



MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.3% Vacancy Rate	▼	▼
13.6M YTD Net Absorption, SF	▲	▲
\$1.13 Asking Rent, PSF (Overall, Net Asking Rent)	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.5M Phoenix Employment*	▲	▲
4.4% Phoenix Unemployment Rate*	▲	▼
4.2% United States Unemployment Rate	▼	▲

Source: BLS, Moody's Analytics
2026Q3 data are based on latest available data

ECONOMY: PHOENIX ECONOMY CONTINUES TO EXPAND

In Q3 2026, the Phoenix Metro reported an employment level of 2.5 million, after adding 24,000 jobs over the last year. While the unemployment rate ticked up from 3.9% to 4.4% during that timeframe—and exceeded the national average of 4.2%—the increase was largely attributed to expanded labor force participation, rather than job losses. A key driver of this trend has been the Metro’s strong wage growth, with the median household income rising by 4.6% year-over-year (YOY) to \$98,500. Phoenix’s population also grew at four times the rate of the national average, however, the 0.8% YOY increase marked a slowdown from previous quarters. Annual GDP growth, meanwhile, accelerated up from 2.4% in Q3 2025 to 2.7% in Q3 2026, underscoring the Metro’s positive economic momentum.

SUPPLY: VACANCY FALLS BY LARGEST MARGIN SINCE MID-2022

Phoenix’s overall industrial vacancy rate fell by its largest margin in over four years, posting a 300 basis point (bps) decline YOY to 10.3% in Q3 2026. Both muted new supply and improving demand drove this compression. Just 9.0 million square feet (msf) was delivered over the last 12 months, representing a 68% reduction from the rolling 2022-2025 annual average (28.0 msf), while net absorption more-than-doubled the volume of completions at 20.5 msf during that same span. Tightening has been most pronounced among the market’s large-format (300,000+ sf) industrial buildings, which reported a vacancy rate of just 5.1%, compared to 14.6% in Q3 2025. While mid-box (100,000 sf to 250,000 sf) vacancy remained elevated at 19.7%, that segment has also exhibited a notable improvement with a 340 bps decline YOY.

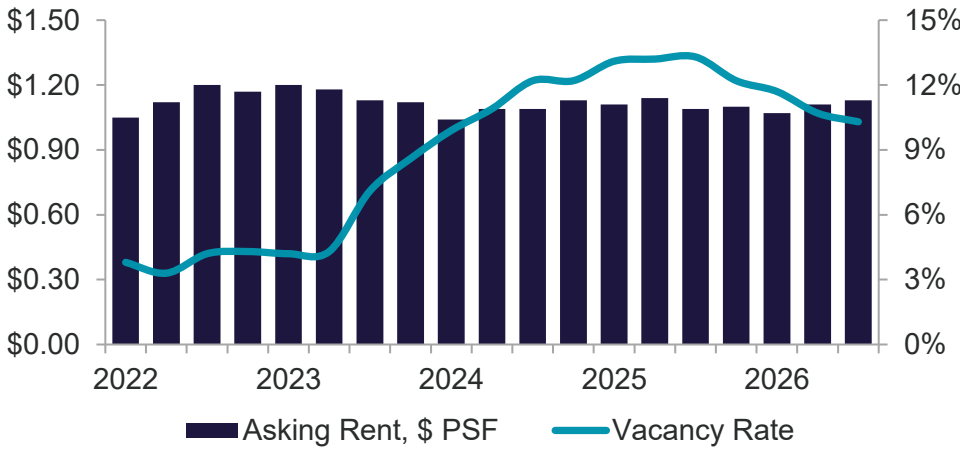
PRICING: ASKING RENTS RISE FOR THREE CONSECUTIVE QUARTERS

Direct and overall average triple net (NNN) asking rents increased quarter-over-quarter (QOQ) to \$1.16 per square foot (psf) and \$1.13 psf, respectively. Both rates have now risen for three consecutive quarters for the first time since Q1-Q3 2022, potentially signaling a return to steady growth amid declining vacancy. During the quarter, the Airport Area exhibited the strongest gains among major markets, with its overall asking rate increasing by 3.2% QOQ to \$1.18 psf. Manufacturing properties led all asset classes across the Metro, posting a 2.3% increase to \$1.15 psf, while the average warehouse/distribution asking rent rose 1.2% to \$1.03 psf. High-technology and office service buildings, by contrast, both reported 0.2% declines QOQ to \$1.31 and \$1.37 psf, respectively.

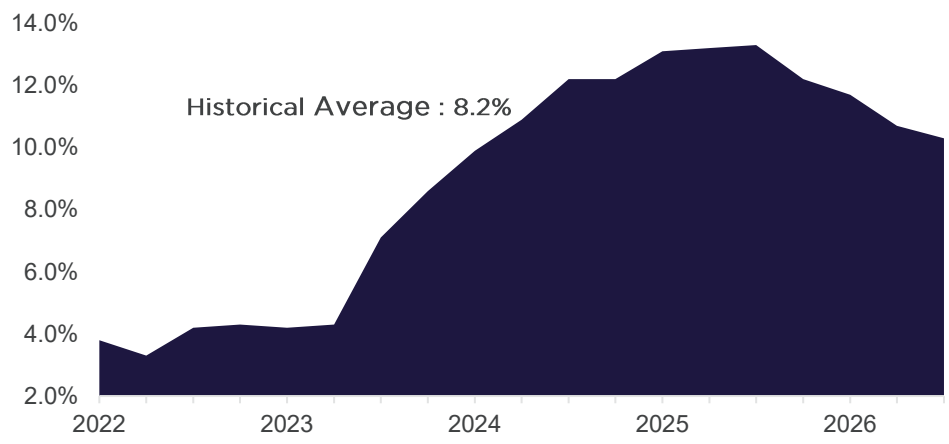
SPACE DEMAND / DELIVERIES



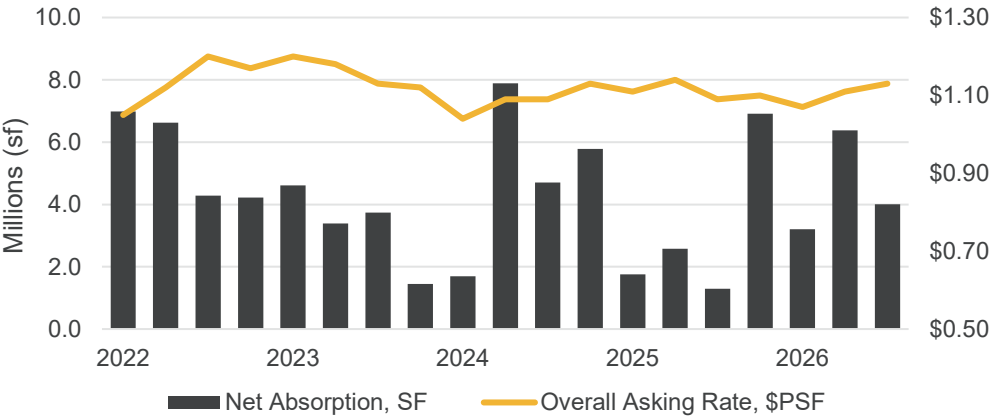
OVERALL VACANCY & ASKING RENT



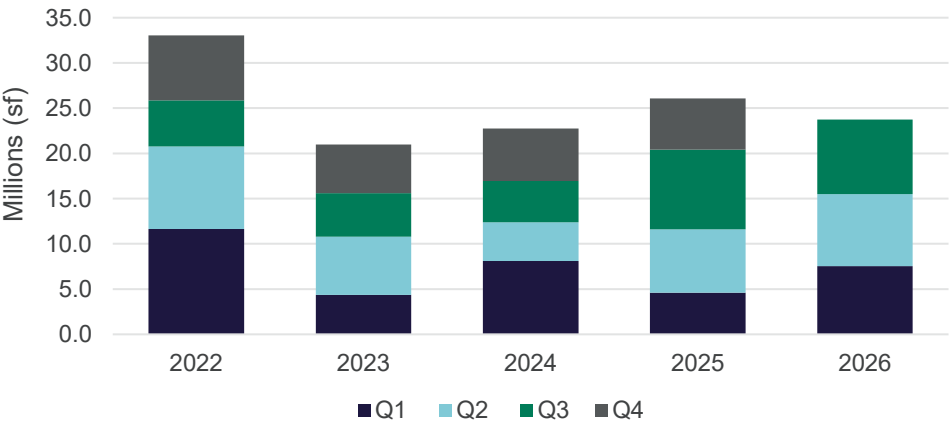
OVERALL VACANCY



ABSORPTION VS. RENT



LEASING ACTIVITY



ACTIVITY: LEASING REACHES HISTORIC LEVEL IN THE SOUTHWEST

Phoenix noted 8.3 msf of leasing activity in Q3 2026, pushing the year-to-date (YTD) total up to 23.7 msf—the third-strongest performance on record through the first three quarters of a year. The Southwest Valley major market has been particularly active with 4.8 msf of new leasing in Q3 and 14.4 msf YTD, the latter of which represents the area’s highest three-quarter span on record. Activity in the Southwest continues to be driven by large-scale transactions, particularly among logistics, manufacturing and construction tenants, with 13 deals over 100,000 sf taking place in Q3 alone. On the other side of the Valley, the Southeast major market has also exhibited notable improvement, as its 1.8 msf of new leasing in Q3 2026 marked its second-strongest quarter in the last four years. Although leasing activity in the Airport Area has remained below Southwest and Southeast levels, its 951,741 sf of leasing in Q3 was also significant, as it represented the major market’s strongest quarter since Q1 2022. Across the market, warehouse/distribution buildings have continued to account for the lion’s share of leasing activity, recording 7.1 msf during Q3 and 20.3 msf YTD.

ABSORPTION: SOUTHEAST VALLEY LEADS Q3 NET ABSORPTION

Industrial net absorption across the Phoenix Metro totaled 4.0 msf in Q3 and 13.6 msf YTD in 2026, already surpassing the full-year totals from 2023 (13.2 msf) and 2025 (12.5 msf). While the Southwest Valley noted the strongest net absorption among major markets YTD, with 9.8 msf through the first three quarters of 2026, Q3 was largely characterized by strength elsewhere in the Metro. The Southeast Valley led the overall market in net absorption for the first time since mid-2017, registering 1.8 msf in Q3 2026—its 25th consecutive positive quarter as well as its fourth-highest on record. The Airport Area major market also posted its strongest quarter since at least 2000, with 428,652 sf of net absorption during Q3. However, looking ahead to Q4, the Southwest Valley is expected to regain its status as the Metro’s leading major market. While the total volume of move-outs remains to be seen, there are over 4.3 msf of signed leases that are scheduled to commence in the Southwest this upcoming quarter, which represents nearly 75% of the market-wide total of 5.8 msf.

CONSTRUCTION: ACTIVE PIPELINE JUMPS UP TO TWO-YEAR HIGH

At the end of Q3 2026, the volume of industrial space under construction reached 20.5 msf, marking an 11.0-msf-increase from the end of 2025 (9.5 msf) and the highest level since mid-2024. Both speculative and build-to-suit (BTS) construction more-than doubled over that timespan, rising to 13.4 msf and 7.1 msf, respectively. The overall jump in groundbreakings, particularly for new speculative projects, suggests developers are beginning to regain confidence in tenant demand and rent growth after a stretch of prolonged volatility through much of 2024 and 2025. This trend appears most evident in the Southwest Valley major market, where construction grew more than four-fold from 2.2 msf in Q4 2025 to 10.5 msf in Q3 2026.

OUTLOOK

- Although the total impact of recent international trade policy likely remains to be seen, it’s apparent that rising costs for construction inputs will keep speculative construction activity below peak 2022-2024 levels. In the meantime, buildings that delivered vacant during those years may be better-positioned to attract tenants as they begin to find fewer newly-delivered options on the market. This trend is expected to gradually temper elevated vacancy rates in submarkets that have recently recorded robust supply growth.
- Large leases signed within the past year, accompanied by the anticipated delivery of over 500,000 sf of BTS projects, are expected to backstop absorption figures during Q4 2026.
- The advanced manufacturing and high technology sector is experiencing unprecedented growth in the Phoenix Metro, with over \$200B invested since 2020. New, large-scale operations, particularly in the semiconductor and data center sectors, will continue to attract ancillary suppliers and supporting industries, fueling additional demand for industrial space.

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	YTD CNSTR COMPLETIONS (SF)	DIRECT NNN ASKING RATE*	OVERALL NNN ASKING RATE*
Airport	69,996,768	6,565,792	9.4%	428,652	-12,893	2,423,544	1,390,222	1,223,616	\$1.20	\$1.18
Northeast Valley	14,296,521	972,002	6.8%	21,402	146,803	352,423	740,593	305,375	\$1.48	\$1.48
Northwest Valley	57,877,264	4,275,604	7.4%	205,162	374,416	1,811,371	2,957,905	37,853	\$1.19	\$1.19
Southeast Valley	104,543,468	15,878,122	15.2%	1,779,719	3,275,704	4,757,874	4,939,472	2,245,889	\$1.29	\$1.19
Southwest Valley	206,222,460	19,076,725	9.3%	1,575,183	9,811,905	14,395,255	10,490,741	2,461,141	\$0.93	\$0.91
MARKET TOTALS	452,936,481	46,768,245	10.3%	4,010,118	13,595,935	23,740,467	20,518,933	6,273,874	\$1.16	\$1.13

*Rental rates reflect weighted net asking \$psf/month; Data centers removed from industrial inventory as of Q1 2026

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
VT303	Southwest Valley	DHL	1,145,955	Direct New
Majestic 303	Southwest Valley	Atkinson Industries	391,639	Direct New
Papago Commerce Center	Southwest Valley	DPR Construction	320,000	Direct New
Park Algodon	Southwest Valley	Southland Industries	317,077	Direct New
Camelback 303 Logistics Center	Southwest Valley	DCSL	303,500	Direct New

KEY SALE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Park 303 – Phase II	Southwest Valley	Lincoln Property Company / Nuveen	1,113,135	\$170.3M / \$143
91 st Avenue Logistics Hub	Southwest Valley	Nearon / INDUS Realty Trust	417,600	\$47.8M / \$114
Airport Center	Airport Area	Trammell Crow Company / IDI Logistics	356,089	\$86.2M / \$242
Park 91	Southwest Valley	Martens Development Company / AEW Capital Management	278,825	\$71.5M / \$256
The Yard @ 2525	Northwest Valley	Atkore / Reich Brothers	275,000	\$30.3M / \$110

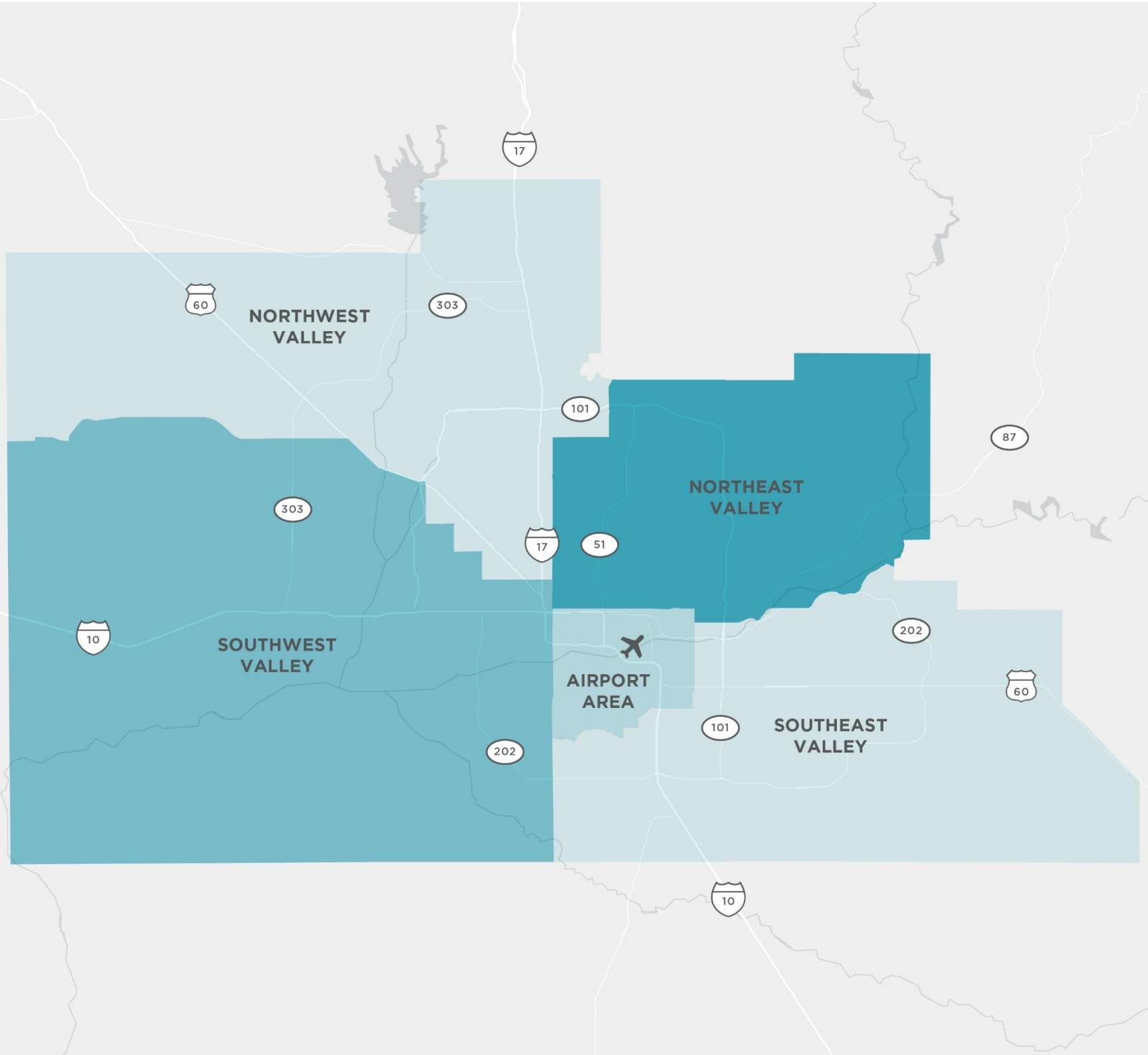
KEY PROJECTS UNDER CONSTRUCTION

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Burlington	Southwest Valley	Burlington	2,200,000	Burlington
LG Energy Solution	Southeast Valley	LG Energy Solution	1,500,000	LG Energy Solution
Airpark Logistics Center – Phase II	Southwest Valley	-	1,432,922	Prologis

KEY CONSTRUCTION COMPLETIONS Q3 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
West 101 Logistics Center	Southwest Valley	-	1,088,747	Trammell Crow Company
Cityview Pecos	Southeast Valley	-	329,943	Abington Emerson Investments
The Landing at Falcon Field	Southeast Valley	-	254,706	Evergreen

INDUSTRIAL SUBMARKETS



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