

# Phoenix

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## Despite continued positive absorption, deliveries fuel rising vacancy

Quarterly net absorption, continuing to post positive marks and averaging about 5.5 million square feet (msf) over the past eight quarters, is being outpaced by the sheer amount of speculative development in the market. Of the 11.1 msf of deliveries in Q1 2024, 8.2 msf of the product was delivered vacant—making up about 270 basis points (bps) of vacancy alone. While vacancy did breach the double-digit mark in Q1 and matched the highest quarterly rate since early 2017, there is still runway for further supply side pressures. Of the current construction pipeline, 22.1 msf of available speculative product is scheduled to come online through the remainder of the year, inevitably pushing vacancy higher as the market continues to try to absorb the 67.5 msf, or 22.5%, of current inventory that has delivered since Q2 2022

### Commitments by Amazon will provide market buoy, and positive absorption

In Q1, Amazon’s flurry of activity across two recently completed and one soon-to-be-completed speculative project will continue to provide a high floor for net absorption. With commitments in the Northwest submarket totaling 2.4 msf and another 1.1 msf in the Southwest, Amazon stands to absorb a considerable amount of space in the coming quarters. In fact, the surplus of large blocks of ready-built space across the market does stand to allow tenants such as Amazon and other large bulk warehouse occupiers to quickly occupy space, possibly facilitating quicker than expected take-up. However, as Amazon seemingly retools their distribution footprint expect facilities that do not fit those plans to come back to market in way of sublets, as evidenced by their recently listed 570,000 sf of space in the Southwest Submarket.

### Ground breakings slow as construction pipeline tappers

Quarterly groundbreakings did slow, totaling 3.9 msf the lowest quarterly mark since Q1 2021. The Northwest Submarket, sporting the highest vacancy in the market, broke ground on over 2.5 msf. Even if demand drastically upshifts and excess supply is absorbed quicker than anticipated, expect near-term vacancy to remain heightened.

## Key Statistics

	Q1 2023	Q1 2024	Y-0-Y
Inventory	263.3 msf	300.3 msf	+37.0 msf
Vacancy Rate	4.7%	11.8%	+710 bps
Asking Rental Rate (Monthly)	\$0.80	\$0.89	+11.25%
Net Absorption	7.1 msf	3.1 msf	-4.0 msf
Under Construction	49.4 msf	36.2 msf	-13.2 msf
Deliveries	7.1 msf	11.1 msf	+4.0 msf

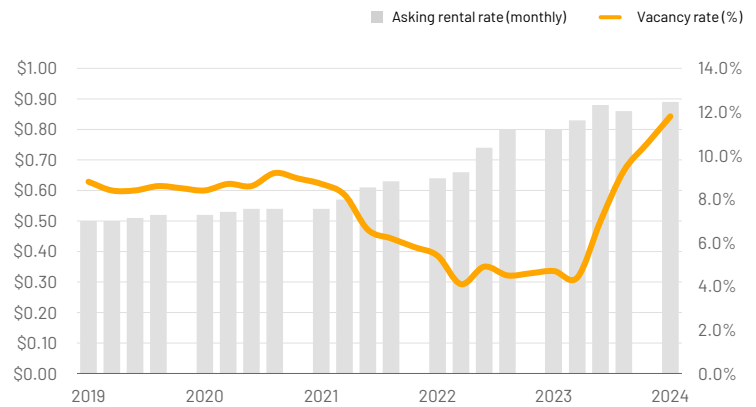
## Outlook

**01** Deliveries of unleased speculative construction, along with sublet availability that currently makes up 1.0% of total availability, will continue to provide leverage for occupiers

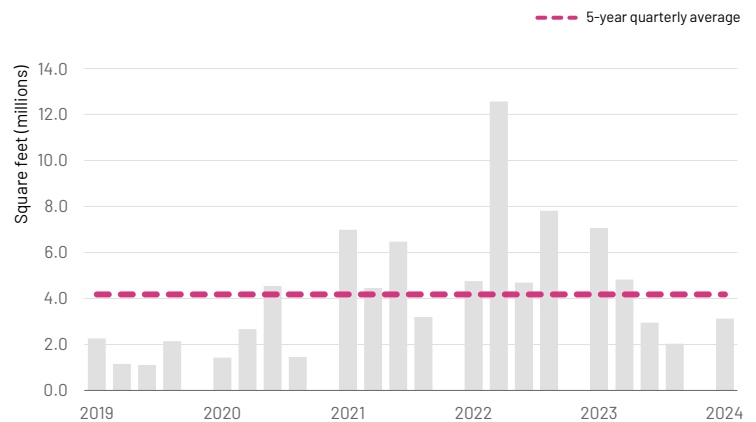
**02** Absorption of completed speculative construction could be fast-tracked if occupiers, such as Amazon, continue to seek large move-in-ready options

**03** Expect construction starts to continue to slow throughout the remainder of 2024 and a slow return to a steadier state of construction activity

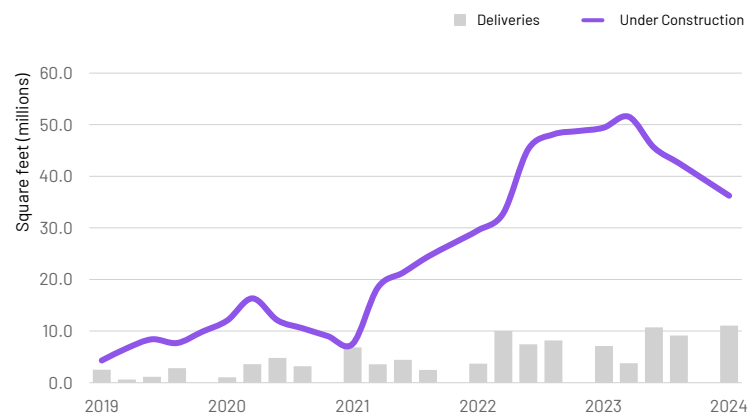
## Asking Rent and Vacancy



## Net Absorption



## Deliveries and Under Construction



## Top Leases

Source: Savills Research

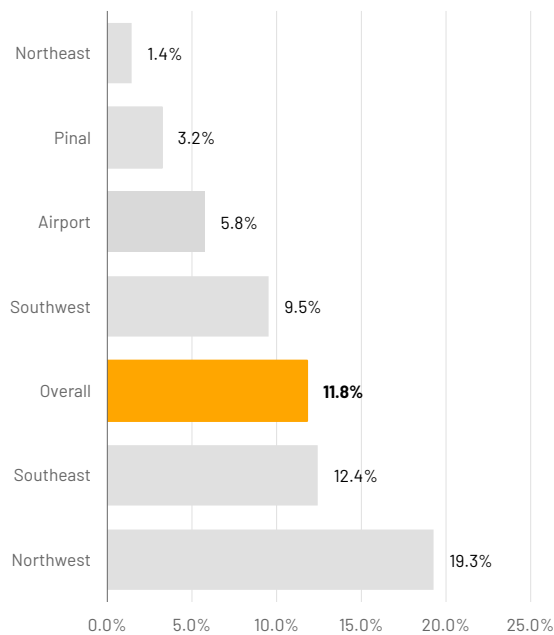
TENANT	SIZE(SF)	SUBMARKET	ADDRESS	TRANSACTION TYPE	INDUSTRY
Amazon	1,222,480	Northwest	4780 N Cotton Lane	New Lease	E-commerce
Amazon	1,200,140	Northwest	15301 W Northern Avenue	New Lease	E-commerce
Amazon	1,056,353	Southwest	18900 W McDowell Road	New Lease	E-commerce
Sologistics	519,167	Northwest	15101 W Hatcher Road - Building 2	New Lease	Energy
Steelcase	210,660	Northwest	5101 N Cotton Lane - C303 - Bldg A	New Lease	Consumer Goods

## Top Sales

OWNER/BUYER	SIZE(SF)	SUBMARKET	ADDRESS	PRICE / \$/SF	SELLER
ViaWest Group	428,427	Southeast	Continental Tech Center Portfolio	\$71.1 M / \$166	Clarion Partners
Two Sigma	268,698	Southeast	202 Business Park Portfolio	\$51.6 M / \$192	American National
CapRock Partners	318,683	Southeast	Chandler Airport Portfolio	\$42.6 M / \$134	Sun State Builders
Blackstone	336,038	Southwest	2300 S 51st Avenue	\$42.2 M / \$126	Bixby Land Co. / AXA Investment
MDC Realty Advisors	114,907	Airport	2632 E Chambers Drive	\$24.3 M / \$211	American Refrigerator Supplies, Inc.

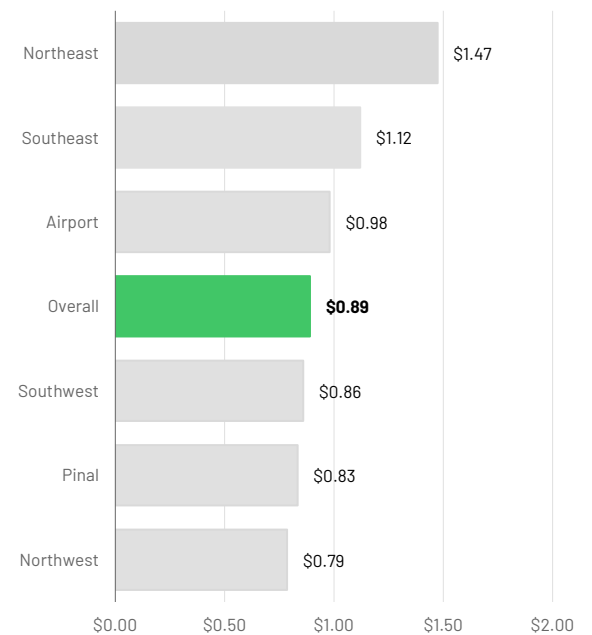
## Vacancy Rate Comparison (%)

PHOENIX SUBMARKETS



## Rental Rate Comparison (\$/sf)\*

PHOENIX SUBMARKETS



\*based on all classes of available inventory

## Phoenix Q1 2024 - Industrial

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Unless otherwise noted, all rents quoted throughout this report are average asking net (NNN) rents per square foot. Statistics are calculated using both direct and sublease information. Current and historical vacancy and rent data are subject to change due to changes in inventory.

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