

Phoenix Industrial Market Overview

Q3 2026



Phoenix

- **Vacancy held steady within broader downward trend**, with total vacancy flattening at 9.5% in Q3 2026, still down 370 basis points year-over-year from 13.2% in Q3 2025.
- **Net absorption moderated in Q3**, recording 3.2 million s.f. amid large box supply drought while YTD total absorption reached 16.0 million s.f.
- **Asking rents rose to a new high**, with the total average rent reaching \$1.01 p.s.f. in Q3 2026, up from \$0.94 p.s.f. the prior quarter.
- **The development pipeline expanded to 20.0 million s.f.** under construction, up from 18.3 million s.f. in Q2 2026. YTD deliveries of 6.9 million s.f. show growth, but still a significant pullback from the 10.9 million s.f. delivered by this time last year.

Phoenix's industrial market saw absorption moderate in Q3 2026, with total net absorption reaching 3.2 million s.f., roughly half the pace of Q2's recorded 6.3 million s.f.. The moderation is a structural shift rather than a demand signal. Phoenix has become virtually exhausted of large-block availability, and without large-box supply to absorb, headline figures have naturally pulled back. The absorption in Q3 instead reflects a broadening of demand into mid-bay and small-bay product — where the greatest concentration of available supply remains and where higher per-square-foot rents have driven the average asking rate to a new cycle high of \$1.01 p.s.f., up from \$0.94 p.s.f. in Q2. Despite the slowdown, the year-to-date absorption climbed to 16.0 million s.f., tracking well ahead of full-year 2025's 17.0 million s.f. with one quarter remaining. Total vacancy edged up to 9.5%, though it remains significantly below the 13.2% recorded a year ago. The modest uptick reflects a wave of new deliveries entering the market as year-to-date completions reached 6.9 million s.f.

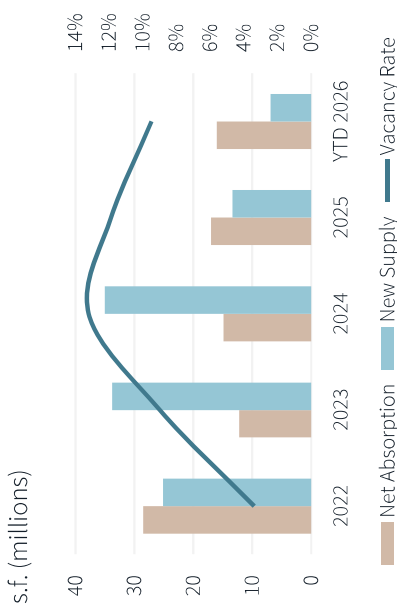
The West Valley led leasing activity in Q3, recording over five million s.f. of leasing volume and accounting for the majority of market activity. The largest transaction in the cluster was a confidential 3PL 1.15 million s.f. lease in the Northwest submarket. The Southeast Valley contributed over 3 million s.f. of leasing volume, led by Logistics Insight's 250,000-s.f. renewal, while Brinkman Construction's 204,337-s.f. new lease in the Gilbert Industrial submarket was the largest new lease in the cluster.

Outlook

We expect net absorption to trend upward through the remainder of 2026 and into 2027, supported by pre-committed large block developments coming online and a pipeline that has grown to 20.0 million s.f. under construction. Vacancy is expected to remain stable or edge upwards amid rising deliveries, depending on momentum of the mid-bay rebound while large-box space remains tight. Overall, Phoenix industrial sentiment remains constructive, with the market's manufacturing growth, nearshoring tailwinds and large-scale infrastructure investment supporting the long-term demand outlook.

Fundamentals		Forecast
YTD net absorption	16.0 million s.f.	↑
Under development	20.0 million s.f.	↑
Pre-committed	51.7%	↓
YTD deliveries	6.88 million s.f.	↑
Total vacancy	9.5%	→
Total availability	12.3%	↑
Average asking rent	\$1.01 p.s.f.	→
Concessions	Stable	→

Historical supply and demand trends





Research

Phoenix

Industrial | Q3 2026

New leasing activity report

Q3 Leasing Activity (s.f.)

7,536,079

Q3 Count of Leases

96

Avg. Size (s.f.)

78,501

Avg. First Year Rent (p.s.f.)

NNN

\$0.83

Avg. TI Allowance (p.s.f.)

\$3.19

Avg. Free Rent Months (Per Year of Term)

0.6

Avg. Term (months)

80

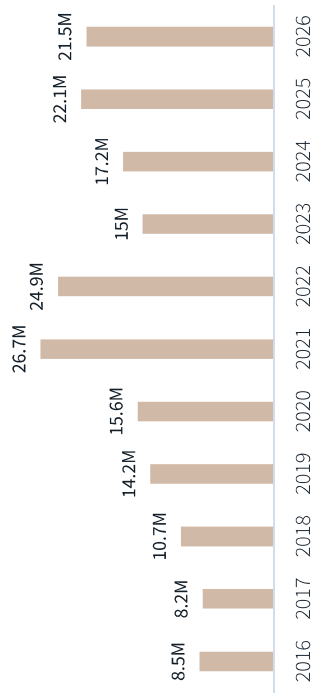
Q3 Notable Leases Signed

Tenant	Address	Submarket	Size (s.f.)	Sign date
Confidential	VT303 North - A	Northwest	1,146,518	August 2026
Atkinson Industries	Majestic 303 - Bldg 1	Northwest	391,639	August 2026
Southland Industries	Park Algodon - Bldg B	Northwest	317,077	August 2026
Data Center Storage and Logistics (DCSL)	Camelback 303 Logistics Ctr - Bldg A	Northwest	303,500	September 2026
DSV	Litchfield Palms Logistics Park - Bldg A	Southwest	251,216	September 2026
Brinkman Construction	Superstition Commerce Park - A & B	Gilbert Ind	204,337 / 188,697	September 2026
Clayco	MET 202 - Building C	Gilbert Ind	202,125	July 2026
Ewing Irrigation Products, Inc.	441 S 53rd Ave	Southwest	183,095	August 2026
Magna	Power Industrial - Bldg. 3	Gilbert Ind	175,035	September 2026
Skyward Automotive	6825 W Buckeye Rd	Southwest	174,769	August 2026

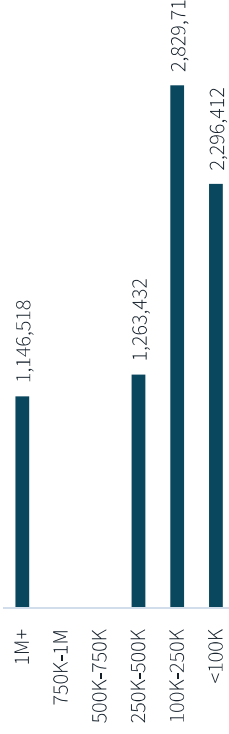
*All figures exclude subleases, extensions and renewals

*Leasing activity aggregates 10,000+ s.f. leases

Historical leasing activity (s.f.)



Q3 2026 total volume (s.f.) by size tranche



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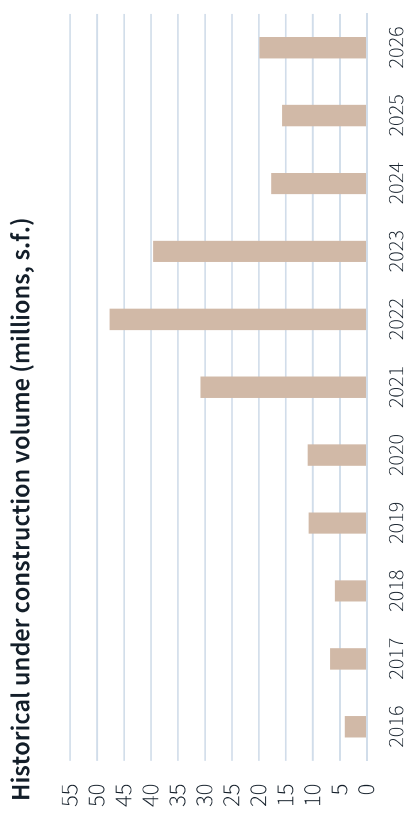
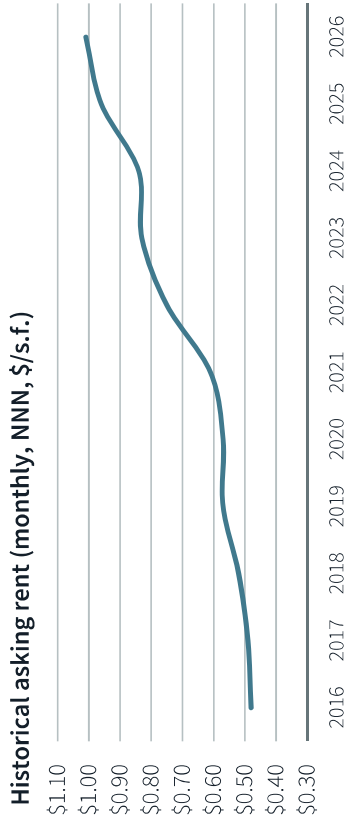
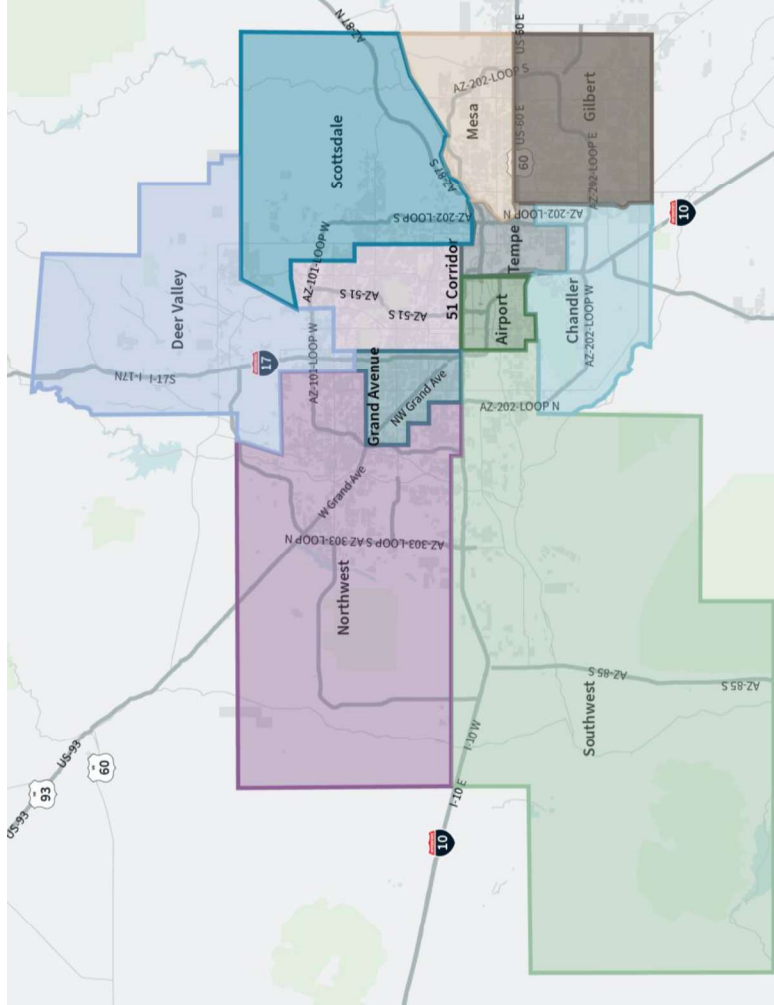


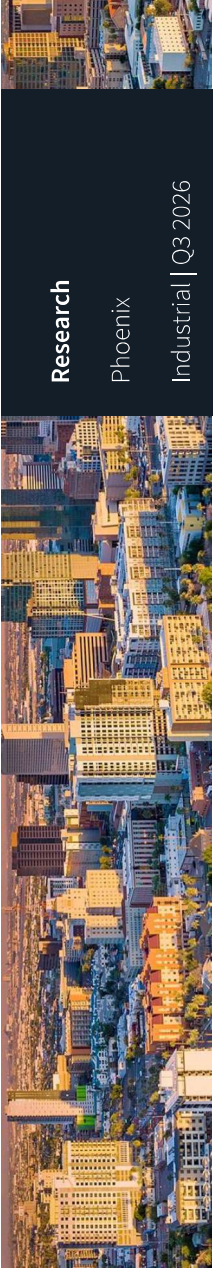
Research

Phoenix

Industrial | Q3 2026

Phoenix industrial submarkets





Research

Phoenix

Industrial | Q3 2026

Phoenix industrial statistics

	Inventory (s.f.)	Quarterly total net absorption (s.f.)	YTD total net absorption (s.f.)	YTD total net absorption (% of stock)	Total vacancy (%)	Total availability (%)	Average total asking rent (\$ p.s.f.)	Quarterly Completions (s.f.)	YTD Completions (s.f.)	Under development (s.f.)
Phoenix total	421,030,874	3,170,197	16,001,567	3.8%	9.5%	12.3%	\$1.01	3,719,422	6,877,891	19,958,876
Deer Valley	17,392,133	102,371	828,832	4.8%	7.7%	12.2%	\$0.98	155,150	193,037	4,823,768
51 Corridor	2,381,446	107,392	154,907	6.5%	2.6%	3.5%	\$1.33	0	0	0
Scottsdale	7,502,505	151,225	380,631	5.1%	6.9%	7.7%	\$1.97	0	305,375	267,051
Southeast Valley total	155,668,169	1,178,527	3,999,443	2.6%	11.5%	13.8%	\$1.11	1,473,725	3,544,093	3,828,933
Chandler Ind	22,418,059	-82,467	299,051	1.3%	5.3%	7.2%	\$1.60	144,937	247,812	179,861
Gilbert Ind	44,244,106	865,757	2,361,057	5.3%	18.3%	21.2%	\$0.94	27,240	727,681	2,667,136
Mesa Ind	13,118,785	170,573	537,794	4.1%	16.1%	18.7%	\$1.14	254,706	456,391	108,296
Tempe Ind	30,907,733	346,495	483,590	1.6%	9.7%	13.2%	\$1.41	689,109	873,677	663,613
Airport	44,979,486	-121,831	317,951	0.7%	7.7%	8.3%	\$1.04	357,733	1,238,532	210,027
West Valley total	238,086,621	1,630,682	10,637,754	4.5%	8.5%	11.7%	\$0.93	2,090,547	2,835,386	11,039,124
Grand Avenue	26,671,828	-412,751	72,545	0.3%	6.7%	8.3%	\$1.27	418,642	468,642	428,011
Northwest	65,748,365	1,467,822	7,193,147	10.9%	9.4%	11.5%	\$0.84	1,349,000	1,349,000	4,480,205
Southwest	145,666,428	575,611	3,372,062	2.3%	8.4%	12.4%	\$0.93	322,905	1,017,744	6,130,908

Market trends

Key Industrial Sector Themes in Phoenix

Q3 2026

By the numbers

421,030,874

Existing inventory (s.f.)

3,170,197

Q3 net absorption (s.f.)

3,719,422

Q3 completions (s.f.)

19,958,876

Under development (s.f.)

9.5%

Total vacancy (%)

51.7%

Pre-committed pipeline (%)

1

Absorption moderates as large-block supply stays scarce

Net absorption totaled 3.2 million s.f. in Q3, roughly half of Q2's 6.3 million s.f. pace, yet YTD absorption of 16.0 million s.f. already equals 94% of full-year 2025's 17.0 million s.f. Total vacancy edged up to 9.5% but remains 370 basis points below a year ago.

Phoenix is virtually exhausted of large-block availability, so demand is shifting toward mid-bay and small-bay space. Absorption momentum will depend on new large-box deliveries and pre-committed projects coming online.

4

Starts outpace completions as pipeline nears 20M s.f.

Under development reached 20.0 million s.f. in Q3, with 55% in the West Valley. The pre-committed share rose to 51.7% from 38.2% in Q2, reflecting occupiers committing to space ahead of delivery, or building their own projects.

YTD construction starts of 11.1 million s.f. are running well ahead of 6.9 million s.f. of completions, and four starts of 1.0 million s.f. or more, all in the West Valley, anchor the pipeline. The Southeast Valley pipeline is smaller at 3.8 million s.f.

2

Mid-bay leasing doubles, accounting for most of Q3 absorption

Mid-bay product (100,000 to 350,000 s.f.) drove the quarter, absorbing 3.0 million s.f. and 96% of Q3 net absorption. Mid-bay accounted for nearly half of Q3 new leasing with 3.7 million s.f., more than double the prior four-quarter average.

Demand kept pace with supply, as 15 new mid-bay buildings delivered 3.0 million s.f. in Q3, nearly all vacant, yet net absorption of the same size held mid-bay vacancy near 17%. With large-block availability exhausted, the rebound from the post-2021 oversupply is continuing in smaller size ranges.

5

Rents reach a new high as vacancy shifts across size tranches

Average asking rent climbed to \$1.01 p.s.f., a new cycle high and up from \$0.94 in Q2, led by the Southeast Valley at \$1.11 versus \$0.93 in the West Valley. Average first-year rent on Q3 new leases was \$0.83 NNN.

Vacancy explains the rent increases more than structural rent growth. With large-box availability down, mid-bay and small-bay space make up most of the current available space. In turn, the smaller oriented spaces demand higher rents, driving average asking rent upwards.

3

Advanced manufacturing and data center support lead 2026 new demand

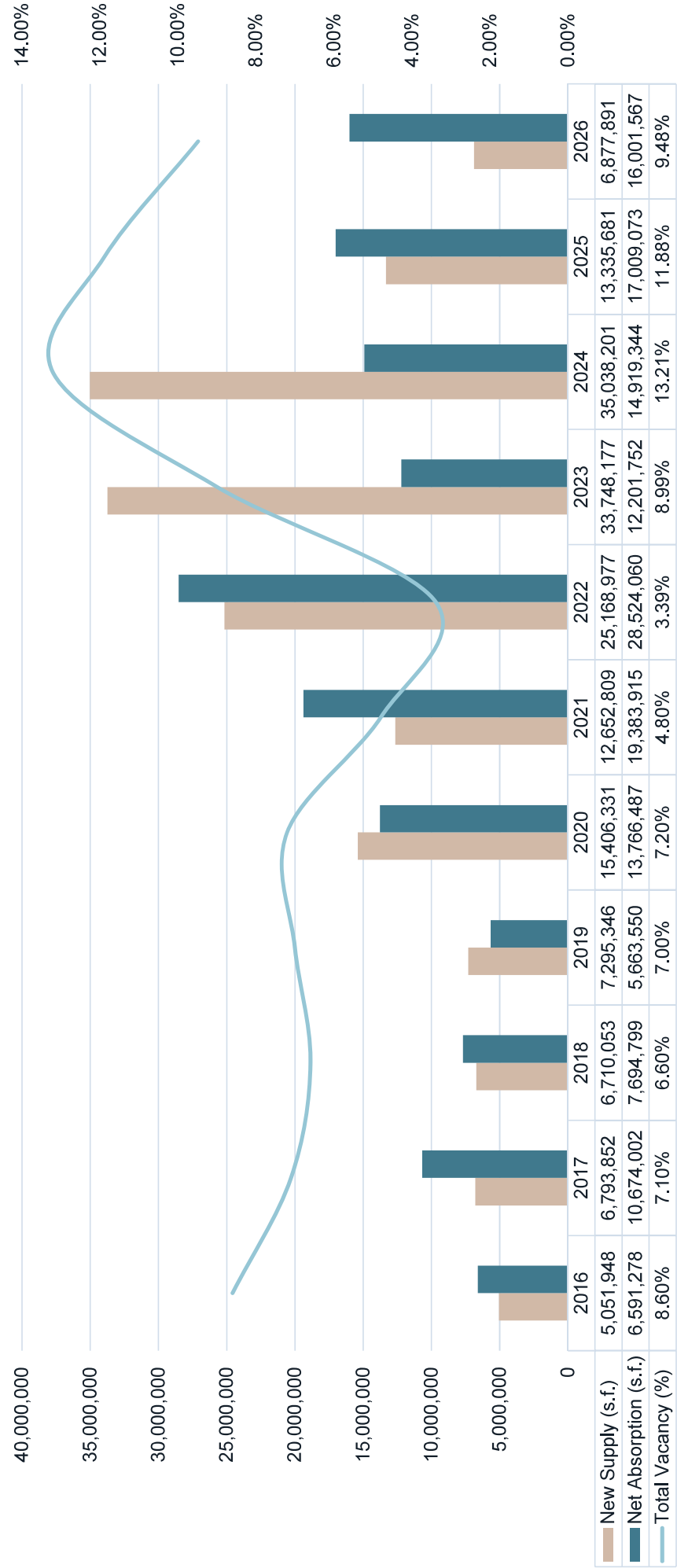
Advanced manufacturing and data center support tenants signed 96 leases totaling 15.6 million s.f. from January 2025 through September 2026, lifting their share of leased s.f. from 20% in 2025 to 47% in 2026 YTD.

The West Valley captured 74% of that activity along the 303 corridor, driven by hyperscale logistics and staging, while the Southeast Valley formed a more diffuse cluster of cooling, machining and semiconductor-supply tenants. One large 3PL alone accounts for roughly 29% of the total.

Power constraints are pulling electrical-equipment manufacturers toward the projects they supply, and the data center build-out is shifting from construction toward ongoing operations support.

Supply and demand

Phoenix metro



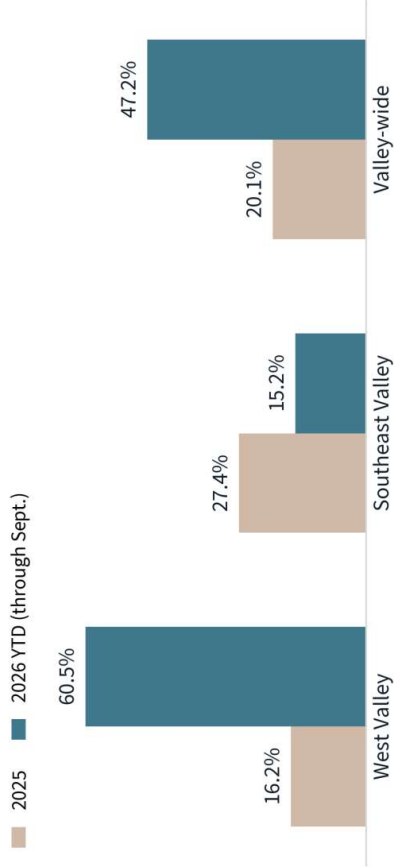
Advanced manufacturing and data center support now drives nearly half of leasing

Data center and semiconductor growth is creating industrial demand well beyond the facilities themselves, and it is accelerating: this category's share of leased s.f. has risen from 20% in 2025 to 47% in 2026 year to date. Logistics and distribution tenants account for 34% of the total, as running hyperscale sites requires constant upgrades to existing data centers and the pipeline needs construction logistics. Electrical manufacturers are locating near projects to ease the power crunch, and semiconductor support groups are following TSMC, with some buying their own facilities to secure a long-term footprint nearby.

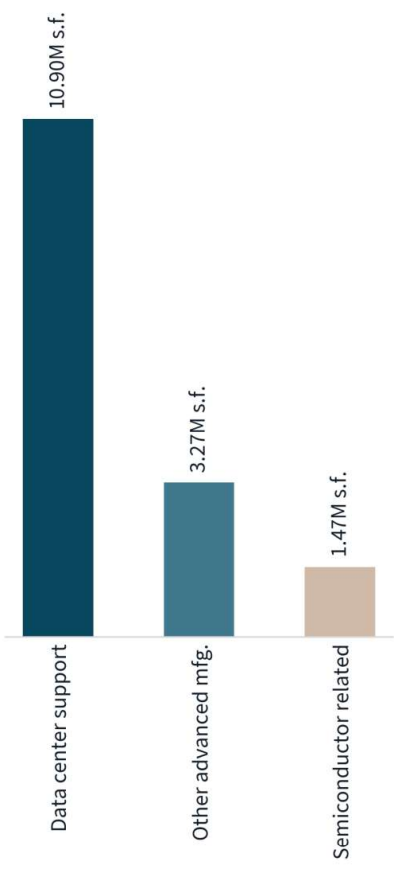
Advanced manufacturing and data center support leasing, January 2025 – September 2026



Advanced manufacturing/DC support share of leased s.f.



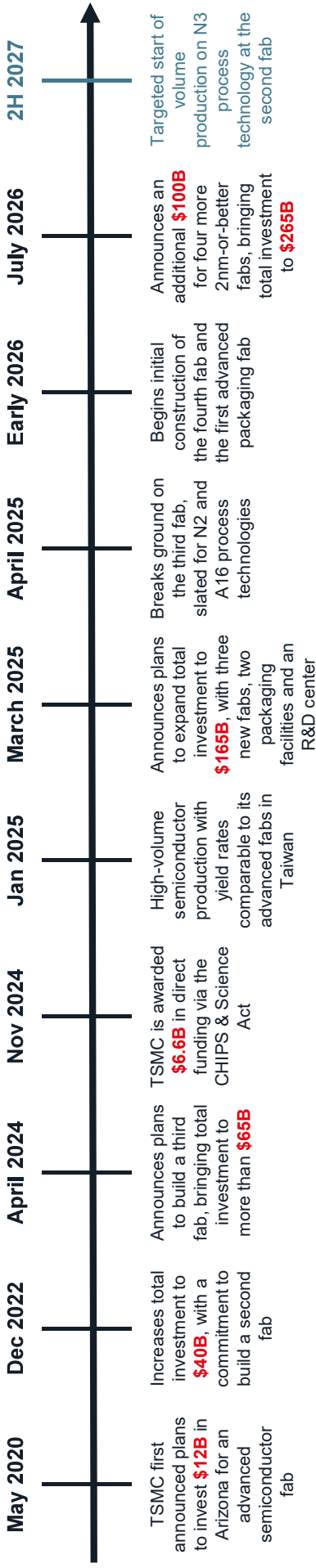
Leased s.f. by tenant classification



TSMC's \$265B Phoenix investment cements region's role in U.S. chip manufacturing

In July 2026, TSMC announced an additional \$100 billion investment in Arizona to build four more fabs using 2nm or more advanced technology, bringing its total planned investment in the state to \$265 billion. The expanded plan covers 10 fabs, two advanced packaging facilities and an R&D center, and more than 3,500 employees now support TSMC Arizona's manufacturing in Phoenix.

Project Timeline



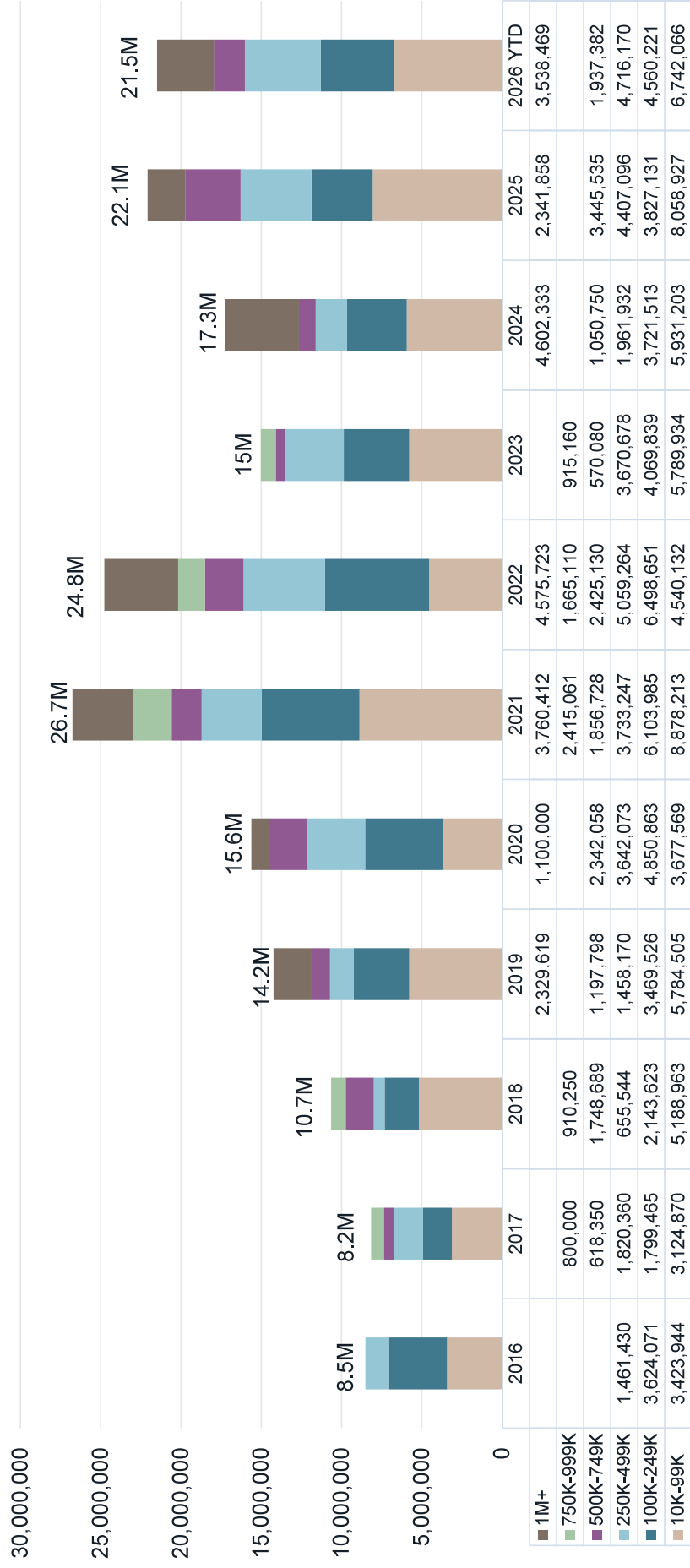
Source: JLL Research, TSMC, Arizona Commerce Authority
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Leasing activity and absorption

New leasing activity by size tranche

Phoenix metro



Source: JLL Research

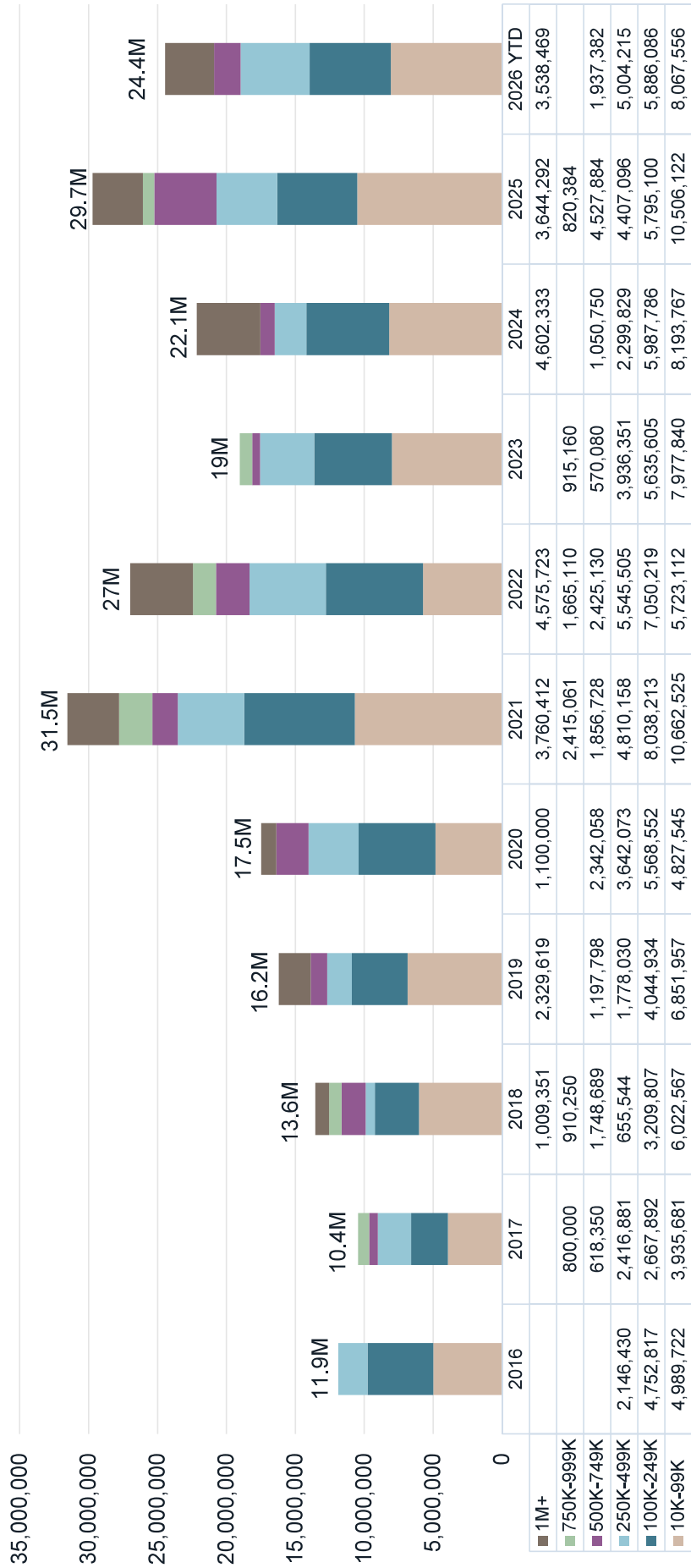
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*All figures exclude subleases, extensions and renewals
*Leasing activity aggregates 10,000+ s.f. leases



Total leasing activity by size tranche

Phoenix metro



Source: JLL Research

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*All figures include subleases, extensions and renewals
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Phoenix Demand stabilizes at a structurally higher baseline

Since the pandemic boom, Phoenix has averaged 3.7 million s.f. of quarterly net absorption—over 100% above pre-pandemic norms—despite a cooldown from the pandemic peak. This signals a fundamental shift in market activity and occupier demand, reinforcing the region's elevated position in national industrial dynamics.

Quarterly net absorption (s.f.)



Source: JLL Research
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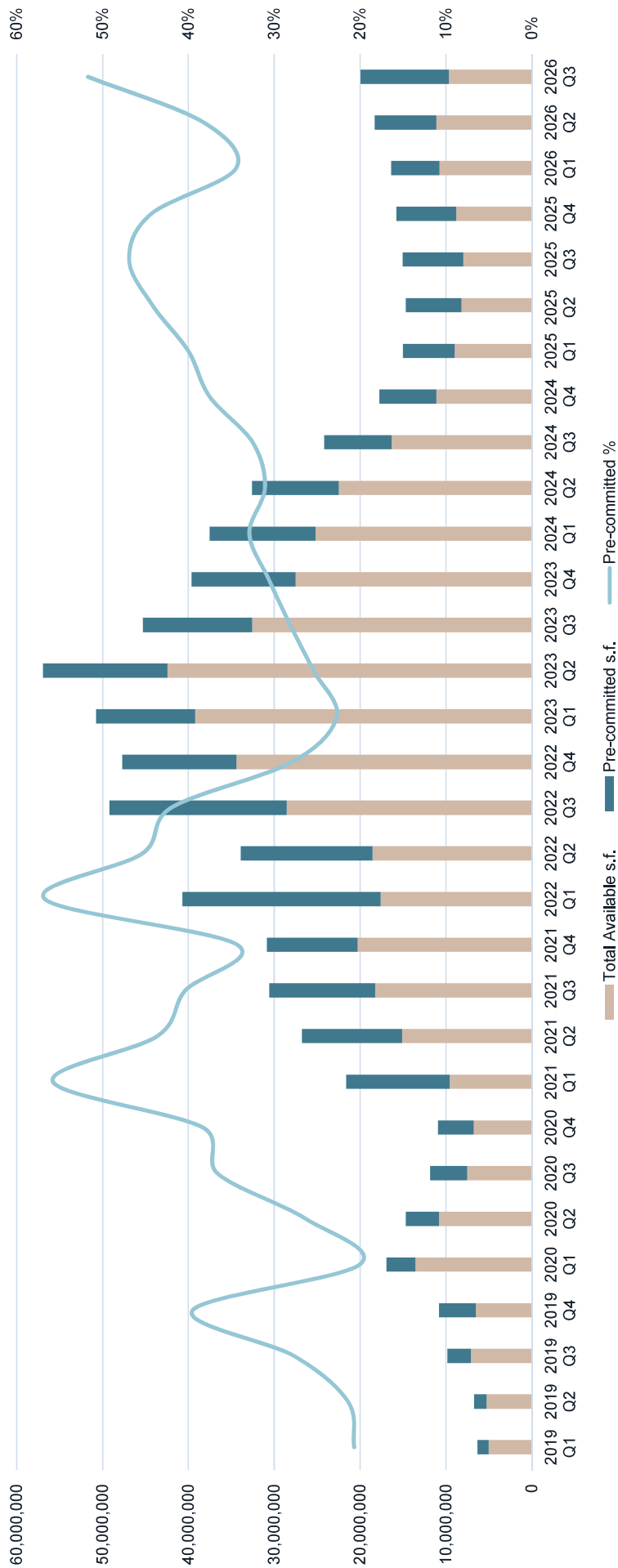


Development Pipeline

Development volume rises, signaling pipeline stabilization

The Phoenix industrial market has established a new baseline after an unprecedented construction cycle during the pandemic. Following years of record speculative deliveries, sharp declines quarter-over-quarter since 2024 brought Phoenix's development pipeline back down to pre-pandemic highs. Square footage under development has risen in Q3 2026, with the pipeline expanding to 20.0 million s.f. Pre-committed developments have risen to over 50% in Q3, reflecting recent pre-commitments to the largest spaces under construction.

Total square footage under construction

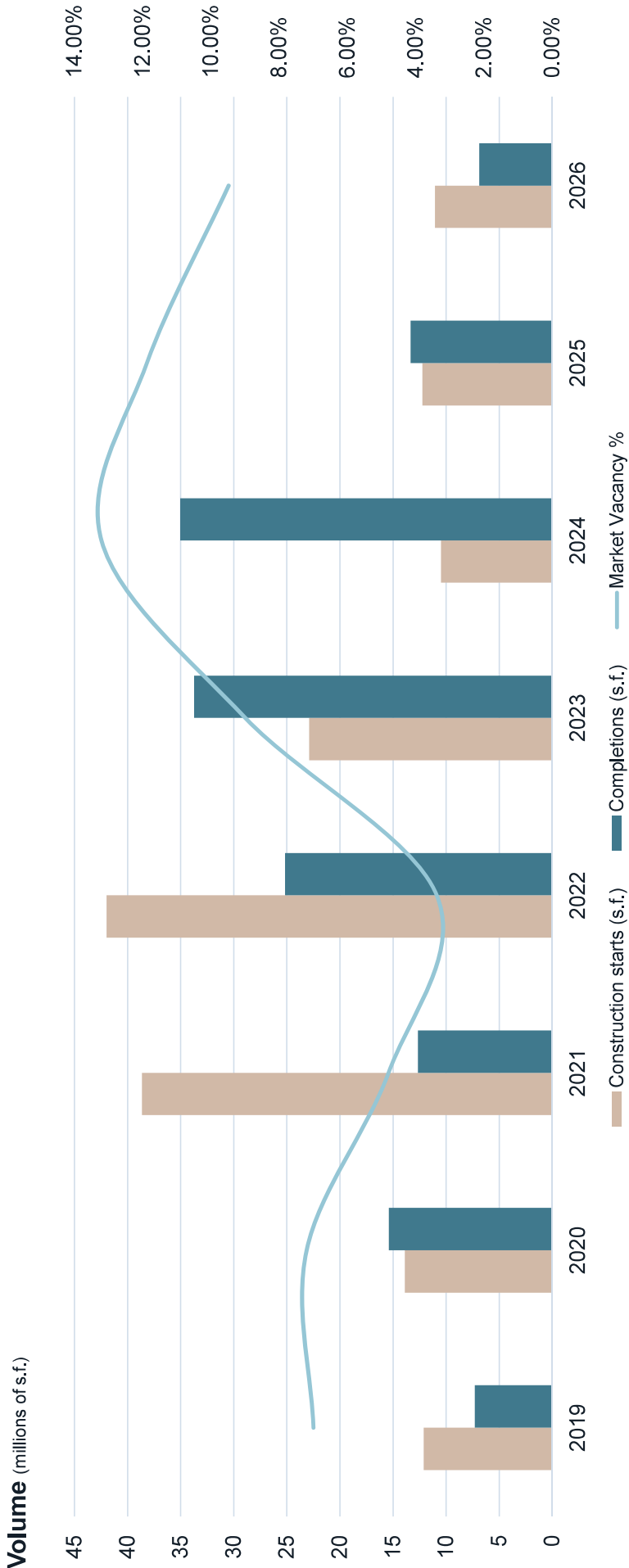


Source: JLL Research
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Supply pipeline shifts as vacancy trends down

The surge of new supply over the past two years pushed vacancy near 15%, expanding tenant options while increasing competition among landlords. But that trend shifted. Construction starts declined sharply after 2022, while completions remained elevated from projects already under construction. 2026 shows signs of yet again another reversal to pipeline growth, as starts outpace completions amid developers navigating demand for labor, higher interest rates and power shortages.

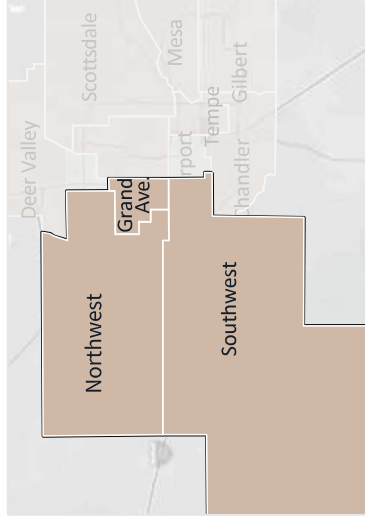


West Valley Industrial Market Dynamics

West Valley

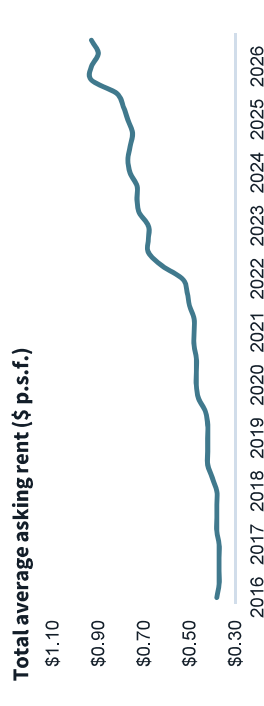
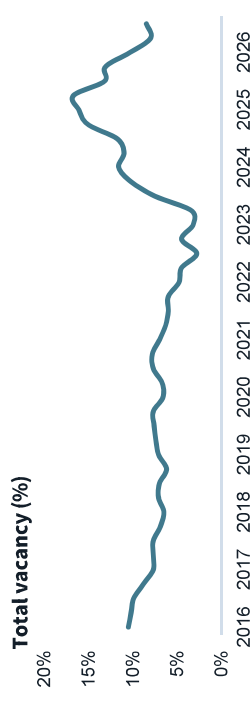
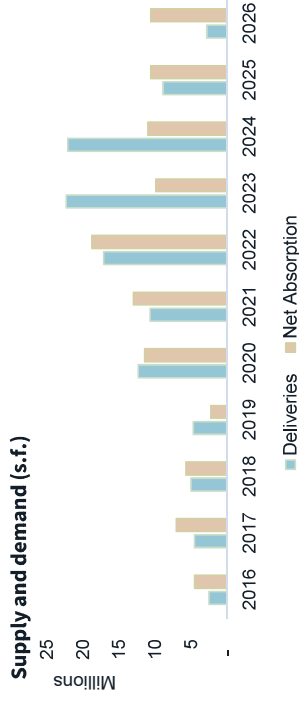
Fundamentals

Total Inventory	238,086,621 s.f.
Q3 2026 delivered	2,090,547 s.f.
Q3 2026 net absorption	1,630,682 s.f.
Under development	11,039,124 s.f.
Total vacancy	8.5 %
Average asking rent	\$0.93 NNN



Notable development activity

Status	Delivery Date	Building Name/Address	RBA (s.f.)	Owner
Under Construction	Q1 2028	Burlington	1,949,920	Burlington Coat Factory
Under Construction	Q4 2026	Northern Parkway Logistics Center - Bldg D	1,184,591	LXP Industrial Trust
Under Construction	Q4 2026	VT303 North - A	1,146,518	VanTrust
Under Construction	Q2 2027	NorthPark Logistics Center Bldg 1	1,142,071	Lovett Industrial
Under Construction	Q3 2027	Go 99 North	1,100,500	GO Industrial



West Valley

New leasing activity

Q3 Leasing Activity (s.f.)
4,590,029

Q3 Count of Leases
38

Avg. Size (s.f.)
120,790

Avg. First Year Rent
\$0.72

Avg. TI Allowance (p.s.f.)
\$3.94

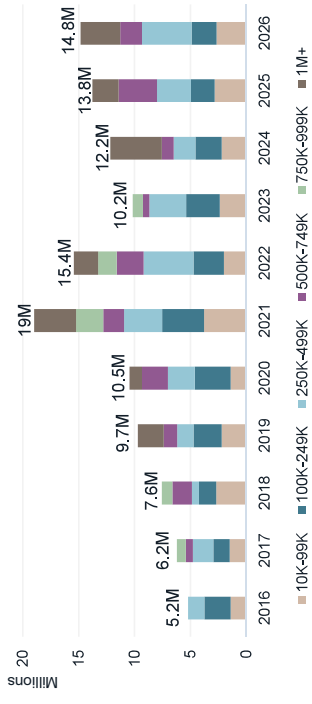
Avg. Free Rent Months (Per Year of Term)
0.7

Avg. Term (months)
83

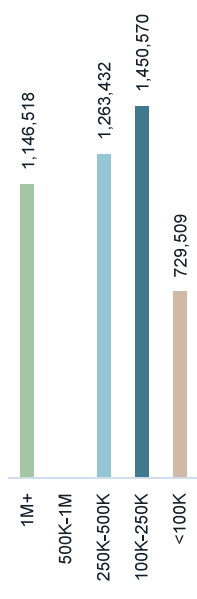
Q3 2026 notable leases

Tenant	Building name / Address	Submarket	Size (s.f.)	Sign date
Confidential	VT303 North - A	Northwest	1,146,518	August 2026
Atkinson Industries	Majestic 303 - Bldg 1	Northwest	391,639	August 2026
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Data Center Storage and Logistics (DCSL)	Camelback 303 Logistics Ctr - Bldg A	Northwest	303,500	September 2026
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Ewing Irrigation Products, Inc.	441 S 53rd Ave	Southwest	183,095	August 2026
Skyward Automotive	6825 W Buckeye Rd	Southwest	174,769	August 2026
DPR Construction	Papago Commerce Center - Bldg B	Southwest	166,171	September 2026
DPR Construction	Papago Commerce Center - Bldg A	Southwest	156,734	September 2026
Big B Crane & Rigging Inc.	4932 W Colter St	Grand Avenue	152,402	September 2026

Historical total leasing activity (s.f.)

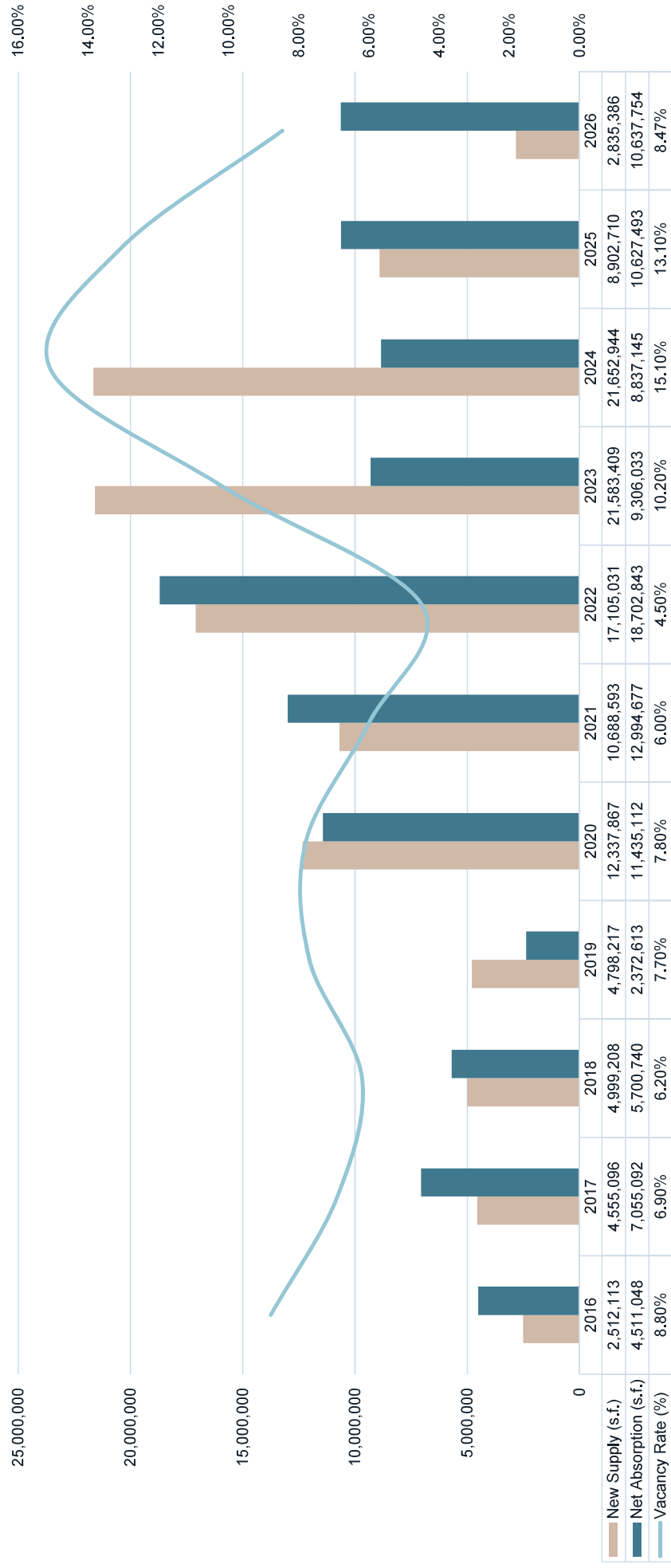


Q3 Total volume (s.f.) by size tranche



Supply and demand

West Valley



Source: JLL Research
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Southeast Valley Industrial Market Dynamics

Southeast Valley

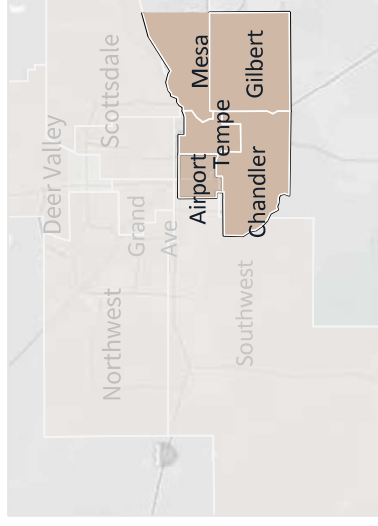
Fundamentals

Total Inventory	155,668,169 s.f.
Q3 2026 delivered	1,473,725 s.f.
Q3 2026 net absorption	1,178,527 s.f.
Under development	3,828,933 s.f.
Total vacancy	11.5%
Average asking rent	\$1.11 NNN

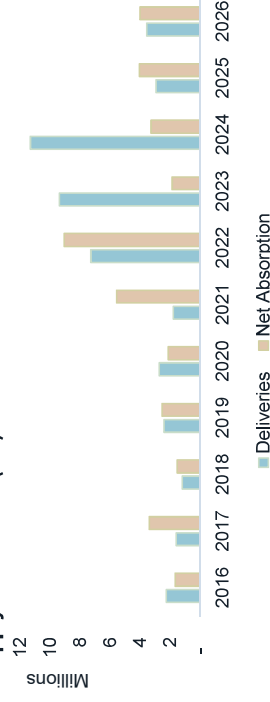
Notable development activity

Status	Delivery Date	Building Name/Address	RBA (s.f.)	Owner
Under Construction	Q4 2026	LG Energy Solutions Battery Plant - Phase I	1,273,231	LG Energy Solution
Under Construction	Q2 2027	Tempe Exchange - Bld 1	249,874	Panattoni Development Company
Under Construction	Q2 2027	Tempe Exchange - Bld 2	199,675	Panattoni Development Company
Under Construction	Q4 2026	Chandler Innovation Center - Bldg 3	189,167	DPC Companies
Under Construction	Q1 2027	Interstate Airpark	135,950	Desert Viking Distribution, Inc.

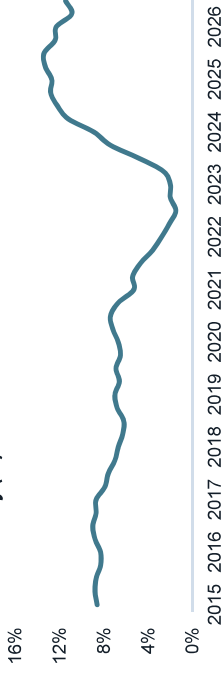
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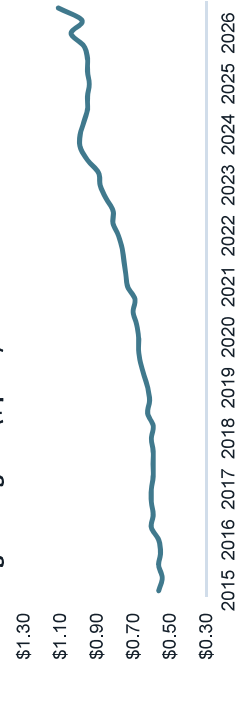
Supply and demand (s.f.)



Total vacancy (%)



Total average asking rent (\$ p.s.f.)



Southeast Valley

New leasing activity

Q3 New Leasing Activity (s.f.)
2,494,277

Q3 Count of Leases
49

Avg. Size (s.f.)
50,904

Avg. First Year Rent
\$1.00

Avg. TI Allowance (p.s.f.)
\$1.98

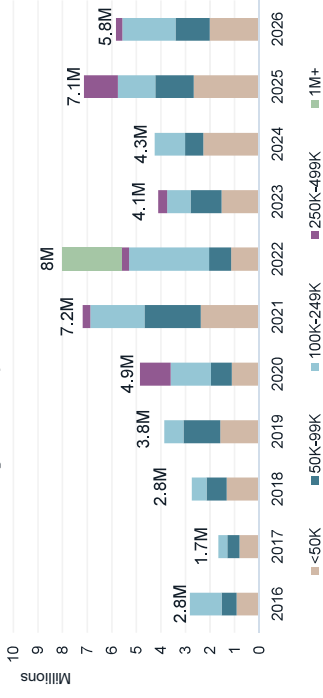
Avg. Free Rent Months (Per Year of Term)
0.5

Avg. Term (months)
78

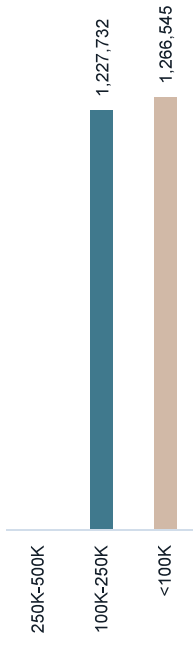
Q3 2026 Notable leases

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Clayco	MET 202 - Building C	Gilbert Ind	202,125	July 2026
Magna	Power Industrial - Bldg. 3	Gilbert Ind	175,035	September 2026
Sunland Asphalt Inc	2402 S 15th Ave	Airport	144,393	August 2026
Zoox	Sky Harbor Commerce Park - Bldg 1	Airport	108,757	September 2026
Clair Global	4135 E Cotton Center Blvd	Airport	102,747	July 2026
The Team Companies	Kovach Building	Tempe Ind	101,641	July 2026
NXG Strategies	Warner Commerce Center - Bldg A	Tempe Ind	98,500	July 2026
DPR Construction	Source Business Center	Tempe Ind	95,875	August 2026
OEG	Queens Crossing - Bldg A	Gilbert Ind	94,072	August 2026

Historical leasing activity (s.f.)

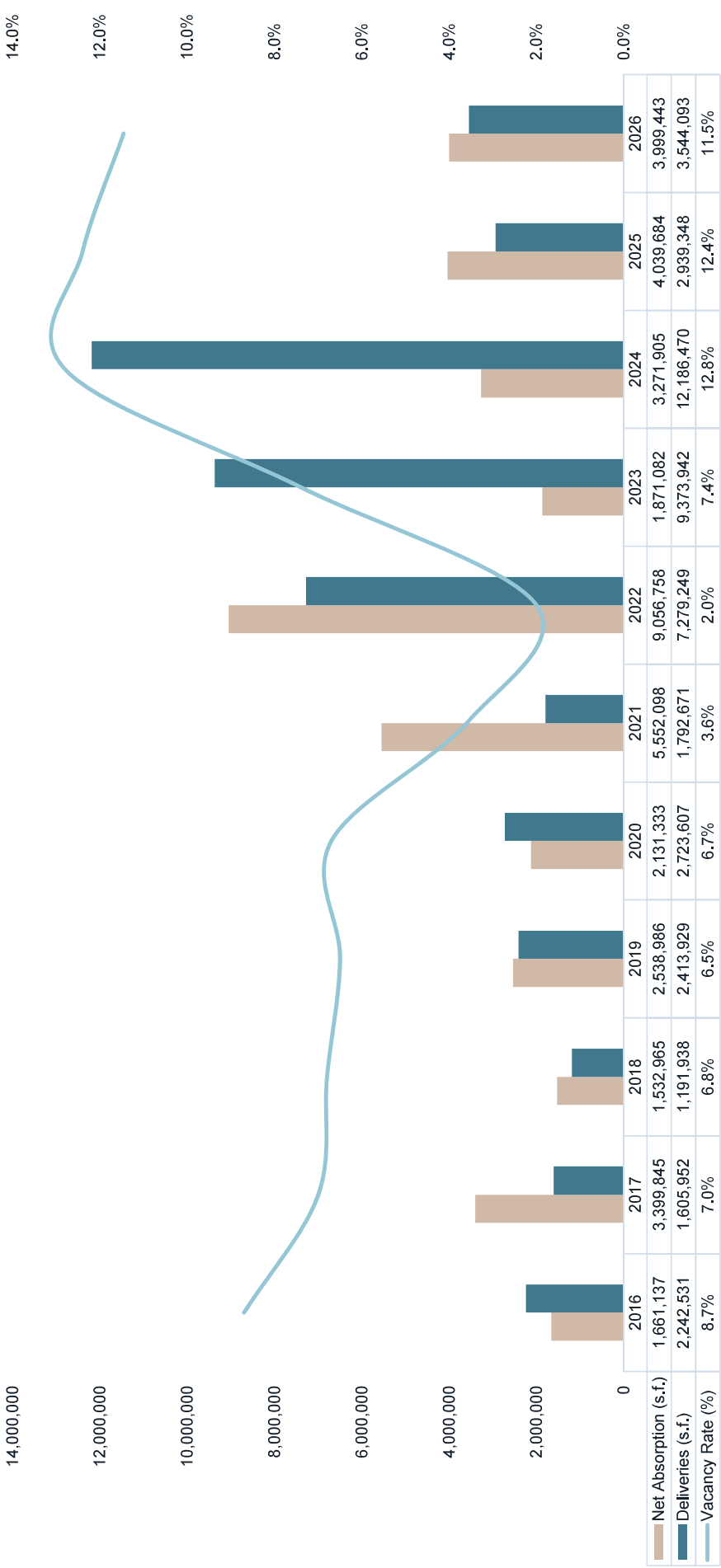


Q3 Total volume (s.f.) by size tranche



Supply and demand

Southeast Valley



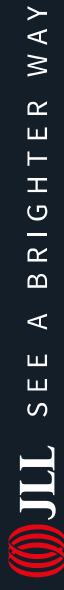
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Thank you

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