Q3 2025 | INDUSTRIAL

Arizona

Colliers

OVERALL VACANCY RATE

9.8% ▼ YOY ▼ Forecast

NET ABSORPTION (SF)

7,873 ▲ YOY ▼ Forecast
(in thousands)

UNDER CONSTRUCTION (SF)

11,429 ▼ YOY ▲ Forecast
(in thousands)

OVERALL ASKING LEASE RATES (NNN)

$1.13/SF ▲ YOY ▼ Forecast

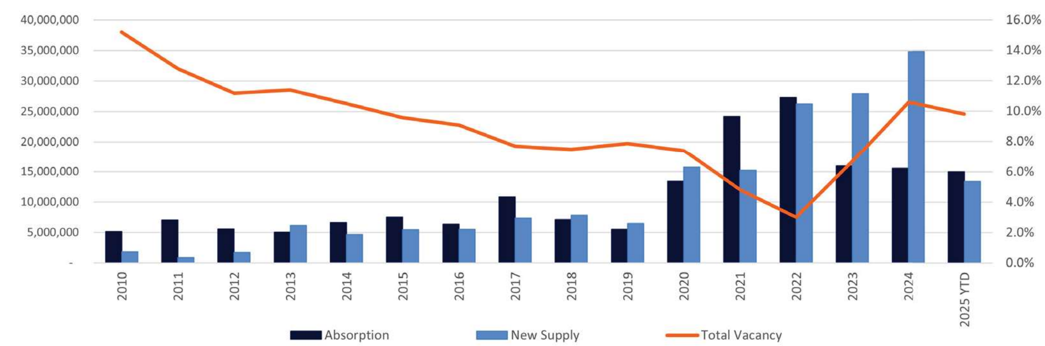
MARKET TRENDS

- Net absorption nearly tripled from the previous quarter, totaling 7.87 million square feet, reflecting a sharp rebound in tenant demand and one of the strongest quarterly performances nationwide.
- Vacancy continued to decline, falling 110 basis points quarter-over-quarter to 9.8%, marking the second consecutive quarter of improvement and the first sustained downward trend since 2022.
- Sales volume in Q3 reached $1.46 billion, the highest total so far in 2025, representing a 53.2% increase from Q2 and a 35.5% gain year-over-year.
- New construction deliveries slowed to 2.5 million square feet, marking the lowest quarterly total since Q2 2021.

HISTORIC COMPARISON

	Q3 2024	Q2 2025	Q3 2025
Total Inventory (in thousands of SF)	432,930	453,112	456,226
New Supply (in thousands of SF)	6,713	3,568	2,503
Net Absorption (in thousands of SF)	1,922	2,681	7,873
Direct Vacancy	10.1%	10.9%	9.8%
Under Construction (in thousands of SF)	25,560	11,288	11,429
Overall Asking Lease Rates (NNN)	$1.13	$1.14	$1.13

HISTORICAL ABSORPTION, DELIVERIES AND VACANCY RATES



From 2010 to 2022, absorption generally kept pace with or exceeded new supply, driving vacancy down from 15.2% to a cycle low of 3.0% as demand consistently outstripped completions. However, since the surge of new supply between 2022 and 2024, construction activity has begun to slow in 2025, with deliveries totaling 13.4 million square feet year-to-date—less than half the 2024 level—while strong absorption of 15.0 million square feet has helped keep vacancy steady at 10.7%, indicating a market moving toward greater equilibrium after an extended period of rapid growth.

Executive Summary

Q3 2025

Population growth and continued labor force expansion made the third quarter another strong period for Greater Phoenix. The decline in new industrial supply, combined with healthy leasing activity, drove the market to record two consecutive quarters of vacancy reduction—the first such improvement since Q3 2022. The Phoenix industrial market ended the quarter with a 9.8% vacancy rate, representing a 110-basis-point decline from the previous quarter.

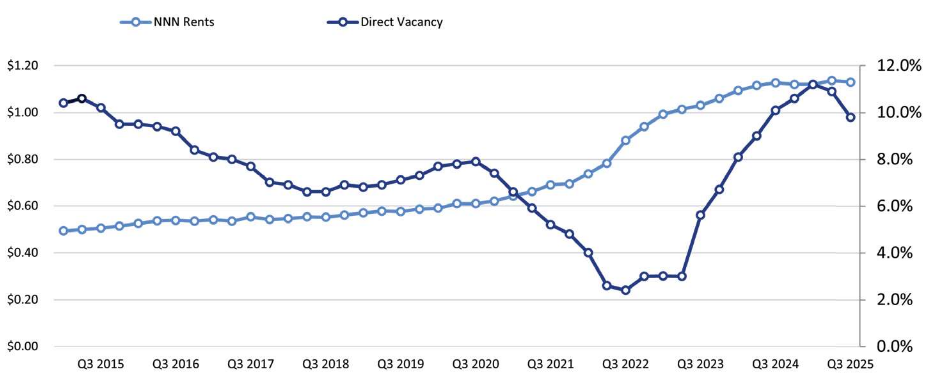
The slower pace of new deliveries, totaling 2.5 million square feet in the third quarter, reinforces this trend. Total new supply from the first three quarters of 2025 remains less than half of what was delivered in both 2023 and 2024. This pullback reflects a market recalibration following several years of record construction. Developers now contend with higher construction and financing costs, longer permitting timelines, and tariff-driven increases in material prices that have raised costs and delayed project timelines. Despite these challenges, developer sentiment remains positive, with 11.4 million square feet currently under construction. New construction is strongest in the Southeast Valley, which accounts for 4.3 million square feet across 54 buildings.

Net absorption nearly tripled from the previous quarter, reaching one of the highest levels nationwide and signaling robust leasing demand across the market. Average asking rents inched up 0.1% year-over-year to $1.13 per square foot, though they declined 0.44% quarter-over-quarter, reflecting slightly more competitive pricing as new space continues to enter the market. Investment activity also remained strong, with sales volume climbing to $1.46 billion. Third quarter sales volume equates to a 53.2% increase quarter-over-quarter and 35.5% increase year-over-year, making it the highest quarterly total so far in 2025 and underscoring Phoenix's continued appeal as a premier industrial investment destination.

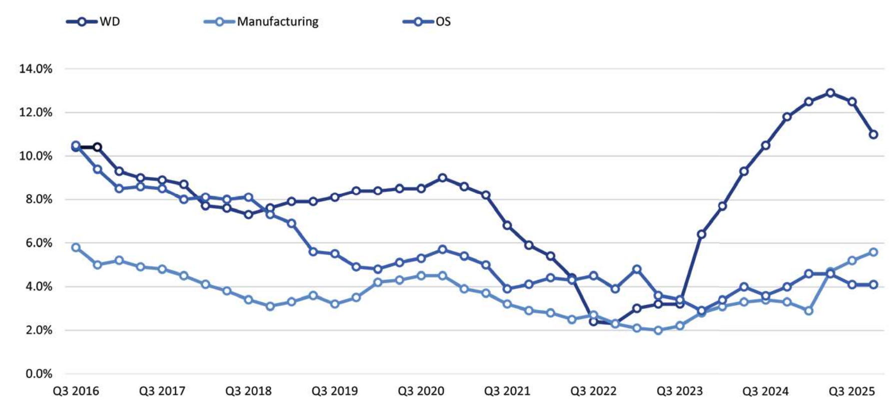
OUTLOOK

Looking ahead, the Phoenix industrial market remains well-positioned for continued strength. The region's growing semiconductor ecosystem will play a central role in sustaining long-term demand. A key highlight was Amkor's announcement of an additional $5 billion investment to expand its semiconductor packaging and testing operations, reinforcing the metro's role as a critical link in the global chip supply chain. Adding to the momentum, Phoenix hosted SEMICON West's first-ever local event, underscoring the Valley's rising influence in advanced manufacturing and technology. Combined with steady in-migration, strong employment growth, and a diversified industrial base, these factors are expected to keep Phoenix among the nation's most dynamic industrial markets heading into 2026.

Vacancy vs. Rental Rate



Vacancy by Class



Vacancy, Absorption & Leasing

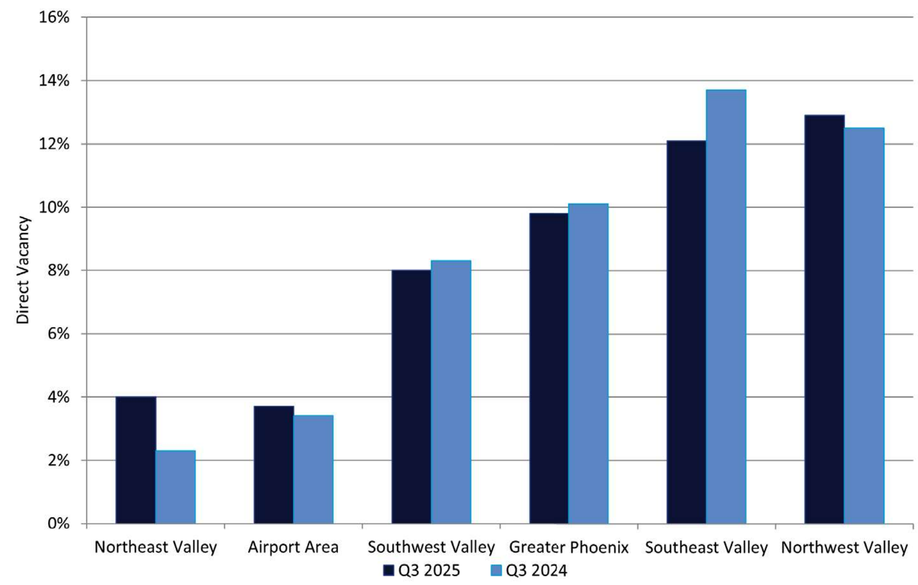
After seven straight quarters of rising vacancies through early 2025, the Phoenix industrial market has now recorded two consecutive quarters of improvement. The third quarter of 2025 saw a decline of 110 basis points from the previous quarter, bringing direct vacancy to 9.8 percent, down 30 basis points year over year.

Even as total inventory continues to expand, both direct and sublease vacancies fell, reflecting sustained leasing demand. Sublease availability ended the quarter at 7.65 million square feet, or 1.7 percent of total inventory.

Except for the Airport Area, all submarket clusters posted quarter-over-quarter vacancy declines. The Southwest Valley and Southeast Valley both improved year over year, ending at 8.0 percent and 12.1 percent, respectively. The Northwest Valley recorded the highest vacancy rate this quarter at 12.9 percent, accounting for 34.8% of the metro area's 44.8 million square feet of vacant space. In the same period last year, the Southeast Valley held that position. Vacancy among buildings under 150,000 square feet dropped to 6.8 percent.

Leasing momentum remained strong. Net absorption totaled 7.87 million square feet, up 193.7% from the previous quarter and more than 300% higher than a year earlier. Year-to-date absorption reached about 15 million square feet, a 28% gain from the same period in 2024, leaving the market only 567,225 square feet shy of last year's total.

The Northwest Valley led activity with 5.7 million square feet absorbed—73% of all quarterly demand. Large-scale buildings dominated, with 11 new direct leases exceeding 200,000 square feet, up from nine in the second quarter and four in the first. Major deals included Walmart's 1.28-million-square-foot lease at Luke Field in Glendale (7733 North Litchfield Road) and a Dollar Tree user purchase, both driving the quarter's record absorption.



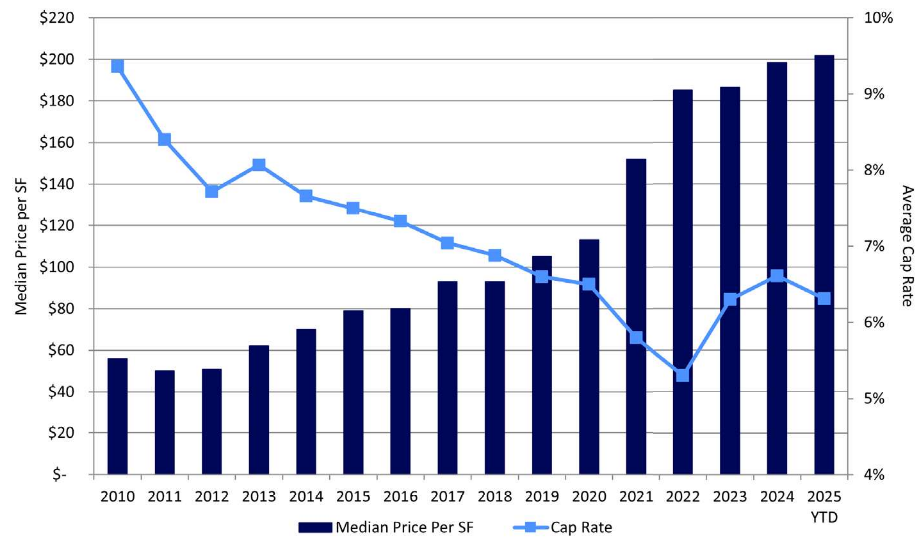
PROPERTY NAME/ADDRESS	SUBMARKET	TENANT	SIZE SF
Elwood Logistics Center - 16155 W Elwood St	Goodyear	CEVA Logistics (Sublease)	1,302,434
Luke Field - 7733 N Litchfield Rd	Glendale	Walmart	1,278,653
303 Crossroads - 8700 N Sarival Ave	Glendale	Scotts Miracle-Gro	734,800
West 202 Logistics - 700 N 55th Ave	SW N of Buckeye Rd	Peopleswork	532,713
Skybridge - S Sossaman & E Pecos Rd	Chandler N/Gilbert	Axon	500,000

Investment Trends

In the Phoenix industrial market, institutional investors continue to dominate big-box properties over 25,000 square feet, highlighting Phoenix's role as a national logistics hub even as private buyers step up. Back in 2019, institutions controlled 57% of industrial transactions, and over the past five years, private buyers have steadily closed the gap.

The sales volume rose to $1.47 billion in the third quarter, marking a significant 53.2% increase quarter-over-quarter and a 35.5% increase year-over-year. Year-to-date sales volumes reached $3.22 billion, a 34.39% increase from the first three quarters of 2024. The average price per square foot in the third quarter dropped slightly to $202, representing a modest 0.8% decrease from a year ago.

After four straight quarters of the Southeast submarket cluster leading the market in sales volume through Q2 2025, the Northwest cluster took the lead. Northwest posted a volume of $636.8 million, accounting for 43.46% of all sales in the third quarter, and an average price per square foot of $179. The successful transactions included four in Glendale, all ranking among the top five transactions by sale price. The largest sale was the Dollar Tree Distribution Center, a 1.25-million-square-foot building purchased for $147 million. All top five sales in the third quarter were Class A buildings, underscoring continued demand for high-quality industrial assets in Phoenix.



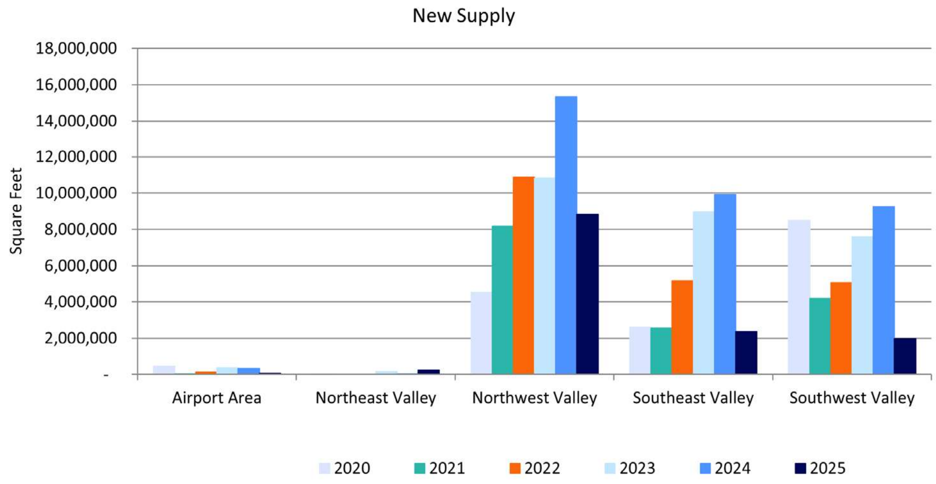
PROPERTY NAME/ADDRESS	SUBMARKET	SALE DATE	SALE PRICE	SIZE SF	SALE PRICE SF	CLASS
Park 303 Phase II - Building C **7200 N Sarival Ave**	Glendale	9/30/2025	$147,066,005	1,259,666	$116.75	A
303 Crossroads Bldg A **8900 N Sarival Ave**	Glendale	7/29/2025	$140,200,000	1,023,610	$136.97	A
Latitude 303 Building A & B **16451 W Glendale Ave**	Glendale	9/15/2025	$113,550,000	897,315	$126.54	A
Mission Business Park **104 & 105 S 84th Ave**	Tolleson	8/27/2025	$75,860,127	453,429	$167.30	A
303 Logistics Phase Two **6701 N Logistics Way**	Glendale	9/15/2025	$60,250,000	377,028	$159.80	A

CONSTRUCTION

The Phoenix industrial market's new deliveries further declined to 2.5 million square feet during the third quarter — the lowest quarterly total since Q2 2021 — bringing the year-to-date total to 13.4 million square feet. This new space represents 0.55 percent of total inventory. The Northwest submarket cluster continued to account for the largest share, representing 52.9 percent of new deliveries in the quarter and adding 1.3 million square feet. The slower pace of new completions reflects the large volume of deliveries in recent years, combined with strong absorption and sustained tenant demand. Additionally economic uncertainty and tariff-related cost pressures from earlier in the year have caused developers to move more cautiously.

The largest completion of the quarter was the Olive Logistics Center in Glendale, consisting of two buildings totaling 1,032,079 square feet, delivered 100 percent vacant. The Southwest submarket cluster added 529,503 square feet of new inventory, with Formation Park 10 in Goodyear representing the largest project completed in the area.

The level of industrial construction ticked up slightly from the prior quarter, with 11.4 million square feet currently underway. The Southeast cluster captured the largest share of activity, with 4.3 million square feet across 54 buildings under construction.

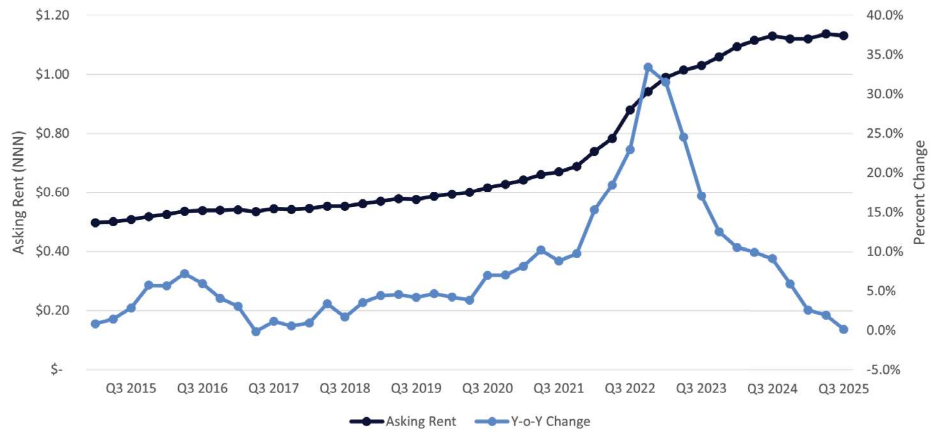


RENTAL RATES

The third quarter's average asking rent increased slightly by 0.15% year-over-year, ending at $1.13 per square foot, but showed a 0.59% decline from the previous quarter. All three product types—Warehouse/Distribution, Manufacturing, and Office Service—posted small quarter-over-quarter decreases. Despite the recent dip, industrial rental rates have climbed 28.6% over the past three years and 9.9% over the past two years, reflecting the market's strong long-term growth.

The Northeast submarket ended with the largest year-over-year increase, moving up 2.88% to $1.49 per square foot. This was followed by the Northwest submarket cluster, which increased 1.76% to $0.96 per square foot.

The Southeast submarket continued to post the largest year-over-year decrease in rental rates, dropping 4.24 percent ending at $1.24 per square foot. The Southeast cluster again posted the largest quarter-over-quarter rate decrease in the market, dropping 1.52 percent.



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

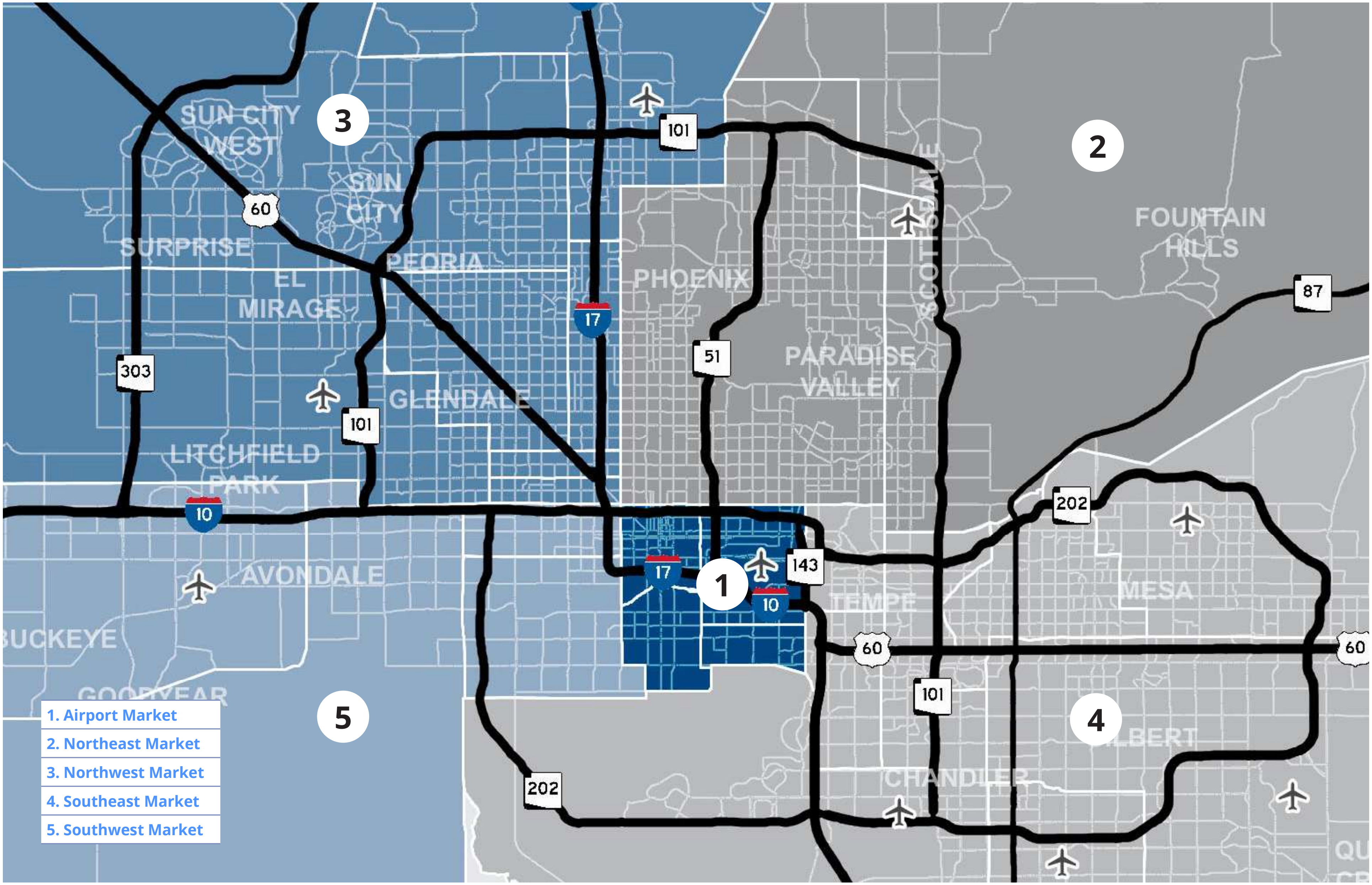
EXISTING PROPERTIES		DIRECT VACANCY		SUBLEASE AVAILABILITY		TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONSTR.	AVERAGE RENT
BUILDING CLASS	TOTAL INVENTORY SF	SF	RATE	SF	RATE	SF	Q3-25 TOTAL VACANCY	Q3-24 VACANT RATE	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
INDUSTRIAL MARKET														
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	37,250,483	1,562,075	4.2%	535,943	1.4%	2098018	5.6%	3.9%	62,681	1,274	-	67,150	1,154,387	$1.31
MF	8,268,671	194,802	2.4%	55,402	0.7%	250,204	3.0%	1.5%	(59,027)	7,119	-	-	14,290	$1.18
OS	3,692,399	57,002	1.5%	-	0.0%	57,002	1.5%	2.5%	(27,373)	(43,565)	-	-	-	$1.27
Total	**49,211,553**	**1,813,879**	**3.7%**	**591,345**	**1.2%**	**2,405,224**	**4.9%**	**4.9%**	**(23,719)**	**(35,172)**	**-**	**67,150**	**1,168,677**	**$1.23**
Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River														
WD	8,334,601	482,927	5.8%	96,572	1.2%	579,499	7.0%	2.7%	(40,056)	(63,752)	-	242,740	350,422	$1.57
MF	2,576,192	16,056	0.6%	-	0.0%	16,056	0.6%	0.0%	(16,086)	(14,838)	-	-	-	$1.47
OS	3,547,215	85,808	2.4%	12,273	0.3%	98,081	2.8%	2.9%	27,338	49,058	-	-	-	$1.41
Total	**14,458,008**	**584,791**	**4.0%**	**108,845**	**0.8%**	**693,636**	**4.8%**	**2.3%**	**(28,804)**	**(29,532)**	**-**	**242,740**	**350,422**	**$1.49**
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	96,438,320	13,335,334	13.8%	2,130,754	2.2%	15,466,088	16.0%	14.6%	5,827,957	8,219,496	1,324,830	6,066,414	3,811,857	$0.91
MF	21,081,136	2,125,486	10.1%	66,030	0.3%	2,191,516	10.4%	4.9%	(61,043)	1,466,196	-	2,749,806	-	$1.06
OS	3,790,653	147,994	3.9%	-	0.0%	147,994	3.9%	2.4%	(43,247)	(50,732)	-	-	-	$1.26
Total	**121,310,109**	**5,608,814**	**12.9%**	**2,196,784**	**1.8%**	**7,805,598**	**14.7%**	**12.5%**	**5,723,667**	**9,634,960**	**1,324,830**	**8,816,220**	**3,811,857**	**$0.96**
Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest														
WD	90,521,620	3,395,819	14.8%	1,239,699	1.4%	4,635,518	16.2%	17.1%	1,408,085	2,542,224	648,926	2,200,755	4,249,582	$1.19
MF	26,494,769	1,235,050	4.7%	299,803	1.1%	1,534,853	5.8%	4.5%	(52,524)	(178,556)	-	140,000	92,367	$1.19
OS	8,357,512	540,906	6.5%	9,250	0.1%	550,156	6.6%	6.5%	21,130	75,101	-	12,236	-	$1.34
Total	**125,373,901**	**5,171,775**	**12.1%**	**1,548,752**	**1.2%**	**6,720,527**	**13.3%**	**14.8%**	**1,376,691**	**2,438,769**	**648,926**	**2,352,991**	**4,341,949**	**$1.24**
Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleson, Southwest Outlying														
WD	130,657,116	1,190,108	8.6%	3,208,873	2.5%	4,398,981	11.0%	9.2%	1,023,131	3,468,532	529,503	1,763,907	1,756,410	$0.93
MF	12,498,257	385,678	3.1%	0	0.0%	385,678	3.1%	0.6%	(89,839)	(358,067)	-	81,779	-	$1.07
OS	2,717,213	69,710	2.6%	0	0.0%	69,710	2.6%	2.0%	(108,091)	(120,718)	-	114,630	-	$0.95
Total	**145,872,586**	**1,645,496**	**8.0%**	**3,208,873**	**2.2%**	**4,854,369**	**10.2%**	**8.3%**	**825,201**	**2,989,747**	**529,503**	**1,960,316**	**1,756,410**	**$0.97**

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.	AVERAGE RENT
BUILDING CLASS	TOTAL INVENTORY SF	SF	RATE	SF	RATE	SF	Q3-25 TOTAL VACANCY	Q3-24 VACANT RATE	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
GRAND TOTAL														
WD	363,202,140	9,966,263	11.0%	7,211,841	2.0%	7,178,104	13.0%	11.8%	8,281,798	14,167,774	2,503,259	0,340,966	1,322,658	$1.04
MF	70,919,025	3,957,072	5.6%	421,235	0.6%	4,378,307	6.2%	3.3%	(278,519)	921,854	-	2,971,585	106,657	$1.16
OS	22,104,992	901,420	4.1%	21,523	0.1%	922,943	4.2%	4.0%	(130,243)	(90,856)	-	126,866	-	$1.35
Total	**456,226,157**	**4,824,755**	**9.8%**	**7,654,599**	**1.7%**	**2,479,354**	**11.5%**	**11.7%**	**7,873,036**	**14,998,772**	**2,503,259**	**3,439,417**	**1,429,315**	**$1.13**

Quarterly Comparisons and Totals														
Q3-25	456,226,157	44,824,755	9.8%	7,654,599	1.7%	52,479,354	11.5%	11.7%	7,873,036	14,998,772	2,503,259	13,439,417	11,429,315	$1.13
Q2-25	453,112,062	49,476,566	10.9%	8,481,524	1.9%	7,958,090	12.8%	9.0%	2,681,294	6,809,053	3,568,757	10,936,158	11,288,092	$1.14
Q1-25	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
Q4-24	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
Q3-24	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

Submarket Map



Global Stats Boilerplate

Copyright

Industrial Disclaimer

Colliers' statistical tracked set for Arizona includes all single and multi-tenant industrial properties above 10,000 square feet. Heavy manufacturing and data center facilities are excluded from the total tracked inventory.

Additional Notes

Colliers' leasing activity data includes all lease types greater than 10,000 square feet, including new leases, renewals, expansions, and occasional sale-leasebacks.

$4.8B+
ANNUAL REVENUE

70
COUNTRIES WE OPERATE IN

$99B+
ASSETS UNDER MANAGEMENT

46,000
LEASE AND SALE TRANSACTIONS

2B
SQUARE FEET MANAGED

23,000
PROFESSIONALS

Number of countries includes affiliates

Market Contacts

Phillip Hernandez
Research Director
+1 602 222 5066
phillip.hernandez@colliers.com

Nicole Shih
Research Analyst
+1 602 222 5058
nicole.shih@colliers.com

Carter Cho
Research Analyst
+1 602 222 5065
carter.cho@colliers.com

Bryce Terveen
Executive Managing Director
+1 602 222 5063
bryce.terveen@colliers.com

colliers.com

2390 E Camelback Road Suite 100, Phoenix, AZ 85016