

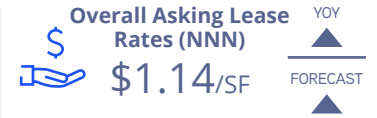


Phoenix, AZ

Industrial  
**25Q2**

## Key Takeaways

- Lowest quarter of new deliveries since Q2 2021, with 3.5 million square feet
- Vacancy decreased 30 bps Q-o-Q, ending at 10.9%
- Overall rental rate increased 1.87% Y-o-Y to \$1.14 per square foot



## Q2 2025

The Phoenix Industrial market ended the quarter at 10.9 percent vacancy; a 30 bps decline from the previous quarter, marking the first decrease in vacancy following seven consecutive quarters of increased direct vacancies. Healthy leasing activity pushed net absorption 2.6 million square feet bringing the first half of 2025 to 6.8 million square feet. New deliveries totaled 3.5 million square feet of new space during the second quarter, bringing the year-to-date value to 10.9 million square feet. Construction continues to decrease, with 11.2 million square feet currently being developed. The second quarter posted a slight year-over-year rate increase of 1.87 percent, ending at \$1.14 per square foot.

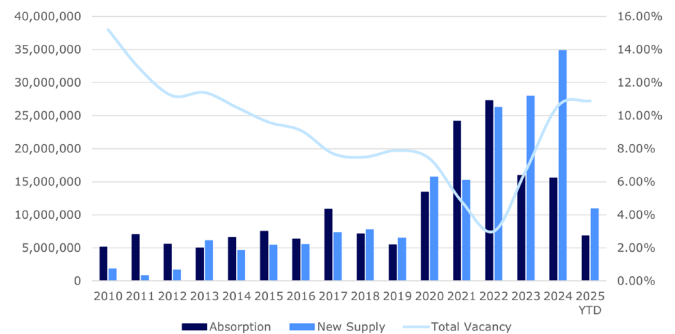
## Market Indicators



## Historic Comparison

	24 Q2	25 Q1	25 Q2
<b>Total Inventory (in Thousands of SF)</b>	425,596	449,474	453,112
<b>New Supply (in Thousands of SF)</b>	10,020	7,367	3,568
<b>Net Absorption (in Thousands of SF)</b>	5,318	4,127	2,681
<b>Direct Vacancy</b>	9.0%	11.2%	10.9%
<b>Under Construction (in Thousands of SF)</b>	28,010	12,571	11,288
<b>Overall Asking Lease Rates (NNN)</b>	\$1.12	\$1.12	\$1.14

## Historical Absorption, Deliveries and Vacancy Rates



## Lease Transactions



**Lease**  
Litchfield Palms/  
200 S Litchfield Rd  
Goodyear  
521,302 SF



**Lease**  
Camelback 303/  
4895 N Pebble Creek Pkwy  
Glendale  
514,063 SF



**Lease**  
Commerce @303/  
5215 N Alsip Rd  
Glendale  
331,683 SF

## Sale Transactions

Property Name/Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
Sarival Logistics Center/6390 N Sarival Ave.	Glendale	6/4	\$128,200,000	1,156,860	\$111	A
Sight Logistics/6840 & 6860 S Harl ave	Tempe Southwest	4/9	\$103,050,000	357,103	\$289	A
Tailwinds at Gateway (10 bldg complex)	Chandler/N Gilbert	4/29	\$51,500,000	172,451	\$299	A



## Executive Summary

### Q2 2025

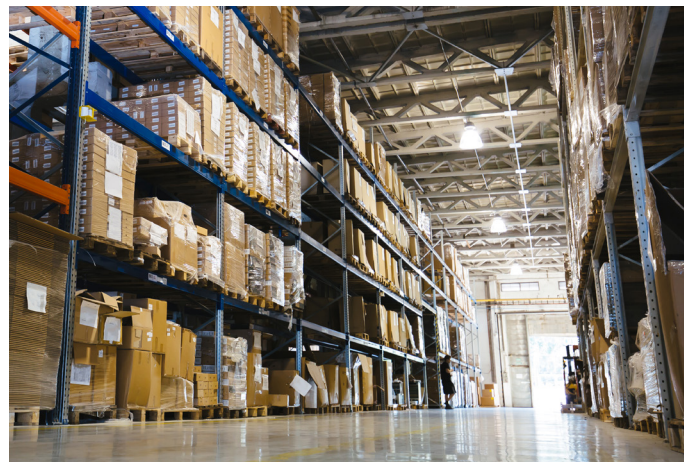
Population growth and the expansion of the labor force have placed considerable strain on existing infrastructure, resulting in persistent bottlenecks. A significant milestone in addressing these challenges was completed in June with the successful conclusion of the four-year construction of the I-10 Broadway Curve Improvement Project. By 2040, that segment of the freeway system is expected to increase the number of daily commuters by 25 percent. Additional efforts to grapple with infrastructure pressures include Proposition 479, which passed in November 2024. Prop 479 allows funding for planned projects to move forward, helping improve the transportation infrastructure to support sustainable growth. These infrastructure efforts will help support our continued job expansion, exemplified by the news that May 2025 total Nonfarm employment for Metro Phoenix increased by 8,700 jobs compared to May 2024.

The decrease in new industrial inventory added to the market, coupled with healthy leasing activity, drove the second quarter to post the first reduction in vacancy since Q3 2022. The Phoenix Industrial market ended the quarter at 10.9 percent vacancy; a 30 bps decline from the previous quarter. The second quarter marked the lowest level of new deliveries since 2021, bringing 3.5 million square feet online, and increasing the first half of 2025 delivery level to 10.9 million square feet. Helping to moderate the mass influx of new construction over the past two years, product under construction remains at a five-year low, with only 11.2 million square feet underway. Overall rental rents slightly increased year-over-year, marking a 1.8 percent increase to \$1.14 per square foot. Investor appetite remains high for the Phoenix market, with the city standing out as a top preference for both investors and users. Sales volume for second quarter reached \$956 million, a 19.7 percent increase from the previous quarter.

## Outlook

Tenant activity in the big-box category offers a positive outlook for the second half of the year. Net absorption is expected to outperform the first half, and with limited new deliveries, vacancies will continue to compress.

To help regulate the issue regarding power being utilized by data centers, in June the Phoenix City Council voted to adopt new regulations, which include noise limitation and design standards. A week after the City of Phoenix announced new regulations, the City of Mesa also voted to amend zoning ordinances for new data centers projects. The City of Tempe and the City of Chandler have also crafted updated regulations for new data center projects.



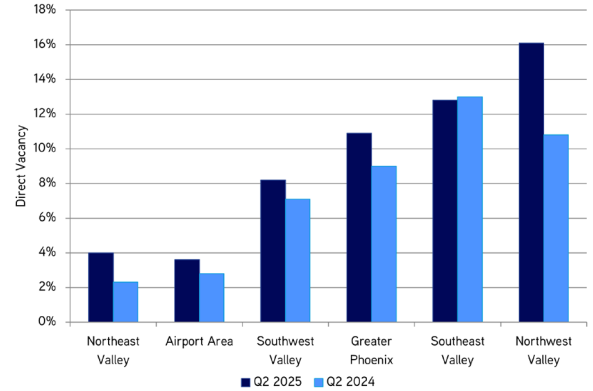
## Vacancy

Following seven consecutive quarters of increased direct vacancies, the second quarter posted a 30 bps decrease from the previous quarter, ending at 10.9 percent. However, there was a 190 bps increase year-over-year. Available sublease space, which had gradually increased over the past eight quarters, posted a 202,013-square-foot decrease from last quarter. Sublease inventory finished the quarter with 8.4 million square feet available, bringing total overall availability to 12.8 percent for the entire market.

The Southeast submarket cluster posted the only year-over-year decrease in vacancy rate, dropping 20 bps, and fell 70 bps compared to the previous quarter, ending at 12.8 percent. The Southwest submarket cluster also decreased 70 bps quarter-over-quarter, ending at 8.2 percent. The Northwest submarket cluster posted the largest vacancy rate increase year-over-year, rising 530 bps, ending at 16.1 percent, remaining flat from the previous quarter.

There are currently four existing buildings larger than 1 million square feet that are 100 percent vacant in the market. These buildings total 4.8 million square feet and represents 9.7 percent of the market direct vacancy.

When analyzing buildings under 150,000 square feet, vacancy drops down to 6.8 percent. The Southeast submarket cluster is driving the market with the most amount of vacant space, containing 49.1 percent of the 15.9 million square feet available Valley wide.

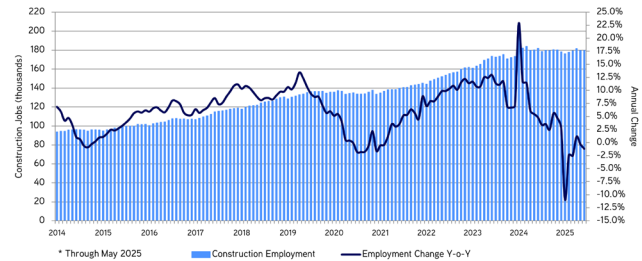


## Absorption and Leasing

The second quarter marked the 21st consecutive quarter surpassing one million square feet of positive net absorption, ending at 2.6 million square feet. This activity brought net absorption totals for the first half of 2025 to 6.8 million square feet. This represents a 2.9-million -square-foot decrease in net absorption compared to the first six months of 2024. The Northwest submarket cluster captured over 52 percent of the market net absorption year to date.

The second quarter benefited from healthy leasing activity in larger buildings, with nine new 200,000+ square-foot direct deals signed, compared to only four deals of that size signed in the first quarter. Three of these deals landed in the Southeast submarket cluster, doubling the amount of 200,000+ square-foot transactions signed in this submarket since 2023. The market is seeing increased demand from tenants in the market looking for space over 300,000 square feet. However, the continued fluctuation of tariff policy has caused uncertainty among decisionmakers, resulting in longer lease negotiations and delayed lease executions.

Litchfield Palms Logistics Park landed the largest deal of the quarter, securing a ten-year lease with American Eagle for 521,302 square feet in building C. The three-building industrial park, totaling 850,000 square feet, delivered 100 percent vacant in 2023, and is currently over 70 percent occupied.

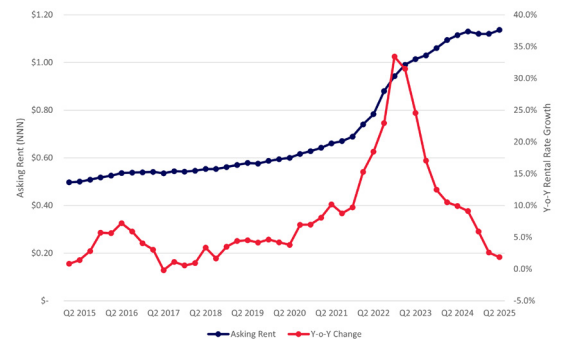


## Rental Rates

Elevated vacancy, resulting from over 23.4 million square feet of vacant space delivered since 2024, continues to put pressure on rate increases. The second quarter posted a mild year-over-year rate increase of 1.87 percent, ending at \$1.14 per square foot. Manufacturing buildings captured the largest quarter-over-quarter increase, posting a 1.01 percent increase ending at \$1.17 per square foot. While Warehouse/Distribution properties posted a 2.32 percent decrease to \$1.05 per square foot from the previous quarter. Overall industrial rental rates have increased 45.2 percent over the past three years and have risen 12.1 percent during the past two years.

For the second consecutive quarter, the Southwest submarket cluster ended with the largest year-over-year increase, moving up 4.21 percent to \$0.97 per square foot. This was followed by the Northwest submarket cluster, which increased 3.1 percent to \$0.96 per square foot.

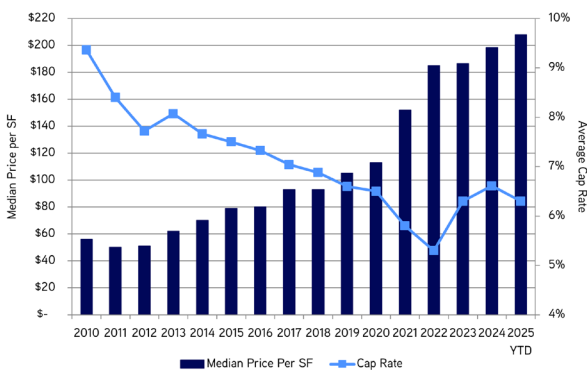
The Southeast submarket cluster posted the largest year-over-year decrease in rental rates, dropping 3.3 percent ending at \$1.26 per square foot. The Southeast cluster also had the largest quarter-over-quarter decrease in the market, dropping 1.2 percent.



## Investment Trends

The Phoenix industrial market continues to be a focal point for both investors and users, pushing sales volume to \$956 million in the second quarter, marking a 19.7 percent increase quarter-over-quarter. Year to date sales volume reached \$1.75 billion, a 33.5 percent increase compared to the first two quarters of 2024. The average price per square foot in the second quarter increased to \$245, a rise of 29.1 percent year-over-year. This increase was fueled by 18 of the 55 transactions in the quarter trading over \$275 per square foot.

For the fourth consecutive quarter, the Southeast submarket cluster led the market in sales volume. The submarket's \$340 million in sales represents 35.6 percent of total sales volume, with an average price per square foot of \$255. The successful disposition of Sight Logistics Park in Tempe represented 30 percent of the volume, trading at \$103 million, acquired by CBRE Investment Management. The project marked a pivotal milestone of transformation. ViaWest Group re-developed a former office building into two class A industrial buildings totaling 357,103 square feet. The now fully leased project was recognized by NAIOP Arizona and RED as Redevelopment of the Year.



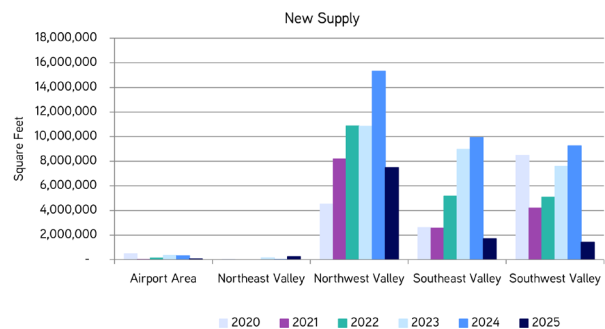
## Construction

The Phoenix industrial market delivered 3.5 million square feet of new space during the second quarter, bringing the year-to-date value to 10.9 million square feet. This new space equates to 2.4 percent of the total inventory. New building deliveries in the second quarter were 26 percent pre-leased.

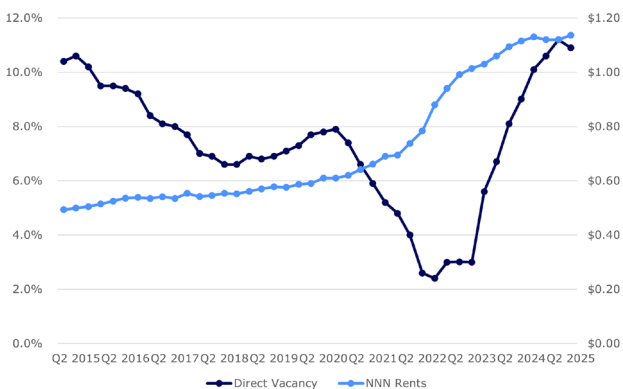
Deliveries in the Northwest submarket cluster accounted for 53.8 percent of the new inventory in the second quarter, adding 1.9 million square feet. The largest delivery was Camelback 303 Logistics Park, consisting of two buildings totaling 616,100 square feet, delivered 100 percent vacant. The Southeast submarket cluster added 1.08 million square feet of new inventory, with The Brickyards on Ellsworth representing the largest delivery. The seven-building industrial park totals 603,459 square feet and was 18 percent pre-leased.

The industrial construction level continues to taper down, with 11.2 million square feet currently being developed. The decrease in market construction presents an opportunity to absorb the 23.4 million square feet that are currently vacant from product delivered in the past 18 months.

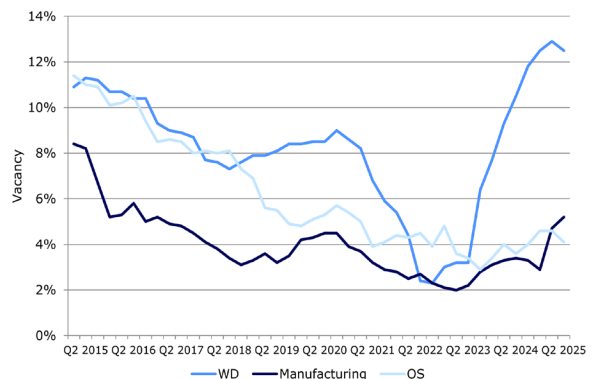
The Airport Area submarket cluster, which is tightly land-locked, captured the largest gain of product under construction, with 1.1 million square feet underway within five projects.



## Vacancy vs. Rental Rate



## Vacancy by Type



# Phoenix | Q2 2025 | 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	Total Available Q2-25	Vacant Rate Q2-24	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	37,169,756	1,544,029	4.2%	471,472	1.3%	2,015,501	5.4%	3.9%	(181,993)	(62,393)	67,150	67,150	1,154,387	\$1.30
MF	8,287,493	154,597	1.9%	60,890	0.7%	215,487	2.6%	1.5%	25,049	35,409	-	-	14,290	\$1.16
OS	3,734,865	72,095	1.9%	-	0.0%	72,095	1.9%	2.5%	18,080	8,019	-	-	-	\$1.27
<b>TOTAL</b>	<b>49,192,114</b>	<b>1,770,721</b>	<b>3.6%</b>	<b>532,362</b>	<b>1.1%</b>	<b>2,303,083</b>	<b>4.7%</b>	<b>3.3%</b>	<b>(138,864)</b>	<b>(18,965)</b>	<b>67,150</b>	<b>67,150</b>	<b>1,168,677</b>	<b>\$1.23</b>
<b>Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River</b>														
WD	8,349,153	457,423	5.5%	79,871	1.0%	537,294	6.4%	2.7%	32,316	(23,696)	242,740	242,740	350,422	\$1.56
MF	2,597,018	0	0.0%	-	0.0%	-	0.0%	0.1%	1,248	1,248	-	-	-	\$1.45
OS	3,482,103	113,146	3.2%	9,512	0.3%	122,658	3.5%	2.9%	27,985	21,720	-	-	-	\$1.40
<b>TOTAL</b>	<b>14,428,274</b>	<b>570,569</b>	<b>4.0%</b>	<b>89,383</b>	<b>0.6%</b>	<b>659,952</b>	<b>4.6%</b>	<b>2.9%</b>	<b>61,549</b>	<b>(728)</b>	<b>242,740</b>	<b>242,740</b>	<b>350,422</b>	<b>\$1.48</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	94,294,316	17,019,287	18.0%	1,972,540	2.1%	18,991,827	20.1%	15.4%	1,123,205	2,082,368	1,923,451	4,741,584	3,908,179	\$0.92
MF	21,091,878	2,075,185	9.8%	20,925	0.1%	2,096,110	9.9%	4.9%	(37,223)	1,527,239	-	2,749,806	-	\$1.04
OS	3,794,069	108,163	2.9%	10,000	0.3%	118,163	3.1%	2.4%	(5,742)	(7,485)	-	-	-	\$1.24
<b>TOTAL</b>	<b>119,180,263</b>	<b>19,202,635</b>	<b>16.1%</b>	<b>2,003,465</b>	<b>1.7%</b>	<b>21,206,100</b>	<b>17.8%</b>	<b>12.2%</b>	<b>1,080,240</b>	<b>3,602,122</b>	<b>1,923,451</b>	<b>7,491,390</b>	<b>3,908,179</b>	<b>\$0.96</b>
<b>Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest</b>														
WD	90,024,867	14,307,151	15.9%	1,338,449	1.5%	15,645,600	17.4%	17.1%	862,982	1,134,139	941,478	1,551,829	4,029,307	\$1.24
MF	26,488,019	1,175,776	4.4%	288,774	1.1%	1,464,550	5.5%	4.5%	(206,092)	(126,032)	140,000	140,000	-	\$1.22
OS	8,508,958	562,036	6.6%	4,672	0.1%	566,708	6.7%	6.5%	45,825	53,971	-	12,236	-	\$1.36
<b>TOTAL</b>	<b>125,021,844</b>	<b>16,044,963</b>	<b>12.8%</b>	<b>1,631,895</b>	<b>1.3%</b>	<b>17,676,858</b>	<b>14.1%</b>	<b>9.2%</b>	<b>702,715</b>	<b>1,062,078</b>	<b>1,081,478</b>	<b>1,704,065</b>	<b>4,029,307</b>	<b>\$1.26</b>
<b>Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleason, Southwest Outlying</b>														
WD	129,954,568	11,510,691	8.9%	4,224,419	3.3%	15,735,110	12.1%	9.2%	1,062,972	2,445,401	253,938	1,234,404	1,831,507	\$0.94
MF	12,512,152	309,734	2.5%	0	0.0%	309,734	2.5%	0.6%	(62,161)	(268,228)	-	81,779	-	\$1.05
OS	2,822,847	67,253	2.4%	0	0.0%	67,253	2.4%	2.0%	(25,157)	(12,627)	-	114,630	-	\$0.94
<b>TOTAL</b>	<b>145,289,567</b>	<b>11,887,678</b>	<b>8.2%</b>	<b>4,224,419</b>	<b>2.9%</b>	<b>16,112,097</b>	<b>11.1%</b>	<b>7.5%</b>	<b>975,654</b>	<b>2,164,546</b>	<b>253,938</b>	<b>1,430,813</b>	<b>1,831,507</b>	<b>\$0.97</b>

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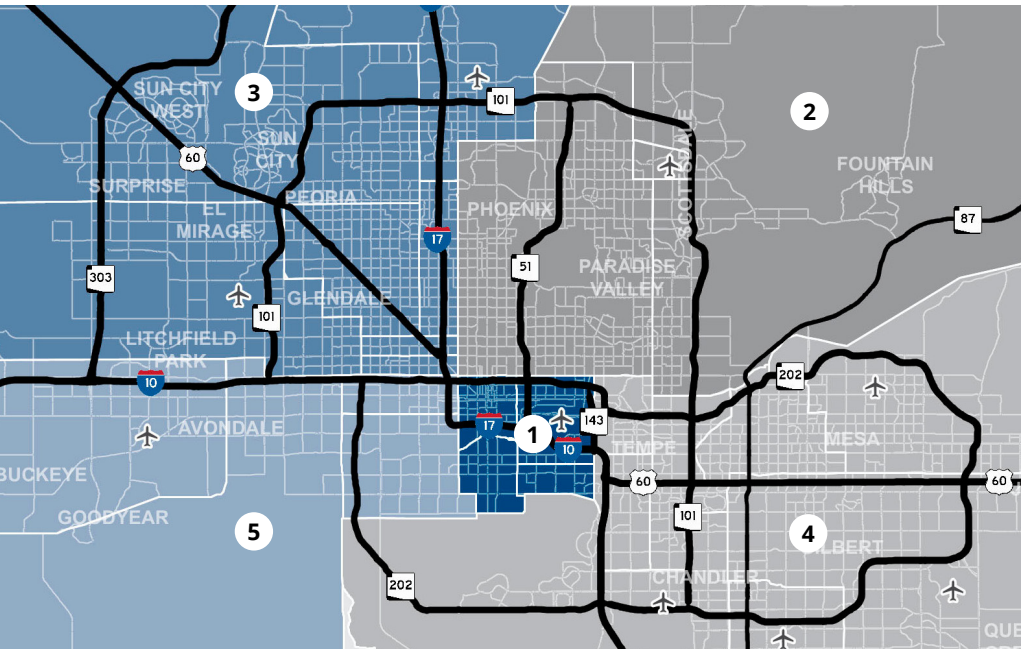
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LEGEND	
WD =	Warehouse-Distribution
MF =	Manufacturing
OS =	Office Services = Flex/R&D

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	SF	Total Available Q2-25	Vacant Rate Q2-24	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)
<b>Grand Total</b>														
WD	359,792,660	44,838,581	12.5%	8,086,751	2.2%	52,925,332	14.7%	10.5%	2,899,482	5,575,819	3,428,757	7,837,707	11,273,802	\$1.05
MF	70,976,560	3,715,292	5.2%	370,589	0.5%	4,085,881	5.8%	3.4%	(279,179)	1,169,636	140,000	2,971,585	14,290	\$1.17
OS	22,342,842	922,693	4.1%	24,184	0.1%	946,877	4.2%	3.6%	60,991	63,598	-	126,866	-	\$1.36
<b>TOTAL</b>	<b>453,112,062</b>	<b>49,476,566</b>	<b>10.9%</b>	<b>8,481,524</b>	<b>1.9%</b>	<b>57,958,090</b>	<b>12.8%</b>	<b>9.0%</b>	<b>2,681,294</b>	<b>6,809,053</b>	<b>3,568,757</b>	<b>10,936,158</b>	<b>11,288,092</b>	<b>\$1.14</b>

Quarterly Comparisons and Totals														
<b>25Q2 Total</b>	453,112,062	49,476,566	10.9%	8,481,524	1.9%	57,958,090	12.8%	9.0%	2,681,294	6,809,053	3,568,757	10,936,158	11,288,092	\$1.14
<b>25Q1 Total</b>	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
<b>24Q4 Total</b>	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
<b>24Q3 Total</b>	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
<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	10,031,901	20,120,932	28,010,190	\$1.12



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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