

Phoenix

Industrial - Q2 2026

savills

Industrial market recovery continues as vacancy declines

The Phoenix industrial market continued to recover in Q2 2026 as tenant demand outpaced new supply. Vacancy declined 220 basis points year over year to 14.2%, reflecting the market's continued absorption of excess deliveries from the previous construction cycle. Although year-to-date net absorption totaled 7.0 million square feet (msf), down 1.4 msf from the same period last year, and the lower deliveries of 3.2 msf helped keep the vacancy rate from rising sharply. Tightening vacancy also supported 4.7% year over year asking rent growth, with monthly rents increasing to \$0.87 per square foot.

Construction activity shifts toward build-to-suit development

Development activity increased 3.5 msf from one year ago, with 13.3 msf currently under construction, although the pipeline remains 73.4% below its 2023 peak. The composition of the pipeline continues to shift, with build-to-suit projects accounting for 31.6% of space under construction, up from 16.1% last quarter, while speculative development declined as a share of total activity. The Northwest submarket leads development with 6.9 msf underway, including DHL's 1.2-msf build-to-suit facility at Reems Road and Northern Parkway and VanTrust's 1.1-msf of speculative development at 7842 North Reems Road.

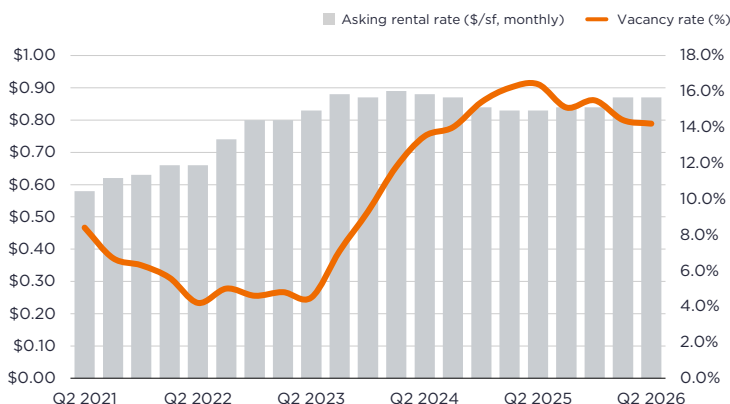
Northwest submarket leads leasing activity

The Northwest submarket remained the market's most active leasing destination during the quarter, supported by large-block availability, artificial intelligence (AI) investment and new logistics developments. DHL signed leases totaling approximately 1.6 msf across two facilities, while AI infrastructure provider Fluidstack, which works with both Anthropic and Nvidia, leased more than 1.1 msf across two buildings. Although year-to-date net absorption trails last year's pace, the completion and occupancy of several large projects should support demand and absorption through the remainder of 2026.

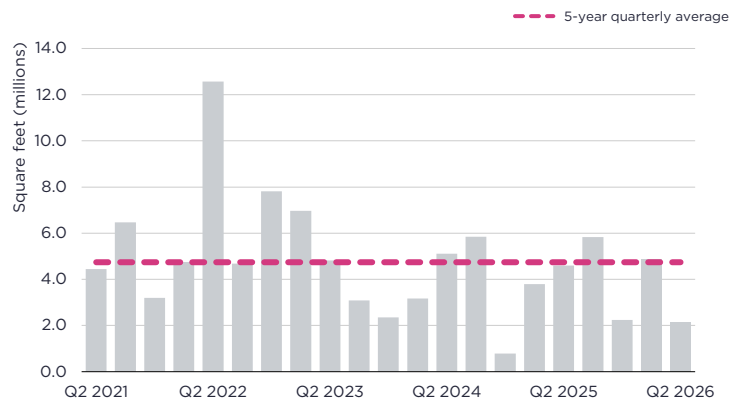
KEY STATISTICS

	Q2 2025	Q2 2026	Y-O-Y
Inventory	339.9 msf	354.2 msf	+14.3 msf
Vacancy rate	16.4%	14.2%	-220 bps
Asking rental rate (monthly)	\$0.83	\$0.87	+4.7%
Net absorption YTD	8.4 msf	7.0 msf	-1.4 msf
Deliveries YTD	13.8 msf	3.2 msf	-10.6 msf
Under construction	9.8 msf	13.3 msf	+3.5 msf

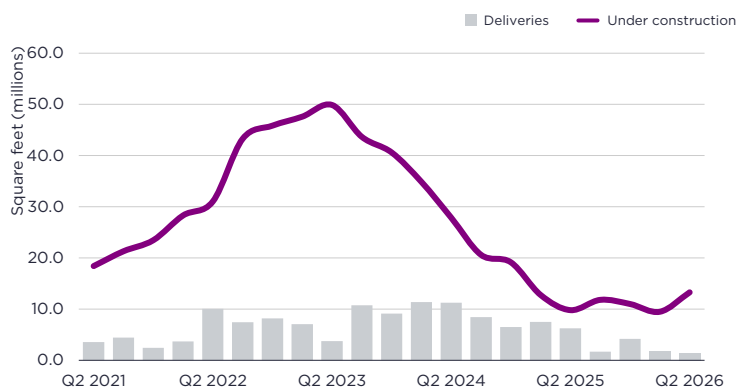
ASKING RENT AND VACANCY



NET ABSORPTION



DELIVERIES AND CONSTRUCTION



Outlook

01

Vacancy is likely to continue declining as tenant demand absorbs recently delivered space and deliveries remain below recent highs.

02

The Northwest submarket should remain the market's primary leasing and development hub.

03

The growing share of build-to-suit development should moderate future speculative supply while supporting long-term occupancy.

NOTABLE LEASES

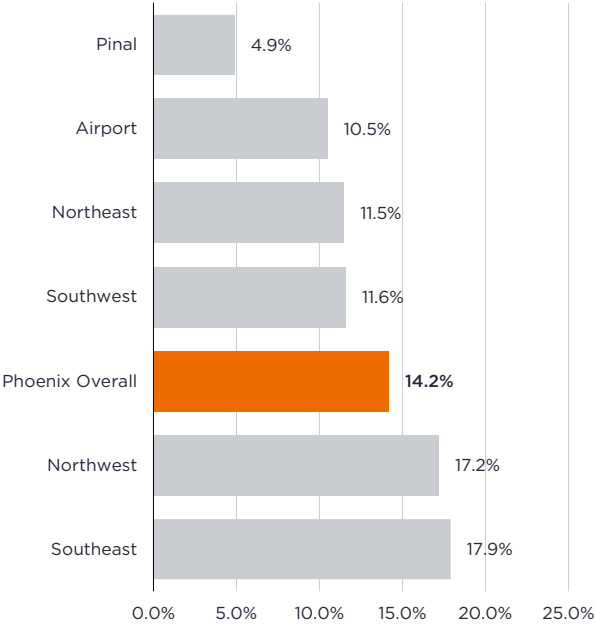
Source: Savills Research

Tenant	Size (SF)	Submarket	Address	Transaction type	Industry
DHL	1,184,591	Northwest	NWC Reems Road & Northern Parkway	New Lease	Logistics & Distribution/3PLs
Fluidstack	695,750	Northwest	13803 W Northern Avenue	New Lease	Professional & Business Services
Fluidstack	454,761	Northwest	13543 W Northern Avenue	New Lease	Professional & Business Services
DHL	406,027	Northwest	16451 W Glendale Avenue	New Lease	Logistics & Distribution/3PLs
DiversiTech	386,958	Northwest	15151 W Hatcher Road	New Lease	Construction Materials & Building Fixtures

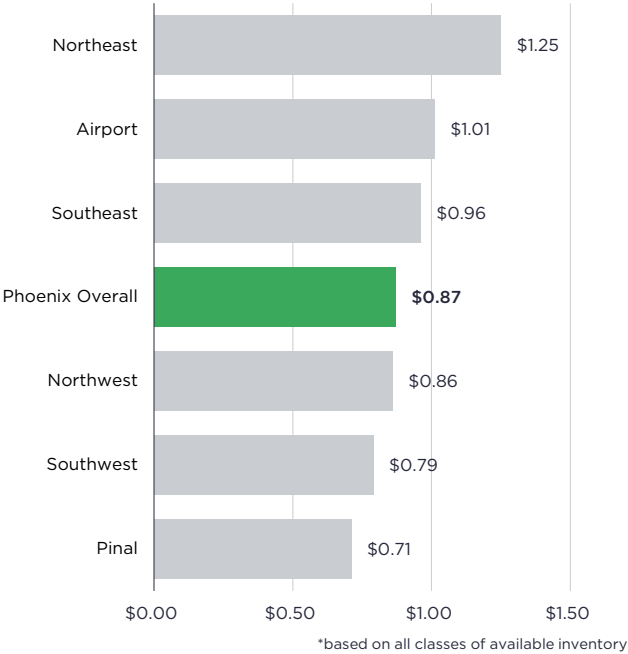
NEW DEVELOPMENTS

Developer / Tenant	Size (SF)	Submarket	Address	Development type	Status
Merit Partners, Inc. / DHL	1,184,591	Northwest	Reems Road & Northern Parkway	Build-to-suit	Under Construction
VanTrust	1,146,518	Northwest	7842 N Reems Road	Speculative (available)	Under Construction
Amkor Technology	750,000	Northwest	Beardsley Canal Service Road	Build-to-suit	Under Construction
Clarion Partners / Crescent Electric Supply	159,305	Airport	3050 S 35 th Street	Speculative (pre-leased)	Delivered Q2 2026
SIHI	132,665	Southeast	4038 E Virginia Street	Speculative (available)	Delivered Q2 2026

VACANCY RATE COMPARISON (%)
PHOENIX SUBMARKETS



RENTAL RATE COMPARISON (\$/SF)*
PHOENIX SUBMARKETS



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