KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Phoenix

ECONOMY

- The economy is sending mixed and distorted signals, including stalling job growth exacerbated by labor supply constraints; nominal retail sales growth distorted by inflation and spending pulled forward to avoid tariffed goods; and AI-concentrated business investment.
- The near-term economic outlook is contingent on the impact of tariffs on company margins and related potential hiring impacts, as well as retail sales, a key industrial demand driver.
- The federal government shutdown will impact economic growth if it continues and includes significant federal layoffs instead of furloughs, impact private sector contractors, and impair business, consumer, and financial market confidence..

CONSTRUCTION

- The Phoenix industrial market saw nearly 4.8 million square feet (M SF) delivered in Q3 2025 bringing the year-to-date (YTD) total to 14.3M SF. This is a decrease of 47% from the square footage delivered by the same time in 2024.
- Supply under construction saw a slight jump over Q2 with 20.5M SF in the pipeline at Q3 2025. However, this is down by 23.2% from the 26.7M SF reported in Q3 2024. Looking ahead, developers are looking for the next opportunity with bigger deals moving forward and land is being tied up for future projects.

MARKET CONDITIONS

- The vacancy rate for the Phoenix market closed the third quarter at 12.7% . While above the long-term average of 9.3%, this is a 20-basis point (bp) decrease quarter-over-quarter (QOQ). Still up 220 bps from Q3 2024, the lack of construction starts and shrinking pipeline will help offset additional vacancy increases.
- There was a 20-bp dip in sublease space QOQ bringing vacant available sublease space to just under 6.0M SF for Q3 2025. This accounts for 1.2% of the overall vacancy rate. Most of this space is warehouse/distribution space in the 25,000-75,000 SF range.

Statistics reflect all industrial buildings of all sizes

TRENDS: INDUSTRIAL PROPERTIES

	Q3 2024	Q3 2025	Chg YOY
Vacancy	11.2%	12.7%	▲
Monthly Net Asking Rents	$1.02	$1.06	▲
Net Absorption, SF	3.8M	4.9M	▲
Under Construction, SF	26.7M	20.5M	▼
New Deliveries, SF	7.6M	4.8M	▼

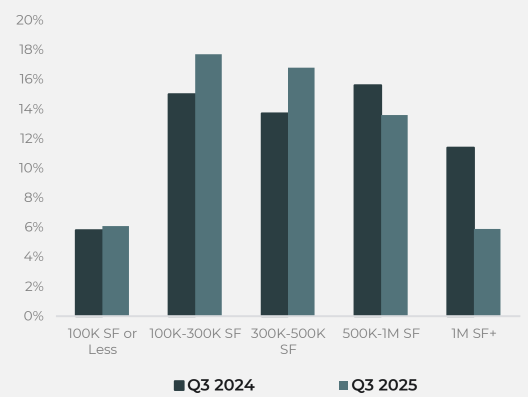
ECONOMIC INDICATORS

	Aug 24	Aug 25	Delta	
National Warehousing Employment (thousands)	1,856.6	1,829.8	-1.2%	▼

	2024	2025	Delta	
Phoenix Population	4.77M	4.83M	1.2%	▲

▶ Increases / Decreases YOY

VACANCY BY SIZE RANGE



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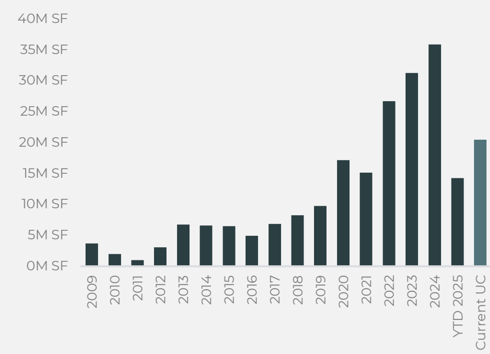
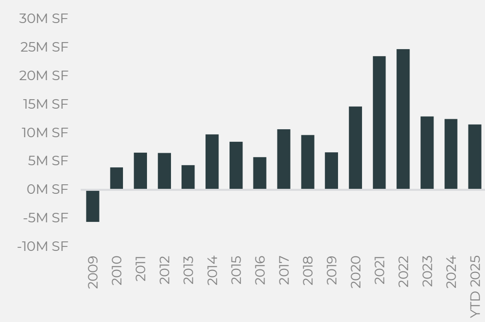
MARKET CONDITIONS CONT.

- The Phoenix market finished Q3 with 4.9M SF of net absorption, the most space absorbed on a quarterly basis so far this year, bringing the YTD total to 11.5M SF. This is up 66% QOQ and up 6.3% over this point YTD 2024.
- Overall, deals continue to get signed varying across new leases and renewals. There has been some user velocity with users in the larger space (400,000 SF and above). Due to some of the larger buildings being lease or sold developers are moving rapidly toward breaking ground on new 1.0M SF speculative projects.
- Rates are very subjective by submarket but overall remain relatively flat. Occupancy is still a priority for landlords. Landlords continue to focus on leasing up vacancy and providing tenants with creative terms with the goal of filling those vacancies. There continues to be some user demand for infill locations with functional space.
- It is likely that in 2025, rents will remain flat in most submarkets as vacancy stays high. More than ever before, rates are becoming increasingly more specific on a case-by-case basis, stressing the importance of market intelligence and understanding what deals are anomalies, and what is a true market trend.

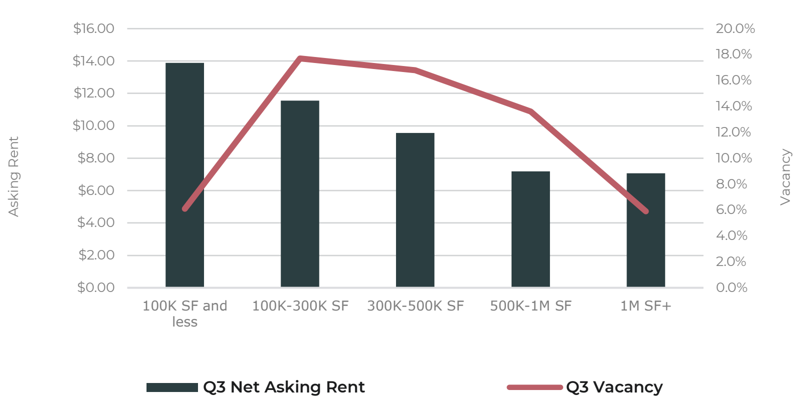
NEW SUPPLY



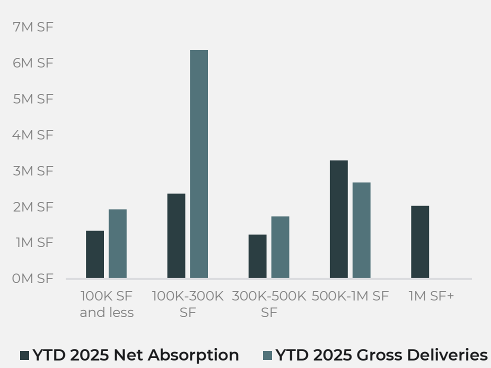
NET ABSORPTION



VACANCY & NET ASKING RENT



SUPPLY & DEMAND



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MARKET SUMMARY Q3 2025

Submarket Cluster	Total Inventory	Vacancy Rate	Q3 2025 Overall Net Absorption	2025 YTD Overall Net Absorption	2025 YTD New Leasing Activity	Under Construction	2025 YTD Construction Completions	Overall Asking Net Rent
Airport	55,417,863	5.5%	(27,849)	(338,024)	1,402,795	836,256	67,150	$ 1.21
Northeast	17,547,763	6.0%	(96,591)	(118,697)	608,054	350,422	266,022	$ 1.76
Northwest	128,087,815	16.8%	3,314,883	6,348,328	5,719,144	6,559,400	7,796,460	$ 0.99
Southeast	140,415,966	14.3%	1,672,484	3,510,529	7,495,757	8,224,492	4,129,580	$ 1.27
Southwest	150,828,630	11.3%	41,108	2,067,506	6,740,978	4,510,685	2,002,281	$ 0.83
Phoenix Total	**492,298,037**	**12.7%**	**4,904,035**	**11,469,642**	**21,966,728**	**20,481,255**	**14,261,493**	**$ 1.06**

Statistics reflect all industrial buildings of all sizes
Rents are monthly

SIGNIFICANT LEASE TRANSACTIONS Q3 2025

Property Address	Submarket	Tenant	Square Feet	Lease Type
16155 W Elwood Street, Goodyear	Southwest	CEVA Logistics	1,302,434	New Lease
8700 N Sarival Avenue, Waddell	Northwest	Scotts Miracle-Gro	734,800	New Lease
700 N 55th Avenue, Phoenix	Southwest	PeopleWorks	532,713	New Lease
7236 E Warner Road, Mesa	Southeast	Strive Pharmacy	223,442	New Lease
4833 E Washington Street, Phoenix	Southeast	Chewy	163,096	New Lease

SIGNIFICANT DELIVERIES Q3 2025

Property Address	Submarket	Developer	Square Feet	Completion Date
17210 W Olive Ave, Building 1	Northwest	Logistics Property Company	611,797	Q3 2025
5088 W Innovation Circle, Fab 2	Northwest	TSMC North America	566,929	Q3 2025
17240 W Olive Ave, Building 2	Northwest	Logistics Property Company	420,282	Q3 2025
14390 W Celebrate Life Way, Building E	Southwest	Formation Interests	229,625	Q3 2025
9520 E Elliot Road, Building B	Southeast	Sunbelt Land Holdings	141,189	Q3 2025
9512 E Elliot Road, Building A	Southeast	Sunbelt Land Holdings	124,135	Q3 2025

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