

MARKET TRENDS | PHOENIX INDUSTRIAL

MARKET DRIVERS

THE PHOENIX INDUSTRIAL MARKET set another record year, exceeding last year's performance which was the best year 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.

CONSTRUCTION ACTIVITY has surged in the past year with an astronomical record setting 35M square feet of developments currently underway. The market's inventory will expand by almost 10% in 2022 when a majority of the projects are set to deliver. Developers are highly attracted to the Phoenix industrial market because of relatively few development barriers, strong demand, and a thriving local economy.

INVESTORS AND DEVELOPERS are highly confident in the Phoenix market, as the competitive advantage and growth drivers are stronger than ever. As such, the sales volume in 2021 set a record reaching \$4.5B, which reflects the 2020 and 2019 sales volume combined. Buyer competition has put an upward pressure on pricing, with sales prices averaging an all-time high of \$144/SF.

ECONOMIC OVERVIEW

THE PHOENIX LOCAL has been one of the most resilient during the pandemic and is among the best-performing markets for job growth. Phoenix lost over 200,000 jobs in the start of the pandemic, but the sharp job losses were temporary. By September 2021, the market fully recovered those job losses and total employment surpassed the pre-pandemic level.

ACCORDING TO the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in November decreased 330 basis points YOY to a low 2.8%. This is compared to the state's rate of 4.7% and national rate of 4.2%.

Market Summary

	2021	2020	2019	Annual % Change
Vacancy Rate	5.1%	7.6%	7.6%	-32.89%
Availability Rate	9.9%	8.5%	9.0%	16.47%
Direct Asking Lease Rate	\$0.69	\$0.64	\$0.60	7.81%
Lease Transactions	28,533,161	25,875,037	26,308,506	10.27%
Sale Transactions	37,732,986	26,735,944	28,304,671	41.13%
Direct Net Absorption	21,785,570	16,036,050	6,258,883	N/A

▲ 21.8M
NET ABSORPTION (SF)

▼ 5.1%
VACANCY RATE

▲ \$0.69
RENTAL RATE

▲ 13.9M
NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

Market Highlights

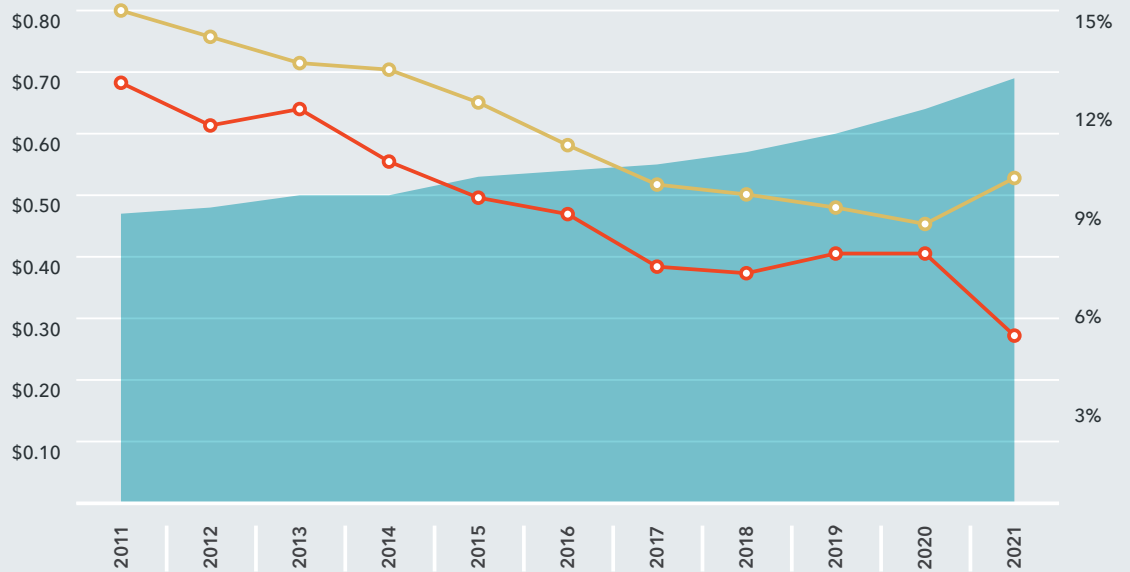
NET ABSORPTION reached a market high of 21.8M SF in 2021

CONSTRUCTION soared to an all-time high with 35M SF currently underway

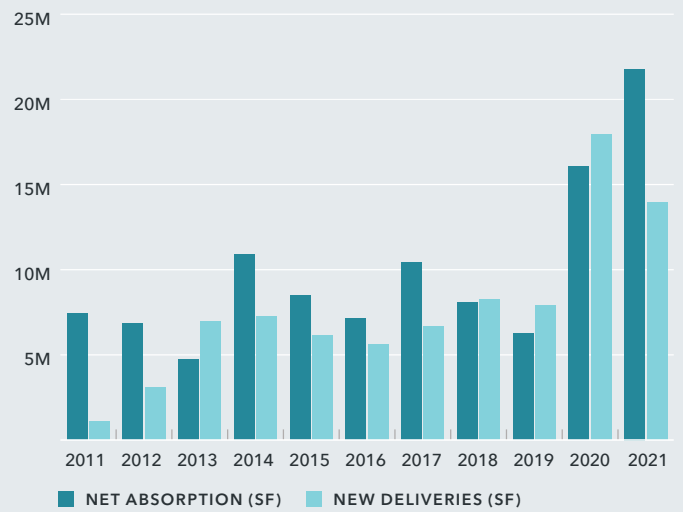
SALES VOLUME set a record high reaching \$4.5B

Lease Rate, Vacancy & Availability

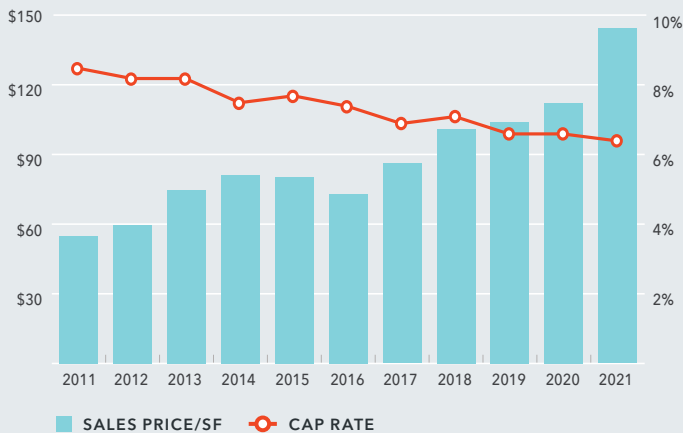
- DIRECT LEASE RATE (NNN)
- TOTAL VACANCY
- TOTAL AVAILABILITY



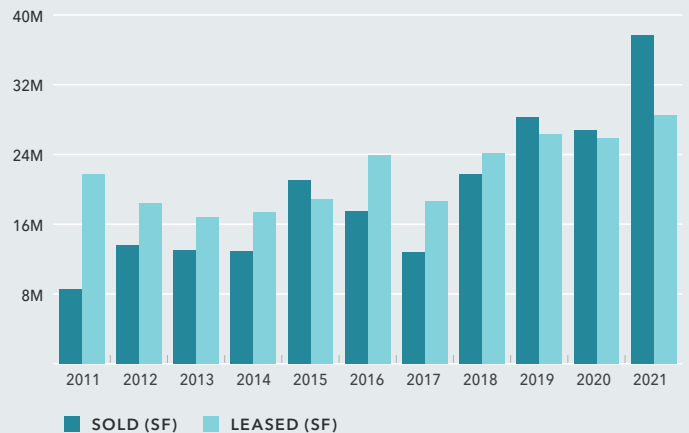
Net Absorption & New Deliveries



Average Sales Price/SF & Cap Rate



Sale Volume & Leasing Activity



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	4Q Direct Net Absorption	2021 Direct Net Absorption	SF Under Construction	2021 Construction Completions	4Q Leasing Activity	2021 Total Leasing Activity	Avg Direct Rental Rate (NNN)
North Airport	12,412,874	3.7%	3.9%	13,243	349,174	-	-	127,557	582,331	\$1.02
South Airport North of Roeser	14,362,551	3.6%	3.7%	12,829	95,890	-	-	240,650	774,137	\$1.08
South Airport South of Roeser	4,291,784	0.0%	0.0%	7,150	206,804	-	40,953	193,752	322,582	\$0.95
SC North of Salt River	14,555,332	4.5%	4.6%	13,965	268,286	383,185	-	336,028	1,270,885	\$0.73
SC South of Salt River	2,282,286	2.6%	2.6%	99,724	174,840	-	17,100	46,475	188,034	\$0.84
Airport Area	47,904,827	3.5%	3.7%	146,911	1,094,994	383,185	58,053	944,462	3,137,969	\$0.92
Central Phoenix	3,525,092	2.5%	2.5%	24,140	37,914	0	0	3,637	92,078	\$0.73
Scottsdale Airpark	6,280,359	3.8%	4.0%	55,173	143,018	0	0	70,657	287,041	\$1.05
Scottsdale/Salt River	5,304,661	0.5%	1.6%	(9,354)	145,899	0	0	14,401	113,479	\$1.16
Northeast	15,110,112	2.3%	2.8%	69,959	326,831	-	-	88,695	492,598	\$0.99
Deer Valley/Pinnacle Park	17,155,001	1.5%	1.9%	231,489	822,350	1,166,984	278,620	171,523	1,099,035	\$0.87
Glendale	22,235,802	9.7%	10.0%	2,468,205	6,015,065	11,500,381	6,648,914	2,095,404	4,194,473	\$0.50
Grand Avenue	11,917,175	1.4%	1.4%	13,948	25,472	736,843	0	266,735	535,905	\$0.41
North Black Canyon	4,064,250	1.1%	1.7%	13,901	132,975	0	0	60,830	451,425	\$0.82
Surprise	3,993,109	3.1%	3.1%	36,932	248,814	20,000	145,491	5,900	182,015	\$0.89
West Phoenix North of Thomas Road	7,026,723	1.2%	1.2%	66,417	276,331	0	0	64,742	224,242	\$0.83
West Phoenix South of Thomas Road	6,501,325	3.5%	3.5%	(28,172)	(49,325)	0	0	42,937	100,157	\$0.56
Northwest	72,893,385	4.2%	4.4%	2,802,720	7,471,682	13,424,208	7,073,025	2,708,071	6,787,252	\$0.58
Pinal County	10,069,743	0.9%	0.9%	(20,771)	172,245	1,000,000	0	1,872	65,886	\$0.75
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Chandler Airport	5,253,576	6.1%	6.1%	153,254	1,116,383	2,059,934	573,128	209,485	1,241,496	\$0.73
Chandler	22,122,176	4.4%	4.5%	198,799	456,939	1,480,210	15,000	84,861	839,776	\$0.80
Chandler North/Gilbert	23,328,246	5.5%	5.6%	584,755	2,362,532	4,110,161	1,617,635	395,709	2,916,433	\$0.77
Falcon Fld/Apache Junction	5,223,426	2.2%	2.2%	177,881	519,534	26,445	284,400	205,665	406,031	\$0.77
Mesa	6,489,808	1.8%	2.1%	35,157	66,191	0	0	24,827	196,920	\$0.71
Tempe East	5,876,718	1.3%	1.3%	25,288	164,581	0	60,000	22,823	224,377	\$0.98
Tempe Northwest	10,558,535	3.4%	3.4%	(104,601)	116,128	314,687	0	160,287	620,950	\$0.82
Tempe Southwest	21,132,254	3.8%	4.4%	(22,909)	745,840	0	0	497,662	1,906,913	\$0.84
Southeast	99,984,739	4.1%	4.2%	1,047,624	5,548,128	7,991,437	2,550,163	1,601,319	8,352,896	\$0.78
Goodyear	22,465,363	21.2%	21.2%	280,819	2,309,580	5,636,213	2,717,306	1,364,684	2,366,038	\$0.52
Southwest North of Buckeye Road	33,534,350	1.8%	2.0%	36,309	1,936,858	2,918,894	0	421,669	2,689,448	\$0.61
Southwest South of Buckeye Road	18,810,925	4.1%	4.2%	14,425	118,757	984,796	168,312	180,181	580,841	\$0.55
Tolleson	44,181,196	5.9%	6.1%	518,506	2,806,495	2,604,911	1,394,616	1,014,478	4,060,233	\$0.50
Southwest	118,991,834	7.3%	7.5%	850,059	7,171,690	12,144,814	4,280,234	2,981,012	9,696,560	\$0.53
Phoenix Total	364,954,640	4.9%	5.1%	4,896,502	21,785,570	34,943,644	13,961,475	8,325,431	28,533,161	\$0.69
Manufacturing & Warehouse	216,192,671	3.7%	3.8%	2,172,496	9,402,782	21,276,936	6,616,321	5,525,087	17,181,864	\$0.68
General Industrial	113,037,766	6.2%	6.3%	2,334,617	10,818,707	11,166,708	7,327,027	2,550,601	9,251,120	\$0.55
Flex	30,339,098	7.4%	8.1%	245,066	451,437	0	18,127	228,173	1,649,879	\$1.08

NEAR-TERM OUTLOOK

THE PHOENIX INDUSTRIAL market's performance in 2021 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.

TENANTS are expanding their footprints in Phoenix at a breakneck pace. The market has set records for demand over the last couple years and it is expected to increase into the next year, especially for last-mile and e-commerce tenants as well as data centers and manufacturers. The Valley's rapidly growing consumer

base and trends accelerated by the pandemic have bolstered the need for industrial space.

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

TOP SALE TRANSACTIONS FOR 2021

Property	Submarket	Square Feet	Sale Price	Price/ SF	Buyer	Seller
Walmart @ Park 303	Glendale	1,257,838	\$186,000,000	\$147.87	BentallGreenOak	Lincoln Property Company
Logic Park 91	Tolleson	728,390	\$135,888,337	\$186.56	Pauls Corporation	Marwest Enterprises
Fairway 10	Goodyear	720,317	\$126,750,000	\$175.96	CPUS Fairway, LP	Westcore Properties
Goodyear Logistics Center	Goodyear	901,700	\$103,214,650	\$114.47	American Realty Advisors	NIKE, Inc.
Southeast Phoenix Distribution Center	Chandler	473,516	\$91,000,000	\$192.18	Jones Lang LaSalle Income Property Trust	McShane Development Co.

TOP LEASE TRANSACTIONS FOR 2021

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
The Cubes Glendale	Glendale	1,200,140	November 2021	Bird Dog Industrial	Williams Sonoma
10 West Commerce Park	Goodyear	862,602	October 2021	Creation RE, LLC	Funko
First Park at PV 303	Glendale	802,439	November 2021	First Industrial Realty Trust, Inc.	Best Buy
Tolleson Corporate Park	Tolleson	750,000	February 2021	CBRE Investment Management	Gatorade
G303	Glendale	683,862	July 2021	Hines	MLILY

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 22
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	January 2022
Cotton 303 Logistics Center	SEC Cotton Ln & Glendale Ave	Glendale	915,160	The Pizzuti Companies	May 2022

DATA SOURCE: COSTAR

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**Commercial
Brokerage**

\$8B
TRANSACTION

23M
SALES SF

42M
LEASING SF

**Valuation
Advisory**

1,800+
ASSIGNMENTS

45/23
TOTAL NO.

**Asset
Services**

64M
MANAGEMENT

\$11B
IN ASSETS UNDER

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