

MARKET TRENDS | PHOENIX

INDUSTRIAL

4TH QUARTER
2020

▲ ABSORPTION | ▲ VACANCY | ▲ RENTAL RATE | ▲ CONSTRUCTION DELIVERIES

Year-over-year change

MARKET DRIVERS

NET ABSORPTION reached an all-time historic high in 2020 posting over 15M square feet at year end. The COVID-19 pandemic has accelerated e-commerce trends that have fueled demand for warehouse and distribution space in the Phoenix market.

THE MARKET hit a record level of new supply in 2020 with almost 18M square feet of completed construction and over 8M square feet still underway. Developers are highly attracted to the Phoenix industrial market because of relatively few development barriers, strong demand, and a thriving local economy.

AVERAGE ASKING RENTAL RATES soared to a record high of \$0.64/SF on a triple-net basis. Rent growth in Phoenix has recently outpaced the national average but despite the steady increase, the market maintains its position as an affordable market when compared to the nearby major regions in California.

INVESTOR CONFIDENCE held strong in the Phoenix market with sales volume reaching \$2.5B, a number only beat last year in 2019, which posted approximately \$2.9B in volume. Buyer competition has put an upward pressure on pricing as well, with sales prices averaging an all-time high of \$112/SF.

ECONOMIC REVIEW

According to the Arizona Labor of Statistics Office of Economic Opportunity, Phoenix metro's unemployment rate in November dropped 2 basis points month-over-month to 7.2%. Phoenix lost about 200,000 jobs in the start of the pandemic due to strict statewide stay-at-home orders, but the sharp job losses were temporary with about 80% of those job losses recovered.

Phoenix bounced back quicker than many other metro areas and has maintained its place among the best-performing markets for job growth. A recent study by EMSI placed the Phoenix Metro as the top ranked county in the nation

based on the ability to attract and retain quality workers and other economic-development factors.

NEAR-TERM OUTLOOK

The Phoenix Industrial market's performance in 2020 reflected the strength and consistent demand this market has shown cycle after cycle, even amid the pandemic. With the low cost of doing business, proximity to major regional markets, and favorable demographics, investors remain bullish and will continue to seek out the market for quality assets.

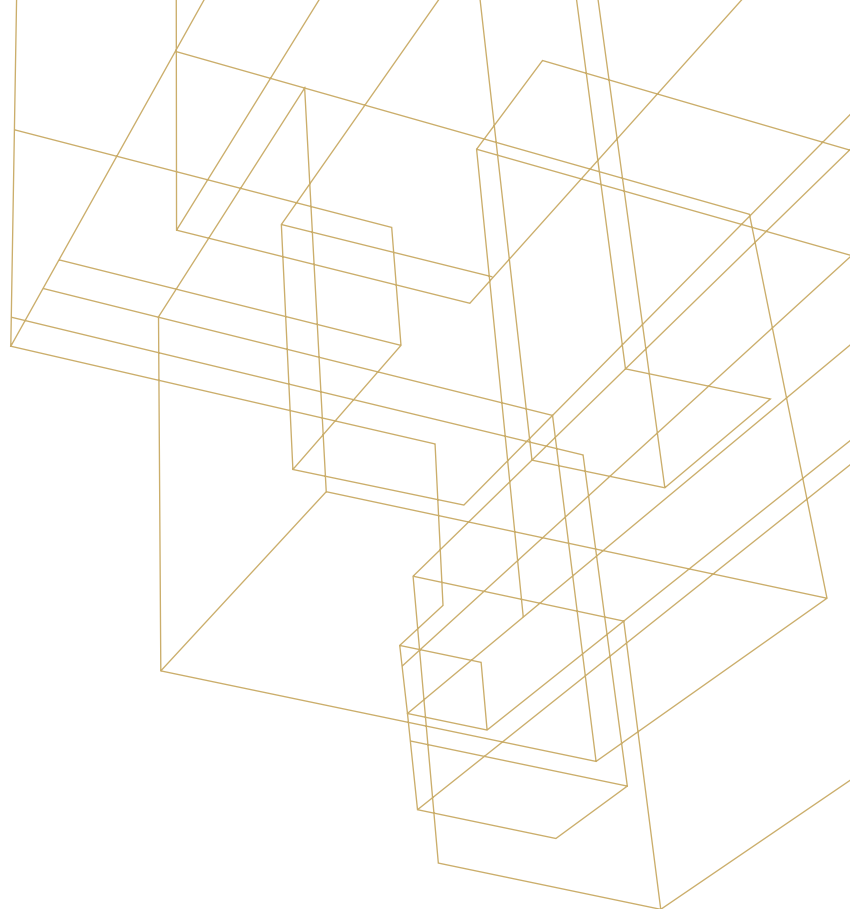
A rising demand for last-mile operators, due to the closures of brick-and-mortar retailers and social distancing guidelines, will most likely continue to increase space needs for this segment going forward. We expect that the increased patterns of online shopping and e-commerce may become the "new normal", which will maintain the demand for industrial space in the Phoenix market.

Market Breakdown

	2020	2019	2018	Annual % Change
Vacancy Rate	7.6%	7.5%	6.9%	1.33%
Availability Rate	9.2%	9.0%	9.3%	2.22%
Asking Lease Rate	\$0.64	\$0.59	\$0.56	8.47%
Lease Transactions	22,984,204	26,400,930	24,186,606	-12.94%
Sale Transactions	26,298,204	28,402,221	21,803,448	-7.41%
Direct Net Absorption	15,180,715	6,507,754	8,075,475	N/A

PHOENIX SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	4Q20 Direct Net Absorption	2020 Direct Net Absorption	SF Under Construction	2020 Construction Completions	4Q20 Total Leasing Activity	2020 Total Leasing Activity	Avg Rental Rate (NNN)
North Airport	12,474,595	6.2%	6.4%	256,726	257,610	0	471,400	86,400	742,629	\$0.77
South Airport North of Roeser	14,655,970	5.6%	6.5%	37,116	135,833	0	0	238,960	1,250,724	\$0.96
South Airport South of Roeser	4,238,168	4.1%	4.1%	10,518	(18,110)	0	0	114,496	347,225	\$0.54
SC North of Salt River	14,467,414	5.6%	5.6%	173,800	214,026	94,146	0	62,863	662,806	\$0.71
SC South of Salt River	2,303,110	9.7%	9.7%	0	(28,305)	0	0	76,402	83,749	\$0.60
Airport Area	48,139,257	5.8%	6.1%	478,160	562,054	94,146	471,400	579,121	3,087,133	\$0.80
Central Phoenix	3,492,622	3.6%	3.9%	(29,512)	(39,188)	0	0	9,358	168,939	\$0.77
Scottsdale Airpark	6,311,238	6.1%	6.1%	119,352	17,030	0	0	73,245	390,371	\$1.06
Scottsdale/Salt River	5,262,066	3.4%	3.4%	(21,841)	(23,467)	0	37,812	76,284	191,685	\$1.07
Northeast	15,065,926	4.6%	4.7%	67,999	(45,625)	0	37,812	158,887	750,995	\$1.00
Deer Valley/Pinnacle Park	16,855,039	4.3%	4.7%	432,856	736,413	159,200	423,210	187,507	834,997	\$0.84
Glendale	15,195,421	7.4%	8.6%	1,397,375	166,162	3,571,902	4,557,378	134,296	1,337,889	\$0.54
Grand Avenue	11,740,285	1.7%	1.7%	166,649	149,144	0	0	46,305	364,259	\$0.42
North Black Canyon	4,008,927	5.3%	5.3%	17,677	84,545	0	0	53,033	328,087	\$1.10
Surprise	3,863,454	5.8%	5.8%	(11,008)	(58,624)	0	36,000	22,293	221,041	\$0.78
West Phoenix North of Thomas Rd	7,025,728	5.2%	5.2%	(31,871)	(98,153)	0	0	91,177	411,202	\$0.50
West Phoenix South of Thomas Rd	6,454,550	2.7%	2.7%	757	36,062	0	0	56,319	272,431	\$0.59
Northwest	65,143,404	4.7%	5.0%	1,963,435	5,015,549	3,731,102	5,016,588	590,930	3,769,906	\$0.67
Pinal County	9,592,502	2.7%	2.7%	810,622	935,679	1,000,000	820,000	2,304	161,404	\$0.53
Pinal County	9,592,502	2.7%	2.7%	810,622	935,679	1,000,000	820,000	2,304	161,404	\$0.53
Chandler Airport	4,707,105	18.1%	18.1%	225,141	395,364	542,422	1,044,240	5,843	462,311	\$0.75
Chandler	22,051,391	6.3%	6.8%	126,792	160,104	0	0	374,269	962,787	\$0.79
Chandler North/Gilbert	21,659,687	9.8%	11.1%	192,453	321,350	639,999	1,369,113	319,444	2,005,725	\$0.72
Falcon Fld/Apache Junction	4,951,272	7.0%	7.8%	7,510	205,257	0	85,554	76,640	529,190	\$0.73
Mesa	6,455,237	2.7%	2.7%	30,957	83,733	0	0	33,494	353,664	\$0.41
Tempe East	5,707,109	3.4%	3.4%	47,839	258	0	0	35,019	202,842	\$0.77
Tempe Northwest	10,714,929	4.9%	5.1%	(55,076)	(73,838)	0	0	111,843	456,652	\$0.91
Tempe Southwest	20,740,398	8.1%	8.3%	(58,202)	195,204	0	117,673	398,558	1,873,928	\$0.71
Southeast	96,987,128	7.5%	8.0%	517,414	1,287,432	1,182,421	2,616,580	1,355,110	6,847,099	\$0.74
Goodyear	19,662,320	22.1%	22.1%	2,416,348	2,619,849	575,750	5,750,193	55,231	386,078	\$0.51
Southwest North of Buckeye Rd	33,489,501	7.5%	7.7%	(66,327)	(202,432)	0	581,783	1,052,860	2,261,471	\$0.46
Southwest South of Buckeye RD	18,647,767	3.9%	3.9%	384,281	1,546,300	168,312	368,930	417,266	1,329,498	\$0.58
Tolleson	42,020,554	9.4%	9.5%	1,023,690	3,462,909	1,616,974	2,329,942	320,087	4,390,778	\$0.46
Southwest	113,820,142	10.2%	10.2%	3,757,992	7,426,626	2,361,036	9,030,848	1,845,444	8,367,825	\$0.48
Manufacturing & Warehouse	210,494,690	5.7%	6.1%	6,607,390	10,284,921	5,451,686	10,655,998	2,814,172	14,351,678	\$0.61
General Industrial	104,856,743	9.9%	10.0%	798,353	5,012,747	2,917,019	7,183,681	1,304,626	7,039,305	\$0.52
Flex	31,666,389	10.1%	10.2%	139,102	(2123,583)	0	153,549	405,593	1,453,595	\$1.11
Phoenix Total	348,748,359	7.4%	7.6%	7,595,622	15,180,715	8,368,705	17,993,228	4,531,796	22,984,362	\$0.64



TOP SALE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Sale Price	Price/SF	Buyer	Seller
PayPal DC	Central Phoenix	168,136	\$122,000,000	\$725.60	Landmark Dividend, LLC	eBay, Inc.
3405 S McQueen Rd - Amazon	Chandler Airport	201,784	\$87,725,000	\$434.75	Lexington Realty Trust	Ryan Companies US, Inc.
7775 W Buckeye Rd	Tolleson	384,420	\$72,500,000	\$188.60	BlackRock Realty Advisors	CBRE Global Investors Ltd
202 West Logistics Center	SW S of Buckeye Road	554,000	\$61,000,000	\$110.11	Cohen Asset Management, Inc.	Trammell Crow Company
The HUB at Goodyear	Goodyear	793,862	\$59,087,185	\$74.43	Mack Real Estate Group	Walton Street Capital, LLC

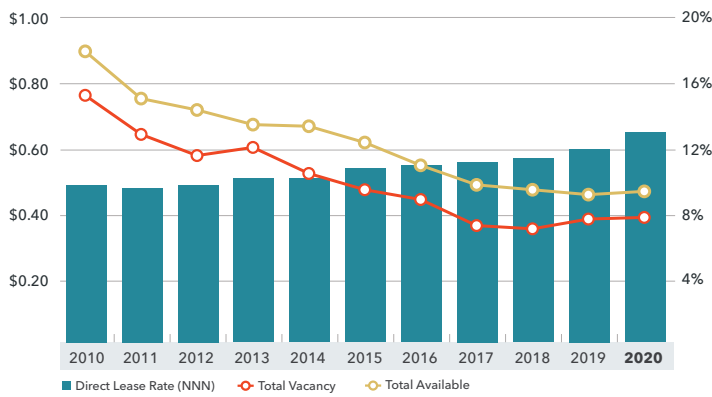
TOP LEASE TRANSACTIONS FOR 2020

Property	Submarket	Square Feet	Date	Landlord	Tenant
TEN	Tolleson	1,100,000	February 2020	Irwin G. Pasternack	Amazon
3350 N Cotton Lane	Glendale	643,798	June 2020	First Industrial Realty Trust, Inc.	MLILY
Liberty Logistics Center I	SW N of Buckeye Rd	593,600	November 2020	Prologis	The RealReal
The Landing 202	Chandler N/Gilbert	486,000	June 2020	Marwest Enterprises	Dexcom
1115 W Alameda Drive	Tempe Southwest	479,207	May 2020	Harrison Properties	Lucid Motors

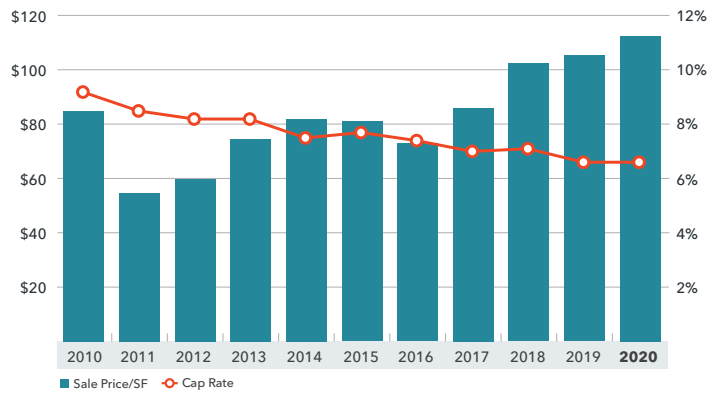
TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
Nikola	10480 S Vail Rd	Pinal County	1,000,000	Nikola Motor Company	November 2021
Park 303	Loop 303 & Glendale Ave - Bldg A	Glendale	705,304	Lincoln Property Company	January 2021
Amazon	NW Cotton Ln & Indian School Rd	Glendale	650,000	Amazon	April 2021
G303	6605 N Sarival Ave	Glendale	569,520	Hines	March 2021
Ball Corp	SEC W Peoria & Reems Rd	Glendale	530,000	Ball Corporation	May 2021

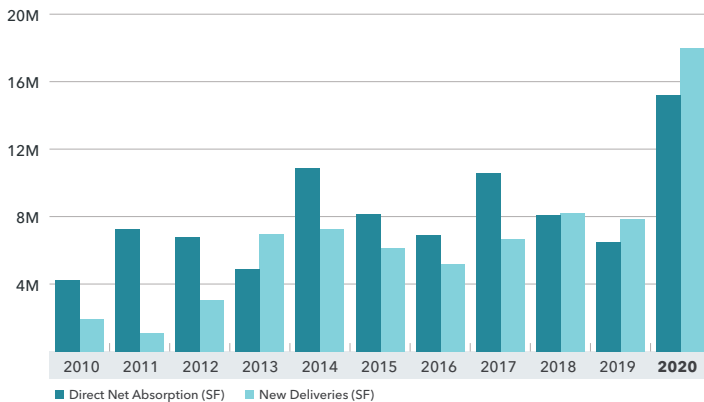
LEASE RATE, VACANCY & AVAILABILITY



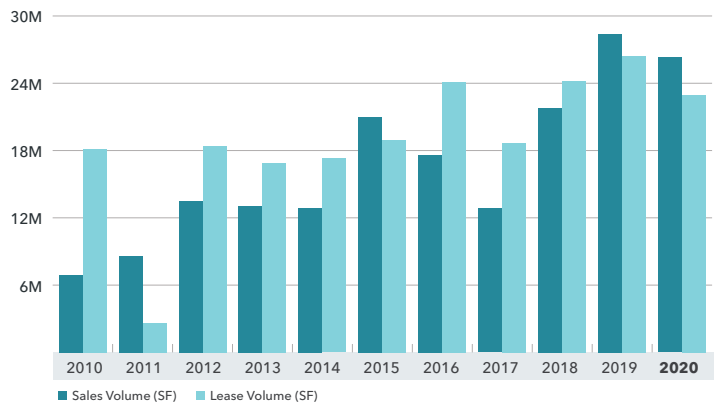
AVERAGE SALES PRICE/SF & CAP RATES



DIRECT NET ABSORPTION & NEW DELIVERIES



SALE VOLUME & LEASE VOLUME



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 21 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, property management, consulting, project and construction management, and debt equity finance services for all property types.

The information in this report was composed by the Kidder Mathews Research Group.

GARY BARAGONA
 Director of Research
 415.229.8925
gary.baragona@kidder.com

MARK READ
 Regional President, Brokerage
 Southern California & Southwest
 602.513.5200
mark.read@kidder.com
 LIC N° 00572743

KIDDER.COM

COMMERCIAL BROKERAGE

23M ANNUAL SALES SF
470+ NO. OF BROKERS
\$8B ANNUAL TRANSACTION VOLUME
42M ANNUAL LEASING SF

VALUATION ADVISORY

1,800+ APPRAISALS ANNUALLY
39/20 TOTAL NO. APPRAISERS/MAI'S

PROPERTY MANAGEMENT

70M+ MANAGEMENT PORTFOLIO SF
\$12B IN ASSETS UNDER MANAGEMENT

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.