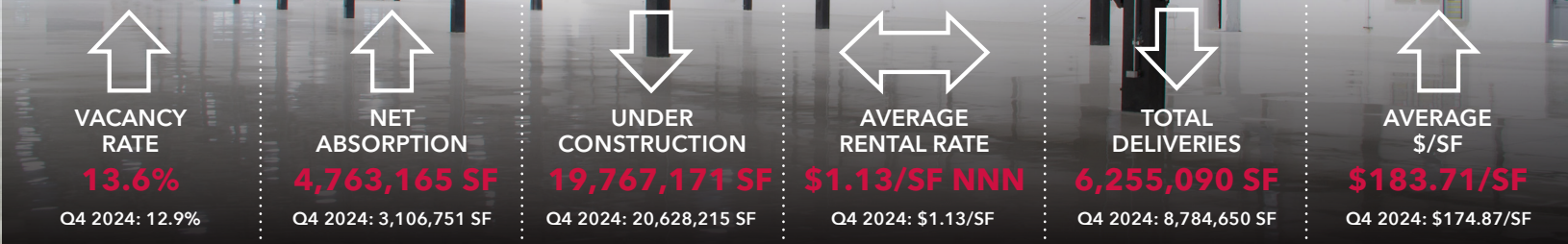


# Q1 2025

## PHOENIX INDUSTRIAL REPORT



## Phoenix Industrial Market Maintains Strong Momentum

The Phoenix industrial market continues its strong growth trajectory, building on the momentum from 2024. While Metro Phoenix once led the nation in new industrial construction, it now ranks third, with 19.7 million square feet currently underway. Of that total, approximately 11 million square feet—or 55%—is speculative development, with the majority scheduled for delivery in Q2. The remaining 45% comprises owner-user and data center projects.

The rapid influx of new inventory in recent years has pushed vacancy rates up to 13.6%, a significant increase from the historic low of 4% in 2022. This rise is largely attributed to the volume of new deliveries, which totaled 6.2 million square feet in Q1. Among the largest projects were the seven buildings delivered as part of Phase I of ViaWest's The Base in the Northwest Submarket (1,182,877 square feet), followed by Buildings 1 and 2 at Meta's Mesa Data Center development.

Despite rising vacancies, demand remains strong, supported by continued interest from logistics and manufacturing tenants. In Q1 alone, 4.76 million square feet were absorbed, reflecting steady expansion across key industrial sectors.

Sales volume for the quarter reached \$661 million, demonstrating continued market strength and closely aligning with Q1 of the previous year, which saw \$544 million in transactions. This reflects sustained investor confidence in the industrial sector. Additionally, the average sales price increased slightly to \$183.71 per square foot, signaling ongoing market stability driven by steady demand and competitive conditions.

Leasing activity is projected to remain strong but at a more measured pace compared to the peak levels of 2022-2023. Elevated interest rates have slowed the launch of new developments, helping to mitigate the risk of oversupply. While market conditions are tightening, the industrial sector is expected to remain a dominant force in Greater Phoenix's commercial real estate landscape. Despite broader economic uncertainties and recession concerns, the Phoenix industrial market is well-positioned for another solid year.

A major driver of future demand is the historic expansion of Taiwan Semiconductor Manufacturing Company (TSMC) in Arizona. As one of the world's largest semiconductor manufacturers, TSMC's multi-billion-dollar investment in Phoenix is set to reshape the region's industrial landscape. The expansion will not only generate high-tech manufacturing jobs but also attract a growing network of suppliers and ancillary businesses to support semiconductor production. This influx of supplier activity is expected to drive increased demand for industrial space, particularly for logistics, warehousing, and precision manufacturing facilities. As a result, the Greater Phoenix area is positioned to strengthen its role as a national hub for semiconductor and technology-related industries.

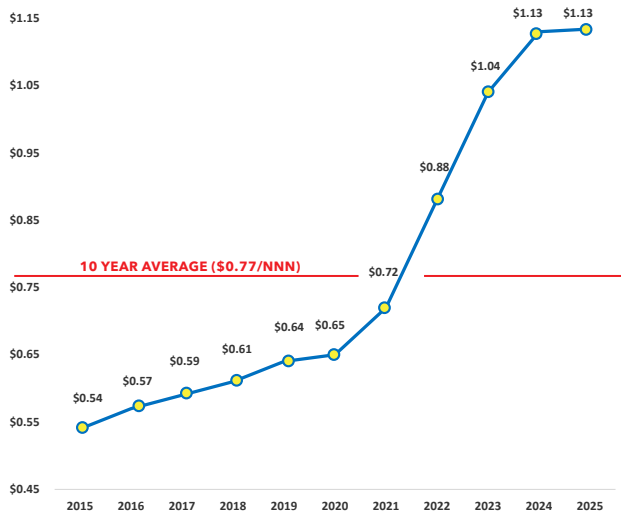
Phoenix continues to rank among the nation's top markets for job growth and has demonstrated exceptional resilience through economic fluctuations. With its pro-business policies, low operating costs, and strategic location near key regional hubs, the city remains a premier destination for industrial tenants seeking expansion opportunities.



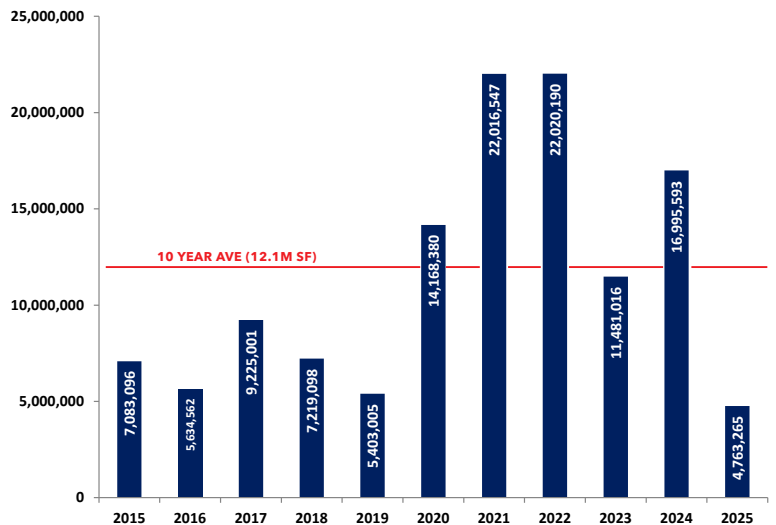
**CAPROCK CHANDLER AIRPORT BUSINESS PARK**

Building Address (# Buildings)	City	Building Name	Developer	Type	Submarket	RBA	Delivery
NWC Litchfield & Bethany Home (7)	Glendale	The Base   Phase I Bldgs. 1- 7	ViaWest Group	W/D	Northwest	1,182,877	Q1 2025
SEC Elliot Rd. & Ellsworth Rd. (2)	Mesa	<b>Meta Datacenter   Bldgs. 1 &amp; 2</b>	Meta/Facebook	DC	Southeast	1,000,000	Q1 2025
NEC Dysart Rd. & Olive Ave. (2)	El Mirage	LogistiCenter at Copperwing   B5 & B6	Dermondly Properties	W/D	Northwest	566,602	Q1 2025
12803- 12805 W. Northern Ave. (3)	Glendale	Northern Parkway Logistics   Bldgs. 1- 3	Panattoni Dev. Company	W/D	Northwest	445,300	Q2 2025
SEC Signal Butte & Germann Rd. (5)	Queen Creek	Germann Commerce Ctr.   Bldgs. A-E	Thompson Thrift	W/D	Southeast	392,206	Q1 2025
17350 W. Minnezona Ave.	Goodyear	Majestic 303   Phase I	Majestic Realty/Rados	W/D	Northwest	391,639	Q2 2025
1100 & 1150 Rose Garden Ln. (2)	Phoenix	Deer Valley Business Campus   4 & 8	SIHI	W/D	Northwest	303,126	Q1 2025
1717 S. 91st Ave.	Tolleson	<b>McKesson Corp.</b>	Prologis Inc.	W/D	Southwest	300,000	Q1 2025
SE Turner & Baseline Rd.	Buckeye	<b>Rehrig Pacific Co.</b>	Merit Partners, Inc.	W/D	Southwest	261,135	Q1 2025
NWC/SWC Dysart Rd. & Summit (2)	El Mirage	Summit at Surprise   A & B	Velocis/KBC Advisors	W/D	Northwest	244,847	Q1 2025
Litchfield Rd. & Highway 85	Goodyear	<b>Microsoft Data Center   Bldg. 14</b>	Microsoft	DC	Southwest	243,000	Q1 2025
7501 E. Redfield Rd.	Scottsdale	Thunderbird Commerce Park	Creation/LGE	W/D	Northeast	242,740	Q1 2025
SWC Ellsworth Rd. & Williams Field Rd.	Mesa	<b>Gulfstream Aerospace</b>	Gulfstream Aerospace Inc	MF	Southeast	225,000	Q2 2025
16917 W. Indian School Rd.	Goodyear	Tex Industrial South	Merit Partners/Earnhardt	W/D	Northwest	132,475	Q1 2025
13820 W. Rioglass Solar Rd.	Surprise	Skyway Business Park	Silver Creek Development	W/D	Northwest	107,400	Q1 2025
3718 W. Van Buren St.	Phoenix	Cove Logictics Center	ViaWest Group	W/D	Southwest	99,498	Q1 2025
3797 S. Silverado Ct.	Gilbert	<b>Frito-Lay Inc.</b>	Frito-Lay Inc.	W/D	Southeast	63,600	Q1 2025
5400 E. McDowell Rd.	Mesa	5400 E. McDowell Road	Sun State Builders	W/D	Southeast	53,645	Q1 2025
<b>Total</b>						<b>6,255,090 SF</b>	

## METRO PHOENIX RENTAL RATES 2015 - 2025 YTD



## METRO PHOENIX NET ABSORPTION 2015 - 2025 YTD



# MARKET STATISTICS

## Q1 2025 PHOENIX INDUSTRIAL MARKET OVERVIEW

Industrial Submarkets	Total Inventory	Vacancy Total SF	Q3 2024	Net Absorption		Under Construction	Building Completions		Asking NNN Rate
				Q1 2025	YTD Total		Q1 2025	YTD Total	
<b>Sky Harbor Airport</b>									
Distribution/Warehouse	39,012,143	2,323,135	6.0%	26,340	26,340	151,060	-	-	\$1.13
Manufacturing	8,677,783	299,536	3.5%	(66,702)	(66,702)	33,150	-	-	\$1.17
Flex	5,075,065	336,907	6.6%	(7,395)	(7,395)	288,000	-	-	\$1.47
<b>Total</b>	<b>52,764,991</b>	<b>2,959,578</b>	<b>5.6%</b>	<b>(47,757)</b>	<b>(47,757)</b>	<b>472,210</b>	<b>-</b>	<b>-</b>	<b>\$1.17</b>
<b>Northeast Valley</b>									
Distribution/Warehouse	7,341,970	314,766	4.3%	(65,510)	(65,610)	350,422	242,740	242,740	\$1.54
Manufacturing	2,678,591	1,248	0.0%	-	-	-	-	-	\$1.35
Flex	5,392,060	322,150	6.0%	(34,008)	(34,008)	-	-	-	\$1.57
<b>Total</b>	<b>15,412,621</b>	<b>638,164</b>	<b>4.1%</b>	<b>(99,518)</b>	<b>(99,618)</b>	<b>350,422</b>	<b>242,740</b>	<b>242,740</b>	<b>\$1.52</b>
<b>Northwest Valley</b>									
Distribution/Warehouse	93,739,102	19,824,295	21.1%	1,866,176	1,866,176	4,616,131	3,374,266	3,374,266	\$1.01
Manufacturing	17,576,549	2,269,710	11.6%	633,536	633,536	1,316,929	-	-	\$0.84
Flex	6,132,764	265,806	4.3%	(24,501)	(24,501)	454,000	-	-	\$1.34
<b>Total</b>	<b>117,448,415</b>	<b>22,359,811</b>	<b>19.0%</b>	<b>2,475,211</b>	<b>2,475,211</b>	<b>6,387,060</b>	<b>3,374,266</b>	<b>3,374,266</b>	<b>\$1.00</b>
<b>Southeast Valley</b>									
Distribution/Warehouse	89,782,158	16,043,602	17.9%	806,058	806,058	4,016,715	509,451	509,451	\$1.25
Manufacturing	22,886,074	594,515	2.6%	162,340	162,340	1,577,447	225,000	225,000	\$1.16
Flex	16,053,008	1,637,532	10.2%	3,089	3,089	3,215,360	1,000,000	1,000,000	\$1.35
<b>Total</b>	<b>128,721,240</b>	<b>18,275,649</b>	<b>14.2%</b>	<b>971,487</b>	<b>971,487</b>	<b>8,809,522</b>	<b>1,734,451</b>	<b>1,734,451</b>	<b>\$1.25</b>
<b>Southwest Valley</b>									
Distribution/Warehouse	125,412,004	15,961,930	12.7%	1,680,174	1,680,174	2,123,757	660,633	660,633	\$0.98
Manufacturing	12,503,201	575,492	4.6%	(216,059)	(216,059)	-	-	-	\$1.07
Flex	1,165,506	7,429	0.6%	(273)	(273)	1,624,200	243,000	243,000	\$1.21
<b>Total</b>	<b>139,080,711</b>	<b>16,544,851</b>	<b>11.8%</b>	<b>1,463,842</b>	<b>1,463,842</b>	<b>3,747,957</b>	<b>903,633</b>	<b>903,633</b>	<b>\$0.99</b>
<b>Total Submarkets</b>									
Distribution/Warehouse	346,287,377	54,467,728	15.7%	4,313,238	4,313,138	11,258,085	4,787,090	4,787,090	\$1.11
Manufacturing	64,322,198	3,740,501	5.8%	513,115	513,115	2,927,526	225,000	225,000	\$1.06
Flex	33,818,403	2,569,824	7.6%	(63,088)	(63,088)	5,581,560	1,243,000	1,243,000	\$1.40
<b>Phoenix Metro Total</b>	<b>444,427,978</b>	<b>60,778,053</b>	<b>13.6%</b>	<b>4,763,265</b>	<b>4,763,165</b>	<b>19,767,171</b>	<b>6,255,090</b>	<b>6,255,090</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 2025 Top Industrial Leases

Tenant Name	Property Address	Developer/Owner	Submarket	Type	SF	Lease
Kenco Logistics Svc.	440 N. 215th Ave.	EQT Exeter	Southwest	Distribution	641,906	New
Logisticus Group	16400 W. Glendale Ave.	LPC Desert West	Northwest	Distribution	483,300	New
Broad Range Logistics	6235 N. Cotton Ln.	Scannell Properties	Northwest	Distribution	388,260	New
Hims & Hers Health	8142 E. Pecos Rd.	Logistics Property Co.	Southeast	Distribution	289,463	New
La-Z-Boy	17000 W. Glendale Ave.	CA Ventures	Northwest	Distribution	233,988	New

### Q1 2025 Top Industrial Sales

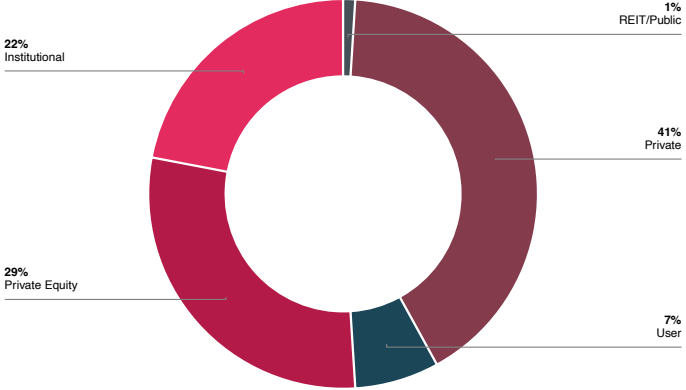
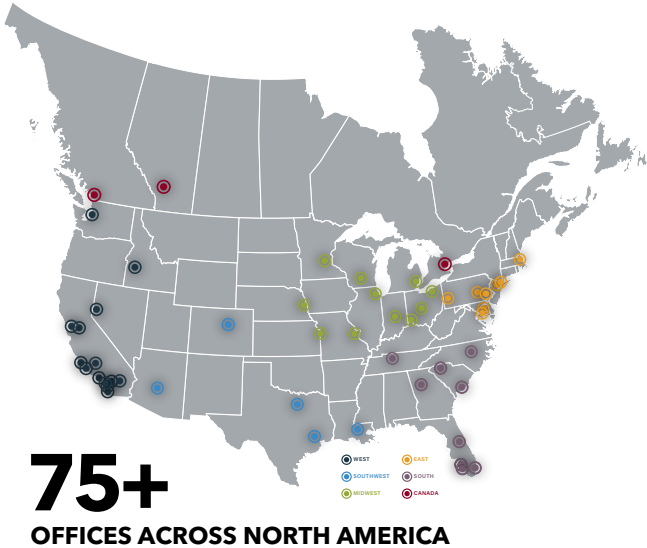
Property Address (# Bldgs.)	Buyer	Seller	Type	Sales Price	SF	PSF
Starwood Portfolio (9 Bldgs.)	BKM Capital	Starwood Capital	Warehouse	\$156,800,000	763,359	\$205.41
12000 N. 132nd Ave.	Starwood Capital	Dalfen Industrial	Distribution	\$54,000,000	418,494	\$129.03
4877 N. Cotton Ln. (REI)	Madison Capital	REI Outdoor	Distribution	\$46,400,000	410,421	\$113.05
9701 N. 151st Ave.	LBA Realty	Echo RE Capital, Inc.	Distribution	\$39,000,000	220,240	\$177.08
Rose Garden Bus. Park (9)	BKM Capital	Investcorp	Warehouse	\$35,100,000	159,304	\$220.33

# METRO PHOENIX INDUSTRIAL SALES BY BUYER TYPE Q1 2025

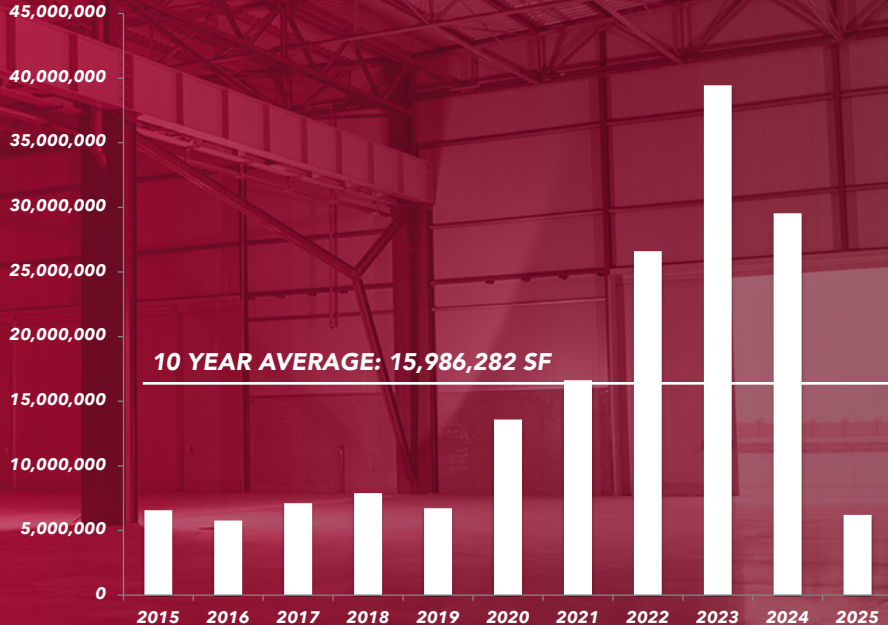
**\$32+**  
BILLION TRANSACTION VOLUME 2022

**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 34th year, Lee & Associates Arizona specializes in providing exceptional commercial brokerage services to the industrial, office, land, retail 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 75+ nationwide Lee & Associates offices has a strong local ownership combined with a powerful platform from the national Lee & Associates network.

© Copyright 2025 Lee & Associates Arizona. All rights reserved.



COMMERCIAL REAL ESTATE SERVICES