

# Q1 2024

## PHOENIX INDUSTRIAL REPORT



Q4 2023: 7.9%



Q4 2023: 1,976,847 SF



Q4 2023: 28,430,780 SF



Q4 2023: \$1.07/SF



Q4 2023: 19,174,281 SF



Q4 2023: \$149.86/SF

## PHOENIX INDUSTRIAL MARKET SEES CONTINUED ACTIVITY

The Phoenix Industrial Market remains active, with notable upticks in key metrics. Market rates have risen to \$1.13 per square foot, accompanied by significant positive net absorption of 3,914,802 square feet in the first quarter. The introduction of new properties has led to an increase in the overall vacancy rate, which reached 9.1% at the end of the period, representing a 5.1% year-over-year increase. Despite the influx of new constructions, demand in the Phoenix industrial sector remains strong.

In 2023, there was a record-breaking surge in deliveries, reaching 39 million square feet of new supply. It's anticipated that this trend will stabilize in the current year. Presently, out of the 33 million square feet under construction, 6 million square feet (18%) has already been pre-leased or designated for built-to-suit purposes.

During the quarter, Metro Phoenix witnessed the delivery of approximately 4 million square feet of space, contributing to a total base of 409 million square feet. The standout deliveries included TSMC Fab 1, boasting 750,000 square feet, followed by Power 202 Business Park with 547,315 square feet, and the Phelan Pecos Center with 478,396 square feet.

Persistent high interest rates are still impeding sales activity. Sales volume for the quarter amounted to \$489 million, marking a 10.2 percent decline compared to the first quarter of 2023 and a substantial 50% decrease since the first quarter of 2022.

Leasing activity is expected to stay robust but below the levels seen in 2023. The surge in interest rates has tempered the initiation of new projects, thus mitigating the risk of an oversupply in the

market. Although conditions are becoming tighter, the industrial sector is anticipated to maintain its prominence within the Greater Phoenix commercial real estate market for the foreseeable future. Despite concerns about a looming recession and economic challenges, the Phoenix Industrial Market is poised for another remarkable year.

Phoenix continues to stand out as one of the top-performing markets nationally for employment growth and demonstrated remarkable resilience during the pandemic. With its low cost of doing business, pro-business atmosphere, and proximity to major regional markets, the city will remain an attractive destination for tenants seeking opportunities in the industrial sector.

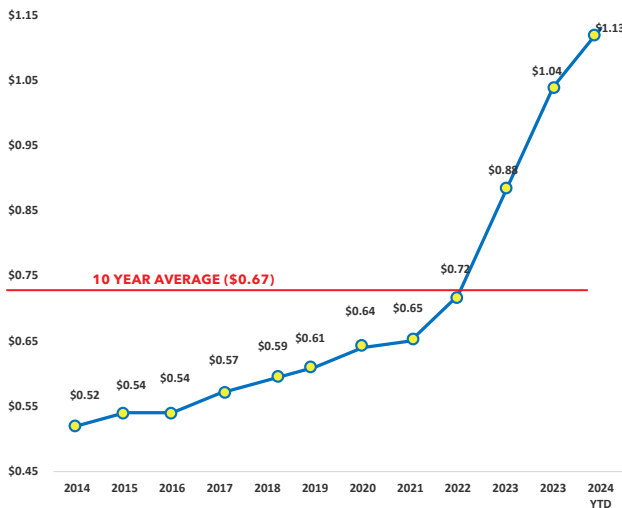


**CAPROCK CHANDLER AIRPORT BUSINESS PARK**

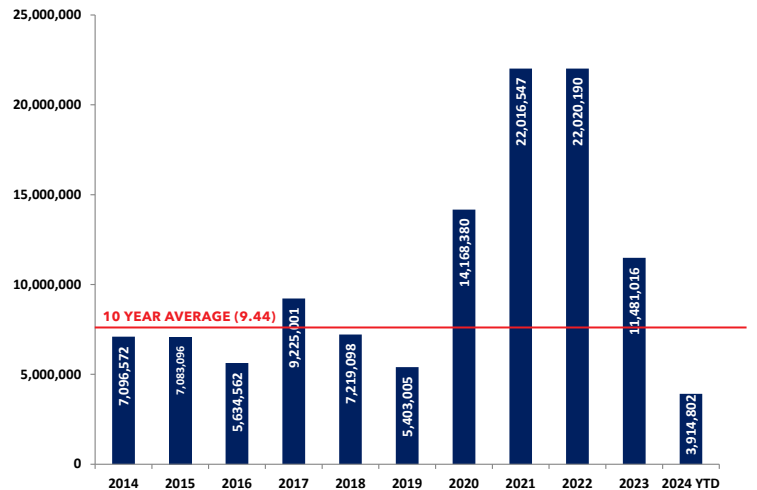
Building Address	City	Building Name	Developer	Type	Submarket	RBA	Delivery
NEC Loop 303 & 51st Ave.	Phoenix	<b>TSMC   Fab 1</b>	TSMC/Sundt	MF	Northwest	750,000	Q1 2024
NEC Power Rd. & Mesquite St. (4)	Mesa	Power 202 Logistics Park   Bldgs. 1- 4	Johnson Development	W/D	Southeast	547,315	Q1 2024
SWC Pecos Rd. & Hawes Rd. (3)	Mesa	Phelan Pecos Center   Bldgs A, B, C	Phelan Development	W/D	Southeast	478,396	Q1 2024
NWC Cooper Rd. & Queen Creek (4)	Chandler	Chandler Airport Business Center   1- 4	CapRock Partners	W/D	Southeast	318,683	Q1 2024
NEC Germann Rd. & Hamilton Ct. (3)	Chandler	Midway Commerce Ctr.   Bldgs. A, B, C	Creation/JP Morgan	W/D	Southeast	301,994	Q2 2024
12501 W. Olive Ave.	El Mirage	<b>Avanti Windows</b>	Dermody Properties	W/D	Northwest	290,922	Q3 2024
NWC Broadway Rd. & Airport Way	Goodyear	<b>Microsoft PHX-11</b>	Microsoft Corp.	DC	Southwest	242,678	Q1 2024
2325 S. 7th St. (3)	Phoenix	Prologis I-17 Logistics Ctr.   Phase II	Prologis, Inc.	W/D	Airport	276,063	Q1 2024
10560, 10628, 10708 E. Elliot Rd. (3)	Mesa	Elliot Tech Center   Bldgs. A, B, C	Thompson Thrift	W/D	Southeast	251,358	Q1 2024
NEC Cactus Rd. & Summit Way	Surprise	Summit Business Park	MacLaughlin & Co.	W/D	Northwest	133,904	Q1 2024
8150 E. Germann Rd. (4)	Mesa	Gateway Quads   Bldgs. 1- 4	Sun State Builders	W/D	Southeast	122,720	Q1 2024
5815 S. 36th St.	Phoenix	<b>Paul Davis</b>	Paul Davis	W/D	Airport	62,647	Q1 2024
24205 N. 7th Ave.	Phoenix	<b>Cannabis Co (TBD)</b>	NewLake Capital	W/D	Northwest	60,000	Q1 2024
1466 N. Eliseo C. Felix Jr. Way	Avondale	Cascade Avondale	Sun State Builders	W/D	Southwest	42,500	Q1 2024
1428 N. Horne St.	Gilbert	1428 N. Horne Street	Fred Ayoub	W/D	Southeast	28,040	Q1 2024

**Total 3,907,220 SF**

## METRO PHOENIX RENTAL RATES 2014 - 2024 YTD



## METRO PHOENIX NET ABSORPTION 2014 - 2024 YTD



# MARKET STATISTICS

## Q1 2024 PHOENIX INDUSTRIAL MARKET OVERVIEW

Industrial Submarkets	Total Inventory	Vacancy		Net Absorption		Under Construction	Building Completions		Asking NNN Rate
		Total SF	Q1 2024	Q1 2024	YTD Total		Q1 2024	YTD Total	
<b>Sky Harbor Airport</b>									
Distribution/Warehouse	38,311,717	2,045,706	5.3%	(167,271)	(167,271)	-	338,710	338,710	\$1.12
Manufacturing	8,697,972	221,061	2.5%	24,895	24,895	-	-	-	\$1.06
Flex	5,490,726	579,743	10.6%	(191,023)	(191,023)	-	-	-	\$1.35
<b>Total</b>	<b>52,500,415</b>	<b>2,846,510</b>	<b>5.4%</b>	<b>(333,399)</b>	<b>(333,399)</b>	<b>-</b>	<b>338,710</b>	<b>338,710</b>	<b>\$1.13</b>
<b>Northeast Valley</b>									
Distribution/Warehouse	7,634,971	282,451	3.7%	(31,882)	(31,882)	242,740	-	-	\$1.44
Manufacturing	2,709,561	12,927	0.5%	4,672	4,672	-	-	-	\$1.35
Flex	5,237,762	196,462	3.8%	38,908	38,908	-	-	-	\$1.43
<b>Total</b>	<b>15,582,294</b>	<b>491,840</b>	<b>3.2%</b>	<b>11,698</b>	<b>11,698</b>	<b>242,740</b>	<b>-</b>	<b>-</b>	<b>\$1.42</b>
<b>Northwest Valley</b>									
Distribution/Warehouse	77,584,989	10,258,963	12.3%	1,175,574	1,175,574	16,825,429	484,826	484,826	\$0.87
Manufacturing	16,450,814	1,065,945	6.5%	(125,655)	(125,655)	500,000	750,000	750,000	\$0.97
Flex	6,135,228	204,822	3.3%	19,606	19,606	-	-	-	\$1.29
<b>Total</b>	<b>100,171,031</b>	<b>11,529,730</b>	<b>11.5%</b>	<b>1,069,525</b>	<b>1,069,525</b>	<b>17,325,429</b>	<b>1,234,826</b>	<b>1,234,826</b>	<b>\$0.91</b>
<b>Southeast Valley</b>									
Distribution/Warehouse	78,251,452	8,536,789	10.0%	2,436,871	2,436,871	7,264,527	2,048,506	2,048,506	\$1.28
Manufacturing	24,414,846	917,214	4.3%	(174,067)	(174,067)	930,000	-	-	\$1.23
Flex	15,662,337	1,958,631	12.5%	(266,221)	(266,221)	2,896,343	-	-	\$1.64
<b>Total</b>	<b>118,328,635</b>	<b>11,412,634</b>	<b>9.6%</b>	<b>1,996,583</b>	<b>1,996,583</b>	<b>11,090,870</b>	<b>2,048,506</b>	<b>2,048,506</b>	<b>\$1.32</b>
<b>Southwest Valley</b>									
Distribution/Warehouse	118,706,192	10,126,333	7.6%	1,229,148	1,229,148	3,512,114	42,500	42,500	\$0.97
Manufacturing	12,076,970	329,208	2.7%	(62,816)	(62,816)	-	-	-	\$1.51
Flex	1,343,282	41,299	3.1%	4,063	4,063	980,037	242,678	242,678	\$1.07
<b>Total</b>	<b>132,126,444</b>	<b>10,496,840</b>	<b>7.9%</b>	<b>1,170,395</b>	<b>1,170,395</b>	<b>3,512,114</b>	<b>285,178</b>	<b>285,178</b>	<b>\$1.02</b>
<b>Total Submarkets</b>									
Distribution/Warehouse	311,125,158	31,987,456	10.3%	4,642,440	4,642,440	27,844,810	2,914,542	2,914,542	\$1.08
Manufacturing	64,350,163	2,546,355	4.0%	(332,971)	(332,971)	1,430,000	750,000	750,000	\$1.20
Flex	33,869,335	2,980,957	8.8%	(394,667)	(394,667)	3,876,380	242,678	242,678	\$1.47
<b>Phoenix Metro Total</b>	<b>409,344,656</b>	<b>37,514,768</b>	<b>9.1%</b>	<b>3,914,802</b>	<b>3,914,802</b>	<b>33,151,190</b>	<b>3,907,220</b>	<b>3,907,220</b>	<b>\$1.13</b>

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

### Q1 2024 Top Industrial Leases

Tenant Name	Property Name	Developer/Owner	Submarket	Type	SF	Lease
Amazon, Inc.	Prologis 303 Business Ctr.	Prologis, Inc.	Northwest	Distribution	1,222,480	New
Amazon, Inc.	Cubes at Glendale	CRG/Clayco	Northwest	Distribution	1,200,140	New
Amazon, Inc.	Paloma Vista I Building 1	US Capital/ARES Ind.	Northwest	Distribution	1,056,353	New
Steelcase, Inc.	Cl303 Building A	Merit/Diamond	Northwest	Distribution	211,360	New
Sologistics	Fairway 10	CBRE Investment Mgmt.	Southwest	Distribution	194,598	New

### Q1 2024 Top Industrial Sales

Property Address (# Bldgs.)	Buyer	Seller	Type	Sales Price	SF	PSF
Gilbert Industrial Portfolio (6)	ViaWest Group	Clarion Partners	Warehouse	\$71,050,000	428,453	\$165.83
202 Business Park (9)	Two Sigma	Brookfield Corporation	Warehouse	\$51,600,000	268,698	\$192.04
Chandler Business Park (4)	CapRock Partners	Sun State Builders	Distribution	\$42,565,678	318,683	\$113.57
2300 S. 51st Ave.	Link Logistics	Bixby Land Company	Distribution	\$42,200,000	335,459	\$125.80
Koll Cotton Center (7)	G.W. Williams Co.	TerraCap Management	Flex	\$38,000,000	228,605	\$166.23

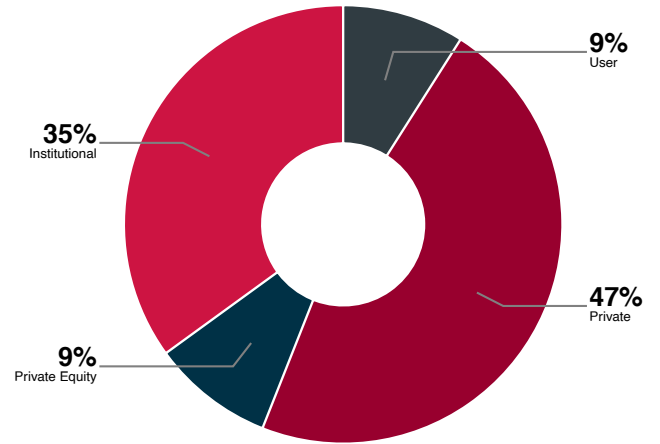
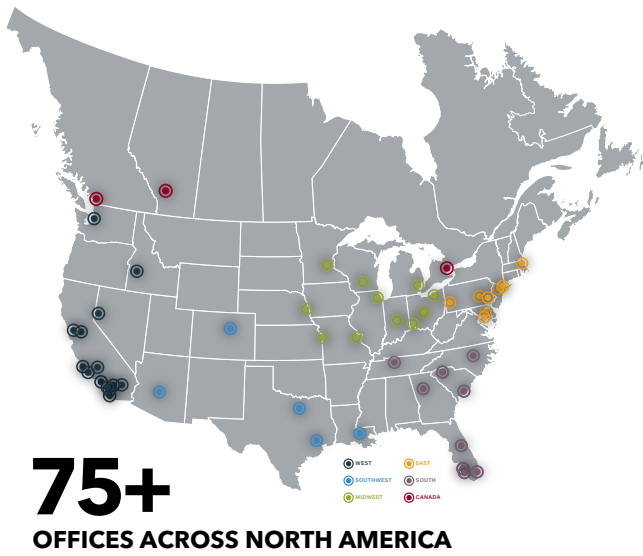


# METRO PHOENIX INDUSTRIAL SALES BY BUYER TYPE Q1 2024

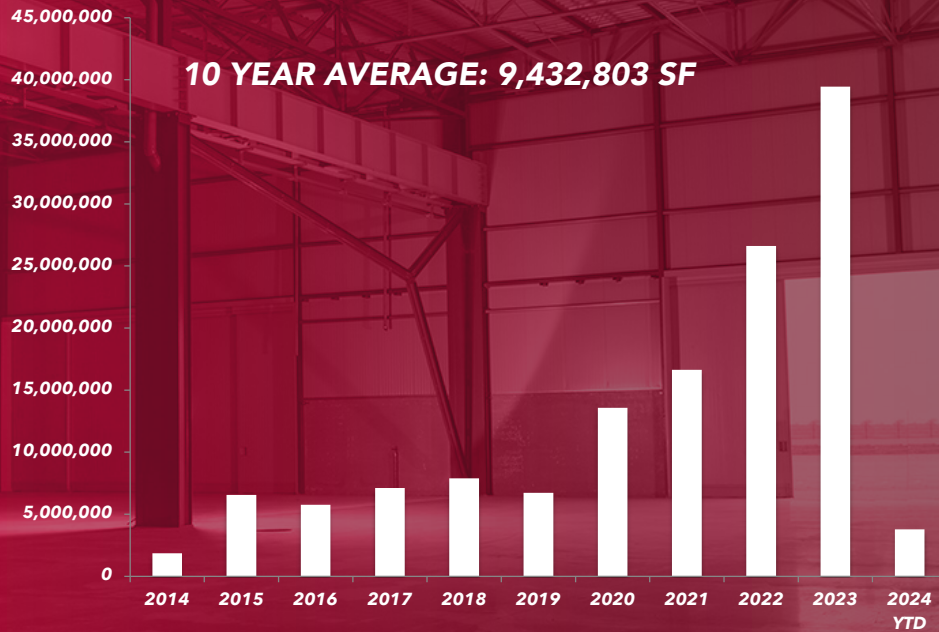
**\$32+**  
BILLION TRANSACTION VOLUME 2022

**1,500+**  
PROFESSIONALS AND GROWING

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



## CONSTRUCTION DELIVERIES



### ABOUT THIS REPORT

The information and details contained herein have been obtained from third-party sources believed to be reliable; however, Lee & Associates Arizona has not independently verified its accuracy. Lee & Associates Arizona makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to the implied warranty of suitability and fitness for a particular purpose.

Interested parties should perform their own due diligence regarding the accuracy of the information. The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice, by third-party data source providers.

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

### ABOUT LEE & ARIZONA

Now in its 32nd year, Lee & Associates Arizona specializes in providing exceptional commercial brokerage services to the industrial, office, land and investment sectors of the Phoenix commercial real estate market. The Phoenix office was established in 1991 and is now recognized as one of the most successful brokerage firms in the state. Each of our 70 nationwide Lee & Associates offices has a strong local ownership combined with a powerful platform from the national Lee & Associates network.

© Copyright 2024 Lee & Associates Arizona. All rights reserved.

