3Q25

Phoenix Industrial Market Overview

Market Observations

Economy

- Import traffic at Southern California's seaports was uneven this quarter due to ever-changing U.S. tariffs on foreign goods.
- Tariffs have a delayed impact, as businesses try to pass on costs to suppliers, stockpile goods before new duties go into effect, and/or utilize existing inventory first before higher prices work their way down the supply chain to consumers.
- For now, unemployment is low, and retail sales are healthy. Slackening consumer confidence and a slowing labor market hint at deceleration to come.
- The Fed cut interest rates by 25 bps in September, bringing its benchmark rate to 4.00-4.25%. Two more reductions are anticipated by year-end.
- Phoenix's labor market continues to outperform national averages.

Major Transactions

- Leasing activity declined slightly in the third quarter. Year-to-date, leasing volume was up 4.7% compared with the same period in 2024.
- CEVA Logistics, a global freight company, signed one of the quarter's largest leases, committing to 1.3 MSF. The company will occupy a single-tenant building in Glendale was previously leased by The Home Depot.
- Phoenix's sales volume in the first three quarters of 2025 topped that of the Inland Empire and Los Angeles—markets whose inventories are 69% and 141% larger.
- Institutional buyers are more active in Phoenix than in Southern California markets. They account for 39% of year-to-date local industrial sales.

Leasing Market Fundamentals

- Quarterly net absorption of 3.3 MSF, combined with heavily pre-leased deliveries totaling 4.2 MSF, reduced vacancy to 12.8%. Total vacancy has been in the double-digits since mid-2024 and has decreased for two-straight quarters.
- Sublease space fell to 6.9 MSF, an 18.5% decrease from last quarter's record high. Modern space is securing subtenants more quickly than second-generation space.
- Class A has dominated overall leasing activity since 2019. Year-to-date, Class A buildings accounted for 67% of total leasing.
- Maricopa County was named the top county in the U.S. by *Site Selection* magazine for capital investment, largely driven by its dominance in advanced manufacturing, particularly for semiconductor fabrication, data centers, and supporting logistics.

Outlook

- Phoenix's industrial market exhibited signs of stabilization this quarter, but choppy waters ahead may limit leasing activity. Namely, U.S. business spending is slowing due to volatile government policy, economic uncertainty, and high capital costs.
- Sustained tariffs will increase raw material prices, while federal immigration raids may lead to construction labor shortages. Both will elevate replacement costs and insulate rents of existing product.
- Population growth and infrastructure enhancements favor long-term market dynamics. BNSF, for instance, acquired a 4,321-acre site in Phoenix's West Valley in 2022 and will develop a major transportation hub by 2028.

TABLE OF CONTENTS

3Q25

Southern California's Ports and U.S. Retail Sales

Ocean Container Spot Rates Have Been Volatile

Please reach out to your
Newmark business contact for this information

Southern California's Ports: 2024 Was the Second Busiest Year on Record

Loaded Import Volume in the First Eight Months of 2025 Third Highest on Record

Please reach out to your
Newmark business contact for this information

Southern California Ports Lead the Nation in Imports—Most of Which Originate from China

Please reach out to your
Newmark business contact for this information

Retail Sales (an Indicator of Warehouse Demand) Up, But Projected to Slow

The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

Please reach out to your
Newmark business contact for this information

U.S. Wage Growth is Outpacing Inflation While Unemployment Remains Low

Please reach out to your
Newmark business contact for this information

U.S. Consumer Confidence is Down

Please reach out to your
Newmark business contact for this information

3Q25

Economy

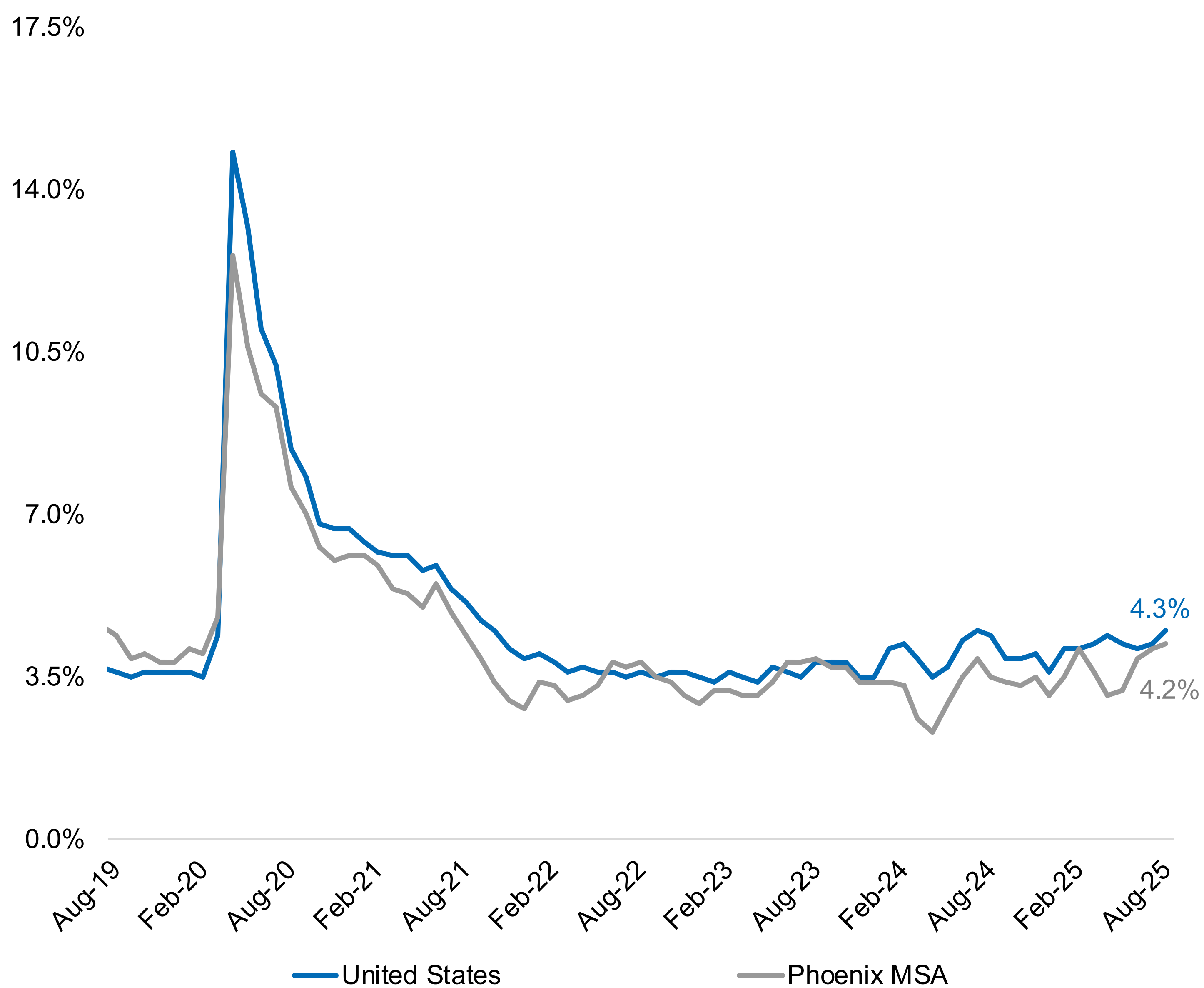
Population Has Increased Considerably in Recent Decades

Please reach out to your
Newmark business contact for this information

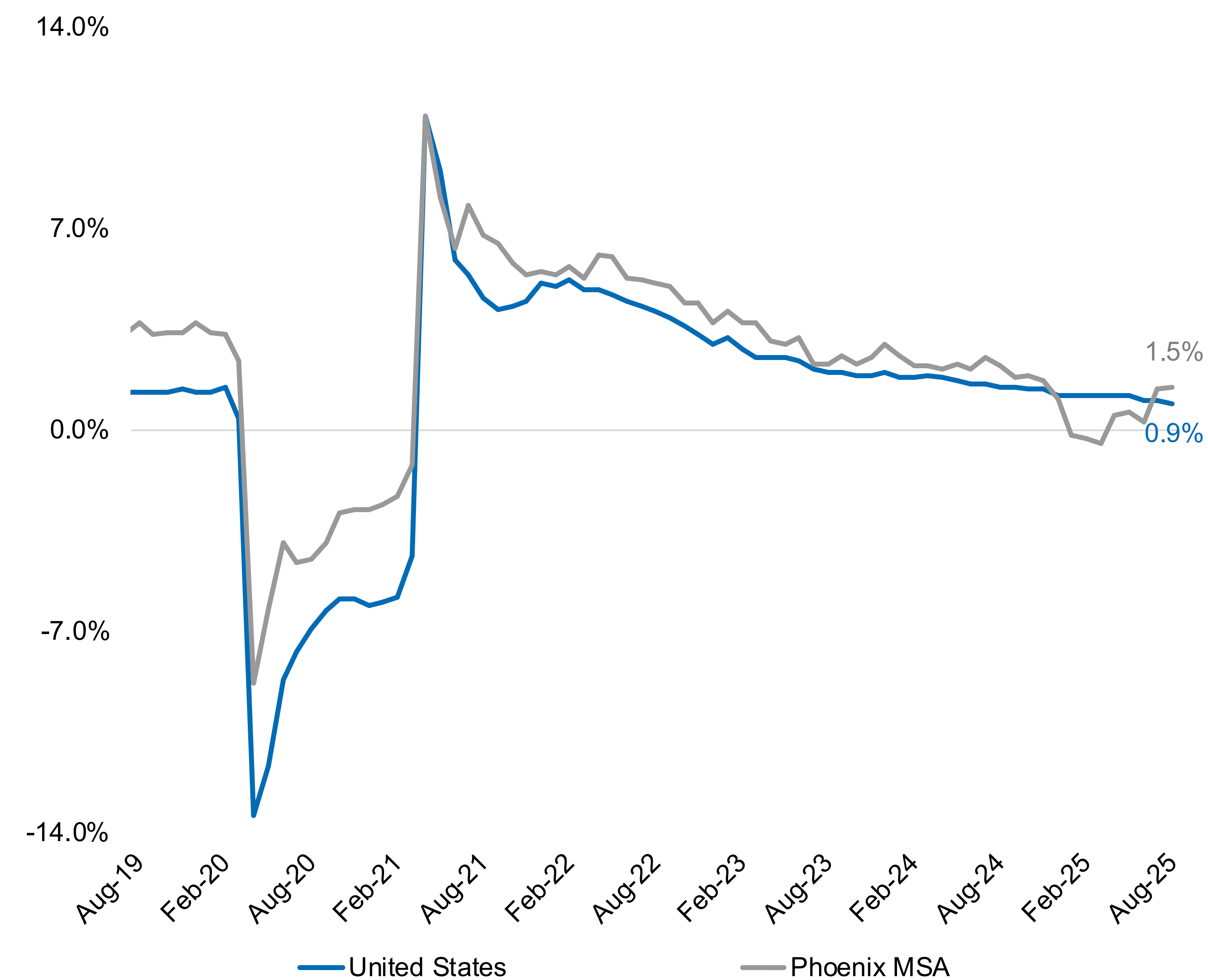
Resilient Labor Market Amid Economic Challenges

Local unemployment (currently 4.2%) was lower than the U.S. average for the 24th–straight month. Phoenix's job growth is also gaining momentum, with year-over-year nonfarm employment posting gains for five consecutive months, as select companies expand.

Unemployment Rate, Not Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

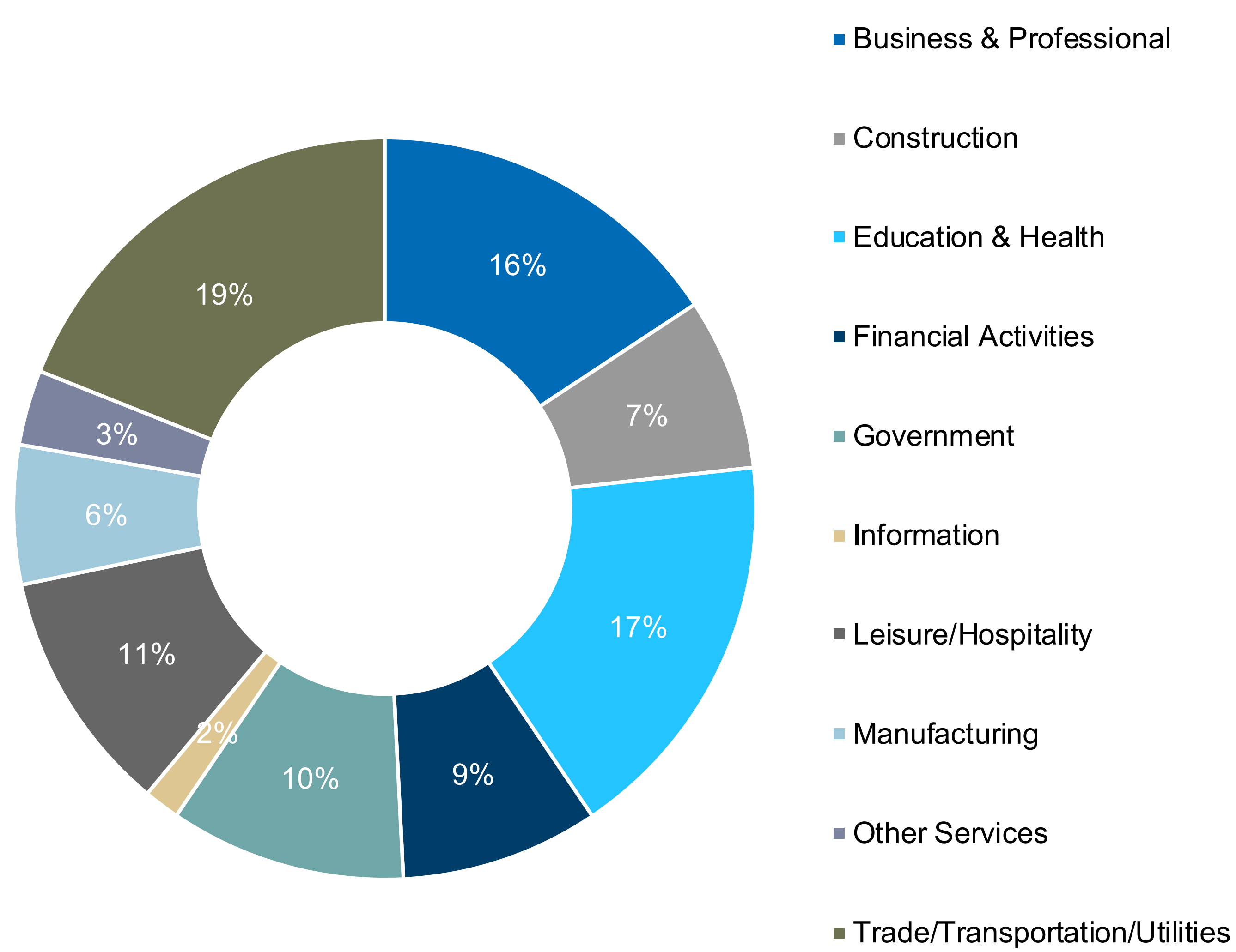


Source: U.S. Bureau of Labor Statistics, Phoenix MSA
Note: August 2025 data is preliminary.

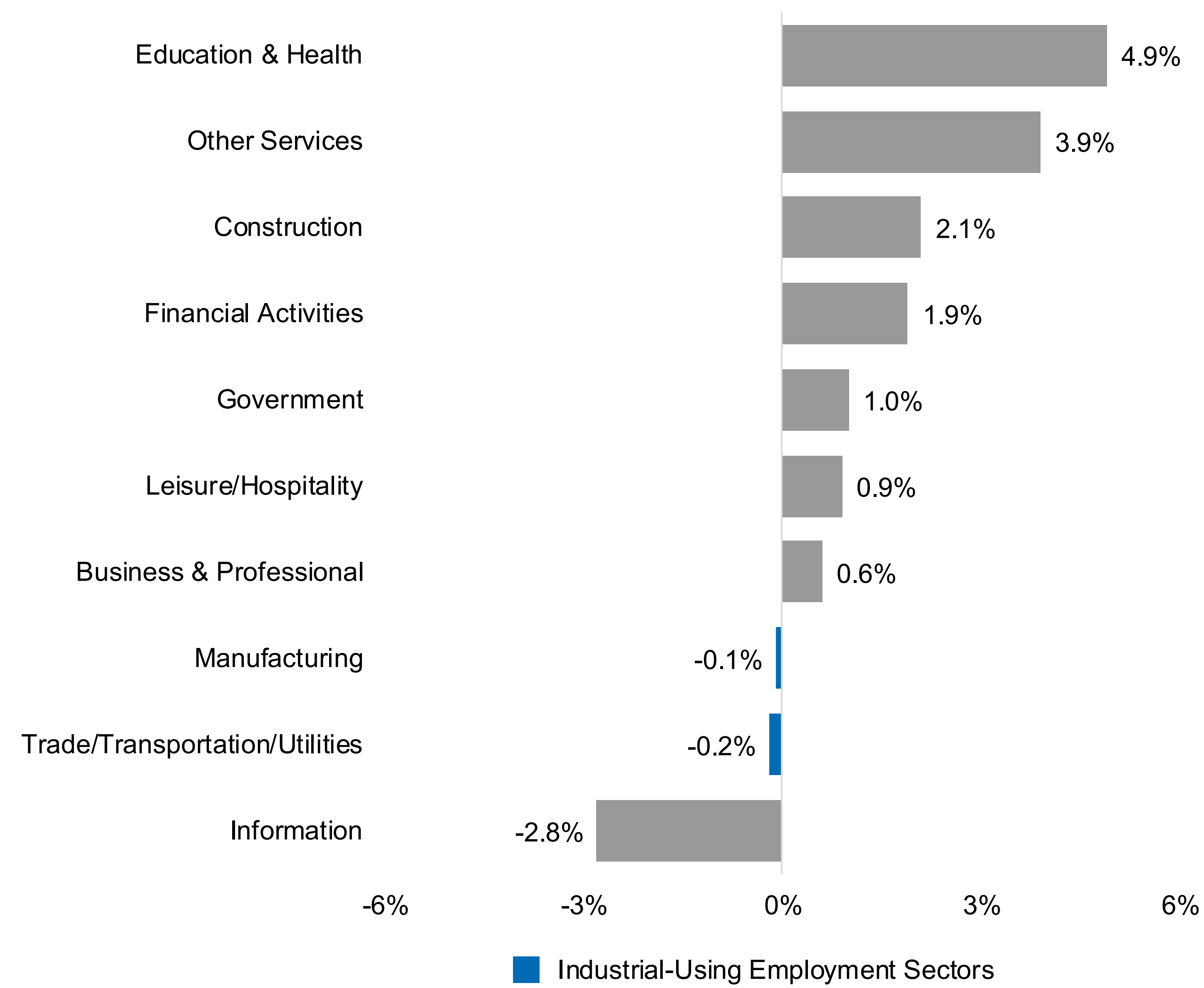
Key Industrial Sectors Post Faint Loses

At the industry level, education and health services led annual job gains for the second consecutive quarter, followed by construction and other services. Trade, transportation, and utilities and manufacturing (both key industrial sectors) posted slight losses.

Employment by Industry, August 2025



Employment Growth by Industry, 12-Month % Change, August 2025

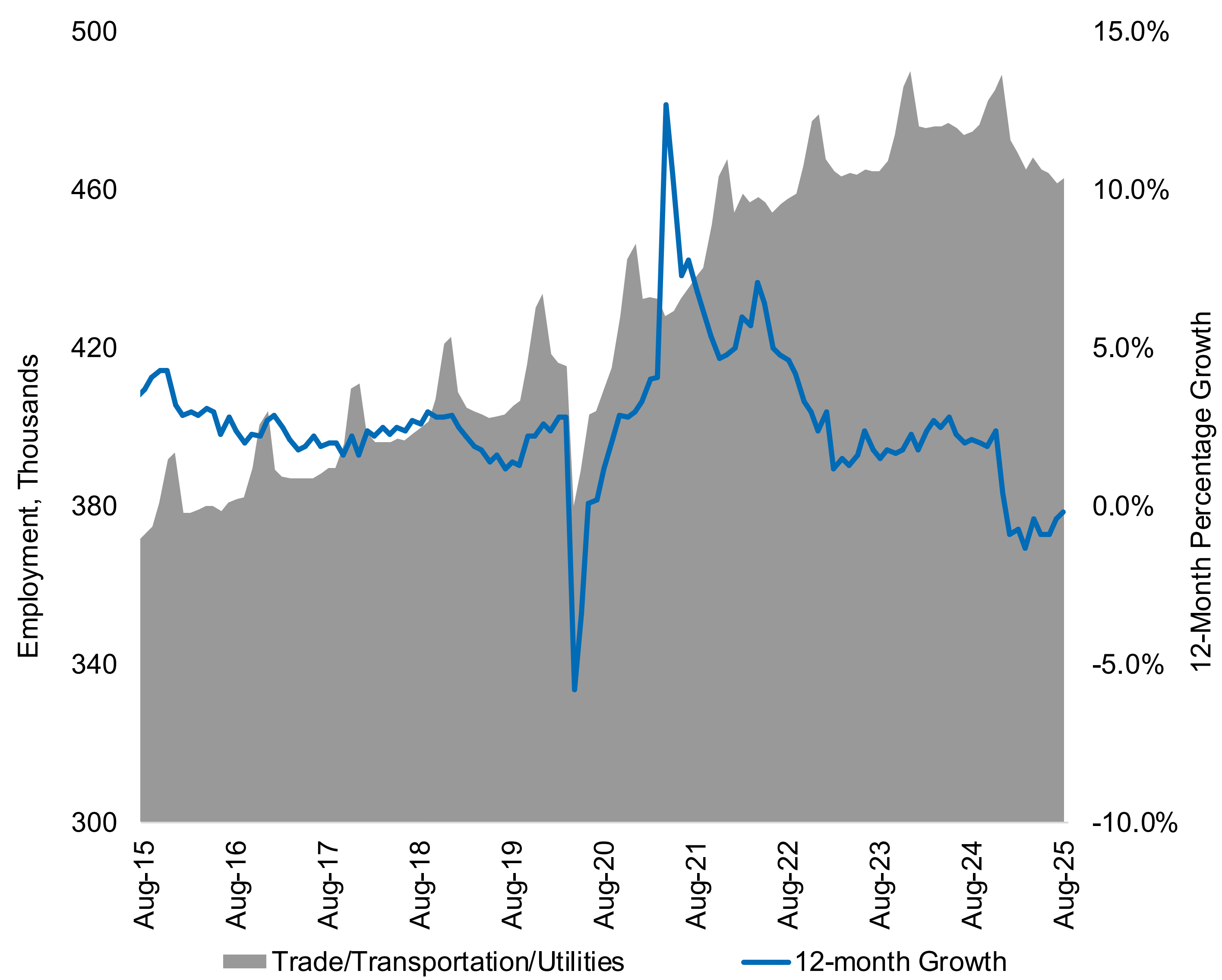


Source: U.S. Bureau of Labor Statistics, Phoenix MSA
Note: August 2025 data is preliminary.

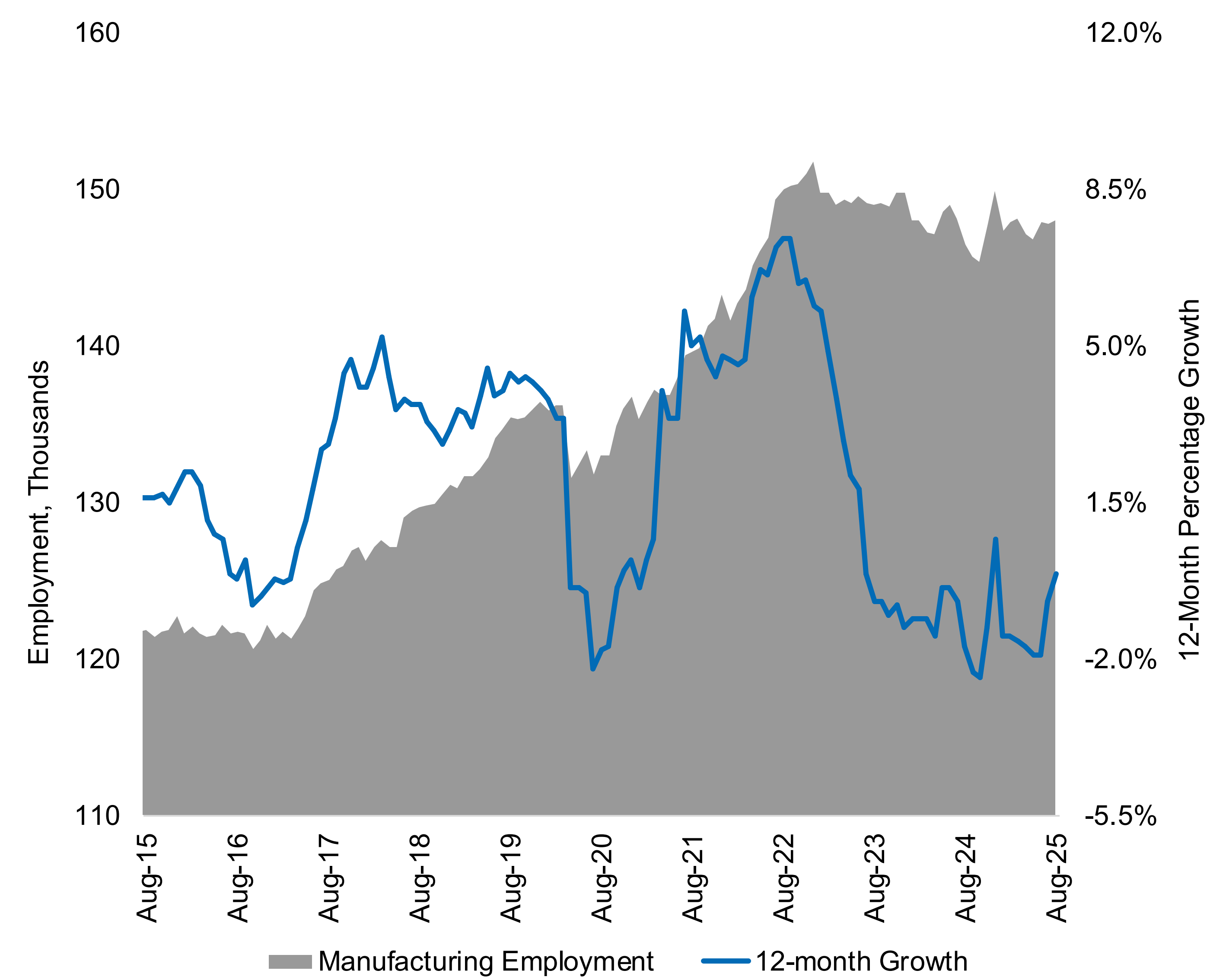
Economic Volatility is Affecting TPU and Manufacturing Employment

Amidst economic volatility, both trade/transportation/utilities (TPU) and manufacturing employment in Phoenix face challenges. While the warehouse segment benefits from ongoing population growth and distributors being priced out of pricier coastal markets, employment has recently contracted amid a higher cost, slower growth environment. Manufacturing employment is expected to improve in the long-term as the White House designated the metro area as a workforce hub for advanced manufacturing.

Trade/Transportation/Utilities (TPU) Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Phoenix MSA

Union Pacific Opened a New Intermodal Terminal Near Downtown Phoenix This Year

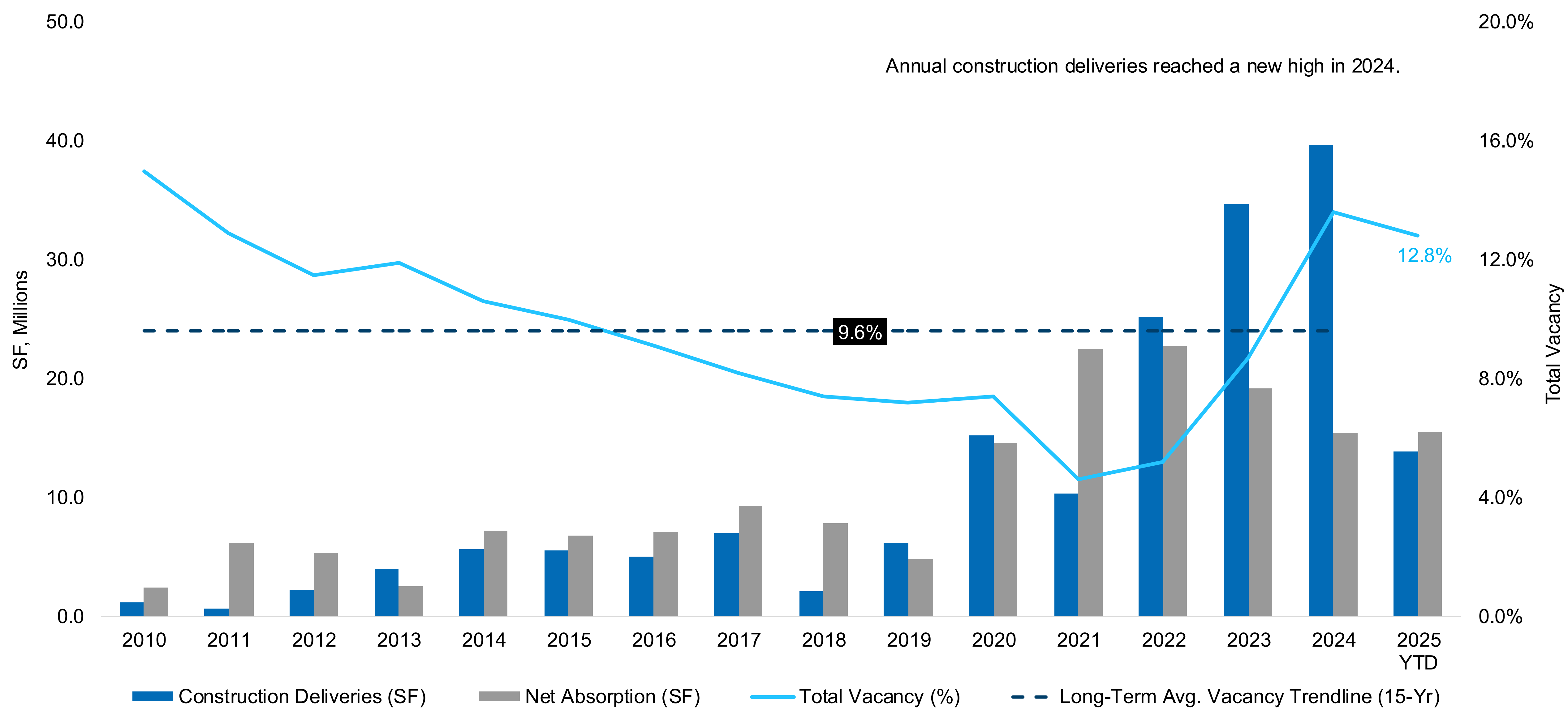
3Q25

Leasing Conditions

Vacancy Decreases in 3Q25

Vacancy decreased to 12.8% after 13.8 MSF in construction deliveries was met with 15.6 MSF in net absorption gains during the first three quarters of 2025. Fewer construction starts will help to temper future vacancy increases as developers wait to see how the 123.9 MSF built since 2021 is absorbed by users in the coming quarters.

Historical Construction Deliveries, Net Absorption, and Vacancy

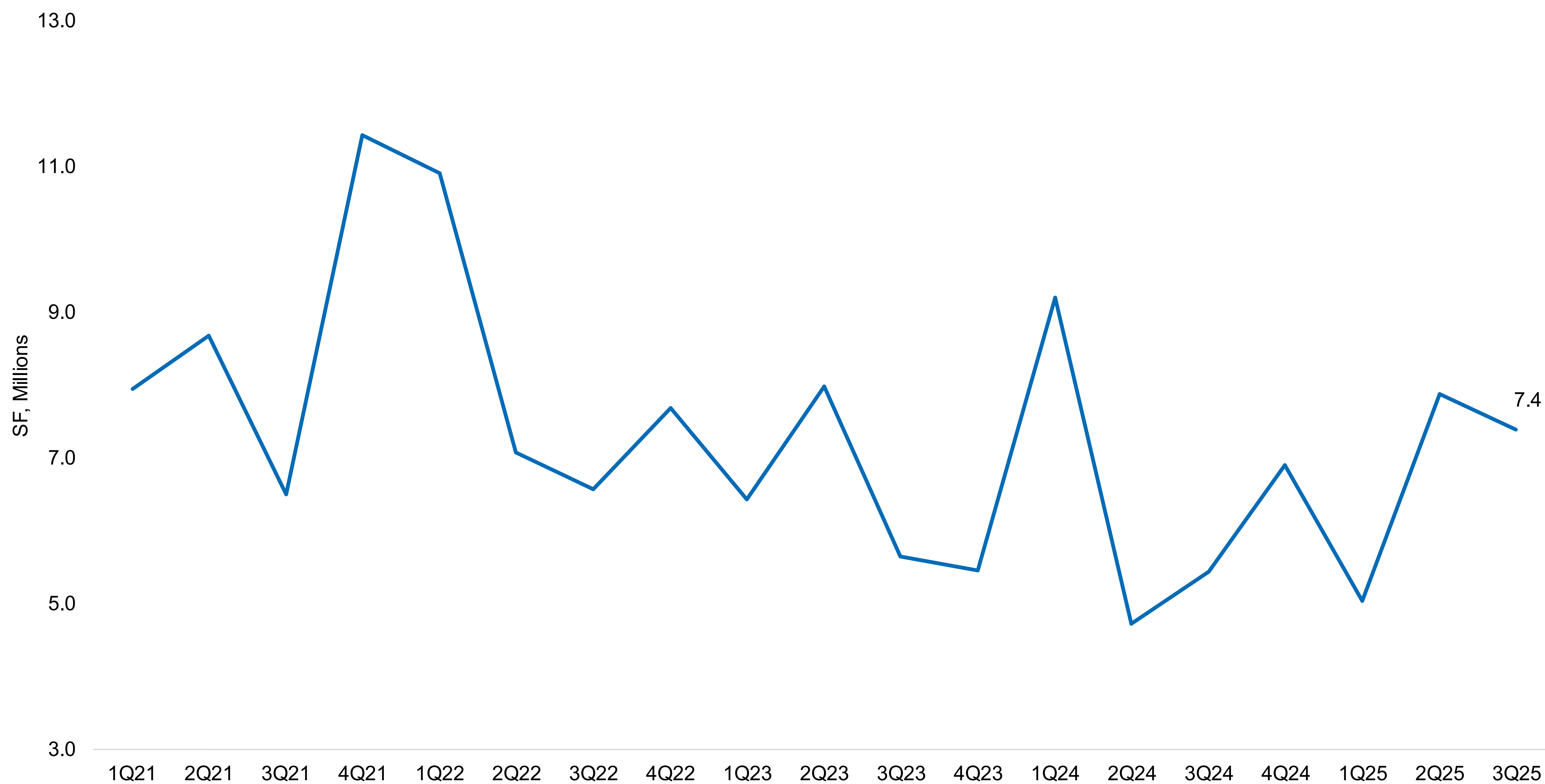


Source: Newmark Research

Industrial Leasing Activity Lower Than Last Quarter

This quarter's leasing activity totaled 7.4 MSF, slightly below the 7.9 MSF of leasing activity in the second quarter of 2025. Pre-leasing activity that was prominent in 2021 and 2022 has picked back up again as more tenants commit to underway space.

Total Leasing Activity (SF)

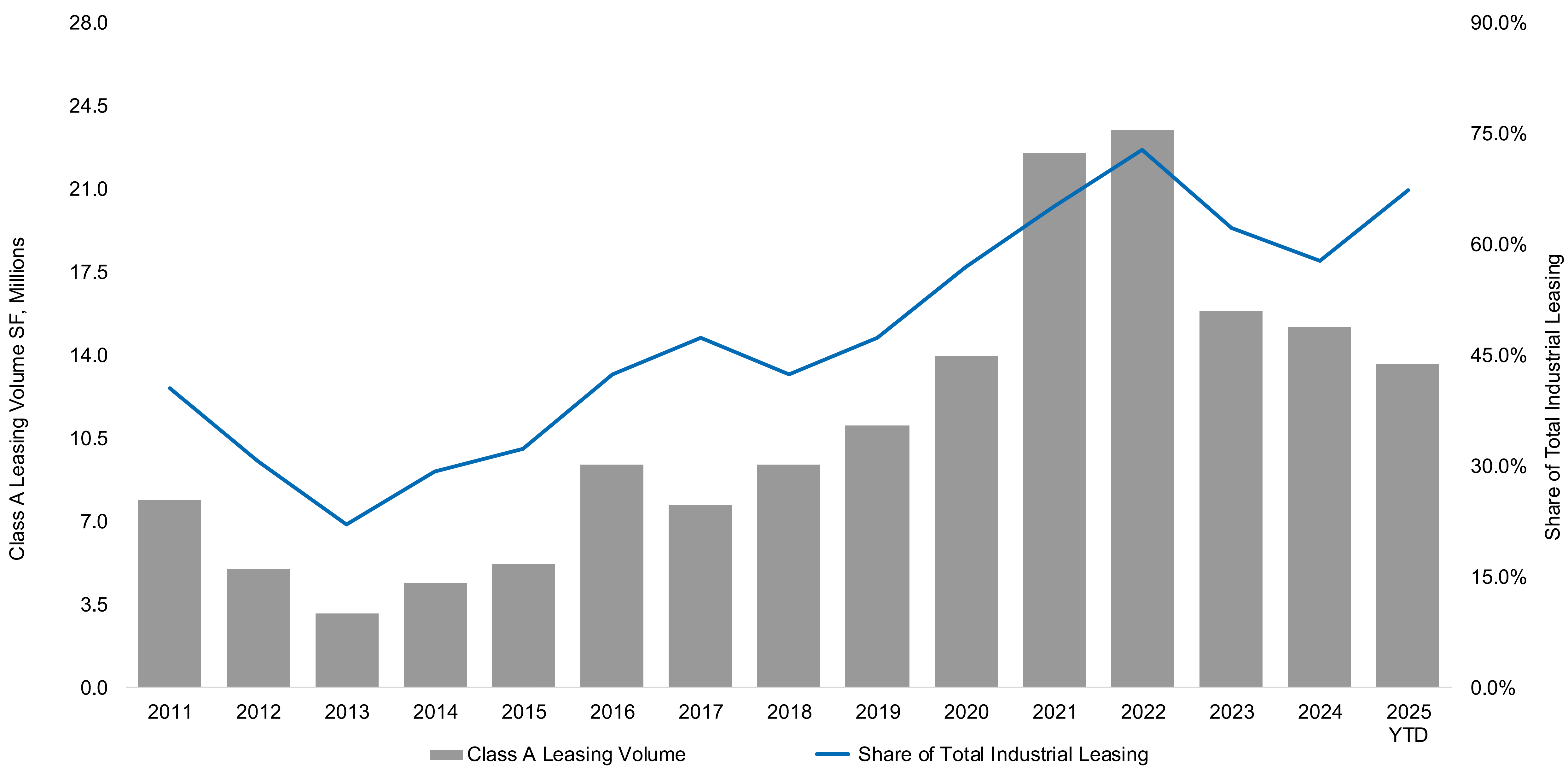


Source: Newmark Research

Class A Warehouse Leasing Volume on Rise

Class A leasing is not as pronounced as 2022, but it is increasing: Volume totaled 13.7 MSF in the first nine months of 2025, nearly on par with full-year activity in 2023 and 2024.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

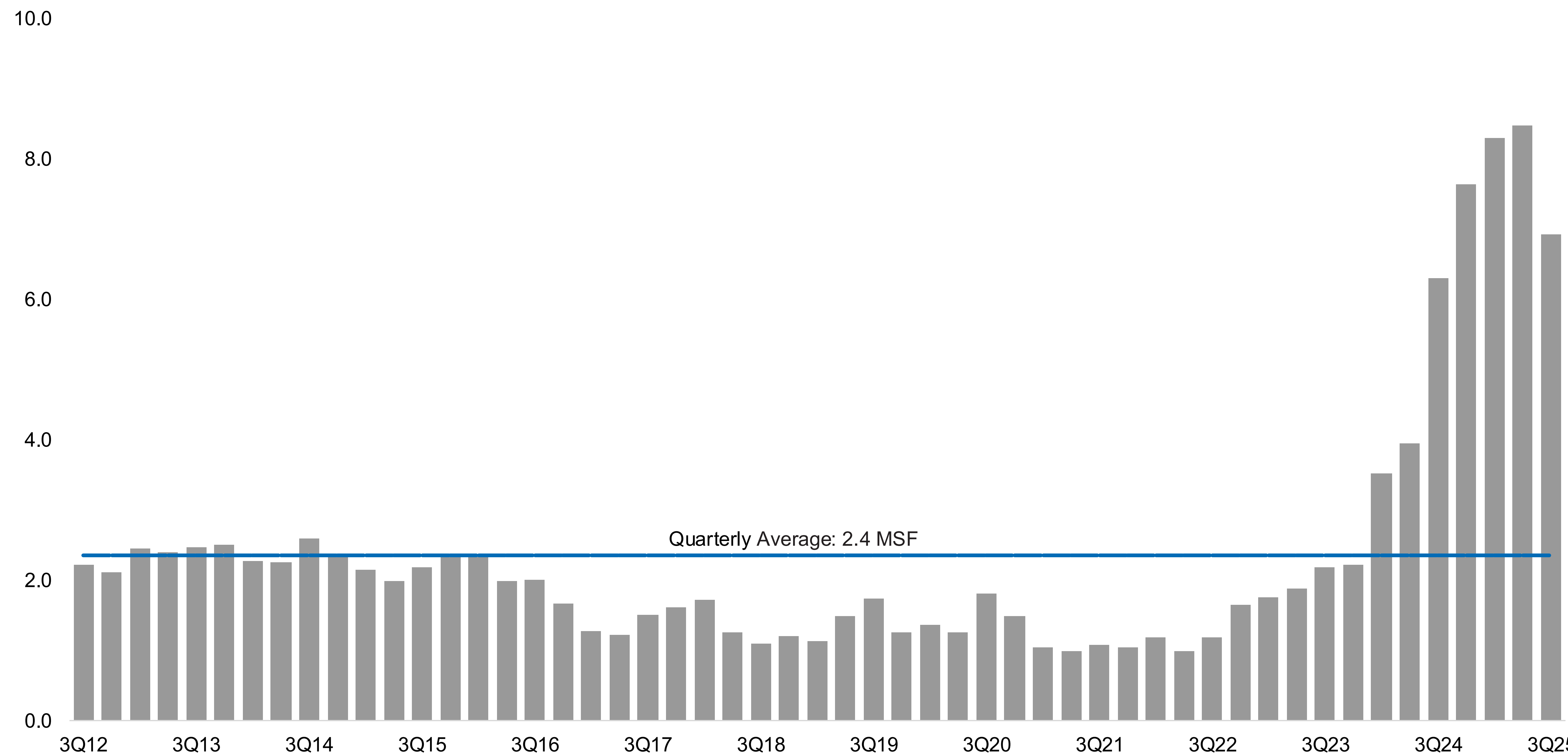


Source: Newmark Research

Sublease Decreases from 2Q Record High

Sublease availability fell 18.5% from the second to the third quarter, as sublease signings outpaced new listings. The sublease pool is shrinking as space is either being leased by subtenants or rolling off and being re-listed as direct availability.

Available Industrial Sublease Volume (MSF)

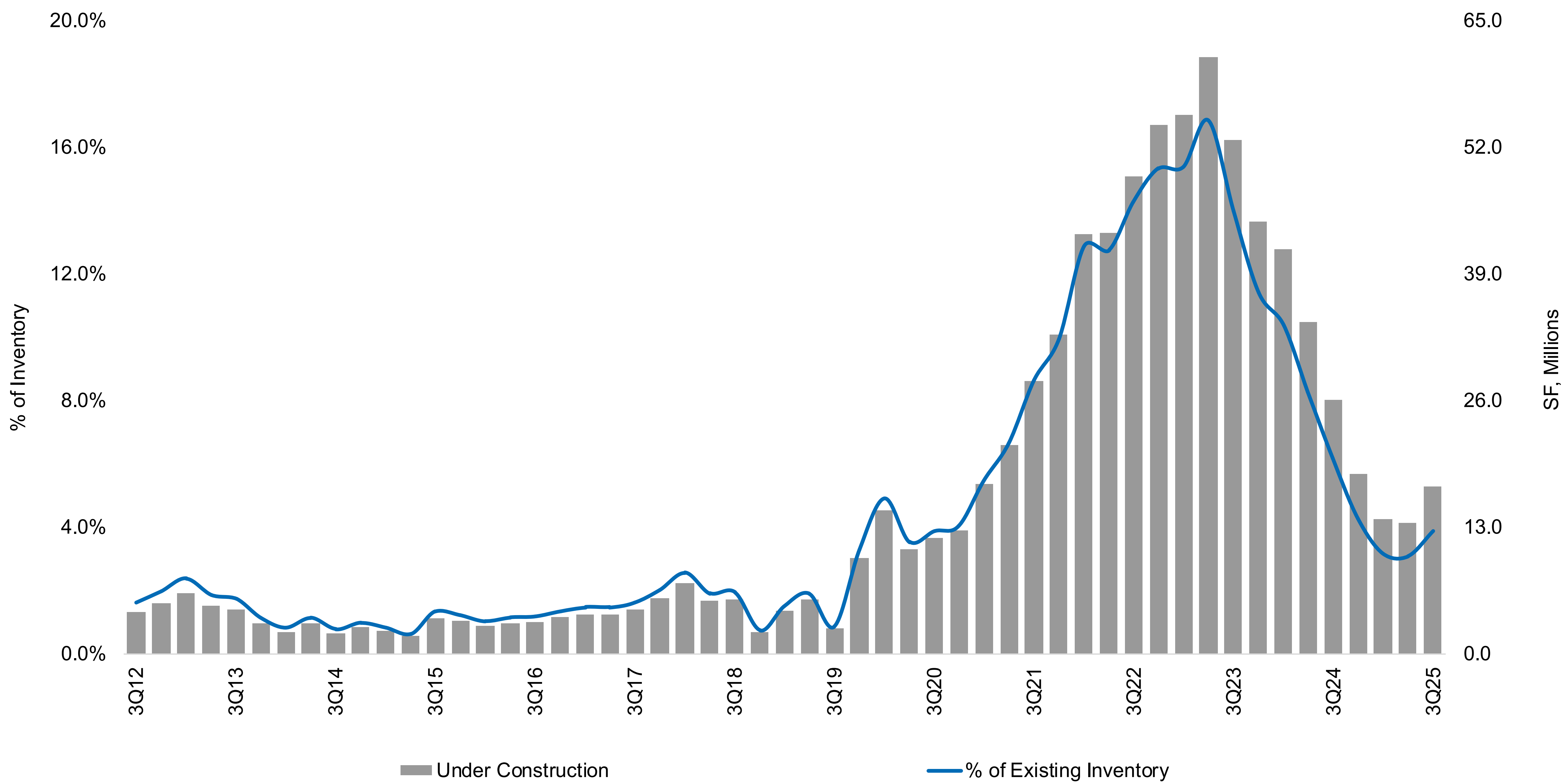


Source: Newmark Research

Industrial Supply Pipeline Grew In the Third Quarter

After peaking at 61.3 MSF in mid-2023, the construction pipeline declined for eight consecutive quarters. This trend reversed course during the third quarter of 2025, after the groundbreaking of Amkor Technology's 2-MSF facility in the Northwest Phoenix submarket.

Industrial Under Construction and % of Existing Inventory

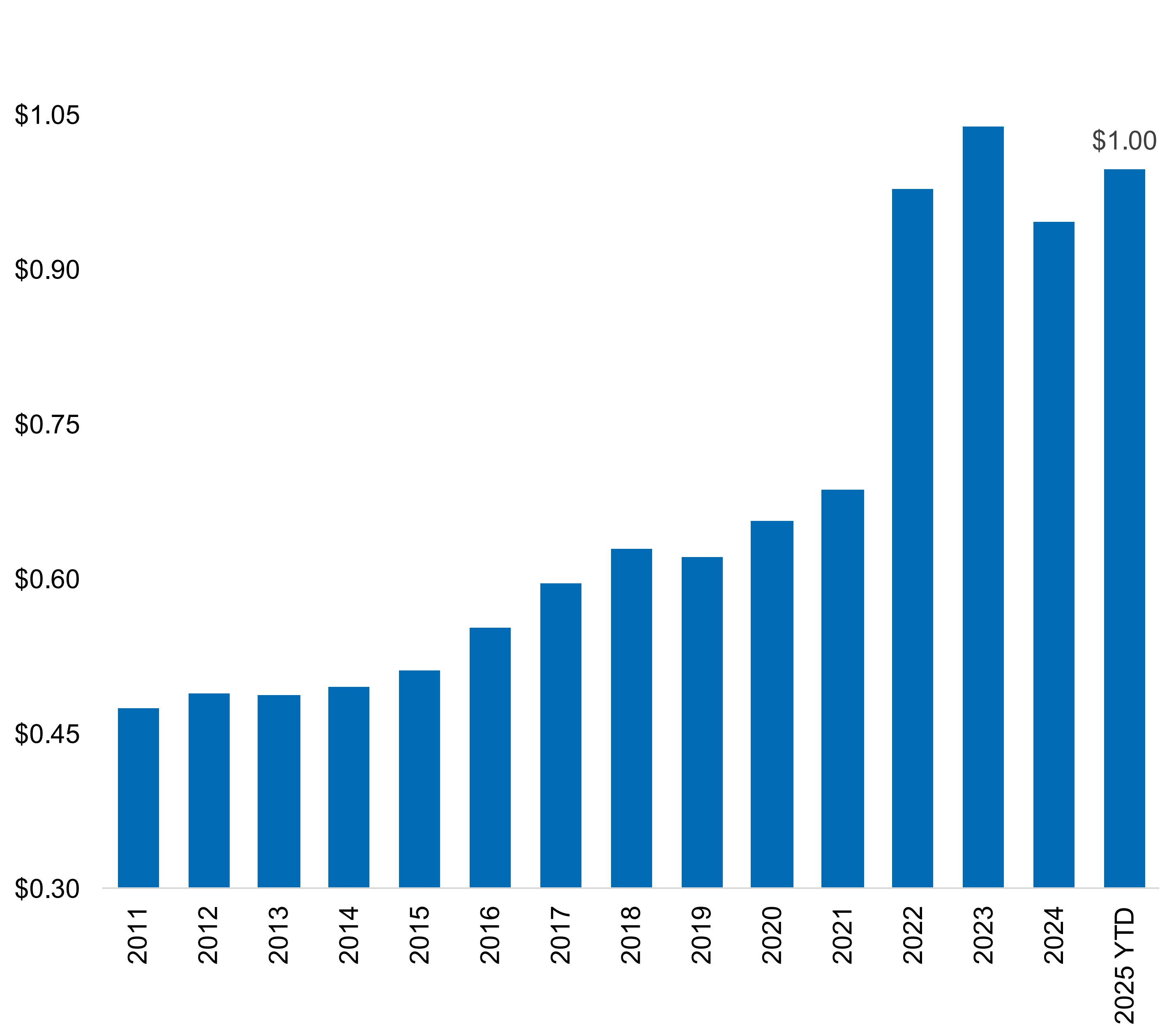


Source: Newmark Research

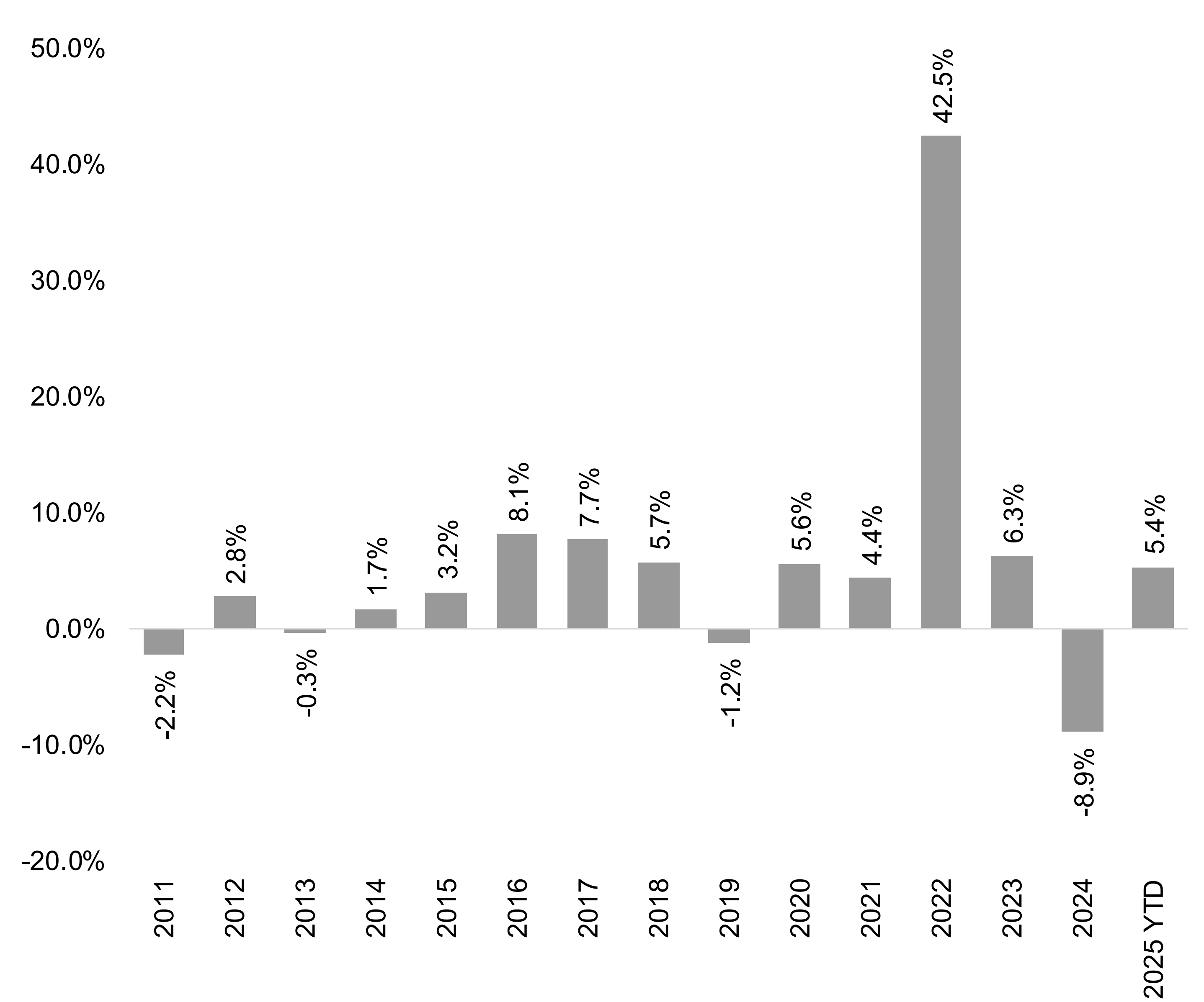
Asking Rents Beginning to Stabilize in 2025

Continued high levels of speculative construction deliveries, alongside record-high sublet availability, initially pushed asking rents down as landlords worked to attract tenants. However, as construction deliveries and sublet availability begins to decline, asking rents are beginning to stabilize.

Industrial Average Asking Rent, $/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Exceptional Effective Rent Growth in Recent Years is Reversing Course

Please reach out to your
Newmark business contact for this information

Notable 3Q25 Lease Transactions

Key lease agreements played a major role in enhancing Phoenix's appeal as a central hub for manufacturing and 3PL users.

Select Lease Transactions

Tenant	Building(s)	Submarket	Type	Square Feet
Ceva Logistics	16155 W Elwood St	Southwest Phoenix	Sublease	1,302,434
The logistics company will occupy the vacant property in January 2026.				
Scotts Miracle-Gro	8700 N Sarival Ave	Glendale	Direct Lease	734,800
The manufacturing company will occupy the vacant property in January 2026.				
People Works	700 N 55th Ave	Southwest Phoenix	Direct Lease	532,713
Tenant occupied the vacant property in September 2025.				
Ryder Systems	1655 S Bullard Ave	Southwest Phoenix	Direct Lease	362,756
The 3PL company will occupy more than half of the building in March 2026.				
DSV Logistics	4790 N Cotton Ln	Glendale	Direct Lease	327,955
The 3PL company will occupy the vacant property in March 2026.				

Source: Newmark Research

3Q25

Sales Activity

Notable 3Q25 Sale Transactions

Sales volume rose 39% quarter-over-quarter. The gain coincided with a flight to quality, as investors favored higher-quality, stabilized assets amid elevated market volatility.

Select Sale Transactions

Building Address	Submarket	Sales Price	Price/SF	Square Feet
7200 N Sarival Ave	Glendale	$147,066,005	$116.75	1,259,666
Dollar Tree acquired the property from Lincoln Property Company in late September. Dollar Tree will use the facility as its new distribution hub for Phoenix.				
8900 N Sarival Ave	Glendale	$140,200,000	$136.97	1,023,610
JLL Income Property Trust acquired the property from ViaWest in July.				
16451 W Glendale Ave	Southwest Phoenix	$81,998,969	$110.41	742,693
EQT Real Estate acquired the property as a part of a two-property portfolio from Westport Capital Partners in September.				
6701 N Logistics Way	Glendale	$60,250,000	$159.80	377,028
Cohen Asset Management Inc acquired the property from W.M Grace Companies in September.				
625 S 27th Ave	West Central Phoenix	$55,032,000	$64.74	850,000
Reich Brothers purchased the cold storage facility from Cowley Companies in April.				

Source: Newmark Research

2025 Sales Volume Ramps up After Slow First Half

Private Buyers Remain Active; Institutional Capital Returns

Phoenix Sales are Rising, While Institutional Capital is Expanding Its Holdings

Please reach out to your
Newmark business contact for this information

3Q25

Appendix

Phoenix Metro Industrial Submarket Map and High-Level Statistics | 3Q25

Please reach out to your
Newmark business contact for this information

Phoenix Metro Industrial Submarket Statistics | 3Q25 (page 1 of 2)

Phoenix Metro Industrial Submarket Statistics | 3Q25 (page 2 of 2)

Access to Large Populations and Lower Costs of Doing Business Favor Phoenix

For more information:

Charlie Beaver
Research Analyst
Phoenix
charlie.beaver@nmrk.com

Dain Fedora
Head of Research
Southwest
dain.fedora@nmrk.com

Phoenix Office
2555 E. Camelback Rd.
Suite 600
Phoenix, AZ 85016
t 602-952-3800

New York Headquarters
125 Park Ave.
New York, NY 10017
t 212-372-2000

nmrk.com

Newmark has implemented a proprietary database and our tracking methodology has been revised. With this expansion and refinement in our data, there may be adjustments in historical statistics including availability, asking rents, absorption and effective rents. Newmark Research Reports are available at nmrk.com/insights.

NEWMARK