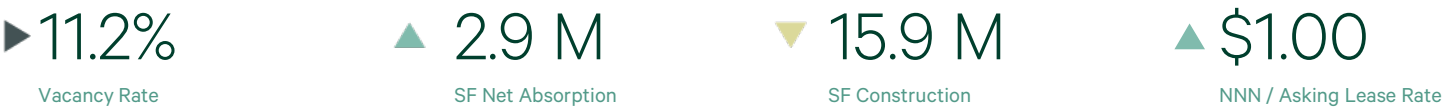


FIGURES | PHOENIX INDUSTRIAL MARKET | Q4 2024

Vacancy Remains Steady in the Phoenix Industrial Sector



Note: Arrows indicate change from previous quarter.

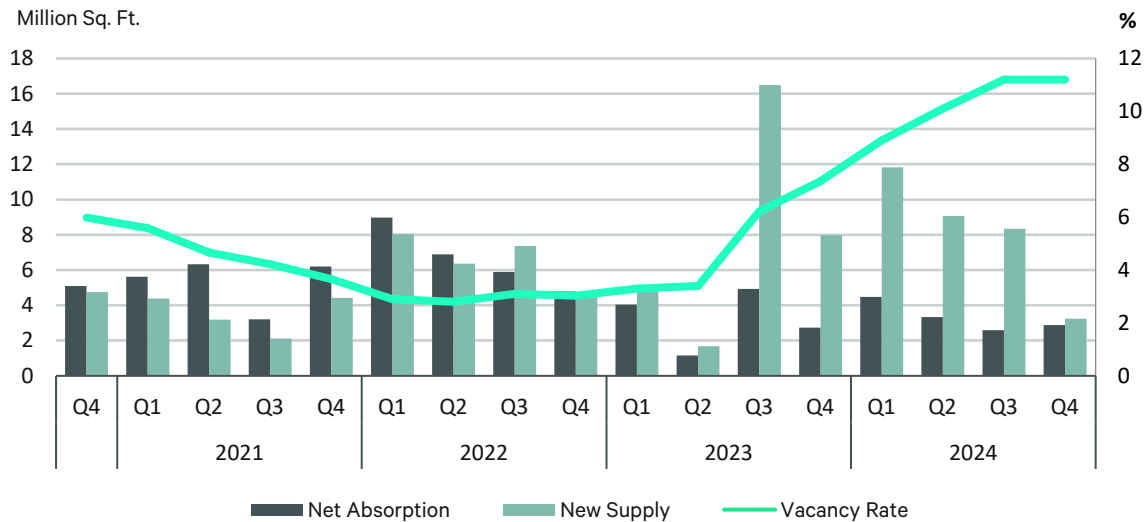
KEY TAKEAWAYS

- Twenty-one buildings were delivered for a total of 3.2 million sq. ft. in Q4 2024, with 31.3% preleased or built to suit.
- Net absorption reached 2.9 million sq. ft. in Q4 2024. This marks an 11.4% increase relative to the previous quarter.
- Construction volume decreased in Q4 2024 with 15.9 million sq. ft. under construction, as the 3.2 million sq. ft. of deliveries surpassed the 2.3 million sq. ft. of starts.
- Quarter-over-quarter, the vacancy rate remained flat at 11.2%.

The Phoenix industrial market registered 2.9 million sq. ft. of net absorption in the fourth quarter. The metro recorded a total of nearly 10 million sq. ft. of gross absorption, as large-scale tenant move in's and renewals were signed across the Valley. Vacancy in the market remained the same at 11.2% as net absorption slightly eclipsed the 2.2 million sq. ft. of vacant space that delivered during the fourth quarter.

CBRE tracked 35.9 million sq. ft. of tenants in the market at the end of the fourth quarter.

FIGURE 1: Supply and Demand



Source: CBRE Research, Q4 2024.

Availability and Vacancy

In Q4 2024, the vacancy rate remained flat at 11.2%. Net absorption nearly matched the amount of vacant space that entered the market, which held vacancy at the same rate as the prior quarter. The Northwest Valley had the most notable drop in vacancy, which fell 70 bps from the previous quarter to 5.7%. Large move-ins from companies such as Trader Joe’s and Precision Science helped facilitate the local drop in vacancy. The Southwest Valley also recorded a decline in vacancy, as this submarket recorded 2.7 million sq. ft. of net absorption. The rate descended 20 bps from the prior quarter to 13.6%. Meanwhile, vacancy remained the highest in the Southeast Valley submarket, at 15.7%. However, excluding the Phoenix-Mesa-Gateway district, the vacancy in this submarket stood at just 6.4%.

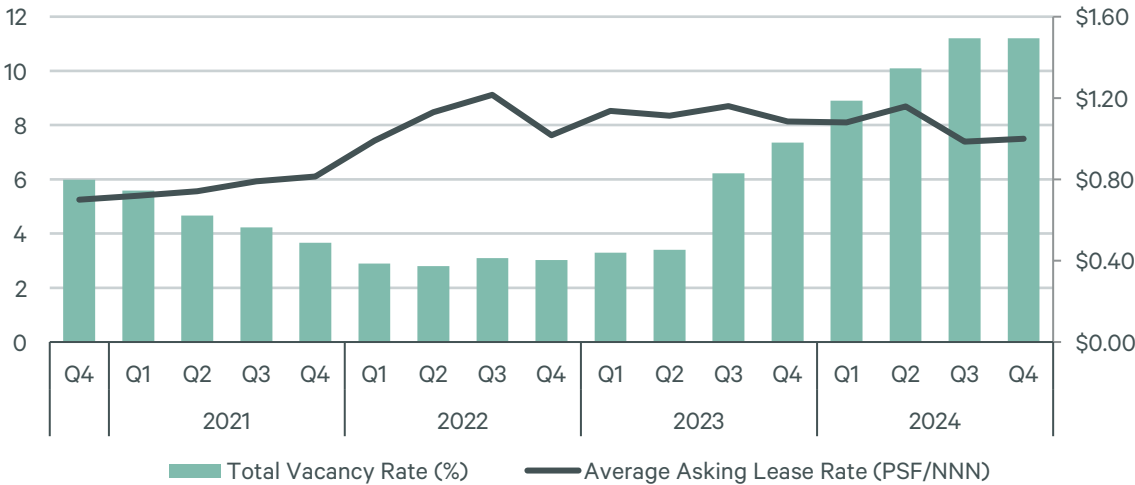
More infill submarkets, such as the Airport Area, continued to record a lower than market average vacancy of 4.3%, despite the rate increasing during the quarter. Vacancy in the submarket rose slightly as the area posted 239,404 sq. ft of negative net absorption in Q4 2024 due to large tenant move outs. The Northeast Valley maintained Phoenix’s lowest vacancy, as the rate fell by 10 bps quarter-over-quarter to 2.8%. Of note, infill districts recorded lower vacancy than submarket averages, such as the Gilbert district in Southeast Valley, which had a 1.6% vacancy rate, and the Tolleson district in the Southwest Valley, which recorded 2.8% vacancy.

Lease Rates

The market direct average asking NNN lease rate was \$1.00 per sq. ft. in Q4 2024, a 1% increase from the prior quarter. Average asking lease rates were \$0.99 NNN per sq. ft. in the Southeast Valley. The average asking rent in the Airport Area landed at \$1.18 per sq. ft., a 1% increase from the prior quarter. Meanwhile, rates in the Southwest Valley were \$0.81 per sq. ft., which marked a 2.5% increase quarter-over-quarter. Lastly, the average asking rate in the Northwest Valley and the Northeast Valley stood at \$1.23 and \$1.51 per sq. ft., respectively, marking the two highest asking rates in the metro.

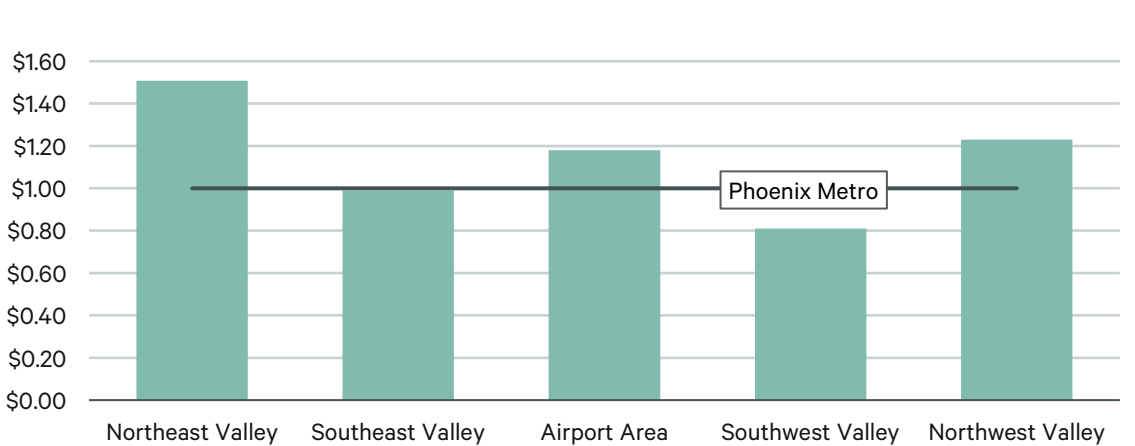
Distribution space was the most inexpensive product type on the market in Q4 2024, with an average asking rate of \$0.87 per sq. ft. NNN. Asking rates for freestanding buildings and multi-tenant were \$1.25 and \$1.36 NNN per sq. ft. respectively.

FIGURE 2: Overall Vacancy Rate and Lease Rate



Source: CBRE Research, Q4 2024.

FIGURE 3: Direct Asking Lease Rates by Submarket (\$PSF/NNN)



Source: CBRE Research, Q4 2024.

Net Absorption and Leasing Activity

Net absorption remained strong as roughly 2.9 million sq. ft. of space was taken off the market in the fourth quarter. For all of 2024, net absorption reached 13.3 million sq. ft., which marks a 2.6% increase relative to 2023. The Southwest Valley contributed more than 90% of absorption this quarter with 2.7 million sq. ft, followed by the Northwest Valley contributing 516,602 sq. ft. The Northeast Valley submarket experienced a 22,380 sq. ft. increase in net absorption from the previous quarter. The largest move in of the quarter occurred in the Southwest Valley as Logistics Plus took over 527,979 sq. ft. of space in North Goodyear. The largest move out of the quarter had been Conn’s, who had vacated their 302,609 sq. ft. space in the South Goodyear district.

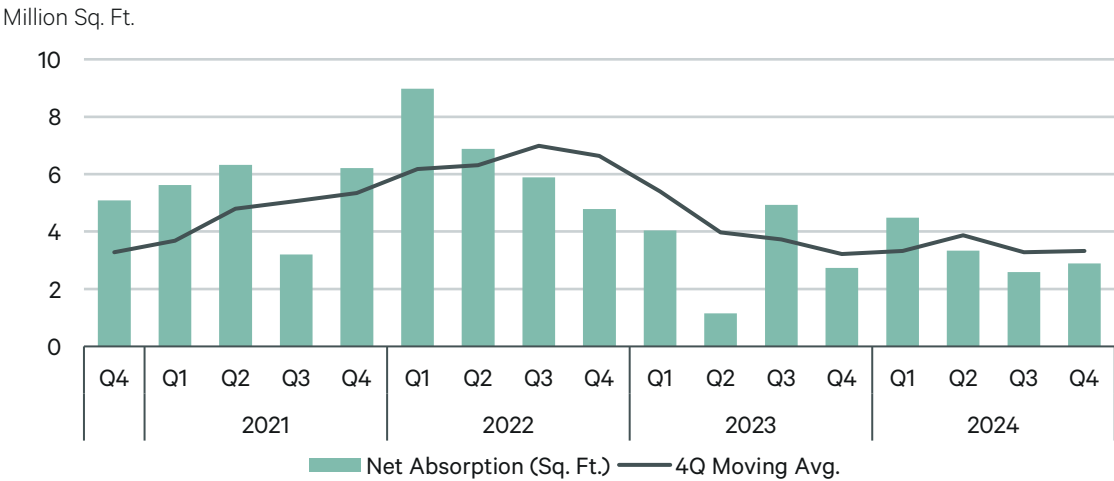
Leasing activity remained strong within the fourth quarter. Gross activity ended at nearly 10 million sq. ft. of gross absorption recorded. 13 leases over 100,000 sq. ft. were signed in the quarter, all located in the Southwest Valley and Northwest Valley submarkets. Additionally, leases that had the largest impact on net absorption were Logistics Plus, which expanded by 530,000 sq. ft. at Reems Ranch 303, and Rheem Manufacturing Co., which leased 463,119 sq. ft. at C303. During the fourth quarter, 963,030 sq. ft. of space was renewed across the Phoenix industrial market.

Top Transactions

Leasing activity continued to be robust. Q4 2024 experienced roughly 10 million sq. ft. of gross activity with the three of the top five largest leases signed in the North Goodyear district:

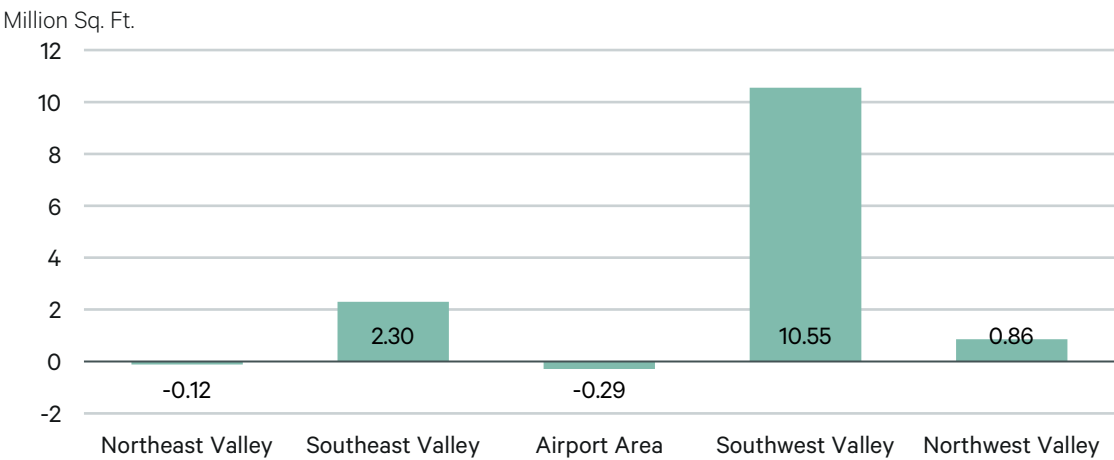
- Logistics Plus | 1,123,360 sq. ft. | North Goodyear
- Rheem Manufacturing Co. | 463,119 sq. ft. | North Goodyear
- Highland Cabinetry | 265,253 sq. ft. | South Goodyear
- Hydro Extrusions | 221,116 sq. ft. | Southwest Phoenix
- Thyssen Krupp | 205,720 sq. ft. | North Goodyear

FIGURE 4: Net Absorption



Source: CBRE Research, Q4 2024.

FIGURE 5: Net Absorption by Submarket YTD



Source: CBRE Research, Q4 2024.

Development Activity

Deliveries outpaced ground breakings in the fourth quarter of 2024, as product under construction decreased to 15.9 million sq. ft. In all of 2024, the Phoenix metro delivered roughly 32.5 million sq. ft. Most of the projects under construction are in the Southwest and Southeast Valley. The amount under construction in the submarkets ended at 9.7 million sq. ft. and 4.2 million sq. ft. respectively. The North Goodyear district had the most development activity with 6.9 million sq. ft. of construction. Speculative distribution buildings comprised a majority of product under construction with 11.8 million sq. ft.

Roughly 13.5% of the product under construction was preleased at the end of Q4 2024. The Southeast Valley ended the quarter at 46.1% preleased while the Southwest Valley remained just 1.7% preleased.

3.2 Million Sq. Ft. Delivered this Quarter

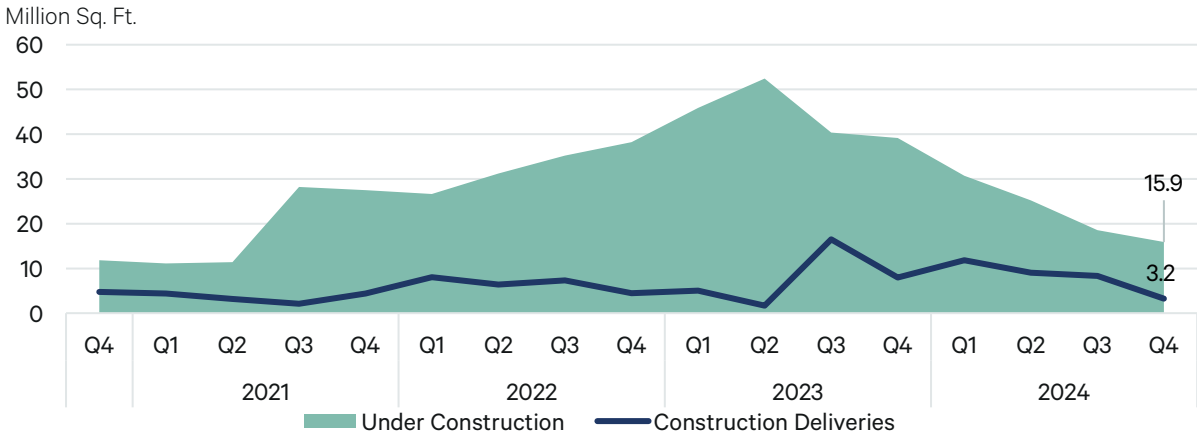
Twenty-one buildings amounting to 3.2 million sq. ft. were completed, of which 31.3% were leased by the end of the quarter. Roughly 71.7% of space delivered in Q4 2024 was distribution. The Southwest Valley delivered 17 buildings which totaled 2.8 million sq. ft. and the Southeast Valley delivered 3 buildings, or 260,608 sq. ft. The top three largest projects delivered were in the Southwest Valley:

- Nestle BTS | 500,000 sq. ft. | North Goodyear
- Mckesson Medical BTS | 300,040 sq. ft. | Tolleson
- Cotton Lane Commerce Park- Building A | 279,961 sq. ft. | South Goodyear

2.3 Million Sq. Ft. Broke Ground this Quarter

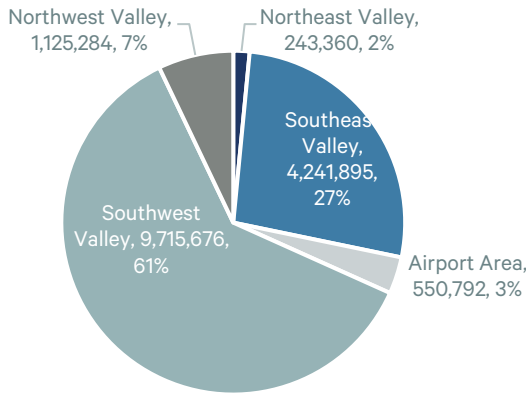
In the fourth quarter, construction commenced on 18 projects which encompassed 2.3 million sq. ft. Ground breakings were focused in the Southeast Valley and Southwest Valley. The largest project which broke ground was CapRock West 202 Logistics Phase II, located in the Southwest Valley, totaling 824,404 sq. ft.

FIGURE 6: Under Construction and Construction Deliveries



Source: CBRE Research, Q4 2024.

FIGURE 7: Under Construction by Submarket



Source: CBRE Research, Q4 2024.

Economic Outlook

The U.S. economy surpassed expectations, largely driven by a resilient consumer benefiting from increased household wealth, rising real incomes, and a strong labor market. As a result, CBRE has raised its forecast for 2025's average GDP growth by 60 basis points to 2.3%. Generally, strong economic growth combined with Federal Reserve rate cuts would boost commercial real estate (CRE) performance. However, capital markets are uncertain about how low rates will fall in 2025, as persistent core inflation and policy uncertainties exert upward pressure on long-term rates. On a positive note, real estate capital markets have shown improvement recently, with tightening lending spreads and increased credit issuance. Lending conditions are gradually becoming more favorable, with multifamily loan-to-value ratios trending slightly upward. A stronger debt market and recovering real estate market fundamentals are expected to lead to a noticeable increase in investment in the coming quarters.



FIGURE 8: Market Statistics by Submarket

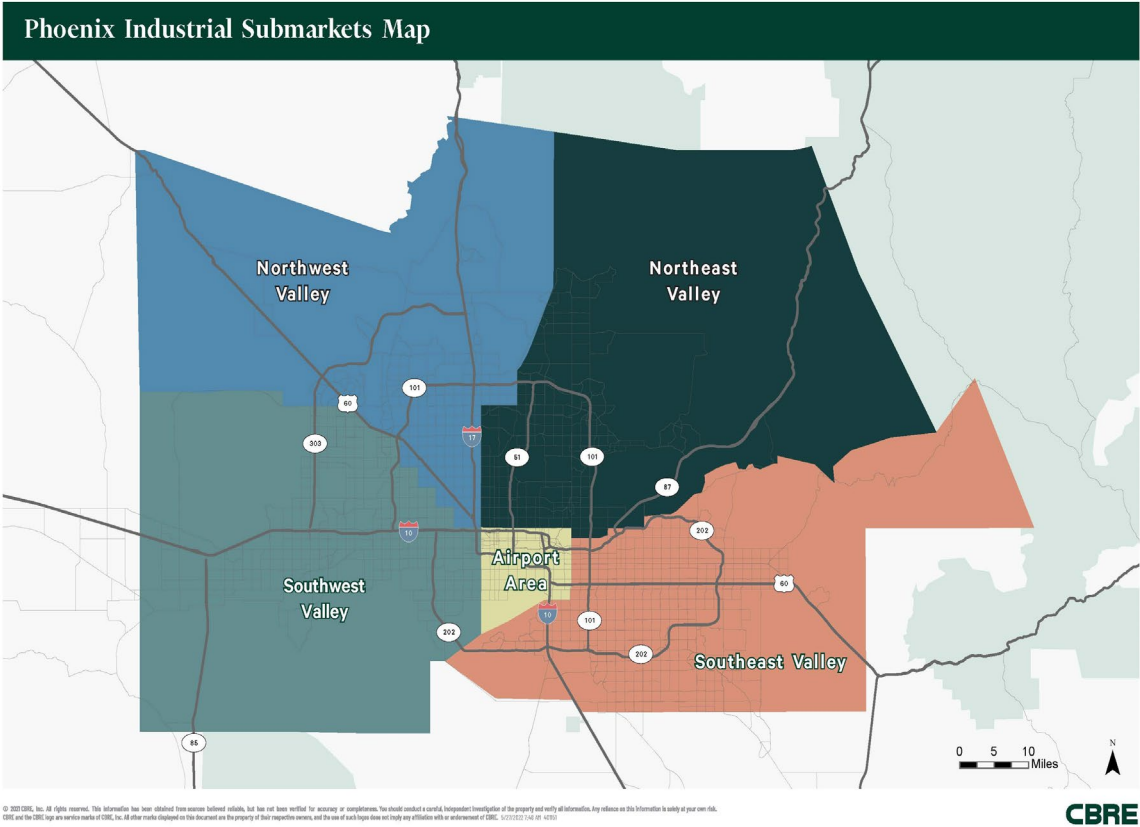
	Net Rentable Area (Sq. Ft.)	Availability (%)	Vacancy (%)	Net Absorption (Sq. Ft.)		Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg Dir Asking Lease Rate (NNN)
				Q4 2024	2024 YTD			
Northeast Valley	13,764,848	4.1%	2.8%	22,380	-115,672	243,360	0	\$1.51
Southeast Valley	104,217,458	17.3%	15.7%	-80,756	2,298,077	4,241,895	260,608	\$0.99
Airport Area	75,687,528	5.3%	4.3%	-239,409	-294,096	550,792	0	\$1.18
Southwest Valley	190,980,274	15.1%	13.6%	2,667,419	10,546,172	9,715,676	2,823,946	\$0.81
Northwest Valley	54,040,956	7.3%	5.7%	516,602	857,283	1,125,284	150,000	\$1.23
Phoenix Total	438,691,064	12.6%	11.2%	2,886,236	13,291,764	15,877,007	3,234,554	\$1.00

Source: CBRE Research, Q4 2024.

FIGURE 9: Market Statistics by Building Type

	Net Rentable Area (Sq. Ft.)	Availability (%)	Vacancy (%)	Net Absorption (Sq. Ft.)		Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg Dir Asking Lease Rate (NNN)
				Q4 2024	2024 YTD			
Multi-Tenant	37,279,554	5.9%	4.9%	-374,681	-694,091	12,924	0	\$1.36
Distribution	217,383,105	19.8%	18.0%	2,486,587	11,545,957	11,434,305	2,319,663	\$0.87
Freestanding	55,785,312	2.7%	2.0%	93,601	-69,346	33,675	0	\$1.25
General Industrial	79,123,100	7.3%	6.0%	20,728	513,988	2,866,909	114,851	\$1.08
Back Office	9,731,025	19.6%	15.0%	-52,033	391,669	0	0	\$1.33
Major User	29,542,758	2.6%	2.3%	712,034	1,392,491	1,529,194	800,040	\$1.21
Special Purpose	9,846,210	2.0%	0.7%	0	211,096	0	0	\$0.00
Phoenix Total	438,691,064	12.6%	11.2%	2,886,236	13,291,764	15,877,007	3,234,554	\$1.00

Source: CBRE Research, Q4 2024.



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total net rentable area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Net Rentable Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Multi-tenant: Small bays divisible by less than 5,000 sq. ft; generally, a business park or incubator space. Distribution: Dock high and loading doors. Freestanding: Single tenant building less than 50,000 sq. ft. General industrial: Minimum divisibility greater than 5,000 sq. ft. Back-office: 4/1000 parking minimum; minimum divisibility greater than 5,000 sq. ft. Major user: Single user greater than 150,000 sq. ft.; no dock high or back-office. Special purpose: unique industrial buildings.

Survey Criteria

Includes all industrial buildings 5,000 sq. ft. and greater in size in Phoenix Metro. Buildings which have begun construction as evidenced by site excavation or foundation work.

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