

MARKET TRENDS | PHOENIX
INDUSTRIAL
MARKET DRIVERS

THE PHOENIX INDUSTRIAL MARKET is on pace to set a record year, exceeding even last year's exceptional performance which was one of the best years on record for the region. Net absorption, rental rates and sales volume are all at historic highs and vacancies tightened to an all-time low.

A RECORD SETTING 29.2M SF of construction is currently underway, and many of these developments are speculative spaces. A significant spec development breaking ground in Q4 is CapRock West 202 Logistics, the largest spec project in the history of the city of Phoenix. The project will have two phases with the first phase anticipated to deliver by year end 2022 and will total 3.4M SF across eight buildings.

SALES VOLUME IN THE THIRD QUARTER REACHED an astounding new record at \$1.2B with almost 200 transactions. Likewise, the average price/SF hit an all-time high this quarter at \$143/SF. Investors and developers are highly confident in the Phoenix market, as the competitive advantage and growth drivers are stronger than ever.

ECONOMIC OVERVIEW

PHOENIX IS AMONG the best-performing markets for job growth. The region lost fewer jobs (on a percentage basis) than any other large metropolitan area and 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. Oxford Economics forecasts the market to recover all jobs lost during the pandemic by the end of the year.

ACCORDING TO the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in August decreased 24 basis point YOY to 4.2%. This is compared to the state's rate of 6.2% and national rate of 5.2%.

Market Summary

	3Q21	2Q21	3Q20	Annual % Change
Vacancy Rate	5.3%	6.1%	8.0%	-33.75%
Availability Rate	9.9%	9.6%	9.1%	8.79%
Direct Asking Lease Rate	\$0.68	\$0.66	\$0.63	7.94%
Lease Transactions	6,617,226	6,541,501	6,809,771	-2.83%
Sale Transactions	11,355,151	5,040,051	5,182,944	119.09%
Direct Net Absorption	6,117,092	6,040,856	2,725,282	N/A

▲ **6.1M**
NET ABSORPTION (SF)

▼ **5.3%**
VACANCY RATE

▲ **\$0.68**
RENTAL RATE

▲ **4.56M**
NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

**Market
Highlights**

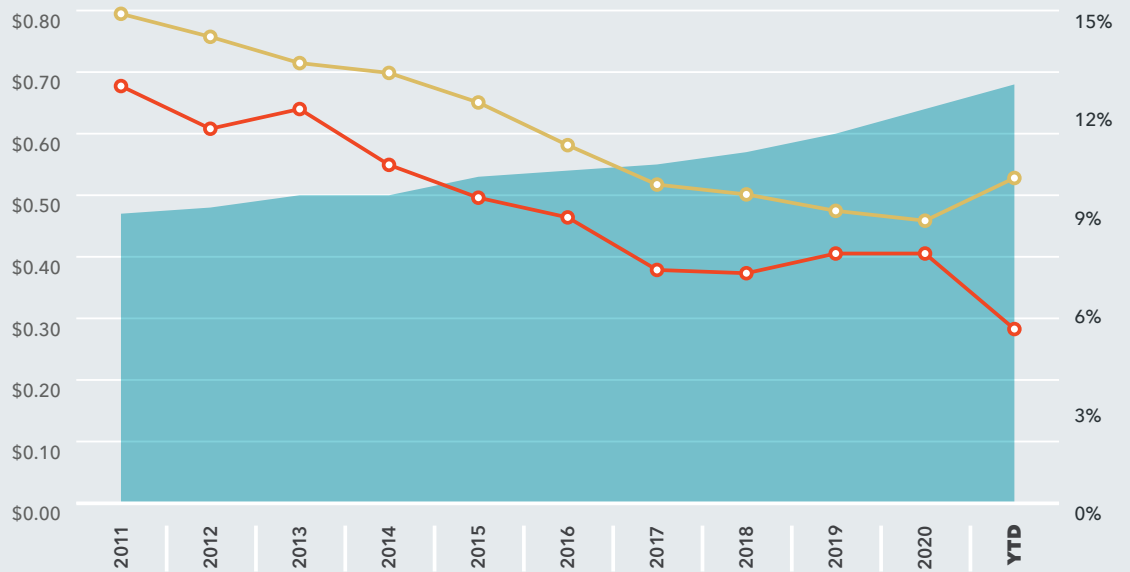
NET ABSORPTION reached a market high of 6.1M SF

CONSTRUCTION soared to an all-time high with over 29M SF currently underway

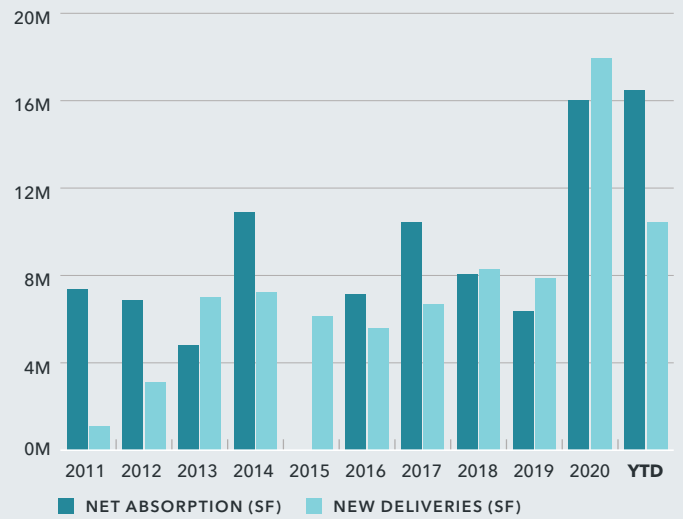
SALES VOLUME set a record high reaching \$1.2B

Lease Rate, Vacancy & Availability

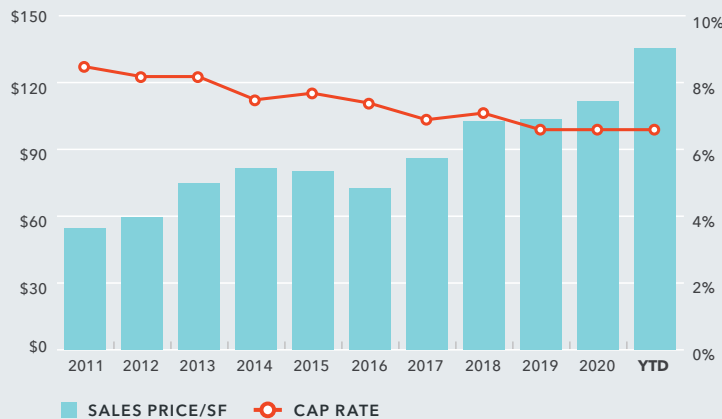
- DIRECT LEASE RATE (NNN)
- TOTAL VACANCY
- TOTAL AVAILABILITY



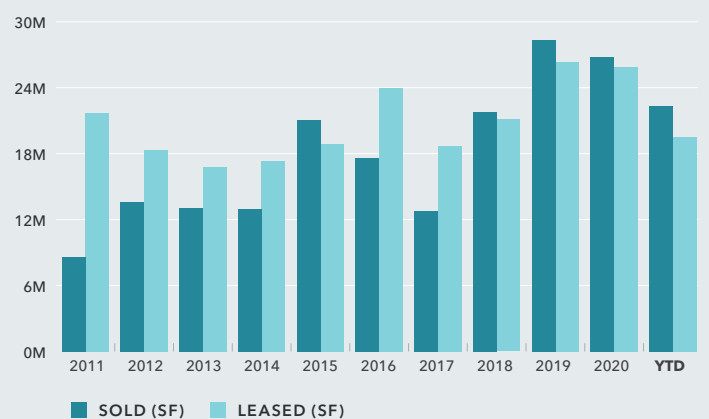
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	3Q Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	3Q Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	12,599,550	3.8%	3.9%	246,082	335,931	150,700	320,700	208,046	454,774	\$0.94
South Airport North of Roeser	14,458,020	3.8%	3.8%	(24,490)	5,825	-	-	174,024	549,514	\$1.06
South Airport South of Roeser	4,238,831	0.2%	0.2%	93,928	158,701	-	-	7,150	128,830	\$0.77
SC North of Salt River	14,568,715	4.6%	4.7%	191,666	254,321	94,146	-	372,078	934,857	\$0.77
SC South of Salt River	2,282,286	7.0%	7.0%	48,158	75,116	-	-	141,559	141,559	\$0.72
Airport Area	48,147,402	3.8%	3.9%	555,344	829,894	244,846	320,700	902,857	2,209,534	\$0.89
Central Phoenix	3,515,278	3.2%	3.8%	985	13,774	0	0	16,500	67,569	\$0.76
Scottsdale Airpark	6,307,696	4.6%	4.7%	(2,214)	86,317	0	0	58,770	205,814	\$1.05
Scottsdale/Salt River	5,304,661	0.4%	0.4%	(1,091)	155,253	0	37,812	27,429	99,078	\$1.13
Northeast	15,127,635	2.8%	3.0%	(2,320)	255,344	-	37,812	102,699	372,461	\$1.00
Deer Valley/Pinnacle Park	17,180,472	2.8%	2.9%	466,329	633,697	193,600	212,692	348,775	925,162	\$0.89
Glendale	20,168,655	12.9%	13.3%	1,696,096	4,086,860	4,654,321	2,814,059	1,342,331	1,968,595	\$0.52
Grand Avenue	11,857,581	1.6%	1.6%	135,409	5,451	0	0	22,058	267,670	\$0.40
North Black Canyon	4,009,455	1.5%	1.8%	14,318	119,074	0	0	57,228	259,511	\$0.81
Surprise	3,987,160	5.6%	5.6%	89,744	147,882	0	36,000	29,543	176,115	\$0.89
West Phoenix North of Thomas Road	7,046,109	2.1%	2.1%	66,916	209,914	0	0	35,399	159,500	\$0.75
West Phoenix South of Thomas Road	6,487,448	3.0%	3.0%	(67,741)	(21,153)	0	0	14,050	57,220	\$0.56
Northwest	70,736,880	5.5%	5.7%	2,401,071	5,181,725	4,847,921	3,062,751	1,849,384	3,813,773	\$0.62
Pinal County	10,090,353	0.7%	0.7%	36,320	190,674	1,820,000	0	0	64,014	\$0.46
Pinal County	10,090,353	0.7%	0.7%	36,320	190,674	1,820,000	-	-	64,014	\$0.46
Chandler Airport	5,142,151	6.8%	6.8%	233,758	963,129	452,850	842,456	354,772	1,018,932	\$0.80
Chandler	22,112,014	5.3%	5.3%	(153,089)	250,165	0	0	84,519	855,512	\$0.80
Chandler North/Gilbert	22,941,852	6.9%	7.1%	551,730	1,695,954	722,287	1,286,825	781,525	2,496,882	\$0.74
Falcon Fld/Apache Junction	5,062,424	2.6%	2.6%	61,365	341,653	0	85,554	40,128	200,366	\$0.75
Mesa	6,490,399	2.3%	2.7%	52,576	31,034	0	0	45,867	172,093	\$0.71
Tempe East	5,894,936	1.7%	1.7%	45,898	142,514	0	0	52,641	202,855	\$0.99
Tempe Northwest	10,624,464	2.3%	2.7%	39,589	222,329	0	0	142,914	450,959	\$0.80
Tempe Southwest	21,183,357	3.7%	4.2%	265,903	769,999	0	117,673	396,168	1,379,186	\$0.79
Southeast	99,451,597	4.5%	4.8%	1,097,730	4,416,777	1,175,137	2,332,508	1,898,534	6,776,785	\$0.78
Goodyear	21,777,650	20.0%	20.0%	1,207,161	2,028,761	3,189,162	1,628,140	732,928	1,001,354	\$0.51
Southwest North of Buckeye Road	33,515,154	1.9%	1.9%	222,227	1,900,549	104,444	477,342	464,170	2,052,908	\$0.55
Southwest South of Buckeye Road	18,802,386	4.2%	4.3%	(62,077)	103,332	168,312	368,930	77,374	312,884	\$0.49
Tolleson	42,565,641	5.2%	5.2%	661,636	2,104,467	0	2,735,598	589,280	2,950,200	\$0.49
Southwest	116,660,831	6.9%	6.9%	2,028,947	6,137,109	3,461,918	5,210,010	1,863,752	6,317,346	\$0.51
Phoenix Total	360,214,698	5.2%	5.3%	6,117,092	17,011,523	11,549,822	10,963,781	6,617,226	19,553,913	\$0.68
Manufacturing & Warehouse	214,986,088	4.1%	4.2%	2,341,333	7,066,058	7,427,191	5,203,766	3,081,582	11,389,473	\$0.66
General Industrial	110,376,407	6.2%	6.2%	3,181,087	8,363,807	4,122,631	5,606,466	2,909,705	6,305,799	\$0.55
Flex	31,624,265	9.6%	9.9%	18,487	190,950	0	153,549	508,358	1,428,073	\$1.07

NEAR-TERM OUTLOOK

INVESTORS ARE BULLISH ON PHOENIX and many out-of-state buyers are active in the market, representing roughly a quarter of the sales. 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 in the near future.

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

OCCUPIERS CONTINUE TO rapidly expand their distribution channels to meet the rising demand of

e-commerce sales. Tenants are expanding their footprints in Phoenix at an unprecedented pace. Demand will stay strong for not only last-mile and e-commerce users, but also for data centers and manufacturing.

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

TOP SALE TRANSACTIONS FOR 3Q 2021

Property	Submarket	Square Feet	Sale Price	Price Per Square Foot	Buyer	Seller
Walmart @ Park 303	Glendale	1,257,838	\$186,000,000	\$147.87	BentallGreenOak	Lincoln Property Company
Goodyear Logistics Center	Goodyear	901,700	\$103,214,650	\$114.47	American Realty Advisors	Nike, Inc.
Opus Goodyear Airport Industrial	Goodyear	450,000	\$56,000,000	\$124.44	CIM Group, LP	The Opus Group
Warner Business Center	Tempe Southwest	295,776	\$42,225,000	\$142.76	Kootenay Holdings, Ltd.	Voit Real Estate Services
303 Logistics	Glendale	349,663	\$36,200,000	\$103.53	Overton Moore Properties	W.M. Grace Development Co.

TOP LEASE TRANSACTIONS FOR 3Q 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
G303	Glendale	1,253,382	July 2021	Hines	Mlily
305 S Bullard Ave	Goodyear	603,346	July 2021	Mack Real Estate Group, LLC	UPS
Landing 3	Chandler N/Gilbert	249,998	August 2021	Marwest Enterprises	Undisclosed
670 S 91st Ave	Tolleson	232,553	September 2021	Nearon Enterprises	Gladiator Worldwide
Parc Germann	Chandler Airport	132,210	September 2021	TA Realty	AES Direct Express

TOP UNDER CONSTRUCTION

Property	Address	Submarket	Square Feet	Owner	Delivery Date
CapRock West 202 Logistics Park - Phase I	59th Ave & W Van Buren St	SW N of Buckeye Rd	2,500,000	CapRock Partners	December 2022
The Cubes Glendale - Bldg A	7723 N Reems Rd	Glendale	1,200,140	Bird Dog Industrial	January 2022
Sarival Logistics Center - Bldg A	Sarival and Bethany Home Rd	Glendale	1,153,000	WPT Industrial REIT	February 2022
Nikola	10480 S Vail Rd	Pinal County	1,000,000	Nikola Corporation	November 2021
Cotton 303 Logistics Center	SEC Cotton Ln & Glendale Ave	Glendale	915,160	The Pizzuti Companies	May 2022

DATA SOURCE: COSTAR

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, asset services, consulting, project and construction management, and debt equity finance services for all property types.

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Commercial
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\$8B
TRANSACTION

23M
SALES SF

42M
LEASING SF

Valuation
Advisory

1,800+
ASSIGNMENTS

39/20
TOTAL NO.

Asset
Services

70M
MANAGEMENT

\$12B
IN ASSETS UNDER

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