

FIGURES | PHOENIX INDUSTRIAL MARKET | Q4 2025

# The Phoenix Industrial Market Continues to Gain Control Over Its Development Pipeline

▶ 11.0%

Vacancy Rate

▼ 3.3 M

SF Net Absorption

▼ 9.8 M

SF Construction

▼ \$1.04

NNN / Asking Lease Rate

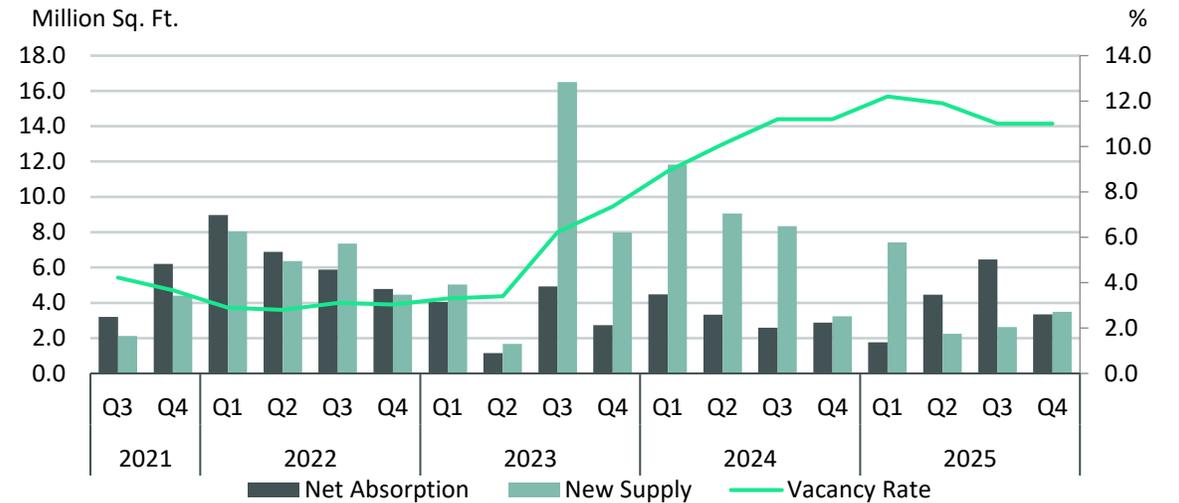
Note: Arrows indicate change from previous quarter.

## KEY TAKEAWAYS

- Net absorption was 3.3 million sq. ft. in Q4 2025, pushing the yearly net to the third-highest year in Phoenix history (15.9 million sq. ft.)
- Thirty-two buildings were delivered for a total of 3.5 million sq. ft. in Q4 2025, bringing the yearly total to just under 50% of what was delivered in 2024.
- Asking rates decreased again to \$1.04 NNN per sq. ft..
- The vacancy rate remained at 11.0% with speculative development deliveries nearly matching quarterly net absorption.

The midsize product saw a return of leasing activity, nearly matching the year’s transaction count in one quarter. Asking rates remained steady once again as the market seems to be converging on an average asking rate, given the lack of volatility throughout 2025. YoY, vacancy is only down 40 bps, as Q1 2025 led to a large rise in vacancy. The last 2 million sq. ft. buildings have leases out for signature, so there is a strong chance that big-box development will resume, but not nearly at the rate the Valley has seen since 2021. Manufacturing tenant requirements have continued to rise as more national users and tenants have added Phoenix to their site selection lists amid opportunistic macroeconomic factors.

FIGURE 1: Supply and Demand



Source: CBRE Research, Q4 2025.

## Availability and Vacancy

Vacancy remained at 11.0% from Q3 2025. This is still down 120 bps from Q1 2025, which is exactly what the Valley needed. Realizing the benefits of the new product introduced over the last five years will be extremely important as the city continues to expand its limits. The new tenants, as well as resized historical tenants, have been imperative in keeping leasing velocity alive, as it has been harder for smaller companies to leverage capital resources amid higher interest rates. As those rates have dropped throughout 2025, the Valley has seen a space absorption influx with those cuts.

2026 will be a very important year as we are starting off with Fed rates at the lowest since 2023, and with much less inflationary pressure than there was back then. Other macroeconomic factors have become increasingly relevant with unemployment and tariff concerns weighing on major decision makers.

Throughout 2025, the Valley has seen sublease space come on and off the market at rates higher than usual. This space can be seen as an opportunity for smaller users looking to expand but at below-market rates. Many of the sublessors have remained in the Valley, just in newer, larger spaces, so their resizing creates chances for local businesses to grow into their spaces before being exposed to current market rates.

## Lease Rates

NNN asking rates continued to hover just above \$1.00 per sq. ft. at \$1.04 per sq. ft., this is a 2.8% decrease QoQ but a 4% increase YoY. Looking back, asking rates are up just 0.7% from Q4 2022. This lack of volatility in rates is a strong sign for the market, as landlords and tenants have reached an understanding of where the Valley is heading. There is less than a 1% change across all submarkets' NNN asking rents, further supporting the concept of rate stability.

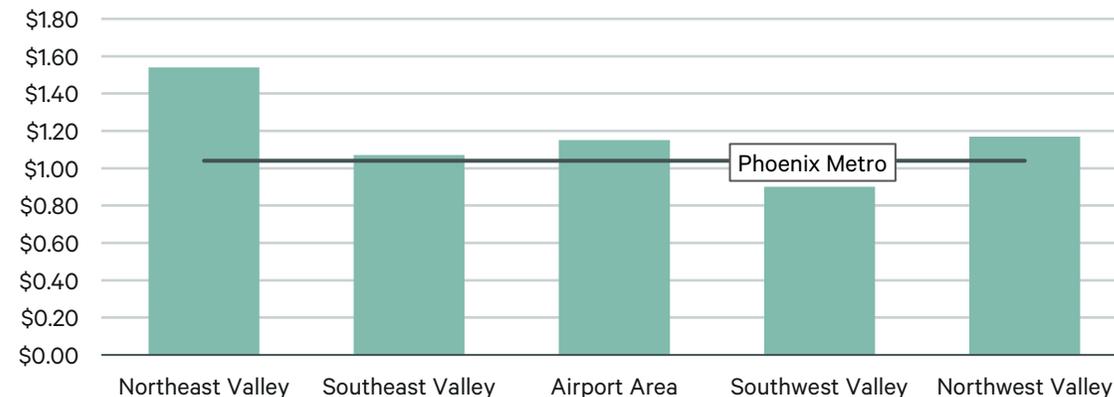
The Airport Area saw a 0.0% change in NNN asking rates, the only net 0.0% QoQ change we have seen in asking rates all year. The Southeast and Northwest Valleys saw 3.7% and 2.6% increases in their rates, while the Southwest and Northeast Valleys saw 4.4% and 3.9% decreases in their rates. Property types saw very little volatility with Back Office and Major Users recording the largest changes in their asking rates. General Industrial product saw the largest increase of 2.7%, with much of that gain coming from the removal of sub-prime space from the market.

FIGURE 2: Overall Vacancy Rate and Lease Rate



Source: CBRE Research, Q4 2025.

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



Source: CBRE Research, Q4 2025.

## Net Absorption and Leasing Activity

2025 ended with the third-highest yearly Net Absorption in Phoenix’s history. There was a strong return to products that had not seen much activity prior to Q4 2025. Both the multi-tenant and freestanding product saw 6-figure positive absorption, a big swing from the trends that prevailed throughout the year. Distribution type product continued to drive the market, with 61% of Q4 gross activity coming from those types of buildings.

Every submarket in the Valley saw positive absorption for the first time in 2025, once again primarily focused on the two in fill areas, with the Southwest and Southeast Valley submarkets generating over 3 million sq. ft. of absorption this quarter. Multi-tenant space also saw its first positive net absorption this past quarter, almost reversing the whole year’s slide in three months. Major user space was the second-largest driver of net absorption in 2025, and this trend is likely to continue into 2026.

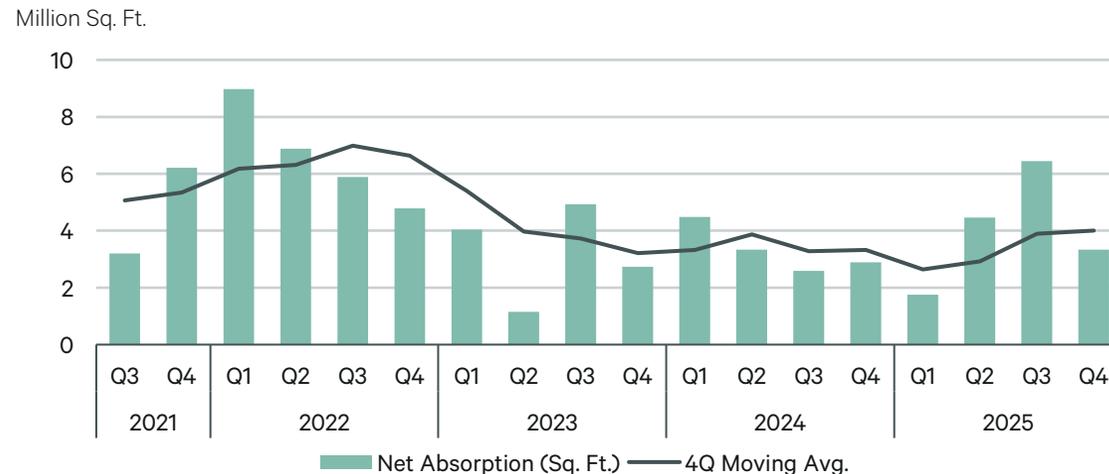
The Valley saw a total of 9,066,574 sq. ft. of gross activity in Q4 2025, pushing the yearly total to 38,223,206 sq. ft. This is 3 million sq. ft. more than 2024’s gross absorption figure, and 2025’s net absorption finished 2.7 million sq. ft. higher than the previous year. Some big deals were unable to get completed in 2025, so 2026 can expect to see this sort of velocity continue. There were 23 renewals and nine expansions, accounting for 1,169,286 sq. ft. of gross activity. There was also 2.2 million sq. ft. of vacant space removed from the market through Owner/User purchases.

### Top Transactions

Leasing activity had a strong return to midsize product. There were 29 leases signed above 50,000 sq. ft. and the largest deal signed was just over 300,000 sq. ft. The deals were spread across the Valley, as shown below:

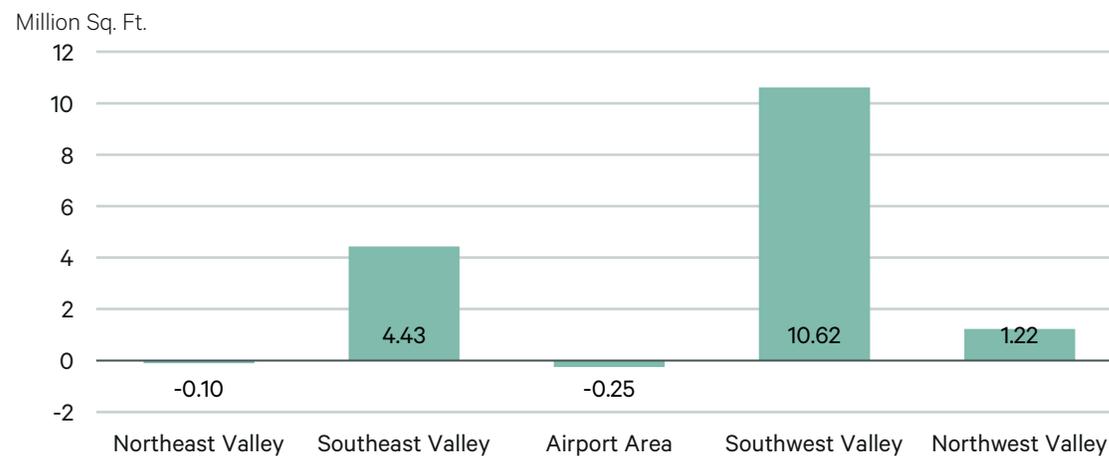
- Schneider Electric | 300,249 sq. ft. | South Goodyear
- Kovach Enclosure Systems | 190,875 sq. ft. | Chandler
- DSV | 135,217 sq. ft. | Chandler
- Chadwell Supply | 121,491 sq. ft. | Tolleson
- Holley Performance Products | 108,391 sq. ft. | North Goodyear

FIGURE 4: Net Absorption



Source: CBRE Research, Q4 2025.

FIGURE 5: Net Absorption by Submarket YTD



Source: CBRE Research, Q4 2025.

## Development Activity

Throughout 2025, the development pipeline has shown significant constraints as Phoenix has absorbed roughly 120 basis-points of vacant product since Q1. Towards the end of the year, we began to see pre-leasing and built-to-suit activity pick up again. Of the 9.8 million sq. ft. under construction, roughly 26.5% of that is pre-leased or is being built-to-suit a major user. This fact will help protect asking rates as major users entering the market will create ecosystem value for these smaller, local companies to lean on for their own needs and expansions.

The in fill submarkets are beginning to lose share of the total development market to older areas in the Valley. This is a great sign, as many of these projects are focused on the redevelopment of distressed assets that are no longer the highest and best use of the land. Smaller users have been forced to recycle product built before 2010, so this switch in the cycle will allow them to relocate into premier space.

### 3.5 Million Sq. Ft. Delivered this Quarter

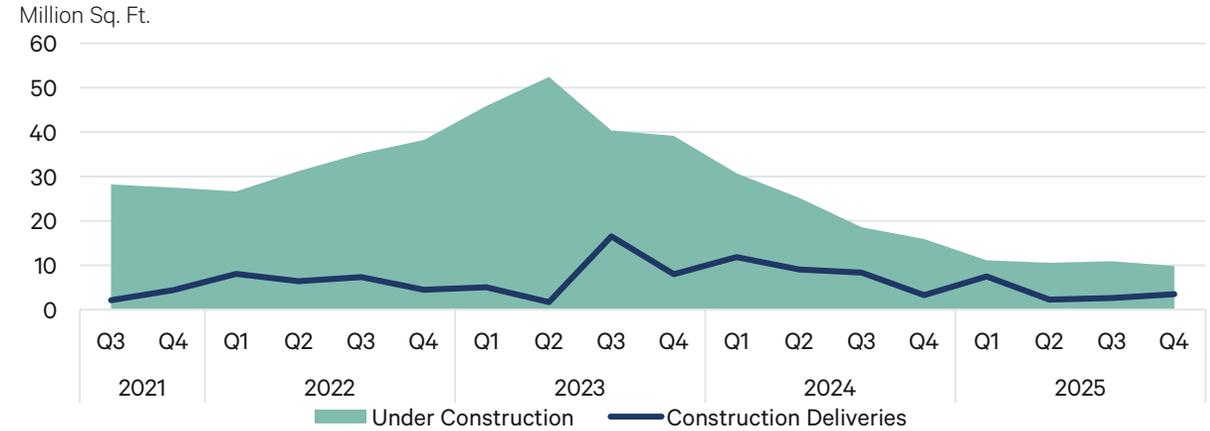
Thirty-two buildings were delivered this quarter for a total of 3.5 million sq. ft. Of those thirty-two properties, only 9 of them are for mainly distribution purposes. This is a good sign for the mid-to-small bay demand, as we are beginning to see major redevelopment efforts kick off in the core of the Valley with projects like 17 North and ReDiscover.

- CapRock West 202 Logistics– Buildings F-H | 824,404 sq. ft. | Southwest Phoenix
- Park Algodon – Buildings B-E | 772,320 sq. ft. | Glendale
- Sossaman Business Campus | 430,564 sq. ft. | PMGA

### 2.4 Million Sq. Ft. Broke Ground this Quarter

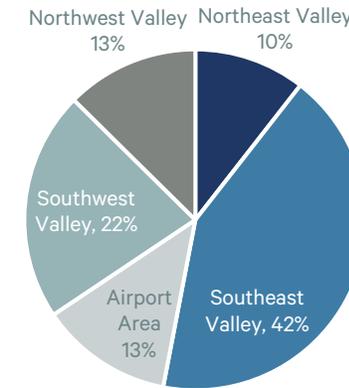
Thirteen of the fifteen buildings that broke ground this quarter are a part of a larger commerce/business park. The other two are for major manufacturing projects for major users riding the wave of high-tech manufacturing investment that the Valley has experienced throughout 2025.

FIGURE 6: Under Construction and Construction Deliveries



Source: CBRE Research, Q4 2025.

FIGURE 7: Under Construction by Submarket



Source: CBRE Research, Q4 2025.

## Outlook

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

When looking at consumer households, the outlook gets more melancholy as Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026.

The city of Phoenix is at the forefront of the former statement, with many of the major AI companies building data centers on the outskirts of the Valley. Labor in Arizona will continue to become more advanced as educational institutions work closely with advanced manufacturers to develop the programs and courses needed to bring the USA into the fold of advanced manufacturing. TSMC expanded its plans once more, committing another \$35 billion to employee housing and innovation. 2026 will be a very important year for Phoenix as the Industrial market looks to continue redeveloping distressed assets and grow into its new footprint created by a few years of record development.



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 2025	2025 YTD			
Northeast Valley	14,062,911	5.6%	5.2%	55,957	-104,620	1,033,151	0	\$1.54
Southeast Valley	105,503,638	15.8%	14.1%	1,361,547	4,428,030	4,173,999	795,320	\$1.07
Airport Area	73,249,028	7.0%	5.4%	147,814	-249,476	1,234,438	107,528	\$1.15
Southwest Valley	200,870,536	13.8%	12.8%	1,687,408	10,615,623	2,143,480	2,284,365	\$0.90
Northwest Valley	53,347,018	8.6%	7.0%	87,748	1,224,696	1,235,448	300,929	\$1.17
<b>Phoenix Total</b>	<b>447,033,131*</b>	<b>12.3%</b>	<b>11.0%</b>	<b>3,340,474</b>	<b>15,914,253</b>	<b>9,820,516</b>	<b>3,488,142</b>	<b>\$1.04</b>

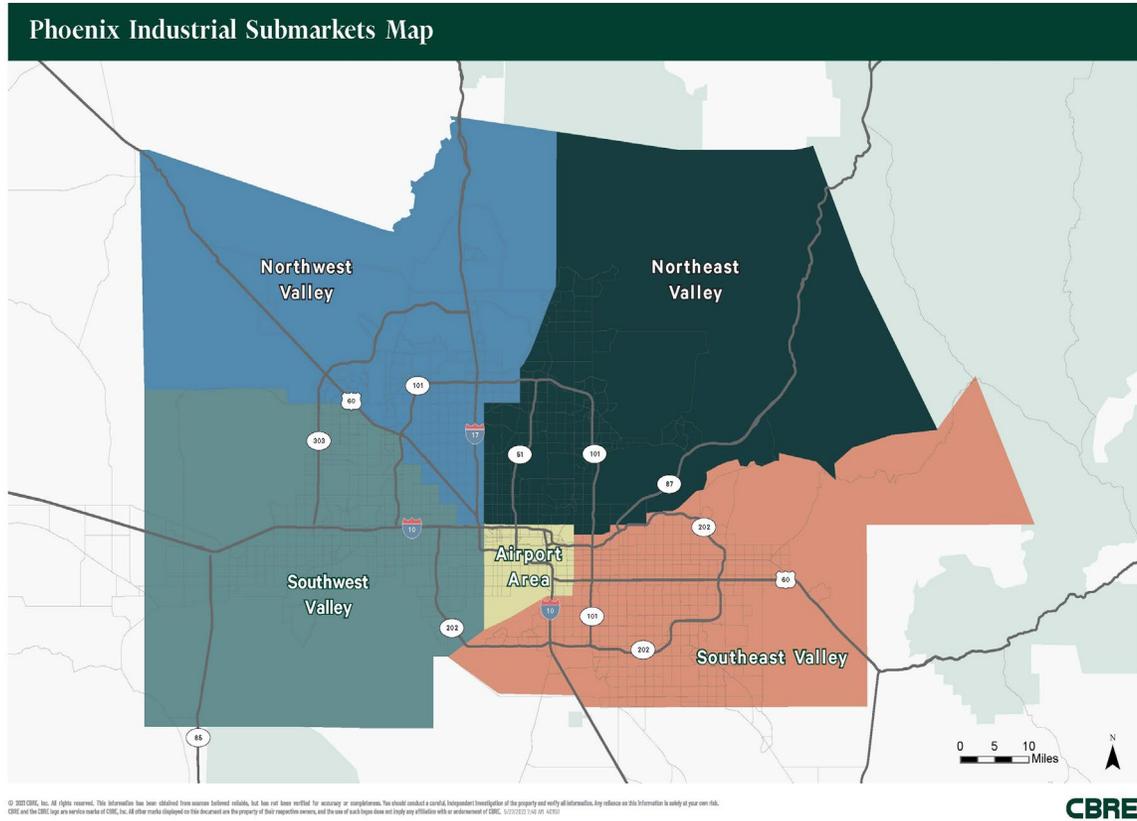
Source: CBRE Research, Q4 2025.

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 2025	2025 YTD			
Multi-Tenant	37,833,554	7.5%	6.8%	362,771	-64,089	468,445	12,924	\$1.23
Distribution	227,799,493	17.1%	15.7%	2,666,415	14,733,089	6,250,094	2,164,915	\$0.92
Freestanding	55,506,775	3.8%	3.2%	102,015	-322,716	107,416	239,333	\$1.28
General Industrial	77,539,184	10.9%	9.1%	-2,159	326,692	767,281	865,970	\$1.11
Back Office	9,243,180	16.3%	14.9%	44,429	207,206	36,500	0	\$1.23
Major User	33,358,217	2.2%	1.9%	167,003	1,004,071	2,190,780	205,000	\$0.93
Special Purpose	5,752,728	0.6%	0.6%	0	94,494	0	0	-
<b>Phoenix Total</b>	<b>447,033,131*</b>	<b>12.3%</b>	<b>11.0%</b>	<b>3,340,474</b>	<b>15,914,253</b>	<b>9,820,516</b>	<b>3,488,142</b>	<b>\$1.04</b>

Source: CBRE Research, Q4 2025.

\* CBRE recently audited and updated our Industrial Inventory to align closer with National Research standards. This resulted in a change of NRA compared to previous reports.



**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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