KBC INSIGHTS | INDUSTRIAL MARKET UPDATE

Phoenix

ECONOMY

- AI continued to drive economic growth with AI capex spending driving business investment growth while AI related corporate earnings growth drove equity valuations and with-it consumer spending growth.
- Retail spending rebounded strongly in August across multiple retailer categories including online retailers.
- AI and AI supporting companies are increasingly creating logistics space demand as they store materials for the construction of semiconductor fabs, data centers and the equipment that will fill them.
- The economic outlook will hinge on the sustainability of AI capex spending and earnings growth, employment and wage growth, retail sales, financial market conditions, and geopolitical events with their impact on energy markets and market sentiment

CONSTRUCTION

- The Phoenix industrial market delivered 5.7 million square feet (M SF) in Q3 2026, a 250.0% increase quarter-over-quarter (QOQ) and a 19.5% increase year-over-year (YOY) from Q3 2025. Total inventory reached 509.3M SF. The market currently has 20.0M SF under construction, up 1.1% QOQ and down 6.4% YOY from Q3 2025's 21.3M SF.
- The supply picture in big-box remains extremely tight. There are just two vacant available spaces of 500,000 SF or larger and two 400,000 SF options on the market, while just two 1M SF buildings are under construction have availability.
- Construction starts totaled 5.9M SF, up 276.2% QOQ and 6.9% YOY, with the Southwest cluster accounting for 4.6M SF of that total. Developers are pushing to get larger speculative product out of the ground, although some projects may pause as interest rates weigh on financing.

MARKET CONDITIONS

- The overall vacancy rate closed Q3 2026 at 10.7%, roughly flat QOQ from 10.7% in Q2 2026 and down 180 basis points (bps) YOY from 12.5% in Q3 2025.
- Vacancy has stabilized after declining through the first half of the year, as 5.7M SF of new deliveries largely offset 5.0M SF of net absorption. Availability is concentrated in smaller and mid-size buildings.
- Overall net asking rents are $13.34 per square foot (/SF) ($1.11/SF per month), up 0.5% QOQ and 3.6% YOY. Performance varies by size, with rents flat for non-big-box product while big-box rents continue to increase. There has been little difference in rent and demand performance between class A and class B product.

Statistics reflect all industrial buildings of all sizes

TRENDS: INDUSTRIAL PROPERTIES

	Q3 2025	Q3 2026	Chg YOY
Vacancy	12.5%	10.7%	▼
Monthly Net Asking Rents	$1.04	$1.11	▲
Net Absorption, SF	5.3M	5.0M	▼
Under Construction, SF	21.3M	20.0M	▼
New Deliveries, SF	4.8M	5.7M	▲

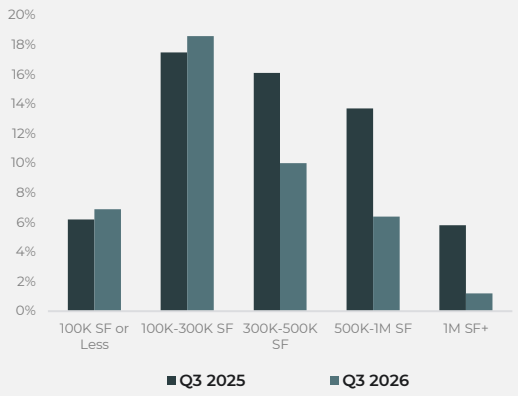
ECONOMIC INDICATORS

	Sep 25	Sep 26	Delta	
National Warehousing Employment (thousands)	1,853	1,832	-1.1%	▼

	2025	2026	Delta	
Phoenix Metro Population	4.83M	4.89M	1.2%	▲

▶ Increases / Decreases YOY

VACANCY BY SIZE RANGE



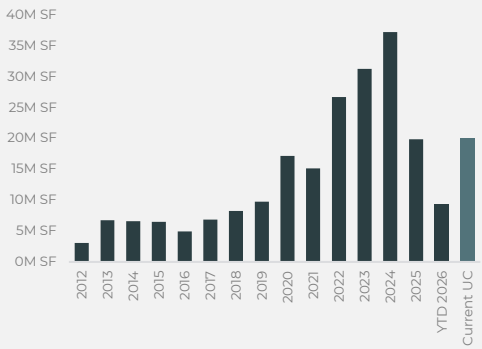
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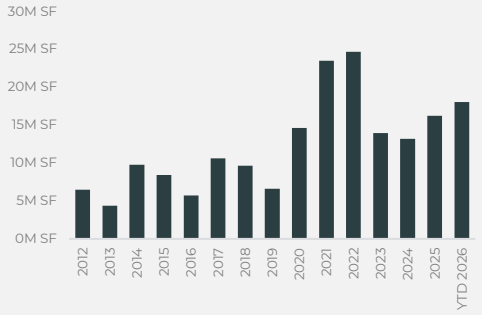
MARKET CONDITIONS CONT.

- The Phoenix market recorded 5.0M SF of net absorption in Q3 2026, a 21.7% decrease QOQ and a 5.6% decrease YOY from Q3 2025's 5.3M SF. However, year-to-date (YTD) net absorption totals 18.0M SF, up 41.9% over the same period in 2025.
- Leasing activity reached 10.0M SF, up 18.1% QOQ and 2.4% YOY versus Q3 2025's 9.8M SF. Big-box space continues to be leased, with third-party logistics (3PL) and data center-related providers among the most active users. And nearly every active requirement is either data center adjacent or tied to chip manufacturing facilities.
- Demand for smaller space in the 20,000–40,000 SF range also remains strong, but there is more variety of availability in the smaller sizes keeping supply and demand well balanced.
- The Phoenix industrial market is cautiously optimistic heading into year-end. Demand is running well ahead of last year's pace, with year-to-date absorption already surpassing the total for last year with a quarter left to go. YTD leasing is up 14.1%, and large available blocks feel largely spoken for.
- The key risk to monitor is interest rates, which are weighing on capital markets and institutional buyers and could slow speculative development. With big-box availability tight and supply dwindling in the 200,000–300,000 SF range, the market will likely need new big-box deliveries, or a broadening of demand into mid-bay sizes to sustain current momentum.

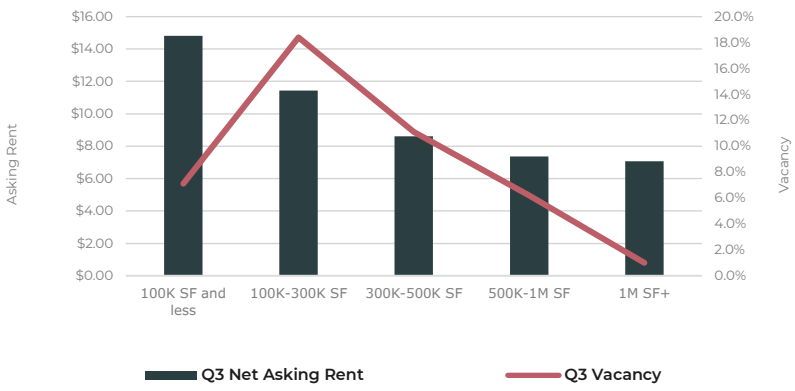
NEW SUPPLY



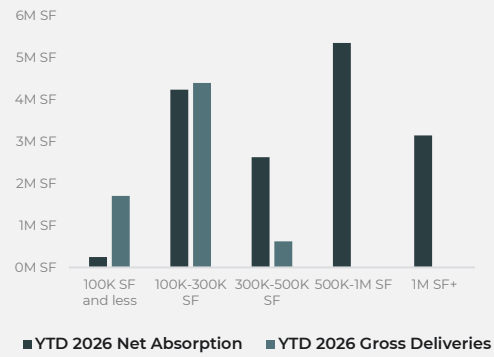
NET ABSORPTION



VACANCY & NET ASKING RENT



SUPPLY & DEMAND



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MARKET SUMMARY Q3 2026

Submarket Cluster	Total Inventory	Vacancy Rate	Q3 2026 Overall Net Absorption	YTD 2026 Overall Net Absorption	YTD 2026 New Leasing Activity	Under Construction	YTD 2026 Construction Completions	Overall Asking Net Rent
Airport	58,066,683	8.9%	227,356	(414,244)	2,402,611	218,027	1,367,188	$1.26
Northeast	18,100,492	5.4%	117,819	358,603	636,779	337,051	307,005	$1.83
Northwest	69,058,552	9.6%	114,924	1,226,349	2,367,136	1,901,158	506,529	$1.22
Southeast	146,026,726	13.2%	1,545,055	3,401,424	7,142,479	5,073,841	2,999,515	$1.31
Southwest	218,046,910	10.4%	2,997,146	13,470,981	14,944,732	12,443,541	4,178,902	$0.85
Phoenix Total	**509,299,363**	**10.7%**	**5,002,300**	**18,043,113**	**27,493,737**	**19,973,618**	**9,359,139**	**$1.11**

Statistics reflect all industrial buildings of all sizes
Rents are monthly

SIGNIFICANT LEASE TRANSACTIONS Q3 2026

Property Address	Submarket	Tenant	Square Feet	Lease Type
17450 W Minnezona Ave, Goodyear	Southwest	Atkinson Industries	391,639	New Lease
861 N 47th Avenue, Phoenix	Southwest	DPR	322,905	New Lease
4275 N 97th Avenue, Glendale	Southwest	Southland Industries	317,777	New Lease

SIGNIFICANT UNDER CONSTRUCTION Q3 2026

Property Address	Submarket	Developer	Square Feet	Completion Date
Reems Road & Northern Parkway, Waddell	Glendale	Merit Partners, Inc.	1,184,591	Q4 2026
7842 N Reems Road, Litchfield Park	Glendale	VanTrust Real Estate, LLC	1,146,518	Q4 2026
W Northern Parkway & 147th Drive, Waddell	Glendale	Lovett Industrial, LLC	1,140,584	Q2 2027
SEC 99th Avenue & Buckeye Road, Tolleson	Tolleson	GO Industrial	1,100,500	Q2 2027

KBCADVISORS

Mike Freret
Market Lead
+1 602 743 7506
mike.freret@kbcadvisors.com

Chris Lydon, SIOR
Leasing Specialist
+1 847 651 5905
chris.lydon@kbcadvisors.com

Danny Schuster
Leasing Specialist
+1 708 218 3646
danny.schuster@kbcadvisors.com

Christian Bodlovich
Leasing Specialist
+1 310 935 9710
christian.bodlovich@kbcadvisors.com

Kirk Kuller
Capital Markets
+1 480 227 0561
kirk.kuller@kbcadvisors.com

Callahan Conway
Capital Markets
+1 479 200 9692
callahan.conway@kbcadvisors.com

Bo Mills
Capital Markets
+1 602 524 1104
bo.mills@kbcadvisors.com

Carolyn Salzer
Senior Director, Head of Research
+1 847 609 2687
carolyn.salzer@kbcadvisors.com

Phoenix Office
2425 E Camelback Road. Suite 1080
Phoenix, AZ 85016

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