

Quarterly Snapshot

- ↑ Average Rent
\$1.13/SF
- ↑ Vacancy
10.6%
- ↑ Net Absorption
9,265,268 SF

Occupier's Perspective

Though tenant demand has been sturdy, it has not been enough to absorb the remarkable pace of deliveries, keeping vacancy on a swift upward trajectory. Vacancy rose from 4.1 percent in mid-2022 to 11.1 percent as of the third quarter of 2024.

With nearly 90 percent of recent construction focused on buildings larger than 100,000 square feet, vacant space is accumulating fastest in the Valley's largest properties to a decade high. Another 15 million square feet of unleased space is underway in buildings of that size. Small bay product, meanwhile, is largely insulated from recent supply, with vacancy in the low 4 percent range.

Increased competition from new supply is causing rent growth to decelerate with average asking rents increasing 5.4 percent over the past year, down from 14.8 percent in late 2022. Annual rent growth is forecast to slow to the lowest level in over a decade in the next 12 to 18 months as further supply additions normalize performance. Landlords of infill assets and small bay product will likely retain more pricing power than those of big bomber space along the metro's periphery.

A deluge of new development completions continues to drive Phoenix's industrial vacancy rate higher, a condition that could persist into mid-2025. The second quarter marked the fourth consecutive quarter with 10+ million square feet of net deliveries, bringing the total over the past 12 months to an unprecedented 40.2 million square feet. For comparison, Phoenix averaged 8 million square feet of annual net deliveries in the three years leading up to the onset of the pandemic.

The wave of construction overshadows a resilient demand picture. While demand has eased from the frenetic pace seen in 2021 and 2022, leasing volume is 20 percent above 2019 levels as occupiers related to logistics, construction, and manufacturing continue to expand. For example, Logistics Plus and Amazon signed on for a total of 4.1 million square feet at newly built industrial properties in the West Valley this year, reiterating the area's attractiveness as a logistics option. These factors, along with advanced manufacturing momentum, drove 13.6 million square feet of net absorption over the past 12 months, the third most in the nation.

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Recent Transactions

Tenant	Size (SF)	Submarket	Type	Building
Logistics Plus Inc.	595,381 SF	Glendale	New Lease	Industrial
United States Postal Service	450,260 SF	Goodyear	New Lease	Industrial
Magna Steyr	229,876 SF	Chandler N/Gilbert	New Lease	Industrial

Submarket Movement

Vacancy Rate	QOQ Change	Direct Asking Rent (\$/SF)	Submarket
0.0%	◆	\$0.88	Southwest Outlying
9.7%	▲	\$0.89	Southwest
4.3%	▲	\$1.05	Pinal County
13.6%	▲	\$1.10	Northwest
1.3%	◆	\$1.19	North Outlying
5.4%	▲	\$1.23	Airport
0.0%	◆	\$1.25	Northwest Outlying
12.9%	▲	\$1.32	Southeast
3.6%	▲	\$1.77	Northeast