



NAI Horizon

3rd Quarter  
**2022**  
Industrial  
Market Report



# Q3 2022

## INDUSTRIAL MARKET METRO PHOENIX

## Demand for Industrial Real Estate Has Never Been Greater

In many major distribution markets across the U.S., such as Long Beach, Los Angeles, Savannah, and New Jersey, vacancy rates are around 1% -- and even less in Southern California's Inland Empire, which is reportedly at 0.7%. Nationwide, the average vacancy rate is down to 3.2%, or about 100 basis points lower than a year earlier. In addition to traditional industrial space occupiers, much of the demand

comes from 3PLs, which claim to be working toward serving their respective customers with so much inventory that they cannot store it in existing corporately owned or leased facilities.

Builders are doing their best to keep up, with about 390 million square feet of new industrial real estate under construction in the U.S., of which about 70% has been pre-leased, according to Kim Snyder, the president of Prologis' Western Region.

Prologis closed its most significant and strategic acquisition in seven years, with the purchase of Duke Realty finalized in early October. The roughly \$23 billion acquisition gives Prologis some 500 new customers in over 142 million square feet of fully operational logistics facilities in 19 major U.S. markets. Further, the deal puts 7 million square feet under development and developable land, eventually delivering another 17 million square feet to the Prologis portfolio.

### National Trends

In what may eventually impact demand for industrial and logistics facilities as supply-chain problems ease, ocean carriers are canceling dozens of sailings on the world's busiest shipping routes during what is typically their peak season. This news is the latest sign of the economic whiplash hitting companies as inflation weighs on trade and consumer spending.

The latest shipping trends were a sharp reversal from a year ago when companies such as Walmart and Home Depot were chartering their ships to get around bottlenecks at ports to meet a surge in demand for imports. As such, Trans-Pacific shipping rates have plummeted roughly 75% from year-ago levels. In September, container ship traffic in the Pacific was down 13% from a year earlier – dropping the equivalent of 21 ships that can each move 8,000 containers in a single voyage.

Between geo-political uncertainty and decluttering the supply chain mess of the past few years, there is a movement of Reshoring underway in the U.S., with the latest example being Apple suppliers. Of Apple's 180 suppliers, 48 had manufacturing facilities in the U.S. as of September 2021, up from 25 a year earlier, according to Apple's published supplier list. Among the suppliers recently adding manufacturing facilities in the U.S. are chip makers Qualcomm Inc. and Taiwan Semiconductor Manufacturing Co., product assembler Foxconn Technology Group and image sensor Sony Group Corp. However, the world's leading smartphone maker remains heavily reliant on East Asia, particularly China, with about 150 suppliers in that country.

In many of the major distribution markets across the U.S., such as Long Beach, Los Angeles, Savannah and New Jersey, vacancy rates are around 1% – and even less in Southern California's Inland Empire, where it is reportedly at 0.7%

### PHX Q3 AT A GLANCE:

VACANCY: 4.6% ▼

SF CONSTRUCTION: 22.7M SF ▲

AVG NNN RATE: \$0.85 ▲

### Data Centers — Continued Growth in the Sector

The emergence and growth in cloud-based data storage and social media have driven demand for data centers over the past decade. The Phoenix metro area has become one of the largest in the nation (only behind Virginia) for data center occupiers. With over 6 million square feet of data centers in the metro region, the amount of inventory is on track to grow significantly over the next 18 to 36 months as companies such as Iron Mountain, Aligned, QTS, and others continue to acquire large land sites in the region.

In early October, Scannell Properties, based in Indianapolis, announced plans for a nearly 2-million-square-foot industrial and office park on 166 acres near the Phoenix-Mesa Gateway Airport, along with future build-to-suit properties and retail space at the project now known as Mesa Gateway 202. Initially known as Warner Gateway 202, the site is on the south side of Warner Road between Loop 202 and Ellsworth Road. It is less than 2 miles from the airport and will be developed in phases.

While Scannell's project was in the works for some time, and the company seems to have financing to move forward with its plans, not all development deals are going forward in the current environment. Demand for new supply is there, but it is becoming more difficult for some projects to pencil out between high debt costs and construction costs.

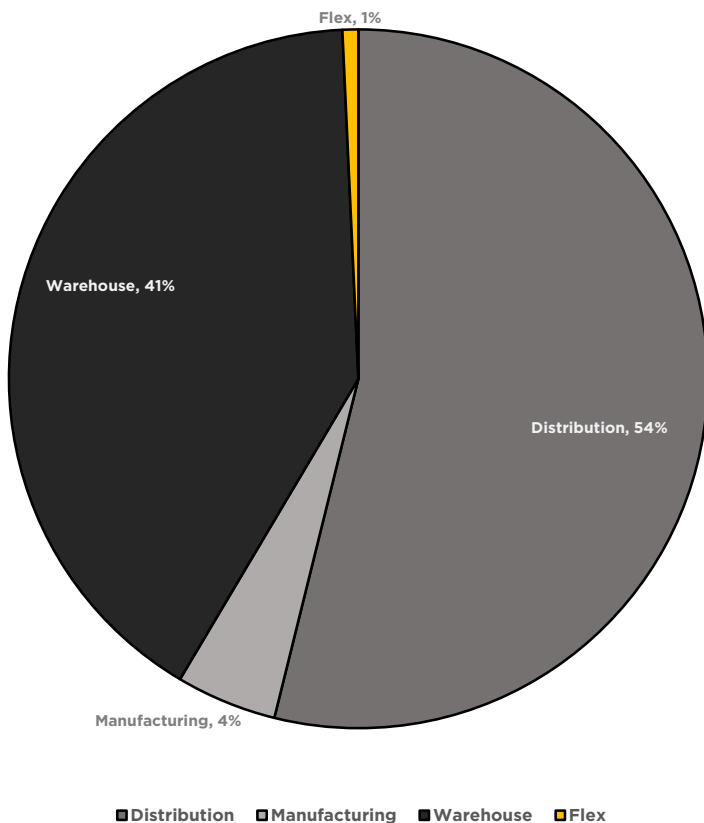
Here's a closer look at third-quarter market trends by the numbers.

The overall industrial vacancy rate for properties in the Metro Phoenix market ended the third quarter at 4.2%, which was unchanged from mid-year yet down from 5.3% a year earlier. Net absorption was positive and strong, at 3.76 million square feet.

In the first three quarters, net absorption exceeded 15.5 million square feet. Barring a solid 4th quarter finish, the market will likely reach a lower level of net absorption than in 2021, which was an astounding 21,227,749 square feet.

Leasing activity slowed in the third quarter, with 291 transactions signed encompassing nearly 4.5 million square feet. Whether the demand is slowing or market saturation is happening, it's

**Types of Space Being Constructed by SF**



# Q3 2022

## INDUSTRIAL MARKET METRO PHOENIX

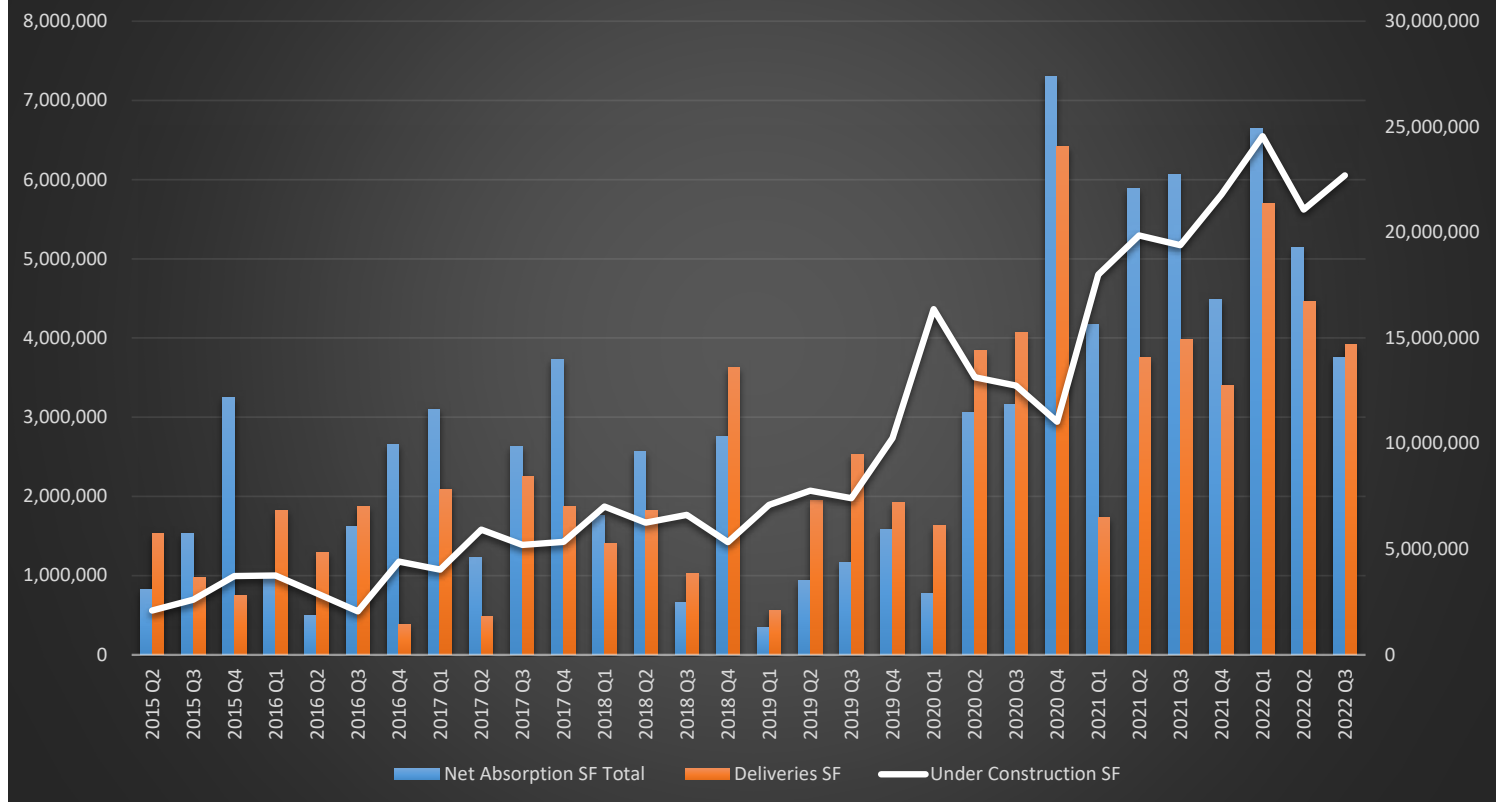
hard to say. A year ago, during the same period, by comparison, landlords and tenants got together to ink 430 deals for over 7.6 million square feet.

Builders delivered 30 new buildings in the recently completed quarter, with another 3.9 million square feet of product added to the inventory. Both data points are comparable to the previous ten quarters. As the third period came to a close, almost 23 million square feet of industrial buildings were under construction in the Phoenix Metro Market. The market's base inventory will surpass more than 360 million square feet sometime in the

fourth quarter.

Rents have spiked tremendously as the market has tightened. The overall (all product types and classes) triple-net asking rental rate was \$10.14-per-square-foot (psf) at the end of the third quarter – up from \$9.40 psf at mid-year, yet an increase of 23% from a year earlier when the average asking NNN rent was \$8.24 a foot. That's a significant jump, as other NAI Global offices around the U.S. have cited big rent hikes this past year in the lower-double digits, yet none have reported rental rate increases north of 20%.

### Supply, Demand & Under Construction



# Q3 2022

## INDUSTRIAL MARKET METRO PHOENIX

### Phoenix Market Snapshot

#### Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	Deliveries	Under Construction	Average Rental	Yearly NNN
Distribution	94,901,109 ▲	4,606,647 ▲	4.9% ▼	1,254,785 ▼	2,149,774 ▼	12,230,879 ▲	\$0.61 ▲	\$7.37 –
Manufacturing	63,266,765 ▲	1,250,880 ▲	2.0% ▲	138,021 ▼	87,236 ▲	1,646,915 ▲	\$0.71 –	\$8.55 –
Warehouse	160,619,176 ▲	7,136,722 ▲	4.4% ▲	1,946,030 ▼	1,291,442 ▲	10,173,025 ▲	\$0.68 ▲	\$8.17 –
Flex	32,416,228 ▲	2,515,143 ▲	7.8% ▲	130,475 ▲	18,127 ▲	389,732 ▲	\$1.07 –	\$12.87 –
<b>TOTAL</b>	<b>359,363,315 ▲</b>	<b>15,169,875 ▲</b>	<b>4.2% ▲</b>	<b>3,761,073 ▼</b>	<b>3,915,092 ▼</b>	<b>22,705,065 ▲</b>	<b>\$0.85 ▲</b>	<b>\$10.14 –</b>

#### Significant Lease Transactions

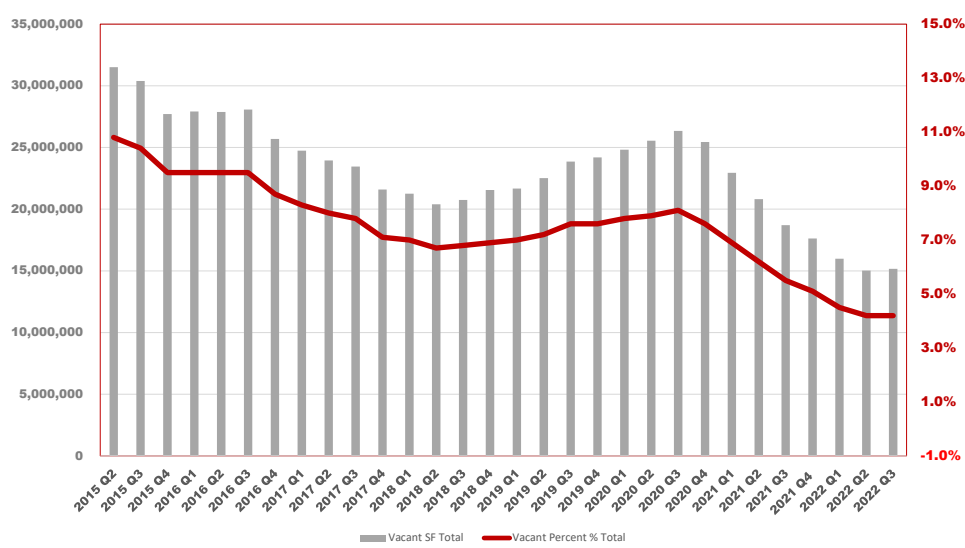
	Address	City	Tenant	Size	Type
Goodyear Logistics Center PV 303	575 S 143rd Ave	Goodyear	UNIS	611,868	Warehouse
Latitude 303	SWC Indian School Rd & Loop 303	Goodyear	SiteOne Landscape Supply	392,000	Warehouse
Park Lucero East	SEC Glendale Ave & Loop 303	Litchfield Park	Lennox	340,031	Distribution
Goodyear Logistics Center	NEC Germann Rd & Mustang Dr	Gilbert	Coming Inc.	317,058	Warehouse
Queen Creek Commerce Center	575 S 143rd Ave	Goodyear		289,832	Warehouse
Elliot Gateway	SWC Queen Creek Rd & Hamilton St	Chandler	Intel	195,520	Warehouse
	9029 E Peterson Ave	Mesa	Dynalectric	186,000	Warehouse

#### Significant Sale Transactions

	Address	City	Date	Size	Building Type	Price
Elliot 202	8560 E Elliot Rd	Mesa	8/15/2022	1,194,923	Warehouse	\$187,000,000
Lakin Park	4890 S Cotton Ave Building 1A	Goodyear	7/5/2022	730,760	Distribution	\$109,200,000
101 at Van Buren	10210 W Van Buren St*	Avondale	8/23/2022	408,581	Warehouse	\$58,862,330
Papago Technology	5005 E McDowell Rd Bldg P	Phoenix	8/11/2022	387,271	Manufacturing	\$21,000,000
Semiconductor Clean Room	5005 E McDowell Rd Bldg ZR	Phoenix	7/1/2022	242,742	Manufacturing	\$5,982,530
101 at Van Buren	10206 W Van Buren St*	Avondale	8/23/2022	224,740	Warehouse	\$32,937,670
	1110 N 52nd St	Phoenix	8/11/2022	199,607	Data Center	\$65,017,470
Freeport Center	441 S 53rd Ave**	Phoenix	7/7/2022	183,095	Warehouse	\$31,000,000
Reywest Industrial Park	4202 W Washington St	Phoenix	9/16/2022	115,260	Warehouse	\$17,250,000

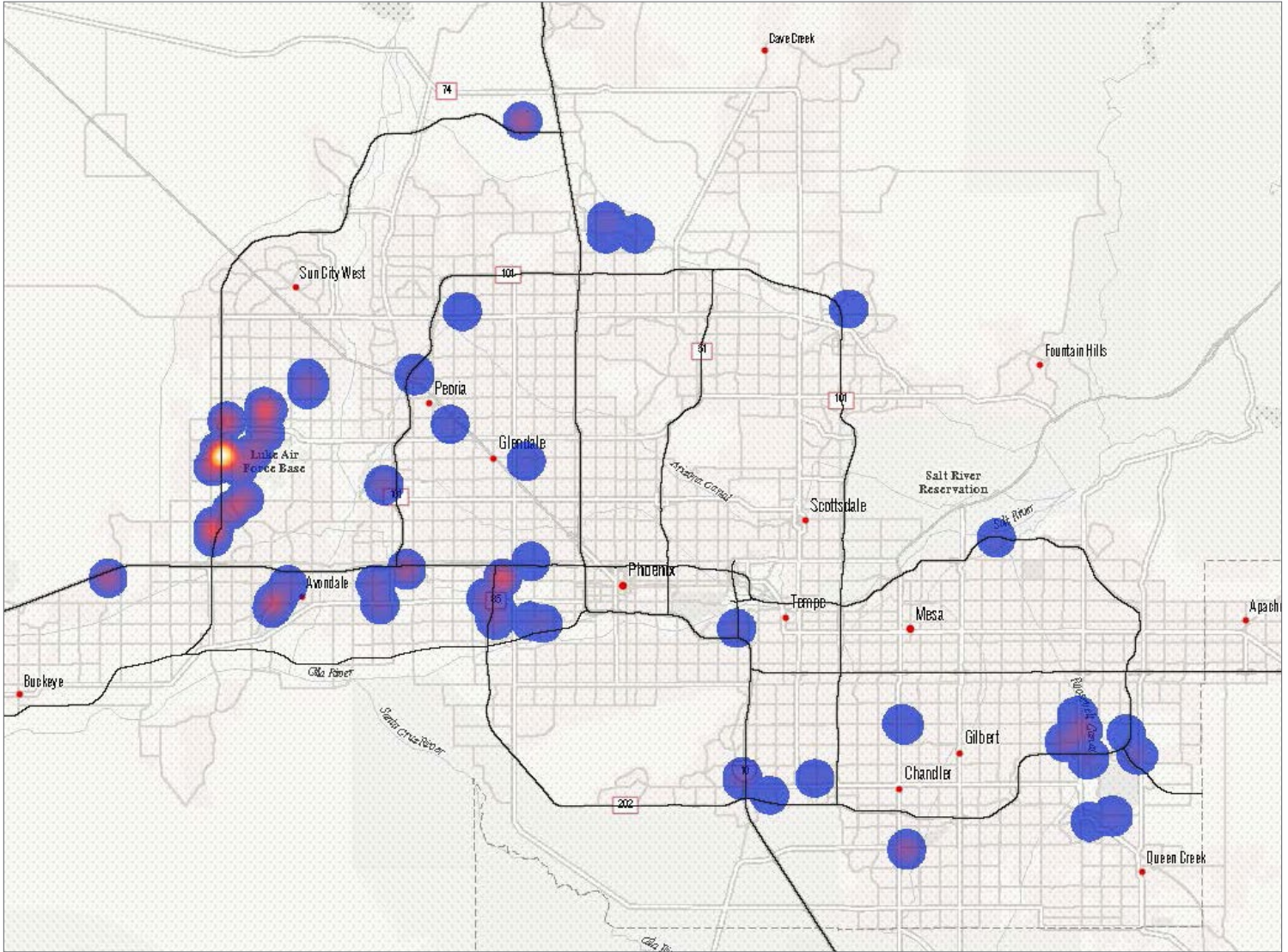
\*Part of Multi-Property Sale \*\*Part of a Portfolio

#### Industrial Vacancy Rates



The Industrial Market is a compilation that includes distribution, warehouse, manufacturing and flex buildings. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI Horizon. NAI Horizon makes no warranties or representations as to the completeness or accuracy thereof. NAI Horizon makes no guarantee about projections, opinions, assumptions or estimates. Occasionally corrected or updated information becomes available for both current and historical data thereby invalidating specific comparison to previously issued reports.

### Top Industrial RBA Heat Map



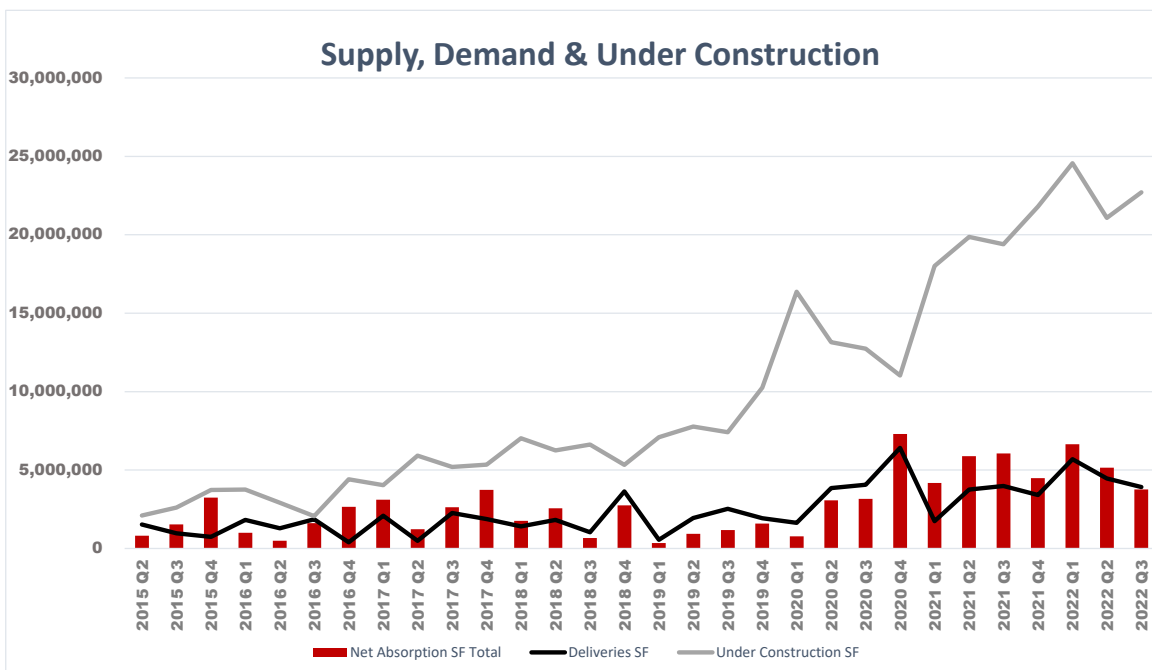
# Q3 2022

## INDUSTRIAL MARKET METRO PHOENIX

### Submarket Snapshot

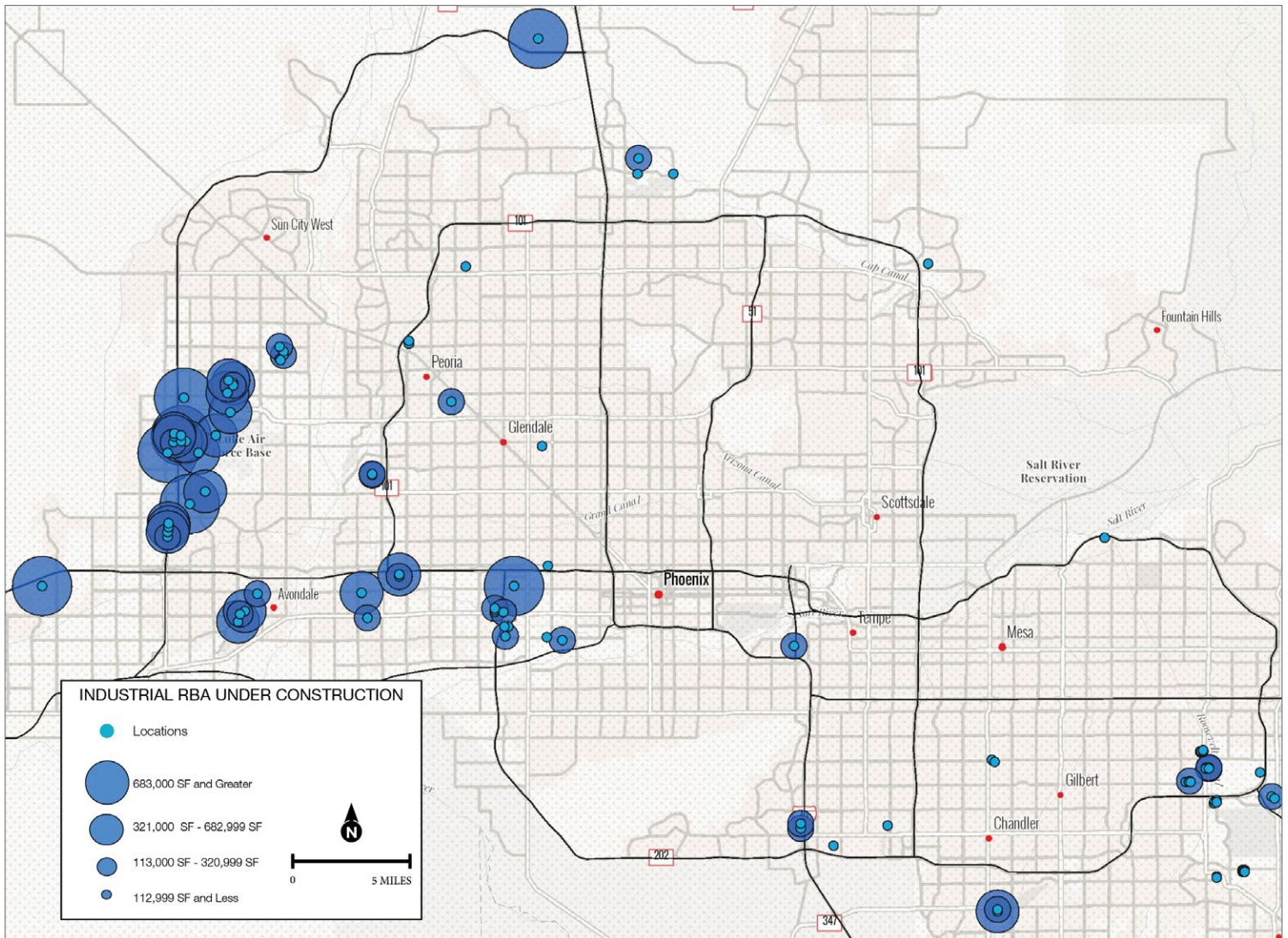
	RBA	Vacant SF	Vacant %	Net Absorption	Deliveries	Under Construction	Avg NNN Rate	Yearly NNN Rate
Sky Harbor	49,511,254	▼ 1,486,437	▼ 3.0%	▼ (94,985)	▼ 113,555	▼ 146,526	▲ \$1.07	▲ \$12.86
Northeast Valley	15,004,736	▼ 619,929	▼ 4.1%	▼ (62,575)	–	– 23,460	▲ \$1.30	▲ \$15.59
Northwest Valley	78,042,962	▲ 5,302,358	▲ 6.8%	▲ 1,962,595	▲ 2,489,045	▲ 14,268,834	▲ \$0.74	▲ \$8.87
Southeast Valley	101,336,281	▲ 3,627,502	▲ 3.6%	▲ 1,184,997	▲ 978,568	▲ 2,823,022	▲ \$0.94	▲ \$11.27
Southwest Valley	115,468,082	▲ 4,133,649	▲ 3.6%	▲ 771,041	▲ 333,924	▲ 5,443,223	▲ \$0.60	▲ \$7.19
All Submarkets	359,363,315	▲ 15,169,875	▲ 4.2%	▲ 3,761,073	▲ 3,915,092	▲ 22,705,065	▲ \$0.85	▲ \$10.14
2022 Q2	355,448,223	▲ 15,015,856	▲ 4.2%	▲ 5,145,138	▲ 4,462,757	▲ 21,082,512	▲ \$0.78	▲ \$9.40
2022 Q1	351,268,268	▲ 15,981,039	▲ 4.5%	▲ 6,650,657	▲ 5,697,402	▲ 24,554,666	▲ \$0.73	▲ \$8.79
2021 Q4	345,859,484	▲ 17,222,912	▲ 5.0%	▲ 4,953,885	▲ 3,924,618	▲ 24,519,461	▲ \$0.69	▲ \$8.26
2021 Q3	341,934,866	▲ 18,252,179	▲ 5.3%	▲ 6,276,036	▲ 4,039,555	▲ 23,063,406	▲ \$0.69	▲ \$8.24
2021 Q2	337,927,052	▲ 20,520,401	▲ 6.1%	▲ 5,698,515	▲ 3,223,309	▲ 21,590,251	▲ \$0.66	▲ \$7.91

### Supply, Demand & Under Construction

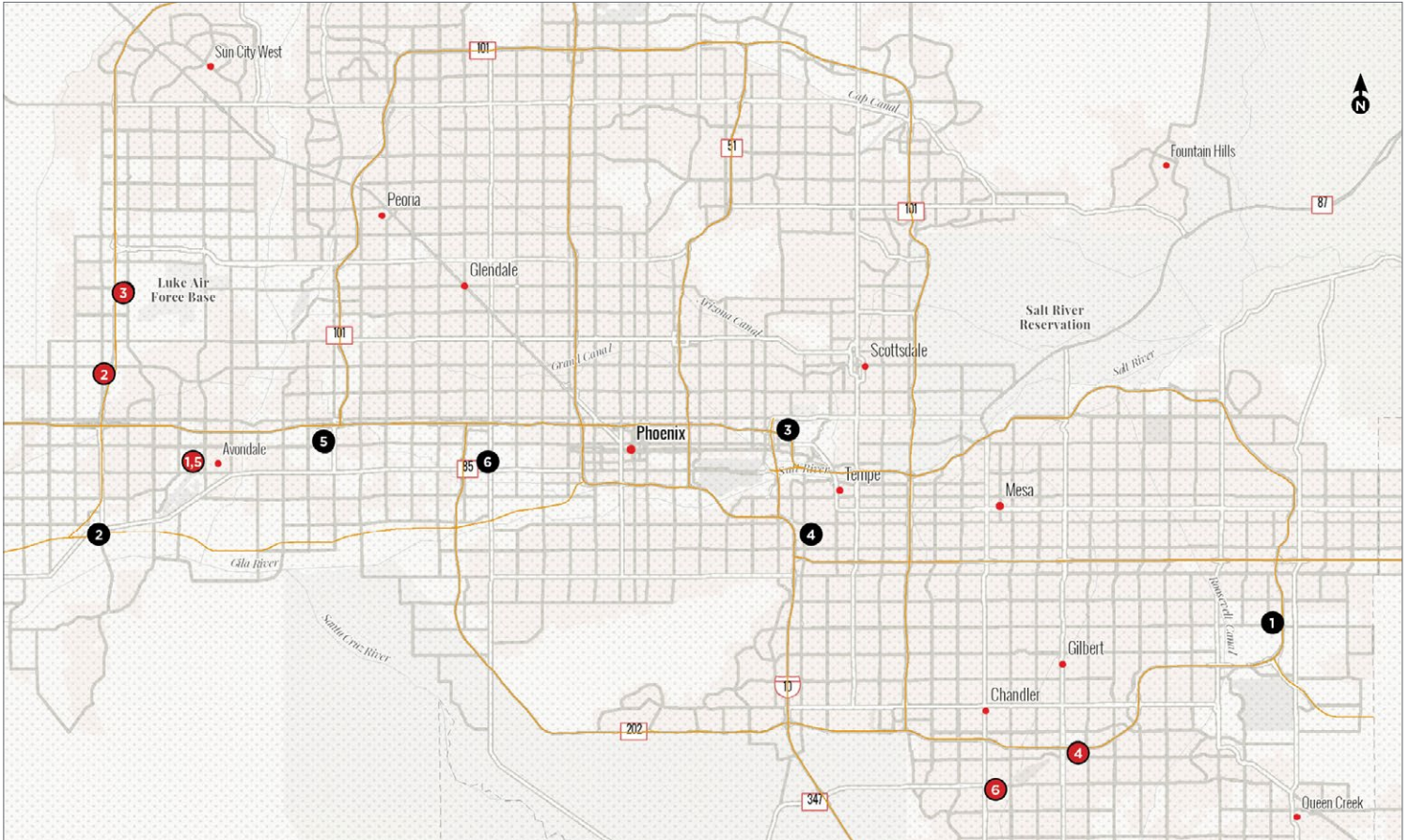









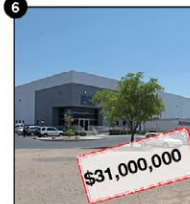
### Top Industrial RBA Under Construction






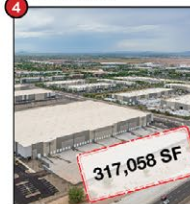


## Top Industrial Sales & Leases



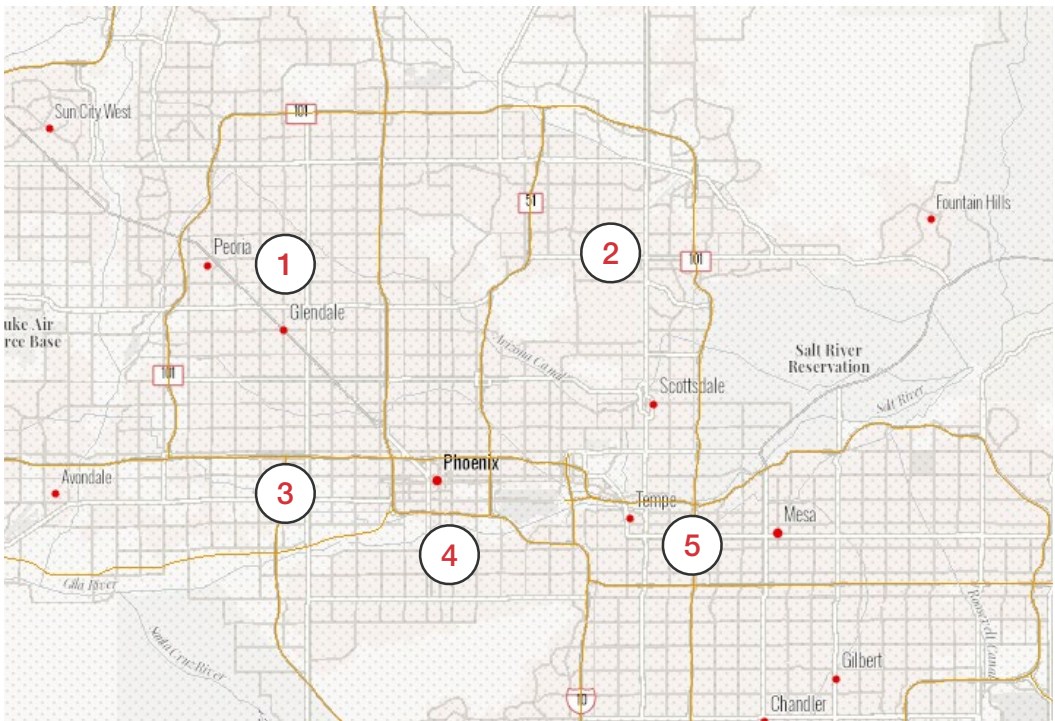
### TOP INDUSTRIAL SALES

<p>8560 E ELLIOT RD</p> <p>1</p>  <p><b>\$187,000,000</b></p>	<p>4890 S COTTON AVE</p> <p>2</p>  <p><b>\$109,200,000</b></p>	<p>1110 N 52ND ST</p> <p>3</p>  <p><b>\$65,017,470</b></p>
<p>1120 W ALAMEDA: BLDG. A-D</p> <p>4</p>  <p><b>\$62,977,921 D</b> <b>\$62,500,068 B&amp;C</b> <b>\$62,021,944 A</b></p>	<p>10210 W VAN BUREN: BLDG. 3-4</p> <p>5</p>  <p><b>\$68,862,330 BLDG. 3</b> <b>\$32,937,670 BLDG. 4</b></p>	<p>441 S 53RD AVE</p> <p>6</p>  <p><b>\$31,000,000</b></p>

### TOP INDUSTRIAL LEASES

<p>575 S 143RD AVE, GOODYEAR</p> <p>1</p>  <p><b>611,868 SF</b></p>	<p>SWC INDIAN SCHOOL RD &amp; LOOP 303</p> <p>2</p>  <p><b>392,000 SF</b></p>	<p>SEC GLENDALE AVE &amp; LOOP 303</p> <p>3</p>  <p><b>340,031 SF</b></p>
<p>NEC GERMANN RD &amp; MUSTANG DR</p> <p>4</p>  <p><b>317,058 SF</b></p>	<p>575 S 143RD AVE, GOODYEAR</p> <p>5</p>  <p><b>289,832 SF</b></p>	<p>SWC OEN CREEK &amp; HAMILTON ST</p> <p>6</p>  <p><b>195,520 SF</b></p>

# Industrial Submarkets



- 1 Northwest Valley**  
Deer Vly/Pinnacle Pk, Glendale, Grand Avenue, N Glendale/Sun City, North Black Canyon, W Phx N of Thomas Rd, W Phx S of Thomas Rd
- 2 Northeast Valley**  
Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River
- 3 Southwest Valley**  
Goodyear, SW N of Buckeye Rd, SW S of Buckeye Rd, Tolleson
- 4 Sky Harbor**  
North Airport, S Airport N of Roeser, S Airport S of Roeser, SC N of Salt River, SC S of Salt River
- 5 Southeast Valley**  
Chandler Airport, Chandler, Chandler N/ Gilbert, Falcon Field/Apache Junction, Mesa, Tempe E, Tempe NW, Tempe SW

# We are here. Phoenix

- @naihorizon
- naihorizonblog.com
- facebook.com/NAIHorizon

NAI Horizon knows commercial real estate. With over 30 years in the Valley, NAI Horizon's extensive market insight allows us to match client needs with the right solutions. NAI Global member firms span the U.S. and 42 other countries, with more than 300 offices and more than 5,100 local market experts on the ground. Supported by the central resources of the NAI Global organization, member firms deliver market-leading services locally, and combine their in-market strengths to form a powerful bond of insights and execution for clients with multi-market interests.

[www.naihorizon.com](http://www.naihorizon.com)

## Industrial & Land Specialists

 <b>Jeff Adams</b> Senior Vice President <a href="mailto:jeff.adams@naihorizon.com">jeff.adams@naihorizon.com</a>	 <b>Drew Eisen</b> Associate <a href="mailto:drew.eisen@naihorizon.com">drew.eisen@naihorizon.com</a>	 <b>John Filli, SIOR</b> Senior Vice President <a href="mailto:john.filli@naihorizon.com">john.filli@naihorizon.com</a>	 <b>Rick Foss</b> Senior Vice President <a href="mailto:rick.foss@naihorizon.com">rick.foss@naihorizon.com</a>	 <b>Michael Gaida</b> First Vice President <a href="mailto:michael.gaida@naihorizon.com">michael.gaida@naihorizon.com</a>
 <b>Christopher Lewis</b> Vice President <a href="mailto:chris.lewis@naihorizon.com">chris.lewis@naihorizon.com</a>	 <b>Don Morrow</b> Senior Vice President <a href="mailto:don.morrow@naihorizon.com">don.morrow@naihorizon.com</a>	 <b>Isy Sonabend</b> Executive Managing Director <a href="mailto:isy.sonabend@naihorizon.com">isy.sonabend@naihorizon.com</a>	 <b>Larson Wilcke</b> Agent <a href="mailto:larson.wilcke@naihorizon.com">larson.wilcke@naihorizon.com</a>	 <b>Mark Wilcke</b> Managing Director <a href="mailto:mark.wilcke@naihorizon.com">mark.wilcke@naihorizon.com</a>

3rd Quarter  
**2022**  
Industrial  
Market Report

**NAI**Horizon

2944 N 44th Street, Suite 200  
Phoenix, Arizona 85018  
tel +1 602 955 4000  
[www.naihorizon.com](http://www.naihorizon.com)