

PHOENIX
INDUSTRIAL

NEWSLETTER



2Q2024

SVN DESERT COMMERCIAL ADVISORS

QUARTERLY INDUSTRIAL STATS

Phoenix's industrial vacancy rate is climbing due to a surge in new developments, a trend expected to continue into mid-2025. In Q1 2024, over 10 million square feet were delivered, adding up to a record 43.8 million square feet over the past 12 months, far surpassing the pre-pandemic annual average.

Despite resilient demand from logistics, construction, and manufacturing sectors, which remains 20% above 2019 levels, it has not matched the flood of new supply. Amazon exemplified this trend by signing leases for 3.5 million square feet in the West Valley while also returning 570,000 square feet to the sublease market. Consequently, vacancy rates have jumped from 4.2% in mid-2022 to 10.6%, with large properties over 100,000 square feet seeing the highest vacancy.

Phoenix industrial properties remain affordable compared to many other markets, helping attract users looking to build out their distribution networks in the Southwest. Rents average \$13.62/SF, which is in line with the national average.

Rent growth is slowing due to increased competition from new supply, with average asking rents rising 7.1% over the past year. The large-scale construction pipeline, with 31.5 million square feet underway, will likely continue to push vacancy rates higher through early 2025.



VACANCY

10.60%

2Q23: 4.40%



MARKET RENT

\$13.62/SF

2Q23: \$12.63/SF



NET ABSORPTION

6,347,147 SF

2Q23: 1,150,681 SF



PRICE / SF

\$157/SF

2Q23: \$174/SF

MARKET CAP RATES

6.60%

METRO PHOENIX

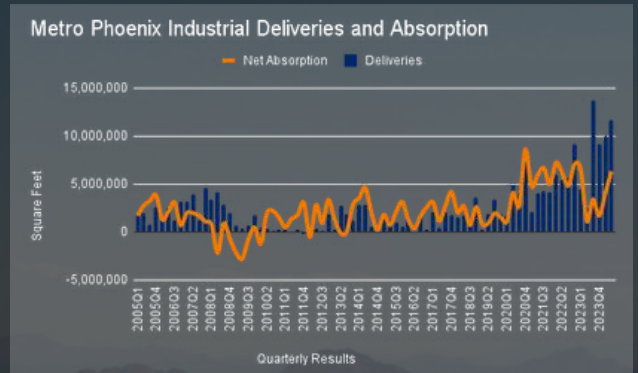
7.31%

NATIONAL

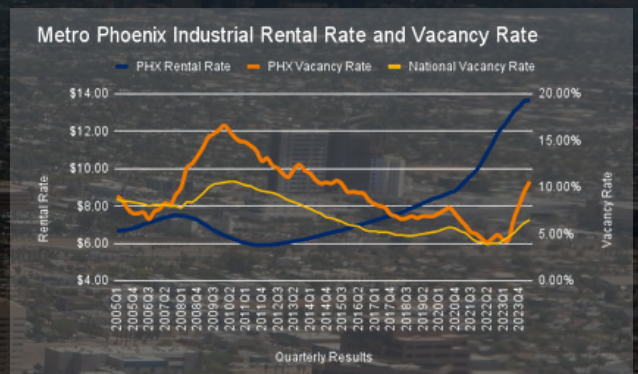
Vacant space is accumulating most quickly in the Valley's largest properties. The vacancy rate among existing buildings larger than 100,000 square feet reached a decade-high of 12.4% in Q1. However, smaller industrial properties under 50,000 square feet are performing better, with vacancies around 4%. This segment benefits from limited new construction and steady demand from local businesses.

Phoenix's industrial sector is bolstered by significant investments in advanced manufacturing, such as TSMC and Intel's semiconductor plants, and continued interest from logistics companies. TSMC's \$65 billion investment and Intel's \$20 billion expansion are transforming Phoenix into a hub for chipmaking. Additionally, several EV makers, battery producers, and solar firms are expanding in the area.

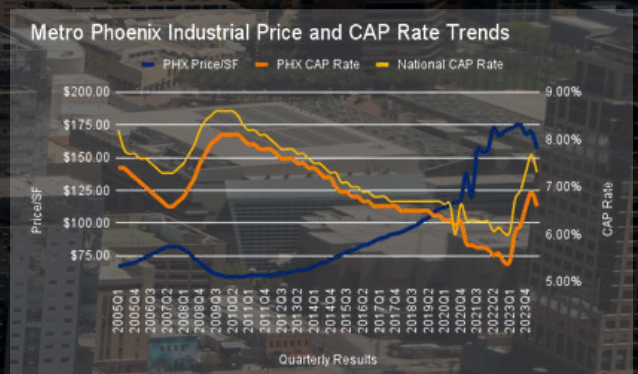
METRO PHOENIX DELIVERIES & ABSORPTION



RENTAL AND VACANCY RATES



PRICES AND CAP RATE TRENDS



ECONOMIC HIGHLIGHTS

Employment Data (YOY)

- 3.80% Unemployment Rate (USA) +0.10%
- 2.90% Unemployment Rate (Metro PHX) -0.40%
- 2.615 MM Employed Residents (Metro PHX)

Metro PHX Housing Trends (YOY)

- \$450,000 Median Home Price +0.01%
- 6,157 Closed Transactions -0.06%
- 39 Days on Market -7 Days
- 2.91 Months of Supply +0.35 Months

10-Year Treasury

- 4.36% as of 6/28/2024
- +0.55% YOY | -0.15% 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	4,542,963	0	3.7%	-20,861	\$18.91	\$214	7.0%	\$4,655,000
Chandler	24,939,655	865,526	6.0%	360,376	\$16.23	\$216	6.5%	\$4,925,000
Chandler Airport	9,032,253	292,330	13.4%	361,031	\$15.92	\$306	6.2%	\$850,250
Chandler/N Gilbert	44,265,939	5,304,302	24.3%	5,230,883	\$15.87	\$211	6.6%	\$32,543,150
Deer Valley/ Pinnacle Peak	21,718,274	1,761,135	10.0%	847,275	\$17.54	\$209	6.6%	\$60,130,992
Falcon Field/ Apache Junction	6,474,854	60,145	5.3%	38,656	\$17.37	\$209	6.8%	\$37,595,792
Glendale	47,557,176	12,077,283	19.9%	6,195,299	\$11.87	\$139	6.5%	\$102,826,880
Goodyear	35,643,118	6,141,925	19.5%	2,599,241	\$10.56	\$139	6.5%	\$183,955,968
Grand Avenue	15,379,479	397,312	7.0%	-250,684	\$11.95	\$155	6.7%	\$38,076,560
Mesa	7,871,179	0	4.4%	-76,703	\$14.79	\$167	6.9%	\$40,030,000
N Airport	15,291,701	0	5.5%	-235,756	\$15.98	\$182	7.0%	\$17,619,860
N Black Canyon	5,337,948	0	16.3%	-98,723	\$16.43	\$172	6.9%	\$2,700,000
N Outlying	231,013	0	1.3%	12,803	\$14.35	\$158	6.8%	\$0
NW Outlying	40,024	0	0.0%	0	\$15.00	\$165	7.2%	\$0
Pinal County	13,530,458	1,087,453	4.2%	1,010,097	\$12.67	\$122	6.7%	\$12,946,700
S Airport N of Roeser	15,899,566	0	4.5%	-71,971	\$14.99	\$180	6.9%	\$63,160,000
S Airport S of Roeser	4,745,223	0	2.3%	-15,542	\$15.27	\$190	6.8%	\$4,061,880
SC N of Salt River	16,725,658	106,220	7.5%	-501,001	\$13.66	\$157	6.8%	\$26,430,000
SC S of Salt River	2,735,073	0	2.2%	33,003	\$13.36	\$162	7.0%	\$0
Scottsdale Airpark	7,030,279	45,047	4.3%	-65,867	\$22.17	\$321	6.3%	\$7,058,240
Scottsdale/Salt River	5,589,633	0	2.5%	104,907	\$22.02	\$215	6.7%	\$4,150,000
SW Outlying	99,833	0	0.0%	0	\$10.55	\$94	7.7%	\$0
Surprise	5,525,869	1,859,201	13.9%	409,506	\$15.54	\$181	6.7%	\$735,000
SW N of Buckeye Rd	37,737,075	99,498	9.7%	-323,070	\$10.32	\$141	6.5%	\$121,325,000
SW S of Buckeye Rd	20,899,330	253,460	3.4%	900,445	\$11.68	\$167	6.4%	\$9,578,000
Tempe East	6,990,342	135,000	6.3%	-286,999	\$17.05	\$214	6.9%	\$2,100,000
Tempe NW	11,137,036	28,000	8.6%	-337,135	\$15.97	\$179	7.0%	\$2,780,000
Tempe SW	22,509,001	0	8.6%	-596,245	\$14.49	\$189	6.8%	\$53,100,000
Tolleson	48,791,373	801,675	4.3%	415,269	\$10.62	\$153	6.2%	\$5,200,000
W Phoenix N of Thomas Rd	8,382,965	0	4.9%	-15,865	\$11.20	\$125	7.2%	\$31,210,000
W Phoenix S of Thomas Rd	7,230,457	0	5.5%	-324,553	\$11.53	\$139	6.8%	\$4,450,000
Total/Averages	473,884,747	31,315,512	7.4%	15,297,816	\$14.71	\$180	6.8%	\$874,194,272

NOTABLE TRANSACTIONS

SALES

CASCADE AVONDALE



**1466 N ELISEO C. FELIX JR WAY
AVONDALE, AZ**

Sale Date: 6/24/24 Bldg Type: Class A
Sale Price: \$8,290,964 Year Built: 2024
Price/SF: \$183.43 DBA: 45,200 SF

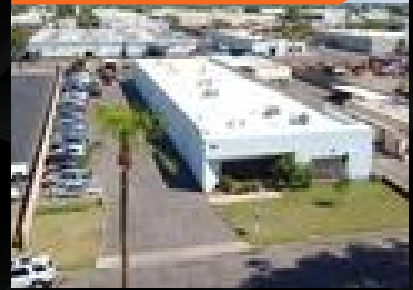
INDUSTRIAL WAREHOUSE



**1002 S 54TH AVE
PHOENIX, AZ**

Sale Date: 5/6/24 Bldg Type: Class C
Sale Price: \$16,500,000 Year Built: 1992
Price/SF: \$175.19 DBA: 94,186 SF

TEMPE NORTHWEST WAREHOUSE



**901-909 S HOHOKAM DR
TEMPE, AZ**

Sale Date: 5/3/24 Bldg Type: Class B
Sale Price: \$2,780,000 Year Built: 1978
Price/SF: \$224.99 DBA: 12,356 SF

LEASES

THE PAPAGO



**4550 W VAN BUREN ST
PHOENIX, AZ**

Sign Date: 6/17/24 Bldg Type: Class B
Lease Rate: \$11.76/NNN Year Built: 1997/Reno: 2006
Tenant: Global Plastics SF Leased: 34,200 SF

INDUSTRIAL SERVICE FACILITY



**4800 W PASADENA AVE
GLENDALE, AZ**

Sign Date: 4/16/24 Bldg Type: Class C
Lease Rate: \$21.00/NNN Year Built: 1981
Tenant: Big B Crane SF Leased: 29,625 SF

SCOTTSDALE INDUSTRIAL

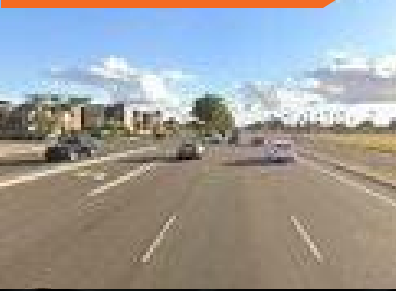


**7432 E TIERRA BUENA LN
SCOTTSDALE, AZ**

Sign Date: 4/28/24 Bldg Type: Class B
Lease Rate: \$21.60/MG Year Built: 1998
Tenant: Baseball Factory SF Leased: 11,286 SF

LAND TRANSACTIONS

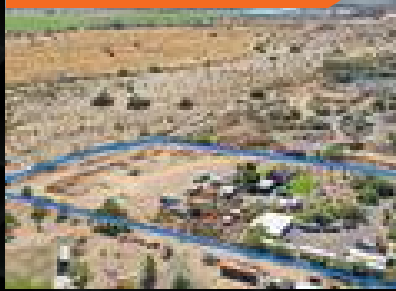
CHANDLER INDUSTRIAL LAND



**S MCQUEEN RD & E QUEEN CREEK RD
CHANDLER, AZ**

Sale Date: 6/17/24 Prop Type: Land
Sale Price: \$16,052,666 Prop Subtype: Industrial
Buyer: Schrader Farms AC: 31.39 Acres
Owner LLC

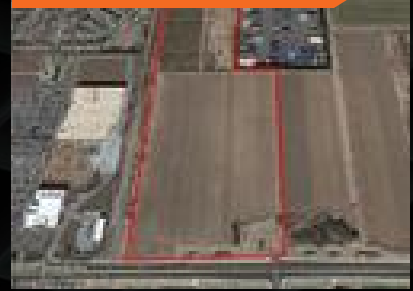
AVONDALE INDUSTRIAL LAND



**4055 S LITCHFIELD RD
AVONDALE, AZ**

Sale Date: 6/17/24 Prop Type: Land
Sale Price: \$1,230,000 Prop Subtype: Industrial
Buyer: Containers On Demand LLC AC: 3.63 Acres

MIDTOWN PHOENIX LAND



**0 E APPLEBY RD
CHANDLER, AZ**

Sale Date: 3/28/24 Prop Type: Land
Sale Price: \$9,000,000 Prop Subtype: Industrial
Buyer: The Wall Company AC: 17 Acres



PRICE PSF

\$291.00

YOY ▲ 15.02%



RENT PSF

\$13.62/SF

▼ 7.84%



DEALS SOLD

26

▼ 116.67%

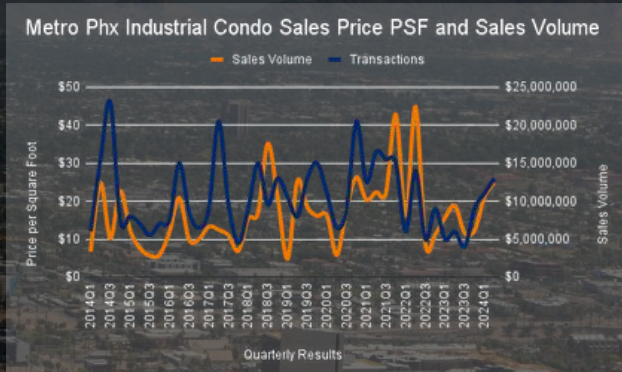


INVENTORY (MOS.)

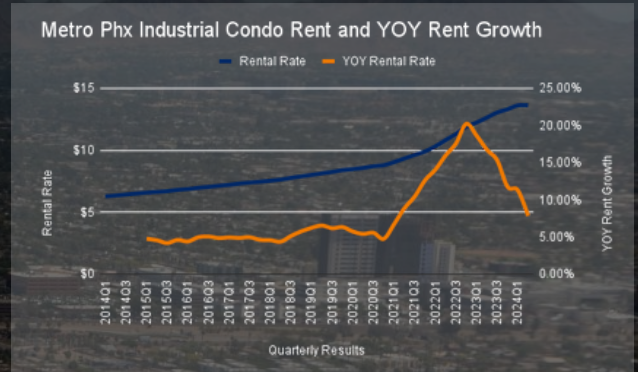
4.58

▲ 5.77%

SALES PRICE PSF AND SALES VOLUME



RENT PSF AND YOY RENT GROWTH



NOTABLE TRANSACTIONS

PALOMA KYRENE OFF/IND PARK



6100 W GILA SPRINGS PL - UNIT 25
CHANDLER, AZ

Sale Date: 6/24/24 Bldg Type: Class B
Sale Price: \$1,250,000 Year Built: 2007
Price/SF: \$255.89 DBA: 58,000 SF

DEER VALLEY BUSINESS CTR II



1745 W DEER VALLEY RD - UNIT 124
PHOENIX, AZ

Sale Date: 6/18/24 Bldg Type: Class B
Sale Price: \$1,300,000 Year Built: 2005/Reno: 2022
Price/SF: \$328.00 DBA: 23,522 SF

WAREHOUSE CONDO



7735 E REDFIELD RD - UNIT 200
SCOTTSDALE, AZ

Sale Date: 6/12/24 Bldg Type: Class C
Sale Price: \$635,000 Year Built: 1978
Price/SF: \$384.85 DBA: 10,800 SF

MANUFACTURING CONDO



1745 W DEER VALLEY RD - UNIT 128
PHOENIX, AZ

Sale Date: 4/8/24 Bldg Type: Class B
Sale Price: \$882,000 Year Built: 2005/Reno: 2022
Price/SF: \$315.00 DBA: 23,522 SF

DIAL BLVD BUSINESS PARK



16055 N DIAL BLVD - UNIT 6
SCOTTSDALE, AZ

Sale Date: 4/1/24 Bldg Type: Class C
Sale Price: \$1,116,990 Year Built: 1999
Price/SF: \$405.00 DBA: 21,750 SF

OLIVE BUSINESS PARK



9299 W OLIVE AVE - UNIT 103
PEORIA, AZ

Sale Date: 4/19/24 Bldg Type: Class B
Sale Price: \$850,000 Year Built: 2006
Price/SF: \$273.75 DBA: 40,550 SF



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