

FIGURES | PHOENIX INDUSTRIAL | Q3 2026

Phoenix Industrial enters a new supply cycle as demand moderates



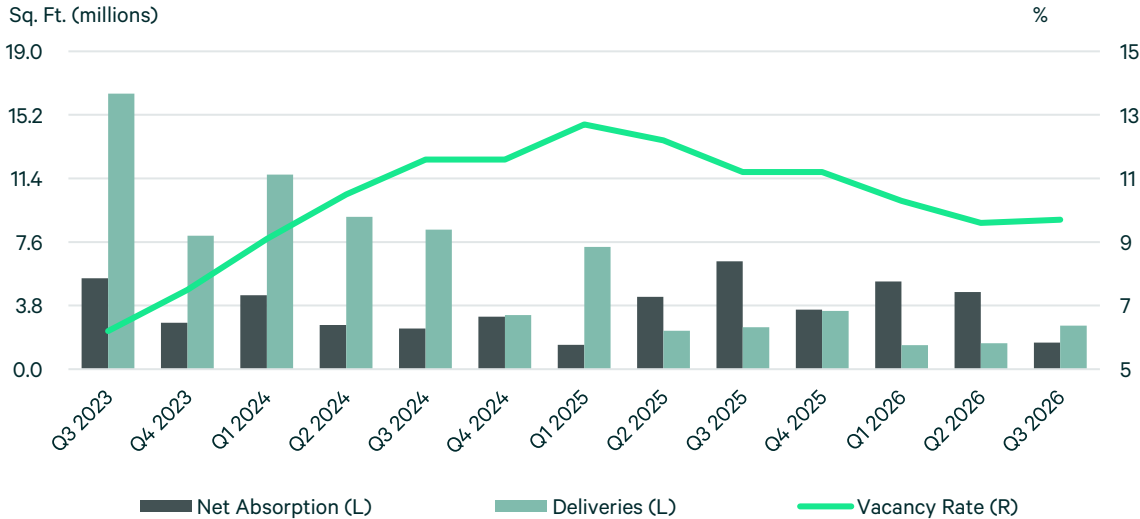
Note: Arrows indicate change from previous quarter.

Market Overview

In Q3 2026, market fundamentals remained healthy. New supply delivered during the quarter slightly outpaced demand, which increased vacancy by just 10 basis points (bps) to 9.7%. Despite the quarterly uptick, vacancy has declined 150 bps over the past year. Availability fell 130 bps year-over-year and 30 bps quarter-over-quarter, reflecting tenants' continued expansion and space commitments. Average asking rents increased 9.0% from Q3 2025, while net absorption totaled 1.59 million sq. ft., marking another quarter of positive tenant demand. Overall market vacancy has fallen 300 bps from its recent peak of 12.7% in Q1 2025.

Construction activity continued to moderate, with the amount of space under construction down 47.5% from Q3 2023, allowing demand to further absorb available supply. Large lease transactions in the Southwest Valley drove much of the quarter's demand, with the three largest deals totaling 1.86 million sq. ft. The largest lease signed in Q3 2026 measured 1.15 million sq. ft., highlighting sustained demand for large-block industrial space. Together, Atkinson Industries and Southland Industries leased 709,000 sq. ft., reinforcing the Southwest Valley's position as the region's leading location for large-scale industrial expansion.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



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Vacancy Rate

In Q3 2026, the market vacancy rate remained near recent levels, showing only modest quarter-over-quarter movement. Overall vacancy was 9.7%, up 10 bps quarter-over-quarter from Q2 2026, while direct vacancy measured 9.0%. Sublease vacancy was stable this quarter, with the market sublease rate holding at 0.7% and showing no **change**. Compared with Q3 2025, overall vacancy fell 150 bps year-over-year from 11.2%, signaling improved occupancy.

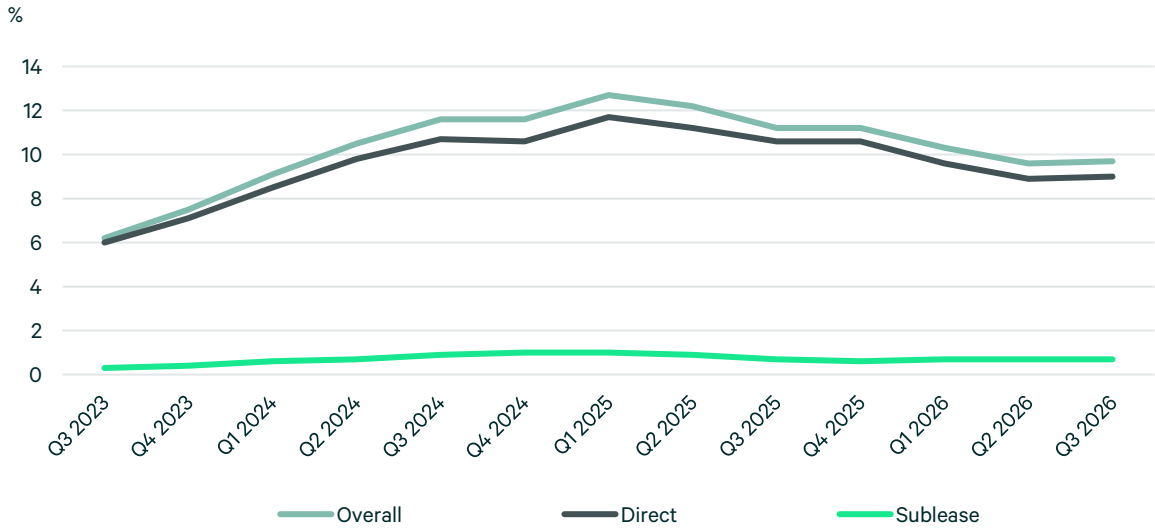
Vacancy conditions varied notably across submarkets in Q3 2026. Northeast Valley posted the lowest overall vacancy at 5.7%, followed by Northwest Valley at 7.7%, reflecting comparatively tighter availability in northern portions of the metro. Airport Area recorded 8.4% vacancy, and Southwest Valley 9.2%. At 13.1%, Southeast Valley posted the market’s highest vacancy rate, despite a 180 bps decline year-over-year.

Asking Rent

The overall market's average asking rent increased to \$1.09 per sq. ft. per month NNN in Q3 2026, rising 0.9% both quarter-over-quarter and year-over-year. Recent rent growth reflects improving market fundamentals, with asking rents recovering steadily since bottoming at \$1.00 per sq. ft. in Q4 2024, though still below the \$1.18 per sq. ft. peak recorded in Q3 2023.

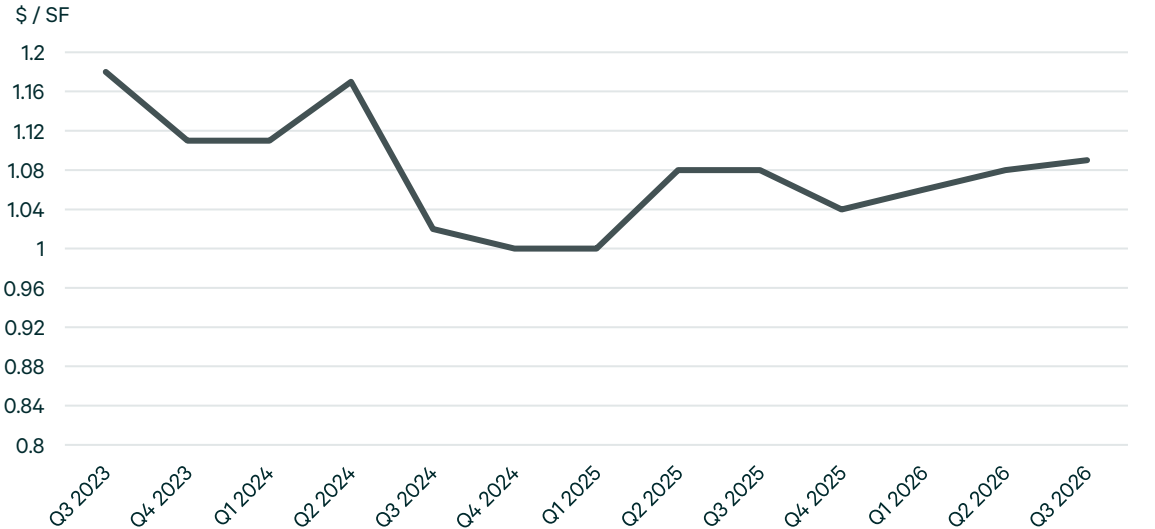
Asking rents in Q3 showed a subtle increase, holding steady pace with recent past quarters. Northeast Valley led the market at \$1.75 per sq. ft., followed by Airport Area (\$1.21) and Southeast Valley (\$1.18), while Northwest Valley and Southwest Valley remained relatively more affordable at \$1.10 and \$0.91 per sq. ft., respectively.

Figure 2: Vacancy Rate



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Figure 3: Average Direct Asking Rate



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Net Absorption

Net absorption remained positive yet represented a notable slowdown in occupancy growth compared with recent quarters. There was 1.59 million sq. ft. absorbed in Q3 2026, which was roughly 34.4% of the 4.62 million sq. ft. recorded in Q2 2026. The decrease in net absorption was largely due to a lack of building availability exceeding 750,000 sq. ft., despite continued demand. With limited supply, the market awaits construction and delivery of this high demand product type. This demand is highlighted by a strong return of preleasing activity, predominantly in the same larger building size range.

At the submarket level, Southeast Valley and Airport Area recorded the strongest positive net absorption, representing much of the quarter’s occupancy gains. Southeast Valley posted 689,000 sq. ft. of net absorption and Airport Area added 494,000 sq. ft. Chandler led all districts with 253,359 sq. ft. of net absorption, followed closely by South Airport with 249,880 sq. ft. Northwest Valley and Northeast Valley followed, with 403,000 sq. ft. and 143,000 sq. ft. of net absorption, respectively.

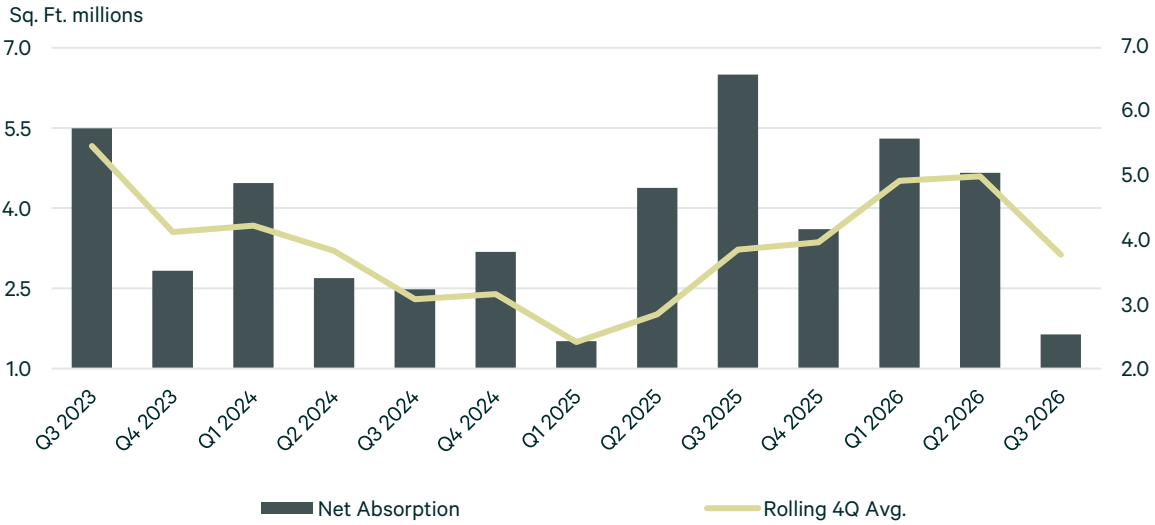
Southwest Valley was the only submarket to experience negative absorption in Q3 with -135,000 sq. ft., marking its first negative quarter in over a decade. One key driver was a major tenant (UNIS) vacating their 900,000 sq. ft. warehouse, the largest vacate since Home Depot in 2024.

Construction Activity

With more projects underway, space under construction rose to 21.1 million sq. ft. in Q3 2026, up 12.5% quarter-over-quarter and 85.0% year-over-year. This followed increases of 35.6% in Q1 2026 and 30.0% in Q2 2026. Construction completions totaled 2.6 million sq. ft. in Q3 2026, representing a 67.7% increase from the previous quarter and a 4.5% increase year-over-year. Development activity rebounded as developers responded to a shrinking supply of available buildings larger than 750,000 sq. ft.

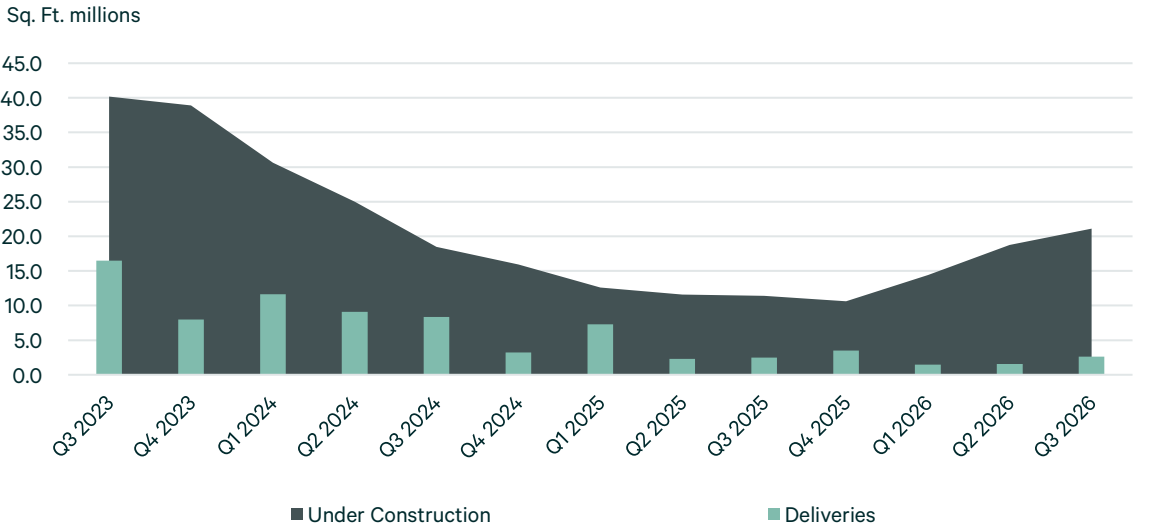
Construction activity in Q3 2026 was dominated by a small group of very large projects in the Southeast Valley and Southwest Valley submarkets. The largest project underway was the LG Energy Battery Manufacturing Facility in the Southeast Valley, totaling a 1.3 million sq. ft. built-to-suit. In the Southwest Valley, Northern Parkway Logistics Center - Building D and VT303 North represent two of the market's largest projects underway, totaling 1.2 million sq. ft. and 1.1 million sq. ft., respectively. Both projects are preleased, highlighting continued tenant demand for large-scale industrial space. Across the market, 36.5% of the 21.1 million sq. ft. currently under construction has been preleased.

Figure 4: Net Absorption Trend



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Figure 5: Construction Activity



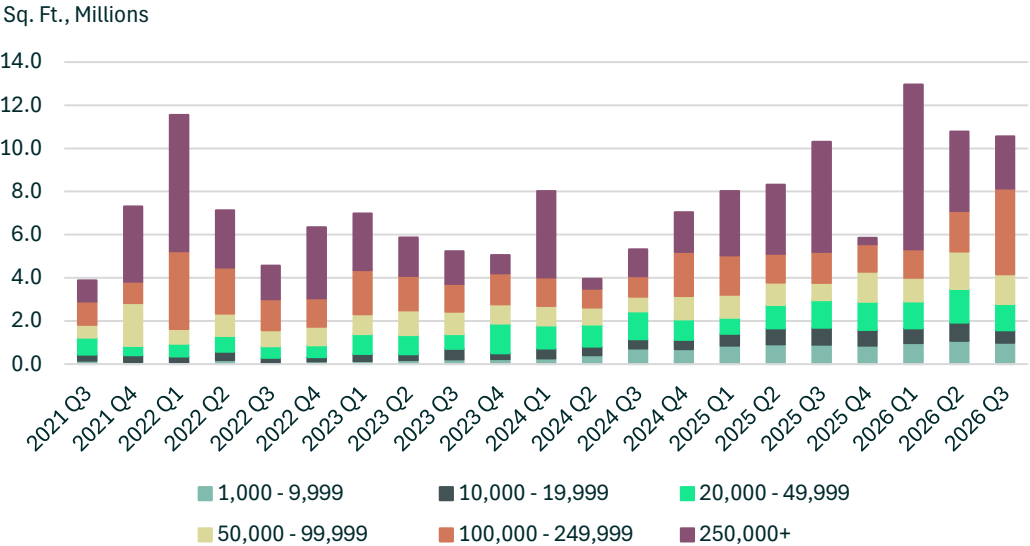
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Leasing Activity

Leasing activity remained healthy in Q3 2026 despite a slowdown in large-block transactions that had driven activity in prior quarters. Total leasing volume reached 9.6 million sq. ft., bringing the rolling four-quarter total to 36.2 million sq. ft. and reflecting continued occupier demand across the market.

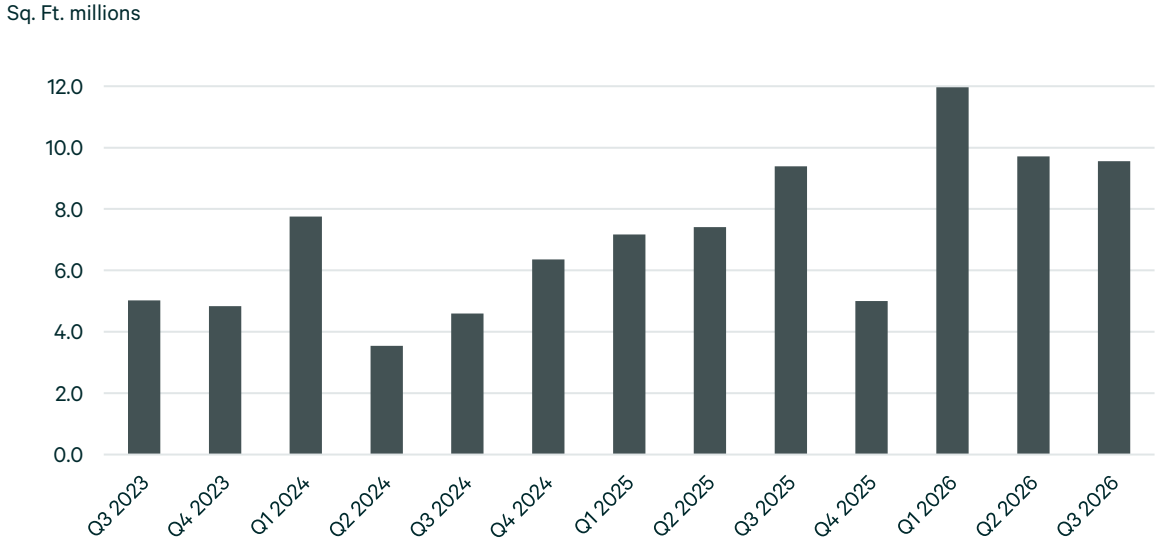
Southwest Valley remained the market's primary leasing hub, accounting for 4.8 million sq. ft. of activity during the quarter, followed by Southeast Valley with 3.1 million sq. ft. Airport Area, Northwest Valley, and Northeast Valley contributed an additional 1.1 million sq. ft., 630,000 sq. ft., and 17,000 sq. ft., respectively.

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



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Figure 6: Leasing Activity Trend



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Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Confidential Tenant	1,147,000	New Lease	7842 N Reems Rd	Southwest Valley
Magna Steyr USA	405,000	Renewal / Expansion	7035 E Pecos Rd	Southeast Valley
Atkinson Industries	392,000	New Lease	17450 W Minnezona Ave	Southwest Valley
Southland Industries	317,000	New Lease	9602 W Indian School Rd	Southwest Valley
DCSL	304,000	New Lease	16395 W Camelback Rd	Southwest Valley
Confidential Tenant	251,000	New Lease	150 N Litchfield Rd	Southwest Valley
Logistics Insight	250,000	Renewal	8009 E Ray Rd	Southeast Valley
Brinkmann Constructors	204,000	New Lease	4009 S Binary	Southeast Valley

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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	69.31M	7.3	1.0	8.4	9.5	494,000	(368,000)	858,000	1.27M	1.21
Northeast Valley	14.60M	5.1	0.5	5.7	6.1	143,000	301,000	-	672,000	1.75
Northwest Valley	53.55M	7.2	0.3	7.7	9.1	403,000	438,000	419,000	2.53M	1.10
Southeast Valley	106.19M	11.5	1.5	13.1	13.9	689,000	2.03M	245,000	5.66M	1.18
Southwest Valley	205.47M	8.4	0.4	9.2	11.2	(135,000)	9.06M	1.09M	10.97M	0.91
Total	449.12M	8.7	0.7	9.7	11.2	1.59M	11.46M	2.61M	21.10M	1.09

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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	106.88M	4.7	0.4	5.1	6.2	260,000	399,000	161,000	504,000	1.31
50K-99,999 SF	65.26M	9.4	1.3	10.8	13.0	246,000	709,000	83,000	2.15M	1.16
100K-249,999 SF	98.06M	17.2	1.4	19.3	20.7	1.27M	1.83M	2.05M	5.00M	1.08
250K-499,999 SF	70.73M	11.0	0.8	12.2	13.8	823,000	4.38M	312,000	1.89M	0.84
500K-749,999 SF	43.93M	3.4	0.0	3.4	4.7	-	3.03M	-	2.95M	0.67
750,000 SF +	64.25M	2.9	0.2	3.1	4.7	(1,000,000)	1.12M	-	8.61M	0.75
Total	449.12M	8.7	0.7	9.7	11.2	1.59M	11.46M	2.61M	21.10M	1.09

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Economic Overview

The U.S. economy enters mid-2026 navigating crosscurrents but growing at a healthy pace, with CBRE projecting average GDP growth of 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 world 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 to the upper 3% range by year-end as energy prices slowly decrease. Stickier inflation has pushed Treasury yields well above 4%, 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.



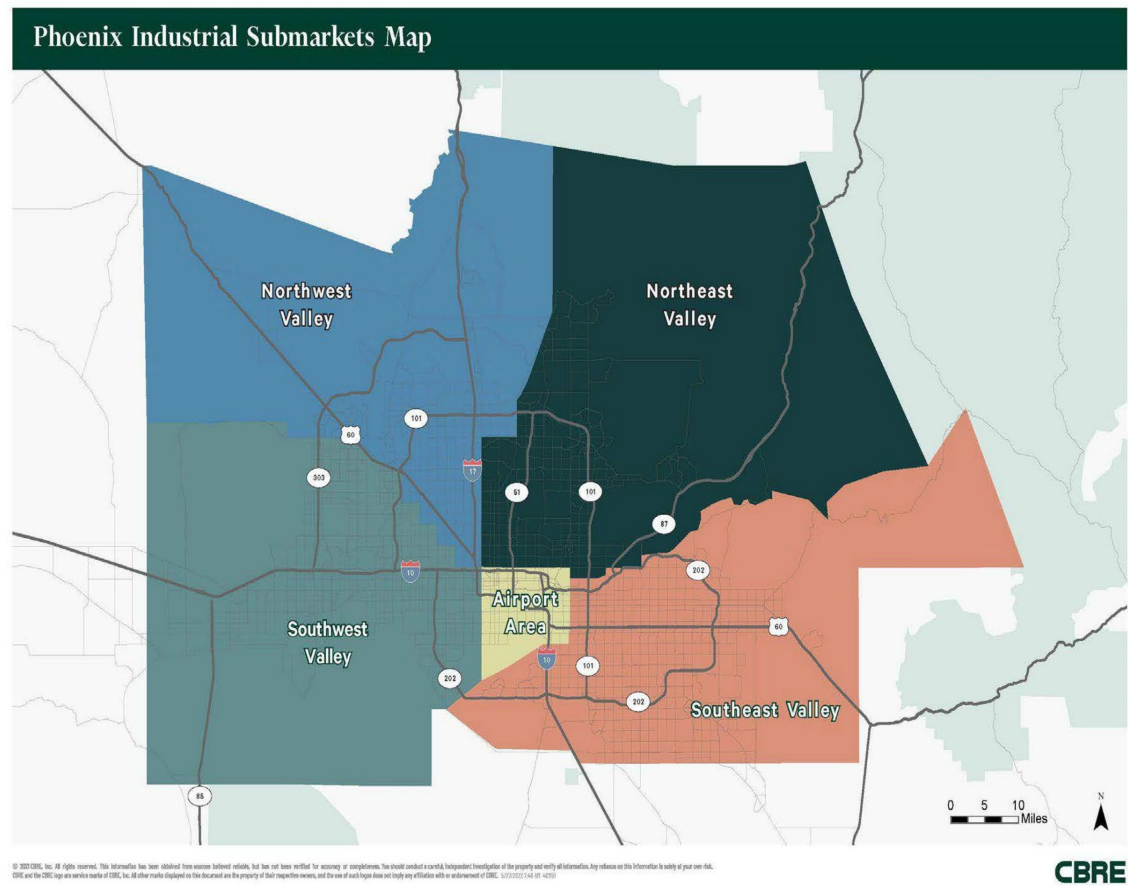
Market Statistics by Product Type

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	10.31M	15.3	2.5	17.8	18.6	139,000	136,043	-	46,000	1.23
Distribution	234.06M	11.1	0.9	12.5	14.1	835,000	10.12M	2.46M	14.46M	0.95
Freestanding	53.42M	2.9	0.3	3.2	4.2	311,000	582,000	-	147,000	1.28
General Industrial	76.72M	9.1	0.8	10.0	11.9	331,000	(203,000)	145,516	1.85M	1.17
Major User	36.41M	1.8	-	1.8	2.6	12,000	371,000	-	3.47M	0.83
Multi-Tenant	38.03M	6.3	0.4	6.7	7.8	(104,000)	379,000	-	562,000	1.36
Total	449.12M	8.7	0.7	9.7	11.2	1.59M	11.46M	2.61M	21.10M	1.09

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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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers. Numbers presented throughout this report have been rounded for readability. As a result, individual line items may not sum to totals shown. All figures should be considered approximate.

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

Contact

Reese MacDonald

Field Research Analyst
+1 602 735 1703
reese.macdonald@cbre.com