

A LOOK INTO THE PHOENIX METROPOLITAN INDUSTRIAL MARKET

ABSORPTION <small>12MO/NET/SF</small> 11.7 M ▲	VACANCY 9.9% ▲	RENT GROWTH <small>12 MONTH</small> 9.3% ▼
SALES <small>COMPARABLES</small> 569 ▲	SALES <small>PRICE/SF</small> \$144 ▼	CAP RATE 6.3% ▲
UNDER CONSTRUCTION <small>SQUARE FEET</small> 37.9 M ▼	PERCENT <small>OF INVENTORY</small> 8.8% ▼	PRELEASED 36.8% ▲



Source: CoStar Group, www.costar.com, Phoenix - AZ-Industrial-Market-2024-4-1

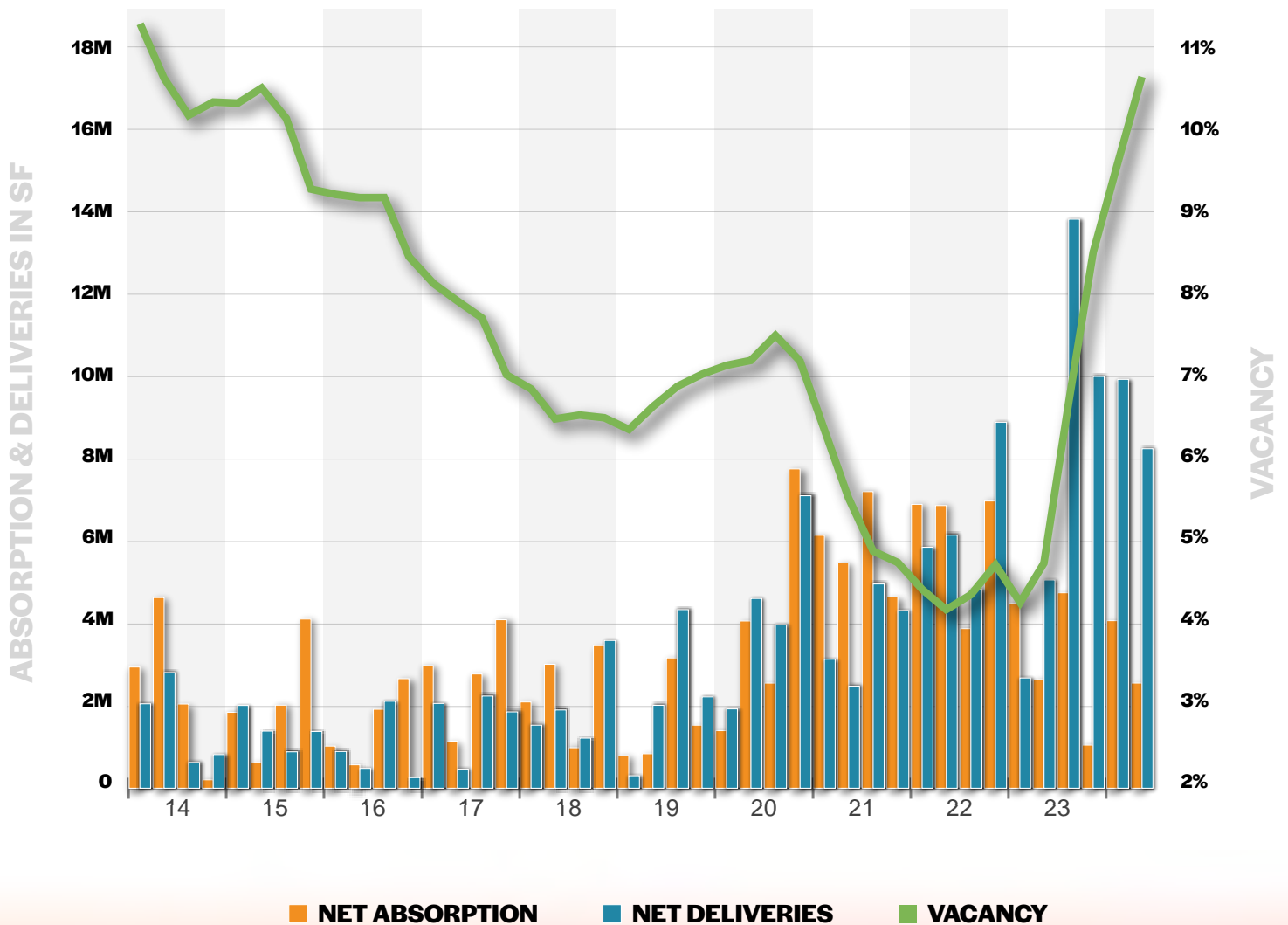
Phoenix's industrial vacancy rate continues to climb due to a flood of new development completions, a trend likely to persist into early 2025. The first quarter of this year marked the third consecutive quarter with over 10 million square feet of net deliveries, totaling an unprecedented 38.7 million square feet over the past 12 months. This surge in construction dwarfs the pre-pandemic average of 8 million square feet annually. Despite this, demand remains robust, albeit slightly subdued compared to the frenzied pace of 2021 and 2022.

Industries such as logistics, construction, and manufacturing are driving leasing activity, with leasing volume currently 20% above 2019 levels. Notably, Amazon recently secured three leases totaling 3.5 million square feet in the West Valley, underscoring the region's appeal for logistics operations. Advanced manufacturing also contributes to this demand, resulting in 11.7 million square feet of net absorption over the past year, ranking Phoenix fourth in the nation.

However, tenant demand has not kept pace with the rapid influx of supply, causing vacancy rates to soar from 4.2% in mid-2022 to 9.9% by the second quarter of 2024, with further increases expected. The majority of recent construction has focused on large properties exceeding 100,000 square feet, leading to a record high availability rate of 18%. Additionally, 19.5 million square feet of unleased space is currently under construction in buildings of this size.

In contrast, smaller properties under 50,000 square feet have experienced minimal impact from new supply, with availability rates remaining below pre-pandemic levels. Despite this, rent growth has decelerated, with average asking rents rising by 9.3% over the past year, down from over 15.9% in late 2022. Rent growth is projected to slow further over the next 12 to 18 months as supply continues to normalize.

Looking ahead, the 37.9 million square feet currently under construction, with 60% being built on speculation, is expected to further elevate vacancy rates through early 2025. However, a reduction in construction starts suggests a potential supply relief by late 2025 or 2026, paving the way for tightening vacancies and a resurgence in rent growth in the Phoenix industrial market.



Source: CoStar Group, www.costar.com, Phoenix - AZ-Industrial-Market-2024-4-1

FEATURED PROPERTIES



**JUST
SOLD**

\$600,000 • 1,529 SF Building • 0.86 AC Lot
4441 South 11th Street • Phoenix, Arizona



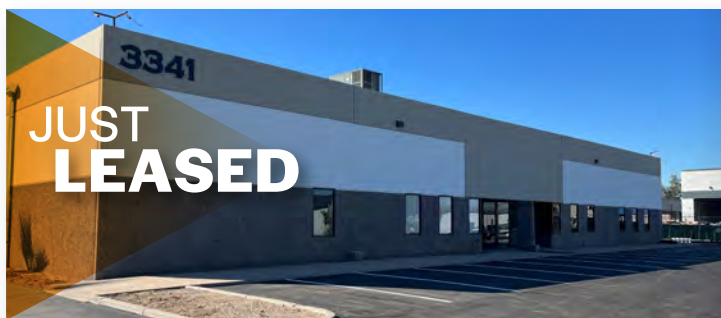
**JUST
SOLD**

\$800,000 • 41,298 SF Lot
2529 East McDowell Road • Phoenix, Arizona



**JUST
LEASED**

14,500 SF Building • 30,056 SF Lot
15361 South Sunland Gin Road • Arizona City, Arizona



**JUST
LEASED**

18,250 SF Building • 1.2 AC Lot
3341 East Corona Avenue • Phoenix, Arizona



**JUST
SOLD**

\$1,888,000 • 3,159 SF Building • 1.35 AC Lot
2915 West McDowell Road • Phoenix, Arizona



**JUST
SOLD**

\$2,000,000 • 8,250 SF Building • 1.09 AC Lot
3310 West Sherman Street • Phoenix, Arizona



**JUST
SOLD**

\$3,300,000 • 3.25 AC Lot
5119 West Bethany Home Road • Glendale, Arizona



**JUST
SOLD**

\$925,000 • 4,484 SF Flex Condo
7902 North Glen Harbor Boulevard, # 3 • Glendale, Arizona

ABOUT CITYWIDE



WHAT CAN WE DO FOR YOU?

Seller/Landlord Representation

We work with you to develop a plan and strategies that will increase the value of your property before bringing it to market.

Buyer/Tenant Representation

We will help you identify purchase or lease options and guide you through the entire process.



TENANT & LANDLORD REPRESENTATION



BUILDING ACQUISITIONS & DISPOSITIONS



INVESTMENT STRATEGIES

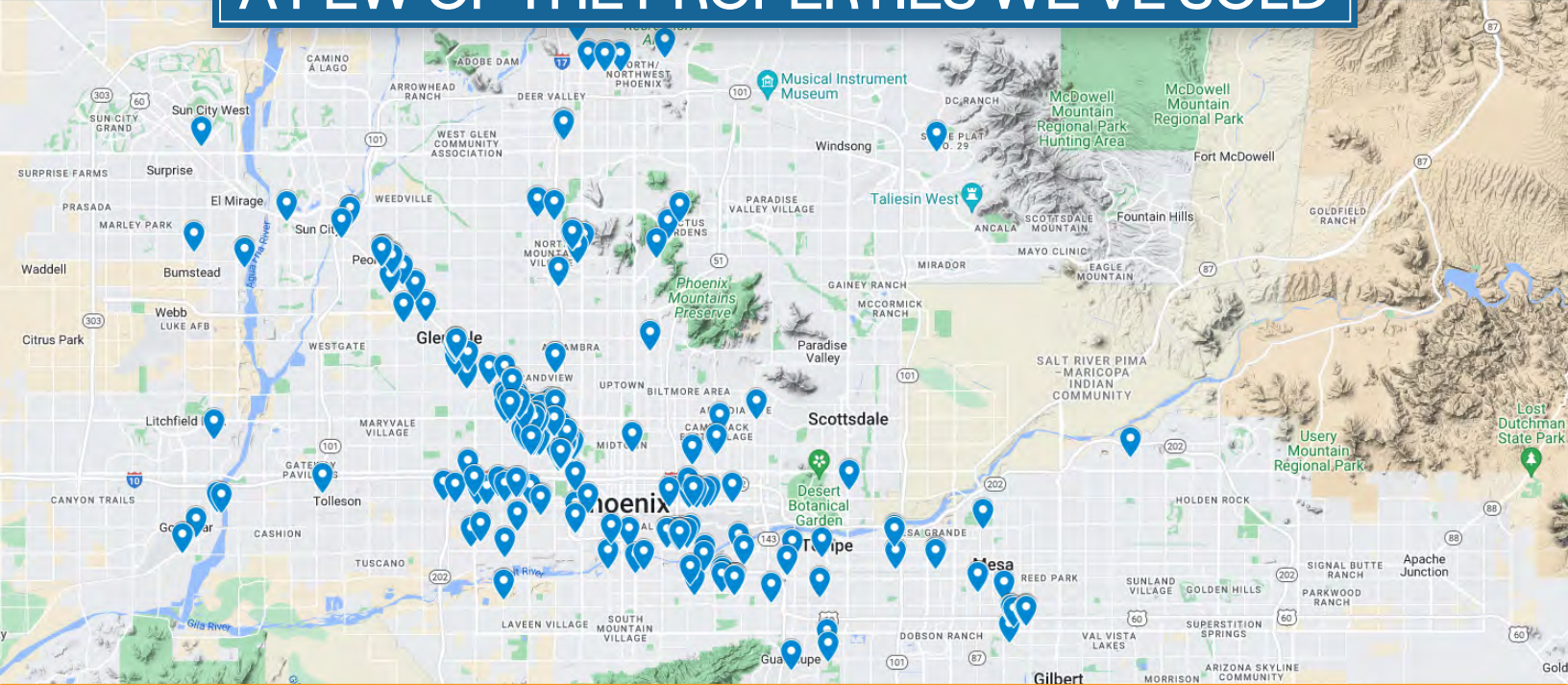


MARKETING STRATEGIES & IMPLEMENTATION



PROPERTY & SITE EVALUATIONS

A FEW OF THE PROPERTIES WE'VE SOLD



Adam Shteir
Partner
602.769.0521
adam@citywidecre.com

Chad Kirkorsky
Partner
480.330.2824
chad@citywidecre.com

Todd Hamilton, SIOR, CCIM
Managing Partner/Designated Broker
602.909.8759
todd@citywidecre.com