

MARKET TRENDS

PHOENIX INDUSTRIAL

MARKET DRIVERS

Phoenix continues to maintain a strong construction development pipeline that will continue well into 2025. Nearly 30M SF of new projects are currently underway with year-to-date (YTD) deliveries totaling 27.1M SF. Majority of new developments are buildings over 100k SF, further intensifying the existing demand-supply imbalance.

Vacancy increased by 490 basis points (bps) year-over-year (YOY) to 11.8%, while availability rates experienced an increase of 220 bps to 15.1%. However, compared to 2Q24, vacancy rates only grew by 70 bps, and availability by 50 bps.

Despite the continued rise in vacancy rates through 2024, driven by new developments entering the market without a tenant in place, direct net absorption continues to remain positive. This quarter, direct net absorption was positive 3M SF, with YTD figures totaling positive 12.5M SF. Vacancy is expected to remain elevated until new construction is leased and absorbed.

Rent growth in the Phoenix industrial market is slowing, with direct asking rents remaining steady quarter-over-quarter (QOQ) at \$1.13 /SF NNN. However, the region has experienced a YOY increase of 9.7% from \$1.03/SF NNN.

ECONOMIC REVIEW

According to the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in August decreased 50 bps YOY to 3.1%. This compares to the state's seasonally adjusted unemployment rate of 3.4% and national rate of 4.2%.

In September 2024, the Federal Reserve issued their first rate cut since March 2020, responding to signs of inflation trending downward. This cut is speculated to have a modest positive effect on financing and refinancing for both new and existing properties, as the cost of borrowing decreases and liquidity improves.

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Market Summary

	3Q24	2Q24	3Q23	YOY Change
Total Vacancy Rate	11.8%	11.1%	6.9%	490 bps
Total Availability Rate	15.1%	14.6%	12.9%	220 bps
Direct Asking Lease Rate	\$1.13	\$1.13	\$1.03	9.7%

	3Q24	2024 YTD	2023 YTD	YOY Change
Leasing Activity (SF)	4,337,707	16,764,940	20,666,627	-18.9%
Sales Volume (SF)	7,973,660	16,350,931	13,978,287	17.0%
Direct Net Absorption (SF)	3,014,268	12,549,293	13,049,783	N/A

↓ **4.3M SF**
LEASING ACTIVITY

↓ **3.0M SF**
NET ABSORPTION

↑ **11.8%**
VACANCY RATE

↑ **\$1.13**
ASKING RENT (AVG)

↓ **5.9M SF**
NEW DELIVERIES

Year-Over-Year Trend

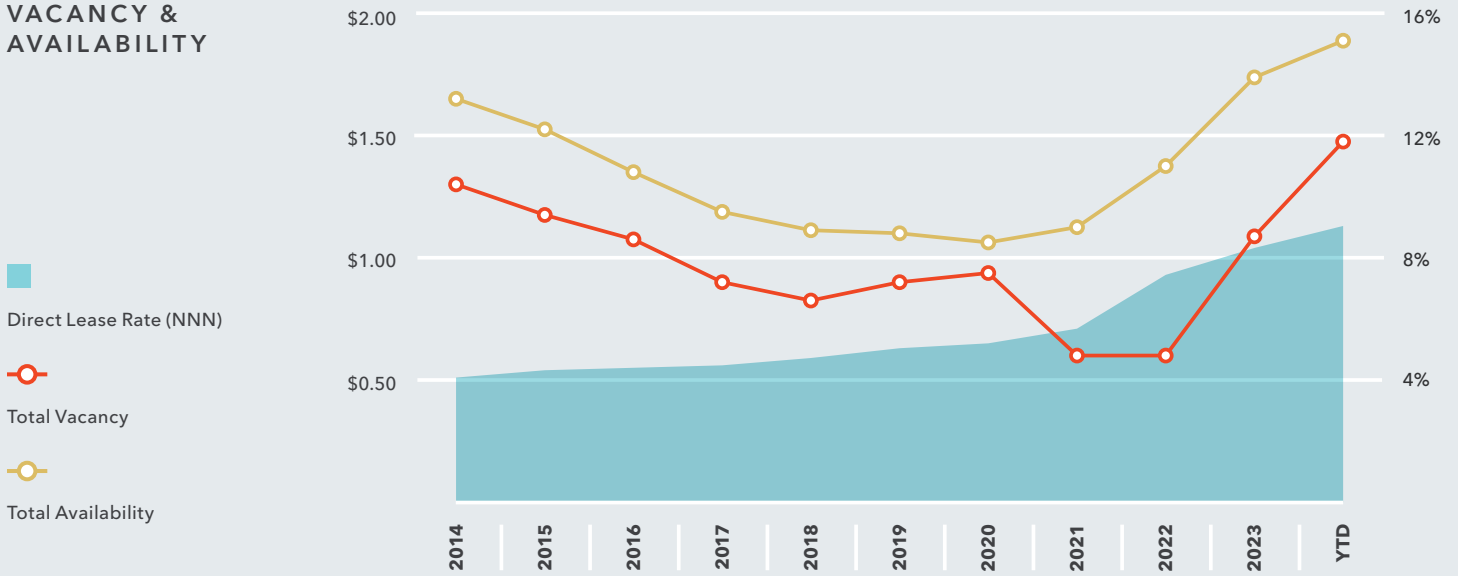
Market Highlights

CONSTRUCTION ACTIVITY continues to drive the market with 27.1M SF in YTD deliveries.

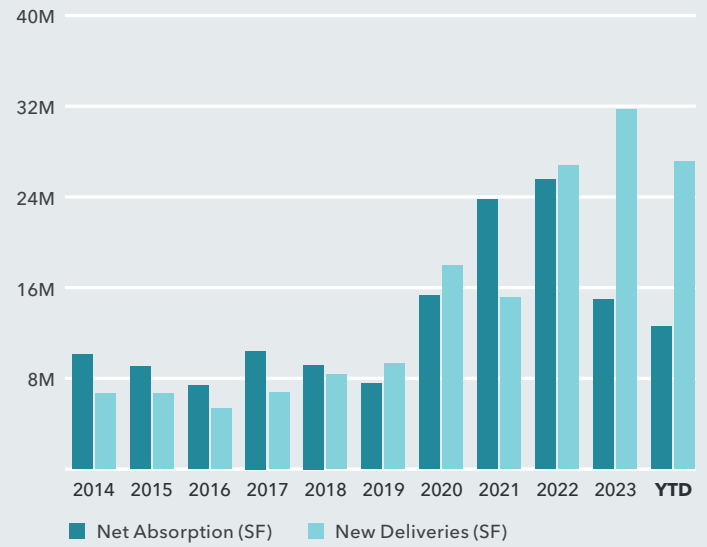
RENTAL RATES grew 9.7% YOY to \$1.13/SF NNN, unchanged QOQ.

YTD SALES VOLUME of 16.3M SF is on pace to surpass 2023's 19M SF.

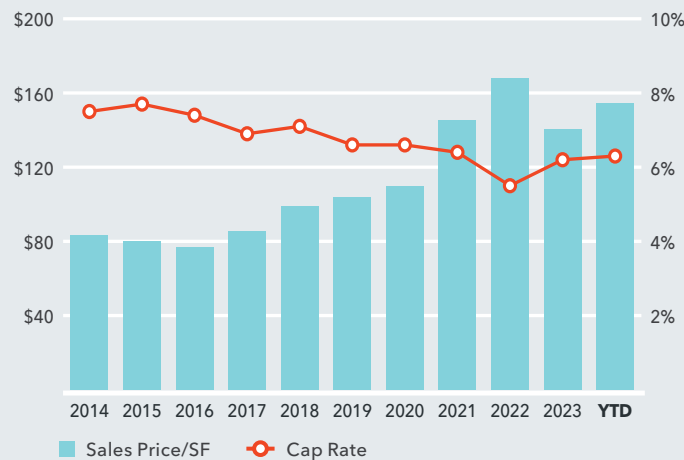
LEASE RATE, VACANCY & AVAILABILITY



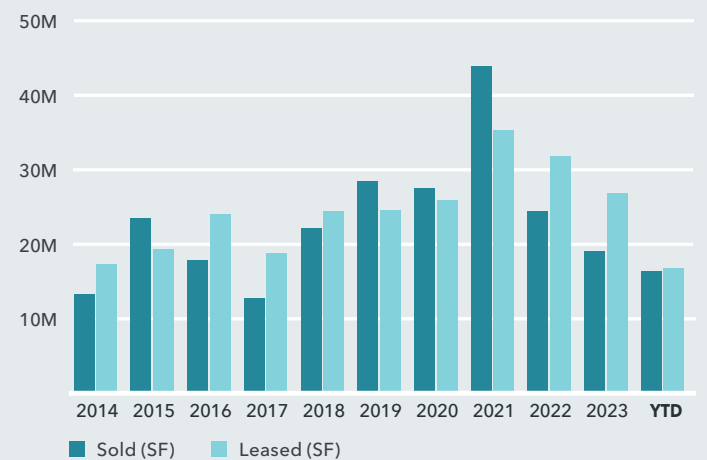
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	3Q24 Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	3Q24 Total Leasing Activity	YTD Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	13,675,625	5.1%	6.1%	(74,284)	(279,263)	0	0	95,090	265,355	\$1.22
South Airport North of Roeser	14,687,156	4.0%	4.6%	(161,192)	(255,500)	130,300	0	162,545	544,323	\$1.21
South Airport South of Roeser	4,459,438	2.5%	2.9%	(25,608)	10,990	0	24,800	29,621	159,834	\$1.38
SC North of Salt River	15,179,979	6.3%	7.2%	22,632	(68,746)	99,582	197,304	215,552	727,342	\$1.04
SC South of Salt River	2,349,757	3.3%	3.3%	(23,818)	(22,418)	0	0	10,000	10,000	\$0.79
Airport Area	50,351,955	4.9%	5.6%	(262,270)	(614,937)	229,882	222,104	512,808	1,706,854	\$1.16
Central Phoenix	3,476,377	3.5%	3.9%	(4,845)	(21,656)	0	10,000	35,833	68,727	\$1.11
Scottsdale Airpark	6,544,625	4.4%	5.0%	(36,137)	(73,847)	45,047	0	54,774	223,412	\$1.54
Scottsdale/Salt River	5,392,152	1.8%	1.8%	23,661	53,388	242,740	0	32,795	93,213	\$1.51
Northeast	15,413,154	3.3%	3.6%	(17,321)	(42,115)	287,787	10,000	123,402	385,352	\$1.43
Deer Valley/Pinnacle Park	20,613,717	9.6%	10.3%	132,261	793,309	1,669,982	1,860,502	236,973	885,963	\$1.41
Glendale	48,616,428	17.8%	19.4%	1,239,733	5,744,989	11,897,258	5,792,219	148,280	4,090,915	\$0.71
Grand Avenue	13,641,028	7.7%	7.9%	(41,079)	(153,804)	697,312	511,918	58,653	150,730	\$0.87
North Black Canyon	4,746,636	19.4%	19.6%	(80,607)	(313,571)	0	0	27,999	111,664	\$1.08
Surprise	6,202,180	21.3%	21.4%	396,100	845,452	1,042,288	1,735,225	51,290	314,495	\$1.03
West Phoenix North of Thomas Road	7,251,573	4.4%	4.4%	76,154	102,440	0	0	49,012	297,284	\$0.88
West Phoenix South of Thomas Road	6,668,489	3.4%	3.7%	176,944	108,928	0	0	61,783	149,182	\$1.00
Northwest	107,740,051	13.4%	14.3%	1,899,506	7,127,743	15,306,840	9,899,864	633,990	6,000,233	\$0.94
Pinal County	12,999,401	8.0%	8.0%	(215,605)	877,804	1,775,000	1,728,442	15,334	146,761	\$0.76
Chandler Airport	8,849,651	13.5%	13.6%	4,844	86,304	532,470	995,539	233,955	374,588	\$1.48
Chandler	24,633,870	5.4%	5.5%	399,261	506,770	580,879	400,000	77,934	537,781	\$1.14
Chandler North/Gilbert	44,325,564	27.1%	27.4%	677,306	2,996,793	4,256,486	8,932,896	602,912	1,696,217	\$1.37
Falcon Fld/Apache Junction	5,711,978	5.2%	5.9%	(26,232)	(15,769)	132,094	244,286	69,371	149,964	\$1.36
Mesa	6,554,289	6.3%	6.3%	(46,450)	(119,731)	0	38,000	110,933	230,654	\$1.27
Tempe East	6,043,085	8.7%	8.7%	(118,553)	(279,022)	0	0	134,654	279,787	\$1.33
Tempe Northwest	10,567,032	5.1%	5.8%	229,644	120,500	183,096	0	55,249	233,222	\$1.21
Tempe Southwest	21,662,911	7.4%	8.6%	56,249	(248,617)	171,025	0	364,999	980,200	\$1.20
Southeast	128,348,380	14.0%	14.4%	1,176,069	3,047,228	5,856,050	10,610,721	1,650,007	4,482,413	\$1.27
Goodyear	36,017,659	20.8%	25.5%	458,973	2,206,651	5,846,126	4,137,650	570,911	2,425,140	\$1.01
Southwest North of Buckeye Road	36,978,011	11.2%	11.9%	(556,384)	(761,962)	99,498	0	528,043	1,029,296	\$1.03
Southwest South of Buckeye Road	20,303,435	2.1%	3.3%	-	36,486	253,460	0	82,850	94,588	\$1.23
Tolleson	49,086,693	2.3%	3.1%	531,300	672,395	300,000	511,675	220,362	494,303	\$1.39
Southwest	142,385,798	9.2%	11.1%	433,889	2,153,570	6,499,084	4,649,325	1,402,166	4,043,327	\$1.11
Phoenix Total	457,238,739	10.8%	11.8%	3,014,268	12,549,293	29,954,643	27,120,456	4,337,707	16,764,940	\$1.13
Manufacturing & Warehouse	281,231,519	10.9%	11.6%	2,486,357	1,268,796	22,225,840	19,614,481	2,894,084	13,108,907	\$1.10
General Industrial	145,035,515	11.5%	13.1%	477,603	1,619,954	7,728,803	7,505,975	1,195,174	2,798,131	\$0.88
Flex	30,971,705	7.7%	8.3%	50,308	(339,457)	0	0	248,449	857,902	\$1.36

NEAR-TERM OUTLOOK

The wave of new developments with expected completions 2024 and 2025 will continue to drive Phoenix's industrial vacancy rate higher. However, Phoenix has grown into a general distribution hub which will help mitigate the current supply imbalance.

Rent growth is expected to be relatively moderate or flat in the near term, as newly constructed developments are delivered with higher rates compared to their older counterparts.

Additional interest rate cuts that may occur towards the end of 2024 and the beginning of 2025 could stimulate new activity in the investment sales market.

SIGNIFICANT SALE TRANSACTIONS 3Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
15301 W Northern Ave - Building B	Glendale	1,200,140	\$128,100,000	\$106.74	BlackRock, Inc.	CRG
8201 E McDowell Rd	Scottsdale/Salt River	850,000	\$61,100,000	\$71.88	Baker Development Corporation	General Dynamics
1835-1975 S Hamilton St	Chandler Airport	301,994	\$57,000,000	\$188.75	Longpoint Realty Partners	Creation Equity
835 & 945 N 215th Ave	Goodyear	249,600	\$51,000,000	\$204.33	MDH Partners, LLC	Kentwood Ventures
15152 W Camelback Rd	Glendale	326,018	\$50,000,000	\$153.37	EQT Exeter Real Estate	US Capital Development

SIGNIFICANT LEASE TRANSACTIONS 3Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
2001 S 15th Ave	SC N of Salt River	192,761	August 2024	Link Logistics	American Tire Distributors*
5302 W Buckeye Rd	SW N of Buckeye Road	137,980	August 2024	Blackstone	Freeport
5026 E Ellsworth Rd	Chandler N/Gilbert	135,759	July 2024	Ryan Companies/ DWS	Quantum
6150 W Buckeye Rd	SW N of Buckeye Road	113,528	August 2024	Sheffa LLC	International Paper Company
5555 W Roosevelt St	SW N of Buckeye Road	103,976	July 2024	CapRock Partners	Knotwood US

* Renewal

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
Luke Field- Building A, B, C	SEC Litchfield Rd & Northern Ave	Glendale	2,428,278	LPC Desert West	1Q25
23499 W Southern Ave	23499 W Southern Ave	Goodyear	1,600,000	Ross Stores	4Q24
C 303 - Building C and B	5501 & 5201 N Cotton Ln	Glendale	1,379,909	First Industrial Realty Trust, Inc.	4Q24
The Base- Building 1-7	NWC Litchfield Rd & Bethany Home Rd	Glendale	1,182,877	ViaWest Group	1Q25
Olive Logistics Center	NE Corner of W Olive Avenue & N Cotton Lane	Glendale	1,030,880	Logistics Property Co	1Q25

Data Source: CoStar, AZ Office of Economic Opportunity



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COMMERCIAL BROKERAGE	<i>\$10B</i> 3-YEAR AVERAGE TRANSACTION VOLUME	<i>31.7M</i> ANNUAL SALES SF	<i>42.4M</i> ANNUAL LEASING SF
ASSET SERVICES	<i>55M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>800+</i> ASSETS UNDER MANAGEMENT	<i>260+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>43</i> TOTAL APPRAISERS	<i>27</i> WITH MAI DESIGNATIONS

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