

PHOENIX
INDUSTRIAL

NEWSLETTER



1Q2024

SVN DESERT COMMERCIAL ADVISORS

QUARTERLY INDUSTRIAL STATS

Phoenix's industrial sector is grappling with a deluge of new development completions, driving the vacancy rate higher and potentially persisting into early 2025. Over the past year, the region has witnessed a staggering 39.5 million SF of net deliveries, a significant increase from the pre-pandemic annual average of 8 million SF. Despite this wave of construction, demand remains resilient, particularly from logistics, construction, and manufacturing sectors. For example, Amazon's recent expansion with three leases totaling 3.5 million SF underscores the area's allure for logistics operations.

However, robust demand has been outpaced by supply, resulting in a swift upward trajectory in vacancy rates, which have risen from 4.2% in mid-2022 to 10.0% as of Q2 2024. The majority of recent construction has focused on buildings larger than 100,000 SF, leading to a rapid accumulation of available space in these large properties. Conversely, smaller bay products have seen limited supply and tight vacancy rates.

Rent growth has decelerated, with average asking rents rising 9.5% over the past year. Despite this, Phoenix's industrial properties remain affordable compared to many other markets, attracting companies seeking to expand their distribution networks in the Southwest.



VACANCY

9.60%

1Q23: 4.40%



MARKET RENT

\$13.61/SF

1Q23: \$12.23/SF



NET ABSORPTION

4,062,415 SF

1Q23: 6,490,035 SF



PRICE / SF

\$170/SF

1Q23: \$172/SF

MARKET CAP RATES

6.89%

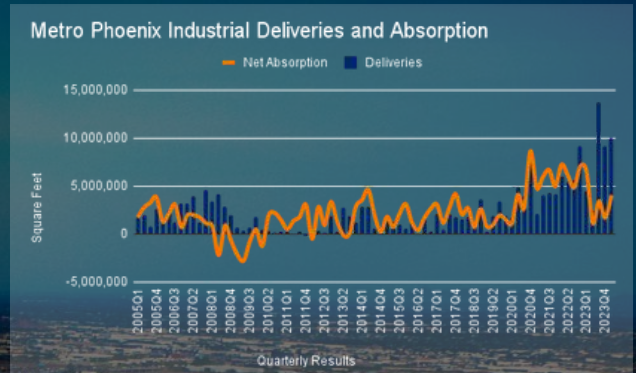
METRO PHOENIX

7.68%

NATIONAL

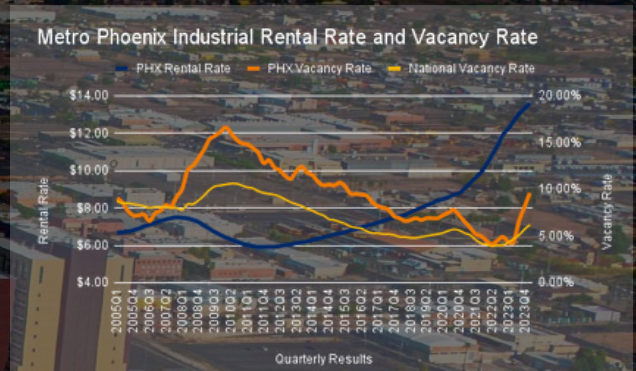
METRO PHOENIX DELIVERIES & ABSORPTION

The industrial supply pipeline is expected to continue exerting upward pressure on vacancy rates, with nearly 90% of ongoing construction focused on speculative developments. However, indications suggest a potential slowdown in construction starts by late 2025, which could pave the way for a return to tightening vacancies and rent growth acceleration.

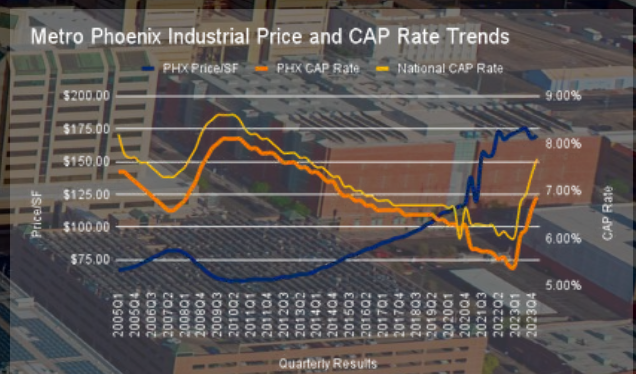


RENTAL AND VACANCY RATES

Phoenix's industrial market benefits from a diverse range of demand drivers, including third-party logistics firms and companies expanding their distribution networks. Major investments from companies like TSMC, Intel, and Amkor position it as a prominent hub for industrial activity in the long run. Additionally, the region's momentum in advanced manufacturing, particularly in the semiconductor industry, contributes to its long-term growth prospects.



PRICES AND CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 3.80% Unemployment Rate (USA) +0.10%
- 3.30% Unemployment Rate (Metro PHX) -0.20%
- 2.606MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- \$445,000 Median Home Price -0.09%
- 6,541 Closed Transactions -0.13%
- 46 Days on Market -31 Days
- 2.56 Months of Supply +0.28 Months

10-Year Treasury

- 4.20% as of 3/28/2024
- +0.65% YOY | -0.07% MOM

SUBMARKET ANALYTICS

	Inventory (Millions)	Under Construction SF	Total Vacancy Rate	12 Mo. Absorption	Market Rent/SF	Market Sale Price/SF	Market CAP Rate	12 Mo. Sales Volume
Central Phoenix	4,545,064	0	2.6%	106,620	\$18.97	\$202	7.3%	\$3,039,500
Chandler	24,902,683	1,105,526	6.2%	13,131	\$16.28	\$205	6.8%	\$6,375,000
Chandler Airport	8,828,415	445,330	11.4%	451,278	\$15.91	\$292	6.5%	\$96,020,680
Chandler/N Gilbert	40,656,826	7,360,971	19.2%	4,919,423	\$15.84	\$200	6.8%	\$90,283,312
Deer Valley/ Pinnacle Peak	20,423,691	2,799,333	6.6%	582,643	\$17.55	\$194	7.0%	\$20,240,996
Falcon Field/ Apache Junction	6,229,460	297,931	1.1%	-3,679	\$17.56	\$200	7.0%	\$5,380,000
Glendale	44,004,592	12,384,040	22.0%	4,913,982	\$11.97	\$130	6.9%	\$1,575,000
Goodyear	34,598,789	6,764,868	18.1%	2,298,234	\$10.53	\$137	6.7%	\$21,800,000
Grand Avenue	14,806,497	432,910	3.9%	-250,993	\$12.00	\$149	7.0%	\$5,975,000
Mesa	7,877,788	0	3.6%	8,946	\$14.74	\$159	7.2%	\$15,390,000
N Airport	15,116,205	0	4.7%	-138,444	\$15.82	\$173	7.3%	\$28,121,790
N Black Canyon	5,336,694	0	14.9%	-118,898	\$16.37	\$164	7.2%	\$0
N Outlying	231,013	0	1.3%	10,803	\$14.35	\$149	7.1%	\$0
NW Outlying	40,024	0	0.0%	0	\$15.11	\$156	7.5%	\$0
Pinal County	12,508,111	2,041,694	4.2%	394,078	\$12.77	\$112	7.0%	\$10,442,900
S Airport N of Roeser	16,153,313	0	5.1%	-46,484	\$15.00	\$173	7.2%	\$39,296,032
S Airport S of Roeser	4,745,223	0	2.0%	156,021	\$15.30	\$181	7.0%	\$43,500,000
SC N of Salt River	16,665,902	103,759	7.7%	-502,029	\$13.62	\$149	7.1%	\$1,900,000
SC S of Salt River	2,734,936	0	2.5%	-46,195	\$13.45	\$157	7.3%	\$5,100,000
Scottsdale Airpark	7,020,781	8,789	4.3%	-27,815	\$22.01	\$301	6.7%	\$12,481,000
Scottsdale/Salt River	5,755,160	0	2.7%	178,357	\$21.76	\$201	7.1%	\$12,222,944
SW Outlying	99,833	0	0.0%	0	\$10.53	\$89	8.1%	\$0
Surprise	4,952,603	2,255,773	9.2%	151,838	\$15.55	\$163	7.1%	\$0
SW N of Buckeye Rd	37,710,500	99,498	10.2%	-516,243	\$10.27	\$134	6.8%	\$12,510,000
SW S of Buckeye Rd	20,866,155	253,460	2.4%	989,465	\$11.67	\$159	6.6%	\$53,254,448
Tempe East	6,993,359	135,000	5.7%	-288,047	\$16.82	\$204	7.2%	\$11,132,224
Tempe NW	11,039,772	0	8.4%	-603,631	\$15.92	\$172	7.3%	\$3,585,000
Tempe SW	22,525,194	0	8.6%	-656,217	\$14.40	\$180	7.1%	\$19,300,000
Tolleson	48,874,074	511,675	3.8%	882,018	\$10.55	\$146	6.5%	\$0
W Phoenix N of Thomas Rd	8,348,344	0	6.1%	-40,779	\$11.21	\$118	7.6%	\$4,075,000
W Phoenix S of Thomas Rd	7,222,495	0	4.8%	-248,177	\$11.48	\$132	7.1%	\$15,200,000
Total/Averages	461,813,496	37,000,557	9.60%	12,569,206	\$13.61	\$170.34	6.89%	\$538,200,826

NOTABLE TRANSACTIONS

SALES

ELWOOD RISING



**3750 S 156TH AVE
GOODYEAR, AZ**

Sale Date: 3/22/24 Bldg Type: Class B
Sale Price: \$21,800,000 Year Built: 2024
Price/SF: \$181.67 DBA: 120,000 SF

MANUFACTURING PROPERTY



**2940 N 73RD ST
SCOTTSDALE, AZ**

Sale Date: 2/2/24 Bldg Type: Class B
Sale Price: \$1,500,000 Year Built: 1986
Price/SF: \$299.94 DBA: 5,001 SF

RIVERSIDE @ 51ST



**2300 S 51ST AVE
PHOENIX, AZ**

Sale Date: 1/11/24 Bldg Type: Class A
Sale Price: \$42,200.00 Year Built: 2007
Price/SF: \$125.80 DBA: 335,459 SF

LEASES

TEMPE SOUTHWEST INDUSTRIAL



**925-1027 W 23RD ST
TEMPE, AZ**

Sign Date: 3/26/24 Bldg Type: Class C
Lease Rate: \$12.00/NNN Year Built: 1967
Tenant: Clarkson SF Leased: 14,400 SF
Industrial

PEORIA INDUSTRIAL BUILDING



**8700 N 91ST AVE
PEORIA, AZ**

Sign Date: 3/26/24 Bldg Type: Class B
Lease Rate: \$16.00/NNN Year Built: 1967
Tenant: Major Power, Inc SF Leased: 22,247 SF

INDUSTRIAL BAYS

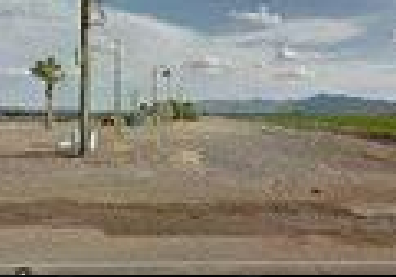


**1510 E BELL RD
PHOENIX, AZ**

Sign Date: 3/26/24 Bldg Type: Class C
Lease Rate: \$10.68/IG Year Built: 1967
Tenant: Unknown SF Leased: 3,000 SF

LAND TRANSACTIONS

SE BROADWAY RD & 75TH AVE



**SE BROADWAY RD & 75TH AVE
PHOENIX, AZ**

Sale Date: 3/5/24 Prop Type: Land
Sale Price: \$9,100,000 Prop Subtype: Commercial
Buyer: Calderwood AC: 38.27 Acres
Properties LLC

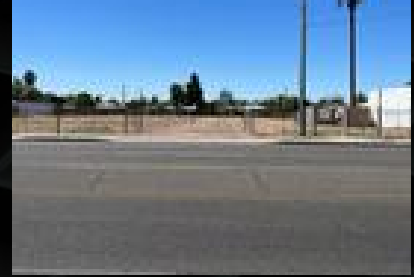
PHOENIX INDUSTRIAL LAND



**5855 N 52ND AVE
GLENDALE, AZ**

Sale Date: 3/5/24 Prop Type: Land
Sale Price: \$3,300,000 Prop Subtype: Industrial
Buyer: Marbuck LLC AC: 1/17 Acres

MIDTOWN PHOENIX LAND



**2529 E MCDOWELL RD
PHOENIX, AZ**

Sale Date: 2/12/24 Prop Type: Land
Sale Price: \$800,000 Prop Subtype: Industrial
Buyer: Abelardo Amaya AC: 0.95 Acres

INDUSTRIAL CONDO REPORT

METRO PHOENIX



1

NW VALLEY

PRICE PSF

\$197

RENT PSF

\$13.13

2

SW VALLEY

PRICE PSF

\$193

RENT PSF

\$11.06

3

PHOENIX

PRICE PSF

\$227

RENT PSF

\$13.54

4

SCOTTSDALE/PV

PRICE PSF

\$445

RENT PSF

\$21.54

5

SE VALLEY

PRICE PSF

\$241

RENT PSF

\$15.86



PRICE PSF

\$270.00

YOY ▼ 5.47%



RENT PSF

\$13.61/SF

▲ 11.28%



DEALS SOLD

22

▲ 120.00%



INVENTORY (MOS.)

4.58

▲ 5.77%

SALES PRICE PSF AND SALES VOLUME



RENT PSF AND YOY RENT GROWTH



NOTABLE TRANSACTIONS

HAYDEN BUSINESS CENTER



14201 N HAYDEN RD - UNIT D4
SCOTTSDALE, AZ

Sale Date: 3/11/24 Bldg Type: Class B
Sale Price: \$1,250,000 Year Built: 1998
Price/SF: \$421.30 DBA: 2,967 SF

SPECIALTY CONDO



7317 E HELM DR - UNIT A140
SCOTTSDALE, AZ

Sale Date: 3/4/24 Bldg Type: Class B
Sale Price: \$825,000 Year Built: 2023
Price/SF: \$550.00 DBA: 1,500 SF

WAREHOUSE CONDO



7735 E REDFIELD RD
SCOTTSDALE, AZ

Sale Date: 2/22/24 Bldg Type: Class C
Sale Price: \$600,000 Year Built: 1978
Price/SF: \$378.55 DBA: 1,585 SF

KITCHELL SKY PARK



20601 N 20TH AVE
PHOENIX, AZ

Sale Date: 2/5/24 Bldg Type: Class C
Sale Price: \$1,085,000 Year Built: 1987
Price/SF: \$219.50 DBA: 4,943 SF

SCOTTSDALE RIDGE



7343 E ADOBE DR - UNIT 145
SCOTTSDALE, AZ

Sale Date: 1/22/24 Bldg Type: Class B
Sale Price: \$2,872,944 Year Built: 2008
Price/SF: \$421.50 DBA: 6,816 SF

OLIVE AVENUE BUSINESS PARK



9299 W OLIVE AVE - UNIT 502
PEORIA, AZ

Sale Date: 1/15/24 Bldg Type: Class B
Sale Price: \$650,000 Year Built: 2006
Price/SF: \$203.13 DBA: 3,200 SF



5343 NORTH 16TH STREET SUITE 100 | PHOENIX, AZ 85016
(480) 425-5500 | WWW.SVNDESERTCOMMERCIAL.COM