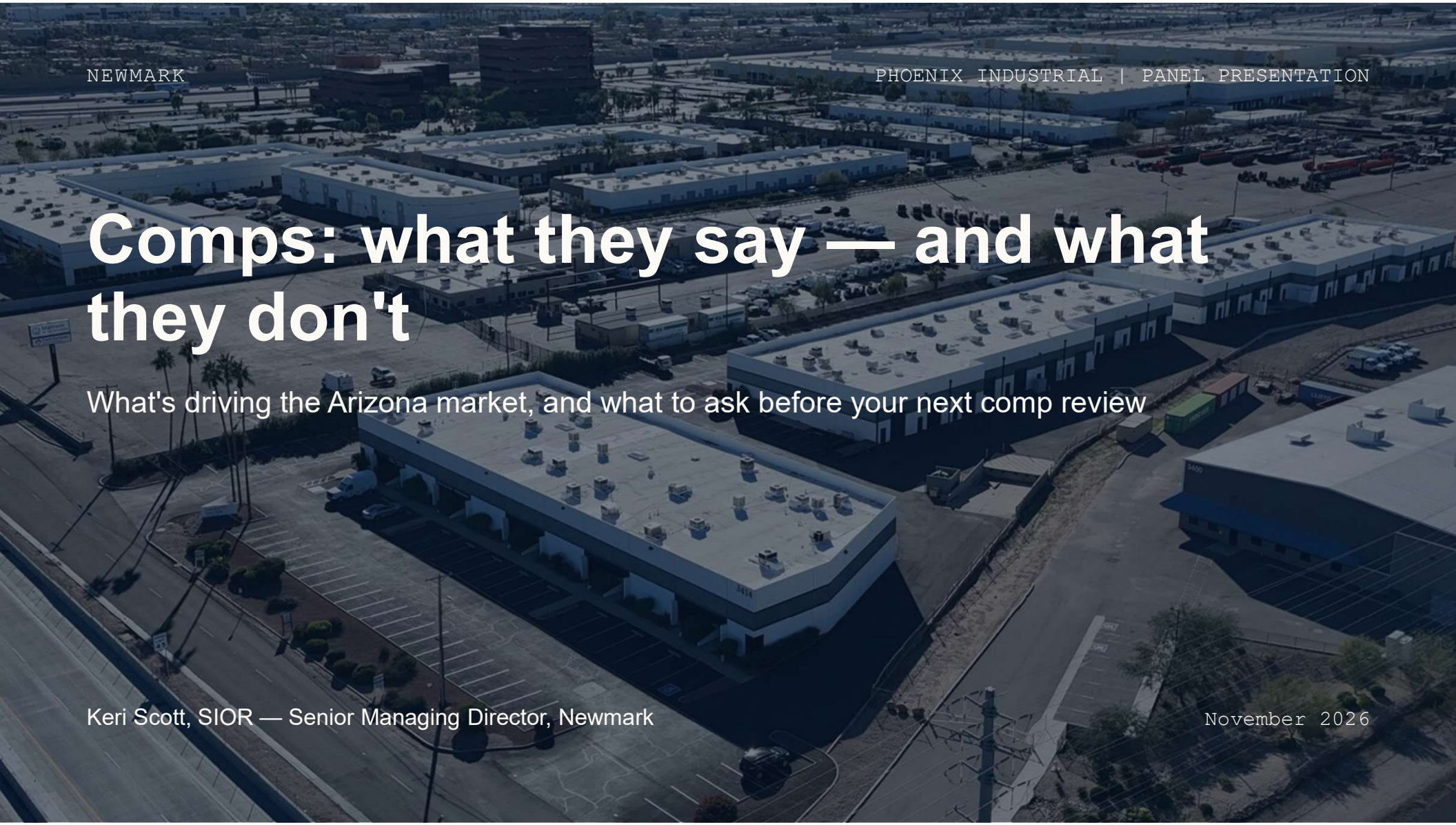


Comps: what they say — and what they don't

What's driving the Arizona market, and what to ask before your next comp review

Keri Scott, SIOR — Senior Managing Director, Newmark

November 2026

WHO WE ARE

All things industrial — product specialists, not generalists



KERI SCOTT, SIOR

Senior Managing Director, Newmark

All things industrial. Our focus is the product — the buildings, the tenants, the terms — not broad market commentary.

Jack Kerkorian · Warren Kelly · Adam Pinard — Associates

Lindsay Davi — Chief of Staff

1,200+
leases transacted by the team

20+ years
combined experience

5
professionals, one product line

Note: 1,200+ leases is the Newmark profile figure for Keri and her team combined, not a 2026 statistic.
Source: Newmark profile; Scott Industrial Team; SIOR member profile

A QUICK SHOW OF HANDS

How many of you are married?

Okay — and when your spouse brings up the past, something from years ago...
does it annoy you?

Why does it annoy you?

(Hold that thought — I'm going somewhere with this.)

WE CAN ALL RELATE

Comps are in the past — and today is different

Your spouse brings up the past	Your comps bring up the past
It happened years ago, in a different time	It leased years ago, in a different market
Neither of you is the same now	Vacancy, rents and credit are not the same now
Rehashing it changes nothing	Restating it values nothing
But the history is real — and it matters	Verify it, date it, weigh it against today

Note: The analogy is the point: historical evidence is essential, and insufficient. Today's tours, proposals and negotiations fill the gap.

KNOW YOUR PRODUCT

Industrial is not one asset class

Asset class	What it is
Distribution and warehousing	Big-box buildings for storing and moving goods
Manufacturing	Fabrication, assembly and supplier production space
IOS (industrial outdoor storage)	Fenced, land-heavy yards for vehicles, equipment and materials
Data centers	Power-dense buildings for computing and AI workloads
Flex and small-bay	Multi-tenant suites for service and light industrial users
Cold storage	Temperature-controlled warehouse and distribution space

Note: Common industry categories. Each is its own competitive set with its own unit of comparison — IOS per acre, small-bay per square foot.
Source: Common industry definitions

PHOENIX INDUSTRIAL | 2018 TO 2026

From boom to bust to balanced

Era	Vacancy	Inventory	The story
Steady | 2018	7.5%	311 MSF	Healthy pre-pandemic market
Boom | 2021	4.8% record low	346 MSF	22 MSF absorbed in a single year
Bust | 2025	13.7% peak	455 MSF	91+ MSF delivered in three years swamped demand
Balanced | 3Q26	11.1%	470 MSF	Deliveries down 68%; demand still running

Note: Metro Phoenix industrial, Lee & Associates quarterly series. The market grew from 311 to 470 MSF — half again as big — while vacancy round-tripped from boom to bust to balance.
Source: Lee & Associates Q4 2018; Lee & Associates Q4 2021; Lee & Associates Q3 2026; Matthews Q1 2026; Cushman & Wakefield Q3 2026

WHAT'S DRIVING ARIZONA

Why people want to be here

WHY PEOPLE KEEP COMING

300 days of sunshine a year

Lower cost of living than coastal metros

No hurricanes, earthquakes or blizzards

Hiking, golf, spring training and lakes

A 26-minute average commute

MARICOPA COUNTY POPULATION

4.41M → **4.72M**

2018 2026

+314,000 residents (+7%) in eight years

Metro Phoenix crossed 5 million — the 10th-largest U.S. metro

Every new resident is demand: homes, goods, and the buildings that move them

Note: Maricopa County added more than 300,000 residents between 2018 and 2026 — the demand engine behind the region's industrial build-out.

Source: U.S. Census Bureau; World Population Review 2026 estimate; U.S. Census Bureau metro story; Greater Phoenix Economic Council

WHO'S HERE

What companies are focused here — and why

Company	The commitment	Why it matters
TSMC	$265B, north Phoenix	Largest greenfield FDI in U.S. history
Intel	$32B, Chandler	Fab 52 makes the most advanced U.S.-made chips
Raytheon	12,500 employees	Largest defense employer — missiles made in Tucson
Honeywell	$500M, Tempe	New plant plus its Phoenix aerospace HQ
Meta · Google · Apple	$1B+ each, Mesa	14.8 MSF of data centers planned or underway
LG Energy Solution	$5.5B, Queen Creek	Battery manufacturing, Southeast Valley
DHL	1.1M SF lease	Largest deal of 2026 — one lease in Glendale

Note: The same pulls behind every landing: right-to-work labor, a 4.9% flat corporate tax, FTZ savings, and roughly 30% lower operating costs than coastal California.
Source: TSMC Arizona; Intel U.S. chipmaking; GPEC Aerospace & Defense; Arizona Republic, Mesa data hubs

PHOENIX INDUSTRIAL SUBMARKETS

The Valley is a lot of markets, not one

SUBMARKET	MSF	VACANCY
Glendale	60.9	11.9%
Airport Area	51.2	9.7%
Tolleson	50.1	8.7%
Chandler North / Gilbert	45.2	21.4%
Goodyear	40.5	11.8%
SW North of Buckeye Rd	38.2	11.5%
Chandler	24.1	8.5%
Metro total	**469.9**	**11.5%**

VACANCY BY BUILDING SIZE (METRO)

Under 100K SF **6.0%**

Tight — little new small product has been built

100K–250K SF **19.7%**

The mid-box hangover from the boom deliveries

300K+ SF **5.1%**

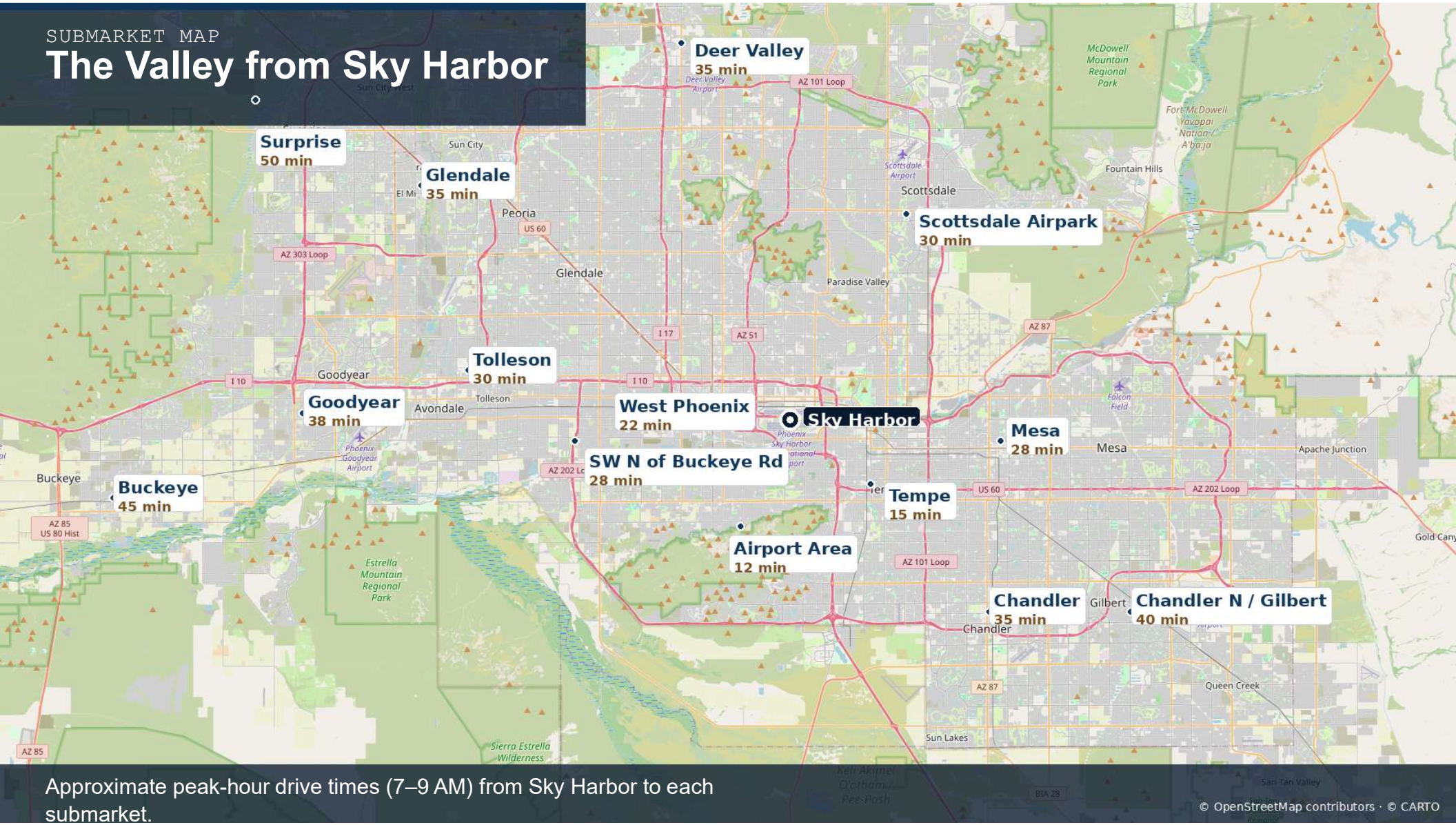
Large-format is nearly full — down from 14.6% a year ago

The vacancy lives in the middle of the market.

Note: 3Q26 total vacancy, CoStar basis (Kidder Mathews). The seven largest submarkets hold two-thirds of the metro's 470 MSF. Under-100K SF figure: Colliers, 4Q25.
Source: Kidder Mathews 3Q26; Cushman & Wakefield Q3 2026; Colliers Q4 2025

SUBMARKET MAP

The Valley from Sky Harbor



Approximate peak-hour drive times (7–9 AM) from Sky Harbor to each submarket.

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WHAT'S CHANGED

The 20-minute Valley is gone — so the HQ model changed

THE OLD MODEL — ONE BIG HUB

Before 2018: one HQ served the whole Valley

Anywhere in metro Phoenix was ~20 minutes from Sky Harbor
One big roof, one big payroll, one hub

Service companies covered the market from a single address

THE NEW MODEL — SATELLITES

The Valley outgrew the 20-minute drive

Companies shrink the HQ and open smaller satellites by city
Satellites follow the freeways and the residential growth

Labor is expensive — windshield time costs jobs completed

Smaller footprints, more jobs done, better margins

Note: A pattern our leasing desks see across the Valley: service companies trading one big hub for smaller, city-based satellites.

THE HEADWINDS

What's slowing the groundbreakings

01

Cost of capital

Higher-for-longer rates and exit-cap uncertainty underwrite every deal. Cap rates sit near 5.9% — better than last year, but nowhere near loose.

02

Justifying rents

In new submarkets there are no comps to support pro forma rents — and developers are asked to go first. Demand without evidence is a hard loan committee.

03

Cost to build

Materials, labor and land all cost more. Construction-input costs keep speculative starts below the 2022–24 peak — discipline, not weakness.

Note: The construction pipeline peaked at 60.9 MSF in mid-2023 and sits near 17 MSF today — not for lack of demand, but because the math got harder.
Source: Lee & Associates Q3 2026; Newmark 3Q26; Cushman & Wakefield Q3 2026

THE TWO-SPEED MARKET

What's leasing — and what's not

WHAT'S LEASING — CLASS A + HEAVY POWER

Class A: 62% of all leasing in 2026 — and the leader since 2019
Big-box is nearly full — 300K+ SF vacancy just 5.1%

Data centers and advanced manufacturing: near half of 2026's leased SF
Absorption is now capped by a shortage of 750K+ SF buildings

WHAT'S NOT — OLDER, FUNCTIONALLY OBSOLETE

Mid-box (100K–250K SF) still carries 19.7% vacancy

Southeast Valley: most vacant space, rents down 3.2% year over year
Older, low-clearance, poor-loading sites lease slowest

One metro, two rent worlds: $1.65 NE cluster vs $0.95 West Valley

WHAT DRIVES THE RENT

CLEAR HEIGHT
today's rack heights set the number

LOADING
dock doors and truck courts

PARKING
trailer stalls and car count

POWER
heavy power for manufacturing and AI

Note: The high rents are a product story, not a market story: Class A and heavy-power buildings capture the demand; older, functionally obsolete sites lease slowest.
Source: Newmark 3Q26; Colliers Q3 2026; Cushman & Wakefield Q3 2026; Colliers CRE Brief, Oct 2026

TRENDS

What we're seeing today

01 **RIGHT-SIZING**
Shrink the footprint, not the operation

02 **MULTIPLE LOCATIONS**
One big roof becomes satellites by city

03 **CLASS A + BIG BLOCKS**
Class A is 62% of 2026 leasing; 750K+ SF scarce

04 **POWER & COOLING**
Ample power and HVAC — now table stakes

05 **RENTS RESET**
The rent line has more than doubled since 2018

THE RENT LINE — 2018 TO TODAY

$0.57 → $1.18

PSF, monthly NNN — metro average asking rent

+105% — more than doubled

2010 → 2019: +37%
2019 → 2023: +71%
The boom compressed into four years.

Note: Five patterns our leasing desks see on every tour. Rent line: metro average asking, monthly NNN — 2018 baseline per C&W MarketBeat, today per Kidder Mathews 3Q26.
Source: Kidder Mathews 3Q26; C&W MarketBeat Q1 2019; Newmark 3Q26; Cushman & Wakefield Q3 2026

THE ONE THING WE ALL NAVIGATE

Power: a luxury — not a guarantee

THE SQUEEZE — POWER IS SCARCE

SRP: 24 data centers sought 7.2 GW — 3 survived the deadline
APS queue: ~19 GW of large users, no commitments

Proposed data center loads: ~29,000 MW — nearly triple today's demand
Utilities are the binding constraint, not capital or dirt

A LUXURY — NOT A GUARANTEE

Big blocks of power can — and will — be taken.

So how do you underwrite it?

If you can't add value for power — because it can be taken — what's the metric?

BEFORE YOU VALUE IT

Is it contracted?

For what term?

At what rate?

What if it's taken?

Note: Big blocks of power can and will be taken. Gear lead times of 42–52 weeks and ~10% utility reserves (vs. 15–16% targets) make delivery timelines real.
Source: Colliers CRE Brief, Apr 2026; Inside the Data Center; KJZZ, Oct 2026; AZ Big Media

THE CALL YOU MAKE

Ask what's behind the comp

ASK THE AGENT — WHAT'S BEHIND THE COMP?

Tenant-specific space?
Built for this user — or a standard box?

Is the SF unique?
Or replicable anywhere else?

Ample power?
Contracted — and how much?

HVAC throughout?
Or warehouse-only, cooled offices?

What's the loading?
Dock doors, drive-ins, truck courts

Clear height?
Rack storage drives the rate

Parking & trailers?
Car count and trailer stalls

What's inside the rent?
TI packages, free rent, concessions

THE TENANT INTERVIEW TELLS MORE THAN THE COMP

Ask what's driving the decision — not just what the rent was.

Labor and commutes. Power capacity. Occupancy cost. Speed to market. The occupant tells you what the comp can't.

Note: Keri's underwriting checklist — before a comp becomes gospel, call the agent and ask these questions. Then interview the tenant: it tells you more than the comp.

IN MY DEFENSE

Yes — I'm over my time.

They gave me 30 minutes. I treated it like a Class A tenant treats a face rate — I assumed there was room to negotiate. You try covering eight years of Phoenix industrial without bringing up the past.

I know, I know… you have questions.