

MARKET TRENDS

PHOENIX INDUSTRIAL

MARKET DRIVERS

A staggering 31.6M SF of new deliveries came online throughout 2023, roughly 4.9M more SF than the previous high of 26.7M SF delivered in 2022. The Phoenix industrial market has added approximately 16% to the existing inventory since 2022. The construction pipeline remains very aggressive with year-to-date (YTD) deliveries just surpassing the 10M SF mark with over 37M SF currently under construction.

The injection of record level new deliveries in 2023 resulted in a year-over-year (YOY) uptick in both vacancy and availability rates. Vacancy increased by 560 basis points (bps) YOY to 10%, while availability rates grew by 310 bps to 14.8%.

Despite the overwhelming level of new construction, the Phoenix industrial market is generating plenty of demand. Net absorption for 1Q24 totaled positive 4.5M SF, indicating that demand is currently keeping up with the high velocity of new construction.

Sales volume fell 2.5% YOY to 2.9M SF, after two consecutive years of annual volume decreasing from the 43.6M SF trading hands in 2021. The impact of higher interest rates coupled with the expectation that rates will drop in the near future have stalled investment activity. Despite that, demand for investments remains strong due to Phoenix's market fundamentals.

ECONOMIC REVIEW

According to the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in February increased 10 basis points YOY to 3.3%. This is compared to the state's unemployment rate of 4.1% and national rate of 3.9%.

Statewide, job growth is projected to grow 1.5% annually or by 102,656 by Q2 2025 according to the Arizona Office of Economic Opportunity.

NEAR-TERM OUTLOOK

Due to a surge in demand, average rental rates grew nearly 77% from 1Q21 to the \$1.15/psf NNN in 1Q24. YOY gains have decelerated to a more modest 15% and are anticipated to normalize due to the large amount of new construction coming to the market

continued on page 3

Market Summary

	1Q24	4Q23	1Q23	YOY Change
Direct Vacancy Rate	10.0%	8.8%	4.4%	560 bps
Availability Rate	14.8%	14.3%	11.7%	310 bps
Direct Asking Lease Rate	\$1.15	\$1.06	\$1.00	15.0%

	1Q24	2023 Total	1Q23	YOY Change
Leasing Activity (SF)	4,498,600	29,174,516	7,390,426	-39.1%
Sales Volume (SF)	2,933,439	19,064,421	3,007,667	-2.5%
Net Absorption (SF)	4,499,127	14,752,859	4,299,829	N/A

↓ 4.5M SF
LEASING ACTIVITY

↑ 4.5M SF
NET ABSORPTION

↑ 10.0%
VACANCY RATE

↑ \$1.15
ASKING RENT (AVG)

↑ 10.1M SF
NEW DELIVERIES

Year-Over-Year Trend

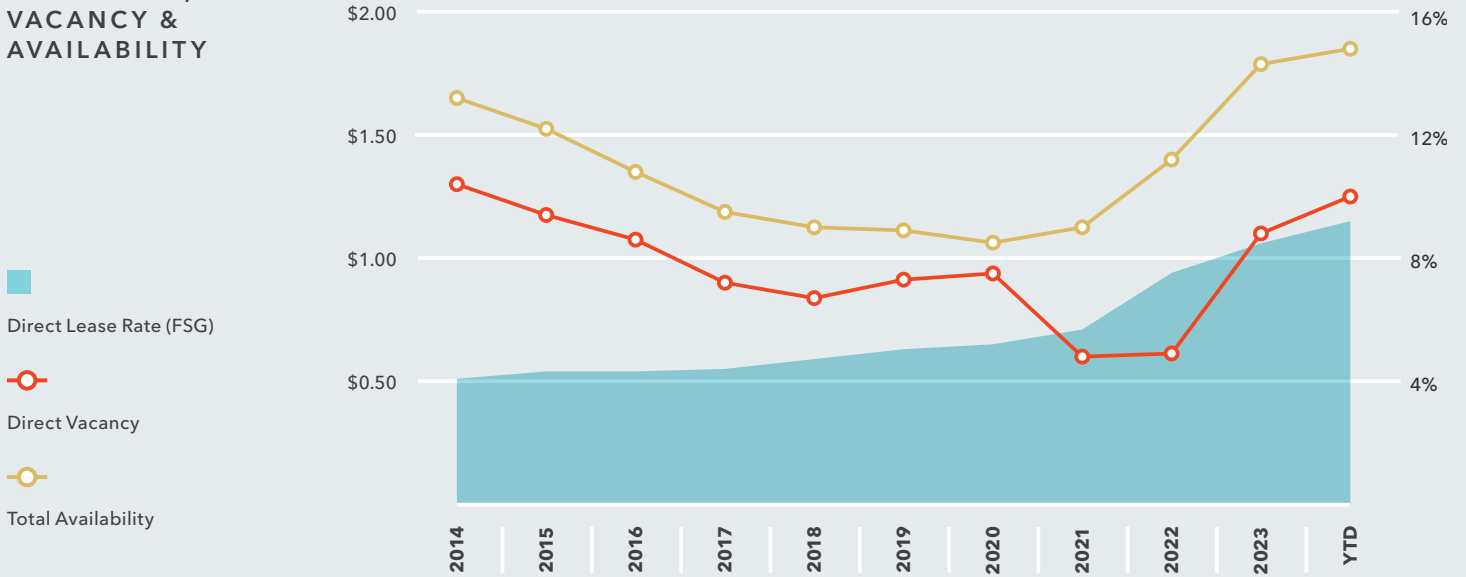
Market Highlights

NEW DELIVERIES continue to soar with over 10M SF in YTD deliveries

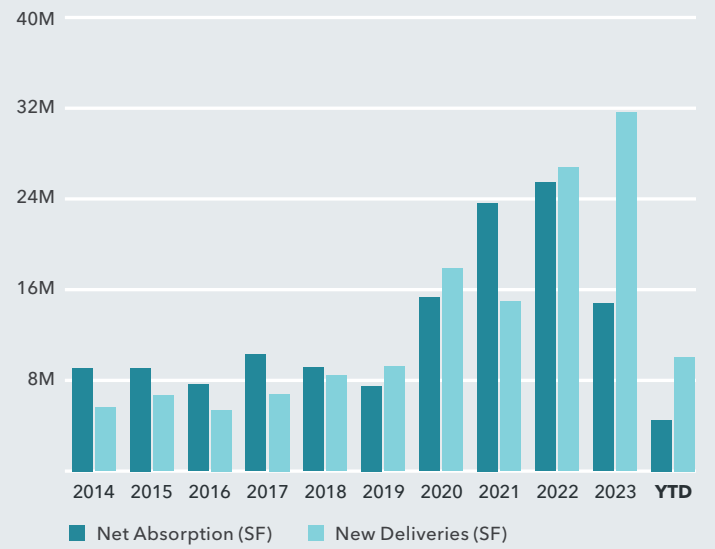
RENTAL RATES climbed to a new high of \$1.15PSF NNN

SALES VOLUME decreased YOY to 2.9M SF

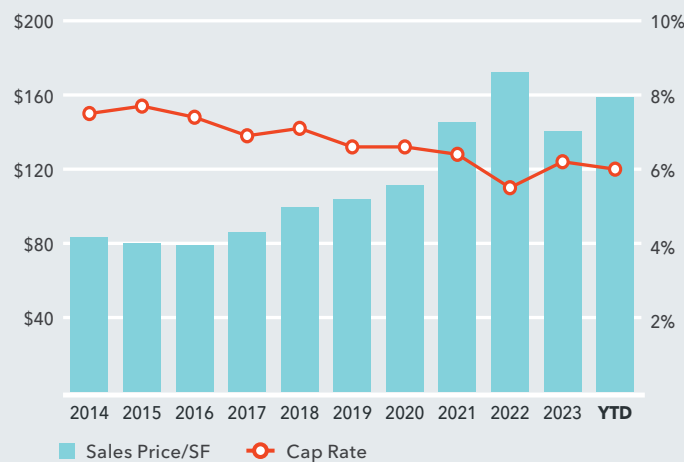
LEASE RATE, VACANCY & AVAILABILITY



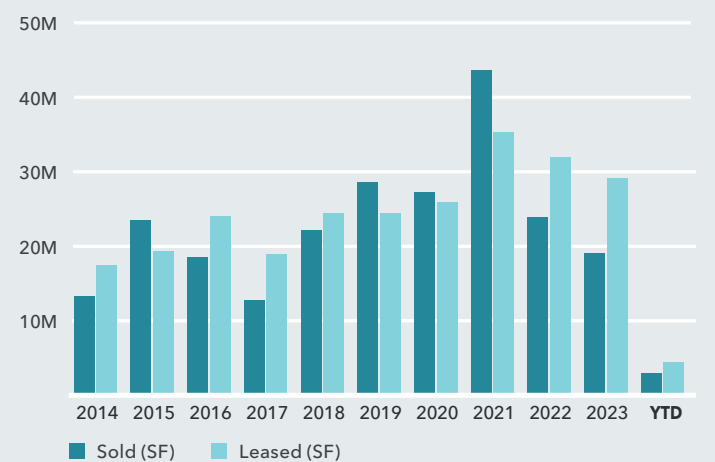
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	1Q24 Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	1Q24 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	13,515,766	3.7%	4.9%	(100,947)	(100,947)	0	0	122,054	122,054	\$1.19
South Airport North of Roeser	15,297,395	4.7%	5.3%	(240,098)	(240,098)	0	0	181,002	181,002	\$1.24
South Airport South of Roeser	4,444,153	1.6%	1.9%	48,684	48,684	0	24,800	126,613	126,613	\$1.43
SC North of Salt River	15,046,412	6.4%	8.3%	(65,394)	(65,394)	103,759	197,304	376,115	376,115	\$1.07
SC South of Salt River	2,349,757	1.9%	2.7%	11,400	11,400	0	0	0	0	\$0.95
Airport Area	50,653,483	4.6%	5.7%	(346,355)	(346,355)	103,759	222,104	805,784	805,784	\$1.19
Central Phoenix	3,487,539	2.2%	2.2%	23,875	23,875	0	10,000	22,952	22,952	\$1.21
Scottsdale Airpark	6,535,868	3.8%	4.1%	(30,541)	(30,541)	0	0	88,973	88,973	\$1.44
Scottsdale/Salt River	5,557,187	2.6%	2.8%	4,912	4,912	0	0	31,090	31,090	\$1.52
Northeast	15,580,594	3.0%	3.2%	(1,754)	(1,754)	0	10,000	143,015	143,015	\$1.44
Deer Valley/Pinnacle Park	19,199,552	6.2%	7.0%	384,324	384,324	2,982,404	670,916	399,377	399,377	\$1.40
Glendale	43,788,513	21.2%	22.1%	873,655	873,655	12,243,175	1,414,282	430,308	430,308	\$0.67
Grand Avenue	13,020,519	4.0%	4.2%	(135,727)	(135,727)	432,910	0	43,034	43,034	\$1.03
North Black Canyon	4,687,935	13.5%	15.1%	(26,779)	(26,779)	0	0	41,484	41,484	\$1.09
Surprise	4,607,099	10.1%	10.3%	89,857	89,857	2,250,637	133,904	168,102	168,102	\$0.96
West Phoenix North of Thomas Road	7,212,598	6.9%	6.9%	(78,137)	(78,137)	0	0	201,360	201,360	\$0.92
West Phoenix South of Thomas Road	6,565,534	5.2%	5.2%	(14,345)	(14,345)	0	0	31,017	31,017	\$0.97
Northwest	99,081,750	13.1%	13.7%	1,092,848	1,092,848	17,909,126	2,219,102	1,314,682	1,314,682	\$0.92
Pinal County	11,261,126	4.2%	4.2%	148,310	148,310	2,040,194	442,389	32,037	32,037	\$0.75
Chandler Airport	8,639,410	10.2%	11.5%	198,426	198,426	445,330	792,539	77,776	77,776	\$1.52
Chandler	23,375,534	6.7%	6.9%	(64,975)	(64,975)	1,501,869	0	247,604	247,604	\$1.21
Chandler North/Gilbert	39,040,911	19.7%	19.7%	2,313,806	2,313,806	7,668,389	3,953,279	404,423	404,423	\$1.42
Falcon Fld/Apache Junction	5,467,692	1.0%	1.1%	(21,626)	(21,626)	297,931	0	53,753	53,753	\$1.36
Mesa	6,541,332	3.9%	3.9%	21,754	21,754	0	0	46,284	46,284	\$1.20
Tempe East	6,028,238	6.3%	6.3%	(135,166)	(135,166)	135,000	0	37,690	37,690	\$2.03
Tempe Northwest	10,367,063	7.1%	7.8%	(218,543)	(218,543)	0	0	60,521	60,521	\$1.26
Tempe Southwest	21,752,700	7.2%	8.7%	(205,348)	(205,348)	0	0	401,452	401,452	\$1.23
Southeast	121,212,880	10.8%	11.3%	1,888,328	1,888,328	10,048,519	4,745,818	1,329,503	1,329,503	\$1.36
Goodyear	34,197,342	17.3%	18.3%	2,060,480	2,060,480	6,764,868	2,419,159	266,503	266,503	\$0.99
Southwest North of Buckeye Road	36,669,869	9.9%	10.5%	(365,067)	(365,067)	99,498	0	398,495	398,495	\$1.13
Southwest South of Buckeye Road	20,260,471	2.4%	2.4%	86,801	86,801	253,460	0	1,738	1,738	\$0.86
Tolleson	48,687,811	2.7%	3.8%	(64,464)	(64,464)	511,675	0	206,843	206,843	\$1.36
Southwest	139,815,493	8.1%	8.9%	1,717,750	1,717,750	7,629,501	2,419,159	873,579	873,579	\$0.98
Phoenix Total	437,605,326	9.3%	10.0%	4,499,127	4,499,127	37,731,099	10,058,572	4,498,600	4,498,600	\$1.15
Manufacturing & Warehouse	231,303,857	4.9%	5.5%	(854,245)	(854,245)	30,367,665	8,585,212	2,319,492	2,319,492	\$1.04
General Industrial	134,036,815	6.7%	7.5%	946,671	946,671	7,363,434	1,473,360	479,582	479,582	\$1.06
Flex	31,723,057	8.5%	9.2%	(414,074)	(414,074)	0	0	409,114	409,114	\$1.49

NEAR-TERM OUTLOOK CONTINUED

The 37M SF in the construction pipeline is likely to continue to exert pressure on vacancy rates throughout the year. Over 24M SF of the product currently under construction is available for lease, further straining vacancy rates. Once construction activity cools, vacancy is expected to normalize as tenant demand catches up with the record level of new supply

Economic uncertainty and higher interest rates limited sales volume to start 2024. In late March, The Federal Reserve held interest rates steady but signal plans for rate cuts before years end. If rates are cut, transaction volume is expected to pick up in late 2024.

SIGNIFICANT SALE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
2075 W Obispo Ave*	Chandler N/ Gilbert	428,453	\$71,050,000	\$165.83	ViaWest Group	Clarion Partners
202 Business Park	Chandler Airport	268,698	\$51,600,000	\$192.04	Two Sigma	Brookfield Corporation
Chandler Airport Business Park	Chandler Airport	318,683	\$42,570,000	\$133.58	CapRock Partners	Sun State Builders
Riverside @ 51st	SW S of Buckeye Road	335,459	\$42,200,000	\$125.80	Link Logistics R.E.	Bixby Land Company
2632 E Chambers Dr	S Airport S of Roeser	114,907	\$24,300,000	\$211.48	MDC Realty Advisors	American Refrigeration Supplies, Inc.

*Portfolio sale of a 6-property industrial park

SIGNIFICANT LEASE TRANSACTIONS 1Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
C 303	Glendale	211,360	February 2024	First Industrial Realty Trust, Inc.	Steelcase
850 N 119th Ave	Goodyear	194,598	January 2024	CBRE Investment Management	Sologistics
C 303	Glendale	165,000	February 2024	First Industrial Realty Trust, Inc.	Dansons
777 N 55th Ave	SW N of Buckeye Road	150,102	February 2024	CapRock Partners	Maersk Warehousing & Distribution Services
3200 W Germann Rd	Chandler	123,688	January 2024	EQT Exeter	Saras Micro Devices

SIGNIFICANT 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.	2Q24
Prologis 303 Business Park	4780 N Cotton Ln	Glendale	1,627,280	Prologis, Inc.	3Q24
Goodyear Airpark	14900-15150 W Broadway Rd	Goodyear	1,626,573	Harvard Investments	3Q24
23499 W Southern Ave	23499 W Southern Ave	Goodyear	1,600,000	Ross Stores	2Q24
Luke Field- Building C	SEC Litchfield Rd & Northern Ave	Glendale	1,278,653	LPC Desert West	4Q24

Data Source: CoStar, AZ Office of Economic Opportunity



Kidder Mathews is the largest independent commercial real estate firm on the West Coast, with over 900 real estate professionals and staff in 19 offices in Washington, Oregon, California, Nevada, and Arizona. We offer a complete range of brokerage, appraisal, asset services, consulting, and debt & equity finance services for all property types.

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

GARY BARAGONA
 Director of Research
 415.229.8925
 gary.baragona@kidder.com

ERIC PAULSEN
 Regional President, Brokerage
 Southern California & Arizona
 602.513.5200
 eric.paulsen@kidder.com
 LIC N° 01001040

COMMERCIAL BROKERAGE	\$10B 3-YEAR AVERAGE TRANSACTION VOLUME	31.7M ANNUAL SALES SF	42.4M ANNUAL LEASING SF
ASSET SERVICES	51M SF MANAGEMENT PORTFOLIO SIZE	750+ ASSETS UNDER MANAGEMENT	250+ CLIENTS SERVED
VALUATION ADVISORY	2,600+ 3-YEAR AVERAGE ASSIGNMENTS	43 TOTAL APPRAISERS	25 WITH MAI DESIGNATIONS

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. Consult your attorney, accountant, or other professional advisor.