

MARKET TRENDS

PHOENIX INDUSTRIAL

MARKET DRIVERS

AN UNPRECEDENTED all-time high of 26M SF delivered in 2022, expanding the market's inventory by almost 10%. The Phoenix metro ranks among the top five markets in the nation for industrial construction activity, with a massive 45M SF currently underway.

TAIWAN SEMICONDUCTOR Manufacturing Company (TSMC) invested \$12B in North Phoenix when it committed to its first chip plant opening in 2024, and recently announced an additional \$28B of investment in Arizona, increasing the total investment to \$40B. This is the largest foreign direct investment in Arizona and one of the largest in the nation's history.

INVESTORS AND DEVELOPERS continue to be highly confident in the Phoenix market, as the competitive advantage and growth drivers are stronger than ever. Buyer competition has put an upward pressure on pricing, with sales prices averaging an all-time high of \$171/SF, up more than 50% from pre-COVID levels but still affordable when compared to the nearby West Coast markets.

ECONOMIC REVIEW

ACCORDING TO the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in November increased 20 basis points YOY to 3%. This is compared to the state's adjusted rate of 4.1% and national rate of 3.7%.

THE AFFORDABILITY and diverse job prospects in the Valley have attracted many living in more dense and expensive cities in comparison. The labor market remains strong, although job growth is expected to decelerate in the coming year while population growth will continue to be one of the top in the nation.

NEAR-TERM OUTLOOK

THE PHOENIX INDUSTRIAL market's performance in 2022 reflected the strength and consistent demand this market has shown cycle after cycle. 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.

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Market Summary

	4Q22	3Q22	4Q21	Annual Change
Vacancy Rate	5.1%	4.6%	5.0%	2.00%
Availability Rate	12.6%	11.6%	10.0%	26.01%
Asking Lease Rate	\$0.94	\$0.86	\$0.70	34.29%
Leasing Transactions	7,034,937	5,736,563	11,772,649	-40.24%
Sale Transactions	3,334,967	6,953,517	19,868,960	-83.22%
Direct Net Absorption	6,523,322	4,733,353	5,300,173	N/A

↓ **7.0M SF**
LEASING ACTIVITY

↑ **6.5M SF**
NET ABSORPTION

↑ **5.1%**
VACANCY RATE

↑ **\$0.94**
ASKING RENT (AVG)

↑ **9.0M SF**
NEW DELIVERIES

Year-Over-Year Trend

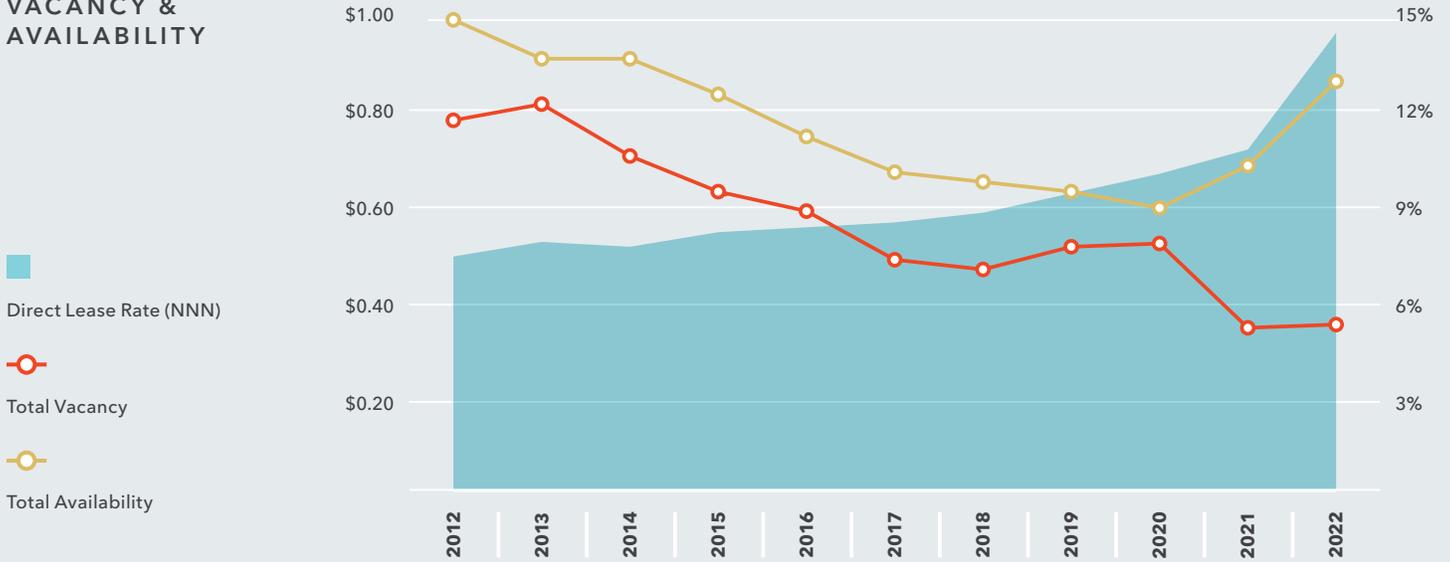
Market Highlights

NEW DELIVERIES reached a historic high of 8.96M SF in 4Q

RENTAL RATES soared to a record high rate of \$0.96 PSF NNN

AVERAGE PRICES peaked in 4Q at \$174/SF

LEASE RATE, VACANCY & AVAILABILITY

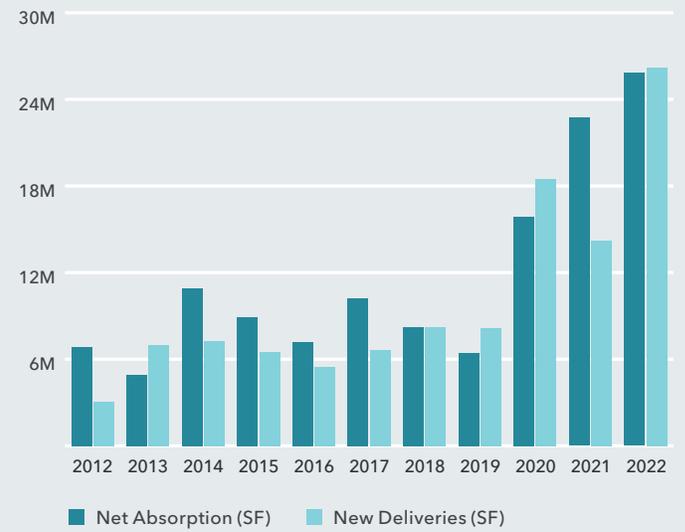


BIGGEST SALE OF THE QUARTER

Central Logistics Center



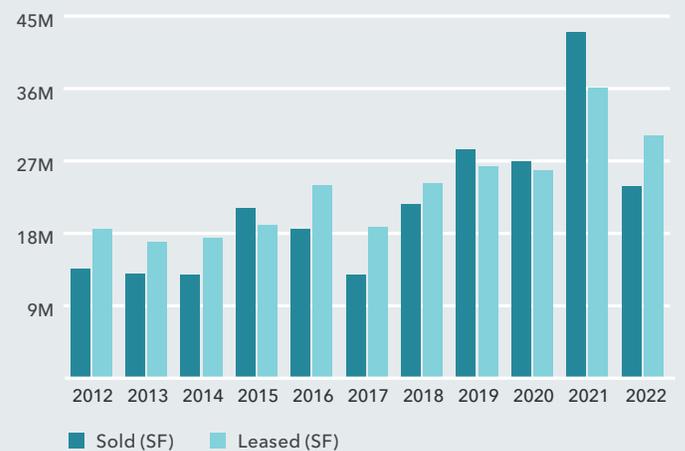
NET ABSORPTION & NEW DELIVERIES



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	2022 Direct Net Absorption	SF Under Construction	2022 Construction Completions	4Q Total Leasing Activity	2022 Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	12,667,479	3.7%	3.7%	10,766	32,304	507860	0	104,924	609,087	\$1.27
South Airport North of Roeser	15,237,604	4.6%	4.6%	14,573	(197,895)	0	0	143,204	854,609	\$1.25
South Airport South of Roeser	4,277,766	0.8%	0.8%	(12,855)	(34,841)	0	0	20,450	110,724	\$1.25
SC North of Salt River	14,766,239	3.2%	3.8%	16,061	391,696	276,063	207701	73,545	532,082	\$1.10
SC South of Salt River	2,293,407	0.5%	0.9%	809	48,828	0	0	0	35753	\$0.85
Airport Area	49,242,495	3.4%	3.6%	29,354	240,092	783,923	207,701	342,123	2,142,255	\$1.23
Central Phoenix	3,393,976	3.3%	4.3%	50,089	(14,094)	0	0	5,393	97,163	\$1.13
Scottsdale Airpark	6,489,426	3.4%	3.5%	7,599	95,075	0	0	31,237	232,067	\$1.47
Scottsdale/Salt River	5,356,745	1.5%	2.9%	17,423	479	183,479	0	19,053	88,909	\$1.49
Northeast	15,240,147	2.7%	3.5%	75,111	81,460	183,479	0	55,683	418,139	\$1.42
Deer Valley/Pinnacle Park	17,964,547	5.2%	5.3%	(169,333)	(248,627)	2,645,014	397,793	195,888	849,881	\$1.19
Glendale	31,594,098	16.7%	16.7%	3,760,097	6,464,246	13,198,841	9,745,745	2,375,545	6,453,233	\$0.60
Grand Avenue	12,581,859	2.1%	2.8%	39,806	619,679	75,000	736,843	8,780	325,288	\$0.15
North Black Canyon	4,037,391	2.1%	2.1%	6,605	(42,022)	0	0	43,394	137,019	\$1.02
Surprise	4,057,734	1.8%	1.8%	59,110	130,211	548,049	80,000	10,320	137,320	\$0.88
West Phoenix North of Thomas Rd	7,071,776	4.3%	4.3%	(79,491)	(222,525)	0	0	78,807	390,067	\$1.25
West Phoenix South of Thomas Rd	6,600,584	1.6%	1.6%	(25,707)	117,214	0	0	9,606	112,535	\$0.77
Northwest	83,907,989	8.4%	8.5%	3,591,087	6,818,176	16,466,904	10,960,381	2,722,340	8,405,343	\$0.76
Pinal County	11,145,109	0.5%	0.5%	103,576	1,032,873	540,000	1,000,000	11,000	46,247	\$0.84
Chandler Airport	7,629,968	11.5%	11.5%	(44,616)	1,294,707	1,265,746	1,848,848	115,901	1,220,910	\$1.13
Chandler	24,232,172	3.8%	3.8%	71,354	1,251,941	621,118	706,718	252,839	1,563,456	\$0.91
Chandler North/Gilbert	27,440,679	5.7%	5.7%	1,392,935	3,790,643	10,297,681	4,326,203	732,706	3,867,650	\$1.12
Falcon Fld/Apache Junction	5,481,970	1.7%	2.0%	59,351	258,167	244,286	249,099	56,412	264,278	\$1.00
Mesa	6,496,913	3.1%	3.3%	37,279	(84,323)	0	0	73,228	335,716	\$1.08
Tempe East	5,983,751	1.2%	1.2%	300,365	300,737	0	282,802	18,680	157,780	\$1.23
Tempe Northwest	10,589,177	2.2%	2.2%	(15,635)	108,254	0	0	63,091	385,880	\$1.35
Tempe Southwest	21,097,554	2.8%	3.6%	9,480	259,259	553,904	0	426,666	1,824,873	\$1.18
Southeast	108,952,184	4.2%	4.4%	1,810,513	7,179,385	12,982,735	7,413,670	1,739,523	9,620,543	\$1.09
Goodyear	26,066,555	8.1%	9.0%	941,089	6,071,830	9,204,713	3,387,931	398,412	3,257,624	\$0.63
Southwest North of Buckeye Rd	33,580,910	1.8%	1.9%	(45,659)	63,938	2,997,065	100,940	388,169	1,442,756	\$0.75
Southwest South of Buckeye Rd	19,566,114	3.5%	3.5%	(104,816)	812,769	571,834	736,046	99,756	618,483	\$0.75
Tolleson	46,955,206	4.7%	4.7%	123,067	3,514,487	1,632,327	2,398,162	1,277,931	4,196,696	\$0.56
Southwest	126,168,785	4.5%	4.7%	913,681	10,463,024	14,405,939	6,623,079	2,164,268	9,515,559	\$0.67
Phoenix Total	394,656,709	4.9%	5.1%	6,523,322	25,815,010	45,362,980	26,204,831	7,034,937	30,148,086	\$0.94
Manufacturing & Warehouse	229,013,437	3.3%	3.5%	2,959,483	12,796,481	33,675,770	16,719,786	2,334,583	18,185,385	\$0.93
General Industrial	122,789,298	5.2%	5.4%	1,634,654	10,182,042	11,687,210	9,485,045	2,778,699	11,119,876	\$0.64
Flex	32,123,085	7.7%	8.3%	52,927	189,980	0	0	211,662	1,568,961	\$1.31

NEAR-TERM OUTLOOK CONTINUED

TENANTS HAVE BEEN expanding their footprints in Phoenix at a breakneck pace and the market has set records for demand over the last couple years. This is expected to cool, however, as the record new supply is projected to slightly overwhelm leasing in coming

quarters. Upward pressure on vacancies and downward pressure on rent growth should materialize, especially if effects from the cooling economy linger.

TOP SALE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Central Logistics Center	SC N of Salt River	407,408	\$93,500,000	\$229.50	Westcore Properties	ViaWest Group
7300 W Detroit St	Chandler	196,761	\$51,500,000	\$261.74	Bruce Massman	Banner Health
5620 W Lower Buckeye Rd	SW S of Buckeye Road	51,000	\$37,500,000	\$735.29	ArcBest Corporation	FedEx Corporation
Maricopa Business Center	S Airport N of Roeser	236,075	\$28,300,000	\$119.88	G.W. Williams Co.	The Randall Group, Inc.
2434 S 10th St	SC N of Salt River	82,050	\$14,850,000	\$180.99	Stonelake Capital Partners	Stos Partners

TOP LEASE TRANSACTIONS 4Q 2022

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Sarival Logistics Center - Bldg A	Glendale	1,153,000	December 2022	WPT Industrial REIT	Logistics Plus
GO 99	Tolleson	763,410	December 2022	GO Industrial	Undisclosed - Solar Company
Falcon Park 303	Glendale	599,486	December 2022	US Capital Development	Project Copperhead
101 at Van Buren	Tolleson	408,581	November 2022	Kohlberg Kravis Roberts & Co. L.P.	Undisclosed
Fairway 10	Goodyear	389,197	December 2022	CBRE Investment Management	Undisclosed

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
CapRock W202 Logistics Park - Phase I	59th Ave & W Van Buren St	SW N of Buckeye Rd	2,554,175	CapRock Partners	June 2023
Park 303 Phase II	16400, 16500 W Glendale Ave & 7200 N Sarival Ave	Glendale	2,372,801	LPC Desert West	April 2023
Camelback 303	SWC Bethany Home Rd & Loop 303	Glendale	1,755,043	First Ind. R.E. Trust, Inc.	August 2023
23499 W Southern Ave	23499 W Southern Ave	Goodyear	1,600,000	Globe Corporation	December 2023
Paloma Vista Logistics Center	NWC I-10 & Perryville Rd	Goodyear	1,476,592	Cowley Mgmt. LLC	July 2023

Data Source: CoStar, AZ Office of Economic Opportunity, AZ Central, AZ Big Media



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

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COMMERCIAL
BROKERAGE

\$10.9B
TRANSACTION
VOLUME ANNUALLY

49.7M
ANNUAL
SALES SF

43.7M
ANNUAL
LEASING SF

ASSET
SERVICES

52M
MANAGEMENT
PORTFOLIO SF

875+
ASSETS UNDER
MANAGEMENT

270+
ASSET SERVICES
CLIENTS

VALUATION
ADVISORY

2,600+
ASSIGNMENTS
ANNUALLY

48
TOTAL
APPRAISERS

25
WITH MAI
DESIGNATIONS

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