

MARKET TRENDS | PHOENIX INDUSTRIAL

MARKET DRIVERS

A RECORD 36M SF of new industrial space is expected to deliver by year end across the Phoenix market, a staggering volume this market has never experienced. The concentration of the new supply is being developed in the Southwest Valley, specifically Glendale, due to the proximity to California and relative affordability. The Phoenix metro now ranks second in the nation for industrial construction activity, just behind Dallas.

AVERAGE ASKING RENTAL RATES TOPPED the record rate from last quarter, posting at a new all-time high of \$0.73/SF on a triple-net basis. Availability rates have dropped to its lowest on record at 8.1%, reflecting the insatiable demand from industrial tenants in the market. Businesses are highly attracted to the Phoenix market due to the accelerating population growth, affordability, and robust labor pool.

INVESTORS ARE BULLISH on the Phoenix industrial market and strong buyer competition has driven sales prices to an all-time high of \$171/SF in Q2. The buyer pool has deepened in the local market, especially with California-based investors that seek affordability and value when compared to their own state. The top sale in Q2 at 10 West Commerce Park in Goodyear was one of the highest total prices on record for an industrial property in the region.

ECONOMIC OVERVIEW

ACCORDING TO the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in May decreased 200 basis points YOY to a 20-year record low of 2.9%. This is compared to the state's rate of 3.2% and national rate of 3.6%.

THE PHOENIX LOCAL ECONOMY remains among the best-performing markets for job growth and was recently ranked 4th in the nation for best performing metro. Additionally, the market has welcomed many new residents into the labor force. From July 2020 to July 2021, Phoenix reported the largest numeric change in its population compared to other U.S. cities with 50,000 people or more, adding 13,224 new residents

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Market Summary

	2Q22	1Q22	2Q21	Annual % Change
Vacancy Rate	4.6%	4.7%	6.2%	-25.81%
Availability Rate	8.1%	8.8%	9.1%	-10.99%
Direct Asking Lease Rate	\$0.78	\$0.73	\$0.66	18.18%
Lease Transactions	6,428,349	11,041,003	8,851,683	-27.38%
Sale Transactions	6,455,046	5,135,676	4,992,817	29.29%
Direct Net Absorption	5,843,005	7,106,459	5,984,248	N/A

▲ **5.8M**
NET ABSORPTION (SF)

▼ **4.6%**
VACANCY RATE

▲ **\$0.78**
RENTAL RATE

▲ **5.1M**
NEW DELIVERIES (SF)

YEAR-OVER-YEAR CHANGE

Market Highlights

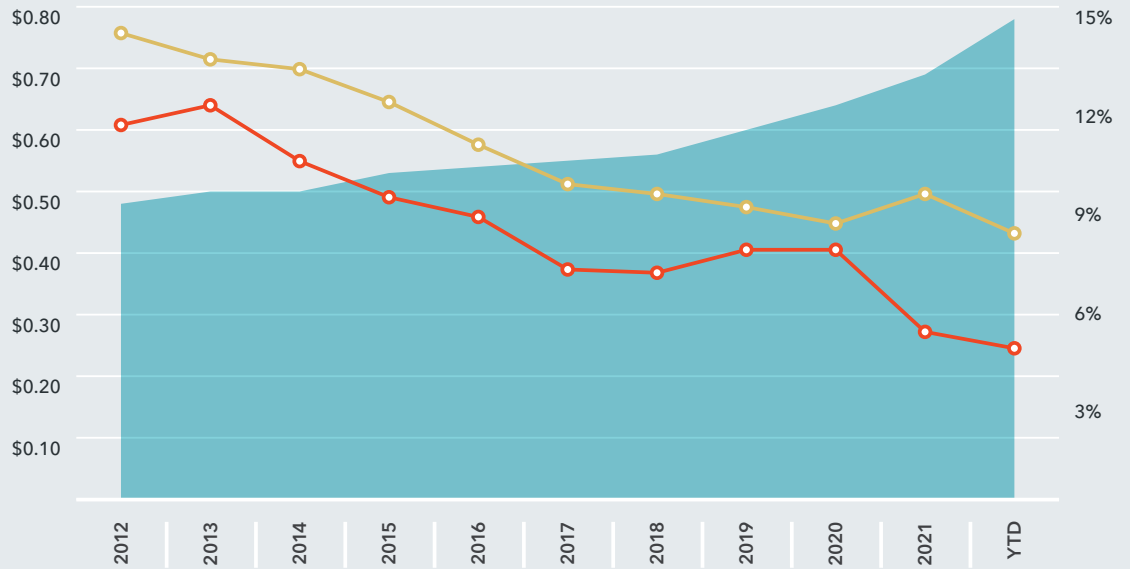
AVG SALE PRICES soared to a record high of \$171/SF

CONSTRUCTION LEVELS hover at record number of 35.6M SF

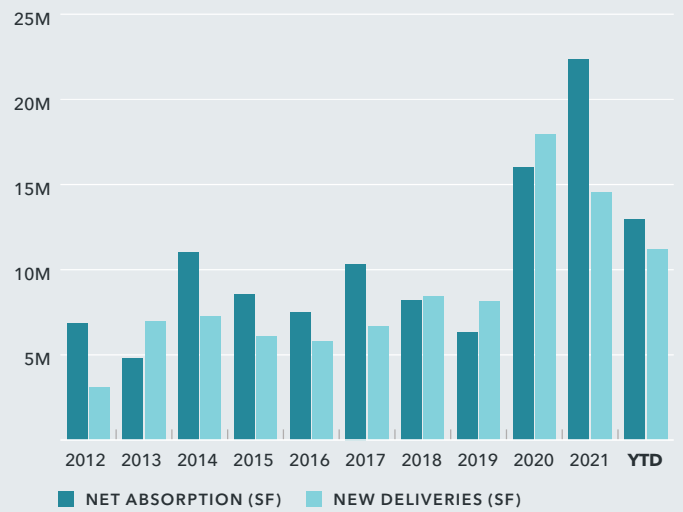
RENTAL RATES hit an all-time high at \$0.78 PSF NNN

Lease Rate, Vacancy & Availability

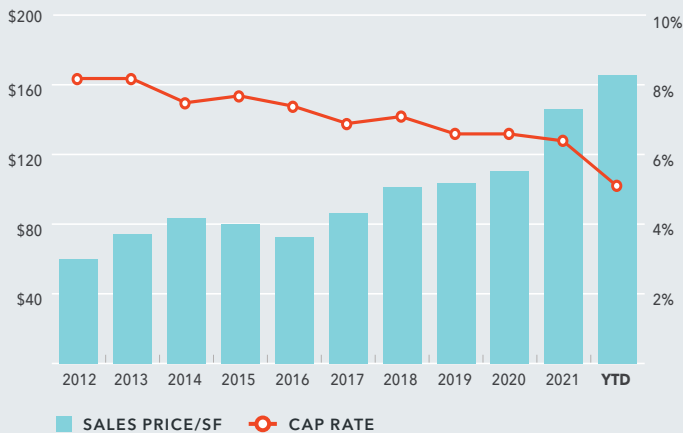
■ DIRECT LEASE RATE (NNN)
○ TOTAL VACANCY
○ TOTAL AVAILABILITY



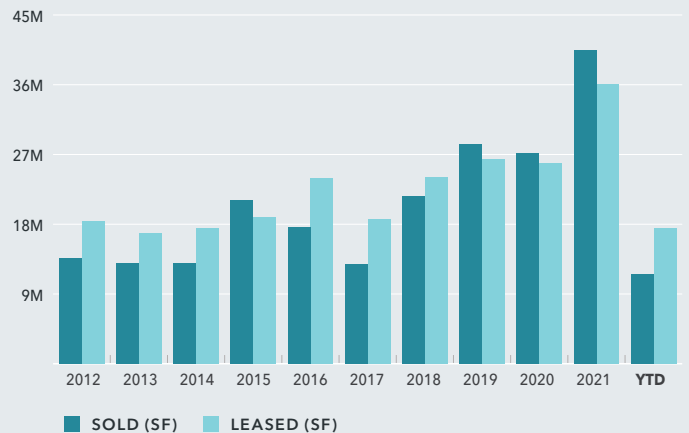
Net Absorption & New Deliveries



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 Leasing Activity	YTD Total Leasing Activity	Avg Direct Rental Rate (NNN)
North Airport	12,528,165	3.2%	3.2%	26,636	89,849	194,526	0	132,008	246,728	\$1.11
South Airport North of Roeser	14,135,244	2.6%	3.1%	(55,536)	30,315	0	0	55,281	365,640	\$1.06
South Airport South of Roeser	4,288,687	0.4%	0.4%	11,046	64,773	0	0	27,046	121,680	\$1.25
SC North of Salt River	14,476,616	2.2%	3.0%	104,128	52,886	113,555	94,146	211,237	562,779	\$0.75
SC South of Salt River	2,275,835	0.0%	0.0%	72,284	26,958	0	0	0	0	\$0.84
Airport Area	47,704,547	2.3%	2.7%	158,558	264,781	308,081	94,146	425,572	1,296,827	\$0.96
Central Phoenix	3,355,947	3.6%	4.6%	(10,386)	12,789	0	0	5,628	51,069	\$1.04
Scottsdale Airpark	6,402,487	3.0%	3.3%	(60,239)	92,547	0	0	54,210	137,564	\$1.18
Scottsdale/Salt River	5,396,455	1.6%	3.6%	15,722	156,344	0	0	34,280	69,718	\$1.35
Northeast	15,154,889	2.6%	3.7%	(54,903)	261,680	0	0	94,118	258,351	\$1.20
Deer Valley/Pinnacle Park	17,277,609	3.3%	3.3%	(145,359)	167,368	1,516,866	57,508	389,553	556,103	\$1.07
Glendale	24,786,820	17.4%	17.7%	100,064	2,986,496	12,976,814	2,558,093	2,381,990	626,264	\$0.56
Grand Avenue	11,846,382	1.8%	1.8%	52,195	(129,958)	736,843	0	146,511	289,376	\$0.35
North Black Canyon	4,028,911	2.3%	2.3%	60,010	104,756	0	0	17,716	202,283	\$0.90
Surprise	4,253,705	2.6%	2.6%	295,215	58,138	20,000	266,800	77,443	102,541	\$0.88
West Phoenix North of Thomas Road	7,038,741	3.4%	3.8%	39,581	142,998	0	0	56,646	124,101	\$1.17
West Phoenix South of Thomas Road	6,514,432	2.5%	2.5%	(12,780)	46,588	0	0	23,897	43,170	\$0.67
Northwest	75,746,600	7.5%	7.7%	388,926	3,376,386	15,250,523	2,882,401	3,093,756	1,943,838	\$0.74
Pinal County	10,135,027	0.7%	0.7%	19,747	208,309	1,000,000	0	9,694	64,014	\$0.84
Pinal County	10,135,027	0.7%	0.7%	19,747	208,309	1,000,000	0	9,694	64,014	\$0.84
Chandler Airport	6,287,007	9.0%	9.0%	3,880	716,792	1,343,888	574,729	299,563	605,990	\$0.80
Chandler	23,904,002	6.1%	6.1%	481,713	379,909	502,137	1,002,073	91,308	770,976	\$0.81
Chandler North/Gilbert	25,086,904	4.3%	4.4%	1,125,886	1,116,978	5,653,637	1,978,528	283,757	1,408,135	\$0.84
Falcon Fld/Apache Junction	5,429,689	0.7%	0.7%	166,987	280,288	26,445	197,150	15,927	138,294	\$0.87
Mesa	6,487,850	1.8%	2.1%	(3,409)	(29,480)	0	0	56,163	126,226	\$0.72
Tempe East	5,980,298	1.1%	1.1%	(18,163)	96,616	0	0	49,537	150,214	\$1.12
Tempe Northwest	10,648,055	2.5%	2.5%	107,832	181,640	545,000	89,087	152,889	300,609	\$0.79
Tempe Southwest	21,159,815	3.1%	3.8%	177,119	504,096	0	0	358,909	963,588	\$0.95
Southeast	104,983,620	4.0%	4.2%	2,041,845	3,246,839	8,071,107	3,841,567	1,308,053	4,464,032	\$0.85
Goodyear	25,205,105	11.1%	12.0%	1,070,608	817,324	4,372,390	2,547,705	811,156	231,128	\$0.58
Southwest North of Buckeye Road	33,468,604	1.2%	1.2%	88,718	1,678,322	4,676,392	587,692	261,542	1,588,809	\$0.69
Southwest South of Buckeye Road	19,324,639	1.5%	1.5%	508,379	184,909	0	0	39,917	235,510	\$0.60
Tolleson	44,910,563	2.5%	2.9%	1,621,127	1,418,255	1,950,073	1,237,500	384,541	2,355,387	\$0.52
Southwest	122,908,911	3.8%	4.1%	3,288,832	4,098,810	10,998,855	4,372,897	1,497,156	4,410,834	\$0.57
Phoenix Total	376,633,594	4.3%	4.6%	5,843,005	11,456,805	35,628,566	11,191,011	6,428,349	\$0.78	
Manufacturing & Warehouse	222,021,148	3.7%	4.0%	2,687,589	4,721,164	25,206,565	7,670,370	2,282,185	8,105,621	\$0.77
General Industrial	116,423,109	4.0%	4.1%	1,872,984	6,337,656	10,422,001	3,520,641	3,406,394	3,388,243	\$0.63
Flex	31,047,438	7.5%	8.4%	(51,521)	166,710	0	0	480,035	866,139	\$1.12

NEAR-TERM OUTLOOK

THE PHOENIX INDUSTRIAL MARKET'S record level performance in the first half of 2022 will continue to fire on all cylinders into the second half of the year. A strong labor market, coupled with well-positioned access to major highways, has driven tremendous demand to the industrial market, thus, it is expected to remain one of the top markets in the nation for last-mile

and e-commerce users, data center operators, and manufacturers alike.

OCCUPIERS CONTINUE to rapidly expand their distribution channels to meet the ongoing 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, AZ BIG MEDIA

TOP SALE TRANSACTIONS FOR 2Q 2022

Property	Submarket	Square Feet	Sale Price	Price/ SF	Buyer	Seller
10 West Commerce Park	Goodyear	862,622	\$128,650,000	\$149.14	Cohen Asset Management, Inc. / Intercontinental Real Estate Corp.	LGE Design Build
Lotus Project Phase II	Chandler	245,232	\$62,384,280	\$254.39	LaSalle Investment Management	Conor Commercial Real Estate
Pecos Commerce Center	Chandler N/Gilbert	222,457	\$60,250,000	\$270.84	Investcorp	Wilson Property Services, Inc.
Freeway Logistics Center	S Airport N of Roeser	230,385	\$60,000,000	\$260.43	CBRE Investment Management	Cohen Asset Management, Inc.
Merit PLC One	Tolleson	268,872	\$59,360,000	\$220.77	LXP Industrial Trust	Merit Partners, Inc.

TOP LEASE TRANSACTIONS FOR 2Q 2022

Property	Submarket	Square Feet	Transaction Date	Landlord	Tenant
303 Crossroads	Glendale	1,023,610	June 2022	Cresset	Puma
6390 N Alsup Ave	Glendale	542,975	May 2022	Cabot Properties, Inc.	Undisclosed
2250 S Litchfield Rd	Goodyear	450,619	April 2022	CIM Group, LP	NPSG Global
Gateway 303 - Bldg A	Glendale	362,603	May 2022	MDH Partners, LLC	Winsupply
Latitude 303 Logistics - Bldg A	Glendale	355,000	May 2022	Westmac 303 Property, LLC	Lennox

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	2,661,122	CapRock Partners	April 2023
The Cubes at Mesa Gateway	SE Crismon Rd & Pecos Rd	Chandler N/Gilbert	1,200,000	CRG	July 2022
Sarival Logistics Center - Bldg A	Sarival and Bethany Home Rd	Glendale	1,153,000	WPT Industrial REIT	December 2022
The Cubes at Glendale - Bldg E	SEC Reems Rd & W Northern Ave	Glendale	1,140,160	CRG	December 2022
303 Crossroads - Bldg A	W Olive Ave & Sarival Ave	Glendale	1,023,610	Cresset	November 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.

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

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**Commercial
Brokerage**

\$10.9B
TRANSACTION
VOLUME (ANNUAL)

49.7M **43.7M**
SALES SF
(ANNUAL) LEASING SF
(ANNUAL)

**Valuation
Advisory**

2,600+
ASSIGNMENTS
ANNUALLY

46/24
TOTAL NO.
APPRAISERS/MAI'S

**Asset
Services**

62M
MANAGEMENT
PORTFOLIO SF

\$11B
IN ASSETS UNDER
MANAGEMENT

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