The Real State®

The Real State of the Phoenix Commercial Real Estate Market

R·O·I PROPERTIES
ENHANCING REAL ESTATE ASSETS®

July 2026

Demand Soars for Industrial Outdoor Storage

Used for contractor yards, storage, equipment rental, truck parking, and bulk materials, industrial outdoor storage (IOS) properties may not be the most glamorous segment of the industrial asset class—but their performance over the past few years has captured the attention of investors and owner-operators alike. Nationally, IOS rents have increased 123% since 2020, with Phoenix, Memphis and Atlanta sitting atop the IOS rent growth standouts. Phoenix has more than 16 million SF of space in the pipeline, behind only Dallas and Houston.

Maricopa County's updated zoning ordinance and individual city restrictions, however, have put a premium on existing and build-to-suit properties. Demand has helped drive prices to more than $1 million per acre in areas of the Valley with prime proximity to transportation infrastructure and industrial building.

"With all the development that's going on, IOS land in Deer Valley is some of the most expensive in the state," says Aaron Gutierrez, R.O.I. Vice President - Commercial Division. "While average market rents might be $4500-$6000 an acre, that can push to $7000-$10,000 in the area around TSMC in the North Valley. Less expensive submarkets would include along the I-10 corridor in Glendale, but even they are experiencing a crazy amount of growth."

One of the major recent deals in the category occurred in February, when Zenith Industrial Outdoor Storage acquired 11 infill industrial properties in Phoenix—a total of 280,000 SF across 39 acres—for over $43 million. All are located within seven miles of Sky Harbor International Airport and close to major highways, and all are 100% leased.

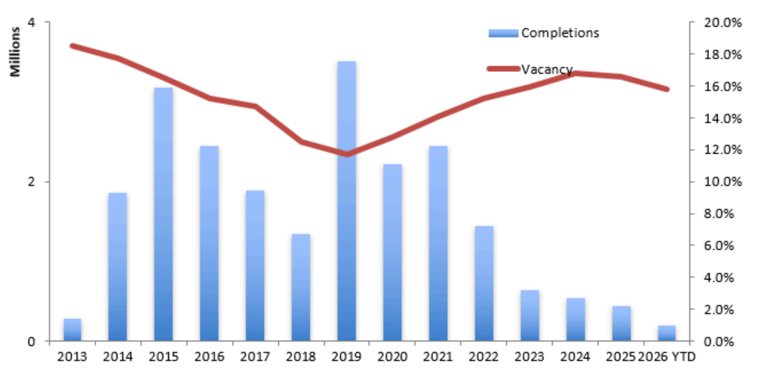
Industrial outdoor storage sites are generally located on heavy industrial zoned land, but the level of development can vary and depends on the type of operator. A typical IOS operation might include a 2000 SF office, modular building or small warehouse, and the rest is wide open yard that could be dirt, graded with aggregate, or paved. "The more improvements, the higher the rent or price they can command," says Gutierrez. "If utilities are not already on the property, that's another expense in addition to coordinating with the city. The final element is security. Construction equipment and fleet vehicles aren't cheap, for example, so fencing is another important improvement to consider."

Is the market potentially getting overheated? Gutierrez believes there is still plenty of room to run for the foreseeable future. "When everyone is flocking to a sector, things can get overinflated, so vacancy is going to be something to watch," he says. "But there's simply not a lot of buy-side supply with the right zoning, and there's no expectation that cities are going to designate a massive area of land for IOS or reclaim Central Avenue for storage."

Finding the Value in Commercial Properties in 2026

Whether you own commercial property that you are looking to sell, or are interested in owner-occupant or investment opportunities, the R.O.I. Properties team can negotiate the most favorable deal for you. Please contact us at: info@roiproperties.com or 602-319-1326.

OFFICE



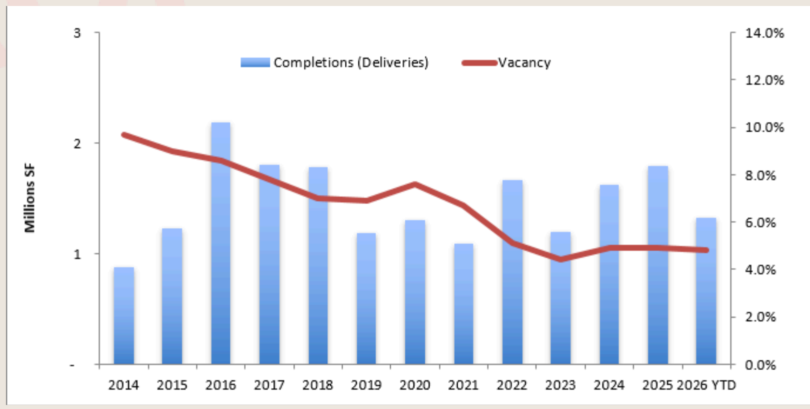
About 1.8 million SF of gross new office space has been delivered over the past three years combined, trailing the average annual completion total from 2015 to 2019 by more than 20%. Equity and debt partners have shown little willingness to move forward on new speculative office projects, leaving the current development pipeline at a fraction of pre-COVID norms and the threat of new supply firmly at bay.

In fact, demolition activity has ramped up, tipping net supply growth into negative territory. Over the past 12 months, the Valley recorded a 1.9 million SF reduction in existing inventory, razing non-competitive buildings for new uses. The removal of high-vacancy stock, together with firming tenant demand, caused vacancy to improve from a peak of 17.1% in 2024 to 15.8% today.

RETAIL

Although a pickup in store closures caused space availability to modestly increase over the past two years, fundamental tightness in the Phoenix retail market persists as the second half of 2026 kicks off. Strong demographics, continued income growth, and low unemployment fuel robust underlying tenant demand. These stout demand drivers, coupled with the modest construction pipeline, have kept availability well below the Valley's historical average.

The availability rate has reached 5.0% as of Q3 2026, up from 4.2% in late 2023. Bankruptcies by national brands, as well as the closure of some small-business tenants operating on thin profit margins, left several vacant spaces that have yet to be fully backfilled.



INDUSTRIAL

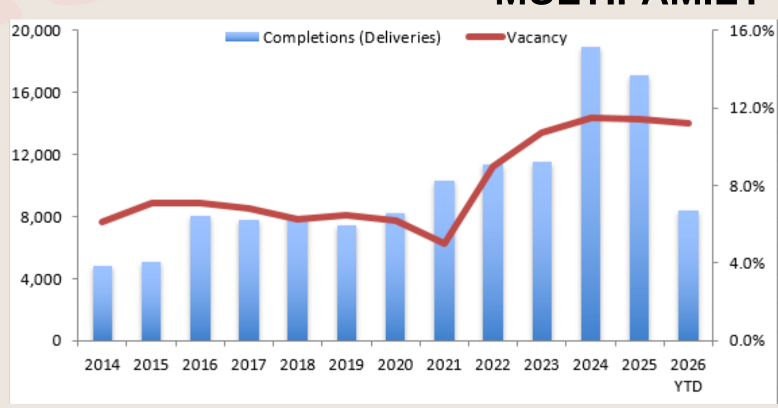
While demand has eased from the frenetic pace seen in 2021 and 2022, the number of lease transactions modestly accelerated over the past year as occupiers related to logistics and retail continue to expand. These factors, along with advanced manufacturing momentum, drove 23.0 million SF of net absorption over the past 12 months, the bulk of which came from newly-built logistics properties.

Though tenant demand has been steady, the pace of deliveries remains formidable, keeping vacancy elevated. Vacancy rose from 4.1% in mid-2022 to 10.8% today, on the back of 16.8 million SF of completions over the past year.

MULTIFAMILY

While the 17,000 units under construction are down 50% from the peak a few years ago, it still represents 3.9% of existing inventory. That share ranks Phoenix as one of the nation's most aggressively built apartment markets, and there are pockets of the market facing ongoing oversupply risk. Empty units are most likely to accumulate in high-growth areas like Downtown Phoenix and Tempe, as well as the South West Valley.

While improved, vacancy remains at near the highest level since the recovery of the Global Financial Crisis, keeping annual rent growth in negative territory. The average asking rent fell -1.6% over the past 12 months, as healthy first-quarter performance was offset by steep losses in the second half of 2025.



Residential Snapshot

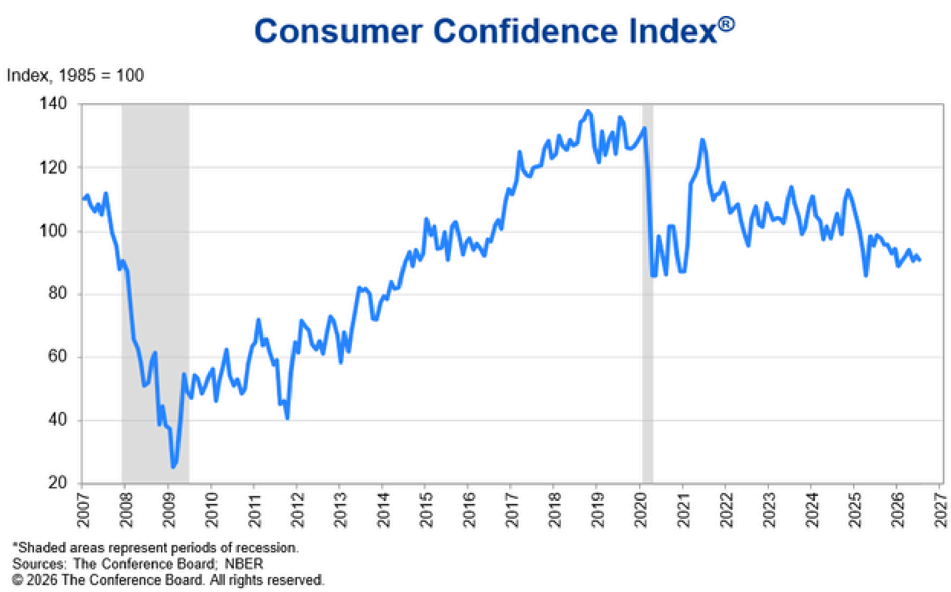
Condos have had a rough go of late in Greater Phoenix and nationally, and it is worth considering the multiple headwinds that are buffeting this sector of the housing market. The first behind-the-scenes factor is that many condo complexes were built to be heavily amenitized in order to attract buyers. While that is a benefit on the lifestyle side of the equation, the costs add up quickly in HOA dues and special assessments. Although luxury-tier condo owners may be able to absorb those additional costs, the same is not true within the lower/middle market, since buyers may have already stretched their budgets to make a purchase and are struggling to keep up with inflation. As if it wasn't already difficult enough in the condo market, sellers and buyers may find financing gets tougher in the coming months. On August 3, Fannie Mae and Freddie Mac will begin implementing numerous guideline changes to their condominium underwriting standards that were announced in March.

From June to July 2026, the supply-demand index decreased 0.9 points from 81.4 to 80.5. The supply index decreased 3.2 points from 104.3 to 101.1, while the demand index decreased 3.5 points from 84.9 to 81.4. Demand dropped a tad faster than supply did over the past month, causing the overall index to drift further into a buyer's market.

Other market factors that R.O.I. Properties is tracking include:

- New listings in June totaled 7,748 in the Arizona Regional MLS, up 1.7% from last June's count of 7,622. That puts the 2nd quarter down 4.8% at 25,494, and total new listings through June down 3.8%.
- All listings for sale are also down 4.8% and with the supply index at 101.1, the current level is considered within the normal range for this time of year.
- June sales closed at 6,612, up 7.1% over last June. That puts total sales through ARMLS for the second quarter up 4.5% at 20,692 and up 4.0% for the first half of the year at 37,811. Closings have outperformed 2025 and 2024 so far due to consistently better contract activity in the first half.
- The weeks surrounding the 4th of July weekend are typically the weakest times for new contracts.Total listings under contract is 1.2% below last year and the demand index reads 81.4, nearly 19% below normal for this time of year.

CONSUMER CONFIDENCE



Source: The Conference Board

The Conference Board Consumer Confidence Index decreased by 1.4 points to 90.8 in July, down from an upwardly revised 92.2 in June.The Present Situation Index—based on consumers' assessment of current business and labor market conditions—fell by 3.6 points to 114.9, its third consecutive monthly decline. The Expectations Index—based on consumers' short-term outlook for income, business, and labor market conditions—remained unchanged at 74.7. The survey period for this month's preliminary results was July 1–22, encompassing ongoing conflict in the Middle East.—*The Conference Board*

WESTERN BLUE CHIP ECONOMIC FORECAST - JULY 2026

ARIZONA

Annual Percent Change 2027 from 2026

	Current $ Personal Income	Retail Sales	Wage & Salary Employment	Population Growth	Single Family Housing Permits
ASU Economic Outlook Center	6.0%	4.0%	1.0%	1.5%	5.0%
EconLit LLC	5.1%	3.4%	1.4%	1.2%	3.0%
Elliott D. Pollack & Co.	6.0%	4.2%	1.2%	1.2%	5.0%
Joint Legislative Budget Committee	5.1%	3.8%	1.2%	1.2%	1.5%
Neal Helm	5.0%	3.9%	1.5%	1.3%	5.0%
Rounds Consulting Group	5.0%	3.8%	1.0%	1.2%	5.0%
Southwest Growth Partners	4.3%	1.5%	1.1%	0.0%	-2.0%
The Maguire Company					
The Retail Economist, LLC	5.3%	2.4%	2.6%	1.2%	4.9%
UA - Eller College	5.7%	4.3%	1.0%	1.2%	-1.0%
Consensus Forecast	***5.3%***	***3.5%***	***1.3%***	***1.1%***	***2.9%***

Source: Seidman Institute

Articles of Interest

Commercial Property Executive – July 17
TSMC Boosts Phoenix Manufacturing Investment by $100B

Commercial Cafe – July 28
July 2026 Industrial Report

Phoenix Business Journal – July 22
Semiconductor boom drives massive AZ economic development growth

GlobeSt. – July 24
Apartment Deliveries Edge Higher as Historic Supply Wave Recedes

CoStar – July 14
U.S. Retail Construction Activity Holding Near Post-Pandemic Lows

AZ Big Media – July 29
Phoenix office market gains momentum as vacancy declines for 3rd straight quarter