

PHOENIX INDUSTRIAL MARKET OVERVIEW

Q2 | 2023

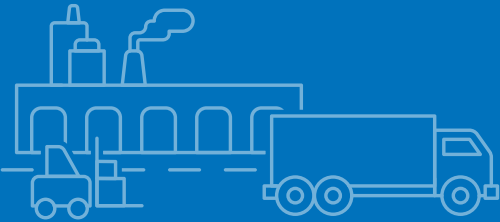


ECONOMIC SNAPSHOT FOR PHOENIX

AVERAGE WAGE GROWTH 5.5%

UNEMPLOYMENT RATE 3.0%

INFLATION RATE 7.4%



INDUSTRIAL SNAPSHOT

CURRENT AVAILABLE SPACE 59.1M SF

SQUARE FOOT UNDER CONSTRUCTION 57.6M SF

SQUARE FOOT PROPOSED 120M SF

MARKET CAP RATE 6.0%

MARKET ASKING RENT \$12.54/SF

MARKET VACANCY RATE 4.6%

INDUSTRIAL ABSORPTION SLOWS IN Q2

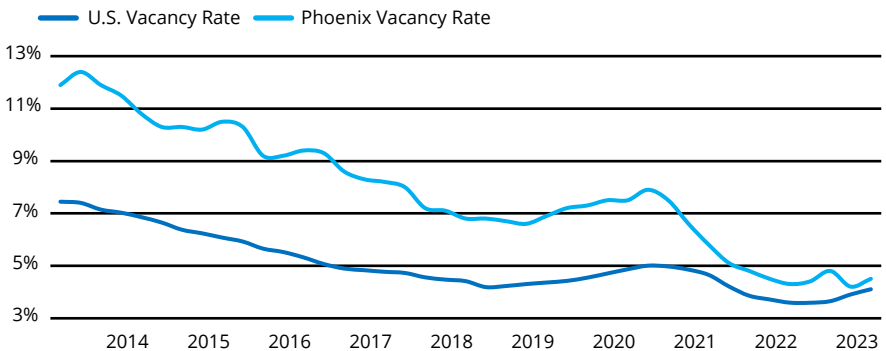
The industrial construction pipeline expanded again in Q2, despite the tight lending environment. Absorption of industrial space dropped nearly 80% from last quarter, though it remained positive overall. Over the past year, about 19M SF of new industrial product has been added to the Phoenix Market, over 90% of it was absorbed immediately.

INDUSTRIAL MARKET TRENDLINE

	Q2 2023	Q2 2022	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.0	3.1	↓	4.6	↑
NET ABSORPTION (MSF)	1.2	6.8	↓	4.0	↔
OVERALL VACANCY RATE	4.5%	4.3%	↔	6.4%	↑
OVERALL VACANT SF (MSF)	17.9	16.2	↑	21.0	↑
UNDER CONSTRUCTION (MSF)	57.6	41.0	↑	21.9	↔
ASKING RENT, NNN (PSF)	\$11.89	\$9.74	↑	\$8.15	↑
SALES VOLUME (Millions)	\$624	\$1,591	↓	\$840	↓

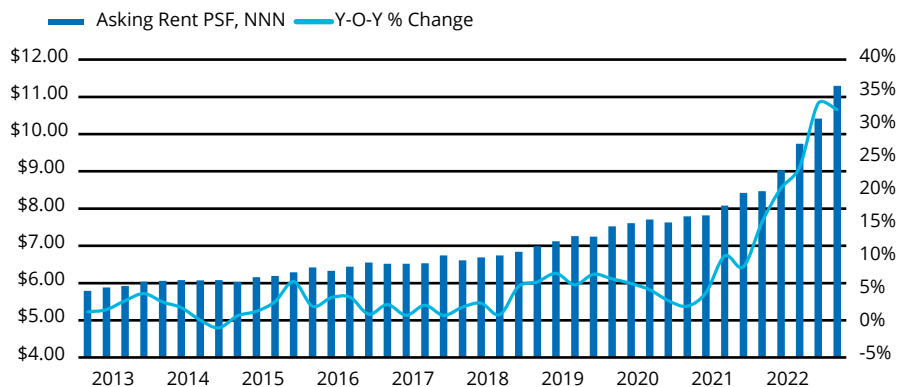
Source: Bureau of Labor Statistics, CoStar, Real Capital Analytics, Transwestern

OVERALL VACANCY RATE



Source: CoStar, Transwestern

ASKING RENT



Source: CoStar, Transwestern

OVERBUILDING STILL A CONCERN

Overbuilding has been an ongoing concern as under-construction numbers have grown ever larger each quarter. With absorption slowing and vacancy rising in Q2, and the lending environment still unsteady, I think we will see industrial activity slow slightly over the next couple of quarters but not on the level of the office slowdown.

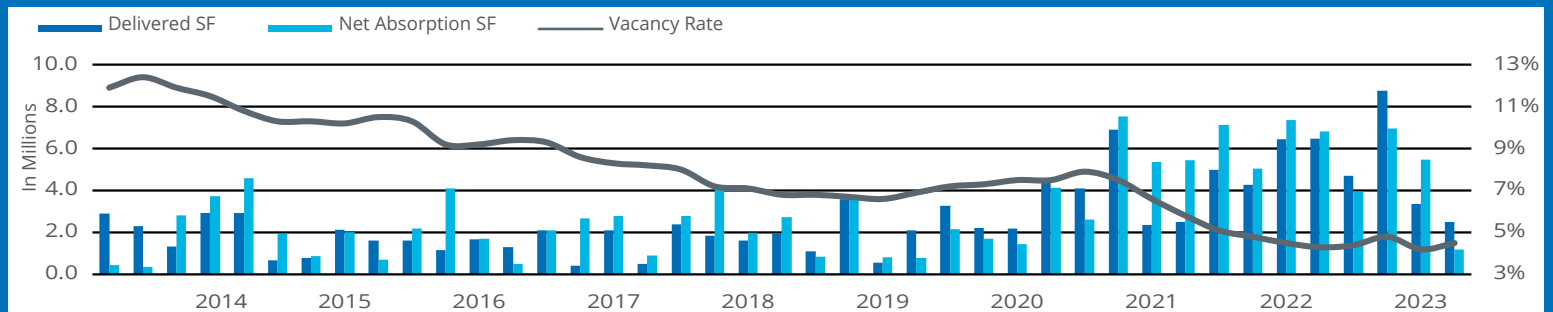
MARKET INDICATORS

Logistics | Q2 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	50,615,980	1,920,970	3.8%	4.0%	421,704	(99,535)	735,865	\$14.02
DOWNTOWN/MIDTOWN (CBD)	6,778,122	343,243	2.1%	5.1%	10,000	(37,899)	255,461	\$13.24
CAMELBACK CORRIDOR	1,643,849	17,392	1.1%	1.1%	0	0	0	\$12.00
TEMPE	15,942,691	530,052	3.3%	3.3%	0	(130,050)	(198,301)	\$13.26
EAST VALLEY	52,607,657	2,180,523	4.1%	4.4%	18,172,769	217,113	3,105,832	\$14.73
NORTH PHOENIX	15,211,257	883,490	5.8%	5.9%	2,875,329	187,113	161,094	\$15.56
WEST VALLEY	170,626,047	7,548,225	4.4%	5.0%	32,634,053	905,562	11,841,084	\$7.90
SCOTTSDALE	7,531,438	115,407	1.5%	1.8%	160,019	53,787	-14,584	\$17.55
NORTH CENTRAL PHOENIX	31,233,707	719,521	2.3%	2.4%	130,591	(37,965)	659,098	\$10.64
TOTAL	352,190,748	14,258,823	3.2%	3.7%	54,404,465	1,058,126	16,545,549	\$13.21

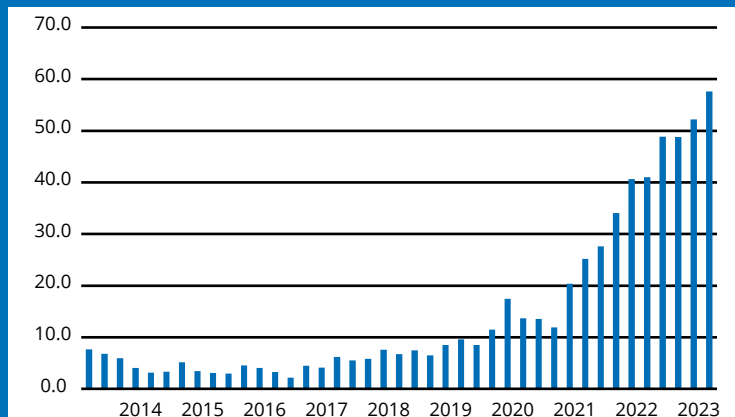
Source: CoStar, Transwestern

DELIVERY IMPACT ON KEY INDICATORS



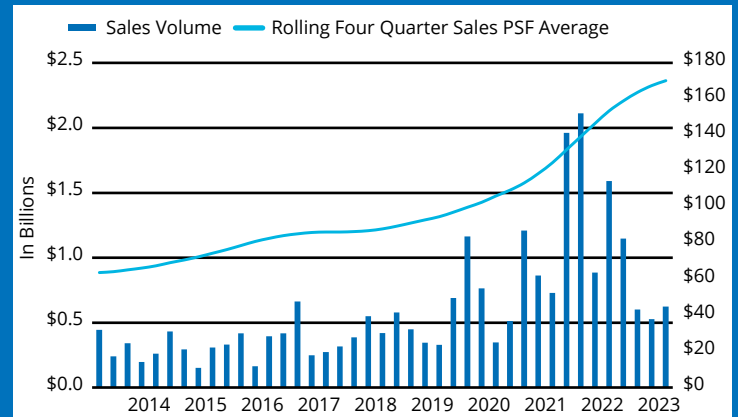
Source: CoStar, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

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