

MARKET TRENDS

PHOENIX INDUSTRIAL

MARKET DRIVERS

Phoenix continues to be a hotspot for industrial development as it has maintained a strong construction pipeline, averaging 8M SF in quarterly deliveries since 2022. This trend will continue well into 2025, with 21.9M SF of new projects currently underway. Year-to-date deliveries reach 37.6M SF, 19% higher than the total deliveries in 2023, which will continue to intensify the demand-supply imbalance as vacancy rates continue to rise.

Vacancy increased by 440 basis points (bps) year-over-year (YOY) to 13.1%, while availability rates experienced an increase of 140 bps to 15.1%. However, compared to 3Q24, vacancy rates only grew by 140 bps, and availability by 20 bps.

Despite the continued rise in vacancy rates through 2024 driven by new developments, direct net absorption continues to remain positive as logistics and manufacturing tenants are expanding their footprints. Direct net absorption in 2024 totaled 17.8M SF coupled with 24.4M SF in leasing activity.

Rent growth in the Phoenix industrial market is slowing, with direct asking rents remaining steady quarter-over-quarter (QOQ) to \$1.12 /SF NNN.

Annual sales volume in 2024 has exceeded 23.4M SF, surpassing the total of 19M SF recorded in 2023, with most transactions involving buildings larger than 100K SF.

ECONOMIC REVIEW

According to the Arizona Office of Economic Opportunity, Phoenix metro's unemployment rate in October decreased 40 bps YOY to 3.3%. This compares to the state's seasonally adjusted unemployment rate of 3.6% and national rate of 4.1%.

The Federal Reserve has issued two additional .25% rate cuts this quarter following an initial .50% reduction in September 2024. These cuts are speculated to have a modest positive effect on stimulating new activity in the investment sales market.

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Market Summary

	4Q24	3Q24	4Q23	YOY Change
Total Vacancy Rate	13.1%	11.8%	8.7%	440 bps
Total Availability Rate	15.1%	14.9%	13.7%	140 bps
Direct Asking Lease Rate	\$13.49	\$12.83	\$12.55	7.5%

	4Q24	2024	2023	YOY Change
Leasing Activity (SF)	5,066,724	24,363,715	26,985,456	-9.7%
Sales Volume (SF)	9,095,993	25,377,749	19,068,815	33.1%
Direct Net Absorption (SF)	3,477,124	17,772,288	14,932,489	19.02%



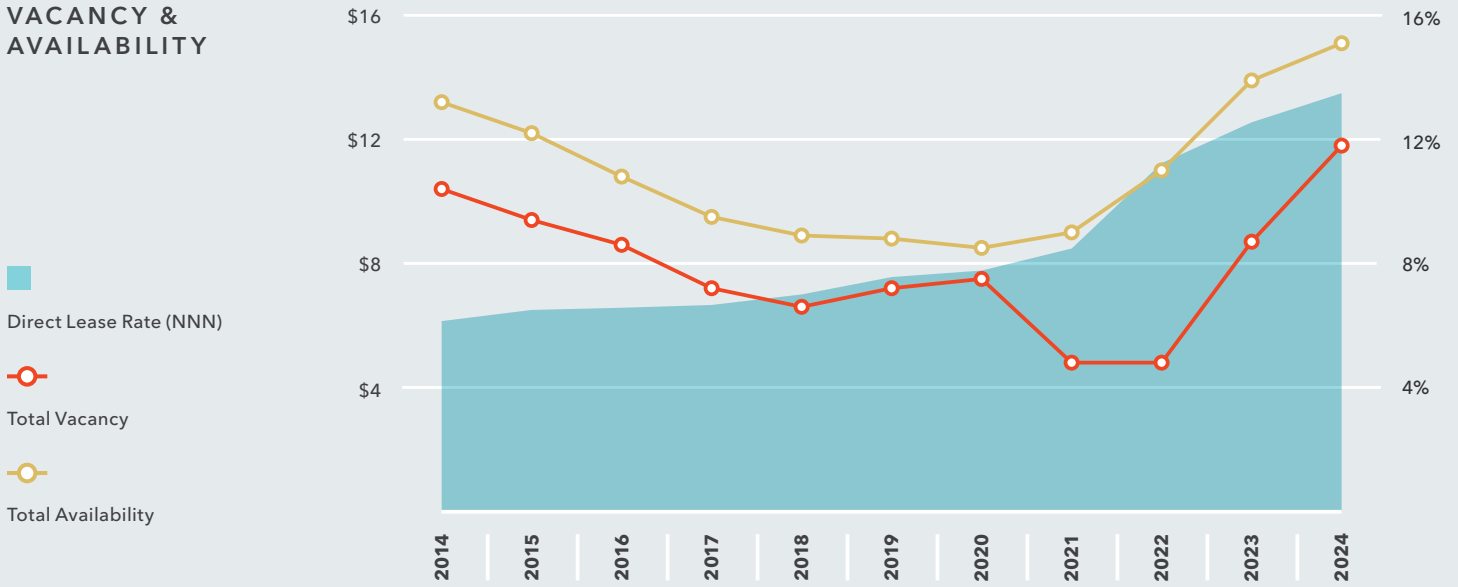
Market Highlights

CONSTRUCTION ACTIVITY activity continues to drive the market with 37.6M SF in 2024.

VACANCY increased 440 bps YOY to 13.1%.

YTD SALES VOLUME reached 23.4M SF.

LEASE RATE, VACANCY & AVAILABILITY

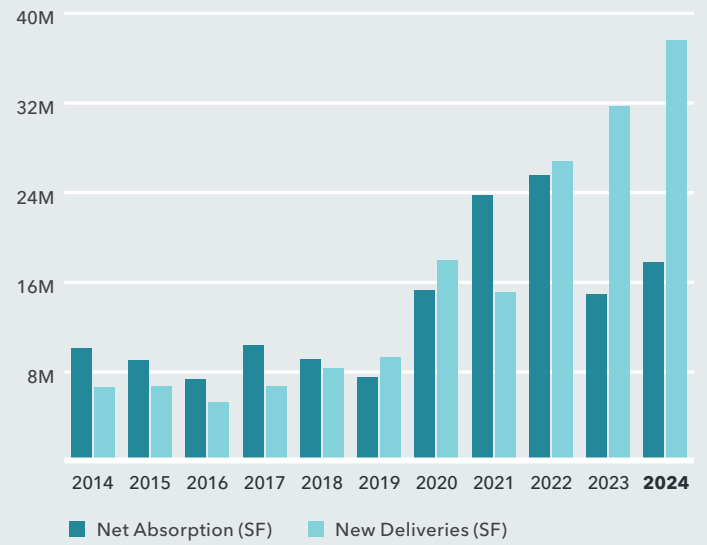


BIGGEST SALE OF THE QUARTER

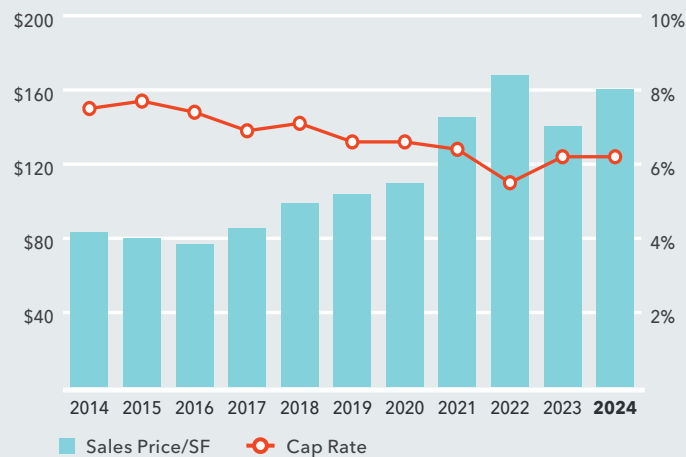
*Broadway 101 Commerce Park II
Mesa, AZ*



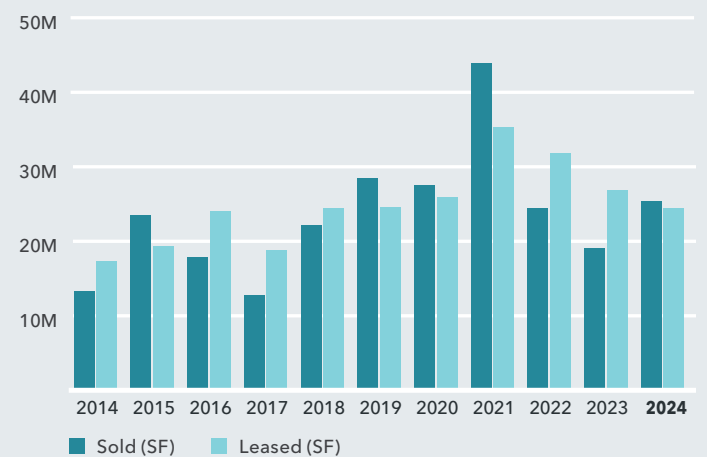
NET ABSORPTION & NEW DELIVERIES



AVERAGE SALES PRICE/SF & CAP RATE



SALE VOLUME & LEASING ACTIVITY



SUBMARKET STATISTICS

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	4Q24 Direct Net Absorption	2024 Direct Net Absorption	SF Under Construction	2024 Construction Completions	4Q24 Total Leasing Activity	2024 Total Leasing Activity	Average Direct Rental Rate (NNN)
North Airport	13,840,135	4.7%	5.7%	52,045	(227,218)	33150	0	45,355	290,035	\$1.19
South Airport North of Roeser	14,662,587	4.0%	4.9%	7,567	(247,933)	130,300	0	169,068	763,863	\$1.21
South Airport South of Roeser	4,531,483	1.8%	2.2%	30,678	41,668	0	24800	6,496	166,330	\$1.75
SC North of Salt River	15,277,198	5.7%	6.0%	183,205	117,219	-	296886	379,637	1,250,611	\$1.07
SC South of Salt River	2,360,957	3.4%	3.4%	(1,200)	(23,618)	0	0	0	10,000	\$0.79
Airport Area	50,672,360	4.5%	5.1%	272,295	(339,882)	163,450	321,686	600,556	2,480,839	\$1.15
Central Phoenix	3,483,825	3.9%	3.9%	(14,350)	(36,006)	0	10,000	4,859	77,629	\$1.16
Scottsdale Airpark	6,568,145	5.0%	5.8%	(39,609)	(111,980)	45,047	0	86,170	303,568	\$1.60
Scottsdale/Salt River	5,398,183	1.6%	1.8%	10,045	68,833	242,740	0	8,916	961,521	\$1.50
Northeast	15,450,153	3.6%	4.0%	(43,914)	(79,153)	287787	10,000	99,945	1,342,718	\$1.44
Deer Valley/Pinnacle Park	20,932,803	9.4%	10.5%	343,867	1,137,144	1,325,289	2,205,363	384,063	1,300,258	\$1.40
Glendale	53,111,347	23.0%	25.1%	926,161	6,674,549	7,425,710	10,274,365	1,072,309	5,997,079	\$0.84
Grand Avenue	13,650,516	6.5%	6.7%	157,407	10,539	990,063	511,918	113,177	263,907	\$0.93
North Black Canyon	4,728,915	18.8%	19.1%	34,164	(280,577)	0	0	52,536	158,730	\$1.06
Surprise	6,753,549	26.2%	26.2%	44,865	943,130	606,418	2,285,638	13,003	327,940	\$1.13
West Phoenix North of Thomas Road	7,277,453	3.6%	3.6%	54,712	157,152	0	0	55,157	335,761	\$0.87
West Phoenix South of Thomas Road	6,673,246	3.3%	3.6%	8,079	117,007	0	0	22,397	171,579	\$1.00
Northwest	113,127,829	16.1%	17.4%	1,569,255	8,758,944	10,347,480	15,277,284	1,712,642	8,555,254	\$1.05
Pinal County	13,031,877	8.3%	8.3%	22,789	900,413	1,715,000	1,788,262	99,259	266,020	\$0.79
Chandler Airport	9,099,401	14.7%	20.4%	104,201	190,505	545,698	1,245,289	158,681	559,119	\$1.44
Chandler	25,179,148	6.4%	6.7%	183,635	690,405	652,472	785,353	105,015	656,052	\$1.32
Chandler North/Gilbert	45,251,428	26.2%	26.6%	1,101,747	4,075,050	3,391,139	9,847,734	584,262	2,449,751	\$1.36
Falcon Fld/Apache Junction	5,710,326	5.0%	5.7%	11,361	(4,408)	132,094	244,286	3,880	153,844	\$1.37
Mesa	6,587,919	5.4%	5.5%	59,854	(59,877)	0	38,000	68,821	389,440	\$1.15
Tempe East	6,083,224	9.1%	9.1%	(23,670)	(302,692)	0	0	54,782	297,229	\$1.42
Tempe Northwest	10,561,386	6.0%	6.4%	(98,797)	19,462	422,575	0	95,898	347,493	\$1.03
Tempe Southwest	21,752,313	7.4%	8.2%	659	(247,958)	0	0	235,301	1,401,097	\$1.20
Southeast	130,225,145	14.0%	14.8%	1,338,990	4,360,487	5,143,978	12,160,662	1,306,640	6,254,025	\$1.26
Goodyear	39,479,114	21.9%	27.6%	408,906	4,315,557	3,071,416	7,412,360	558,213	2,993,941	\$0.91
Southwest North of Buckeye Road	37,182,946	11.2%	12.4%	(39,021)	(800,983)	834,174	0	490,954	1,552,012	\$0.93
Southwest South of Buckeye Road	20,321,460	2.1%	3.8%	(972)	35,714	0	0	128,500	223,088	\$1.23
Tolleson	49,390,255	2.6%	4.0%	(51,204)	621,191	300,000	643,175	70,015	695,818	\$0.80
Southwest	146,373,775	9.9%	12.5%	317,709	4,171,479	4,205,590	8,055,535	1,247,682	5,464,859	\$0.94
Phoenix Total	468,881,139	11.7%	13.1%	3,477,124	17,772,288	21,863,285	37,613,429	5,066,724	24,363,715	\$1.12
Manufacturing & Warehouse	288,906,535	12.3%	13.4%	2,107,690	13,381,653	15,447,285	26,576,233	4,026,124	19,515,019	\$1.13
General Industrial	149,059,600	11.5%	13.6%	1,283,836	4,629,268	6,302,494	11,016,426	833,743	3,853,170	\$0.91
Flex	31,031,777	7.2%	7.6%	198,848	(122,631)	113,506	20,770	206,857	1,127,026	\$1.39

NEAR-TERM OUTLOOK

New construction is expected to slow down in 2025 to mitigate the supply-demand imbalance. However, build-to-suit developments are expected to drive growth as prospective tenants are continuing to search for larger space of at least 100K SF. Arizona will continue

to attract many businesses that are looking to relocate or expand due to its strategic position as a hub for future industrial growth.

Vacancy rates will continue to rise into 2025 until new supply is absorbed and new construction starts to decline.

SIGNIFICANT SALE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Sale Price	\$/SF	Buyer	Seller
Broadway 101 Commerce Park II	Mesa	856,894	\$168,262,000	\$196.36	CIP Real Estate Property Services	BKM Capital Partners
Paloma Vista Logistics-Bldg 1	Goodyear	1,056,353	\$118,250,000	\$111.94	BGO	Ares Management Corp
Tempe Commerce Park	Tempe Southwest	536,053	\$112,000,000	\$208.93	LaSalle Investment Management	BKM Capital Partners
Akimel Gateway	Chandler	519,112	\$83,000,000	\$159.89	EastGroup Properties Inc	Trammell Crow Company
Chandler Airpark 202	Chandler Airport	402,487	\$75,600,000	\$187.83	TA Realty	Ares Management Corp
Airport Logistics Ctr	SC S of Salt River	393,484	\$72,400,000	\$184.00	INDUS Realty Trust	CBRE Investment Management

SIGNIFICANT LEASE TRANSACTIONS 4Q 2024

Property	Submarket	SF	Transaction Date	Landlord	Tenant
15700 W Glendale Ave	Glendale	527,979	December 2024	Bickman Farms	Logistics Plus
402 N 44th Ave	SW N of Buckeye Rd	221,116	November 2024	Prologis	Hydro
17780 W Thomas Rd	Glendale	205,720	October 2024	Westcore	Thyssen Krupp
1775 W Alameda Rd	Deer Vly/Pinnacle Pk	130,000	December 2024	Mack Real Estate	Precision Science

SIGNIFICANT UNDER CONSTRUCTION

Property	Address	Submarket	SF	Owner	Delivery
LG Energy Solutions Battery Plant	Germann Rd	Pinal County	100,0000	LG Energy Solution	1Q25
C303-Building C	5501 N Cotton Ln	Glendale	959,373	First Industrial Realty Trust, Inc.	1Q25
Olive Logistics Center- Bldg 1	17210 W Olive Ave	Glendale	611,797	Undisclosed	1Q25
Sub-Zero	17215 W Camelback Rd	Glendale	599,351	Wolf Sub-Zero Cove	1Q25
TSMC	NEC Loop 303 & N 51st Ave	Deer Valley/Pinnacle Pk	566,929	TSMC North America D	1Q25

Data Source: CoStar, AZ Office of Economic Opportunity, PBJ



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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>57M SF</i> MANAGEMENT PORTFOLIO SIZE	<i>850+</i> ASSETS UNDER MANAGEMENT	<i>260+</i> CLIENTS SERVED
VALUATION ADVISORY	<i>2,600+</i> 3-YEAR AVERAGE ASSIGNMENTS	<i>39</i> TOTAL APPRAISERS	<i>24</i> WITH MAI DESIGNATIONS

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