

PHOENIX INDUSTRIAL MARKET OVERVIEW

Q3 | 2022

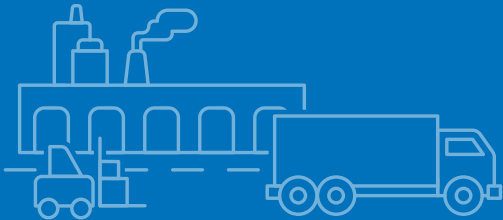


ECONOMIC SNAPSHOT FOR PHOENIX

AVERAGE WAGE GROWTH +6.5%

UNEMPLOYMENT RATE 3.4%

INFLATION RATE 13%



INDUSTRIAL SNAPSHOT

CURRENT AVAILABLE SPACE 52.2M SF

SQUARE FOOT UNDER CONSTRUCTION 55M SF

SQUARE FOOT PROPOSED 108M SF

MARKET CAP RATE 5.5%

MARKET ASKING RENT \$10.77/SF

MARKET VACANCY RATE 4.6%

INVESTMENT ACTIVITY SLOWED, INDUSTRIAL RENTS INCREASING RAPIDLY

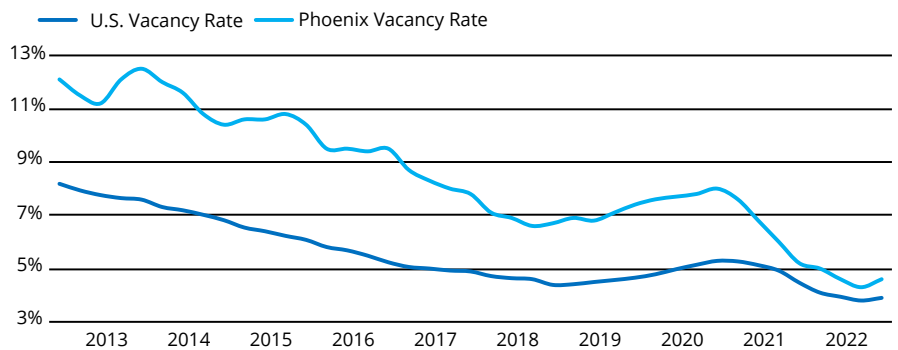
Investment activity remained strong in Q3 but slowed over previous quarters, a probable function of rising interest rates. Construction kicked into an even higher gear with 55M SF currently under construction across all submarkets. In Q2, we saw about 40M under construction market wide. In Q3, the West Valley alone had that much under construction. Rent increases were the most notable story this quarter, rents increased 20-45% in all but 3 submarkets. West Valley remains the best value, with lowest rents in the Valley and most measured rental increases despite the accelerating industrial growth.

INDUSTRIAL MARKET TRENDLINE

| | Q3 2022 | Q3 2021 | ONE-YEAR TREND | FIVE-YEAR AVERAGE | 12-MONTH FORECAST |
|--------------------------|---------|---------|----------------|-------------------|-------------------|
| UNEMPLOYMENT RATE | 3.4 | 5.7 | ↓ | 5.1 | ↔ |
| NET ABSORPTION (MSF) | 4.8 | 6.6 | ↓ | 3.4 | ↔ |
| OVERALL VACANCY RATE | 4.6% | 5.2% | ↓ | 6.8% | ↔ |
| OVERALL VACANT SF (MSF) | 17.7 | 19.0 | ↓ | 23.0 | ↓ |
| UNDER CONSTRUCTION (MSF) | 55.9 | 30.7 | ↑ | 15.7 | ↔ |
| ASKING RENT, NNN (PSF) | \$10.77 | \$8.70 | ↑ | \$7.45 | ↑ |
| SALES VOLUME (Millions) | \$960 | \$1,946 | ↓ | \$763 | ↔ |

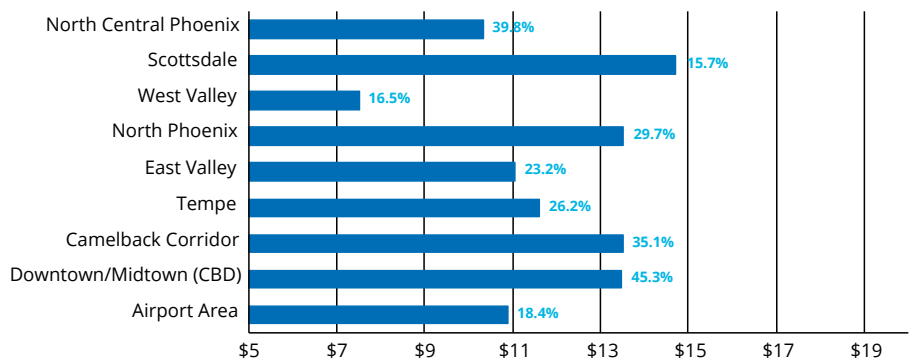
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

OVERALL VACANCY RATE



Source: CoStar, Transwestern

ASKING RENT



Source: CoStar, Transwestern

RENTAL PREMIUM FELT IN TIGHT SUBMARKETS

Camelback Corridor, Downtown and North Central Phoenix (including Uptown and Paradise Valley) saw the largest rental rate increases due to limited product, which will continue to give way to other types of development. We expect these submarkets to continue to shrink their industrial footprints while the North Phoenix market will likely see development increase decisively. With that, rental rates will continue to grow in coming quarters as TSMC and its suppliers fully open facilities and plant roots in the north part of the Valley.

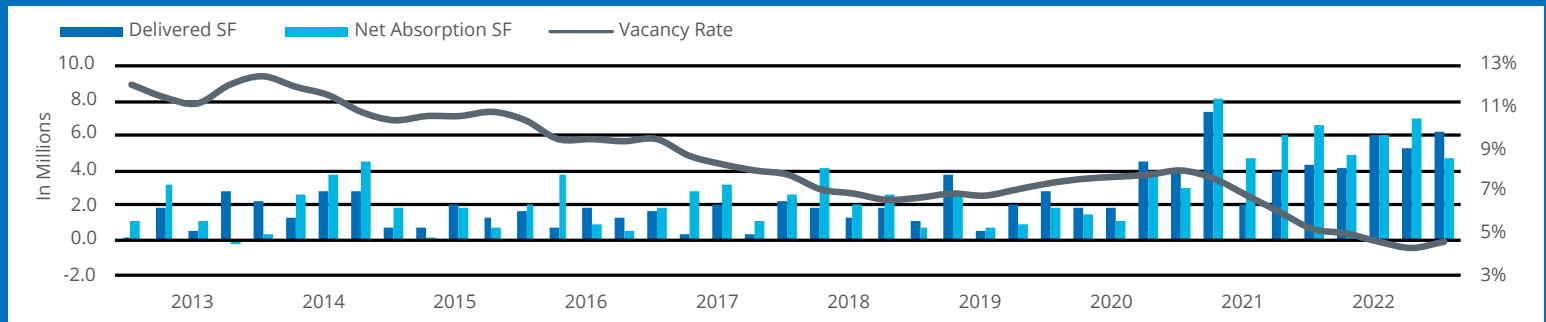
MARKET INDICATORS

Logistics | Q3 2022

| SUBMARKET | INVENTORY SF | DIRECT VACANT SF | DIRECT VACANCY RATE | OVERALL VACANCY RATE | UNDER CONSTRUCTION SF | NET ABSORPTION SF | Y-O-Y NET ABSORPTION SF | ASKING RENT PSF, NNN |
|-------------------------|--------------------|-------------------|---------------------|----------------------|-----------------------|-------------------|-------------------------|----------------------|
| AIRPORT AREA/SE PHOENIX | 5,110,820 | 1,014,781 | 2.0% | 2.3% | 1,518,064 | 243,331 | 903,790 | \$10.88 |
| DOWNTOWN/MIDTOWN (CBD) | 6,476,708 | 285,606 | 4.4% | 4.4% | 361,334 | (111,273) | 62,088 | \$13.48 |
| CAMELBACK CORRIDOR | 1,763,398 | 17,392 | 1.0% | 1.0% | 0 | 0 | 89,087 | \$13.50 |
| TEMPE | 15,841,950 | 257,220 | 1.6% | 1.6% | 0 | 87,705 | 99,291 | \$11.61 |
| EAST VALLEY | 50,374,305 | 2,265,298 | 4.5% | 4.6% | 8,390,601 | 675,080 | 11,335,774 | \$11.05 |
| NORTH PHOENIX | 14,542,422 | 577,535 | 4.0% | 4.1% | 2,423,697 | 137,835 | 88,507 | \$13.53 |
| WEST VALLEY | 160,493,218 | 9,145,263 | 5.7% | 6.0% | 39,655,744 | 2,131,939 | 14,365,987 | \$7.50 |
| SCOTTSDALE | 7,725,609 | 72,429 | 0.9% | 0.9% | 23,460 | (9,292) | 89,113 | \$14.70 |
| NORTH CENTRAL PHOENIX | 31,188,161 | 746,309 | 2.4% | 2.5% | 125,194 | 576,640 | 315,832 | \$10.32 |
| TOTAL | 293,516,591 | 14,381,833 | 2.9% | 3.0% | 52,498,094 | 3,731,965 | 27,349,469 | \$11.84 |

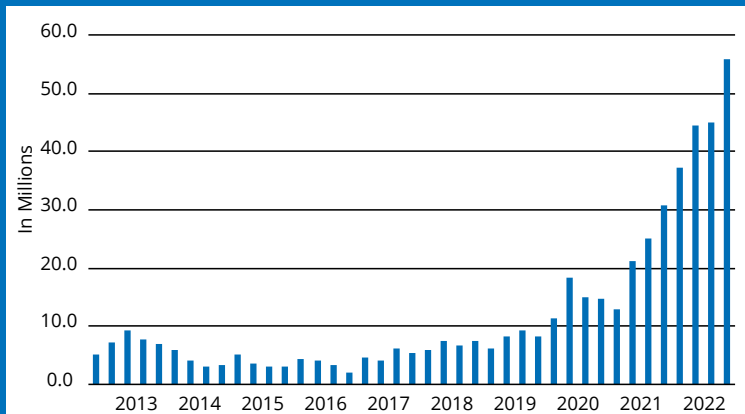
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



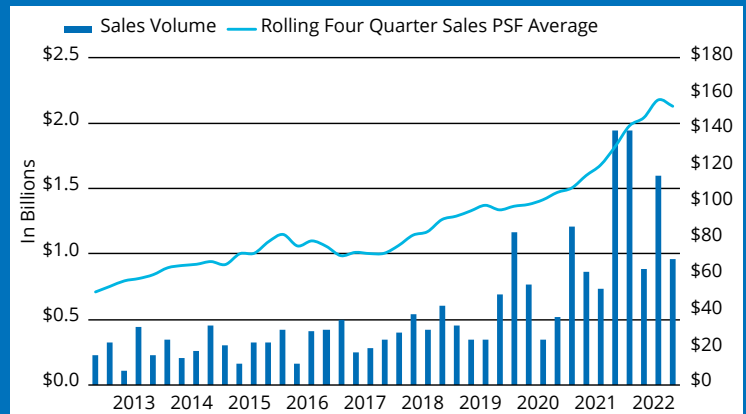
Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

JENNIFER BARILI, Senior Research Analyst | Phoenix
jennifer.barili@transwestern.com Direct: 602.296.6372

TRANSWESTERN REAL ESTATE SERVICES

2501 E. Camelback Rd, Suite 1
 Phoenix, AZ 85016