

MARKET TRENDS

PHOENIX INDUSTRIAL

MARKET DRIVERS

AFTER THE SURGE in activity experienced in recent years following the onset of the pandemic, the Phoenix Industrial market is beginning to shift towards a more normalized trajectory. With the substantial volume of new deliveries in 3Q, vacancy and availability rates have increased 40% YOY and 31% YOY respectively.

THE UNPRECEDENTED VOLUME of the industrial construction pipeline puts Phoenix on the map for ranking among the top in the nation for not just construction activity but as a frontrunner for demand and growth. An insurmountable record high of 13.1M SF of space was delivered in 3Q alone, with another 30.7M SF projected to complete by year end.

DESPITE THE IMPACT of higher interest rates and stricter lending standards, deals are still being made throughout The Valley. Although sales volume is waning from the record high numbers experienced in the past couple years, there is significant interest from investors in newly constructed, strategically located assets.

ECONOMIC REVIEW

THE PHOENIX MARKET continues to excel as one of the nation's top performing markets for employment growth. Thanks to a diversified employment base across multiple industries, the labor market now has over 150,000 more jobs than pre-pandemic, the fourth-largest gain in the nation.

ACCORDING TO THE ARIZONA OFFICE OF ECONOMIC OPPORTUNITY, Phoenix metro's unemployment rate in August increased 10 basis points YOY to 4% but decreased 20 basis points month-over-month from 4.2% in July. This is compared to the state's unadjusted rate of 4.6% and national rate of 3.9%.

NEAR-TERM OUTLOOK

WHILE MANY OTHER major industrial markets are experiencing a cool down, Phoenix remains in high demand for logistics, e-commerce and manufacturing users looking for mega warehouse space. This is especially apparent with the migration of companies leaving nearby markets in CA, such as Inland Empire, seeking discounted rates. This trend will continue into the coming years, helping Phoenix to stay at the top of the industrial ranks among the nation.

continued on page 3

Market Summary

	3Q23	2Q23	3Q22	Annual Change
Vacancy Rate	6.3%	4.5%	4.5%	40.00%
Availability Rate	15.0%	14.7%	11.4%	31.62%
Asking Lease Rate	\$1.04	\$0.99	\$0.87	19.54%
Leasing Transactions	4,625,147	8,207,156	6,547,493	-29.36%
Sale Transactions	4,802,477	6,109,786	6,959,925	-31.00%
Direct Net Absorption	4,236,121	2,727,619	3,809,801	N/A

↑ **4.6M SF**
LEASING ACTIVITY

↑ **4.2M SF**
NET ABSORPTION

↑ **6.3%**
VACANCY RATE

↑ **\$1.04**
ASKING RENT (AVG)

↑ **13M SF**
NEW DELIVERIES

Year-Over-Year Trend

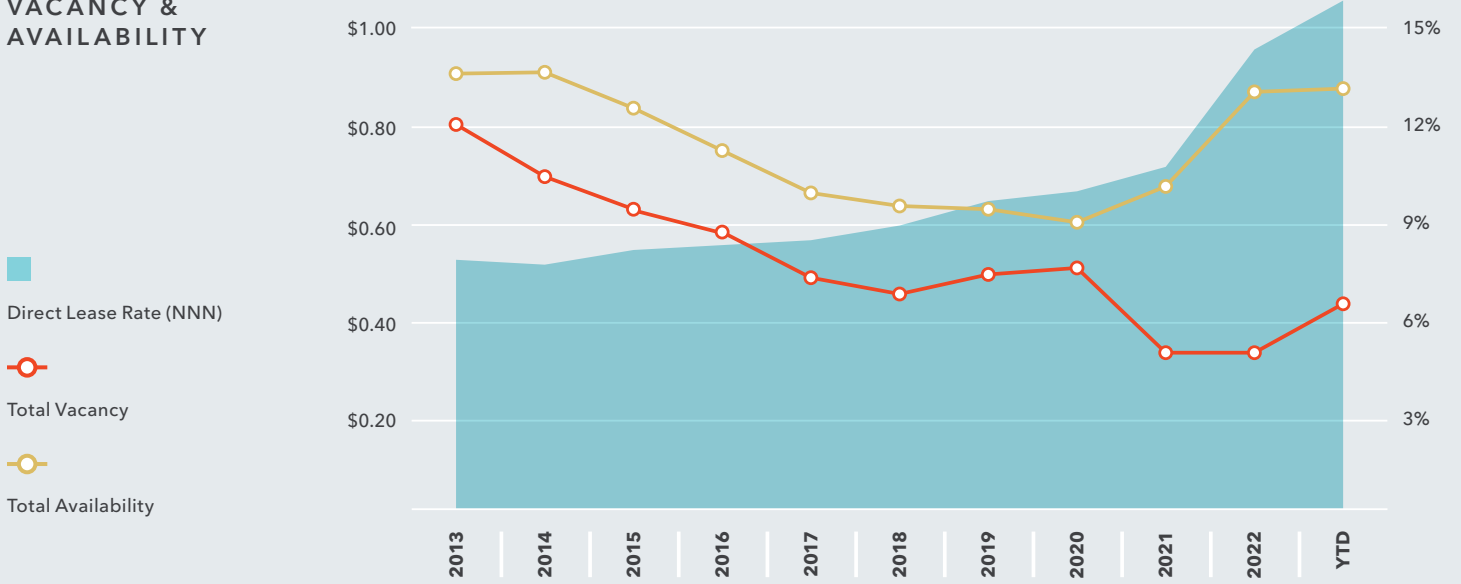
Market Highlights

NEW DELIVERIES soared a record high of 13M SF.

RENTAL RATES jumped to a record \$1.04 PSF NNN.

SALES VOLUME fell QOQ and YOY to 4.8M SF.

LEASE RATE, VACANCY & AVAILABILITY

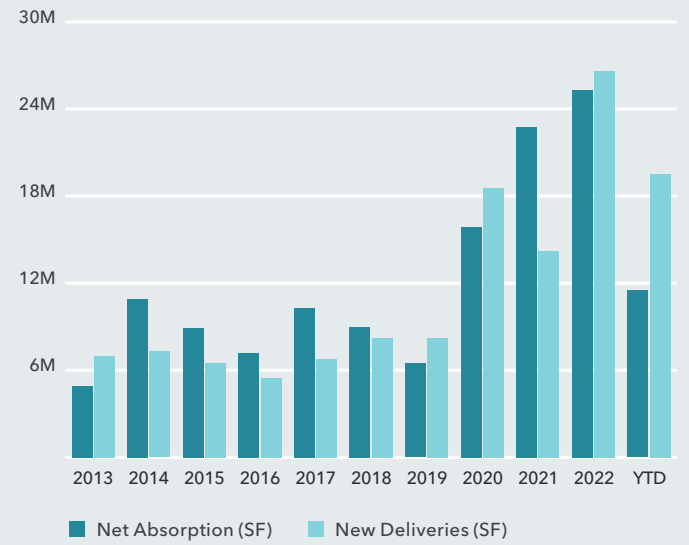


BIGGEST SALE OF THE QUARTER

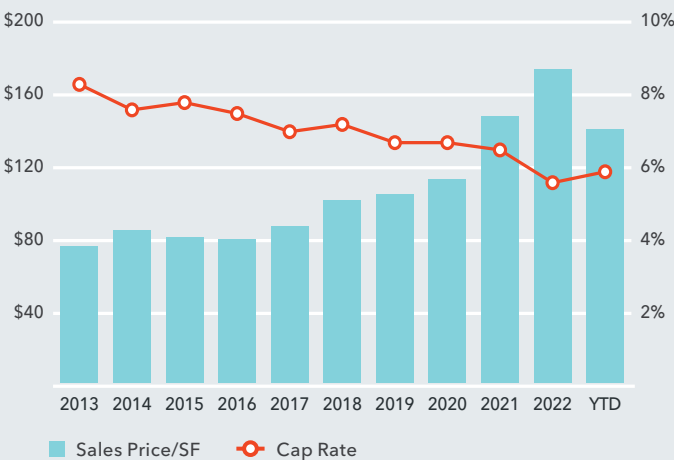
*G303 - 6605 N Sarival Ave
Glendale, AZ*



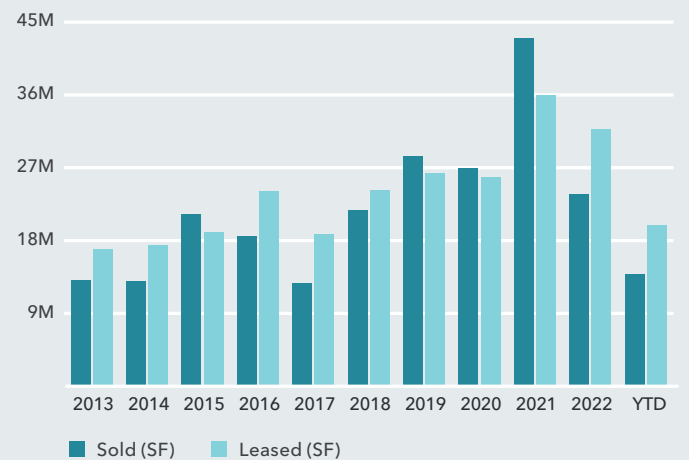
NET ABSORPTION & NEW DELIVERIES



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	13,252,376	3.3%	4.4%	27,612	511,574	0	507,860	93,036	294,804	\$1.24
South Airport North of Roeser	15,301,536	3.2%	4.1%	150,751	137,833	0	40,000	117,335	801,250	\$1.26
South Airport South of Roeser	4,405,463	2.2%	2.2%	(37,737)	96,583	24,800	156,953	55,916	165,558	\$1.04
SC North of Salt River	14,891,604	3.5%	4.7%	(80,138)	(47,948)	301,063	0	227,583	543,724	\$1.20
SC South of Salt River	2,349,757	2.4%	2.8%	26,000	(44,314)	0	0	0	0	\$0.99
Airport Area	50,200,736	3.2%	4.1%	86,488	653,728	325,863	704,813	493,870	1,805,336	\$1.23
Central Phoenix	3,393,675	2.8%	2.8%	17,030	17,031	10,000	0	34,815	88,231	\$1.25
Scottsdale Airpark	6,520,794	5.0%	5.2%	(141,700)	(103,965)	0	0	79,241	179,817	\$1.49
Scottsdale/Salt River	5,513,214	2.4%	3.5%	97,718	105,410	0	160,019	50,609	147,880	\$1.55
Northeast	15,427,683	3.6%	4.1%	(26,952)	18,476	10,000	160,019	164,665	415,928	\$1.47
Deer Valley/Pinnacle Park	18,389,526	5.1%	5.5%	56,416	361,381	2,849,188	387,819	884,555	1,463,365	\$1.38
Glendale	38,043,949	15.3%	15.4%	1,520,339	5,130,765	11,252,931	5,415,816	631,547	3,611,942	\$0.58
Grand Avenue	12,955,753	2.4%	2.9%	(70,928)	113,155	432,910	232,264	43,400	183,482	\$0.75
North Black Canyon	4,068,420	2.7%	2.7%	(1,146)	(24,618)	0	0	30,352	115,230	\$1.07
Surprise	4,460,616	1.7%	1.7%	(8,625)	8,979	1,720,283	413,025	118,697	415,765	\$0.53
West Phoenix North of Thomas Rd	7,100,657	3.6%	3.6%	13,506	45,255	109,600	0	68,869	195,378	\$0.95
West Phoenix South of Thomas Rd	6,588,359	4.1%	4.1%	(203,689)	(164,578)	0	0	21,081	88,367	\$0.97
Northwest	91,607,280	8.9%	9.1%	1,305,873	5,470,339	16,364,912	6,448,924	1,798,501	6,073,529	\$0.75
Pinal County	10,622,680	0.8%	0.8%	(27,229)	333,679	1,804,688	362,100	0	1,236,499	\$0.55
Chandler Airport	7,629,858	3.9%	5.7%	14,427	574,482	943,242	0	118,275	378,058	\$1.40
Chandler	21,785,793	7.4%	7.8%	97,943	(183,656)	905,526	510,832	448,639	877,961	\$1.16
Chandler North/Gilbert	30,100,420	10.8%	11.0%	410,765	884,423	12,636,430	2,602,393	580,903	2,745,912	\$1.36
Falcon Fld/Apache Junction	5,481,908	0.5%	1.5%	43,389	68,065	244,286	0	56,497	135,204	\$1.34
Mesa	6,531,063	3.8%	3.9%	3,198	(52,344)	0	0	49,991	407,445	\$1.11
Tempe East	6,053,408	1.8%	1.8%	47,501	(39,669)	0	0	37,883	258,473	\$1.26
Tempe Northwest	10,669,669	6.5%	6.9%	(222,677)	(448,742)	0	0	43,918	267,385	\$1.27
Tempe Southwest	21,455,931	4.3%	5.0%	(45,537)	(115,914)	356,904	197,000	132,645	1,189,490	\$1.23
Southeast	109,708,050	6.5%	7.0%	349,009	686,645	15,086,388	3,310,225	1,468,751	6,259,928	\$1.27
Goodyear	29,027,755	10.4%	11.5%	466,903	1,301,038	8,303,907	3,000,515	131,862	678,411	\$0.97
Southwest North of Buckeye Rd	36,771,395	8.3%	8.9%	325,074	612,163	0	2,997,051	234,537	905,175	\$1.01
Southwest South of Buckeye Rd	20,009,170	4.8%	5.2%	283,825	158,709	142,121	620,582	190,738	1,154,450	\$0.86
Tolleson	49,291,930	3.0%	3.2%	1,473,130	2,256,570	285,294	1,909,118	142,223	1,347,482	\$1.23
Southwest	135,100,250	6.3%	6.8%	2,548,932	4,328,480	8,731,322	8,527,266	699,360	4,085,518	\$0.97
Phoenix Total	412,666,679	6.3%	6.8%	4,236,121	11,491,347	42,323,173	19,513,347	4,625,147	19,876,738	\$1.04
Manufacturing & Warehouse	227,557,600	3.0%	3.5%	123,688	2,438,255	37,956,016	11,718,208	1,619,376	7,218,857	\$1.03
General Industrial	131,902,342	6.0%	6.2%	2,224,309	5,970,679	4,367,157	7,795,139	1,654,836	6,117,795	\$0.75
Flex	32,168,789	6.9%	7.9%	184	(117,665)	0	0	243,830	1,120,177	\$1.33

NEAR-TERM OUTLOOK CONTINUED

Due to the overwhelming construction pipeline, it is expected that vacancy rates may experience a temporary spike in the market and demand being outpaced, due to the sheer volume of projects being delivered by year end, most without a tenant in place.

TOP SALE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
G303 - 6605 N Sarival Ave	Glendale	1,253,382	\$105,000,000	\$83.77	EQT Exeter	Hines
Hatcher Industrial Park	Glendale	906,125	\$92,719,745	\$102.33	Westcore	Ryan Companies US, Inc
22600 N 19th Ave - Arizona Republic	Deer Valley/Pinnacle Pk	302,989	\$38,000,000	\$125.42	ATLAS	Gannett
Warner Crossing - 1120-1140 W Warner Rd	Tempe Southwest	201,691	\$34,500,000	\$171.05	Granite Capital Group, Inc	The Carlyle Group
3865 W Van Buren St	SW N of Buckeye Rd	180,000	\$19,000,000	\$105.56	ViaWest Group	Sub-Zero Group

TOP LEASE TRANSACTIONS 3Q 2023

Property	Submarket	SF	Transaction Date	Landlord	Tenant
Lexington North at PV 303	Glendale	488,400	August 2023	Merit Partners/Lexington Realty	Undisclosed
22600 N 19th Ave	Deer Valley/Pinnacle Pk	290,000	August 2023	DRA Advisors	Arizona Republic
Mack Innovation Park - 275 W Pinnacle Peak Rd	Deer Valley/Pinnacle Pk	207,984	July 2023	Mack Real Estate Group	Undisclosed
Met 202 - Bldg D	Chandler N/Gilbert	192,580	September 2023	Eisenberg Company	Paulo Solar
3929 W Lower Buckeye Rd	SW S of Buckeye Rd	190,738	September 2023	GIC Real Estate	DSV Logistics

TOP UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
C 303 - Phase I	NWC Loop 202 & Camelback Rd	Glendale	1,755,043	First Industrial Realty Trust, Inc	4Q 2023
The Cubes at Mesa Gateway - Bldg A-C	SEC Pecos Road & Crismon Road	Chandler N/Gilbert	1,739,000	CRG	4Q 2023
23499 W Southern Ave	23499 W Southern Ave	Goodyear	1,600,000	Ross Stores	4Q 2023
Paloma Vista Logistics Center - Phase I	NWC I-10 & Perryville Rd	Goodyear	1,476,592	US Capital Development	4Q 2023
Prologis 303 Business Park	SWC Cotton Ln & Camelbac Rd - Phase II	Glendale	1,222,480	Prologis, Inc	1Q 2024

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



Kidder Mathews is the largest, independent commercial real estate firm on the West Coast, with 900 real estate professionals and staff in 20 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 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>2,800+</i> ASSIGNMENTS ANNUALLY	<i>41</i> TOTAL APPRAISERS	<i>23</i> WITH MAI DESIGNATIONS

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