State-to-State migration data based on 2023, which revealed that Arizona captured the fifth highest level of net migration in the country. A net gain of 62,533 new residents, with 52.8 percent of the new residents coming from California, followed by Illinois and Florida. As of November 2024, Phoenix metro had expanded its labor force by 42,900 employees compared to November 2023, which represents a 1.7 percent increase. Trade, Transportation, and Utilities supersector jobs have increased by 2.39 percent, while Construction jobs decreased 2.10 percent, and manufacturing jobs decreased 0.40 over the same period.

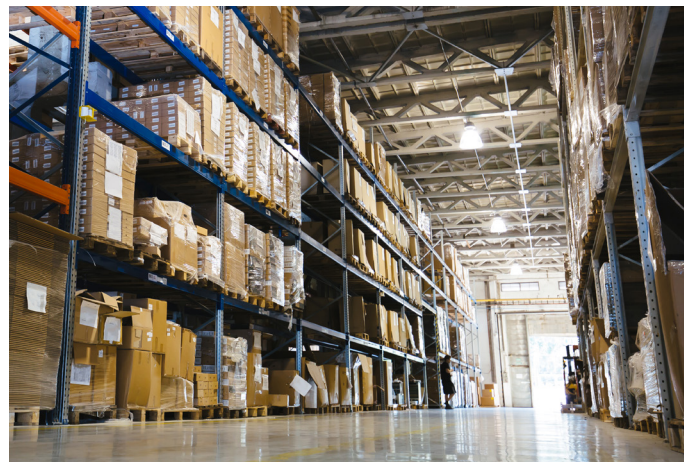
The Phoenix industrial market continued to attract investor attention in the fourth quarter bringing sales volume to a three year high, reaching \$1.88 billion, marking an 74 percent increase compared to the previous quarter. Year-to-date sales volume reached \$4.27 billion, marking an increase of 91.8 percent compared to total sales volume in 2023. The average price per square foot increased to \$204.20 in the fourth quarter, an uptick of 2.0 percent compared to fourth quarter 2023.

Fourth quarter deliveries added 7.8 million square feet to the market, bringing total deliveries for the year to 34.8 million square feet. Unleased deliveries drove the market vacancy rate up for the sixth consecutive quarter, reaching 10.6 percent and marking a 390 bps increase year-over-year. Net absorption in the fourth quarter reached 3.8 million square feet, bringing the year-to-date value up to 15.5 million square feet. The amount of product under construction has decreased to the lowest level since 2021, ending the quarter at 19.3 million square feet. Rental rates reported the first decline quarter-over-quarter since 2017, slightly reducing 0.22 percent. However, rates increased 5.9 percent year-over-year ending at \$1.12 per square foot.

Outlook

The sentiment of the Phoenix industrial market remains that this is a premier market for both users and investors. As construction levels are declining, the market will continue to absorb the existing vacant inventory. During the past two years, the market averaged just below four million square feet of absorption per quarter, which will start putting pressure on vacancy. Developers are shifting from big box construction to smaller buildings, designed to smaller users, which are the product in most demand.

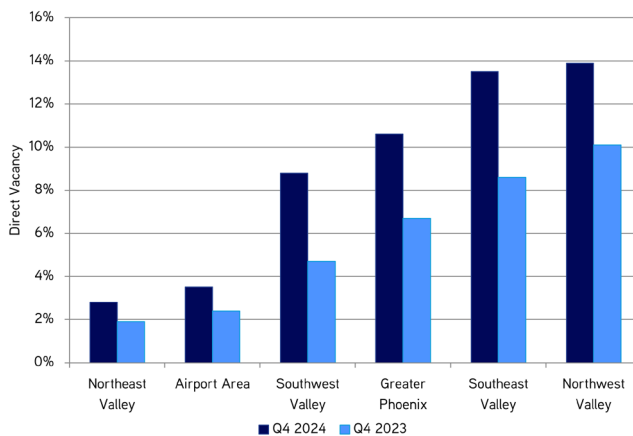
Due to the tragic fires that recently took place in Los Angeles, the Phoenix economy is in a prominent position to accommodate new residents and new businesses.



Vacancy

In 2024 the Phoenix industrial market added 34.8 million square feet of new inventory, which represents a 7.8 percent increase of inventory in the market. Of the 34.8 million square feet, 21.8 million square feet is available, representing 4.9 percent of the total industrial inventory. Looking one step deeper, the 21.8 million square feet of 2024 vacancy represent 46.5 percent of total market vacancy. The increased amount of vacant space pushed direct market vacancy to increase 50 bps quarter-over-quarter, and a 390 bps increase year-over-year to 10.6 percent. In the past two years the Phoenix industrial market has added 62.7 million square feet. Focusing on buildings constructed in 2022 and earlier, direct vacancy drastically drops to 3.4 percent, illustrating that the increase of vacancy is largely due to the completion of vacant product.

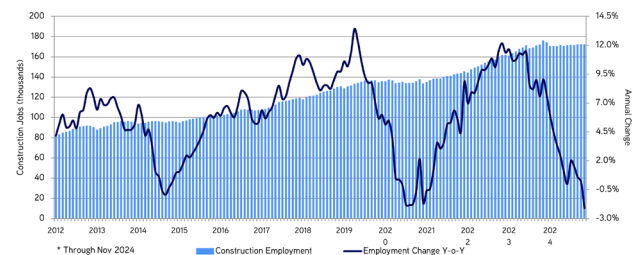
There are currently 17 existing buildings that could accommodate a tenant seeking 500,000 square feet or more. These available spaces total 12.6 million square feet and make up nearly 27.0 percent of direct market vacancy. Analyzing buildings under 200,000 square feet, direct vacancy drops to 7.2 percent, with the Southeast submarket cluster making up 56.9 percent of the vacancy with 10.5 million square feet of vacant space.



Absorption and Leasing

The fourth quarter marked the 19th consecutive quarter surpassing one million square feet of positive net absorption. Fourth quarter posted 3.8 million square feet of positive absorption, bringing the total level of 2024 to 15.5 million square feet. This total falls 2.6 percent below the 2023 level by 416,865 square feet. Nearly 60 percent of net absorption in 2024 occurred in the Northwest submarket cluster. The largest contributor of net absorption in the quarter was the completion of the 1.7-million-square-foot Ross Dress for Less distribution center in Buckeye.

Gross leasing activity in the fourth quarter was the second strongest of the year, totaling 5.3 million square feet. This was an increase of 53.7 percent quarter-over-quarter and a 14.6 percent increase year-over-year. The average deal signed during fourth quarter was 54,621 square feet within 81 leases completed. There were 11 new direct leases signed over 100,000 square feet in the fourth quarter.

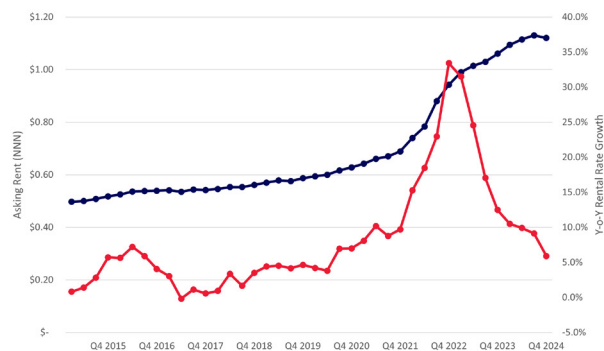


Rental Rates

With the increased amount of vacancy in the market, the fourth quarter saw the first softening and decline of rental rates quarter-over-quarter since 2017, posting a minimal 0.22 percent decline ending at \$1.12 per square foot. However, the market had a 5.9 percent increase of rental rates year-over-year. Overall industrial rental rates have increased 61.3 percent over the past three years and have risen 19.1 percent during the past two years.

For the second consecutive quarter, the Northwest submarket cluster posted the highest year-over-year increase, marking an 8.5 percent increase ending at \$0.95 per square foot. This was followed by the Southwest cluster, which increased 4.9 percent year-over-year to \$0.97 per square foot NNN.

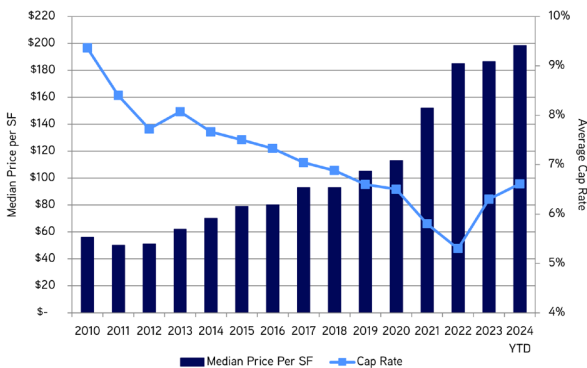
Driven by the demand of tenants requiring move-in ready space, more landlords are now building out speculative office space, and constructing the warehouse portion to include LED lighting, insulation, HVAC and some dock packages. This is especially prevalent in newer buildings that have sat vacant for more than 12 months. Along with the make ready space, many landlords are providing an additional tenant improvement allowance, which is typically amortized into the rental rate.



Investment Trends

Investment sales in the fourth quarter created not only the best performing quarter of the year, but it also recorded the highest level of sales volume since fourth quarter 2021. Fourth quarter 2024 sales reached \$1.88 billion, bringing the year's total to \$4.27 billion. Fourth quarter sales volume increased 234.5 percent year-over-year, and 74.0 percent quarter-over-quarter. 2024 total sales volume was up 91.8 percent compared to 2023 sales volume, with an average price per square foot of \$198.38, a 6.3 percent increase. Average price per square foot of sales activity in the fourth quarter ended at \$204.20, a 2.0 percent increase year-over-year. Despite multiple large building sales in the quarter, the average building size of the quarter was 112,389 square feet.

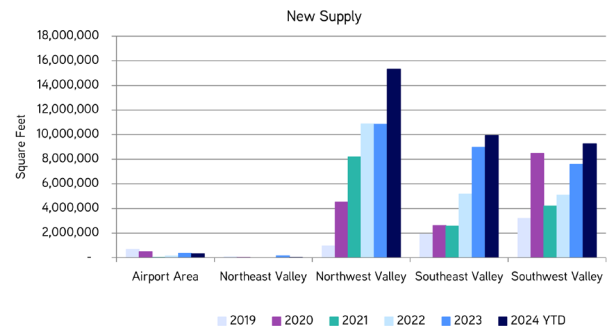
For the second consecutive quarter the Southeast submarket cluster led the market in sales volume during the fourth quarter, with \$1.045 billion, representing 55.5 percent of total sales volume. The largest transaction of the quarter was also the largest transaction of the year. Broadway 101 Commerce Park is an 11 complex totaling 807,024 square feet. CIP Real Estate purchased the 98 percent leased asset for \$168.2 million, or a blended rate of \$208.50 per square foot.



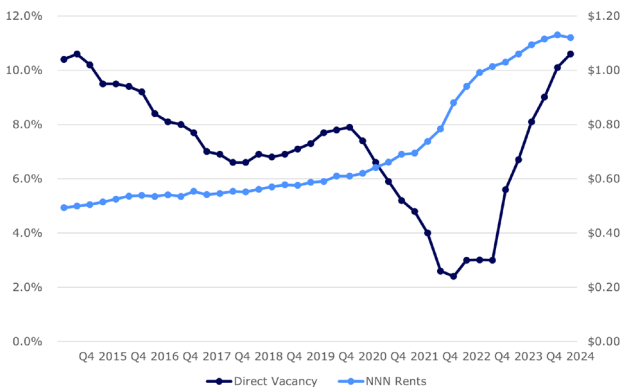
Construction

Approximately 25.5 million square feet of industrial product were under construction at the end of the third quarter. The market delivered 7.8 million square feet of new inventory during the fourth quarter, bringing the 2024 year-end total to 34.8 million square feet. This marks the highest level of deliveries in the Phoenix market in a single year, adding 6.8 million square feet more than 2023. Of the 7.8 million square feet that delivered, 32.7 percent were pre-leased. The largest single occupied building that delivered was a 1.7-million-square-foot distribution center in Buckeye that is occupied by Ross Stores. The largest building park delivery in the fourth quarter was Luke Field. Lincoln Property Company completed the three-building project, totaling 2.4 million square feet adjacent Luke Airforce Base in Glendale. The speculative project delivered 100 percent vacant.

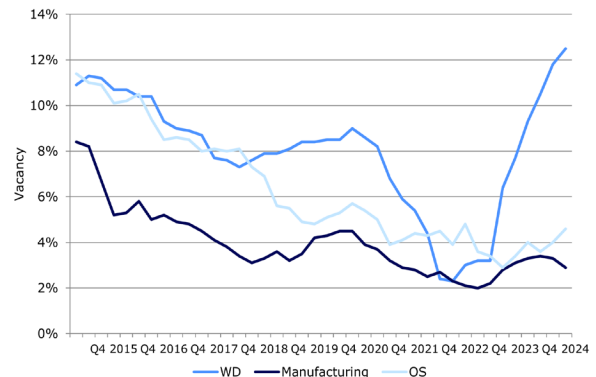
There are currently 19.3 million square feet of new inventory under construction, with nearly 75 percent of the construction taking place within the Northwest and Southwest submarket clusters. There were 1.6 million square feet of new inventory that broke ground in the fourth quarter. The two largest projects are CapRock West 202 Phase II totaling 824,040 square feet within three buildings, and Mack Innovation Park Scottsdale Phase I totaling 305,375 square feet in two buildings.



Vacancy vs. Rental Rate



Vacancy by Type



Phoenix | Q4 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 Q4-24	Vacant Rate Q4-23	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	37,131,549	1,444,415	3.9%	277,741	0.7%	1,722,156	4.6%	3.4%	158,627	105,337	99,582	321,686	149,160	\$1.30
MF	8,277,102	210,352	2.5%	10,000	0.1%	220,352	2.7%	2.7%	(63,658)	(55,951)	-	-	14,290	\$1.14
OS	3,757,283	78,321	2.1%	2,350	0.1%	80,671	2.1%	3.6%	16,211	43,913	-	-	-	\$1.29
TOTAL	49,165,934	1,733,088	3.5%	290,091	0.6%	2,023,179	4.1%	3.3%	111,180	93,299	99,582	321,686	163,450	\$1.23
Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River														
WD	7,983,098	249,447	3.1%	40,714	0.5%	290,161	3.6%	3.4%	(34,075)	15,625	-	10,000	593,162	\$1.51
MF	2,628,018	1,248	0.0%	-	0.0%	1,248	0.0%	0.0%	0	(1,248)	-	-	-	\$1.43
OS	3,594,817	148,703	4.1%	30,620	0.9%	179,323	5.0%	2.0%	(9,068)	(43,549)	-	-	-	\$1.41
TOTAL	14,205,933	399,398	2.8%	71,334	0.5%	470,732	3.3%	2.9%	(43,143)	(29,172)	-	10,000	593,162	\$1.45
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	89,482,350	14,598,860	16.3%	1,276,289	1.4%	15,875,149	17.7%	14.2%	1,208,034	8,038,735	4,273,483	13,976,744	9,007,762	\$0.94
MF	18,295,103	786,063	4.3%	72,000	0.4%	858,063	4.7%	4.5%	81,162	1,200,270	-	1,345,529	1,740,367	\$1.02
OS	3,789,323	100,678	2.7%	55,415	1.5%	156,093	4.1%	0.7%	(9,281)	(54,656)	-	-	-	\$1.24
TOTAL	111,566,776	15,485,601	13.9%	1,403,704	1.3%	16,889,305	15.1%	12.2%	1,279,915	9,184,349	4,273,483	15,322,273	10,748,129	\$0.95
Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest														
WD	88,269,365	15,027,959	17.0%	1,521,680	1.7%	16,549,639	18.7%	10.5%	332,940	2,045,043	492,795	9,541,428	3,953,646	\$1.27
MF	25,930,491	920,006	3.5%	39,463	0.2%	959,469	3.7%	5.6%	134,482	350,905	-	240,000	273,000	\$1.30
OS	8,540,021	652,692	7.6%	10,873	0.1%	663,565	7.8%	4.1%	(94,759)	(169,282)	-	139,963	-	\$1.38
TOTAL	122,739,877	16,600,657	13.5%	1,572,016	1.3%	18,172,673	14.8%	9.2%	372,663	2,226,666	492,795	9,921,391	4,226,646	\$1.29
Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleason, Southwest Outlying														
WD	128,677,823	12,534,855	9.7%	4,379,013	3.4%	16,913,868	13.1%	8.2%	2,096,753	4,070,730	3,007,463	9,250,432	3,403,351	\$0.95
MF	12,487,451	34,379	0.3%	54,000	0.4%	88,379	0.7%	0.8%	35,600	60,125	-	-	81,779	\$1.02
OS	2,758,525	61,906	2.2%	2,500	0.1%	64,406	2.3%	0.8%	(6,876)	(40,000)	-	-	114,630	\$0.95
TOTAL	143,923,799	12,631,140	8.8%	4,435,513	3.1%	17,066,653	11.9%	7.5%	2,125,477	4,090,855	3,007,463	9,250,432	3,599,760	\$0.97

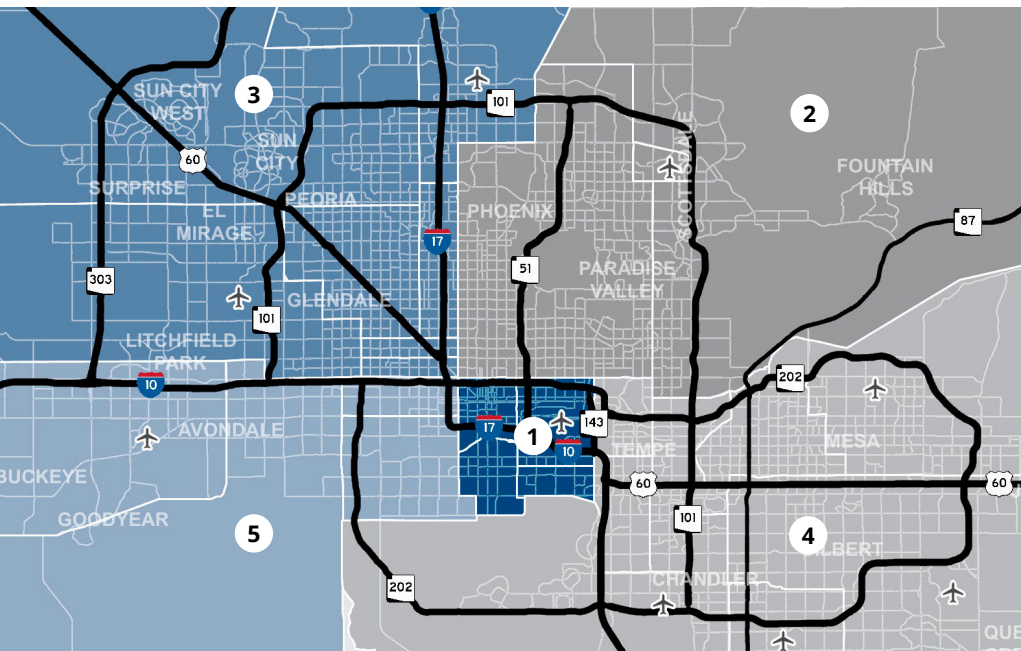
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LEGEND	
WD =	Warehouse-Distribution
MF =	Manufacturing
OS =	Office Services = Flex/R&D

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	SF	Total Available Q4-24	Vacant Rate Q4-23	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)
Grand Total														
WD	351,544,185	43,855,536	12.5%	7,495,437	2.1%	51,350,973	14.6%	7.7%	3,762,279	14,275,470	7,873,323	33,100,290	17,107,081	\$1.10
MF	67,618,165	1,952,048	2.9%	175,463	0.3%	2,127,511	3.1%	3.1%	187,586	1,554,101	-	1,585,529	2,109,436	\$1.16
OS	22,439,969	1,042,300	4.6%	101,758	0.5%	1,144,058	5.1%	3.4%	(103,773)	(263,574)	-	139,963	114,630	\$1.36
TOTAL	441,602,319	46,849,884	10.6%	7,772,658	1.8%	54,622,542	12.4%	6.7%	3,846,092	15,565,997	7,873,323	34,825,782	19,331,147	\$1.12

Quarterly Comparisons and Totals														
24Q4 Total	441,602,319	46,849,884	10.6%	7,772,658	1.8%	54,622,542	12.4%	6.7%	3,846,092	15,565,997	7,873,323	34,825,782	19,331,147	\$1.12
24Q3 Total	432,930,730	43,679,468	10.1%	6,358,952	1.5%	50,038,420	11.6%	5.6%	1,922,730	11,719,905	6,713,165	26,834,097	25,560,858	\$1.13
24Q2 Total	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	10,031,901	20,120,932	28,010,190	\$1.12
23Q1 Total	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
23Q4 Total	404,228,532	27,025,992	6.7%	3,360,129	0.8%	30,386,121	7.5%	4.0%	3,117,611	15,982,862	7,507,772	27,939,858	39,751,248	\$1.06



- 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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