

FIGURES | PHOENIX INDUSTRIAL | Q2 2026

Vacancy Tightens as Construction Pipeline Rebuilds

▼ 9.6%
Vacancy Rate

▼ 4.7M
SF Net Absorption

▲ 1.5M
SF Construction Delivered

▲ 18.4M
SF Under Construction

▲ \$1.09
NNN / Monthly Asking Lease Rate

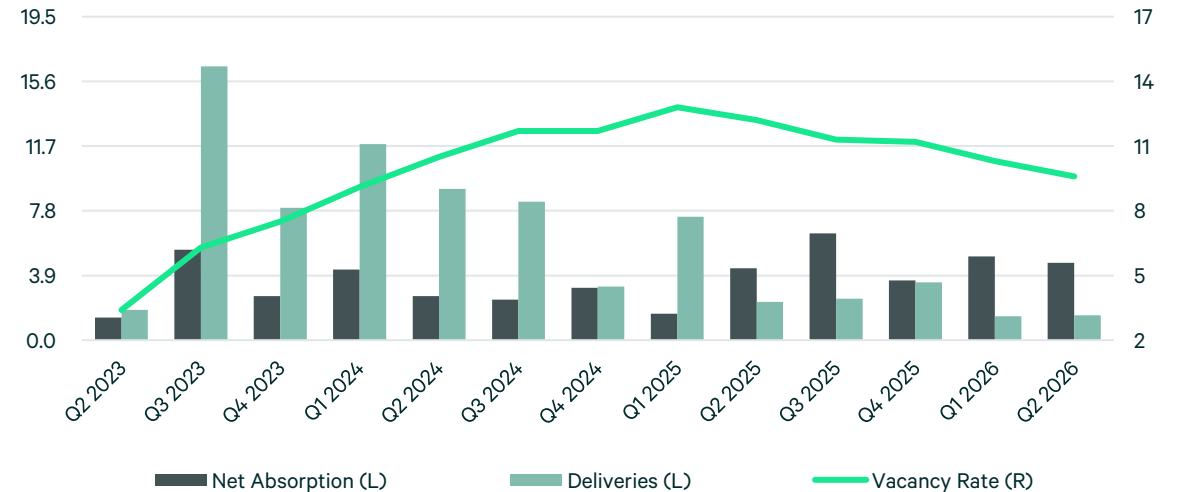
Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

In Q2 2026, the industrial market recorded net absorption of 4.7 million sq. ft. Net absorption was 7.7% lower than in Q1 2026 but 7.5% higher than in Q2 2025. Vacancy in Q2 2026 was 9.6%, and when compared with Q1 2026, vacancy declined quarter-over-quarter by 70 bps. Compared with Q2 2025, vacancy declined year-over-year by 260 bps. Average asking rent in Q2 2026 was \$1.09 per sq. ft. with quarter-over-quarter growth of 2.8% from Q1 2026 in response to a decreasing vacancy rate. Rent rose year-over-year by 0.9% as the market increased its absorption of its new supply. Space under construction in Q2 2026 totaled 18.4 million sq. ft. This represented a quarter-over-quarter increase of roughly 4.4 million sq. ft. From Q2 2023, the construction pipeline contracted by about 30.4 million sq. ft.

Over the last three years, cumulative net absorption reached 47.7 million sq. ft., the highest it has ever been as Phoenix continues to grow into a Tier 1 market. Over the same period, new deliveries totaled 77.5 million sq. ft. The peak level of space under construction during this span was 48.8 million sq. ft. Large tenant momentum continued in the Southwest Valley as DHL signed a new lease for about 1.2 million sq. ft. and Fluidstack signed two leases for a combined 1.2 million sq. ft. in the same submarket. As a group, these three transactions accounted for about 2.4 million sq. ft. of new leasing.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy
Sq. Ft. (millions)



Source: CBRE Research, Q2 2026

Vacancy Rate

Overall vacancy in Q2 2026 is 9.6%, down from 10.3% in Q1 2026, a decline of 70 basis points (bps) quarter-over-quarter. Direct vacancy decreased from 9.7% to 8.9%, a reduction of 80 bps, while sublease vacancy remained at 0.7%, unchanged quarter-over-quarter. Over the last year, overall vacancy has decreased by 260 bps from 12.2%, and direct and sublease vacancy are lower by 240 bps and 20 bps, respectively. Relative to Q2 2023, when overall vacancy was 3.4%, the market is 620 bps higher, and total sublease availability across the tracked submarkets in Q2 2026 is 3.0 million sq. ft.

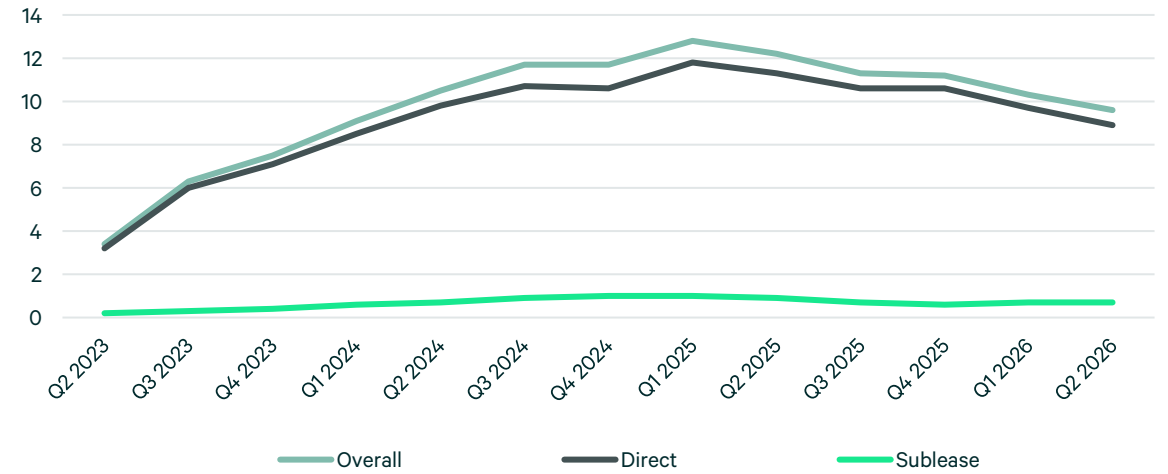
In Q2 2026, Northeast Valley records the lowest overall vacancy rate at 6.7%, followed by Airport Area at 7.5%. Northwest Valley and Southwest Valley show overall vacancy of 7.8% and 8.9%, respectively, while Southeast Valley has the highest vacancy at 13.8%.

Asking Rent

In Q2 2026, the market’s average monthly asking rate was \$1.09 per sq. ft., up 2.8% quarter-over-quarter and 0.9% year-over-year. Compared with Q1 2025, when average asking rents were \$1.00 per sq. ft., current pricing is higher but remains below the recent high of \$1.18 per sq. ft. recorded in Q3 2023. From Q2 2023 to Q2 2026, average asking rents ranged between \$1.00 per sq. ft. and \$1.18 per sq. ft. and ended \$0.05 below the \$1.14 per sq. ft. level in Q2 2023.

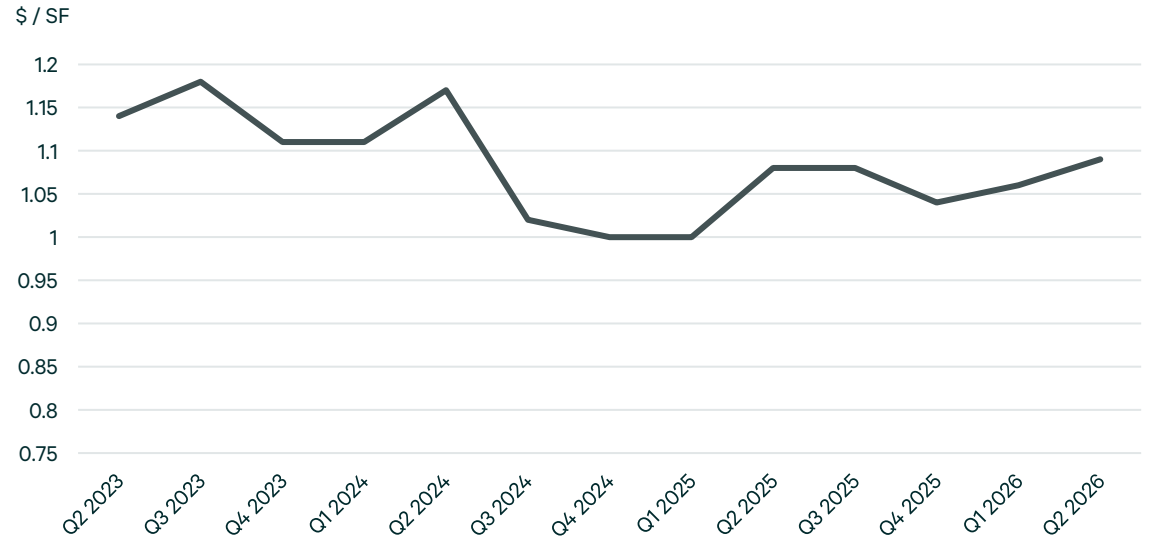
In Q2 2026, Northeast Valley recorded the highest average asking lease rate at \$1.76 per sq. ft., while Southwest Valley posted the lowest at \$0.91 per sq. ft., a difference of \$0.85 per sq. ft. between the two submarkets. Airport Area, Southeast Valley, and Northwest Valley reported average asking lease rates of \$1.19 per sq. ft., \$1.16 per sq. ft., and \$1.09 per sq. ft., respectively, placing them between the Northeast Valley and Southwest Valley levels.

Figure 2: Vacancy Rate



Source: CBRE Research, Q2 2026

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q2 2026

Net Absorption

Net absorption maintained momentum with 4.7 million sq. ft. in Q2 2026, slightly below the 5.0 million sq. ft. recorded in Q1 2026. However, Q2 2026 net absorption exceeded the 4.3 million sq. ft. posted one year earlier, representing a 7.5% year-over-year increase and indicating demand is accelerating faster than in 2025. The rolling four-quarter average reached 4.9 million sq. ft., exceeding the prior quarter by 1.7% quarter-over-quarter and the prior year by 71.2% year-over-year, highlighting a sustained improvement in leasing momentum.

In Q2 2026, the Southwest Valley again posted the highest net absorption at 3.1 million sq. ft., followed by Southeast Valley at 1.1 million sq. ft. Northwest Valley and Northeast Valley were the next highest positive submarkets, adding 440,000 sq. ft. and 143,000 sq. ft. of occupied space, respectively. Airport Area was the only submarket to record negative net absorption, with tenants returning 102,000 sq. ft. during the quarter.

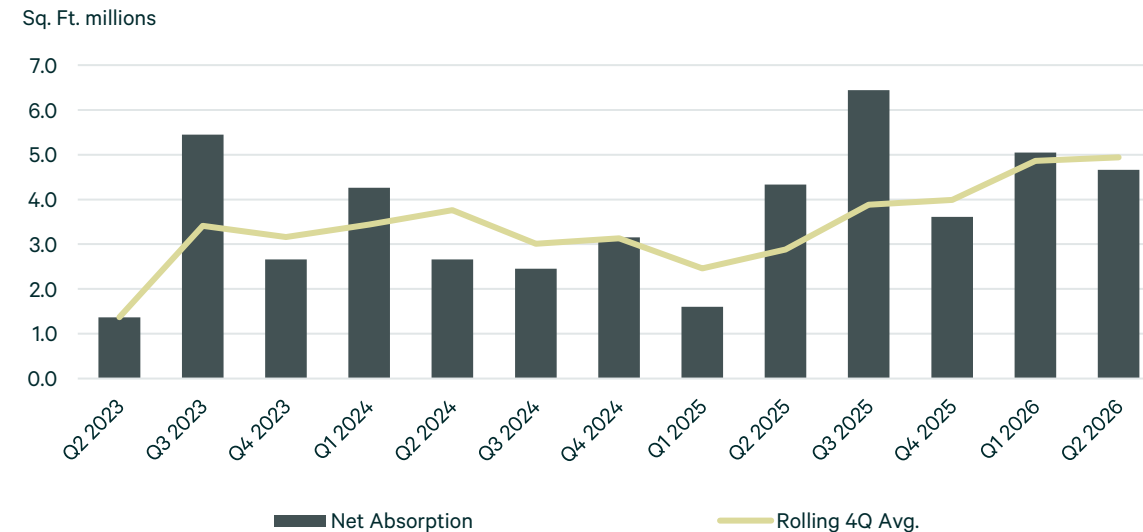
There has been a noticeable flight to quality as tenants located more centrally in the Valley have begun to locate to projects in the outskirts of Phoenix with rental incentives and more competitive rents driving that demand.

Construction Activity

In Q2 2026, the market had 18.4 million sq. ft. under construction and delivered 1.5 million sq. ft. of new projects. Under construction volume rose 31.2% quarter-over-quarter and 59.0% year-over-year, while deliveries increased 3.6% quarter-over-quarter but declined by 34.9% year-over-year. These pipeline gains follow a prolonged pullback from 48.8 million sq. ft. in Q2 2023 to 10.2 million sq. ft. by Q4 2025, before construction activity began to rebound in 2026.

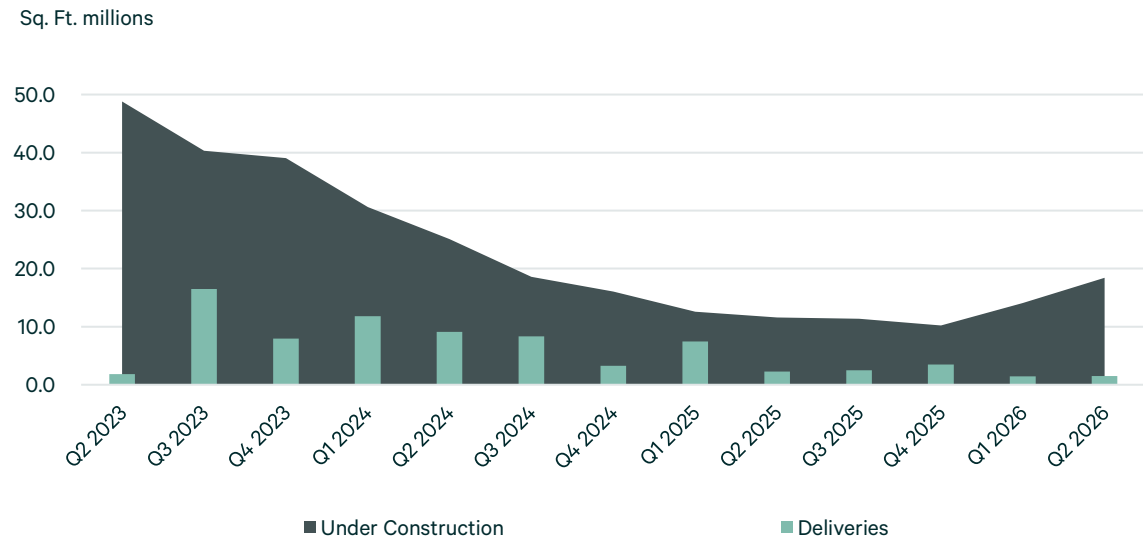
Under construction activity is currently highest in the Southwest Valley, with about 3.5 million sq. ft. underway across three large logistics projects, followed by the Southeast Valley with 1.3 million sq. ft. driven by the LG Energy Battery Manufacturing Facility. Northwest Valley also posts 1.0 million sq. ft. under construction at the Amkor Testing Facility Phase 1.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q2 2026

Figure 5: Construction Activity



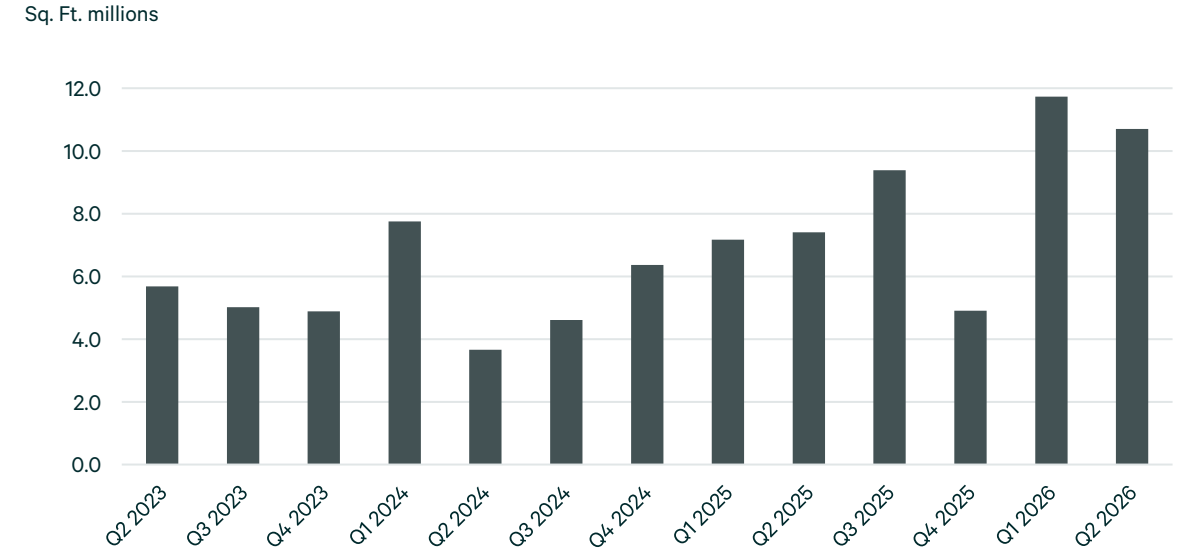
Source: CBRE Research, Q2 2026

Leasing Activity

Leasing activity in Q2 2026 totaled 10.6 million sq. ft., down from 11.7 million sq. ft. in Q1 2026. This corresponds to a quarter-over-quarter decline of 9.4% and a year-over-year increase of 44.6%. Q1 2026 recorded a quarter-over-quarter increase of 138.7% and a year-over-year increase of 63.5%, bringing 2026 year-to-date leasing to 22.3 million sq. ft. This activity has been record-breaking for a H1 performance, once again highlighting the growth Phoenix has experienced since 2020.

Southwest Valley posted the highest leasing volume at 5.9 million sq. ft., followed by Southeast Valley at 2.1 million sq. ft. Airport Area recorded 1.4 million sq. ft., Northwest Valley 908,000 sq. ft., and Northeast Valley 204,000 sq. ft.

Figure 6: Leasing Activity Trend



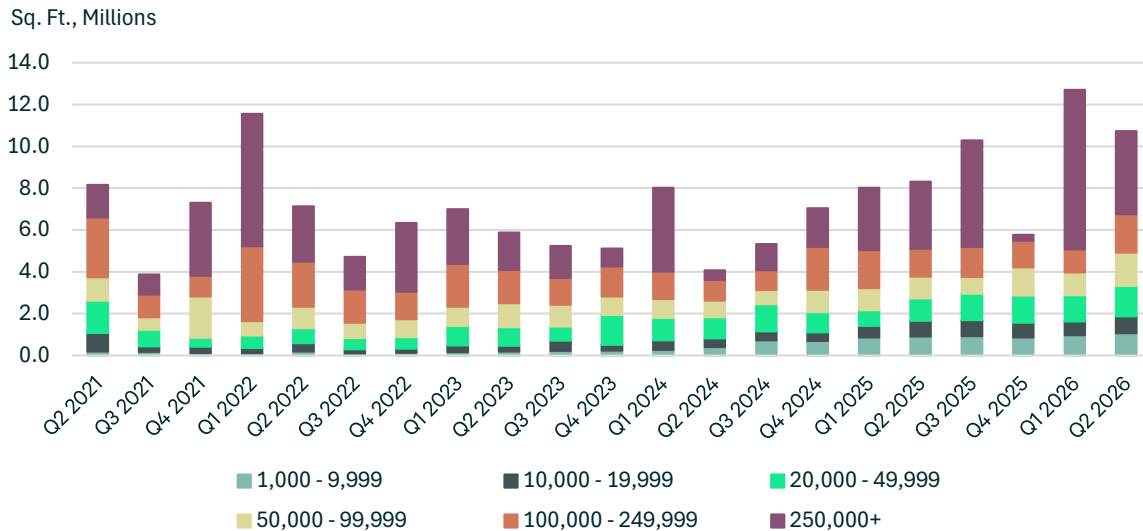
Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
DHL	1,185,000	New Lease	NWC Reems Rd. & Northern Pkwy	Southwest Valley
Fluidstack	696,000	New Lease	13803 W Northern Ave	Southwest Valley
Fluidstack	454,000	New Lease	13543 W Northern Ave	Southwest Valley
DHL	403,000	New Lease	16451 W Glendale Ave	Southwest Valley
DiversiTech	387,000	New Lease	15151 W Hatcher Rd	Southwest Valley
Lam Research	284,000	New Lease	10601 N Dysart Rd	Southwest Valley
Komatsu America.	270,000	New Lease	6935 S Crimson Rd	Southeast Valley
AmerisourceBergen Drug	240,000	Renewal	7775 W Buckeye Rd	Southwest Valley

Source: CBRE Research, Q2 2026

Figure 7: Historical Leased Area (New Lease & Renewals Only)



Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 9

Submarket	Net Rentable Area	Total Direct Vacancy (%)	Total Sublease Vacancy (%)	Total Vacancy (%)	Total Availability (%)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)	NNN / Asking Lease Rate (\$/mo.)
Airport Area	71,154,402	6.7	0.8	7.5	8.5	(102,259)	-832,621	247,629	1,994,568	1.19
Northeast Valley	14,602,501	6.1	0.5	6.7	7.0	142,771	158,191	68,542	667,051	1.76
Northwest Valley	52,947,805	7.5	0.3	7.8	9.6	440,201	35,187	50,000	2,581,512	1.09
Southeast Valley	105,648,124	12.5	1.3	13.8	15.0	1,094,411	1,178,169	807,345	5,622,020	1.16
Southwest Valley	201,100,901	8.4	0.4	8.9	11.5	3,083,336	9,165,868	322,905	7,577,084	0.91
Total	445,453,733	8.9	0.7	9.6	11.5	4,658,460	9,704,794	1,496,421	18,442,235	1.09

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 10

Tranche	Net Rentable Area	Total Direct Vacancy (%)	Total Sublease Vacancy (%)	Total Vacancy (%)	Total Availability (%)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)	NNN / Asking Lease Rate (\$/mo.)
Below 50K SF	107,836,449	5.1	0.3	5.4	6.4	210,320	73,987	101,500	456,909	1.31
50K-99,999 SF	66,000,964	9.8	0.9	10.8	13.3	777,407	434,164	676,758	2,027,385	1.14
100K-249,999 SF	95,649,238	17.7	1.3	19.0	21.7	518,166	561,624	718,163	5,933,736	1.09
250K-499,999 SF	69,579,302	12.1	1.1	13.2	15.0	2,004,720	3,485,402	0	1,943,349	0.85
500K-749,999 SF	42,759,452	3.5	0.2	3.7	4.6	1,098,412	3,034,669	0	575,002	0.67
750,000 SF +	63,628,328	1.6	0.0	1.6	3.6	49,435	2,114,948	0	7,505,854	0.75
Total	445,453,733	8.9	0.7	9.6	11.5	4,658,460	9,704,794	1,496,421	18,442,235	1.09

Source: CBRE Research, Q2 2026

Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting GDP growth averaging 2.2%, broadly in line with 2025. The AI investment boom is certainly a key driver of this expansion. Concerns surrounding the sustainability of this growth are valid, but we expect AI-related business investment to continue.

The more pressing concern in recent months has been the U.S./Iran conflict and its impact on global energy prices, which recently pushed U.S. inflation to 4.2%. Should the prospective peace deal announced in June come to fruition, inflation would fall into the upper 3% range by year-end as energy prices slowly decline. Stickier inflation has pushed Treasury yields well above 4.0%, complicating real estate markets. On the upside, the prospect for peace and normal trade flows in the Persian Gulf could refresh the optimism the CRE market felt at the beginning of the year.

The mid-term elections will have a lingering impact on decision making in the short-term. Investors are cautious of overcommitting resources during election years, and with all the branches of government operating under one party since January 2025, it makes this mid-term election more important to see how momentum will be impacted.



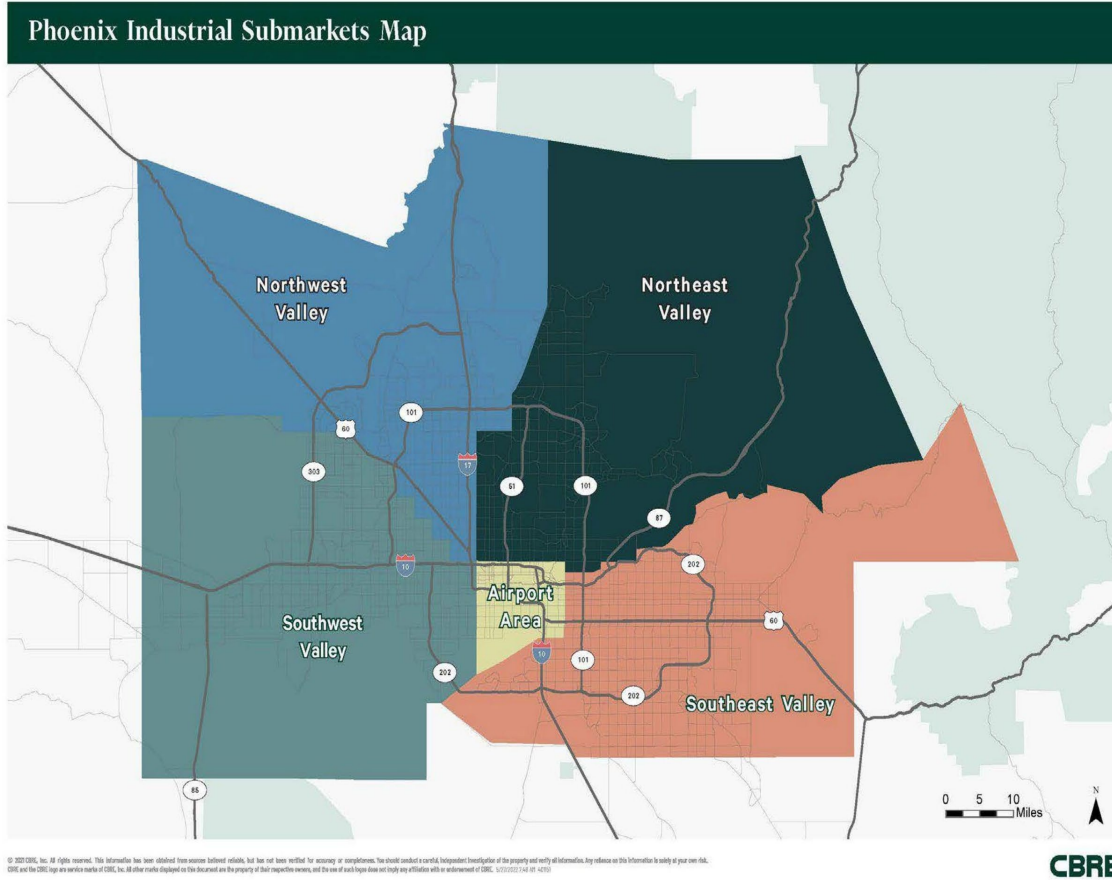
Market Statistics by Product Type

Figure 11

Product Type	Net Rentable Area	Total Direct Vacancy (%)	Total Sublease Vacancy (%)	Total Vacancy (%)	Total Availability (%)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)	NNN / Asking Lease Rate (\$/mo.)
Back Office	10,311,065	16.7	2.5	19.2	19.8	63,864	-64,248	124,824	105,944	1.24
Distribution	228,748,217	11.2	0.8	12.1	14.5	4,025,249	9,248,120	1,025,616	12,356,005	0.96
Freestanding	53,061,511	3.6	0.3	3.9	4.8	233,886	237,109	264,769	146,870	1.34
General Industrial	77,191,720	9.5	0.8	10.3	12.5	115,350	-384,506	0	1,849,863	1.14
Major User	33,492,339	1.9	0.0	1.9	1.9	42,508	291,984	0	3,467,056	0.81
Multi-Tenant	37,710,591	6.2	0.3	6.5	7.5	177,603	466,335	81,212	516,497	1.33
Special Purpose	4,938,290	2.5	0.0	2.5	8.7	-	-90,000	0	0	-
Total	445,453,733	8.9	0.7	9.6	11.5	4,658,460	9,704,794	1,496,421	18,442,235	1.09

Source: CBRE Research, Q2 2026

Market Area Overview



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 building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building 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. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. 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.

Survey Criteria

Includes all industrial buildings 10,000 sq. ft. and greater in size in the Phoenix Metro Area. Buildings which have begun construction as evidenced by site excavation or foundation work

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