

MARKET TRENDS

PHOENIX INDUSTRIAL

MARKET DRIVERS

AN ASTRONOMICAL RECORD setting 57.7M SF of industrial space is currently underway in the development pipeline, with 75% the current projects anticipated to deliver by year end. This number marks the largest amount of new supply to hit the market on record. Phoenix metro now ranks among the top in the nation for industrial construction activity.

THE DIVERSE FUNDAMENTALS in the Phoenix industrial market have been a key advantage to strong demand throughout the valley. The uptick in activity related to advanced manufacturing and assembly have driven notable investments related to chipmaking, as seen with TSMC's \$40B semiconductor manufacturing campus constructing in Deer Valley.

ALTHOUGH SALES ACTIVITY has slowed from the record setting past couple years, transaction volume in Q2 picked up, in comparison to the last two quarters, to 4.2M SF. However, sales prices fell to an average of \$130/SF, indicating the market may be softening amid high interest rates and tighter lending standards.

ECONOMIC REVIEW

ACCORDING TO THE ARIZONA OFFICE of Economic Opportunity, Phoenix metro's unemployment rate in May remained unchanged YOY at 3.3% but increased 40 basis points month-over-month from 2.9% in April. This is compared to the state's unadjusted rate of 3.2% and national rate of 3.9%.

THE DIVERSITY OF INDUSTRIES and number of companies moving to the Phoenix metro has helped sustain the region's long-term stability. The labor market remains strong, climbing to third in the nation for job growth as of May. Solid job gains with accelerated wage increases help to keep unemployment rates low.

NEAR-TERM OUTLOOK

THUS FAR, robust leasing demand has helped keep vacancy rates at an all-time low, even with the overwhelming development pipeline. It is expected that vacancy rates may experience a temporary spike in the market due to the sheer volume of projects being delivered by year end, most without a tenant in place. cooldown of the economy.

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Market Summary

	2Q23	1Q23	2Q22	Annual Change
Vacancy Rate	4.6%	4.3%	4.3%	6.98%
Availability Rate	12.9%	11.9%	8.6%	50.00%
Asking Lease Rate	\$0.98	\$1.00	\$0.81	20.99%
Leasing Transactions	5,176,866	6,345,978	7,793,622	-33.58%
Sale Transactions	4,239,779	3,050,647	8,755,201	-51.57%
Direct Net Absorption	2,575,956	5,297,506	7,147,489	N/A

↑ **5.1M SF**
LEASING ACTIVITY

↑ **2.6M SF**
NET ABSORPTION

↑ **4.6%**
VACANCY RATE

↑ **\$0.98**
ASKING RENT (AVG)

↓ **3.1M SF**
NEW DELIVERIES

Year-Over-Year Trend

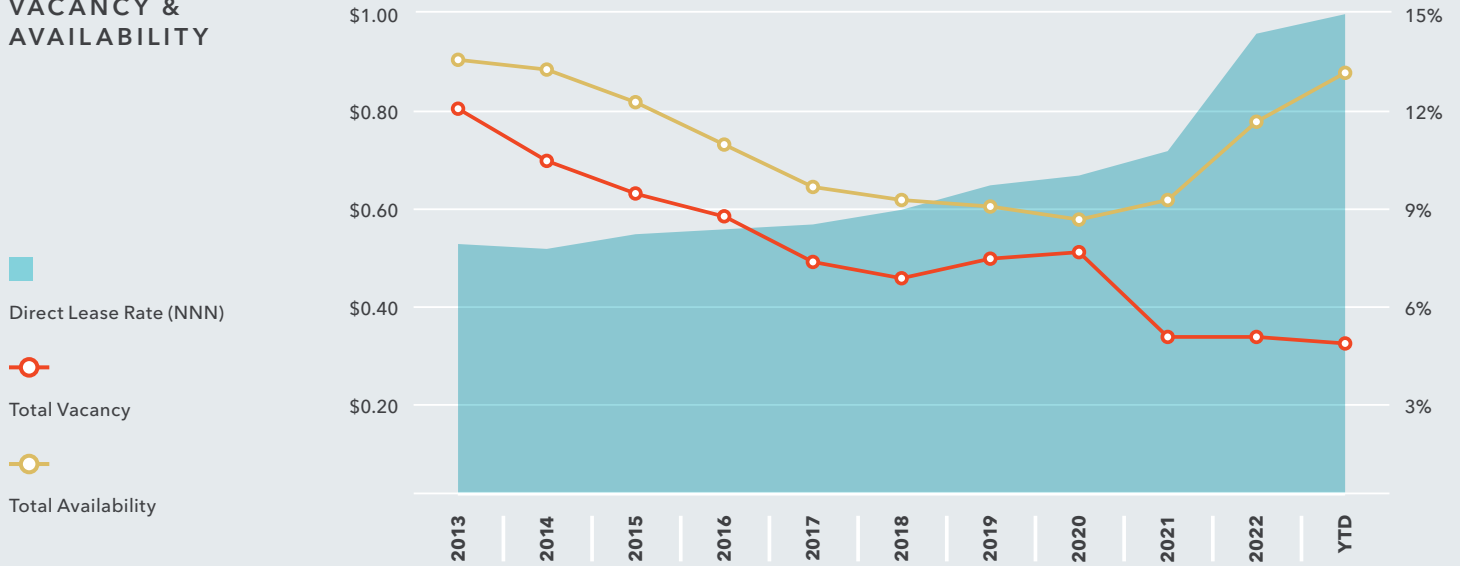
Market Highlights

UNDER CONSTRUCTION volume hit an all-time high of 57M SF

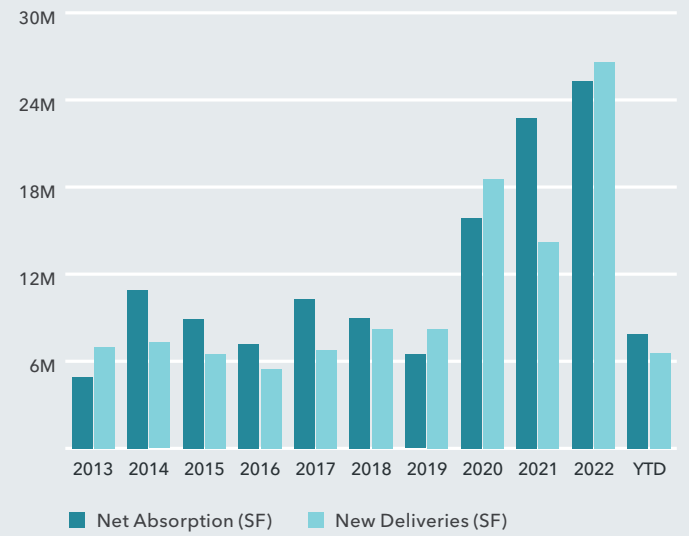
RENTAL RATES hovered at the record high of \$0.98 PSF NNN

SALES VOLUME increased QOQ to 4.2M SF

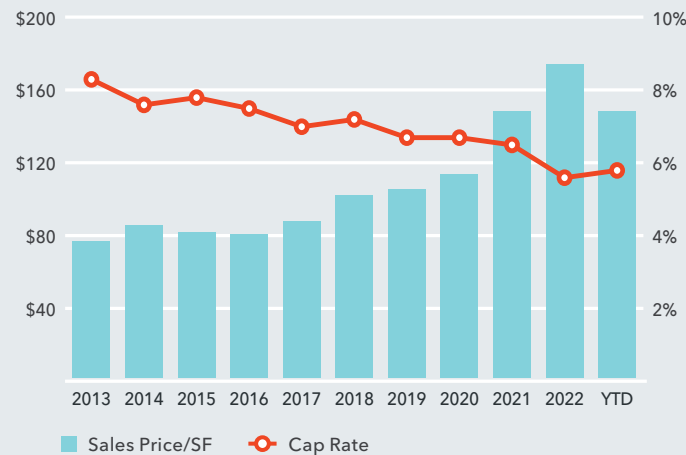
LEASE RATE, VACANCY & AVAILABILITY



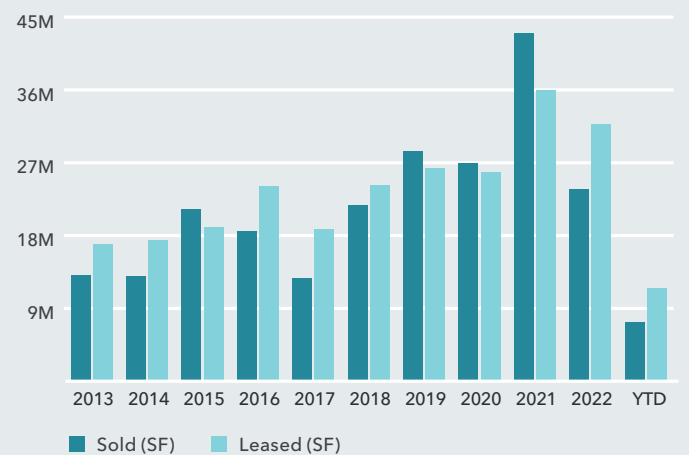
NET ABSORPTION & NEW DELIVERIES



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	13,135,696	3.4%	3.5%	105,141	504,962	0	507,860	86,212	152,340	\$1.24
South Airport North of Roeser	15,275,461	4.7%	4.7%	96,823	(12,918)	40,000	0	291,277	621,591	\$1.26
South Airport South of Roeser	4,405,463	1.3%	1.3%	150,103	134,320	24,800	156,953	50,798	109,642	\$1.07
SC North of Salt River	14,772,487	2.9%	3.7%	47,401	32,190	276,063	0	209,505	315,854	\$1.15
SC South of Salt River	2,299,858	2.4%	2.9%	(44,314)	(44,314)	0	0	0	0	-
Airport Area	49,888,965	3.4%	3.7%	355,154	614,240	340,863	664,813	637,792	1,199,427	\$1.23
Central Phoenix	3,393,706	3.3%	4.3%	18,297	(1,445)	10,000	0	38,837	53,416	\$1.22
Scottsdale Airpark	6,521,099	2.9%	2.9%	59,275	37,735	0	0	52,075	82,675	\$1.44
Scottsdale/Salt River	5,386,679	1.3%	3.1%	6,012	7,692	160,019	0	51,136	96,008	\$1.51
Northeast	15,301,484	2.4%	3.3%	83,584	43,982	170,019	0	142,048	232,099	\$1.40
Deer Valley/Pinnacle Park	18,311,100	5.4%	5.6%	93,442	287,098	2,955,329	367,819	203,838	442,546	\$1.28
Glendale	32,584,502	6.1%	6.2%	1,866,703	4,284,872	15,962,904	743,214	919,165	2,583,042	\$0.58
Grand Avenue	12,891,925	1.9%	2.1%	(50,921)	182,978	20,992	232,264	32,128	51,404	\$0.15
North Black Canyon	4,048,701	2.7%	2.7%	(18,186)	(25,456)	0	0	38,581	72,698	\$1.11
Surprise	4,077,734	1.8%	1.8%	1,123	17,604	1,971,677	20,000	480	15,269	\$0.45
West Phoenix North of Thomas Rd	7,078,997	4.1%	4.1%	30,386	14,226	0	0	38,764	125,545	\$0.81
West Phoenix South of Thomas Rd	6,587,528	1.0%	1.0%	16,718	39,331	0	0	23,188	65,786	\$0.83
Northwest	85,580,487	4.4%	4.5%	1,939,265	4,800,653	20,910,902	1,363,297	1,256,144	3,356,290	\$0.71
Pinal County	11,290,060	0.5%	0.5%	985,240	998,808	2,230,235	1,000,000	153,283	187,619	\$0.64
Chandler Airport	7,629,858	4.1%	4.4%	62,760	560,055	1,226,164	0	183,863	240,156	\$1.36
Chandler	24,784,228	6.9%	7.1%	(266,652)	(283,515)	1,401,869	510,832	197,717	310,292	\$1.21
Chandler North/Gilbert	28,102,047	5.8%	5.9%	143,404	463,843	16,107,506	539,807	635,153	1,625,023	\$1.25
Falcon Fld/Apache Junction	5,481,908	1.3%	2.2%	(37,101)	24,676	244,286	0	26,210	72,093	\$1.11
Mesa	6,531,063	3.9%	4.0%	17,903	(57,542)	0	0	33,369	332,110	\$1.09
Tempe East	5,990,400	2.6%	2.6%	(70,742)	(87,570)	0	0	68,804	154,666	\$1.09
Tempe Northwest	10,622,123	4.3%	5.0%	(175,248)	(226,065)	0	0	61,520	192,694	\$1.23
Tempe Southwest	21,294,583	3.8%	4.2%	(182,004)	(38,096)	356,904	197,000	335,664	809,550	\$1.20
Southeast	110,436,210	4.9%	5.2%	(507,680)	355,786	19,336,729	1,247,639	1,542,300	3,736,584	\$1.21
Goodyear	26,945,146	7.8%	10.1%	(551,827)	125,054	10,118,003	917,906	348,137	415,799	\$0.55
Southwest North of Buckeye Rd	34,046,121	2.1%	2.3%	(4,787)	252,089	2,692,723	304,328	183,418	642,150	\$0.86
Southwest South of Buckeye Rd	19,827,850	5.4%	5.9%	(23,200)	(125,342)	383,629	439,262	384,463	580,637	\$0.86
Tolleson	47,576,747	3.4%	3.5%	300,207	808,192	1,568,157	626,255	529,281	1,172,239	\$1.02
Southwest	128,395,864	4.3%	4.9%	(279,607)	1,059,993	14,762,512	2,287,751	1,445,299	2,810,825	\$0.82
Phoenix Total	400,893,070	4.2%	4.6%	2,575,956	7,873,462	57,751,260	6,563,500	5,176,866	11,522,844	\$0.98
Manufacturing & Warehouse	230,597,313	2.9%	3.1%	975,101	2,481,319	45,634,839	3,640,646	2,202,300	4,958,538	\$0.96
General Industrial	125,833,365	3.6%	4.2%	1,798,221	4,429,959	12,116,421	2,922,854	1,480,516	3,694,718	\$0.71
Flex	31,832,881	6.8%	7.7%	(226,144)	(126,954)	0	0	446,591	687,828	\$1.31

NEAR-TERM OUTLOOK CONTINUED

THE PHOENIX INDUSTRIAL MARKET will continue to be a top performing market in the nation going forward, although the growth may slow in the coming quarters due to the cooldown in the economy. Developers

and users alike have aggressively expanded to the region, with its affordability and proximity to California, and will continue to seek space in the local market.

TOP SALE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
GO 99 South - 99th Ave & Buckeye Rd	Tolleson	1,283,146	\$165,000,000	\$128.59	Kohlberg Kravis Roberts & Co., LP	George Oliver Co.
The Cubes at Glendale - Bldg E	Glendale	570,080	\$82,661,600	\$145.00	Fundrise	Clayco, Inc.
Falcon Park 303 - 15132 W Camelback Rd	Glendale	599,486	\$81,698,544	\$136.28	Cohen Asset Management, Inc.	The Carlyle Group
1100 & 1150 W Grove Pky	Tempe Southwest	158,507	\$23,550,000	\$148.57	Magnolia Industrial Park, LLC	LA County EE. Retd. Assoc.
Riverpoint Bldg 4 - 4150 S Riverpoint Pky	S Airport N of Roeser	108,806	\$22,989,409	\$211.29	FM Industries	Stonelake Capital Partners

TOP LEASE TRANSACTIONS 2Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
4570 W Lower Buckeye Rd	Sw S of Buckeye Rd	383,075	June 2023	EQT Exeter	Pac Worldwide
Commerce @ 303	Glendale	331,684	April 2023	SteelWave, Inc.	CJ Logistics
25651 W Durango St	Goodyear	326,103	June 2023	EJF Capital / Crimson Canyon	ExxonMobil
Buckeye 85 - W Buckeye Rd & 103rd Ave	Tolleson	321,892	May 2023	LPC Desert West	Undisclosed
Blue Cactus Logistics - Cactus & Dysart Rd	Surprise	25,920	April 2023	BlueScope Properties Group	Tricolor Auto

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
CapRock W 202 Logistics Pk. - Phase I	59th Ave & W Van Buren St	SW N of Buckeye Rd	2,554,175	CapRock Partners	3Q23
Park 303 Phase II	16400 & 16500 W Glendale Ave & 7200 N Sarival Ave	Glendale	2,372,801	LPC Desert West	3Q23
303 Crossroads	W Olive Ave & Sarival Ave	Glendale	1,758,410	Cresset	1Q24
C 303 - Phase I	NWC Loop 202 & Camelback Rd	Glendale	1,755,043	First Ind. RE. Trust, Inc.	3Q23
The Cubes at Mesa Gtwy. - Bldg A-C	SEC Pecos Road & Crismon Road	Chandler N/Gilbert	1,739,000	CRG	4Q23

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



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COMMERCIAL BROKERAGE	<i>\$12B</i> TRANSACTION VOLUME ANNUALLY	<i>32.1M</i> ANNUAL SALES SF	<i>41.2M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>53M</i> MANAGEMENT PORTFOLIO SF	<i>771+</i> ASSETS UNDER MANAGEMENT	<i>250+</i> ASSET SERVICES CLIENTS
VALUATION ADVISORY	<i>2,600+</i> ASSIGNMENTS ANNUALLY	<i>46</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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