



Phoenix

- Q1 2025 leasing activity reached 3.5 million s.f. across 56 transactions, with seven deals above 100,000 s.f. driving 60% of volume, highlighting the market's continued appeal to large-scale users.
- Vacancy increased 60 basis points to 14.6% amid 6.2 million s.f. of new deliveries, though strategic concessions from landlords are helping maintain absorption momentum.
- TSMC's expanded \$165 billion investment commitment and phase I completion signals Phoenix's emergence as a key semiconductor hub, while broader reshoring trends could further reshape market dynamics.

The Phoenix industrial market maintained healthy demand in Q1 2025, with 3.5 million s.f. of new leasing activity across 56 transactions. While smaller deals dominated by count, seven transactions exceeding 100,000 s.f. accounted for 60% of quarterly volume, underscoring the market's continued draw for major distributors and manufacturers. Net absorption has held steady, averaging 3 million s.f. quarterly over the past two years.

The market is transitioning from an unprecedented development cycle, with recent completions pushing vacancy to 14.6%. This expanded availability has shifted leverage toward occupiers, prompting landlords to enhance concession packages while working to maintain headline rates. The mix of speculative and build-to-suit deliveries this quarter reflects both the market's maturation and sustained confidence from major occupiers despite broader adjustments.

TSMC's phase I completion marked a pivotal moment for Phoenix's

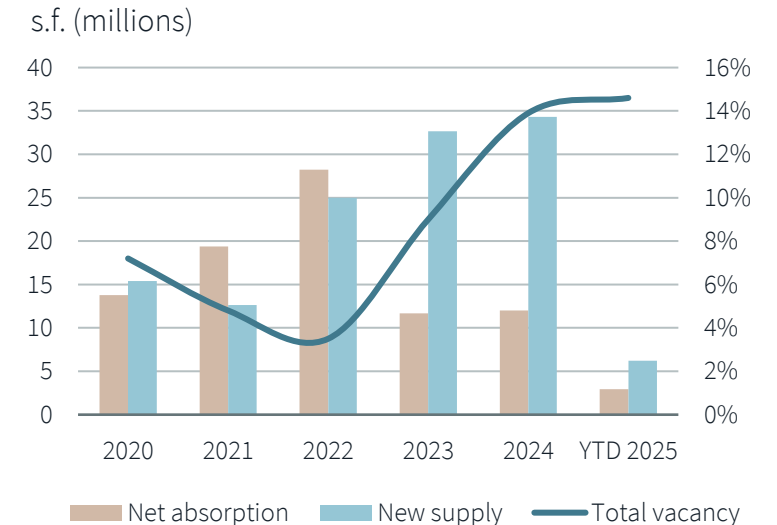
industrial landscape. The semiconductor giant has announced \$165 billion total investment commitment reinforces the metro's evolution into a high-tech manufacturing hub. This transformation, coupled with broader reshoring initiatives and supply chain reorganization, could fundamentally alter demand patterns in coming quarters. The growing semiconductor presence particularly strengthens Phoenix's position in the regional supply chain network, complementing its established logistics advantages.

Outlook

With 8 million s.f. of speculative space scheduled for delivery over the next 12 months—a volume more aligned with pre-pandemic levels—the market appears poised for more balanced conditions. Recent tariff policy changes have introduced new variables into supply chain decisions, potentially accelerating reshoring and nearshoring trends. While the immediate impact remains uncertain, Phoenix's strategic location and growing high-tech manufacturing base position it favorably amid these shifting dynamics.

Fundamentals		Forecast
YTD net absorption	2,936,638 s.f.	↑
Under construction	12,667,099 s.f.	↓
Preleased	37.0%	→
YTD deliveries	6,214,840 s.f.	↓
Total vacancy	14.6%	↓
Total availability	17.3%	↓
Average asking rent	\$0.85 p.s.f.	→
Concessions	Rising	↑

Historical supply and demand trends





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