



NEWMARK

Phoenix:
Industrial Market Overview

4Q25

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Phoenix Industrial Market Observations



Economy

- Loaded import volume at Southern California's Ports totaled 9.3 million containers in the first 11 months of 2025, the second-highest year-to-date total on record. Import traffic at Southern California's seaports was uneven this year 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.
- U.S. wage growth continues to outpace inflation and retail sales are healthy despite a recent decline in consumer confidence, a hiring slowdown, and a rise in consumer debt. Sales will decline if unemployment meaningfully increases.
- Phoenix's labor market continues to outperform national averages.



Major Transactions

- Leasing activity declined this quarter, but volume for the year was up 5.3 % compared to 2024.
- Schneider Electric, an electric manufacturing company, signed one of the quarter's largest leases, committing to 300,249 SF. This quarter's leases were notably smaller than past quarters, reflecting the dip in leasing activity.
- Phoenix's sales volume in 2025 topped that of the Inland Empire and slightly lagged Los Angeles—markets whose inventories are 69% and 141% larger.
- Institutional buyers are more active in Phoenix than in Southern California markets. They accounted for 29% of 2025 local industrial sales.



Leasing Market Fundamentals

- Quarterly net absorption of 2.9 MSF, combined with heavily pre-leased deliveries totaling 3.8 MSF, reduced vacancy to 12.8%. Total vacancy has been in the double-digits since mid-2024 and has decreased for three-straight quarters.
- Total vacancy was down 20 bps from last quarter and 100 bps from year-end 2024.
- Available sublease space rose 6.4% from last quarter to reach 7.4 MSF.
- Class A has dominated overall leasing activity since 2019. This year, 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 uncertainty this quarter, as choppy waters ahead may limit leasing activity further.
- U.S. tariff policy—along with high borrowing costs and AI— continues to cut into corporate profit margins, raise consumer costs, and depress hiring. At the same time, slackening labor constraints, federal policy initiatives and AI-facilitated corporate efficiencies favor spending in 2026. Select occupiers will strategically curb lease commitments as the economy remains in flux.
- 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 wants to develop a major transportation hub by 2028.
- TSMC's growth in the region has created an ever-evolving ecosystem of suppliers and supporting businesses. All favors demand for industrial real estate.

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

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Ocean Container Spot Rates Have Been Volatile

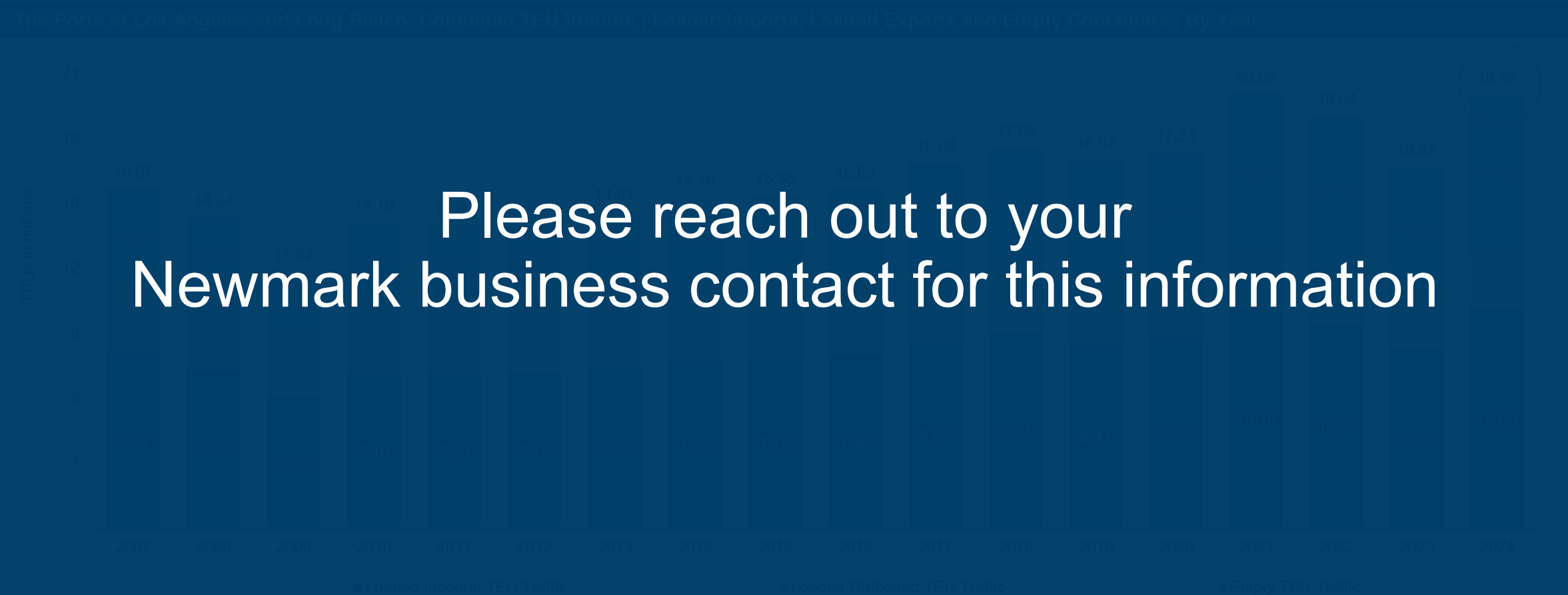
Dockworker labor contracts that were preceded with contentious negotiations beforehand, higher U.S. inflation followed by slower consumer spending, and the Trump Administration's sweeping (and ever-changing) tariffs on foreign goods are all factors.



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

The inflated growth of 2021-2022 (due to strong retail sales from stay-at-home measures, government stimulus, and distributors stockpiling goods) has passed. Southern California’s ports then contended with an influx of imports in 2024 due to labor negotiations with Gulf and East Coast dockworkers and the frontloading of cargo as a hedge against potential tariffs.



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Loaded Import Volume in the First Eleven Months of 2025 Second Highest on Record

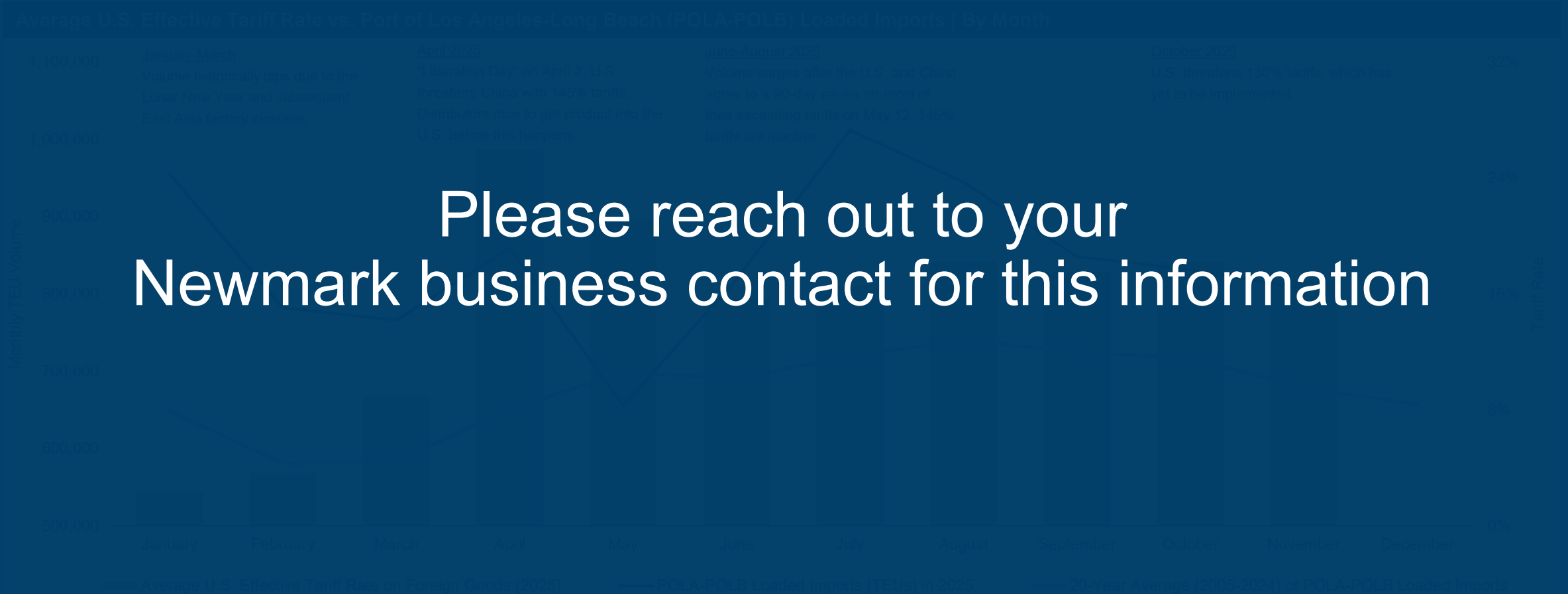
Still-healing U.S. retail sales and the cat-and-mouse game of frontloading imports before new (and ever-changing) tariffs from the Trump administration went into effect shaped 2025's year-to-date figure.



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2025 Monthly Import Volume Was Volatile Due to Ever-Changing U.S. Tariff Policies

"Ever-changing" should be revised to "erratic" if describing U.S. tariffs on Chinese goods, which the graph's callouts explore. Note the dip in May's import volume when 145% tariffs on Chinese goods were briefly in effect. This dip pivoted to a massive jump in June and July after both nations agreed to reductions. Trade relations with China matter for Southern California ports, since 40% of its imports (by value) originate from the country.

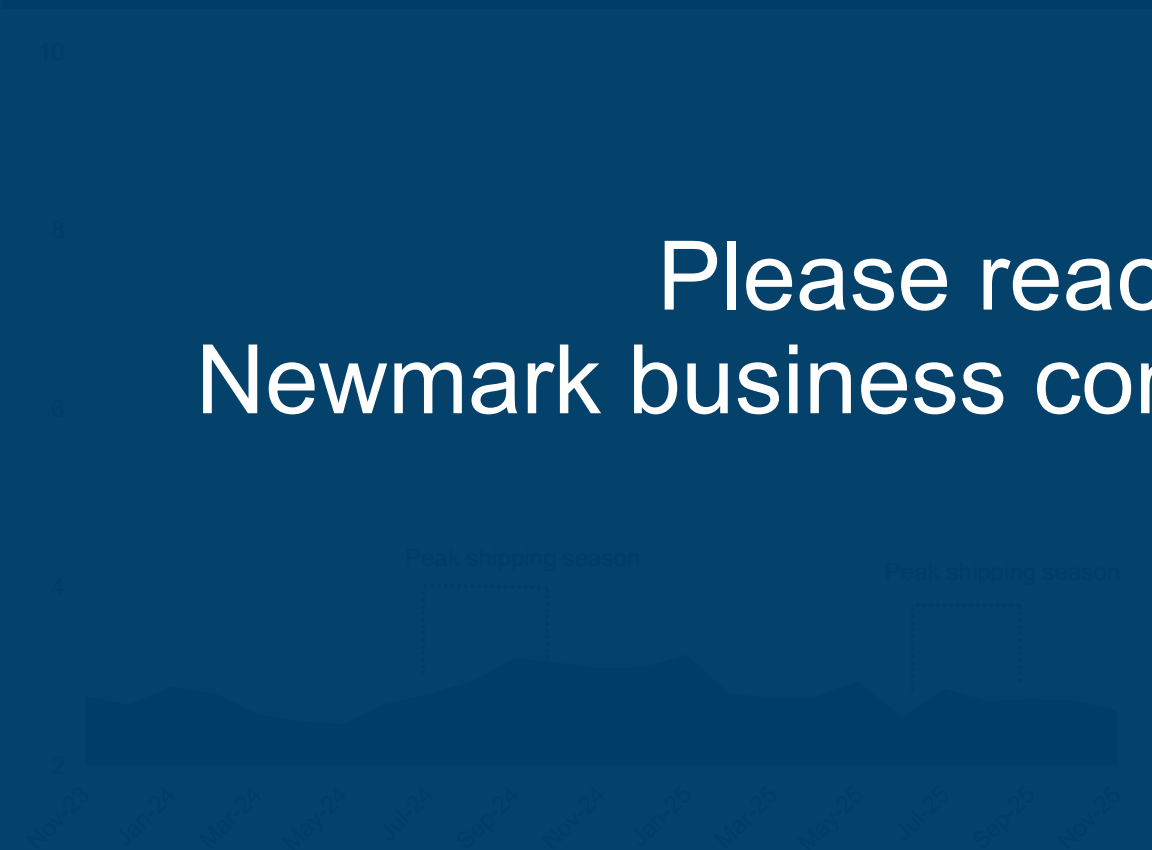


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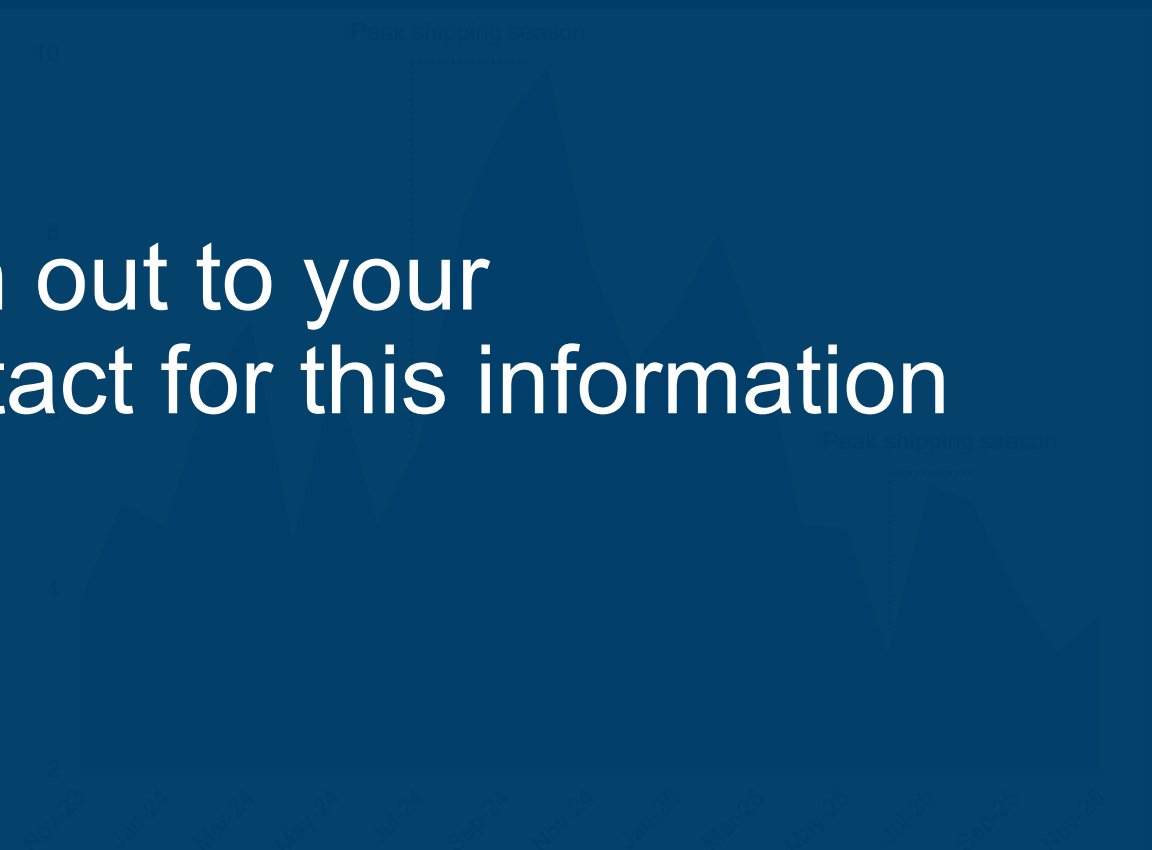
Southern California’s Ports: Rail Dwell Times Higher Than Trucks

A fair share of import traffic at The Ports of Los Angeles and Long Beach consists of goods that are passing through to other U.S. markets. Truck dwell times would be much higher if domestic consumption was stronger and more goods were bound for Southern California’s warehouses. Rail dwell times have been volatile in recent months, reflecting uneven import volume due to tariffs.

Time Spent Waiting Dwell Time (in Days) - Ports of Los Angeles and Long Beach



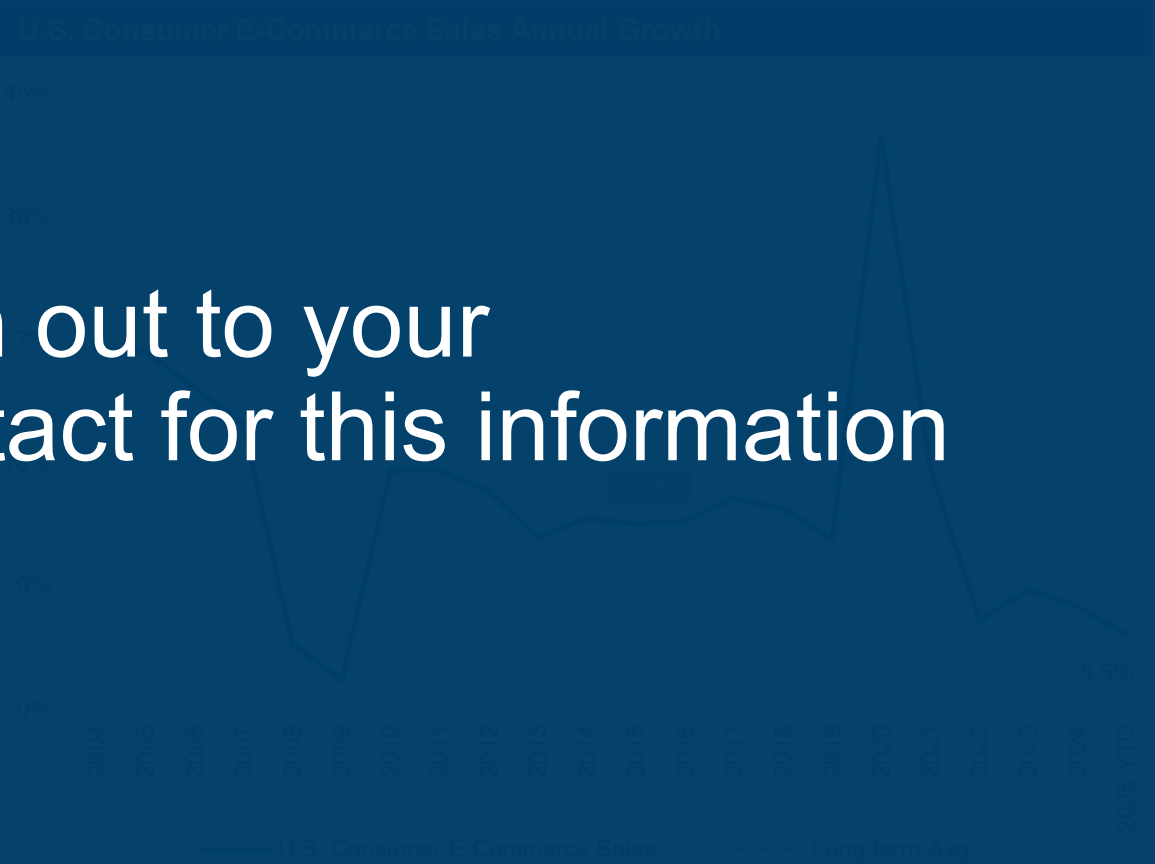
Rail Dwell Time (in Days) - Ports of Los Angeles and Long Beach



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

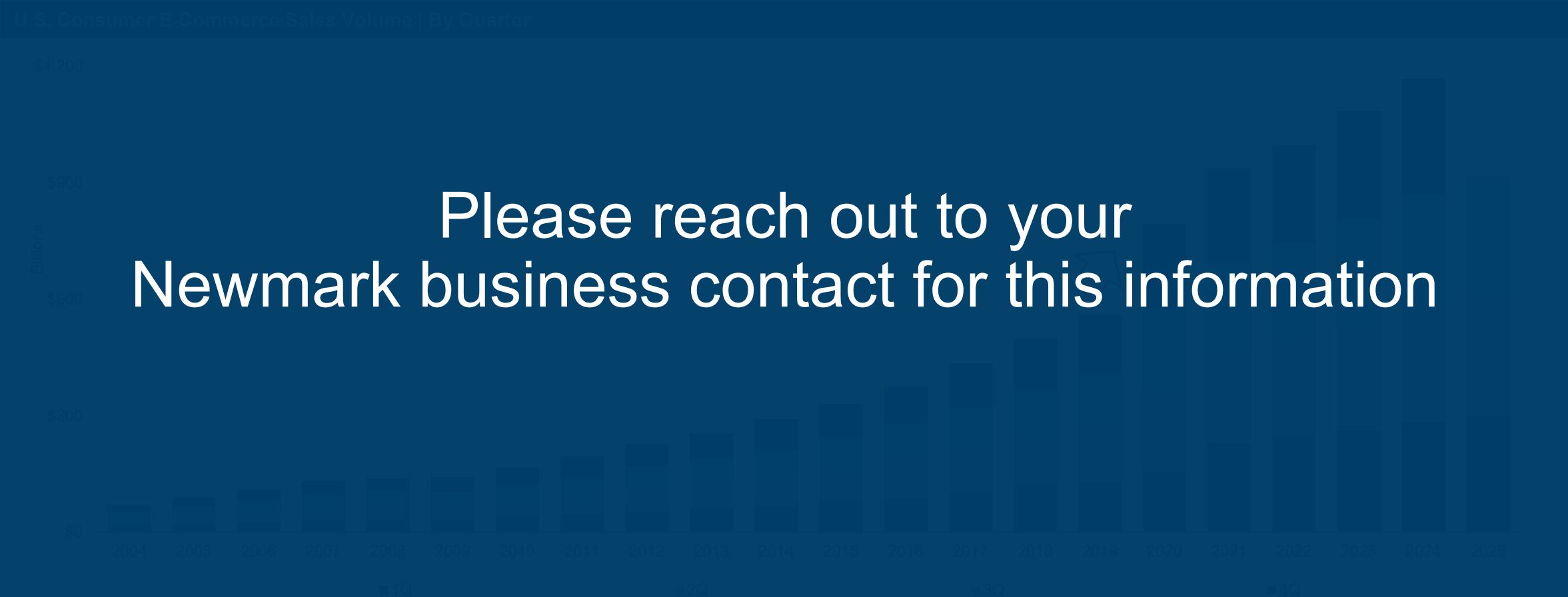
Overall retail sales were up 4.2% in the first three quarters of 2025 relative to the same period in 2024. For e-commerce specifically, growth exceeded total retail sales (+5.5% over the same period), yet the decline from 2021 onward is noticeable as consumer spending generally registers slower gains amid higher prices and tighter household budgets. Many economists have lowered their retail sales growth projections, citing still-high inflation and a cooling labor market.



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The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

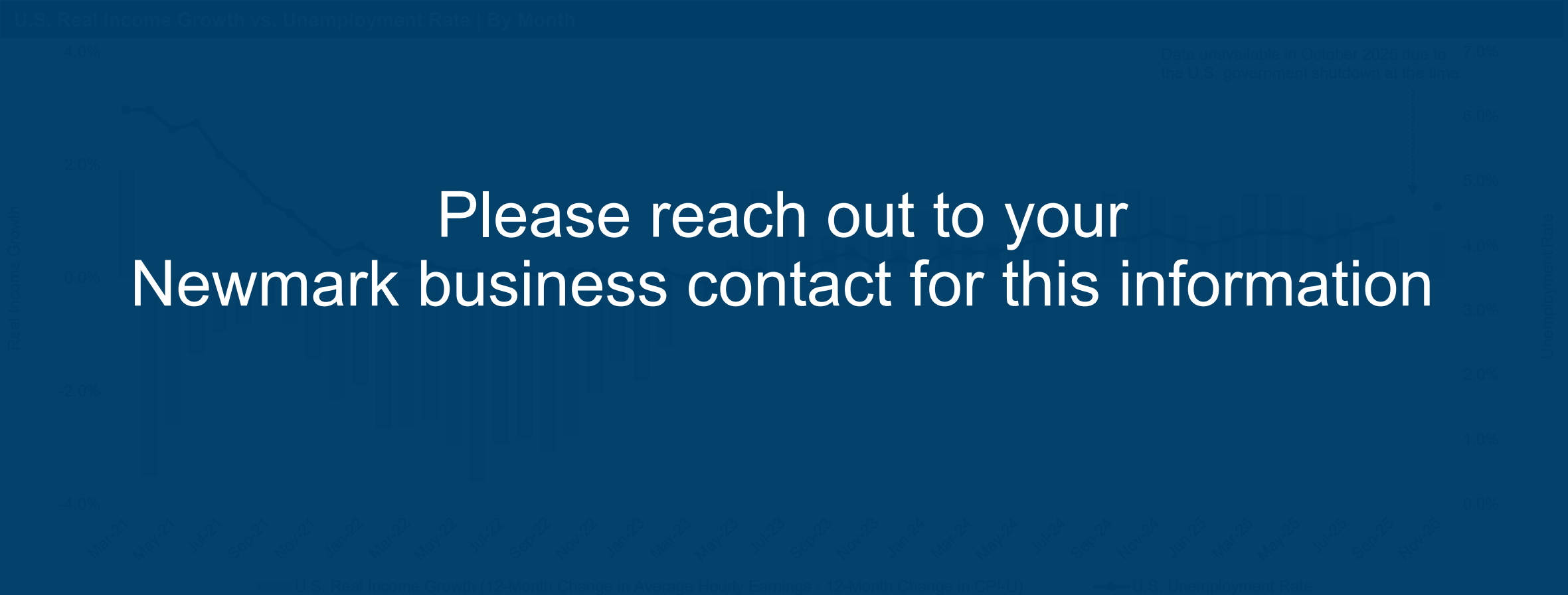
Every \$1.0 billion in e-commerce sales is supported by roughly 1.2 MSE of logistics space. More e-commerce facilities are to be expected, especially in markets with large populations.



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U.S. Wage Growth is Outpacing Inflation While Unemployment is Creeping Up

More purchasing power amid a healthy labor market historically favors retail sales. Though, national unemployment is trending up, with November's 4.6% average the highest the rate has been in four years. Further unemployment increases will lead to slower wage growth, sapped consumers, and slow U.S. retail sales.



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U.S. Consumer Confidence is Down

The decline in consumer confidence since late 2024 reflects growing economic pessimism among Americans, driven by concerns over current business and labor market conditions. While consumer sentiment is a noteworthy indicator, it does not always reliably predict future retail sales, as perceptions and actual spending behavior often diverge.



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Local Economy

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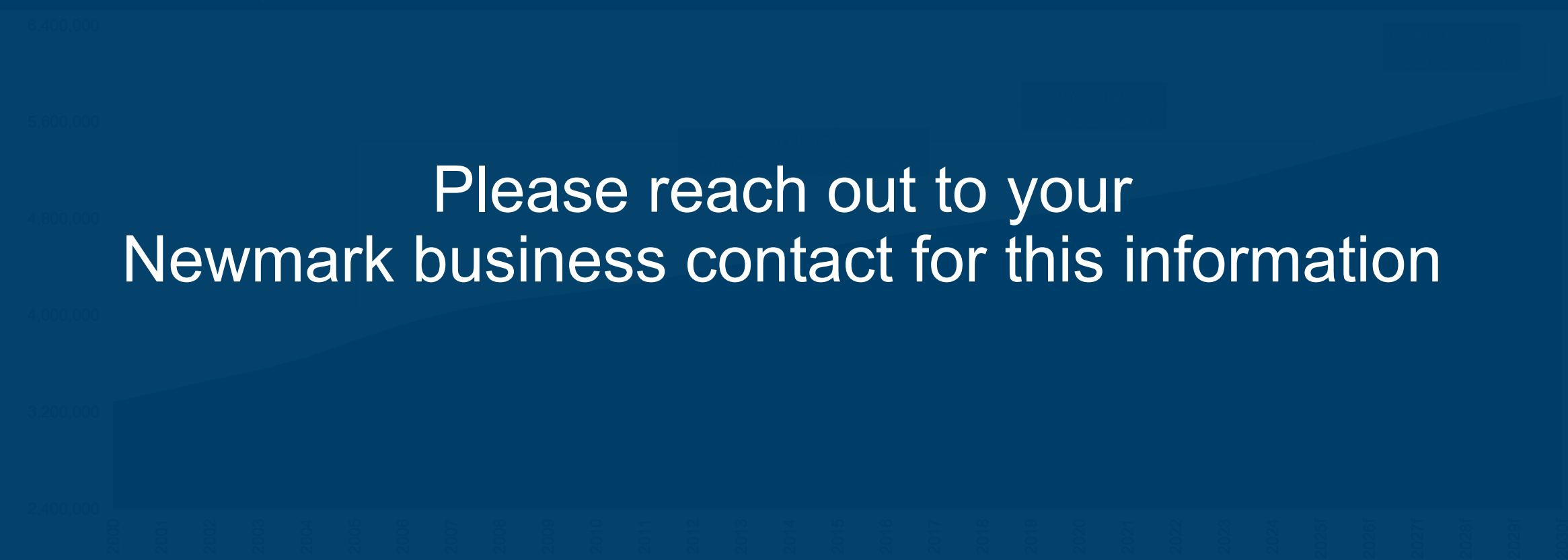
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Population Has Increased Considerably in Recent Decades

A growing population boosts demand for office space, as an increase in people translates to a larger number of professionals requiring workspaces. This trend not only reflects a rise in prospective clients and businesses seeking office environments but also leads to a larger pool of potential employees for companies based in the region. Phoenix's population grew by 15.2% over the last decade, with more gains expected in the years to come.

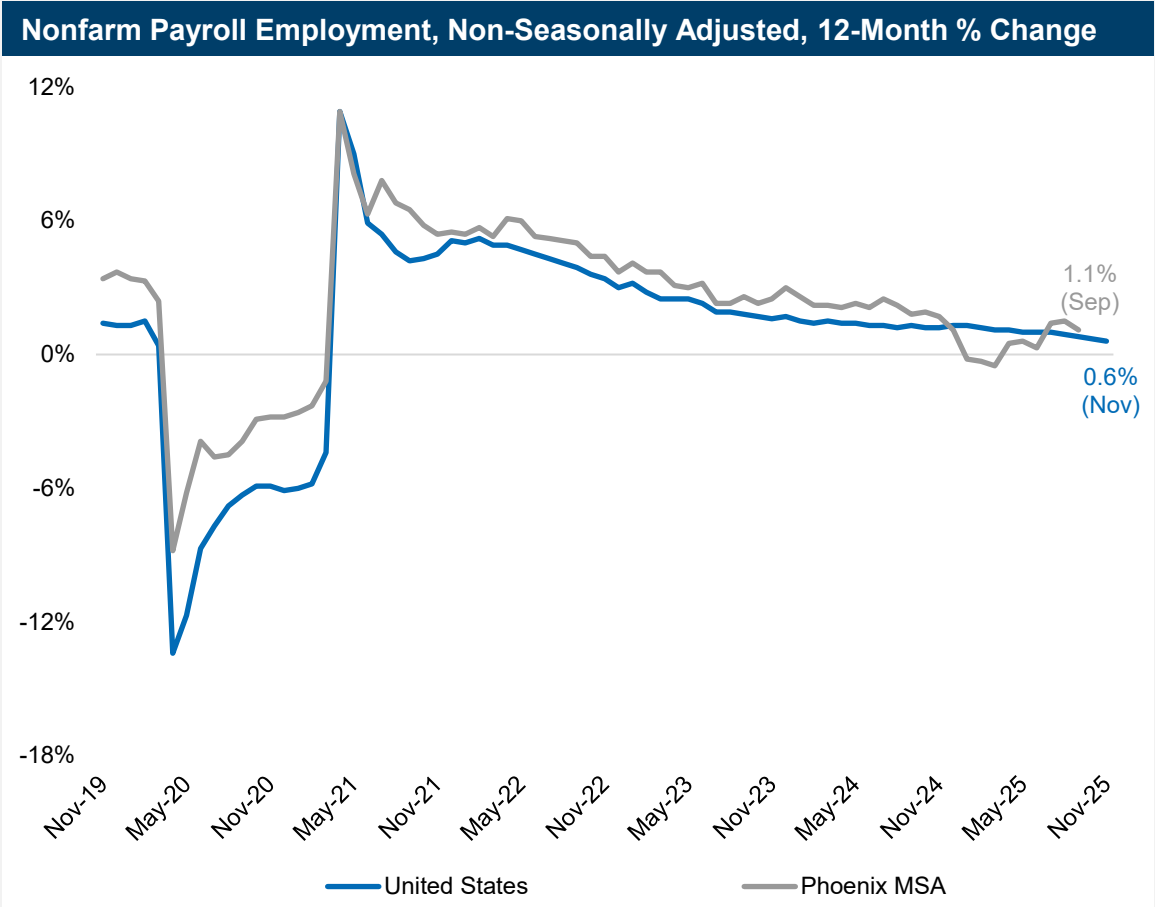
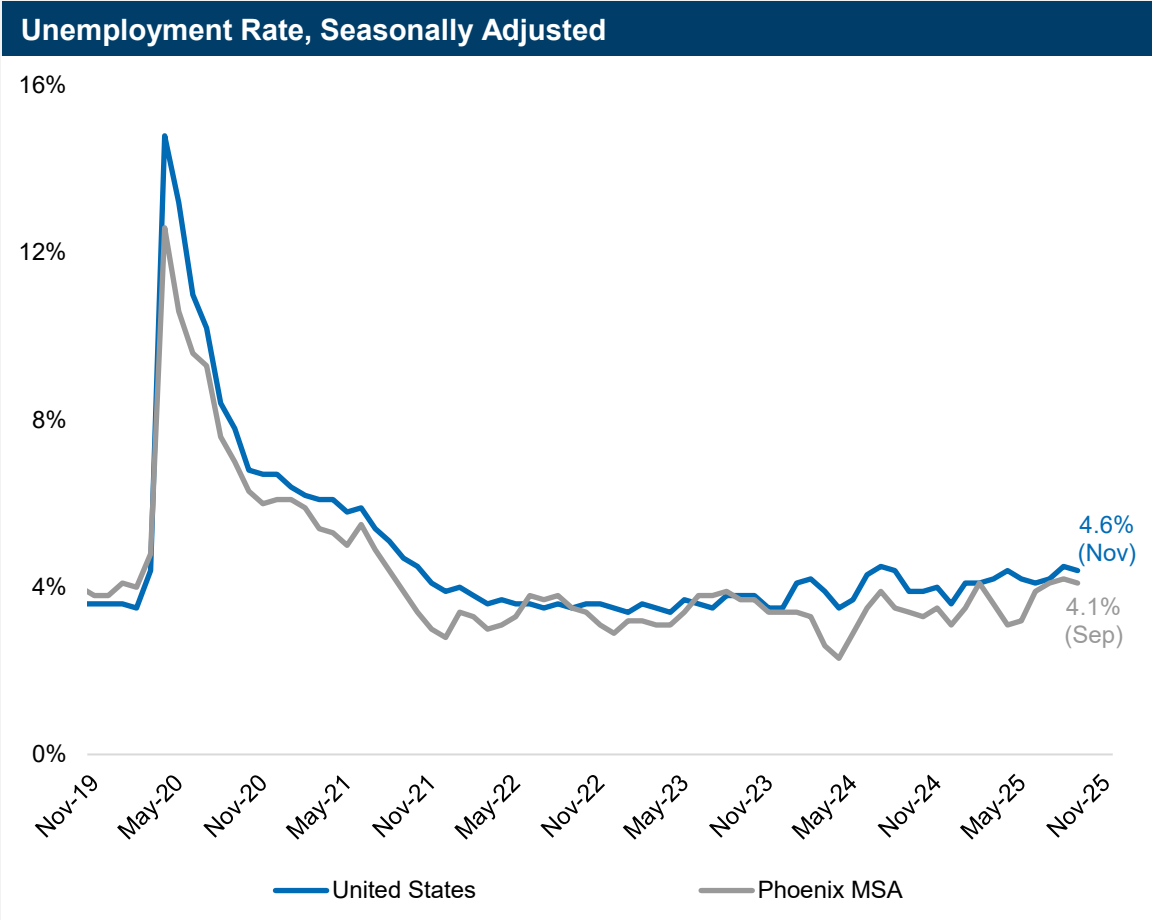
Phoenix, AZ's Historical Population and Forecast



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Resilient Labor Market Amid Economic Challenges

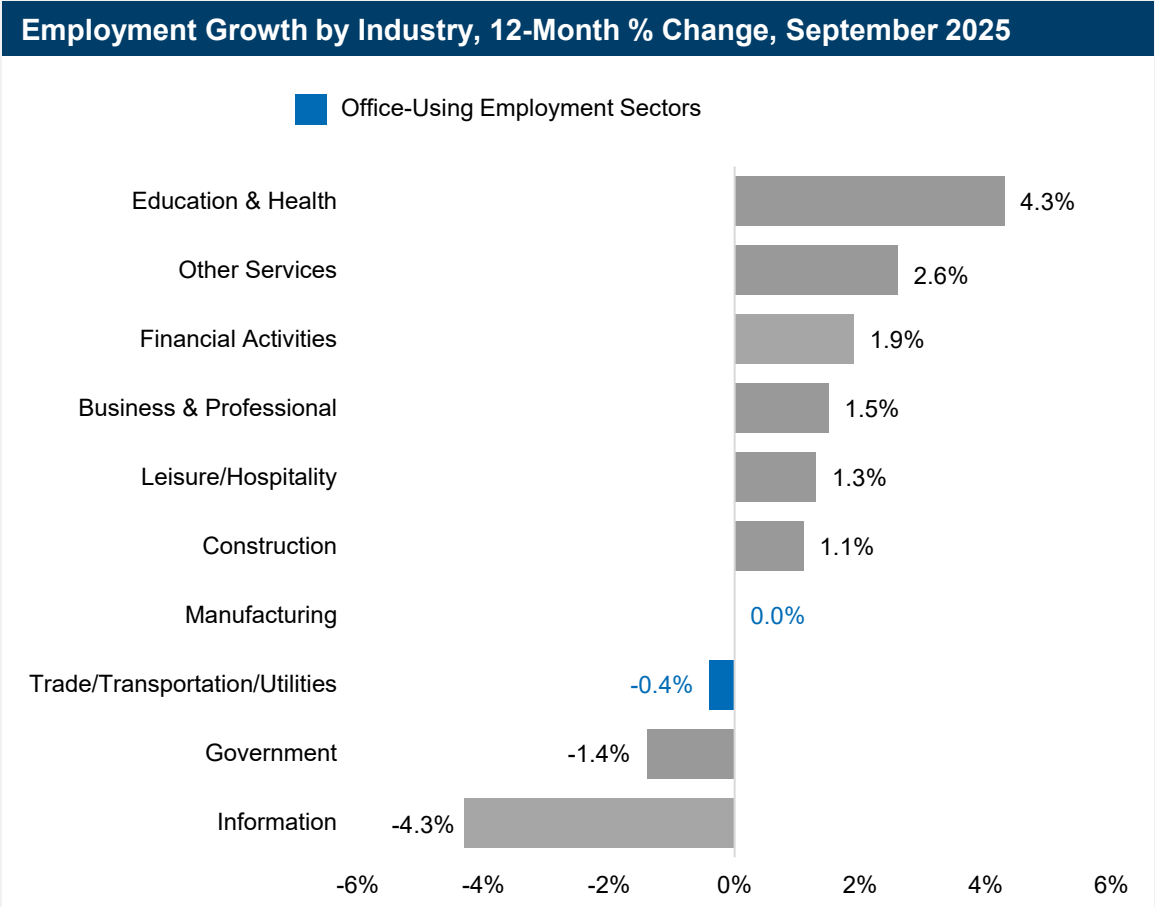
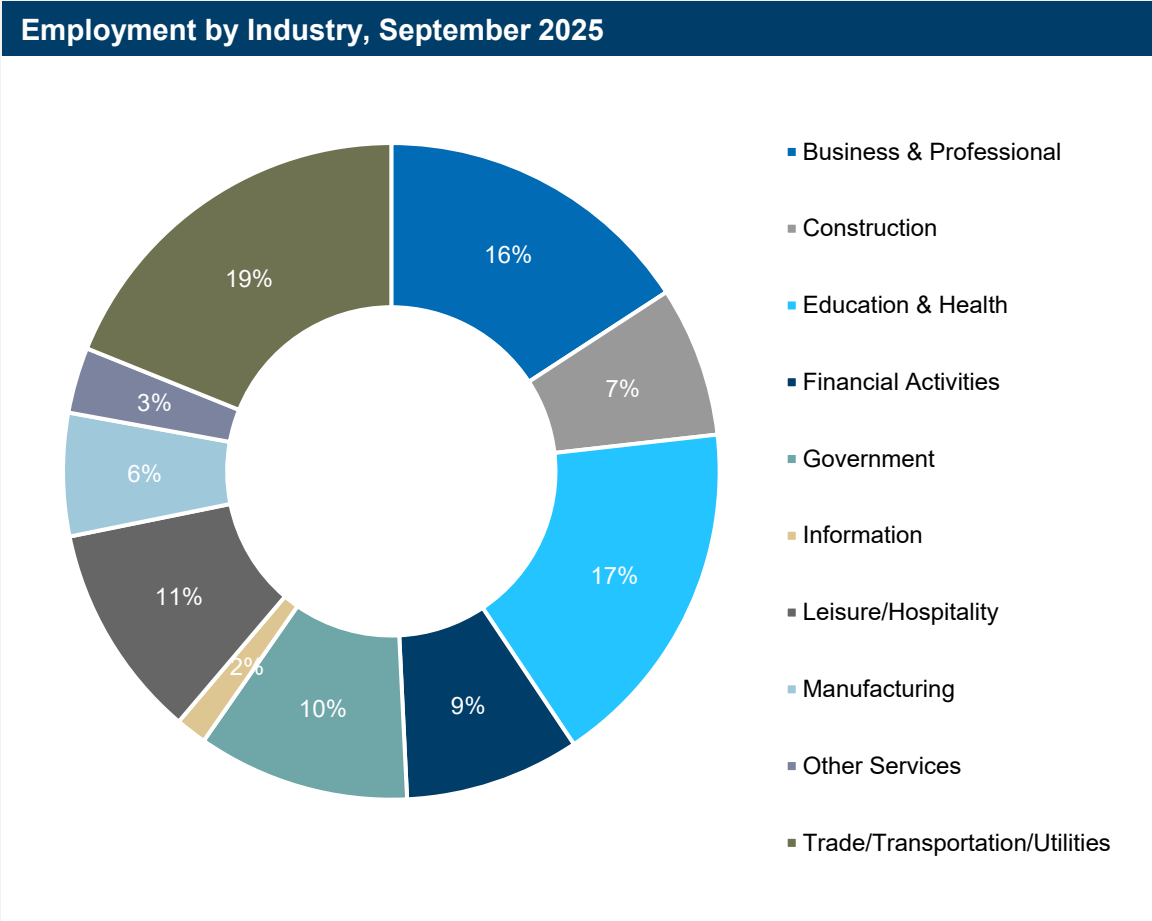
Local unemployment 4.1% (September data) was lower than the U.S. average for the 25th-straight month. Phoenix's job growth is also gaining momentum, with year-over-year nonfarm employment posting gains for six consecutive months, as select companies expand.



Source: U.S. Bureau of Labor Statistics, Phoenix MSA
Note: Local employment statistics for October were unavailable due to the federal government shutdown. November's figures are delayed.

Key Industrial Sector Post Faint Loses

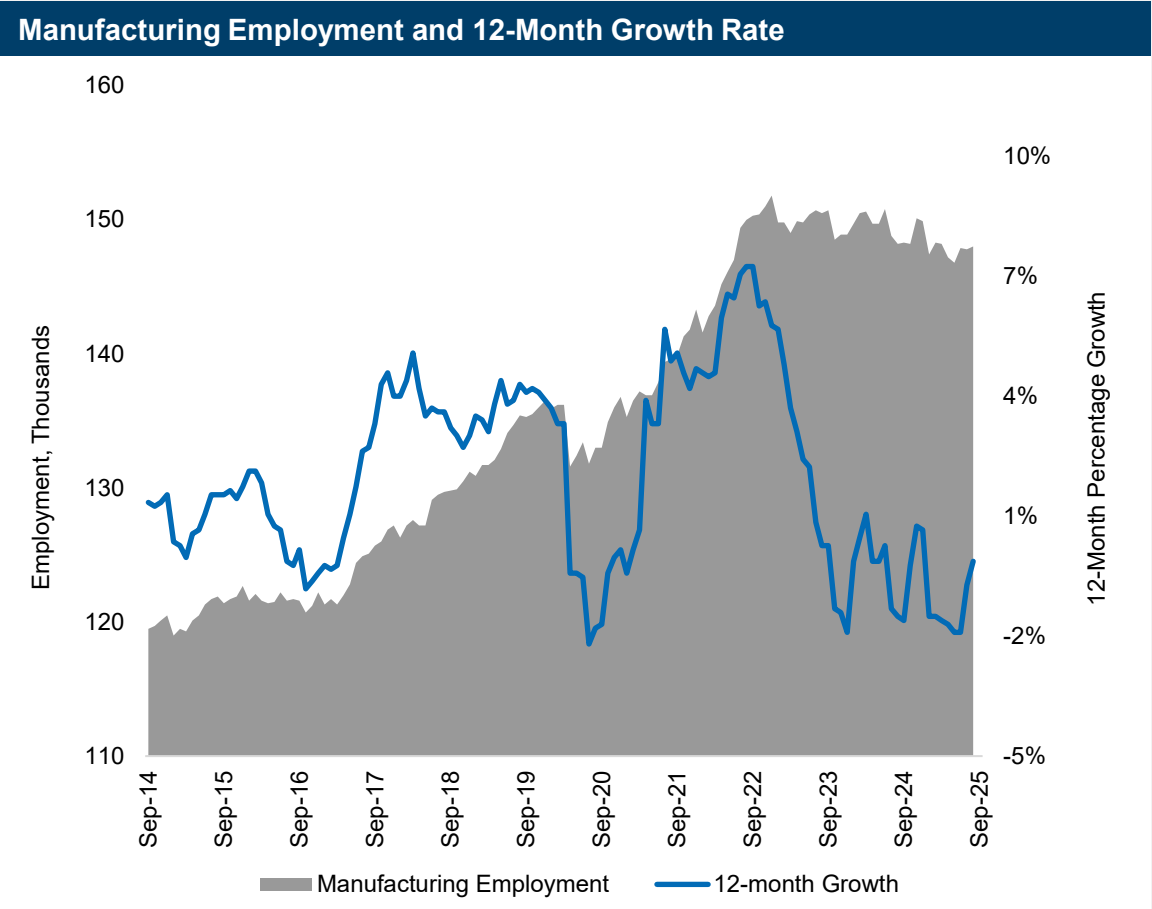
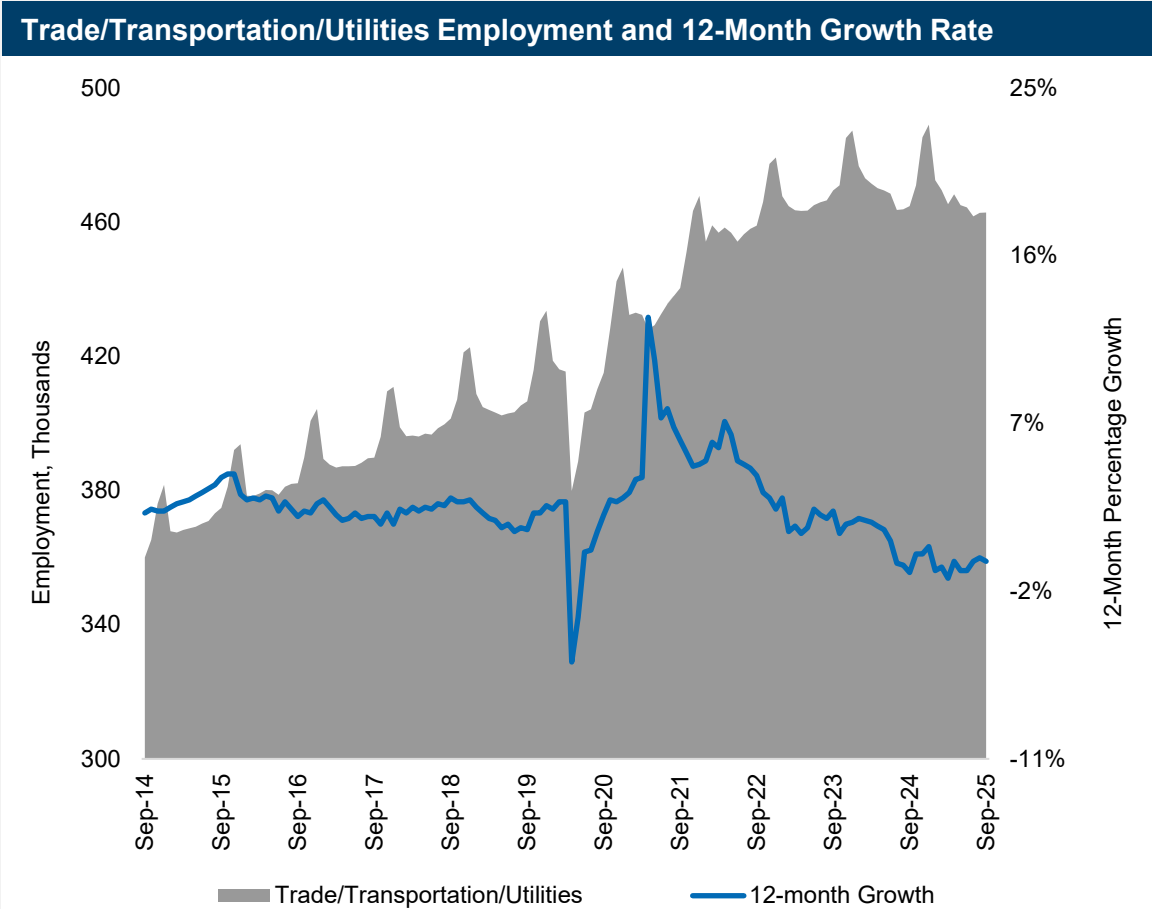
At the industry level, education and health services led annual job gains for the second consecutive quarter, followed by construction and other services. Trade, transportation, and utilities (a key industrial sector) posted slight losses.



Source: U.S. Bureau of Labor Statistics, Phoenix MSA
Note: Local employment statistics for October were unavailable due to the federal government shutdown. November's figures are delayed.

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.



Source: U.S. Bureau of Labor Statistics, Phoenix MSA
Note: Local employment statistics for October were unavailable due to the federal government shutdown. November's figures are delayed.

03

Leasing Market Fundamentals

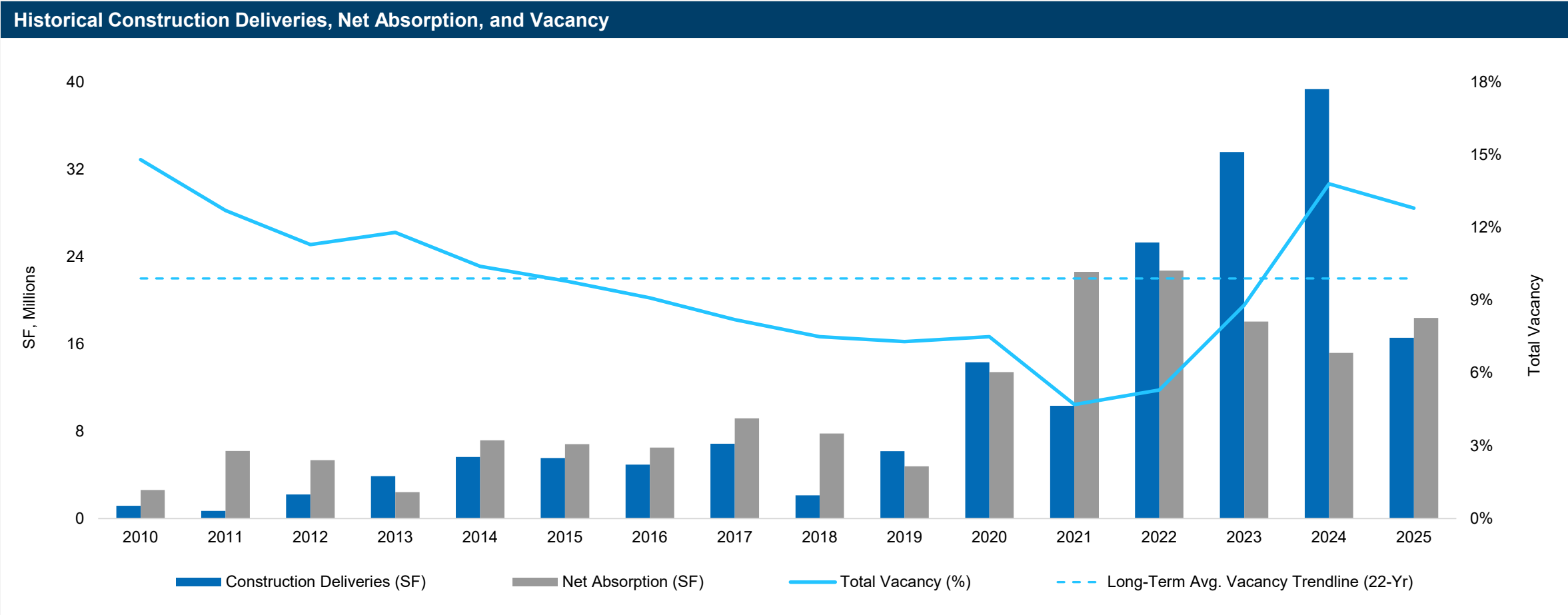
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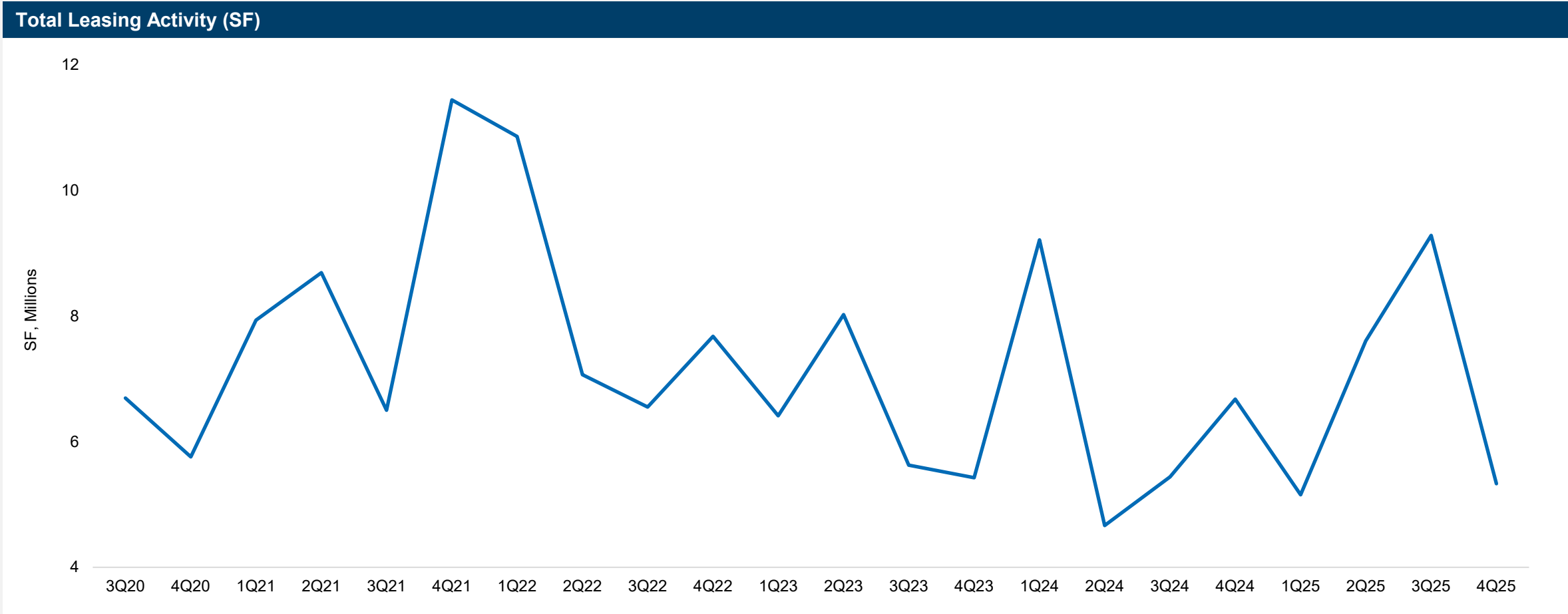
Vacancy Decreased to End 2025

Vacancy decreased to 12.8% after 16.6 MSF in construction deliveries was met with 18.4 MSF in net absorption gains during 2025. Fewer construction starts will help to temper future vacancy increases.



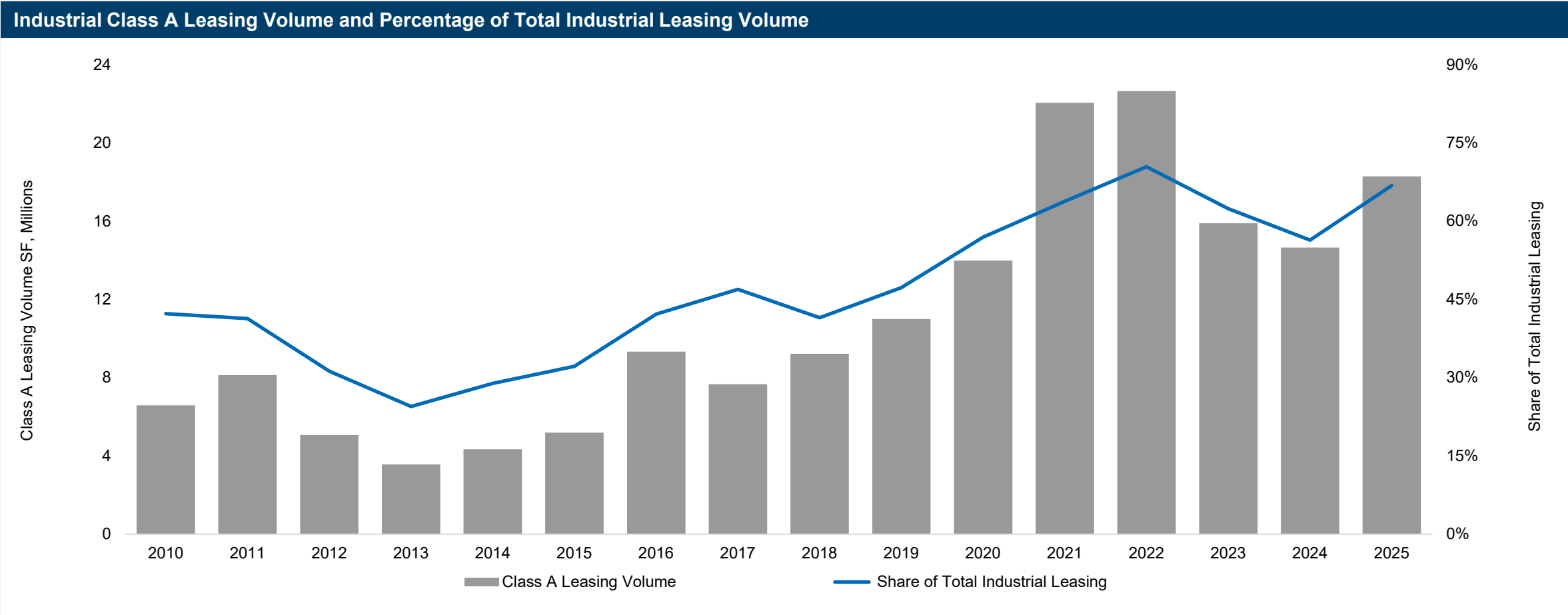
Leasing Activity Trends Down This Quarter

This quarter’s leasing activity totaled 5.3 MSF, below the 9.6 MSF of leasing activity in the third quarter of 2025. Although overall volume was down, it’s worth noting that pre-leasing activity, which was prominent in 2021 and 2022, is beginning to accelerate.



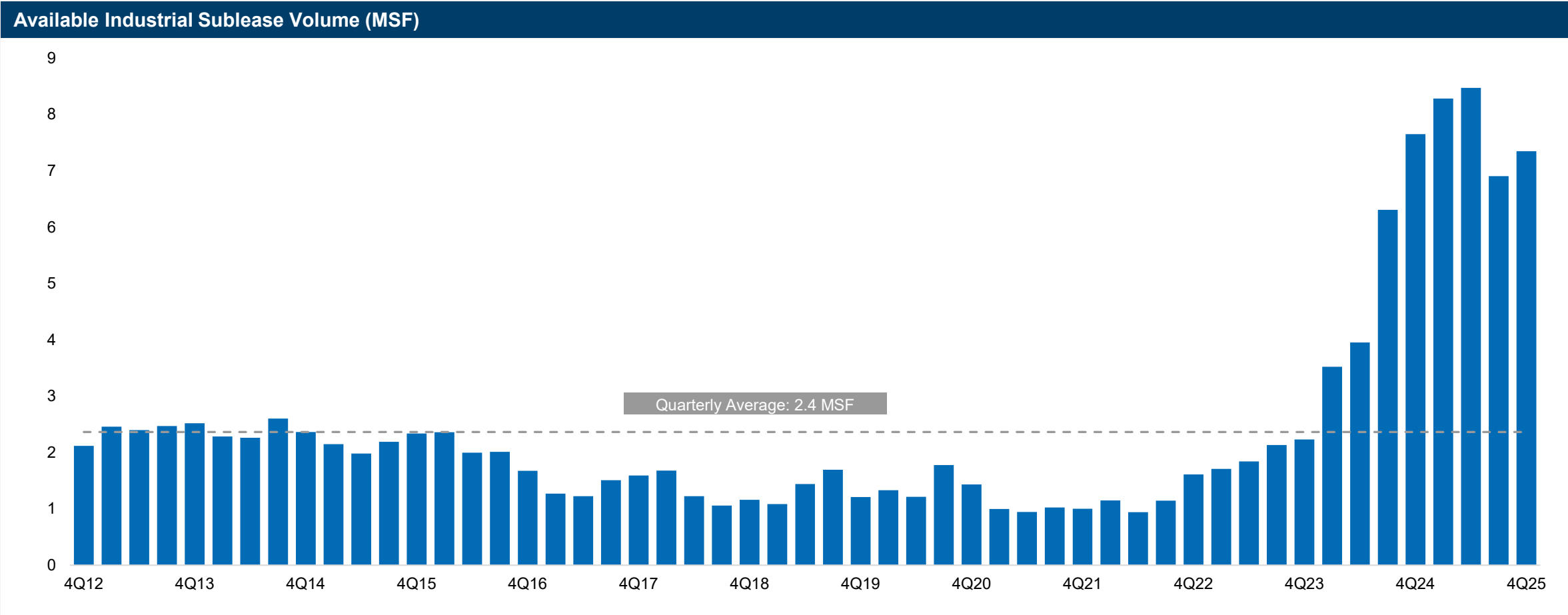
Class A Leasing Above Long-Term Average

Class A leasing is not as pronounced as 2022, but it is increasing: Volume totaled 18.3 MSF in 2025, exceeding leasing activity in 2023 and 2024.



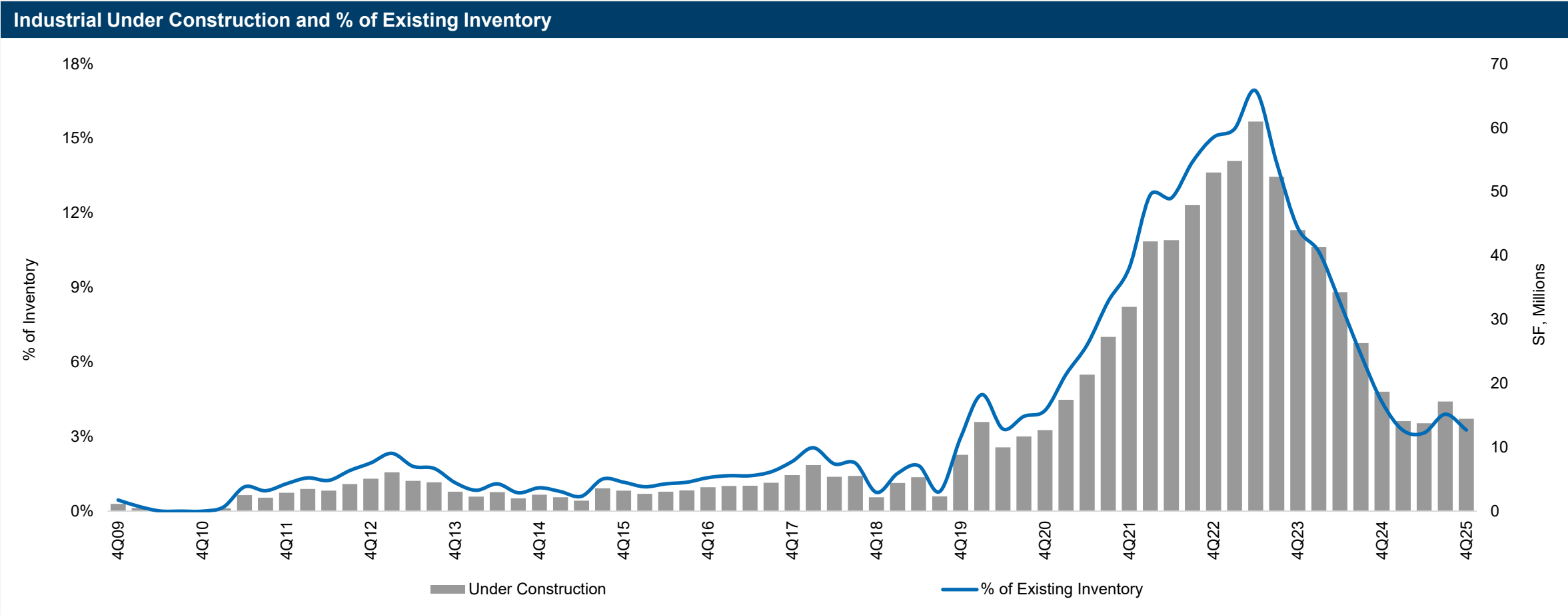
Sublease Space Up 6.1% from Last Quarter

The current sublet pool (7.4 MSF) remains less than the high of 8.5 MSF, reached in second quarter of 2025. Going forward, the sublet pool will likely fluctuate as cost-cutting measures from some occupiers are counterbalanced with the progressive leasing of desirable sublet offerings.



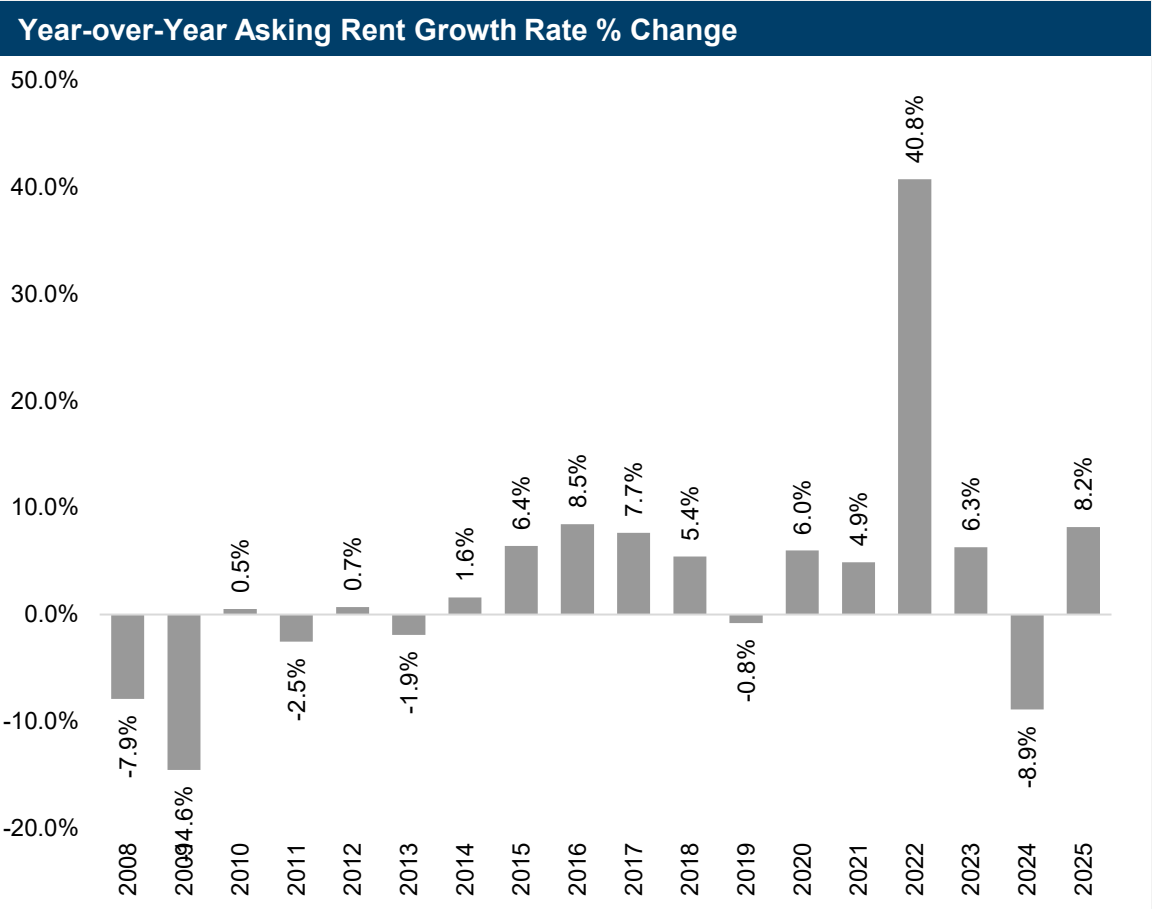
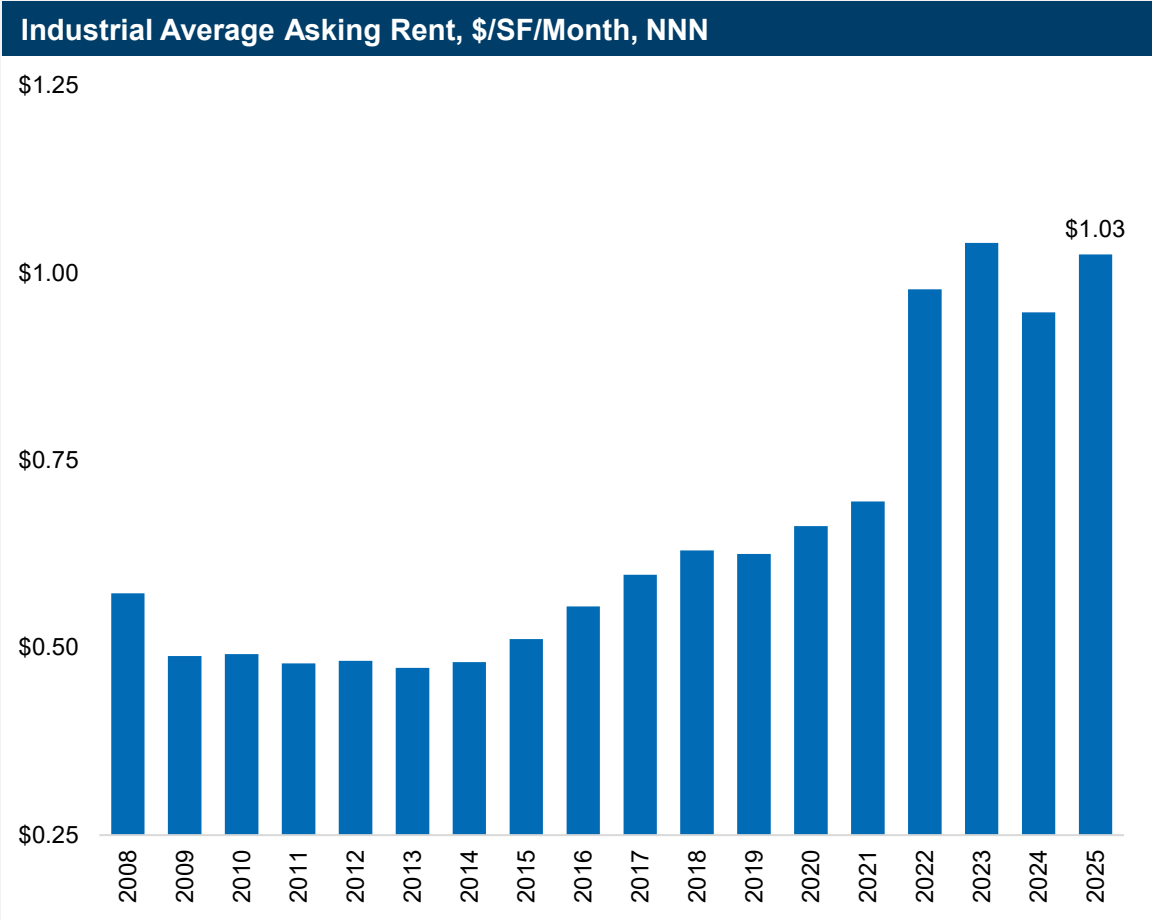
Industrial Supply Pipeline Cools as Construction Starts Decrease

After peaking at 61.3 MSF in mid-2023, the construction pipeline declined for eight consecutive quarters through 2Q 2025, rose in 3Q 2025, and then contracted again in 4Q 2025 as developers remained cautious about committing capital to speculative projects.



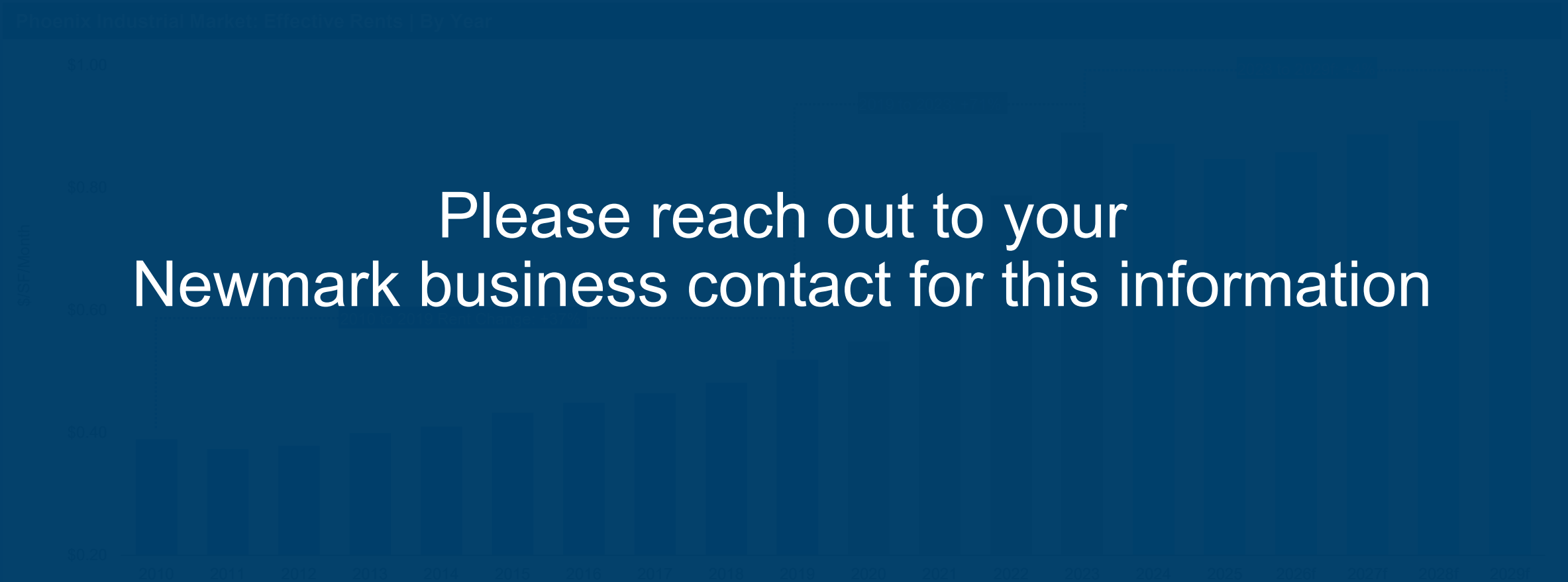
Asking Rents Beginning to Stabilize Heading into 2026

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.



Exceptional Effective Rent Growth in Recent Years is Reversing Course

Once-fervent demand for industrial space has slowed considerably and rent growth is following suit. According to Green Street data, effective rents were down in 2023 and will see modest increases from 2026+ (when the construction pipeline will be smaller than it is today).



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Notable 4Q25 Lease Transactions

Fourth-quarter leases were smaller than in past quarters, reflecting a noticeable dip in leasing activity.

Select Lease Transactions				
Tenant	Building	Submarket	Type	Square Feet
Schneider Electric	1655 S Bullard Ave	Southwest Phoenix	Direct	300,249
<i>The electric company, signed its lease at the building in early November.</i>				
Metso	7210 W Van Buren St	Southwest Phoenix	Renewal	237,788
<i>Metso, a mining and gas firm, renewed on a portion of the multi-tenant, 575,685-SF building.</i>				
Chadwell Supply	101 N 40 th Ave	Southwest Phoenix	Direct	121,491
<i>Chadwell Supply, a lumber and construction firm, will occupy a portion of the multi-tenant, 293,978-SF facility.</i>				
Wesco	8711 W Jefferson St	Southwest Phoenix	Direct	103,790
<i>Wesco, a distribution firm, will occupy a portion of the multi-tenant, 224,874-SF building.</i>				
Kovach Inc	SEC S 56 th St & W Morelos	Chandler	Direct	102,875
<i>Kovach Inc, a manufacturing firm, will occupy the entire building in April 2026.</i>				

04

Sales Activity

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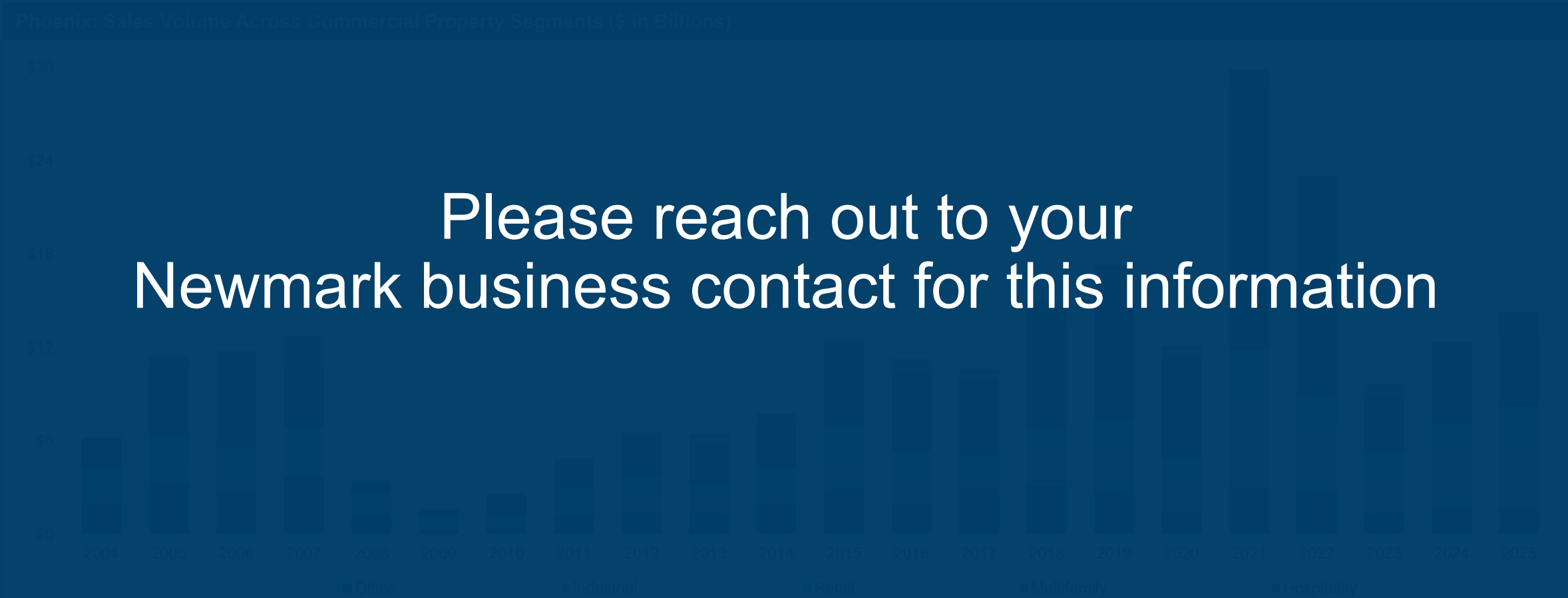
This Quarter’s Notable Sale Transactions

Investors and owner-users were active.

Notable 4Q25 Sales Transactions				
Building Address	Submarket	Sales Price	Price/SF	Square Feet
7733 N Litchfield Rd	Glendale	\$152,161,730	\$152.16	1,278,653
Walmart acquired the property from Lincoln Property Company in November and will be the occupant.				
12250 W Corporate Dr	Southwest Phoenix	\$89,900,000	\$199.44	450,260
Invesco Real Estate purchased the fully leased property in December.				
8016 E Pecos Rd	Chandler	\$66,105,000	\$123.00	537,429
Amazon bought the property from Greystar Holdings in November. Amazon will occupy the building to enhance its final-mile capabilities in the region.				
7000 W Buckeye Rd	Southwest Phoenix	\$57,750,000	\$201.54	286,548
Sentre acquired the fully leased property in October.				

2025 Sales Volume Ramps Up After Slow First Half

Sales activity in 2025 outperformed 2023 and 2024. Based on volume, investors continue to favor more stable asset classes, such as multifamily and industrial.



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Private Buyers Remain Active; Institutional Capital Returns

Cash is king in higher-cost debt environments, and high-net-worth individuals are generally active in such periods. Institutional activity, meanwhile, has increased since 2024—a trend explored in the next slide.



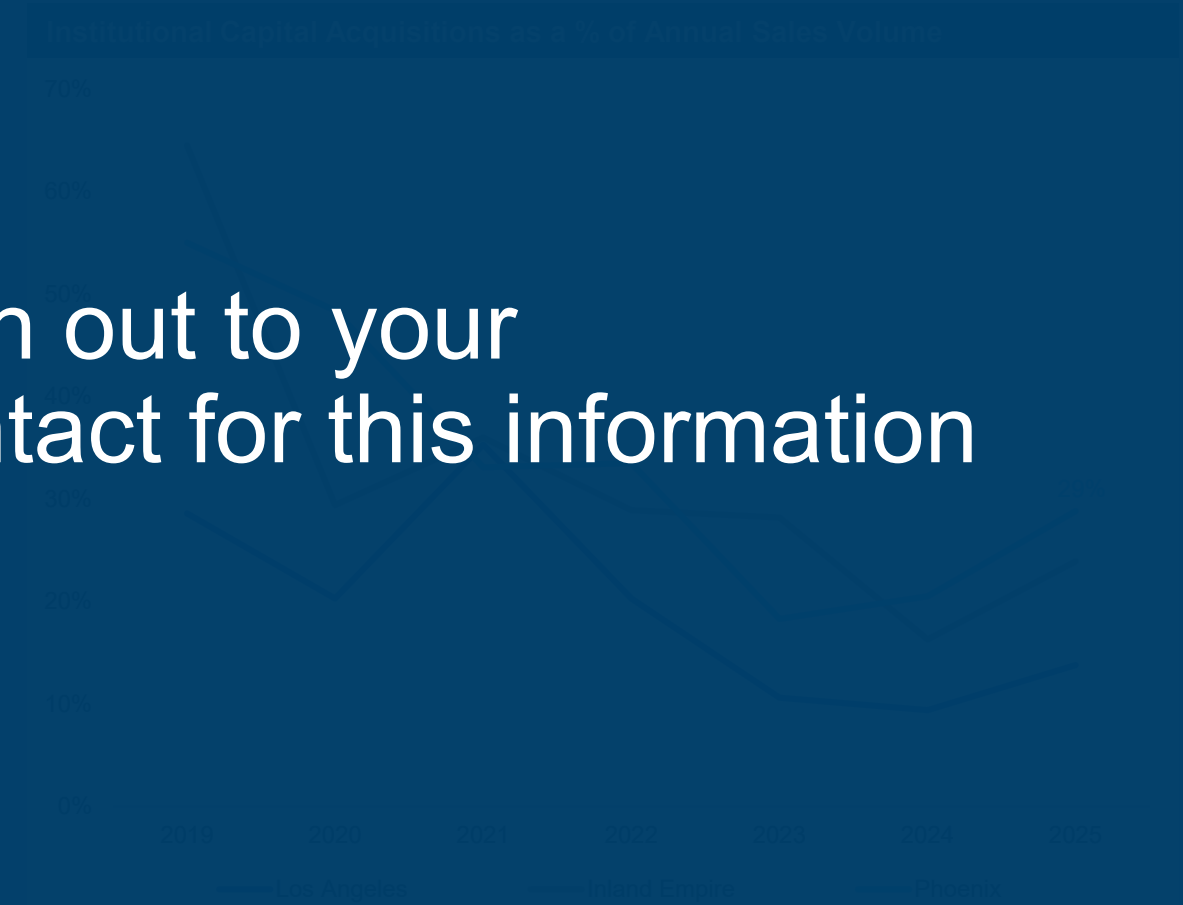
El Centro's Most Active Professional Office Buyers (Last 12 Months)

Company	Investor Type	Volume	# of Properties
BKM Capital	Institutional	\$412,100,000	13
EQT AB	Institutional	\$241,750,000	2
Private	Private	\$185,850,000	6
Walman	User/Other	\$152,161,730	1
Family Dollar - Dollar Tree	User/Other	\$147,066,003	1
LaSalle	Institutional	\$140,200,000	1
GIC	User/Other	\$116,700,000	3
Centerbridge Partners	Institutional	\$116,700,000	3
CBRE Investment Management	Institutional	\$103,050,000	1

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

Current sales volume tops the Inland Empire and slightly lags Los Angeles, markets whose inventory pools are 62% and 141% larger than Phoenix, respectively. The fact institutional buyers are more active in Phoenix than Southern California's markets, reinforces the market's strong growth potential as an evolving logistics and manufacturing hub.



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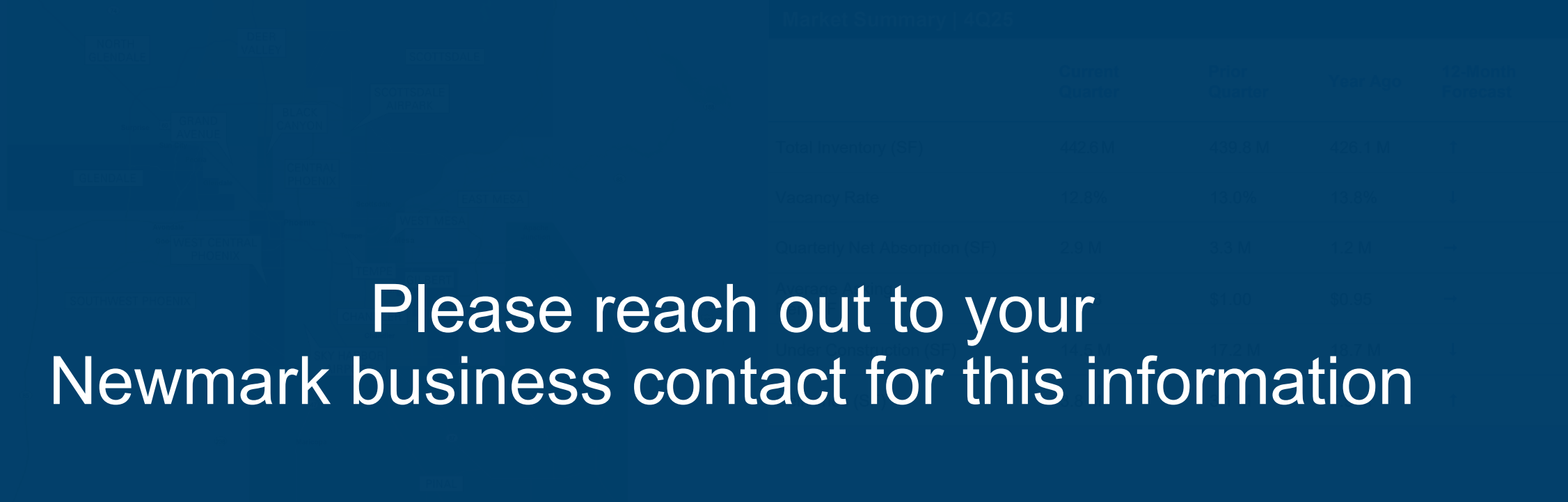
Appendix

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Phoenix Metro Industrial Submarket Map and High-Level Statistics | 4Q25



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Phoenix Industrial Submarket Statistics | 4Q25

Summary of Statistics - All Classes								
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Net Absorption (SF)	YTD Net Absorption (SF)	Qtr Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Pw/sqSF)
Black Canyon	7,084,817	429,039	13.1%	-102,137	-106,146	0	0	\$1.07
Central Phoenix	2,655,755	357,721	2.2%	-2,727	1,435	0	0	\$0.94
Chandler	31,835,878	923,823	12.9%	7,216	703,341	227,467	547,174	\$1.20
Deer Valley	20,807,937	2,723,830	11.8%	62,018	3,041,832	166,366	3,136,563	\$1.21
East Mesa	26,771,577	0	0.0%	0	0	0	1,193,606	\$1.10
Gilbert	10,000,000	0	0.0%	0	0	0	0	\$1.29
Glendale	10,000,000	0	0.0%	0	0	0	5,205,472	\$0.90
Grand Ave	20,869,330	418,642	7.5%	151,207	191,181	50,000	486,364	\$0.89
N Glendale	7,734,204	2,000,000	22.8%	34,767	84,387	114,543	510,805	\$1.00
Pinal	6,641,755	1,585,224	1.4%	547,500	1,082,072	540,000	665,000	\$1.00
Scottsdale	3,985,692	572,426	9.2%	-44,881	-61,922	0	242,740	\$1.81
Scottsdale Airport	5,665,179	45,047	3.7%	2,610	-76,581	0	0	\$1.68

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Phoenix Industrial Submarket Statistics | 4Q25

Summary of Statistics - All Classes								
Submarket	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qr Net Absorption (SF)	YTD Net Absorption (SF)	Qr Construction Deliveries (SF)	YTD Construction Deliveries (SF)	Total Asking Rent (Psf/4Q)
Sky Harbor Airport	44,068,711	705,956	5.8%	272,540	240,318	130,300	163,450	\$0.99
Southwest Phoenix	123,833,439	1,104,860	12.5%	334,881	3,744,019	1,156,184	2,782,872	\$0.76
Tempe	37,384,811	1,000,000	10.5%	1,405,155	1,155,155	68,894	422,575	\$1.26
West Central Phoenix	20,122,222	1,000,000	8.7%	1,000,000	2,888,889	1,000,000	353,438	\$0.77
West Mesa	10,000,000	0	0.0%	10,000	174,550	65,872	365,236	\$0.87
Market	442,615,615	14,464,846	12.8%	2,676,366	18,377,923	3,617,491	16,662,120	\$1.03

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

Moderate real estate costs, lower taxes and less costly labor relative to California are evidence of the latter.



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Select Tax Comparisons: Phoenix vs. California		
Taxes	Arizona	California
State Corporate Income Tax	4.0%	8.84%
Personal Income Tax	2.5%	1 to 14.4%
Effective Property Tax	0.03 to 7.17%	1.5 to 6.2%
Labor and Cost of Living		
Mean Hourly Wage (May 2024): Laborers and Freight, Stock, and Material Movers, Hand	\$20.50	\$21.28
Right-to-Work State?	Yes	No
Cost of Living Index (100)	105	145

Foreign Trade Zones and Phoenix

Foreign Trade Zones (FTZs) enable industrial occupiers to defer, reduce, or eliminate customs duties — shielding operations from rising and volatile tariff rates while improving cash flow and supply chain resilience.

FTZs: Overview, Benefits and Zones in Phoenix

Occupier Benefits

- **Duty Deferral:** Customs duties and federal excise taxes are deferred until goods exit the FTZ and enter U.S. Customs territory, improving cash flow by postponing payment obligations.
- **Duty Elimination:** No duties or quota charges apply to goods re-exported from an FTZ, making it highly beneficial for export-focused operations, fragile products, or those generating scrap.
- **Duty Reduction (Inverted Tariff):** Finished products may be re-exported at a lower duty rate than the rate on imported components.
- **Merchandise Processing Fee (MPF) Savings:** FTZ use enables multiple shipments to be consolidated into a single entry, reducing MPF costs.
- **Streamlined Customs:** FTZs facilitate faster customs clearance, reducing delays and improving supply chain efficiency.
- **Inventory Control:** FTZs enable superior inventory management, reducing storage costs and optimizing stock levels near production or distribution centers; both foreign and domestic goods are exempt from state and local inventory taxes.
- **Operational Flexibility:** Goods can move Zone-to-Zone in bonded status with no time restrictions, supporting extended storage, complex manufacturing, or delayed duty payments.
- **Lower Insurance/Security:** Reduced customs supervision lowers security requirements, and duties are excluded from insurable values, decreasing overall insurance premiums.
- **Ideal for Scale:** See the next section.

Occupiers Best Suited for FTZs

- Large-scale exporters, manufacturers using high volumes of imported components, and retail importers with extensive inventory needs.
- Businesses engaged in modifying, repairing, repackaging, or assembling products.

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