



Phoenix, AZ

Industrial

25Q1

Key Takeaways

- Lowest level of construction since year end 2020
- Vacancy increased 310 bps Y-o-Y, ending at 11.2%
- Available sublease space increased by 910,879 SF Q-o-Q



Vacancy Rate

11.2%



Net Absorption

4,127 SF
(in thousands)

Under Construction

12,571 SF
(in thousands)

Overall Asking Lease Rates (NNN)

\$1.12/SF



Q1 2025

The completion of multiple Build-to-suit projects fueled net absorption to reach 4.1 million square feet in the first quarter. The market delivered 7.3 million square feet in the first quarter, which equals 1.6 percent of the total inventory. The level of product under construction continues to decline, with 12.5 million square feet under development. As a result of more vacant deliveries, direct vacancy rates increased 60 bps quarter-over-quarter to 11.2 percent. Industrial rental rates softened quarter-over-quarter, decreasing 0.15 percent to \$1.12 per square foot.

Market Indicators



3.6%

Unemployment
Rate (Feb-25)

2.92%

GDP - Quarterly
% change yr/yr

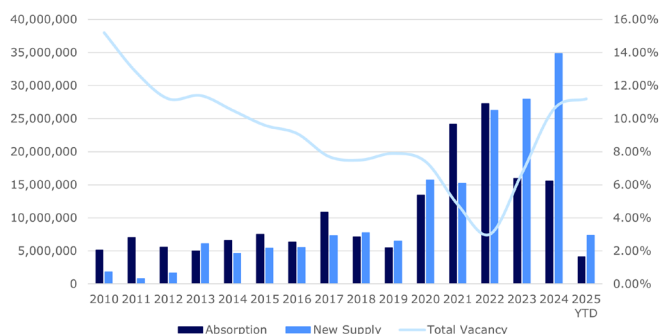
4.33%

U.S. 10 Year
Treasury Note

Historic Comparison

	24 Q1	24 Q4	25 Q1
Total Inventory (in Thousands of SF)	413,800	441,602	449,474
New Supply (in Thousands of SF)	9,708	7,873	7,367
Net Absorption (in Thousands of SF)	4,478	3,846	4,127
Direct Vacancy	8.1%	10.6%	11.2%
Under Construction (in Thousands of SF)	33,080	19,331	12,571
Overall Asking Lease Rates (NNN)	\$1.09	\$1.12	\$1.12

Historical Absorption, Deliveries and Vacancy Rates



Lease Transactions



Lease

Gateway I-10/
440 N 215th Ave
Goodyear
641,906 SF



Lease

303 Commerce Center
Glendale
388,260 SF



Lease

Palm Gateway Logistics/
8142 E Pecos Rd
Chandler N/Gilbert
289,463 SF

Sale Transactions

Property Name/Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
West Valley Logistics Center/12000 N 132nd Ave	Glendale	3/6	\$54,000,000	418,494	\$129	A
Avnet Chandler/6700 W Morelos Pl	Chandler	3/28	\$47,255,200	231,500	\$204	A
REI Distribution/4877 N Cotton Ln	Glendale	2/20	\$46,400,000	410,142	\$113	A



Executive Summary

Q1 2025

The Phoenix economy continues to attract multiple, historic announcements of capital investments. Shortly after completion of phase I, TSMC and President Trump announced in March an additional expansion of their operations in North Phoenix of \$100 billion to build three additional semiconductor fabs, as well as two advanced packaging facilities. This fell on the heels of Mayo Clinic committing a \$1.9 billion investment to transform its Phoenix campus. The diverse ecosystem of metro Phoenix's economy is strategically positioned to fuel economic growth.

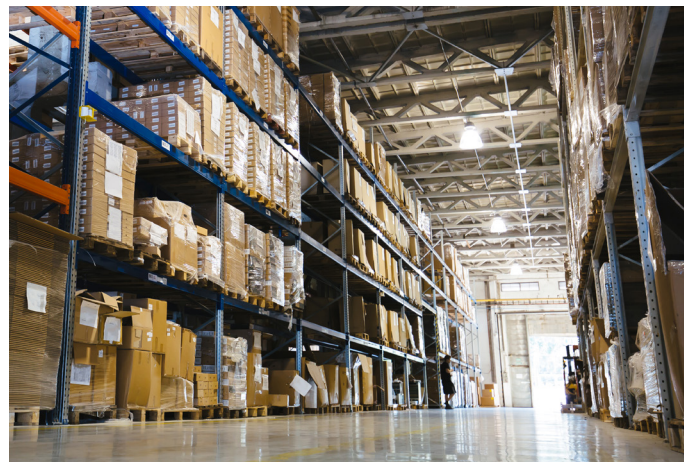
The Phoenix industrial market had another strong quarter, with 4.1 million square feet of positive net absorption, landing Phoenix as the third top market nationally in the first quarter. Stemming from record levels of industrial product under construction, the market delivered 7.3 million square feet of new supply during the first quarter. Helping to stabilize the market, construction starts have drastically slowed down and there are currently only 12.5 million square feet under construction. This marks the lowest level the market has experienced since year-end 2020. The addition of 4.0 million square feet of vacant deliveries in the first quarter spurred direct vacancy rates to increase 310 bps year-over-year to 11.2 percent. Available sublease space increased 910,879 square feet from the previous quarter, representing 1.9 percent of market inventory.

Due to increased vacancy, overall rental rents slightly softened quarter-over-quarter, declining 0.15 percent, but increased 2.59 percent year-over-year to \$1.12 per square foot. Investor sentiment remains elevated for the Phoenix market, with sales volume reaching \$799 million. The market posted an increased average price per square foot ending at \$209, marking a 10.1 percent elevation compared to the first quarter 2024.

Outlook

The looming uncertainty regarding the economic impact of uncertain tariffs has sparked chaos both locally here in Phoenix and globally. Theoretically the long-term goal would greatly improve the US manufacturing sector, but at what cost? Outside of tariffs, another hindering factor in the economy is "uncertainty" which has an impact on capital expenditure, as companies cannot make long term decisions.

Phoenix has the proper economic fundamentals to continue sustainable, healthy growth. Greater Phoenix benefits from colleges and universities working closely with top industries to train the workforce, relatively low taxes, thoughtful infrastructure growth, a pro-business climate, and a growing pipeline of high paying companies relocating to the market.

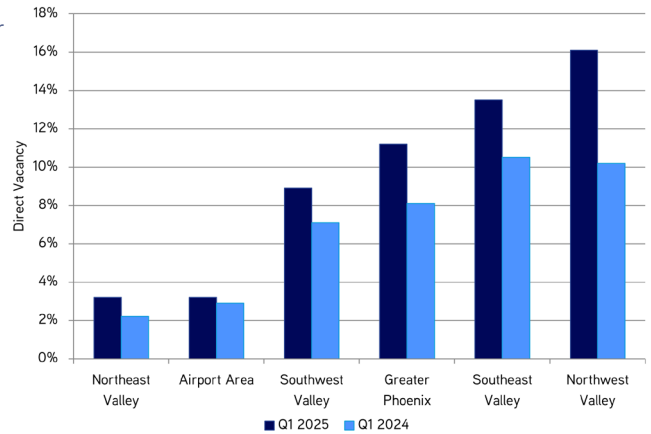


Vacancy

The delivery of new inventory has resulted in the 7th consecutive quarter of increased vacancy, ending first quarter at 11.2 percent. This marks an increase of 60 bps quarter over quarter, and an increase of 310 bps year-over-year. The rapid construction environment experienced over the past five years added over 128 million square feet of inventory. This has increased the industrial inventory base by 28.6 percent. In comparison, the entire Las Vegas industrial market is 181 million square feet, which shows the Phoenix market added the equivalent of over 70 percent of the Las Vegas entire market since 2020. The buildings constructed since 2020 represent 76.9 percent of market vacancy, or 38.7 million square feet.

There are currently 15 existing buildings that could accommodate a tenant seeking 500,000 square feet or more. These available spaces total 11.5 million square feet and make up nearly 22.8 percent of direct market vacancy.

Tenants looking for smaller space are experiencing the most difficulties, industrial buildings under 100,000 square feet have a vacancy rate of just 5.6 percent and competition is steep to grab the limited available inventory. The Southeast cluster represents 48.7 percent of vacancy in this size range.

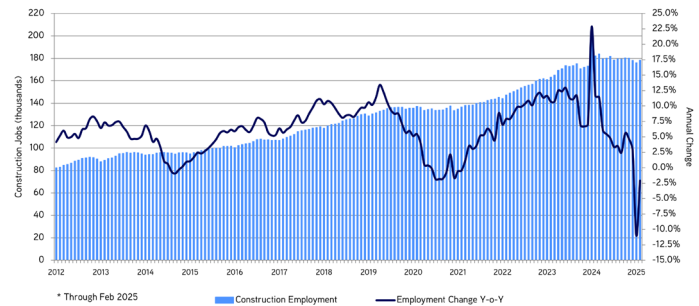


Absorption and Leasing

The first quarter marked the 20th consecutive quarter surpassing one million square feet of positive net absorption, ending at 4.1 million square feet. This level of net absorption marks a 7.8 percent decrease compared to the first quarter of 2024, but an increase of 7.3 percent increase compared to last quarter. Since 2023 the industrial market has averaged net absorption of 3.9 million square feet per quarter. The industrial market has absorbed more than 15 million square feet in each of the past two years. If this velocity remains constant, it will take just over three years for the market to absorb the 50.4 million square feet of current direct vacancy.

The uncertainty stemming from global tariff shifts has caused the execution of deals to take longer and has pushed some tenants to pause on making long-term decisions. This resulted in an 8.7 percent decrease in new-direct gross leasing volume last quarter, which totaled 4.1 million square feet.

Kenco Logistics Services signed the largest deal of the quarter, committing to the full building of Gateway I-10. The 641,906-square-foot building was purchased by EQT Real Estate last April.

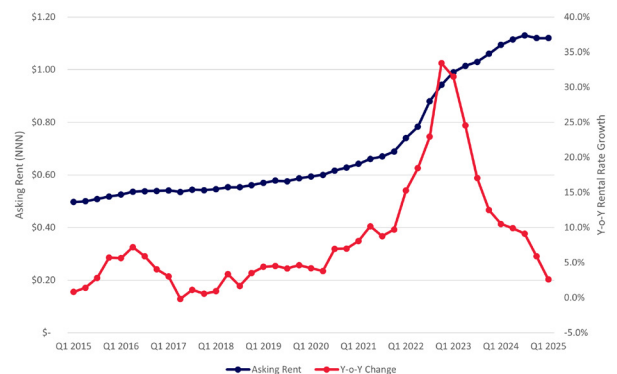


Rental Rates

The persistent increase in vacancy rates continues to impact rental rates. The market witnessed the second consecutive quarter-over-quarter rental rate decline, dropping 0.15 percent, but had a year-over-year increase of 2.59 percent, ending at \$1.12 per square foot. Overall industrial rental rates have increased 51.4 percent over the past three years and have risen 13.1 percent during the past two years.

The Southwest submarket cluster ended the first quarter with the largest year-over-year increase, moving up 4.2 percent to \$0.97 per square foot. This was followed by the Northwest submarket cluster, which increased 3.5 percent to \$0.95 per square foot. The Southeast submarket cluster posted the largest decrease in rental rates, dropping 1.10 percent ending at \$1.28 per square foot.

Tenant demand of move-in ready space, specifically in newer buildings, has led more landlords in the market to preemptively expend capital to build out speculative office space, install LED lighting in the warehouse and add HVAC.

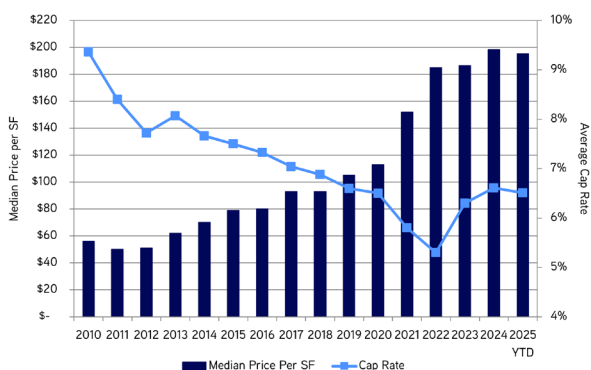


Investment Trends

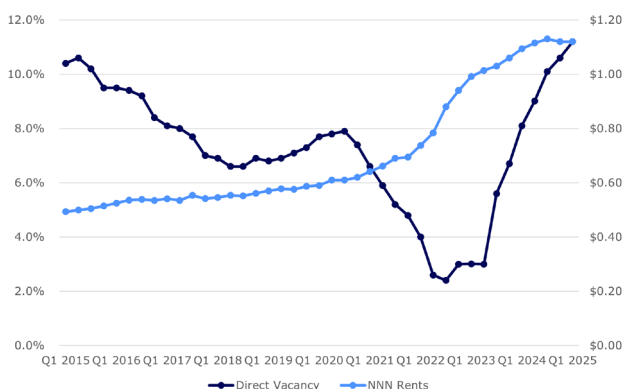
Investment sales in the first quarter were fueled by multiple portfolio sales, which pushed sales volume to \$799 million, representing a 69.5 percent increase year-on-year. However, with the historically high sales volume recorded in the previous quarter, sales volume was down 57.5 percent quarter-over-quarter. Investor demand in Phoenix pushed that average price per square foot to \$209, an increase of 10.1 percent year-over-year, and a 2.4 percent increase quarter-over-quarter. Transactions in the first quarter had an average building size of 73,138 square feet, with an average sale price of \$11.5 million.

For the third consecutive quarter, the Southeast submarket cluster led the market in sales volume during the first quarter with \$379 million, representing 47.5 percent of total sales volume.

A 12-building portfolio sale from Starwood Capital Group to BKM Capital Partners contained nine properties in the Phoenix market and three in Las Vegas, including a Phoenix market value of \$156.8 million, which represented the largest transaction of the quarter. This was followed by a six-property portfolio sale between Starwood Capital Group to Longpoint Realty Partners totaling 518,435 square feet, that traded for \$110 million.



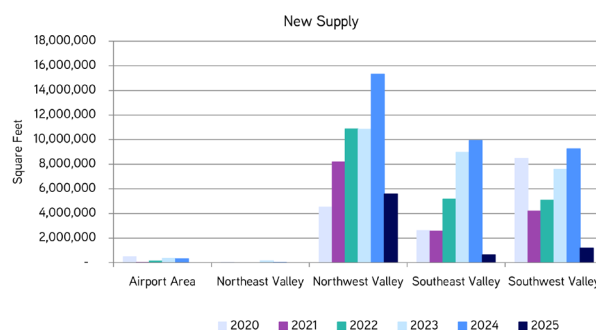
Vacancy vs. Rental Rate



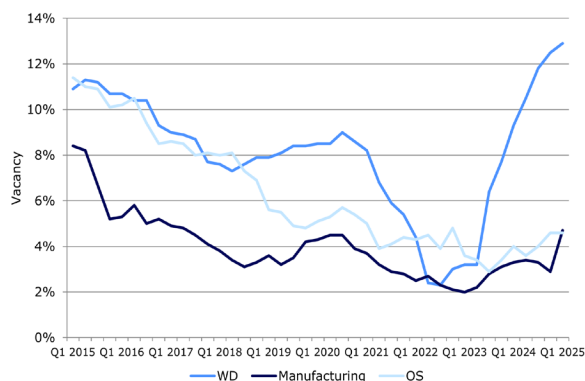
Construction

The Phoenix industrial market delivered 7.3 million square feet in the first quarter, which equates to 1.6 percent of the total inventory. The Northwest submarket cluster accounted for 75.5 percent of deliveries in the first quarter, bringing 5.5 million square feet online. Of the 7.3 million square feet that were delivered in the first quarter, 4.0 million square feet were delivered vacant, which represents 7.9 percent of the total vacancy.

The industrial construction level has reached the lowest point since year-end 2020, right at the beginning of the ramp up of new construction throughout the market. The 12.5 million square feet that are under construction marks a 74.5 percent decrease since the peak level of 49.3 million square feet in second quarter 2023. The Northwest submarket cluster makes up 40.1 percent of construction, while the Southeast submarket cluster accounts for 37.7 percent of construction. The largest project to break ground was Nextwave Tempe. The former water park site is being transformed into 689,109 square feet of industrial space within three buildings in North Tempe. The project is being developed by Overton Moore Properties and Invesco.



Vacancy by Type



Phoenix | Q1 2025 | Industrial | Market Statistics



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 Q1-25	Vacant Rate Q1-24	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	37,206,977	1,324,815	3.6%	484,562	1.3%	1,809,377	4.9%	3.4%	119,600	119,600	-	-	169,920	\$1.30
MF	8,256,756	179,646	2.2%	11,320	0.1%	190,966	2.3%	0.2%	10,360	10,360	-	-	14,290	\$1.16
OS	3,779,198	90,175	2.4%	-	0.0%	90,175	2.4%	2.1%	(10,061)	(10,061)	-	-	-	\$1.28
TOTAL	49,242,931	1,594,636	3.2%	495,882	1.0%	2,090,518	4.2%	3.3%	119,899	119,899	-	-	184,210	\$1.22
Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River														
WD	8,047,953	305,459	3.8%	30,785	0.4%	336,244	4.2%	2.7%	(56,012)	(56,012)	-	-	593,162	\$1.56
MF	2,597,018	1,248	0.0%	-	0.0%	1,248	0.0%	0.1%	0	0	-	-	-	\$1.43
OS	3,480,796	142,438	4.1%	18,038	0.5%	160,476	4.6%	2.9%	(6,265)	(6,265)	-	-	-	\$1.39
TOTAL	14,125,767	449,145	3.2%	48,823	0.3%	497,968	3.5%	2.9%	(62,277)	(62,277)	-	-	593,162	\$1.46
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	92,312,649	16,734,333	18.1%	1,878,301	2.0%	18,612,634	20.2%	15.3%	959,163	959,163	2,818,133	2,818,133	5,051,931	\$0.93
MF	21,101,671	2,028,169	9.6%	145,267	0.7%	2,173,436	10.3%	5.2%	1,564,462	1,564,462	2,749,806	2,749,806	-	\$1.01
OS	3,761,911	102,421	2.7%	18,917	0.5%	121,338	3.2%	1.7%	(1,743)	(1,743)	-	-	-	\$1.23
TOTAL	117,176,231	18,864,923	16.1%	2,042,485	1.7%	20,907,408	17.8%	12.2%	2,521,882	2,521,882	5,567,939	5,567,939	5,051,931	\$0.95
Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest														
WD	88,992,989	15,170,133	17.0%	1,463,460	1.6%	16,633,593	18.7%	16.1%	271,157	271,157	610,351	610,351	4,275,473	\$1.26
MF	26,109,227	839,946	3.2%	59,283	0.2%	899,229	3.4%	5.0%	80,060	80,060	-	-	468,392	\$1.25
OS	8,545,643	644,546	7.5%	12,905	0.2%	657,451	7.7%	5.9%	8,146	8,146	12,236	12,236	-	\$1.35
TOTAL	123,647,859	16,654,625	13.5%	1,535,648	1.2%	18,190,273	14.7%	9.2%	359,363	359,363	622,587	622,587	4,743,865	\$1.28
Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleson, Southwest Outlying														
WD	129,946,341	12,573,663	9.7%	4,506,699	3.5%	17,080,362	13.1%	9.6%	1,382,429	1,382,429	980,466	980,466	1,998,265	\$0.94
MF	12,505,025	240,446	1.9%	54,000	0.4%	294,446	2.4%	2.1%	(206,067)	(206,067)	81,779	81,779	-	\$1.04
OS	2,830,127	49,376	1.7%	0	0.0%	49,376	1.7%	1.4%	12,530	12,530	114,630	114,630	-	\$0.94
TOTAL	145,281,493	12,863,485	8.9%	4,560,699	3.1%	17,424,184	12.0%	7.5%	1,188,892	1,188,892	1,176,875	1,176,875	1,998,265	\$0.97

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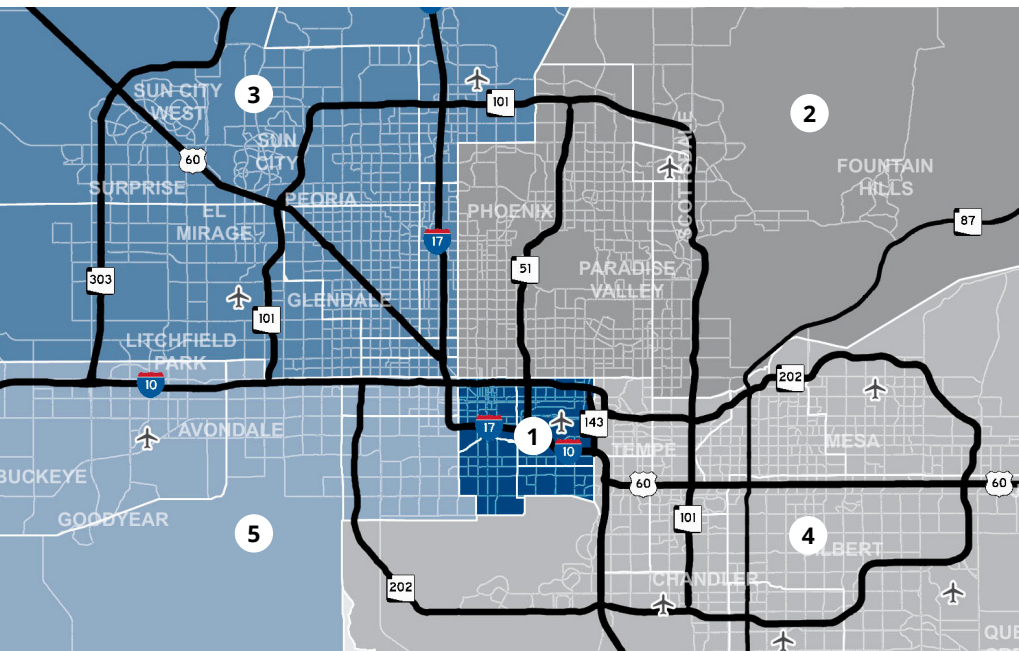
LEGEND

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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 Q1-25	Vacant Rate Q1-24	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)
Grand Total														
WD	356,506,909	46,108,403	12.9%	8,363,807	2.3%	54,472,210	15.3%	9.3%	2,676,337	2,676,337	4,408,950	4,408,950	12,088,751	\$1.08
MF	70,569,697	3,289,455	4.7%	269,870	0.4%	3,559,325	5.0%	3.3%	1,448,815	1,448,815	2,831,585	2,831,585	482,682	\$1.15
OS	22,397,675	1,028,956	4.6%	49,860	0.2%	1,078,816	4.8%	4.0%	2,607	2,607	126,866	126,866	-	\$1.35
TOTAL	449,474,281	50,426,814	11.2%	8,683,537	1.9%	59,110,351	13.2%	8.1%	4,127,759	4,127,759	7,367,401	7,367,401	12,571,433	\$1.12

Quarterly Comparisons and Totals

25Q1 Total	449,474,281	50,426,814	11.2%	8,683,537	1.9%	59,110,351	13.2%	8.1%	4,127,759	4,127,759	7,367,401	7,367,401	12,571,433	\$1.12
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
24Q1 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



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

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\$4.8B+
annual revenue



2B
square feet managed



23,000
professionals



70
countries we operate in



\$99B
assets under management



46,000
lease and sale transactions

Number of countries includes affiliates

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