



# Phoenix industrial market report

Q2 2024

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**AVISON  
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# Phoenix industrial market trends

## 11.5m

**Deliveries (sf)**

The Phoenix industrial market continues to deliver new inventory at record levels, but the pipeline is starting to slow down as many projects under construction are nearing completion. By the end of Q2 2024, 11.5 million square feet were added to the market, with an additional 30.6 million square feet still in the pipeline. Significant development is occurring in the Northwest, Southeast, and Southwest submarkets. Notably, the Northwest submarket alone delivered 5.5 million square feet in Q2, with 16.1 million square feet currently under construction.

## 6.5m

**Net absorption (sf)**

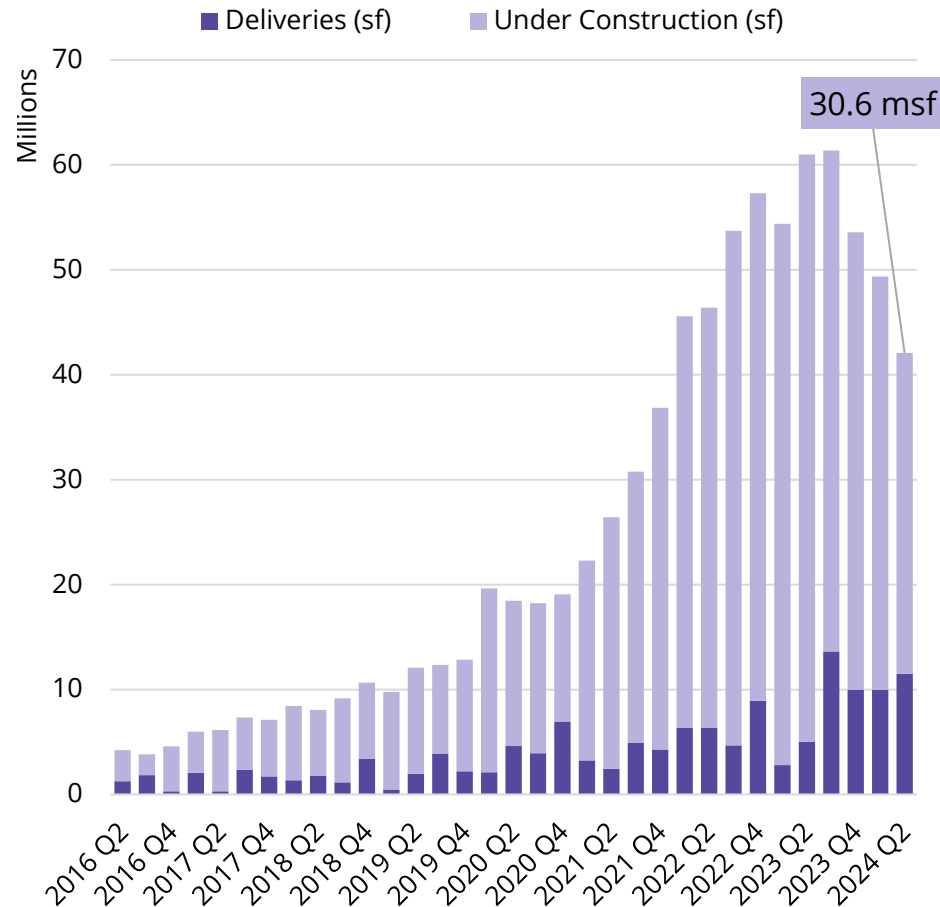
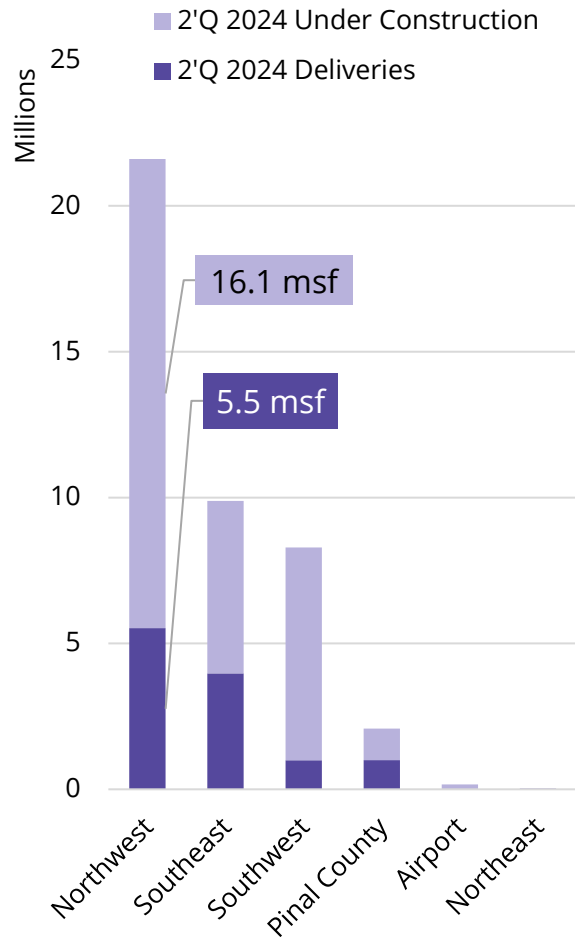
The Phoenix industrial market continues to demonstrate strong performance in Q2 2024, with direct absorption reaching 6,875,763 square feet. This notable positive absorption highlights the market's strength and ongoing demand for industrial space, even amid inventory growth. The market's capacity to absorb substantial amounts of newly constructed space will be muted with more deliveries, but the overall market health and occupier demand set the stage for strong results in the foreseeable future.

## 11.9%

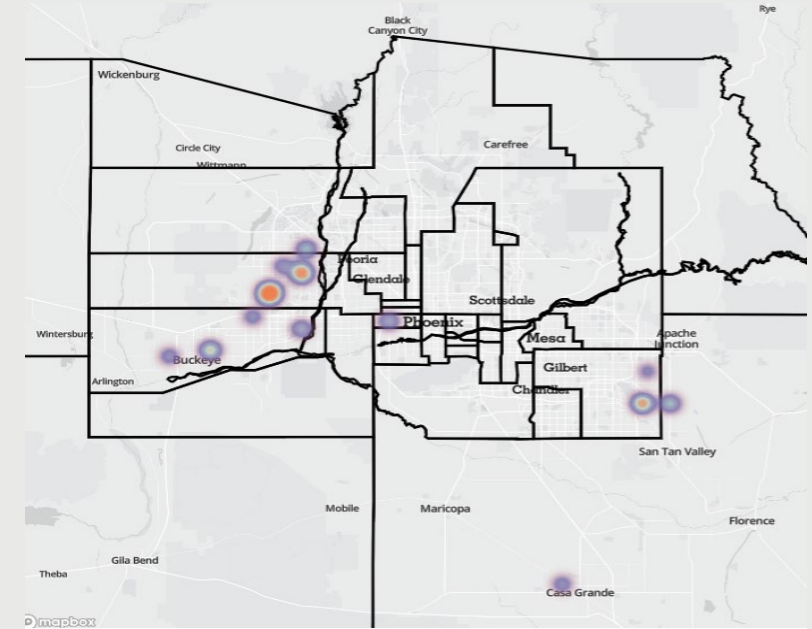
**Total vacancy (%)**

The Phoenix industrial market has an 11.9% vacancy rate, up from pre-pandemic levels primarily as a result of new deliveries. In Q2 2024, there was a gap of 400 basis points between vacant and available space. This is a significant change from Q2 2020 when the gap was 170 basis points, highlighting the impact of new developments. With many construction projects nearing completion and new starts reducing, the market's vacancy rates should stabilize soon and begin to trend lower.

# Phoenix industrial development (sf)

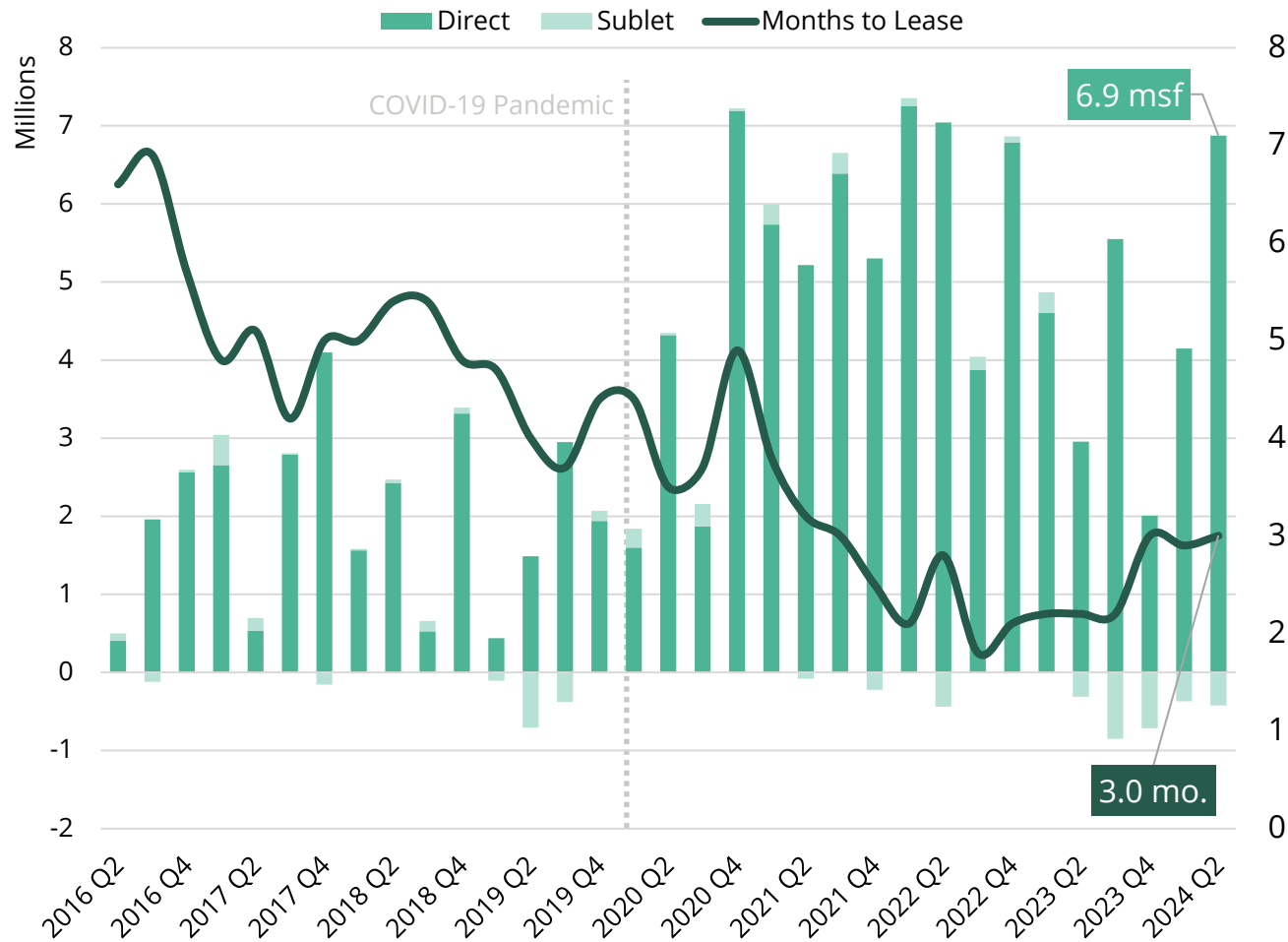


## Robust Development Activity



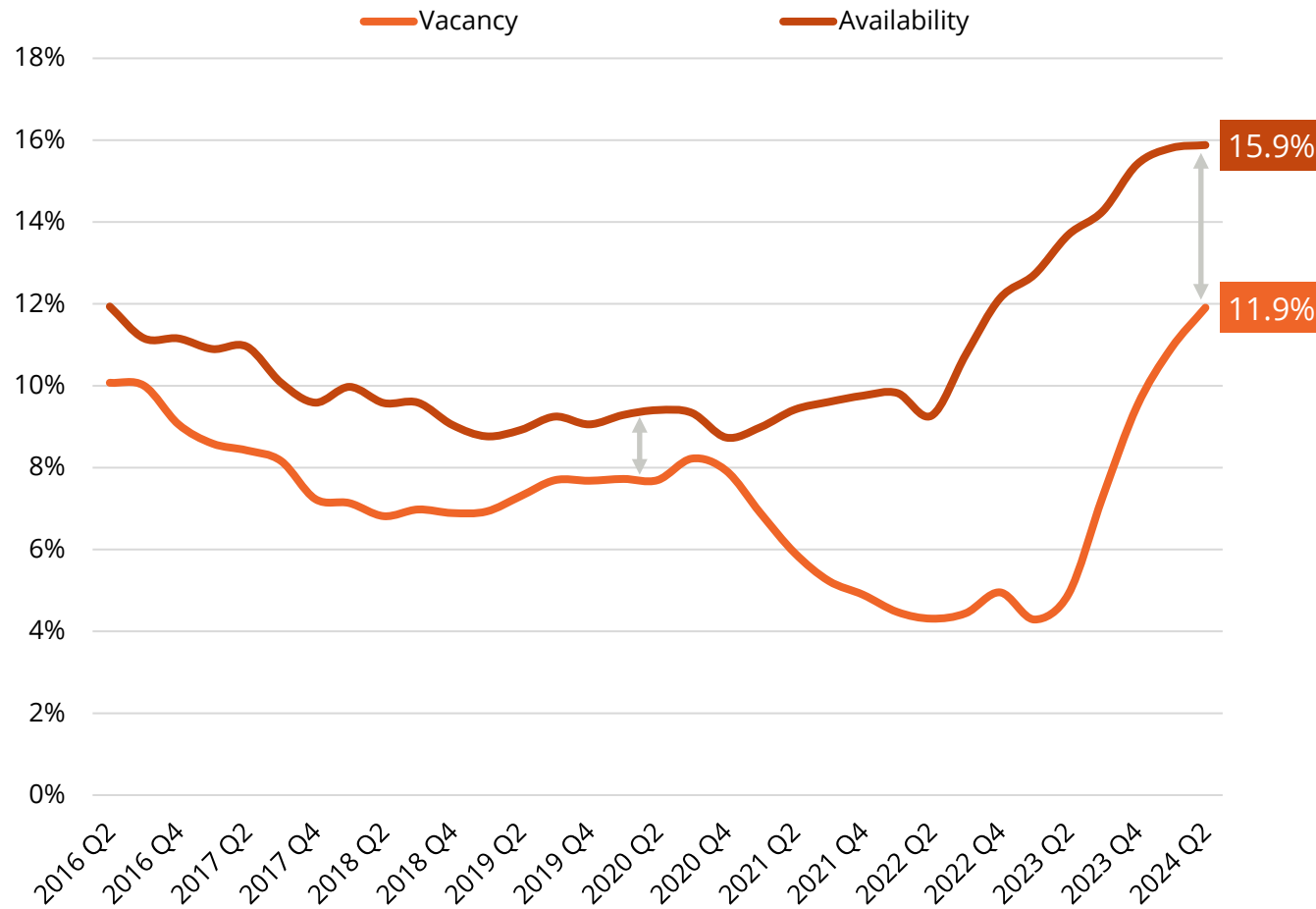
The Phoenix industrial market continues new development, but new construction starts have tapered. In Q2 2024, 11.5 million square feet of new inventory hit the market, half of which is in the Northwest region.

# Phoenix industrial absorption (sf)



Despite high levels of new deliveries, the market's ability to absorb significant amounts of space indicate its strong fundamentals and continued demand. Further, the average time to lease industrial space in Q2 2024 dropped to 3 months, a 36% decrease from Q1 2019, underscoring the market's vitality.

# Phoenix industrial vacancy rates (%)



\*Availability rates differ from vacancy rates due to space being listed as available before the current leases' expiration and the pre-leasing of unreleased space.

From Q4 2020 to Q2 2024, there has been a significant gap between vacant and available space. Phoenix's rapid growth as a key industrial market has created a 400-basis point difference between currently vacant space and anticipated available space. As pre-leasing slows, vacancy rates are expected to continue climbing in the short term until new deliveries hit the market and are absorbed, and new starts slow down.

# Appendix



# Phoenix industrial market activity

## Q2 2024 – Top leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
USPS	12250 W Corporate Dr	Goodyear	April 2024	450,260	New Lease	Direct
Magna Steyr	SEC Power Rd & Pecos Rd	Chandler N/ Gilbert	April 2024	229,876	New Lease	Direct
BP Castrol	NEC Litchfield Rd & Desert Cove Rd	Glendale	June 2024	168,000	New Lease	Direct
ECC	4224 S Sossaman Rd	Chandler N/Gilbert	June 2024	102,024	New Lease	Direct
LUCID	1108 W Gila Bend Hwy	Pinal County	June 2024	95,520	New Lease	Direct

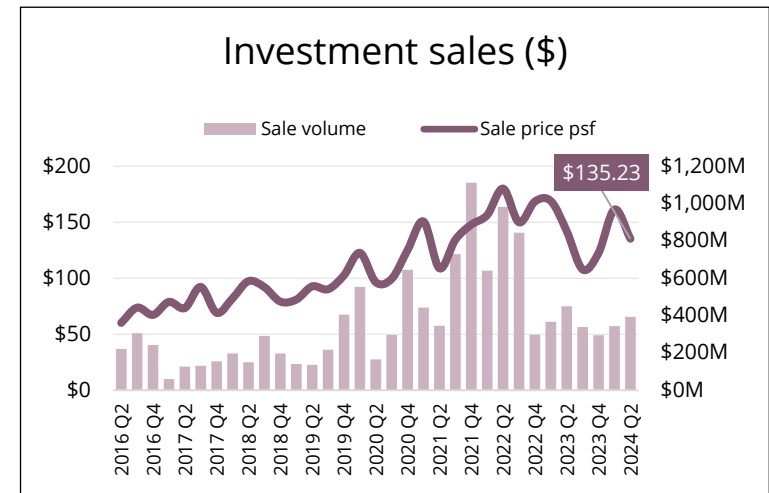
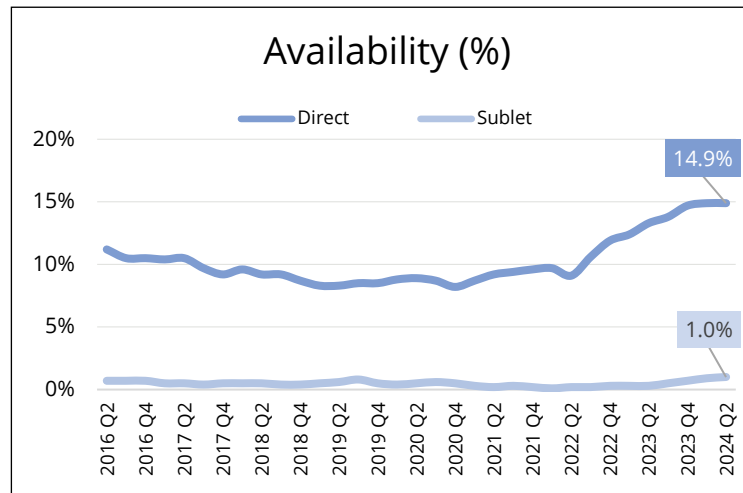
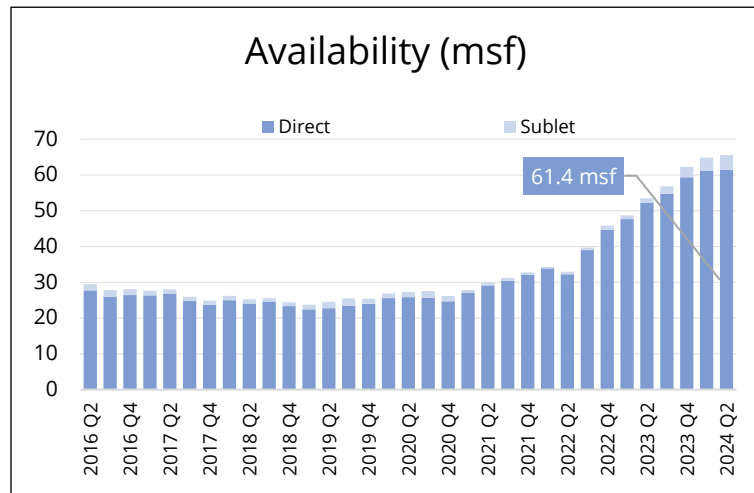
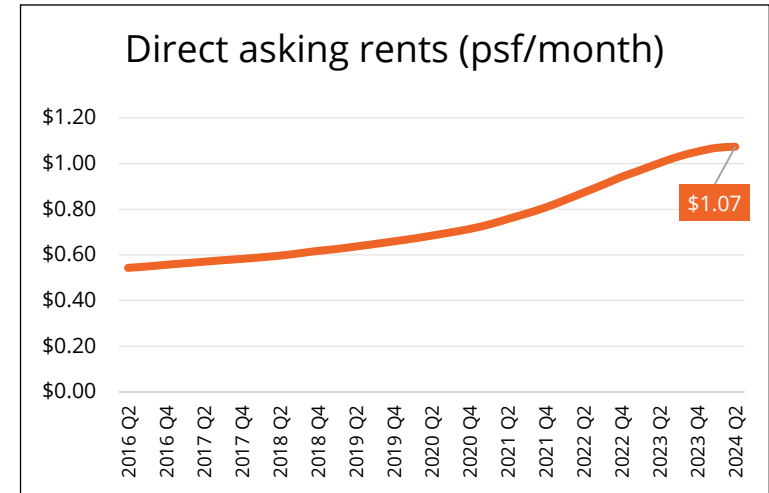
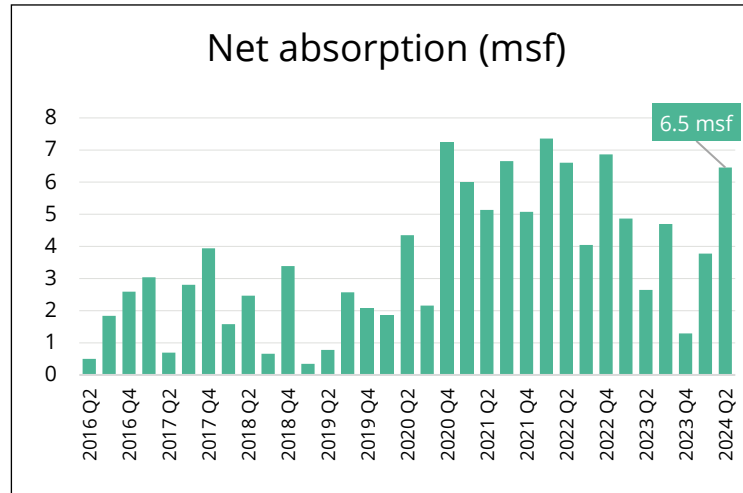
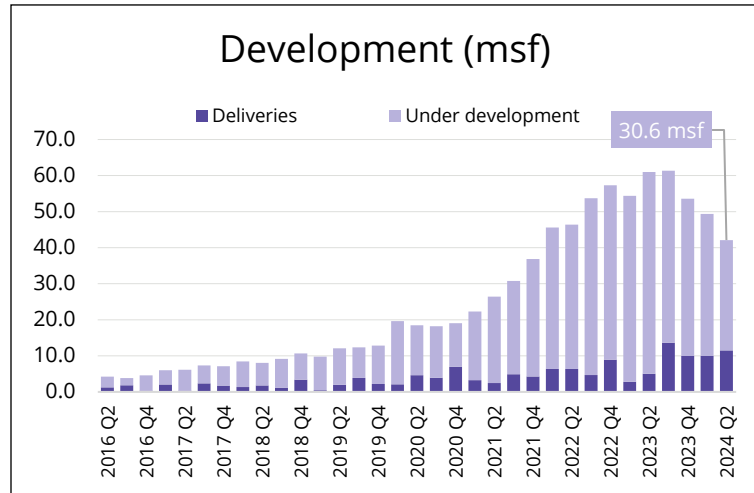
## Q2 2024 – Top investment sales activity

Buyer	Address	Sale date	Building size (sf)	Sale price	Sale price psf	Seller
EQT Exeter	440 N 215 <sup>th</sup> Ave – Gateway I-10	April 2024	641,906	\$60,100,000	\$93.63	BET Investments Inc.
MDH Partners, LLC	4625 N 45 <sup>th</sup> Ave – Freeport Logistics	April 2024	244,673	\$30,700,000	\$125.47	Prologis, Inc.
ViaWest Group	1002 S 54 <sup>th</sup> Ave	May 2024	94,186	\$16,500,000	\$175.19	Stos Partners
RGA ReCap Incorporated	1495 E Baseline Rd – Gilbert Distribution Center	May 2024	109,510	\$16,000,000	\$146.11	Dalfen Industrial
Siham B Tigoudar	9315 N El Mirage Rd	June 2024	52,300	\$10,311,883	\$197.17	Alexander Catucci

## Top projects under development

Project Name   Address	Submarket	Delivery date	Building size sf	% Preleased	Developer
Ross Stores   23499 W Southern Ave	Goodyear	September 2024	1,600,000	N/A – Owner occupied	McShane Construction Company
Luke Field   SEC Litchfield & Northern Ave – Building C	Glendale	November 2024	1,278,653	0%	LPC Desert West
C 303   5501 N Cotton Ln – Building C	Glendale	August 2024	958,847	0%	Merit Partners, Inc.
Luke Field   SEC Litchfield Rd & Northern Ave – Building A	Glendale	January 2025	695,750	0%	LPC Desert West
Olive Logistics Center   NE Corner of W Olive Ave & N Cotton Ln – Building 1	Glendale	March 2025	611,200	0%	Logistics Property Co

# Phoenix industrial market indicators



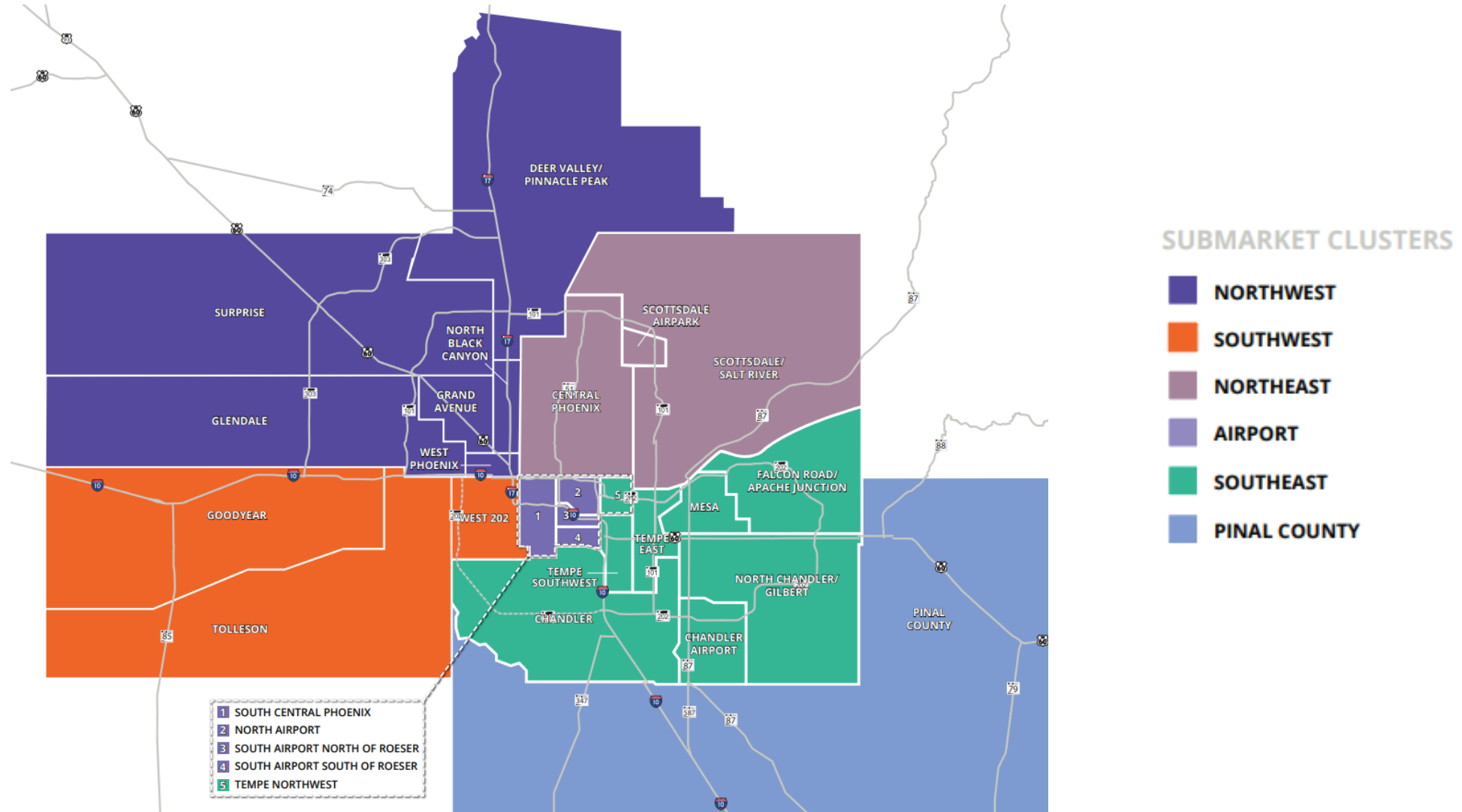


# Phoenix industrial market stats

	Existing inventory sf	Deliveries sf (Q2)	Under development sf	Direct vacancy	Sublet vacancy	Total vacancy	Change in vacancy (Q/Q)	Net absorption sf (Q2)	Net absorption % of inventory (Q2)	Monthly direct asking rent psf NNN
Airport Industrial	39,116,126	0	169,062	4.1%	1.1%	5.2%	-10bps	9,481	0.02%	\$1.17
Northeast Phoenix	7,216,291	0	45,047	2.0%	0.2%	2.3%	+20bps	(9,993)	-0.14%	\$1..72
Northwest Phoenix	89,131,418	5,524,211	16,081,795	15.5%	0.9%	16.4%	+50bps	4,183,436	4.69%	\$1.06
Pinal County	11,282,127	1,000,000	1,084,453	4.4%	0%	4.4%	+20bps	937,719	8.31%	\$1.04
Southeast Phoenix	98,907,436	3,972,120	5,913,493	14.6%	0.3%	15.0%	+270bps	872,419	0.88%	\$1.28
Southwest Phoenix	135,842,317	994,983	7,296,558	8.7%	1.1%	9.8%	+30bps	460,092	0.34%	\$0.88
<b>Market total</b>	<b>381,495,715</b>	<b>11,491,314</b>	<b>30,590,408</b>	<b>11.1%</b>	<b>0.8%</b>	<b>11.9%</b>	<b>+100bps</b>	<b>6,453,154</b>	<b>1.69%</b>	<b>\$1.07</b>

Note: Availability rates differ from vacancy rates due to space being listed as available before the current leases' expiration and the pre-leasing of unreleased space.

# Phoenix industrial submarket map



# Industrial insights glossary of terms

## Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

## Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

## Industrial rents and concessions

- **Triple net rents:** tenant is responsible for paying rent, utilities, taxes, operating expenses and common area maintenance
- **Asking rents:** pricing guidance provided by landlords to tenants for available space expressed as triple net (NNN)
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases, expressed as triple net (NNN)
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of an industrial suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions expressed as full service (FS)

## Property subtypes

- **Distribution:** properties used primarily to ship goods with higher proportions of dock doors and taller clear heights
- **General Warehouse:** properties used to store goods and materials
- **Manufacturing:** properties where goods are produced and assembled with heavier power and stronger floor loads for equipment

## Capital markets

- **Investment volume:** industrial sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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**Mark Seale**

Principal, Market Leader,  
Director of Brokerage Services  
+1 480 423 7909  
Mark.Seale@avisonyoung.com

**Kevin Helland**

Sr. Vice President  
  
+1 480423 7942  
Kevin.Helland@avisonyoung.com

**Giovanna Abraham**

Analyst  
Market Intelligence  
+1 929 270 0155  
Giovanna.Abraham@avisonyoung.com