

PHOENIX INDUSTRIAL MARKET OVERVIEW

Q1 | 2023

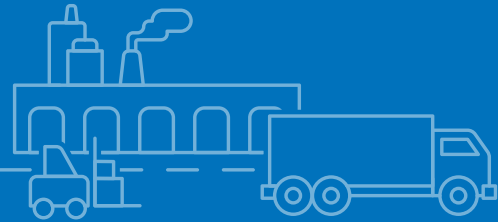


ECONOMIC SNAPSHOT FOR PHOENIX

AVERAGE WAGE GROWTH 4.9%

UNEMPLOYMENT RATE 3.1%

INFLATION RATE 8.5%



INDUSTRIAL SNAPSHOT

CURRENT AVAILABLE SPACE 58.2M SF

SQUARE FOOT UNDER CONSTRUCTION 55.4M SF

SQUARE FOOT PROPOSED 125M SF

MARKET CAP RATE 4.9%

MARKET ASKING RENT \$11.82/SF

MARKET VACANCY RATE 4.6%

CONSTRUCTION PIPELINE EXPANDS AGAIN

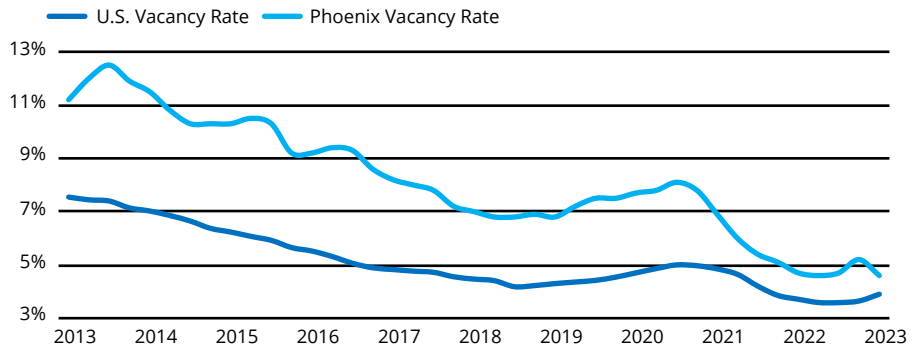
After a momentary slowing last quarter, the Q1 construction pipeline bounced back with a record breaking 55.3M SF of space under currently underway. More than 60% is being built in the West Valley where value persists, and rents are rising at a much slower pace than most other submarkets. Phoenix's East Valley has seen 75% rental growth year over year and the Downtown/Midtown submarket saw 50% year over year growth. Industrial rents in the Downtown/Midtown area are likely to remain high due to limited opportunities for industrial growth and a changing landscape for highest and best use from office and industrial to multifamily and mixed use.

INDUSTRIAL MARKET TRENDLINE

	Q1 2023	Q1 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.1	3.0	↑	4.6	↔
NET ABSORPTION (MSF)	6.5	7.5	↓	4.0	↔
OVERALL VACANCY RATE	4.6%	4.7%	↔	6.4%	↑
OVERALL VACANT SF (MSF)	17.4	16.6	↑	21.0	↑
UNDER CONSTRUCTION (MSF)	55.4	39.9	↑	21.9	↔
ASKING RENT, NNN (PSF)	\$11.82	\$9.04	↑	\$8.15	↑
SALES VOLUME (Millions)	\$432	\$885	↓	\$840	↔

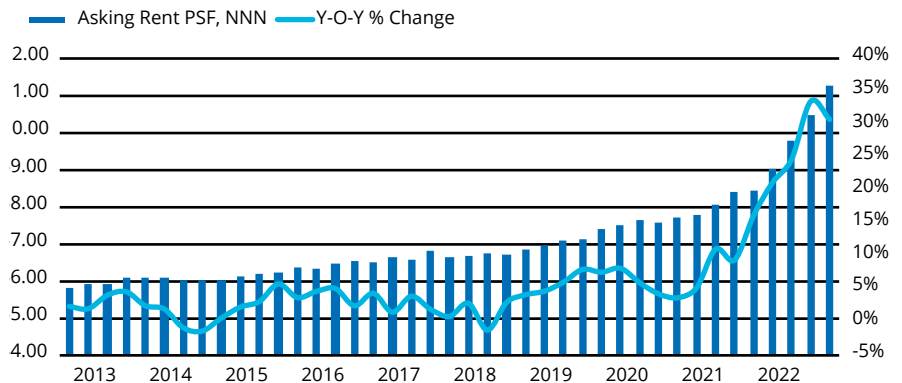
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

OVERALL VACANCY RATE



Source: CoStar, Transwestern

ASKING RENT



Source: CoStar, Transwestern

FEAR OF OVERBUILDING

With each new quarter showing blockbuster under construction numbers for industrial product, there is a continued fear of overbuilding, especially in the face of a possible recession. However, vacancy remains historically low despite the addition of 33M SF of new industrial space just in the past year. Diversification of industry and the emergence of Phoenix as a critical hub in the national supply chain will ensure future industrial demand continues.

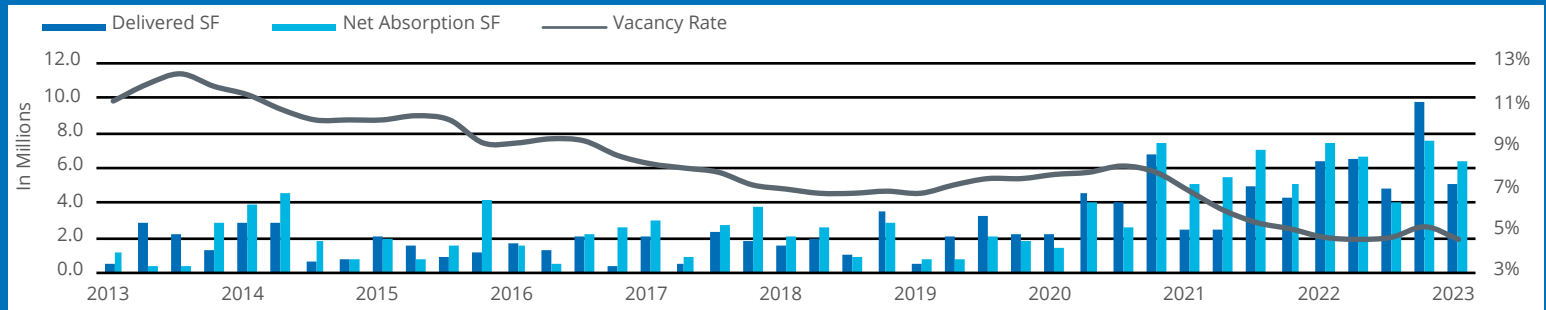
MARKET INDICATORS

Logistics | Q1 2023

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	52,459,382	1,857,023	3.5%	3.6%	444,943	241,261	1,414,633	\$14.27
DOWNTOWN/MIDTOWN (CBD)	6,820,311	305,783	4.5%	4.5%	10,000	338,953	255,461	\$14.92
CAMELBACK CORRIDOR	1,674,311	17,392	1.0%	1.0%	0	0	0	\$13.07
TEMPE	16,029,039	400,002	2.5%	2.5%	0	(80,664)	37,311	\$13.20
EAST VALLEY	52,894,587	2,411,829	4.6%	4.8%	15,105,186	601,356	4,457,293	\$14.19
NORTH PHOENIX	15,168,607	858,204	5.7%	5.7%	3,170,248	194,076	(46,350)	\$14.09
WEST VALLEY	172,201,578	8,996,221	5.2%	5.3%	35,312,463	4,924,152	17,990,428	\$8.04
SCOTTSDALE	7,740,235	110,707	1.4%	1.7%	160,019	(57,138)	-40,682	\$16.78
NORTH CENTRAL PHOENIX	31,444,360	676,972	2.2%	2.3%	50,991	185,616	924,595	\$10.40
TOTAL	356,432,410	15,634,133	3.4%	3.5%	54,253,850	6,347,612	24,992,689	\$13.22

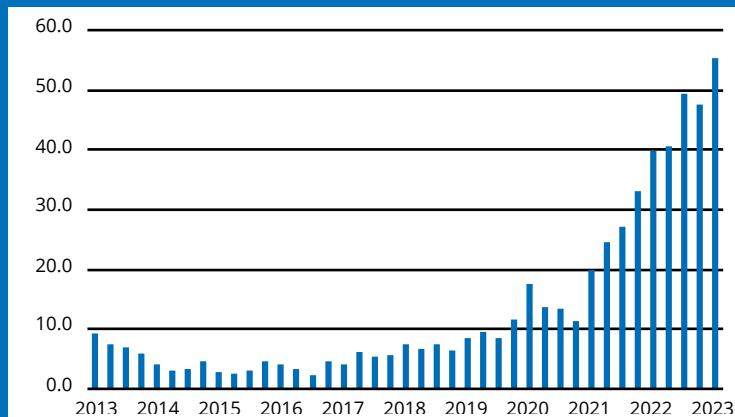
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



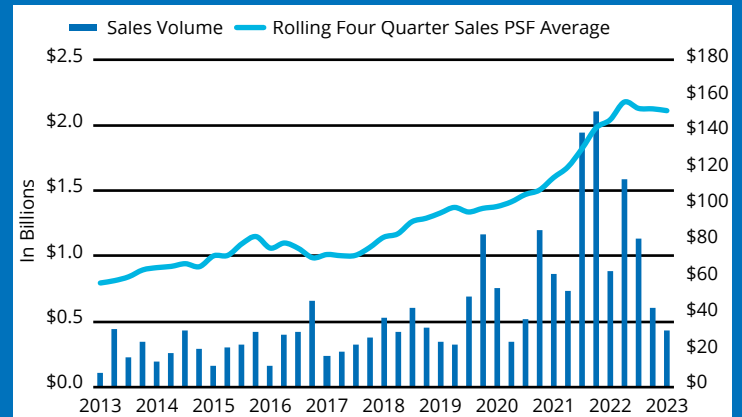
Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

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