



TRANSWESTERN

PHOENIX INDUSTRIAL MARKET

Q2 2024



TRENDLINES

	Q2 2024	ONE YEAR AGO	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	2.4%	3.2%	↓	4.5%	↔
NET ABSORPTION (MSF)	4.2	2.7	↑	4.2	↑
OVERALL VACANCY RATE	11.1%	4.9%	↑	6.6%	↑
OVERALL VACANT SF (MSF)	49.6	19.6	↑	25.0	↑
UNDER CONSTRUCTION (MSF)	31.3	56.2	↓	30.4	↓
ASKING RENT, NNN (PSF)	\$1.15	\$0.99	↑	\$0.81	↑
SALES VOLUME (Millions)	\$756	\$577	↑	\$853	↑

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

INDUSTRIAL OVERVIEW

Phoenix: Strong Demand, Steady Sales Volume, and a Historic Development Pipeline

Phoenix’s industrial demand remains one of the strongest in the country due to its west coast location, ample highways, multiple airports, and proximity to Southern California. 4.2 million SF was absorbed in Q2 2024, a 59% year-over-year increase and 33% greater than the historical quarterly average. Companies in logistics, construction, and manufacturing continued to expand in the valley in Q2 2024.

Despite strong demand, deliveries from the construction boom of 2024 and 2022 will disrupt market fundamentals. 11.6 million SF of space delivered in Q2 2024, marking the fourth consecutive quarter of at least 10 million SF delivering and an unprecedented 51.6 million SF delivering over the past year—the majority of deliveries being Class A speculative buildings larger than 100,000 SF. The increase in supply has resulted in rent growth holding steady over the past two quarters at \$1.15 per SF NNN and vacancy climbing 6.2% year-over-year to 11.1%.

While sales volume has declined from the highs of 2024 and 2022, Phoenix’s industrial sector has seen much greater activity than any other property type in the metro. In Q2 2024, sales volume totaled \$756 million, a 51.4% decline from Q2 2022 and 11.4% lower than the historical quarterly average. The combination of higher interest rates and anticipated rate cuts has slowed investment activity and decreased pricing. Newer, fully leased, modern industrial properties are now trading for a 10-15% discount from 2022.



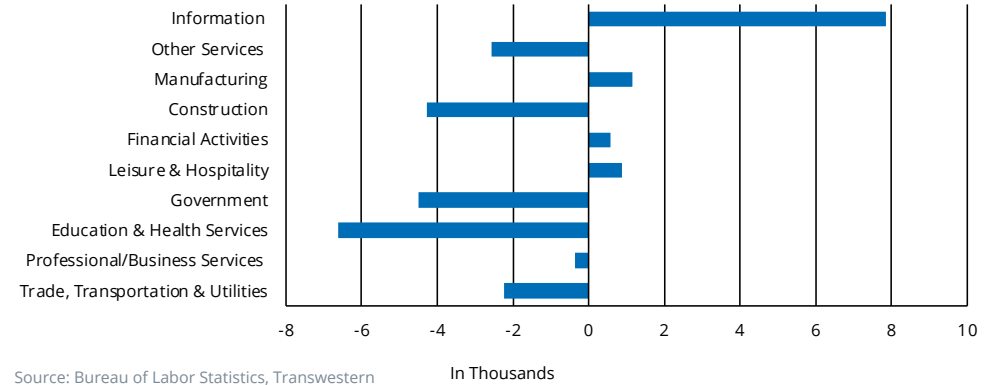
ECONOMY

Phoenix Employment Growth Slows Amid High Interest Rates

- As of May 2024, the Phoenix unemployment rate is 2.3% while the national unemployment rate is 4%.
- Industrial employment—which includes trades & transportation, utilities, and manufacturing—increased by 400 jobs or 0.1% over the past three months and by 11,000 jobs or 1.8% over the past year.
- Phoenix’s total non-farm employment grew by 4,500 jobs or 0.2% over the past three months and by 52,300 jobs or 2.2% year-over-year to 2.45 million jobs.
- Phoenix’s labor market has 232,000 more jobs than before the pandemic, the third-largest gain in the nation.
- During the June Federal Reserve meeting, the Fed unanimously voted to hold policy rates steady for the seventh consecutive time, leaving the Fed Funds Target Rate unchanged at 5.25% to 5.50%. The Fed is still expecting to cut rates at some point in 2024.

Y-O-Y CHANGE IN JOBS BY INDUSTRY

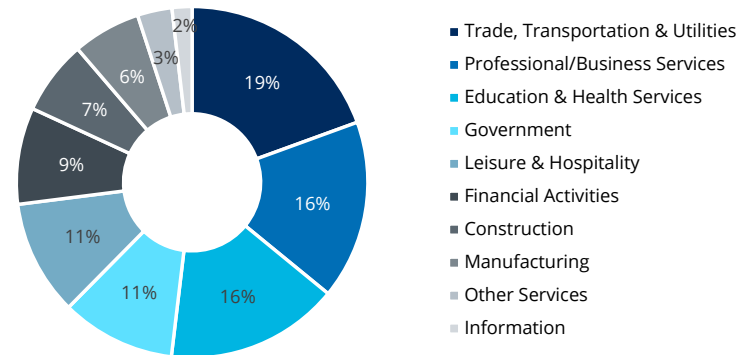
Phoenix | May 2024



Source: Bureau of Labor Statistics, Transwestern

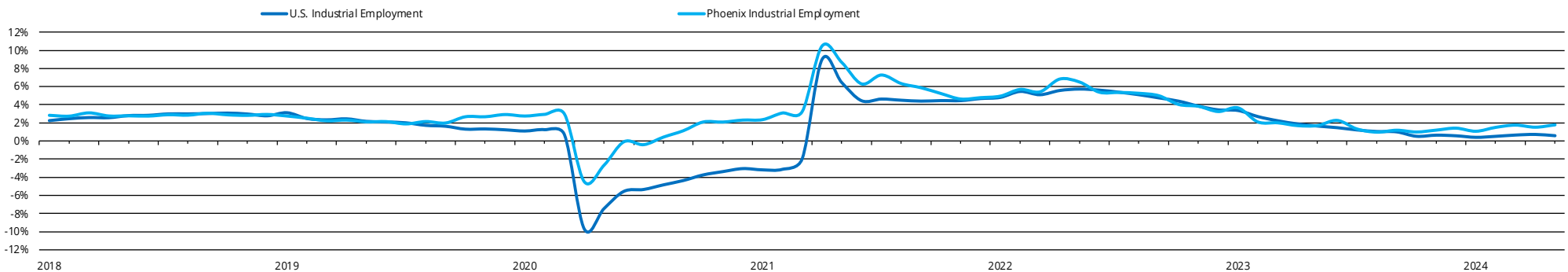
SHARE OF EMPLOYEES BY INDUSTRY

Phoenix | May 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern



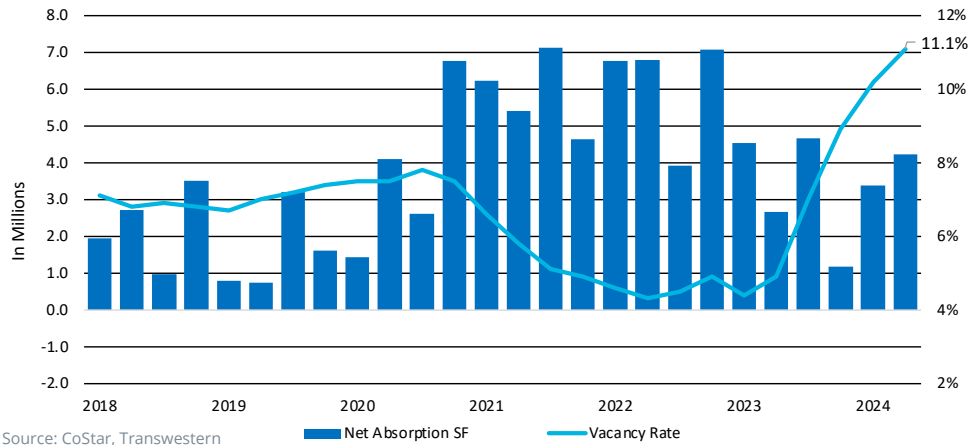
NET ABSORPTION, OCCUPANCY, AND LEASING

Strong Q2 2024 Demand Despite Occupancy Decline

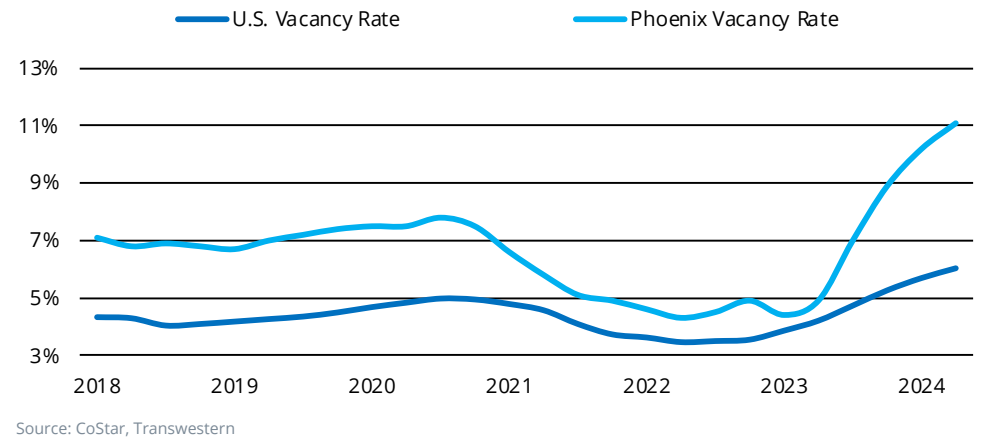
- Phoenix had 4.2 million SF of net absorption in Q2 2024 which is 32.8% greater than the 10-year quarterly average of 3.18 million SF.
- Phoenix has had 16.1 million SF of net absorption over the past year—one of the strongest industrial markets in the country.
- The warehouse/distribution property type was responsible for the greatest amount of net absorption in Q2 2024, totaling 4.24 million SF. Flex space absorbed negative 21,828 SF in Q2 2024.

- Pinal County had the greatest net absorption of any submarket, totaling 1.06 million SF in Q2 2024.
- Market wide occupancy is at 88.9% in Q2 2024. This is down 6.2% year-over-year due to the construction boom of 2021 and 2022 beginning to deliver.
- Phoenix's industrial demand remains one of the strongest in the country due to its west coast location, ample highways, multiple airports, and proximity to Southern California.

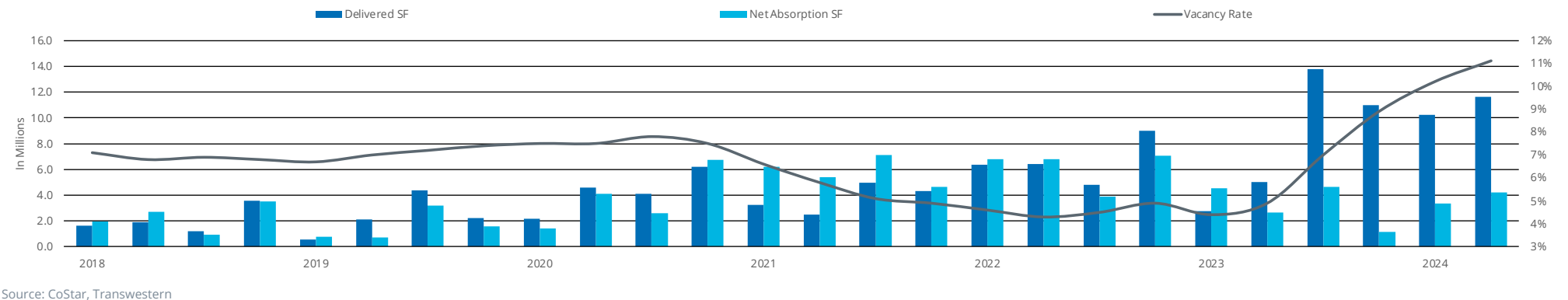
INDUSTRIAL VACANCY



OVERALL VACANCY RATE



DELIVERY IMPACT ON KEY INDICATORS



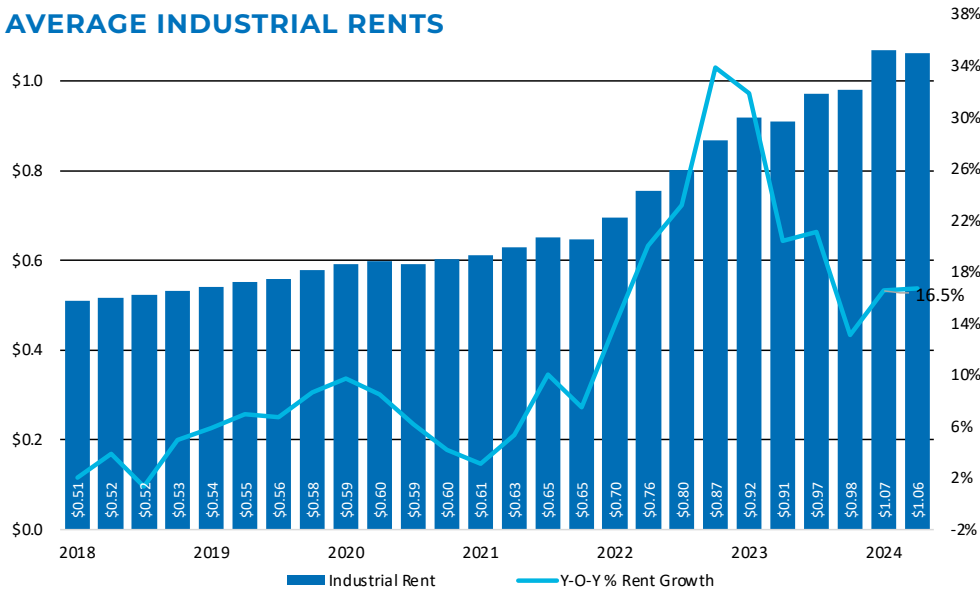


RENTS

Industrial Rents Surge 15.8% Year-Over-Year in Q2 2024

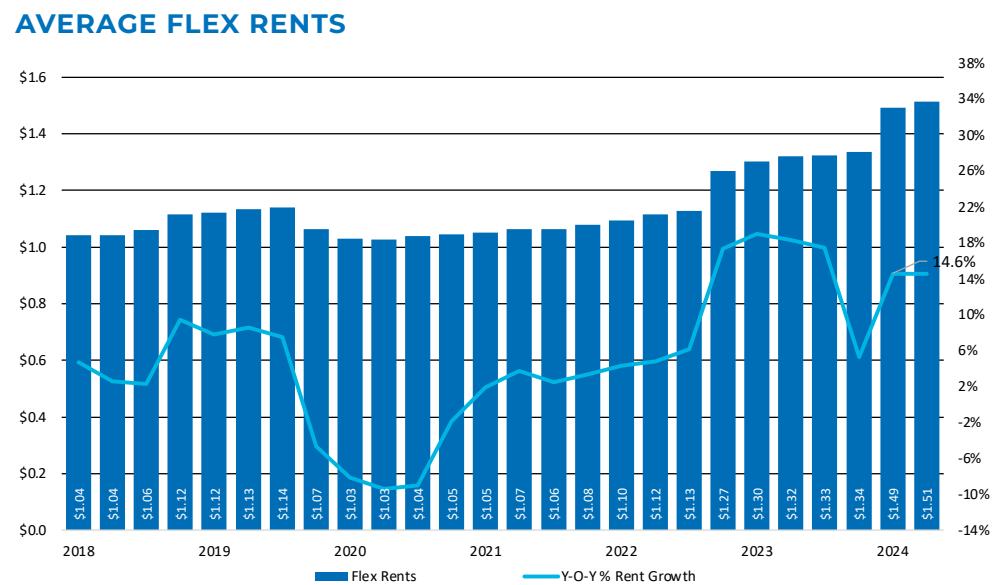
- Asking rents averaged \$1.15 per SF NNN in Q2 2024. Asking rents have grown 15.8% year-over-year and 78.5% since pre-pandemic.
 - Class A asking rents average \$1.33 per SF NNN.
 - Class B asking rents average \$0.91 per SF NNN.
- Scottsdale asking rents are the highest in the valley, averaging \$1.46 per SF, down 0.3% from a year ago.
- Tempe and Pinal County have seen the greatest rent increases year-over-year.
- Even though Phoenix industrial properties have some of the highest rent growth rates in the country, they remain relatively affordable compared to many other markets. Rents in Phoenix average \$1.15 per SF, up 78.5% over the last five years, and still pose a significant discount to neighboring Southern California markets.
- Rent growth will continue to moderate throughout the year as the market absorbs the record supply pipeline.

AVERAGE INDUSTRIAL RENTS



Source: CoStar, Transwestern

AVERAGE FLEX RENTS



Source: CoStar, Transwestern



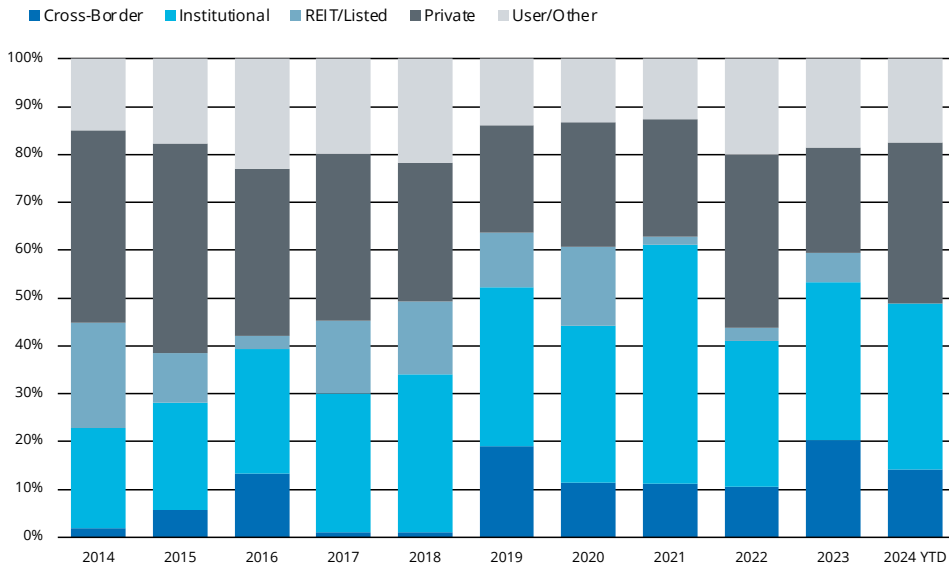
CAPITAL MARKETS & UNDER CONSTRUCTION

Historic Development Pipeline and Steady Sales Activity in Q2 2024

- Phoenix’s industrial market has one of the most aggressive development pipelines in the country with a record 61.6 million SF of completions over the past year.
- There is currently 31 million SF under construction, which represents 7.8% of total inventory. The majority of new construction is Class A, speculative buildings larger than 100,000 SF.
- Glendale has the most under construction, with 12.3 million SF, followed by West Valley, with 7.6 million SF. Developers are attracted to Glendale and West Valley due to extensive freeway and railroad networks, some of the strongest population growth in the valley post-pandemic, and current tenants include Amazon, Target, The Home Depot, and UPS.
- Q2 2024 saw \$756 million in sales volume, a 57% increase from Q1 2024, and 11.4 % below the five-year quarterly average. The combination of higher interest rates and anticipated rate cuts has slowed investment activity. Although, investors remain bullish on Phoenix.

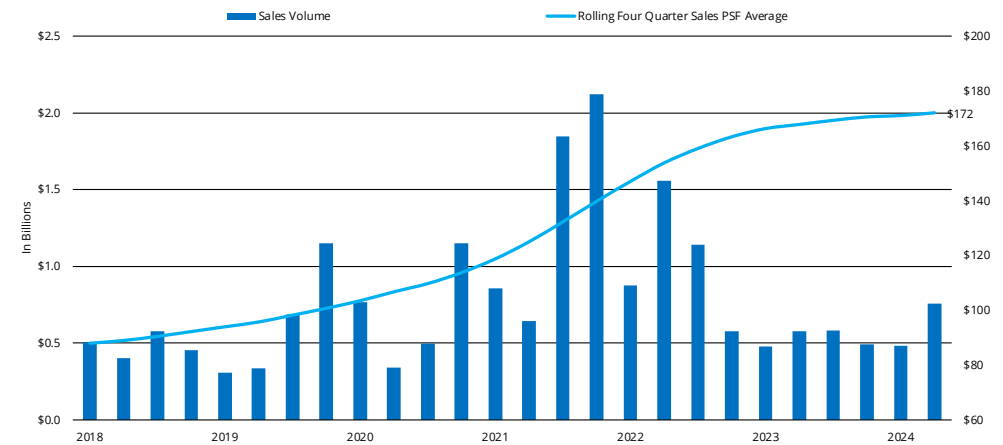
- The largest deal of Q2 2024 was at 10100 N 151st Ave in Waddell. It sold for \$73.9 million and \$203 per SF to Packaging Corporation of America.
- The recent boom in construction over the past few years has significantly increased the metro area’s supply of institutional-grade assets. Large, modern industrial properties frequently attract capital from REITs, private equity groups, and other major investors.

BUYER CAPITAL COMPOSITION



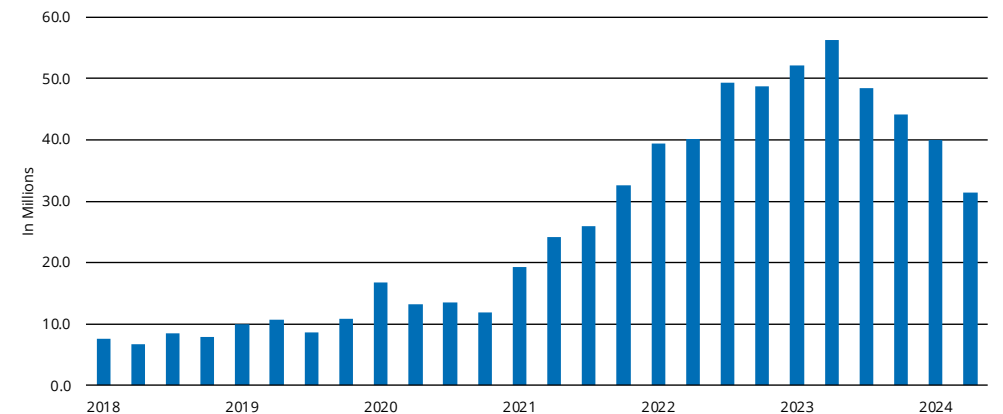
Source: CoStar, Real Capital Analytics, Transwestern

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
MAGNA STEYR	12250 W Corporate Dr	Avondale	New	230,000
LUCID	1108 W Gila Bend Hwy	Casa Grande	New	95,520
HUBSTARR LOGISTICS	9701 N 151st Ave	Waddell	New	94,165
CARBON CAPTURE	Elliot Rd & Crimson Rd	Mesa	New	84,265
AUTO HOUSE PHOENIX	10857 N 95th Ave	Peoria	New	81,060

= Transwestern deal | Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
10100 N 151ST AVE	Waddell	\$73,925,000	364,700	\$203	Packaging Corporation of America	Merit Partners, Inc.
2250 S LITCHFIELD RD	Goodyear	\$67,020,000	450,000	\$149	Stonelake Capital Partners	CIM Group, LP
440 N 215TH AVE	Buckeye	\$60,100,000	641,906	\$94	EQT Exeter	BET Investments Inc.
1685 S LITCHFIELD RD	Goodyear	\$41,080,000	276,700	\$148	Stonelake Capital Partners	CIM Group, LP
4625 N 45TH AVE	Phoenix	\$30,700,000	244,673	\$125	MDH Partners, LLC	Prologis, Inc.

= Transwestern deal | Source: CoStar, Real Capital Analytics, Transwestern



MARKET INDICATORS Logistics | Q2 2024

SUBMARKET		INVENTORY SF	DIRECT VACANT SF	DIRECT VACANCY	OVERALL VACANCY	UNDER CNSTR. SF	NET ABS. SF	Y-O-Y NET ABS. SF	ASKING RENT PSF, NNN
AIRPORT AREA	North Airport	12,495,206	501,468	4.0%	5.2%	0	(11,565)	(92,889)	\$1.12
	SC S of Salt River	2,349,757	54,314	2.3%	2.3%	0	8,884	(34,462)	\$0.64
	SC N of Salt River	14,984,999	989,900	6.6%	8.1%	99,582	34,642	(466,906)	\$0.98
	S Airport N of Roeser	14,767,259	684,303	4.6%	5.2%	0	38,787	(92,197)	\$1.13
	S Airport S of Roeser	4,414,067	80,902	1.8%	2.2%	0	(19,176)	(8,433)	\$1.23
	Total	49,011,288	2,310,887	3.9%	4.6%	99,582	51,572	-694,887	\$1.02
NORTH CENTRAL PHOENIX	Central Phoenix	3,447,070	115,997	3.4%	3.9%	0	(58,663)	(9,068)	\$0.95
	North Black Canyon	4,619,061	840,511	18.2%	18.2%	0	(71,090)	(71,164)	\$0.97
	Total	8,066,131	956,508	10.8%	11.1%	0	-129,753	(80,232)	\$0.96
GRAND AVE/US 60	Grand Ave	13,654,316	1,000,269	7.3%	7.6%	873,072	31,261	(250,443)	\$1.03
	W Phoenix N of Thomas	7,219,981	363,649	5.0%	5.0%	0	121,746	17,908	\$0.86
	W Phoenix S of Thomas	6,544,683	395,405	6.0%	6.0%	0	(52,071)	(326,827)	\$1.01
	Total	27,418,980	1,759,323	6.1%	6.2%	873,072	100,936	(559,362)	\$0.97
GLENDALE		43,788,513	9,284,296	21.2%	22.1%	12,384,040	853,991	4,677,822	\$0.67
WEST VALLEY	SW N of Buckeye Rd	36,605,948	3,470,875	9.5%	10.0%	99,498	170,186	(324,572)	\$1.04
	SW S of Buckeye Rd	19,691,341	536,521	2.7%	3.6%	253,460	(218,627)	884,997	\$1.08
	Tolleson	48,569,610	1,147,533	2.4%	4.4%	801,675	(246,697)	(419,811)	\$1.39
	Goodyear	35,219,525	6,773,281	19.2%	19.7%	6,141,925	759,174	2,612,583	\$0.99
	Total	140,086,424	11,928,210	8.5%	9.4%	7,296,558	464,036	2,753,197	\$1.12
SURPRISE/LOOP 303		5,149,112	751,974	14.6%	14.9%	1,854,065	256,318	406,422	\$1.05
DEER VALLEY/PINNACLE PEAK		20,284,353	1,996,446	9.8%	10.6%	1,761,135	766,742	8,599,360	\$1.36
MESA N OF US 60		6,478,422	325,463	5.0%	5.0%	0	(82,584)	(81,761)	\$1.23
SCOTTSDALE	Scottsdale/Salt River	5,078,807	111,735	2.2%	2.5%	0	28,400	(53,947)	\$1.45
	Scottsdale Airpark	6,406,702	253,230	4.0%	4.4%	0	(7,403)	(85,543)	\$1.35
	Total	11,485,509	364,965	3.1%	3.5%	0	20,997	-139,490	\$1.40
TEMPE	Tempe East	5,983,789	425,207	7.1%	7.4%	135,000	(60,228)	(294,007)	\$2.12
	Tempe NW	10,382,534	646,518	6.2%	7.0%	20,000	135,402	(251,068)	\$1.09
	Tempe SW	21,693,476	1,684,174	7.8%	9.2%	0	(108,282)	(693,664)	\$1.11
	Total	38,059,799	2,755,899	7.0%	7.9%	155,000	(33,108)	(1,238,739)	\$1.44
FALCON FIELD/APACHE JUNCTION		5,711,978	273,223	4.8%	5.8%	53,645	(28,362)	(29,698)	\$1.29
EAST VALLEY	Chandler N Gilbert	42,362,111	10,621,596	25.0%	25.3%	4,789,868	834,032	5,546,321	\$1.33
	Chandler Airport	8,830,848	1,197,980	13.6%	13.7%	292,330	(3,856)	(355,028)	\$1.43
	Total	51,192,959	11,819,576	19.3%	19.5%	5,082,198	830,176	5,191,293	\$1.38
CHANDLER/LOOP 202		23,841,845	1,552,864	6.5%	6.9%	965,526	83,530	(273,510)	\$1.10
PINAL COUNTY		10,470,998	319,817	3.1%	3.4%	1,084,453	1,068,235	1,222,977	\$0.79
TOTAL		441,046,311	46,399,451	8.8%	11.1%	31,339,564	4,222,726	19,753,392	\$1.15

Source: CoStar, Transwestern



FOR MORE INFORMATION

Carter Clemmensen

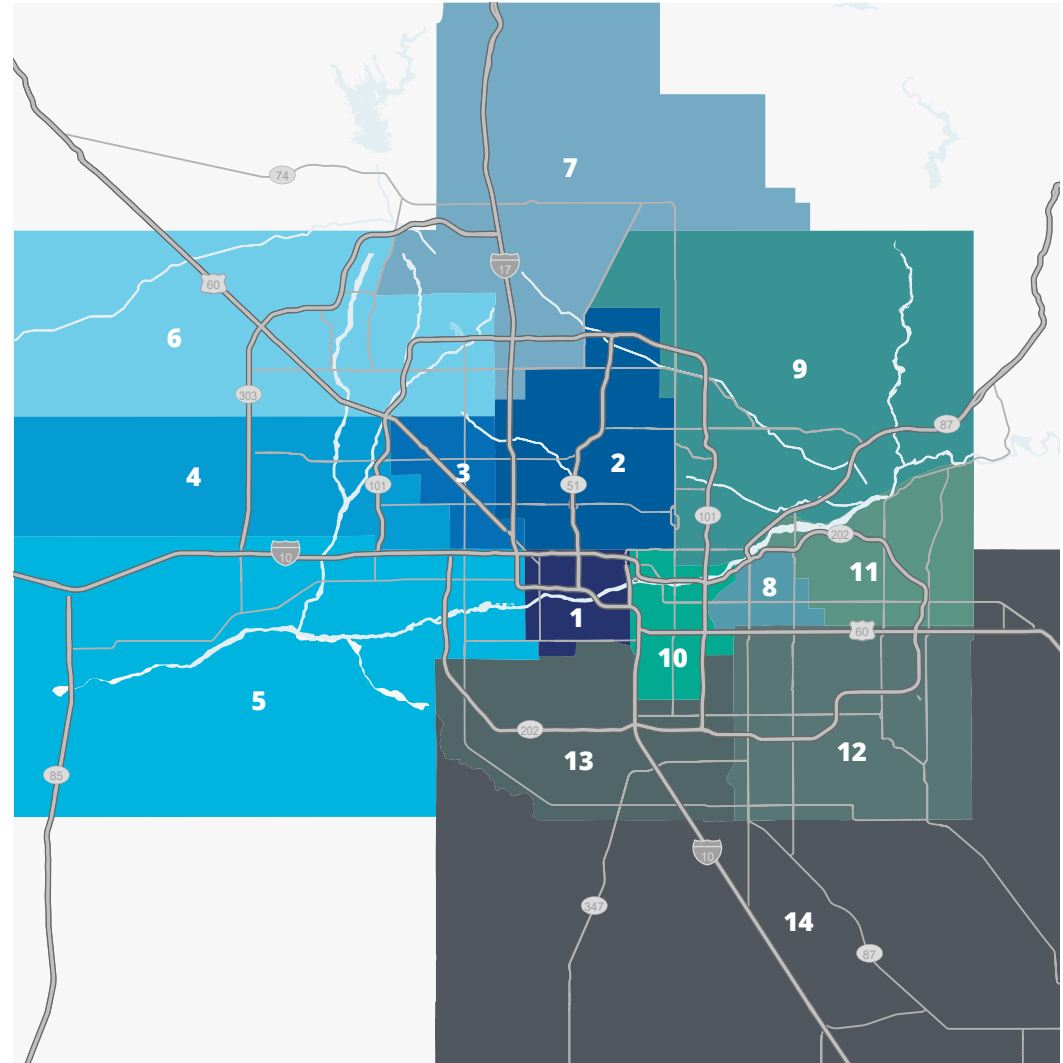
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RESEARCH METHODOLOGY

The information in this report is the result of a compilation of information on industrial properties located in the Phoenix area. This report includes warehouse/distribution and manufacturing properties 10,000 SF and larger, excluding R&D/flex facilities and industrial condominium buildings.

ABOUT TRANSWESTERN

The privately held Transwestern companies have been delivering a higher level of personalized service and innovative real estate solutions since 1978. Through an integrated, customized approach that begins with fresh ideas, the firm drives value for clients across commercial real estate services, development, and investment management. Operating from 33 U.S. office, Transwestern extends its platform capabilities globally through strategic alliance partners whose unique geographic, cultural, and business expertise fuels creative solutions. Learn more at transwestern.com.



PHOENIX INDUSTRIAL SUBMARKETS

- | | |
|------------------------------------|--|
| 1 Airport Area | 8 Mesa N of US 60 |
| 2 North Central Phoenix | 9 Scottsdale |
| 3 Grand Ave/US 60 | 10 Tempe |
| 4 Glendale | 11 Falcon Field/Apache Junction |
| 5 West Valley | 12 East Valley |
| 6 Surprise/LOOP 303 | 13 Chandler/LOOP 202 |
| 7 Deer Valley/Pinnacle Peak | 14 Pinal County |