

# Q4 2023

## PHOENIX INDUSTRIAL REPORT



### RECORD CONSTRUCTION DELIVERIES ELEVATE OVERALL VACANCY

The Phoenix Industrial Market remains the top producing sector in the city's real estate market. In 2023, Metro Phoenix witnessed unprecedented construction activity, with a record 39.5 million square feet of new developments delivered. This surge in construction contributed to an elevated overall vacancy rate of 7.9%, reminiscent of pre-pandemic levels. Rental rates showed no movement and ended the year at \$1.04 a square foot and look to hold steady in the new year.

Metro Phoenix delivered a record 39.5 million square feet of new construction in 2023 representing a 10% increase in total inventory. This is the largest amount of product ever delivered in a year in Greater Phoenix. At the close of the year, there were 21.4 million square feet of speculative development and 7 million square feet of user/BTS buildings still under construction. Increased interest rates continue to slow development activity and dampen the pace of new projects, which will help prevent an over-build condition.

User demand continues to fuel the market, evidenced by several substantial lease agreements in the fourth quarter. The top three leases during this period were secured in recently constructed speculative buildings. The most substantial transaction in Q4 involved Saddle Creek Logistics leasing 570,080 square feet at the Cubes in Glendale. Following closely, Parts Town secured a lease for 420,536 square feet at the under-construction Camelback 303, and SunMed leased 326,018 square feet at Phase II of Falcon Park 303 in Glendale.

Although sales volume is moderating from the exceptionally strong pace observed in 2021 and 2022, the Phoenix industrial sector

sustained its momentum better than other primary property types in the previous year. Approximately \$2.2 billion worth of industrial assets exchanged hands in 2023, indicating a 50% decrease from the levels seen in 2022.

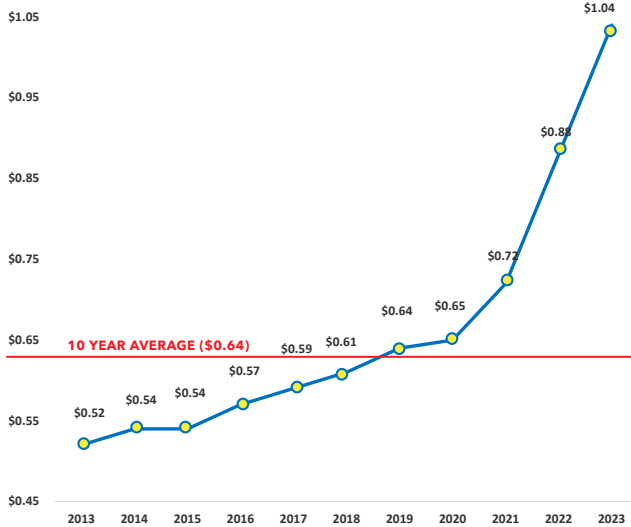
Despite the uncertainty in the United States economy, the Phoenix Industrial Market is poised for yet another exceptional year. Phoenix consistently stands out as one of the top industrial markets nationwide, with strong demand persisting across all sizes of space in the market. The resilience of the Phoenix industrial market is projected to continue into 2024, although certain developers may temporarily pause projects in the Valley due to factors such as high inflation, elevated interest rates, and potential economic challenges down the road.



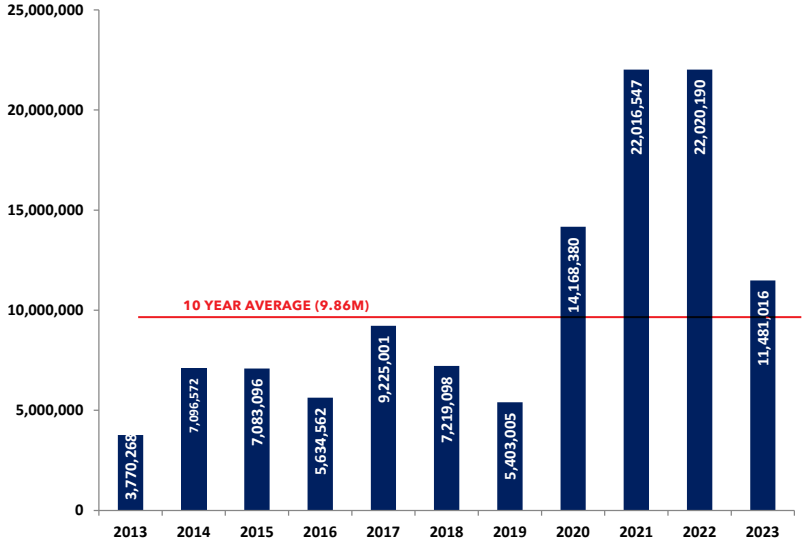
**CAPROCK CHANDLER AIRPORT BUSINESS PARK**

Building Address	City	Building Name	Developer	Type	Submarket	RBA	Delivery
23499 W. Southern Ave.	Buckeye	Ross Stores Inc.	Ross Stores Inc.	W/D	Southwest	1,600,000	Q4 2023
NWC I-10 & Perryville Rd. (2)	Buckeye	Paloma Vista Logistics Ctr.   Bldgs. 1 & 2	US Capital Development	W/D	Northwest	1,479,698	Q4 2023
24105 W. Southern Ave.	Buckeye	Southern Industrial Center	Parklane/Contour/DWS	W/D	Southwest	1,207,360	Q4 2023
SEC Reems Rd. & Northern Ave.	Glendale	The Cubes Glendale   Bldg. B	CRG/Clayco Inc.	W/D	Northwest	1,200,140	Q4 2023
SE Crismon Rd. & Pecos Rd.	Mesa	Lowe's Home Improvement	CGR/Clayco Inc.	W/D	Southeast	1,200,000	Q4 2023
15700 W. Glendale Ave.	Litchfield Park	Bickman Industrial/Reems Ranch 303	Pizzuti/LaSalle	W/D	Northwest	1,123,360	Q4 2023
NEC Sossaman Rd. & Pecos Rd. (2)	Mesa	Gateway Grand   Phase I	Greystar	W/D	Southeast	1,074,858	Q4 2023
50, 150, 200 N. Litchfield Rd. (3)	Goodyear	Litchfield Palms Logistics Park   A, B & C	The Johnson Group	W/D	Southwest	855,962	Q4 2023
3223- 3431 S. Crismon Rd. (5)	Mesa	MET 202   Bldgs. A - E	Eisenberg Co./Manulife	W/D	Southeast	780,832	Q4 2023
8951, 8955, 8959 E. Warner Rd. (3)	Mesa	Gateway 202   Bldgs. 1, 2 & 3	Scannell Properties	W/D	Southeast	691,895	Q4 2023
9501 & 9701 N. 151st Ave. (2)	Waddell	Echo Park 303   Bldgs. A & B	Echo Real Estate Capital	W/D	Northwest	676,176	Q4 2023
NWC Signal Butte & Elliot Rd. (3)	Mesa	Pursuit Park   Bldgs. 1 - 3	Mortenson/LaSalle	W/D	Southeast	639,000	Q4 2023
4310 S. Sossaman Rd. (5)	Mesa	Hub @ 202   Phase I	Wharton/Madison	W/D	Southeast	577,892	Q4 2023
SEC Pecos Rd. & Crismon Rd. (2)	Mesa	The Cubes Mesa Gateway   A & B	CRG/Clayco Inc.	W/D	Southeast	540,000	Q4 2023
SEC Cotton Ln. & MC 85	Goodyear	Lakin Park   Building 1B	Walton/Clarius	W/D	Southwest	531,583	Q4 2023
12250 W. Corporate Dr.	Avondale	Fairway Commerce Center	Westfield	W/D	Southwest	450,260	Q4 2023
1733 E. Northrop Blvd. (4)	Chandler	Chandler Airport 202   A, B, C, D	US Capital Development	W/D	Southeast	402,487	Q4 2023
6820 S. Harl Ave. (2)	Tempe	Sight Logistics Park   Bldgs. 1 & 2	ViaWest Group	W/D	Southeast	356,904	Q4 2023
NWC Ray Rd. & Ellsworth Rd. (3)	Mesa	The Confluence @ Mesa Gateway II	Ryan Co/DWS	W/D	Southeast	352,638	Q4 2023
SWC Sossaman Rd. & Pecos Rd. (3)	Mesa	Advanced Industrial Center   Bldgs. 1-3	ViaWest/Nicola Wealth	W/D	Southeast	335,066	Q4 2023
13100 W. Joe Ramirez Rd.	El Mirage	TI Cold   Copperwing Logistics Park	TI Cold/Tippman	C/S	Northwest	293,265	Q4 2023
12501 W. Olive Ave.	El Mirage	Avanti Windows & Doors	Avanti Windows	W/D	Northwest	290,000	Q4 2023
SEC 137th Ave. & Soledad St.	Surprise	Surprise Crossing	Panattoni	W/D	Northwest	274,040	Q4 2023
4521- 4531 E. Warner Rd. (4)	Gilbert	Power Gateway 202   Bldgs.	Hopewell/Nuveen	W/D	Southeast	266,382	Q4 2023
1 W. Sweetwater Ave.	El Mirage	Rinchem	Rinchem	W/D	Northwest	260,169	Q4 2023
13400 W. Cactus Rd.	Surprise	Tricolor Auto	BlueScope	W/D	Northwest	257,920	Q4 2023
NWC 7th Ave. & Rose Garden Ln. (3)	Phoenix	Deer Valley Business Campus   5, 6, 7	SIHI	W/D	Northwest	254,079	Q4 2023
SEC Buckeye Rd. & 91st Ave.	Tolleson	Fry's/Kroger Fullfillment Center	Kroger Co.	W/D	Southwest	222,850	Q4 2023
23821 N. 7th Ave.	Phoenix	Sunlit Chemical Co.	Sunlit Chemical Co.	W/D	Northwest	190,000	Q4 2023
3380 S. Power Rd. (12)	Gilbert	Power Commerce Center   Bldgs. 1- 12	Cavan Capital Mgmt.	W/D	Southeast	146,052	Q4 2023
13250 W. Cactus Rd.	Surprise	Summit Business Park	MacLaughlin & Co.	W/D	Northwest	133,904	Q4 2023
Elwood St. & Estrella Pkwy.	Goodyear	Elwood Rising	Atlas Development	W/D	Southwest	120,000	Q4 2023
13820 W. Rioglass Solar Rd.	Surprise	Skyway Business Park	Silver Creek Development	W/D	Northwest	107,400	Q4 2023
1205 N. Eliseo C. Felix Jr. Way	Avondale	Avondale Logistics Center	Silver Creek/Mutual Dev.	W/D	Southwest	86,372	Q4 2023
NEC 104th Ave. & Cowden Ln.	Tolleson	Cascade Tolleson	Sun State Builders	W/D	Southwest	52,444	Q4 2023
840 E. Baseline Rd.	Mesa	840 E. Baseline Road	Hopewell Development	W/D	Southeast	47,994	Q4 2023
13402 W. Joe Rameriz Rd.	El Mirage	Consolidated Resources Inc.	CRI Inc.	W/D	Northwest	47,000	Q4 2023
1428 N. Horne St.	Gilbert	1428 N. Horne Street	Fred Ayoub	W/D	Southeast	28,040	Q4 2023
555 E. Elliot Rd.	Chandler	555 E. Elliot Rd.	John Wohrman	W/D	Southeast	20,259	Q4 2023
<b>Total</b>						<b>19,174,281 SF</b>	

## METRO PHOENIX RENTAL RATES 2013 - 2023



## METRO PHOENIX NET ABSORPTION 2013 - 2023



# MARKET STATISTICS

## Q4 2023 PHOENIX INDUSTRIAL MARKET OVERVIEW

Industrial Submarkets	Total Inventory	Vacancy		Net Absorption		Under Construction	Building Completions		Asking NNN Rate
		Total SF	Q4 2023	Q4 2023	YTD Total		Q4 2023	YTD Total	
<b>Sky Harbor Airport</b>									
Distribution/Warehouse	36,222,883	1,545,918	4.3%	(184,478)	(185,095)	338,710	-	367,479	\$1.17
Manufacturing	8,635,279	245,956	2.8%	(44,033)	(94,301)	-	-	-	\$0.94
Flex	5,750,860	371,432	6.5%	91,733	238,936	-	-	337,334	\$1.33
<b>Total</b>	<b>50,609,022</b>	<b>2,163,306</b>	<b>4.3%</b>	<b>(136,778)</b>	<b>(40,460)</b>	<b>338,710</b>	<b>-</b>	<b>704,813</b>	<b>\$1.15</b>
<b>Northeast Valley</b>									
Distribution/Warehouse	6,890,527	188,821	2.7%	21,140	(54,650)	-	-	160,019	\$1.43
Manufacturing	2,708,896	17,599	0.6%	-	(13,107)	-	-	-	\$1.39
Flex	5,184,876	233,235	4.5%	(48,973)	(42,255)	-	-	-	\$1.40
<b>Total</b>	<b>14,784,299</b>	<b>439,655</b>	<b>3.0%</b>	<b>(27,833)</b>	<b>(110,012)</b>	<b>-</b>	<b>-</b>	<b>160,019</b>	<b>\$1.41</b>
<b>Northwest Valley</b>									
Distribution/Warehouse	74,868,095	9,756,362	13.0%	621,578	7,390,661	10,561,118	6,587,151	14,684,371	\$0.79
Manufacturing	16,132,242	879,790	5.5%	(25,900)	(160,154)	1,250,000	-	-	\$1.00
Flex	6,069,739	163,937	2.7%	13,355	63,502	-	-	-	\$1.24
<b>Total</b>	<b>97,070,076</b>	<b>10,800,089</b>	<b>11.1%</b>	<b>609,033</b>	<b>7,294,009</b>	<b>11,811,118</b>	<b>6,587,151</b>	<b>14,684,371</b>	<b>\$0.85</b>
<b>Southeast Valley</b>									
Distribution/Warehouse	72,587,113	8,333,798	11.5%	726,889	1,423,489	8,938,780	7,460,299	10,726,588	\$1.23
Manufacturing	24,414,846	718,402	2.9%	(16,613)	(182,390)	280,000	-	-	\$1.22
Flex	15,819,801	1,707,332	10.8%	(114,363)	(366,028)	3,546,343	-	32,400	\$1.32
<b>Total</b>	<b>112,821,760</b>	<b>10,759,532</b>	<b>9.5%</b>	<b>595,913</b>	<b>875,071</b>	<b>12,765,123</b>	<b>7,460,299</b>	<b>10,758,988</b>	<b>\$1.24</b>
<b>Southwest Valley</b>									
Distribution/Warehouse	115,396,620	7,379,989	6.4%	821,369	3,386,538	3,115,719	5,126,831	12,864,581	\$0.92
Manufacturing	12,114,039	283,497	2.3%	118,485	64,578	-	-	-	\$1.19
Flex	1,295,283	45,362	3.5%	(3,342)	742	400,000	-	-	\$1.45
<b>Total</b>	<b>128,805,942</b>	<b>7,708,848</b>	<b>4.1%</b>	<b>936,512</b>	<b>3,451,858</b>	<b>3,515,719</b>	<b>5,126,831</b>	<b>12,864,581</b>	<b>\$0.95</b>
<b>Total Submarkets</b>									
Distribution/Warehouse	305,965,238	27,204,888	8.9%	2,006,498	11,960,943	28,430,780	19,174,281	38,803,038	\$1.00
Manufacturing	64,005,302	2,145,244	3.4%	31,939	(385,374)	-	-	276,000	\$1.13
Flex	34,120,559	2,521,298	7.4%	(61,590)	(105,103)	-	-	369,734	\$1.32
<b>Phoenix Metro Total</b>	<b>404,091,099</b>	<b>31,871,430</b>	<b>7.9%</b>	<b>1,976,847</b>	<b>11,470,466</b>	<b>28,430,780</b>	<b>19,174,281</b>	<b>39,448,772</b>	<b>\$1.04</b>

When inaccurate or newly updated information is discovered, it is incorporated into current reporting which may negate comparison to previously published market reports.

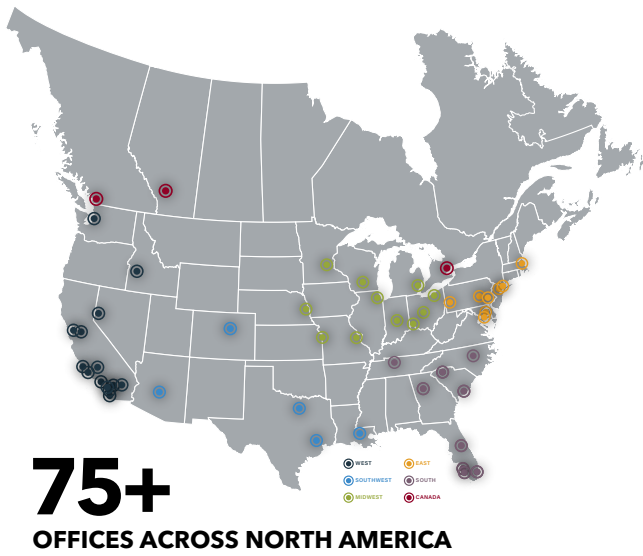
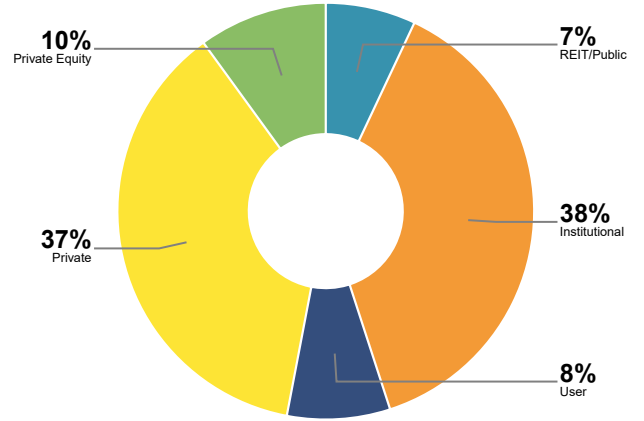
### Q4 2023 Top Industrial Leases

Tenant Name	Property Name	Developer/Owner	Submarket	Type	SF	Lease
Saddle Creek Logistics	Cubes Glendale	Fundrise	Northwest	Distribution	570,080	New
Parts Town	Camelback 303	Merit Partners, Inc.	Northwest	Distribution	420,536	New
SunMed	Falcon Park 303   Phase II	US Capital Development	Northwest	Distribution	326,018	New
Wholesale Tire & Wheel	107 S. 41st Avenue	Link Logistics	Southwest	Distribution	220,162	New
NPSG Global	Goodyear Airport Industrial	CIM Group	Southwest	Distribution	217,727	New

### Q4 2023 Top Industrial Sales

Property Address (# Bldgs.)	Buyer	Seller	Type	Sales Price	SF	PSF
5858 W. Lower Buckeye Rd.	CapRock Partners	Sun State Builders	Distribution	\$20,457,371	248,750	\$82.24
7405 E. Monte Cristo Ave.	Surgenex	Nobility Management	Warehouse	\$15,225,000	64,560	\$235.83
NEC 59th Ave. & Watkins St.	Harrison Condos	VanTrust Real Estate	Distribution	\$14,258,296	76,407	\$186.61
2235 S. Central Ave.	Glanbia PLC	APS BioGroup	Manufacturing	\$10,000,000	80,640	\$124.01
2546 W. Birchwood Ave.	Highland Automotive	Sherman Kappe	Warehouse	\$9,750,000	42,101	\$231.59

## METRO PHOENIX INDUSTRIAL SALES BY BUYER TYPE

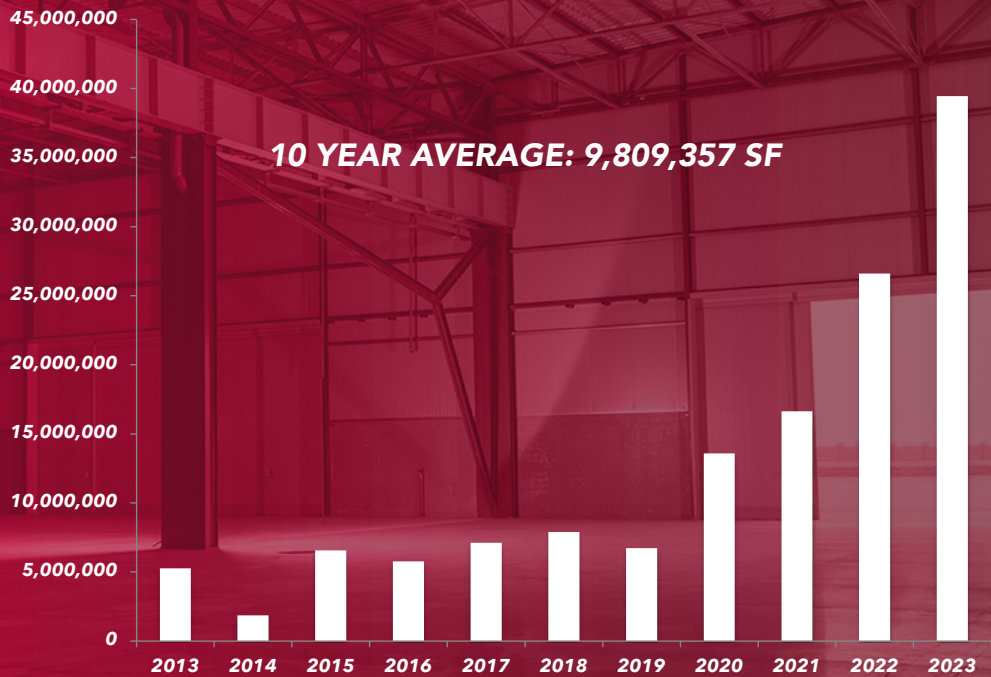


**\$32+**  
BILLION TRANSACTION VOLUME 2022

**1,500+**  
PROFESSIONALS AND GROWING

**108%**  
INCREASE IN BROKERED SALE & LEASE CONSIDERATION OVER 5 YEARS

## CONSTRUCTION DELIVERIES



### ABOUT THIS REPORT

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The Lee & Associates Phoenix Industrial Market report compiles relevant market data by using a third-party database for the proprietary analysis of specific warehouse, distribution, manufacturing and flex properties in the Phoenix Metropolitan Area.

Market report analysis by: Chris McChesney - Lee & Associates Arizona

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COMMERCIAL REAL ESTATE SERVICES