

MARKET TRENDS | PHOENIX INDUSTRIAL

MARKET DRIVERS

THE PHOENIX INDUSTRIAL MARKET is firing on all cylinders, as record setting numbers were experienced across the board in the second quarter. Net absorption, rental rates and construction activity hit all-time highs and vacancies tightened to a historic low.

EVEN WITH THE RECORD SETTING 23.5M SF of construction underway, strong demand has maintained a vacancy rate well below the market's historical average. The rapid acceleration of e-commerce trends in the past year from the COVID-19 pandemic has fueled demand for warehouse and distribution space in the Phoenix market.

AVERAGE ASKING RENTAL RATES SOARED to a new market high of \$0.66/SF on a triple-net basis. Tight vacancies and increased demand have driven recent rent growth and Phoenix is currently among the top 15 markets for industrial rent growth. However, Phoenix still maintains its position as an affordable market when compared to the nearby major regions in California.

ECONOMIC OVERVIEW

A STRONG LOCAL ECONOMY has supported a thriving industrial market in Phoenix. The region lost fewer jobs (on a percentage basis) than any other large metropolitan area and maintains its place among the best-performing markets for job growth. The Phoenix economy has recovered at a relatively swift pace from the negative impacts of COVID-19, gaining back approximately 75% of the lost jobs from the previous year.

ACCORDING TO the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in May decreased 39 basis point year-over-year to 6.2%. This is compared to the state's rate of 6.7%.

Market Summary

	2Q21	1Q21	2Q20	Annual % Change
Vacancy Rate	5.8%	6.8%	7.7%	-14.71%
Total Availability Rate	9.9%	9.5%	9.3%	4.21%
Direct Asking Lease Rate	\$0.66	\$0.64	\$0.63	3.13%
Total Lease Transactions	6,228,729	6,209,167	5,375,179	0.32%
Sale Transactions	4,419,503	5,874,708	3,221,290	-24.77%
Direct Net Absorption	5,886,995	5,569,810	4,095,527	N/A

▲ **5.9M**
NET ABSORPTION (SF)

▼ **5.8%**
VACANCY RATE

▲ **\$0.66**
RENTAL RATE

▼ **3.68M**
NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

Market Highlights

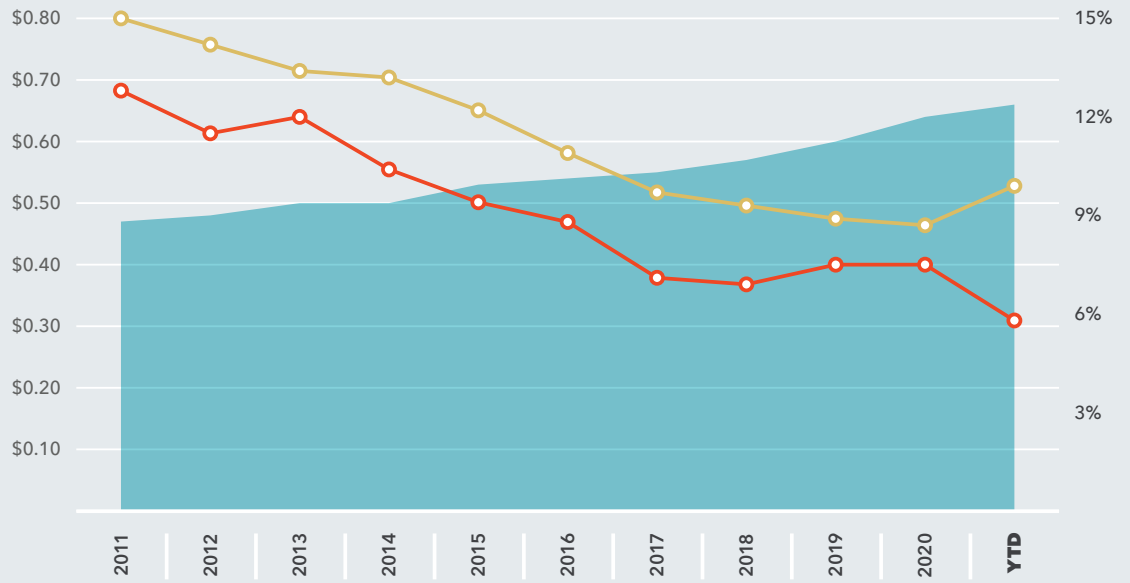
NET ABSORPTION reached a market high of 5.9M SF

CONSTRUCTION soared to an all-time high with approx. 23.5M SF currently underway

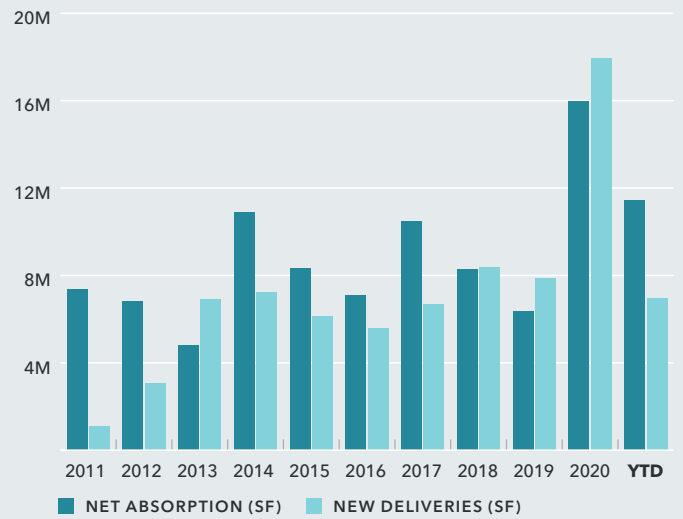
RENTAL RATES hit a new record high of \$0.66 PSF NNN

Lease Rate, Vacancy & Availability

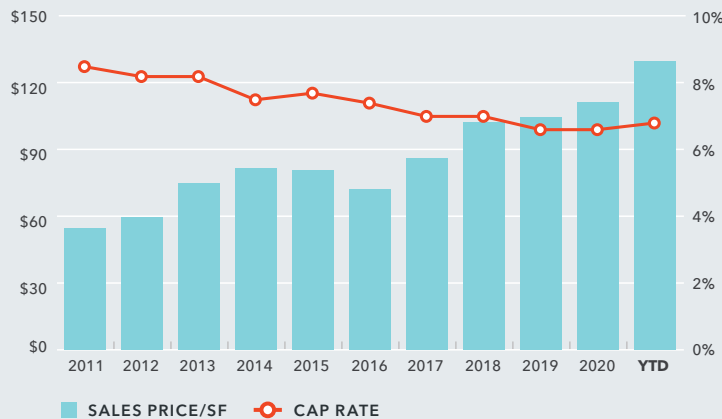
■ DIRECT LEASE RATE (NNN)
○ TOTAL VACANCY
○ TOTAL AVAILABILITY



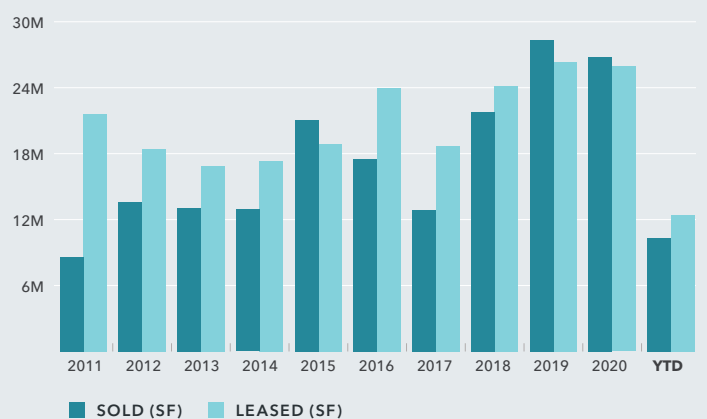
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	2Q Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	2Q Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	12,431,946	5.2%	5.2%	109,237	89,849	0	0	112,107	246,728	\$0.81
South Airport North of Roeser	14,476,915	3.6%	3.7%	(16,794)	30,315	0	0	130,002	365,640	\$0.93
South Airport South of Roeser	4,238,831	2.4%	2.4%	(25,060)	64,773	0	0	80,291	121,680	\$0.79
SC North of Salt River	14,661,043	5.9%	6.3%	(83,745)	52,886	182,801	0	253,756	562,779	\$0.74
SC South of Salt River	2,265,186	8.4%	8.4%	-	26,958	0	0	0	0	\$0.64
Airport Area	48,073,921	4.8%	5.0%	(16,362)	264,781	182,801	0	576,156	1,296,827	\$0.81
Central Phoenix	3,552,778	3.2%	3.2%	3,977	12,789	0	0	29,525	51,069	\$0.78
Scottsdale Airpark	6,319,314	4.5%	4.5%	99,564	92,547	0	0	82,849	137,564	\$1.02
Scottsdale/Salt River	5,295,313	0.3%	0.3%	41,926	156,344	0	0	14,357	69,718	\$1.09
Northeast	15,167,405	2.8%	2.8%	145,467	261,680	0	0	126,731	258,351	\$0.98
Deer Valley/Pinnacle Park	16,893,883	3.9%	4.2%	94,978	167,368	478,668	24,202	273,853	556,103	\$0.83
Glendale	19,425,980	9.4%	9.8%	1,280,417	2,986,496	10,456,473	3,856,878	48,814	626,264	\$0.52
Grand Avenue	11,840,446	2.7%	2.7%	29,273	(129,958)	0	0	110,544	289,376	\$0.41
North Black Canyon	4,008,927	1.9%	2.2%	78,845	104,756	0	0	115,717	202,283	\$0.79
Surprise	3,841,669	4.4%	4.4%	18,876	58,138	145,491	0	36,504	102,541	\$0.78
West Phoenix North of Thomas Road	7,030,310	3.1%	3.1%	(3,292)	142,998	0	0	67,009	124,101	\$0.54
West Phoenix South of Thomas Road	6,455,350	2.0%	2.0%	40,517	46,588	0	0	5,420	43,170	\$0.45
Northwest	69,496,565	4.9%	5.1%	1,539,614	3,376,386	11,080,632	3,881,080	657,861	1,943,838	\$0.60
Pinal County	10,017,198	0.5%	0.5%	26,846	208,309	1,000,000	0	26,902	64,014	\$0.49
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Chandler Airport	5,027,267	7.9%	8.1%	324,074	716,792	1,379,017	251,066	513,009	605,990	\$0.76
Chandler	22,081,616	4.7%	5.2%	17,575	379,909	1,145,210	0	345,790	770,976	\$0.76
Chandler North/Gilbert	22,384,167	7.2%	8.1%	292,176	1,116,978	2,258,239	695,684	688,432	1,408,135	\$0.73
Falcon Fld/Apache Junction	5,113,588	3.8%	3.8%	(35,686)	280,288	266,656	125,744	100,753	138,294	\$0.77
Mesa	6,452,538	3.2%	3.2%	(35,230)	(29,480)	0	0	64,675	126,226	\$0.52
Tempe East	5,896,009	2.5%	2.5%	103,381	96,616	0	60,000	62,962	150,214	\$0.99
Tempe Northwest	10,697,983	2.7%	3.1%	298,314	181,640	288,174	0	172,608	300,609	\$0.80
Tempe Southwest	20,974,996	5.0%	5.5%	80,980	504,096	0	0	519,341	963,588	\$0.72
Southeast	98,628,164	5.0%	5.5%	1,045,584	3,246,839	5,337,296	1,132,494	2,467,570	4,464,032	\$0.74
Goodyear	20,750,903	22.0%	22.0%	706,338	817,324	4,884,164	1,018,570	68,735	231,128	\$0.52
Southwest North of Buckeye Road	33,509,726	2.5%	2.5%	764,941	1,678,322	555,084	0	1,020,636	1,588,809	\$0.49
Southwest South of Buckeye Road	18,821,886	3.8%	3.9%	301,594	184,909	0	168,312	214,154	235,510	\$0.60
Tolleson	42,603,281	6.8%	6.8%	1,372,973	1,418,255	1,808,535	405,656	1,069,984	2,355,387	\$0.47
Southwest	115,685,796	7.8%	7.8%	3,145,846	4,098,810	7,247,783	1,592,538	2,373,509	4,410,834	\$0.50
Phoenix Total	357,069,049	5.6%	5.8%	5,886,995	11,456,805	24,848,512	6,606,112	6,228,729	12,437,896	\$0.66
Manufacturing & Warehouse	213,691,296	4.7%	4.9%	2,892,516	4,721,164	14,628,512	2,822,434	4,550,187	8,105,621	\$0.65
General Industrial	109,106,898	6.3%	6.4%	2,930,426	6,337,656	10,201,873	3,783,678	1,266,810	3,388,243	\$0.54
Flex	31,651,773	9.4%	9.8%	4,986	166,710	18,127	0	395,452	866,139	\$1.07

NEAR-TERM OUTLOOK

THE PHOENIX INDUSTRIAL MARKET is on track to outperform the previous year's record level performance. A strong local economy, coupled with robust demand, sets the way for a thriving second half of the year.

OCCUPIERS CONTINUE TO EXPAND their distribution channels to meet the rising demand of e-commerce

sales. Demand will stay strong for not only last-mile and e-commerce users, but also for data centers and manufacturing.

INVESTORS REMAIN CONFIDENT and will continue to seek out quality assets. Buyer competition among local buyers, as well as many out-of-state and institutional investors, has put an

upward pressure on sales pricing and is expected to further increase into the next few quarters.

DATA SOURCE: COSTAR, AZ OFFICE OF ECONOMIC OPPORTUNITY, AZ CENTRAL

TOP SALE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Square Feet	Sale Price	Price Per Square Foot	Buyer	Seller
Northern 101 Commerce Center	Glendale	388,019	\$44,000,000	\$113.40	CapRock Partners	LGE Design Build
91st Avenue Logistics Hub	Tolleson	417,600	\$35,500,000	\$85.01	Nearon Enterprises	CT Realty Investors
Allred Tech Center - Bldg 2	Chandler	132,744	\$19,500,000	\$146.90	Victor & Susan Schaff	Douglas Allred Company
Mountain Vista Commerce Center	Chandler	133,609	\$17,400,000	\$130.23	Westmount Realty Capital	Northstar Commercial Partners
Jefferson 83	Tolleson	127,185	\$17,400,000	\$136.81	Cohen Asset Management, Inc.	Eisenberg Company

TOP LEASE TRANSACTIONS FOR 2Q 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
Prologis Logistics Center IV	Tolleson	438,687	May 2021	Prologis, Inc.	HelloFresh
8711 W Jefferson St	Tolleson	224,874	Jun 2021	Majestic Realty Co.	Undisclosed
107 S 41st Ave	SW N of Buckeye Rd	220,162	Apr 2021	The Blackstone Group	Undisclosed
4550 W Watkins St	SW S of Buckeye Rd	181,760	May 2021	Cohen Asset Management, Inc.	OMCO Solar, Inc.
Power 202 Business Park	Chandler N/Gilbert	145,999	May 2021	Bird Dog Industrial	Rosendin Electric, Inc.

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
The Cubes Glendale - Bldg A	7723 N Reems Rd	Glendale	1,200,140	Bird Dog Industrial	Jan 2022
Sarival Logistics Center - Phase 1	NEC Loop 303/Bethany Home Rd	Glendale	1,155,404	WPT Industrial REIT	Dec 2021
Nikola	10480 S Vail Rd	Pinal County	1,000,000	Nikola Corporation	Nov 2021
First Park at PV 303	4580 N Pebble Creek Pky	Glendale	930,800	First Industrial Realty Trust, Inc.	Sep 2021
Cotton 303 Logistics Center	SEC of Cotton Lane & Glendale Ave	Glendale	915,160	The Pizzuti Companies	May 2022

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**Commercial
Brokerage**

\$8B
TRANSACTION
VOLUME (ANNUAL)

23M
SALES SF
(ANNUAL)

42M
LEASING SF
(ANNUAL)

**Valuation
Advisory**

1,800+
ASSIGNMENTS
ANNUALLY

40/19
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

70M
MANAGEMENT
PORTFOLIO SF

\$12B
IN ASSETS UNDER
MANAGEMENT

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