MARKETBEAT
PHOENIX
INDUSTRIAL Q2 2026

CUSHMAN & WAKEFIELD

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.8% Vacancy Rate	▼	▼
9.4M YTD Net Absorption, SF	▲	▲
$1.12 Asking Rent, PSF	▼	▬

(Overall, Net Asking Rent)

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.5M Phoenix Employment*	▲	▲
4.0% Phoenix Unemployment Rate*	▲	▼
4.2% United States Unemployment Rate	▬	▲

Source: BLS, Moody's Analytics

ECONOMY: OUTPUT ACCELERATES AMID SUSTAINED JOB GROWTH

In Q2 2026, the Phoenix Metro reported an employment level of 2.5 million, after adding 20,500 jobs over the last year. While the unemployment rate ticked up from 3.8% to 4.0% during that timeframe, it remained below the national average of 4.2% and ranked third-lowest among major U.S. metros with total employment of at least 2 million jobs. Continued wage growth encouraged new entrants into the labor force, with the median household income increasing by 3.8% year-over-year (YOY) to $97,400. Population growth also more-than doubled the national average, however, the 0.8% YOY increase marked a deceleration from previous quarters. Annual GDP growth, meanwhile, accelerated up from 2.0% in Q2 2025 to 3.5% in Q2 2026, underscoring the Metro's positive economic momentum.

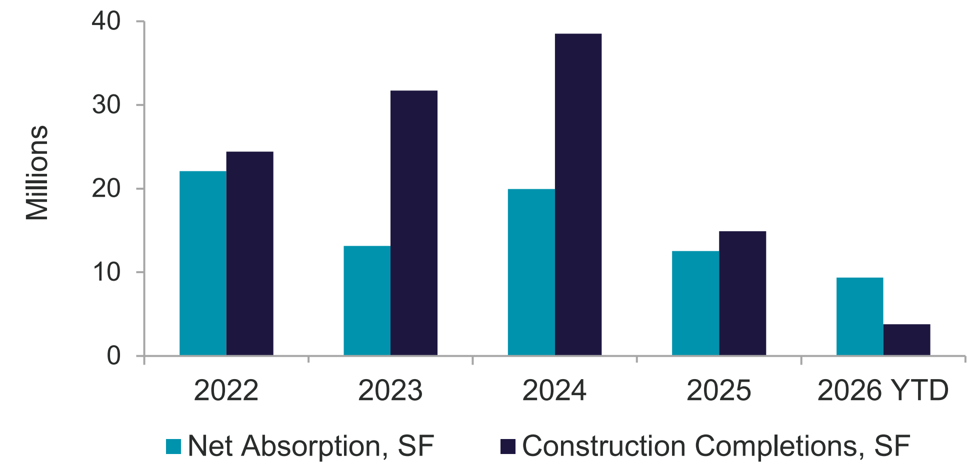
SUPPLY: REDUCED DELIVERIES HELP FACILITATE VACANCY DECLINE

Tepid levels of new completions paved the way for vacancy to decline by 240 basis points (bps) YOY to a nine-quarter low of 10.8% in Q2 2026. Just 8.4 million square feet (msf) of space was delivered in the past 12 months, marking a 71% decline from the rolling 2022-2024 annual average of 29.1 msf. Meanwhile, net absorption reached 17.5 msf over the last year, more-than-doubling the volume of completions, and greatly improving the Metro's demand-to-supply balance. This trend is especially evident in the Southwest Valley major market, where an eight-year low, 3.2 msf annual delivery slate helped pull vacancy down by 660 bps YOY to 9.3%. The Southeast Valley also reported a notable improvement, with vacancy decreasing by 70 bps YOY to 16.4%. In contrast, Phoenix's three remaining major industrial markets posted YOY vacancy increases ranging from 10 bps to 460 bps.

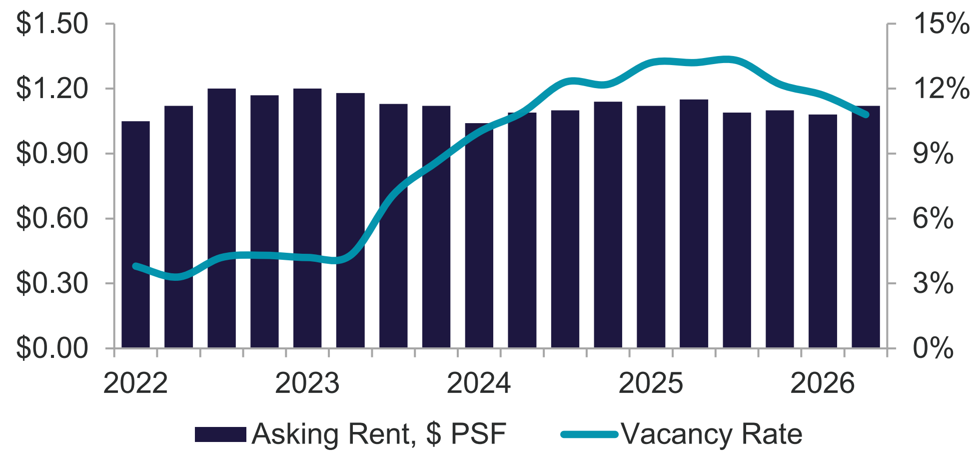
PRICING: MARKET DYNAMICS SUGGEST GROWTH IS RETURNING

Direct and overall average triple net (NNN) asking rents increased quarter-over-quarter (QOQ) to $1.15 per square foot (psf) and $1.12 psf, respectively, as vacancy tightened by a significant margin. While both remained below their Q2 2025 levels, the market's improving demand-to-supply balance suggests vacancy will continue to compress through the near-term, and in turn, support further rent growth. All five of Phoenix's major industrial markets reported QOQ rent increases in Q2, ranging from 0.8% in the Northwest Valley to 6.6% in the Southeast Valley, with the latter marking the area's strongest pace in nearly four years. Among property types, High Technology and Warehouse/Distribution facilities led the market's growth, posting QOQ asking rent gains of 6.2% and 4.1%, respectively.

SPACE DEMAND / DELIVERIES

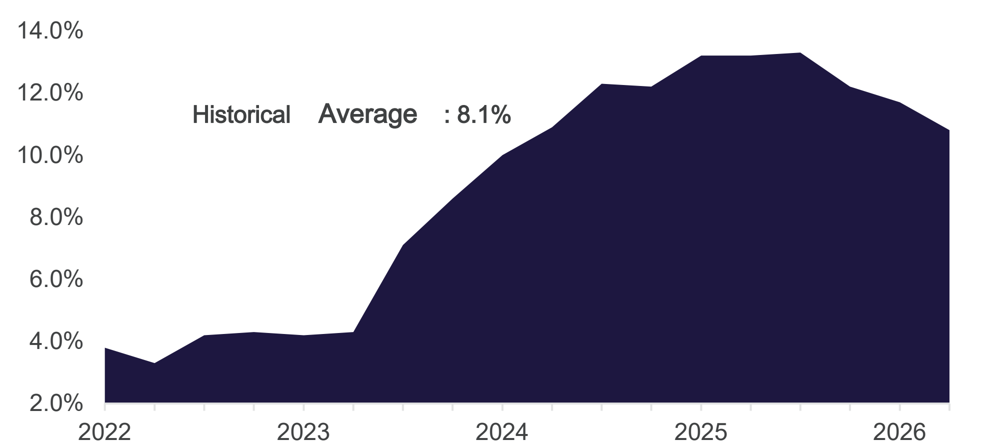


OVERALL VACANCY & ASKING RENT

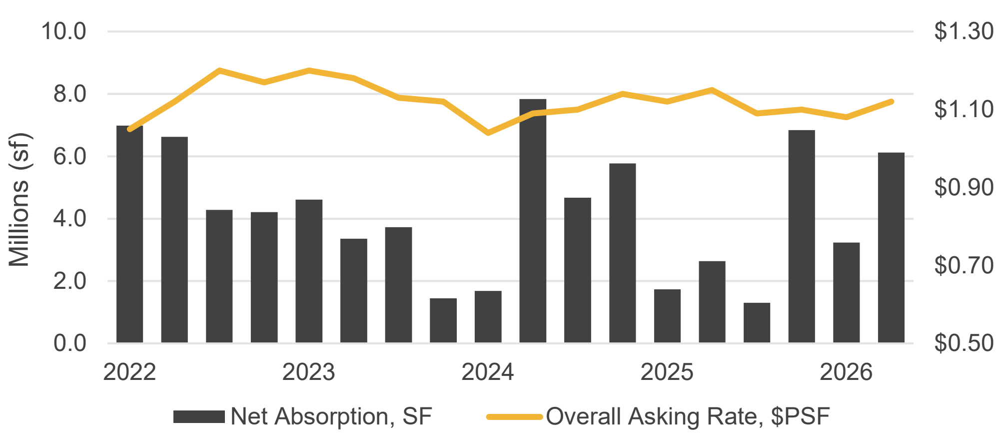


Better never settles

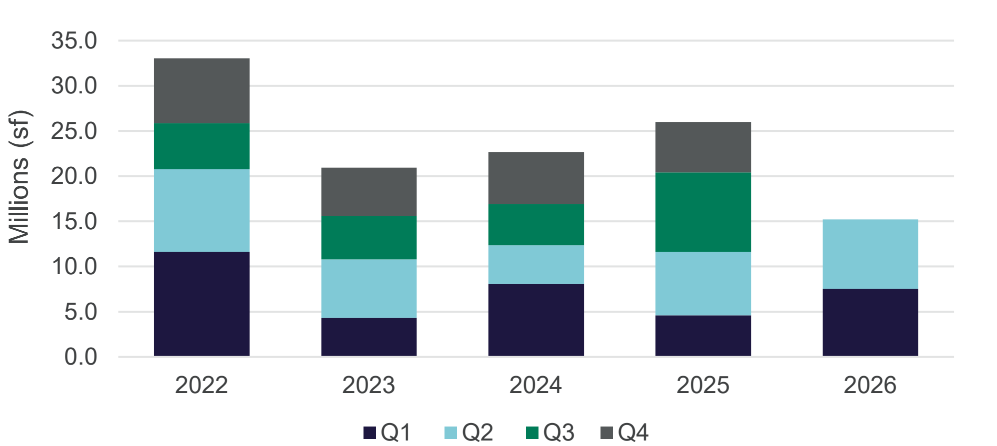
OVERALL VACANCY



ABSORPTION VS. RENT



LEASING ACTIVITY



ACTIVITY: LEASING VELOCITY CONTINUES TO IMPROVE

Leasing activity totaled 7.7 msf in Q2 2026, increasing by 2.1% QOQ and 9.1% YOY. This total exceeded the 2014-2019 quarterly average of 5.3 msf by 45%, highlighting the market's resilience despite recent macroeconomic uncertainty. The Southwest Valley major market continued to capture the greatest volume of leasing activity, recording more than 4.7 msf during the quarter and bringing the year-to-date (YTD) total to 9.5 msf, which marked area's strongest six-month span since Q1-Q2 2022. Consistent with recent quarters, leasing in the Southwest was driven by several large-scale transactions, including 12 of the Metro's 20 largest new deals signed during Q2. Elsewhere, the Southeast Valley also contributed significantly to Phoenix's positive momentum, with leasing activity rising by 28% QOQ to 1.6 msf. The Southeast has led the Metro in lease transaction count this year, with roughly 200 new deals executed — nearly double the number recorded in the Southwest Valley. This disparity in leasing volume reflects larger requirements in the Southwest, where the average lease size was 94,423 SF, compared with 14,298 SF in the Southeast.

ABSORPTION: FIRST-HALF ABSORPTION DOUBLES 2025 LEVEL

Industrial net absorption across Phoenix totaled 6.1 msf in Q2 and 9.4 msf YTD in 2026, representing a 114% increase over the first half of 2025. In Q2, market-wide net absorption was primarily driven by users occupying large spaces in the Southwest Valley major market, which recorded 12 new move-ins of 100,000 sf or larger. This trend contributed to the Southwest's net absorption increasing to 5.1 msf, which is roughly 86% higher than the trailing three-year quarterly average of 2.7 msf. While larger deals were less of a factor in the Southeast Valley, the area observed the greatest QOQ improvement among Phoenix's five major industrial markets, with absorption increasing more than ten-fold to 1.2 msf. Absorption in the Southeast has additionally been positive for 24 consecutive quarters, suggesting lower move-out risk among existing tenants relative to the rest of the Metro. Across the market, warehouse/distribution spaces continue to capture the bulk of space demand, with its 6.1 msf of absorption accounting for 96% of the Metro Phoenix total in Q2.

CONSTRUCTION: BTS FACILITIES ENLARGE PIPELINE FROM RECENT LOWS

The total volume of industrial space under construction increased by 5.6 msf QOQ, reaching 16.0 msf in Q2. While this marked the largest uptick in groundbreakings since Q3 2022, the pipeline remains well below the 30.0 msf quarterly average from 2022-2025, indicating developers are still taking a measured approach to new projects amid elevated vacancy and limited rent growth. This trend is further reflected in the declining share of speculative projects within the overall construction pipeline, which reached the lowest level since at least 2022 at 59%. On the other hand, built-to-suit activity is increasing as large occupiers seek newer-built facilities while finding fewer existing options across the market that meet their size and operational needs.

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 on the decline. In the meantime, older, existing inventory 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 past half-year, accompanied by the anticipated delivery of nearly 1.0 msf of BTS projects, are expected to backstop absorption figures during the remainder of 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	69,938,061	7,209,439	10.3%	-234,677	-607,130	1,461,143	330,971	1,135,292	$1.15	$1.13
Northeast Valley	14,296,521	1,038,237	7.3%	-127,990	107,975	282,504	740,593	305,375	$1.50	$1.47
Northwest Valley	57,833,260	4,451,619	7.7%	156,575	177,388	1,073,111	2,654,613	-	$1.19	$1.19
Southeast Valley	103,623,217	17,002,684	16.4%	1,234,862	1,340,577	2,859,559	5,336,461	1,358,761	$1.29	$1.20
Southwest Valley	204,741,758	18,986,956	9.3%	5,091,285	8,338,293	9,536,754	6,919,165	984,309	$0.94	$0.91
MARKET TOTALS	**450,432,817**	**48,688,935**	**10.8%**	**6,120,055**	**9,357,103**	**15,213,071**	**15,981,803**	**3,783,737**	**$1.15**	**$1.12**

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

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Northern Parkway Logistics Center	Southwest Valley	DHL	1,180,000	Direct New
Luke Field – Buildings A & B	Southwest Valley	Fluidstack	1,150,511	Direct New
Latitude 303 Logistics – Building A	Southwest Valley	DHL	402,662	Direct New
Hatcher Industrial Park – Building 1	Southwest Valley	Diversitech	386,958	Direct New
LogistiCenter at Copperwing – B6	Southwest Valley	Lam Research	284,421	Direct New

KEY SALE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
Hub at 202	Southeast Valley	Affinius Capital LLC / Machine Investment Group	1,271,390	$135.0M / $106.18
The Cubes at Mesa Gateway – Building C	Southeast Valley	CRG / La Costa Capital Partners, LLC	1,200,000	$116.0M / $96.67
Elliot Gateway	Southeast Valley	Trammel Crow Company / Cohen Asset Management Inc	516,944	$98.0M / $189.58
West Summit at Surprise – Building 1	Southwest Valley	Mohr Capital / U.S. Merchants	453,960	$63.9M / $140.73
Eastbank Business Park	Airport Area	Oxford Properties Group / Belkorp	174,801	$44.2M / $252.57

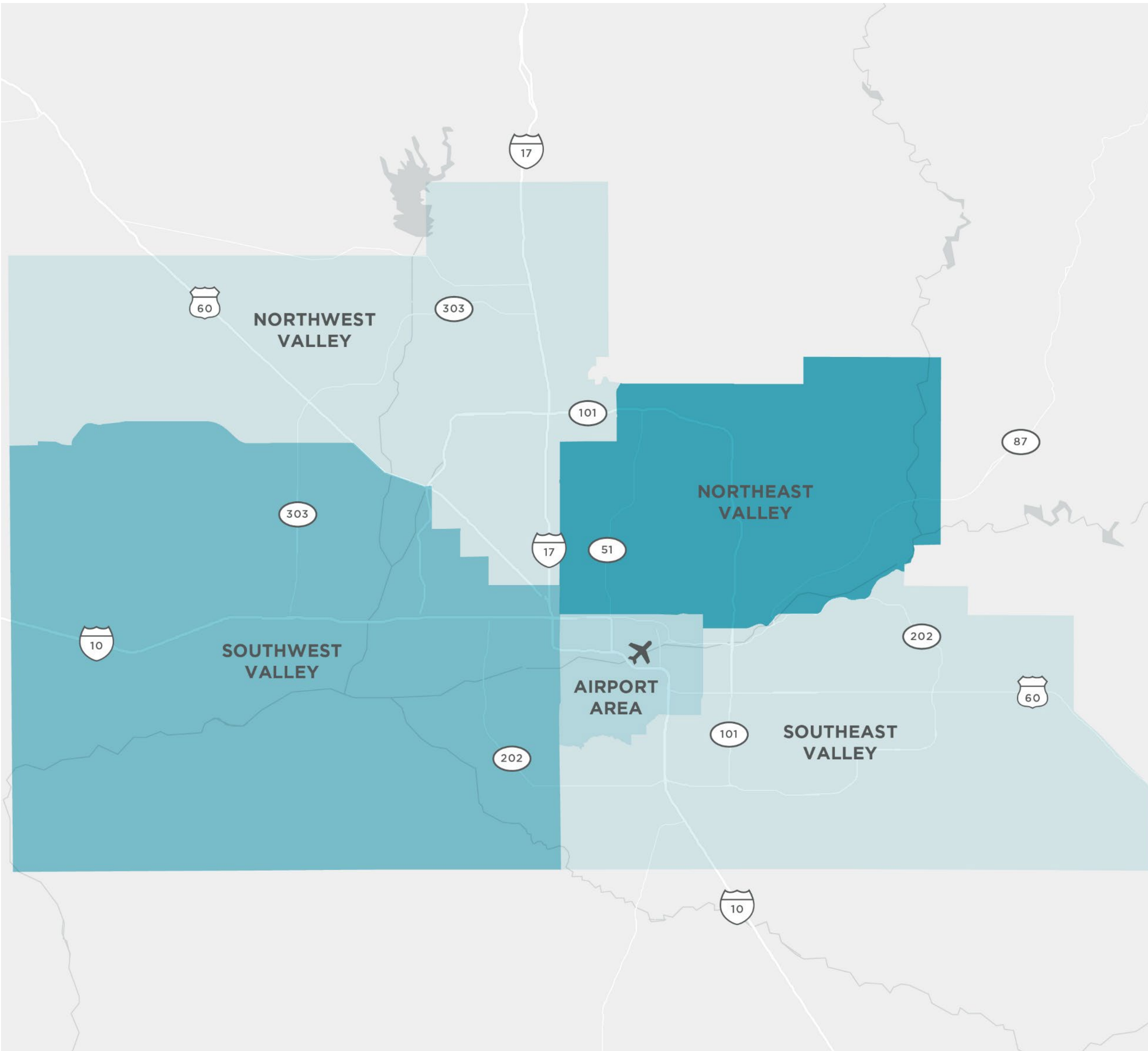
KEY PROJECTS UNDER CONSTRUCTION

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
Northern Parkway Logistics Center	Southwest Valley	DHL	1,180,000	Merit Partners

KEY CONSTRUCTION COMPLETIONS Q2 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
Sky Harbor Commerce Park	Airport Area	Tesla	500,591	Trammell Crow Company
Airport Center	Airport Area	-	357,721	Clarion Partners
Papago Commerce Center	Southwest Valley	-	320,000	Clarion Partners

INDUSTRIAL SUBMARKETS



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