



TRANSWESTERN

PHOENIX INDUSTRIAL MARKET

Q3 2024



TRENDLINES

	Q3 2024	ONE YEAR AGO	ONE-YEAR TREND	FIVE-YEAR AVERAGE	12-MONTH FORECAST
UNEMPLOYMENT RATE	3.9%	3.8%	↑	4.4%	↔
NET ABSORPTION (MSF)	2.0	4.6	↓	4.4	↑
OVERALL VACANCY RATE	11.9%	6.9%	↑	6.8%	↑
OVERALL VACANT SF (MSF)	53.6	28.6	↑	26.4	↑
UNDER CONSTRUCTION (MSF)	29.9	47.9	↓	31.3	↓
ASKING RENT, NNN (PSF)	\$1.20	\$1.03	↑	\$0.83	↑
SALES VOLUME (Millions)	\$977	\$583	↑	\$880	↑

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

INDUSTRIAL OVERVIEW

Phoenix Industrial Market Continues To Thrive Despite Increased Vacancy, Q3 2024 Sales Volume Up 67.7% Year-Over-Year

Phoenix's industrial market remains one of the strongest in the country, thanks to its West Coast location, highway infrastructure, multiple airports, population growth, and proximity to Southern California. A positive absorption of 2 million SF occurred in Q3 2024, representing a 56% year-over-year decrease and less than half of what was absorbed in Q2 2024. Demand has slowed from the post-pandemic all-time highs due to inflationary concerns and reduced consumer spending. Nevertheless, logistics, construction, and manufacturing companies continued to expand their presence in the valley throughout the quarter.

While demand has remained healthy, a barrage of new deliveries continues to drive Phoenix's industrial vacancy rate higher. Vacancy, now at 11.9%, increased by 5% year-over-year and 4.4% since early 2020. In Q3 2024, 5.4 million SF of space was delivered, adding to an unprecedented 72.3 million SF delivered over the past two years—the majority being Class A speculative buildings larger than 100,000 SF. Rent growth has continued to climb as new Class A supply has raised the benchmark asking rate to \$1.20 per SF NNN, a 16.6% year-over-year increase.

While sales volume has declined from the unprecedented highs of 2021 and 2022, Phoenix's industrial sector has seen much greater activity than any other property type in the metro. In Q3 2024, sales volume totaled \$977 million, a 67.7% increase year-over-year and 43.8% greater than the historical quarterly average. Post-pandemic, the market has attracted institutional investors with new high-quality assets, while smaller infill properties are drawing attention for their potential to boost income through lease adjustments. Newer, fully leased, modern industrial properties are now trading at a 10-15% discount from 2022.



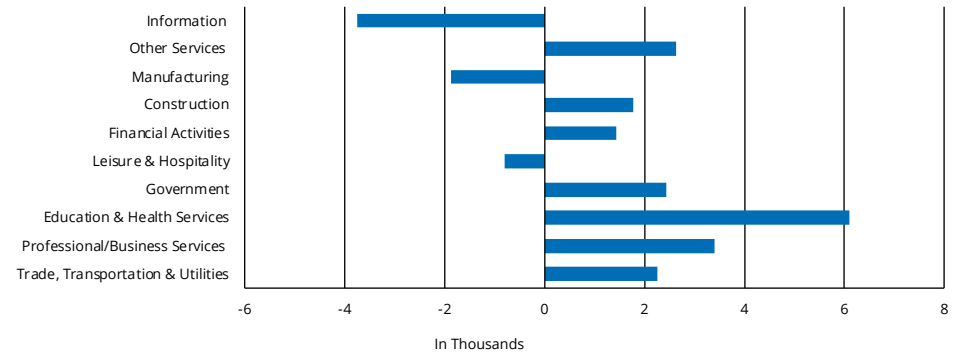
ECONOMY

Phoenix Job Growth Strong Over the Past Year, But Weakens in Recent Months

- As of May 2024, the Phoenix unemployment rate is 3.9%, compared to the national unemployment rate of 4.2%.
- Industrial employment—which includes trades & transportation, utilities, and manufacturing—decreased by 4,400 jobs or 0.7% over the past three months but has increased by 7,200 jobs or 1.2% over the past year.
- Phoenix's total non-farm job growth over the past year totals 54,600 jobs, or 2.3%. Job gains were driven by a 6.1% year-over-year increase in the education & health services sector.
- Phoenix's labor market has 102,200 more jobs than before the pandemic, making it the third-largest gain in the nation. Phoenix will continue to attract industrial users due to its strong population growth, diverse economy, and highly educated workforce.
- At the September 18th meeting, the Federal Reserve lowered interest rates by a half percentage point to a range between 4.75%-5%, marking the first reduction since 2020.

Y-O-Y CHANGE IN JOBS BY INDUSTRY

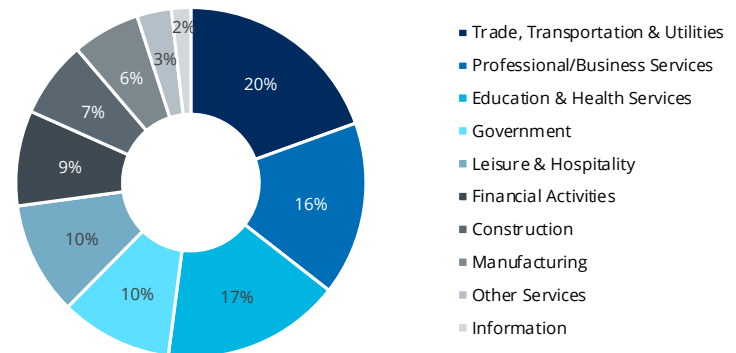
Phoenix | August 2024



Source: Bureau of Labor Statistics, Transwestern

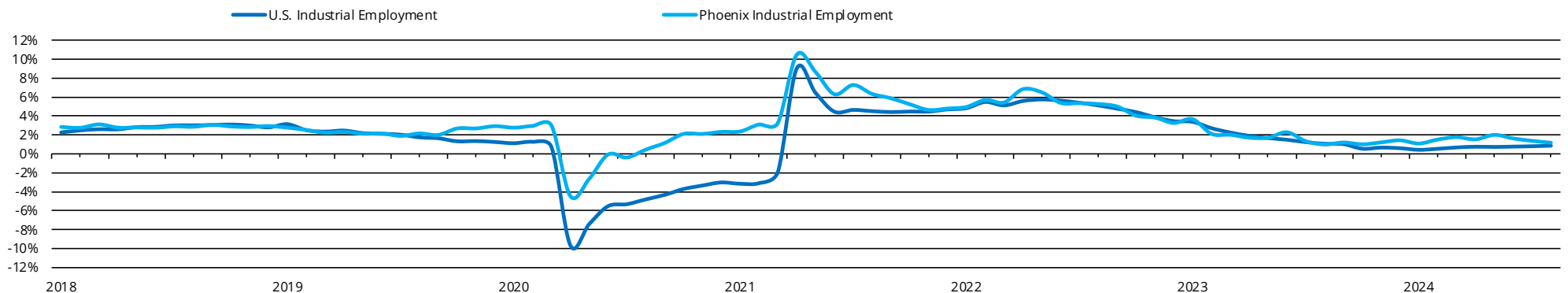
SHARE OF EMPLOYEES BY INDUSTRY

Phoenix | August 2024



Source: Bureau of Labor Statistics, Transwestern

Y-O-Y CHANGE IN INDUSTRIAL JOBS



Source: Bureau of Labor Statistics, Transwestern



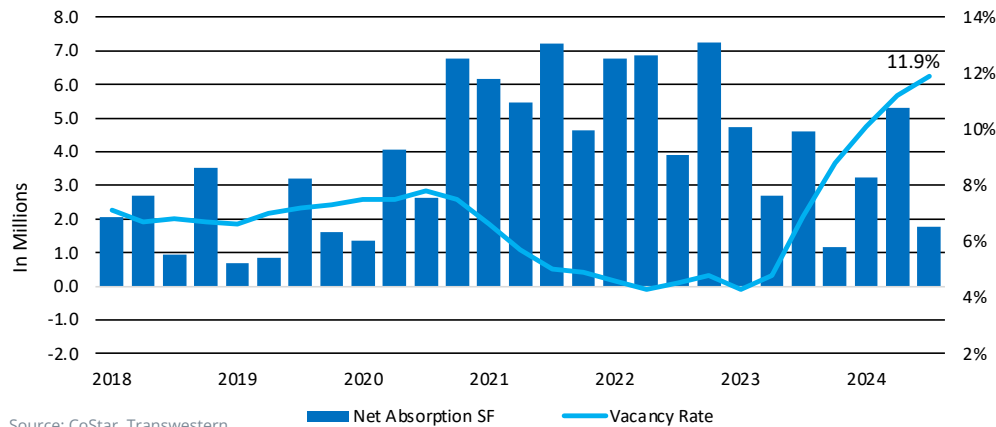
NET ABSORPTION, OCCUPANCY, AND LEASING

Strong Q3 2024 Demand Despite Increase in Vacancy

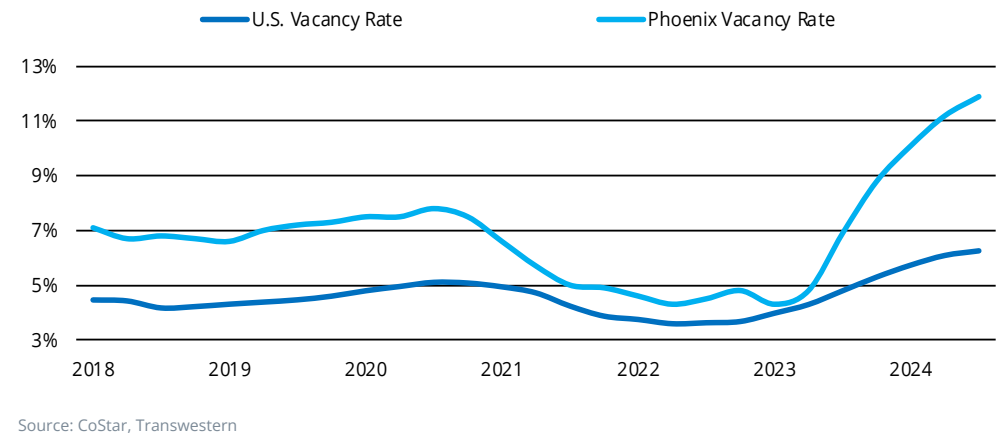
- Phoenix had positive 2 million SF of net absorption in Q3 2024 which is 36.5% less than the 10-year quarterly average of 3.1 million SF.
- Phoenix has had 16.3 million SF of net absorption over the past year—one of the strongest industrial markets in the country.
- The warehouse/distribution property type was responsible for the greatest amount of net absorption in Q3 2024, totaling 1.97 million SF. Flex space absorbed positive 31,289 SF in Q3 2024.

- East Valley had the greatest net absorption of any submarket, totaling 639,449 SF in Q3 2024.
- Market wide vacancy is at 11.9% in Q3 2024. This is up 5% year-over-year due to the construction boom of 2021 and 2022 delivering.
- Tenants, particularly in logistics and e-commerce, are increasingly seeking modern, high-tech spaces that accommodate automation, pushing older properties out of favor.
- Smaller, infill industrial properties will continue to see strong demand, especially in suburban areas benefiting from residential and commercial growth, with limited new supply keeping competition high.

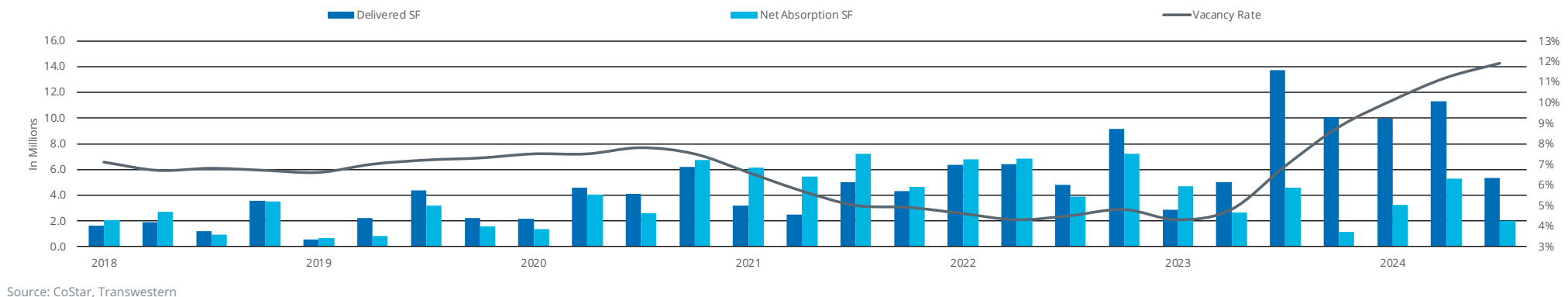
INDUSTRIAL VACANCY



OVERALL VACANCY RATE



DELIVERY IMPACT ON KEY INDICATORS



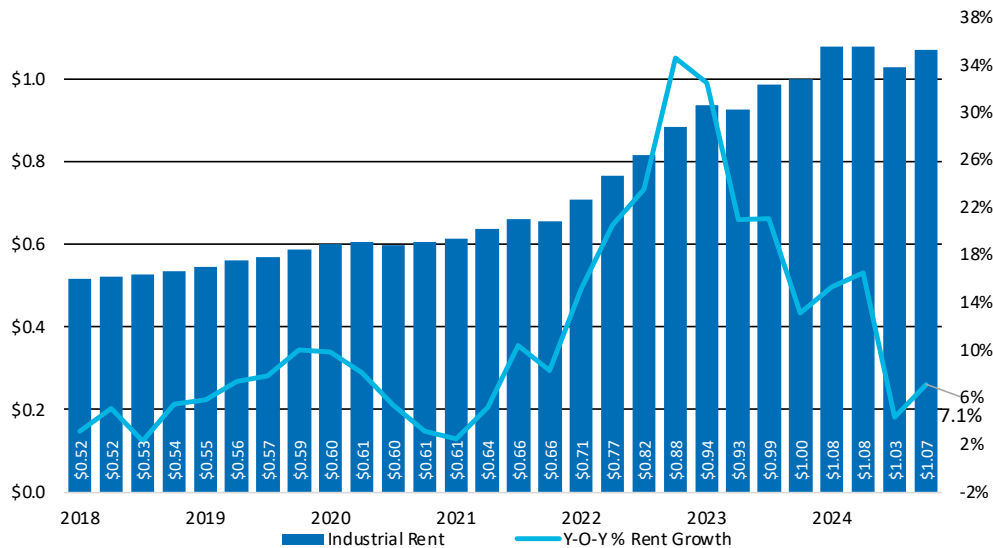


RENTS

Industrial Rents Surge 16.6 % Year-Over-Year in Q3 2024

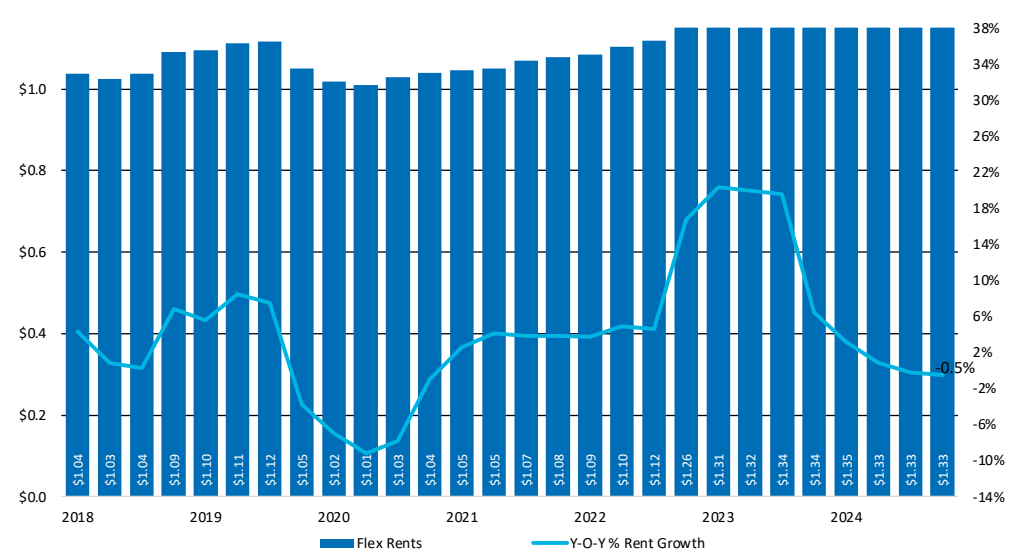
- Asking rents averaged \$1.20 per SF NNN in Q3 2024. Asking rents have grown 16.6% year-over-year and 89% since pre-pandemic.
- Class A asking rents average \$1.25 per SF NNN.
- Class B asking rents average \$1.15 per SF NNN.
- Scottsdale asking rents are the highest in the valley, averaging \$1.60 per SF, down 1.1% from a year ago.
- Tempe and Falcon Field/Apache Junction 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 post-pandemic, they remain relatively affordable compared to many other markets and pose a significant discount to neighboring Southern California markets.
- Properties under 50,000 SF, especially in infill locations, are more resilient to the current slowdown due to limited new supply. These spaces remain in high demand, offering attractive leasing opportunities with lower vacancy rates than larger industrial assets.
- Phoenix experienced some of the fastest growth in the nation post-pandemic, resulting in significant leasing spreads for many property owners during renewal periods.
- Rent growth should moderate throughout the year as the market absorbs the record supply pipeline.

AVERAGE INDUSTRIAL RENTS



Source: CoStar, Transwestern

AVERAGE FLEX RENTS



Source: CoStar, Transwestern

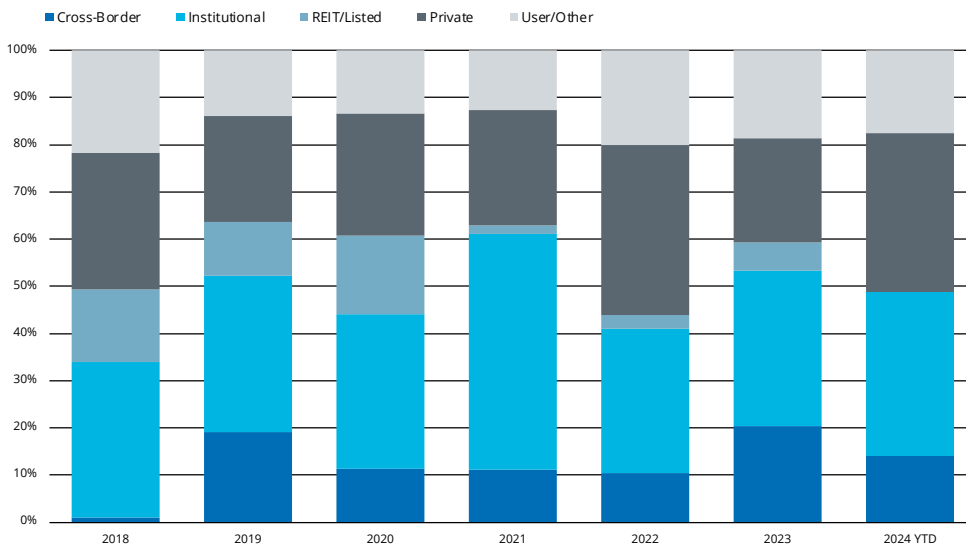


CAPITAL MARKETS & UNDER CONSTRUCTION

Historic Development Pipeline and Strong Sales Activity in Q3 2024

- Phoenix's industrial market has one of the most aggressive development pipelines in the country with a record 50.3 million SF of deliveries over the past year.
- There is currently 29.9 million SF under construction, which represents 6.6% 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 11.8 million SF, followed by West Valley, with 6.5 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.
- Q3 2024 saw \$977 million in sales volume, a 23% increase from Q2 2024, and 43.8 % greater than the historical quarterly average. Investors are bullish on Phoenix.
- The largest deal of Q3 2024 was BlackRock's acquisition of a 1.2 million

BUYER CAPITAL COMPOSITION

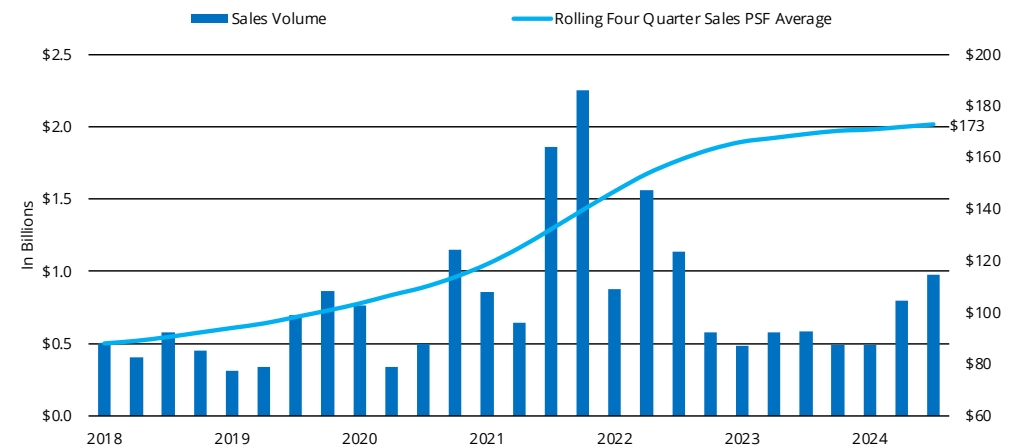


Source: CoStar, Real Capital Analytics, Transwestern

SF warehouse in Glendale, AZ, for \$128.1 million, or \$106.74 per SF. The property, fully leased to Amazon and developed by CRG in 2023, fits the strategy of developing state-of-the-art facilities in the Southwest to meet strong user and investor demand.

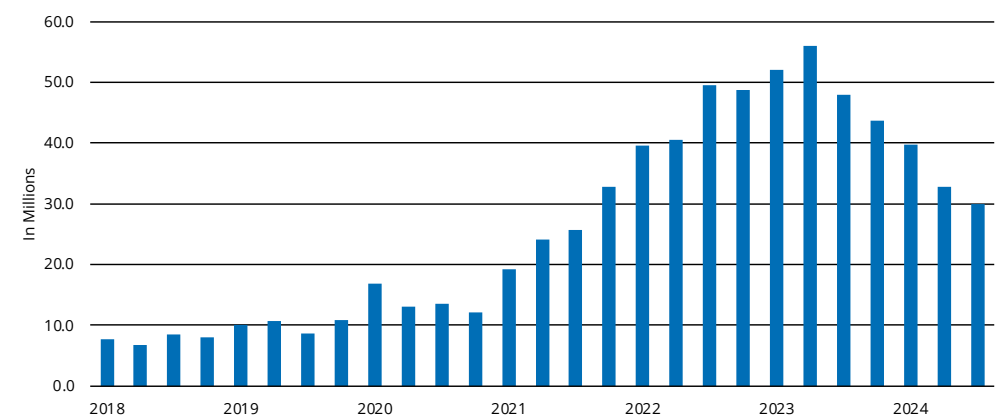
- The recent boom in construction over the past few years has significantly increased the metro area's supply of institutional-grade assets. Large, modern industrial properties frequently attract capital from REITs, private equity groups, and other major investors.

SALES VOLUME



Source: CoStar, Real Capital Analytics, Transwestern

UNDER CONSTRUCTION



Source: CoStar, Transwestern



NOTABLE LEASES

TENANT	ADDRESS	SUBMARKET	TYPE	SF LEASED
INTERNATIONAL PAPER COMPANY	6150 W Buckeye Rd	West Valley	Direct	113,528
BRANDED BILLS	360 S Smith Rd	Tempe	Direct	96,407
M & C DISCOUNT	1711 S 47th Ave	West Valley	Direct	82,850
COBRA TIRE	824 E University Dr	Airport Area	Sublease	77,912
WARE MANUFACTURING	1901 W Fillmore St	Airport Area	Direct	42,444

= Transwestern deal | Source: CoStar, Transwestern

NOTABLE SALES

ADDRESS	SUBMARKET	SALES PRICE	BUILDING SF	PRICE PSF	BUYER	SELLER
15301 W NORTHERN AVE	Glendale	\$128,100,000	1,200,140	\$107	BlackRock, Inc.	CRG
8201 E MCDOWELL RD	Scottsdale	\$61,100,000	850,000	\$72	Baker Development Corporation	General Dynamics
12152 W CAMELBACK RD	Glendale	\$50,000,000	326,018	\$153	EQT Exeter Real Estate Income Trust	US Capital Development
1345 S 52ND ST	Tempe	\$27,500,000	112,300	\$245	SETNA IO	LBA Logistics
835 N 215TH AVE	West Valley	\$27,140,000	134,400	\$202	MDH Partners	Kentwood Ventures

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



MARKET INDICATORS Logistics | Q3 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	669,525	5.4%	6.4%	0	(1,500)	(299,518)	\$1.23
	SC S of Salt River	2,349,757	68,132	2.9%	2.9%	0	10,000	(2,060)	\$0.80
	SC N of Salt River	15,057,353	949,084	6.3%	7.2%	99,582	13,674	(185,559)	\$1.02
	S Airport N of Roeser	14,233,706	582,368	4.1%	4.7%	130,300	15,188	(205,572)	\$1.23
	S Airport S of Roeser	4,429,352	118,193	2.7%	3.1%	0	(8,000)	(19,093)	\$1.08
	Total	48,565,374	2,387,302	4.3%	4.9%	229,882	29,362	-711,802	\$1.07
NORTH CENTRAL PHOENIX	Central Phoenix	3,445,915	120,842	3.5%	4.0%	0	(2,968)	(32,516)	\$1.11
	North Black Canyon	4,617,761	921,118	19.9%	20.1%	0	(88,239)	(476,332)	\$1.08
	Total	8,063,676	1,041,960	11.7%	12.1%	0	-91,207	(508,848)	\$1.10
GRAND AVE/US 60	Grand Ave	13,654,316	1,049,678	7.7%	7.9%	697,312	(41,079)	(199,037)	\$0.90
	W Phoenix N of Thomas	7,251,573	318,818	4.4%	4.4%	0	76,154	47,698	\$0.84
	W Phoenix S of Thomas	6,647,638	227,261	3.3%	3.6%	0	155,944	36,927	\$1.00
	Total	27,553,527	1,595,757	5.1%	5.3%	697,312	191,019	(114,412)	\$0.91
GLENDALE		48,616,428	8,669,672	17.8%	19.4%	11,877,258	1,092,322	5,805,194	\$0.83
WEST VALLEY	SW N of Buckeye Rd	36,709,067	4,146,051	11.3%	12.4%	99,498	(643,617)	(1,284,126)	\$1.04
	SW S of Buckeye Rd	19,750,528	422,993	2.1%	3.4%	253,460	(83,739)	(490,215)	\$1.32
	Tolleson	49,053,693	1,112,540	2.3%	3.1%	300,000	1,102,284	(618,610)	\$1.33
	Goodyear	36,002,459	7,512,585	20.9%	25.6%	5,846,126	(1,081,552)	(785,887)	\$0.77
	Total	141,515,747	13,194,169	9.2%	11.1%	6,499,084	-706,624	-3,178,838	\$1.12
SURPRISE/LOOP 303		6,171,520	1,318,266	21.4%	21.5%	1,042,288	403,121	884,081	\$1.04
DEER VALLEY/PINNACLE PEAK		20,436,040	2,010,730	9.8%	10.6%	1,669,982	140,255	810,426	\$1.40
MESA N OF US 60		6,400,001	416,356	6.5%	6.5%	0	(46,250)	(131,867)	\$1.17
SCOTTSDALE	Scottsdale/Salt River	5,145,236	95,125	1.8%	1.8%	0	35,545	(49,536)	\$1.53
	Scottsdale Airpark	6,415,459	290,131	4.6%	5.3%	45,047	(44,843)	(15,162)	\$1.67
	Total	11,560,695	385,256	3.2%	3.6%	45,047	-9,298	-64,698	\$1.60
TEMPE	Tempe East	6,003,714	528,535	8.8%	8.8%	0	(100,533)	(401,705)	\$1.25
	Tempe NW	10,414,834	537,580	5.2%	5.9%	183,096	234,376	159,727	\$1.32
	Tempe SW	21,612,911	1,632,477	7.6%	8.7%	171,025	31,490	(574,456)	\$1.21
	Total	38,031,459	2,698,592	7.2%	7.8%	354,121	165,333	(816,434)	\$1.26
FALCON FIELD/APACHE JUNCTION		5,711,978	294,323	5.2%	5.9%	132,094	(13,832)	(12,743)	\$1.35
EAST VALLEY	Chandler N Gilbert	43,668,393	11,563,420	26.5%	26.8%	4,053,790	634,605	3,661,338	\$1.37
	Chandler Airport	8,837,251	1,197,980	13.6%	13.7%	532,470	4,844	(447,113)	\$1.42
	Total	52,505,644	12,761,400	20.1%	20.3%	4,586,260	639,449	3,214,225	\$1.39
CHANDLER/LOOP 202		23,975,124	1,252,480	5.2%	5.5%	580,879	398,966	609,397	\$1.32
PINAL COUNTY		12,027,690	1,045,982	8.7%	8.7%	1,775,000	(215,605)	816,070	\$0.80
TOTAL		451,134,903	49,072,245	9.3%	11.1%	31,339,564	1,977,011	6,599,751	\$1.07



FOR MORE INFORMATION

Carter Clemmensen

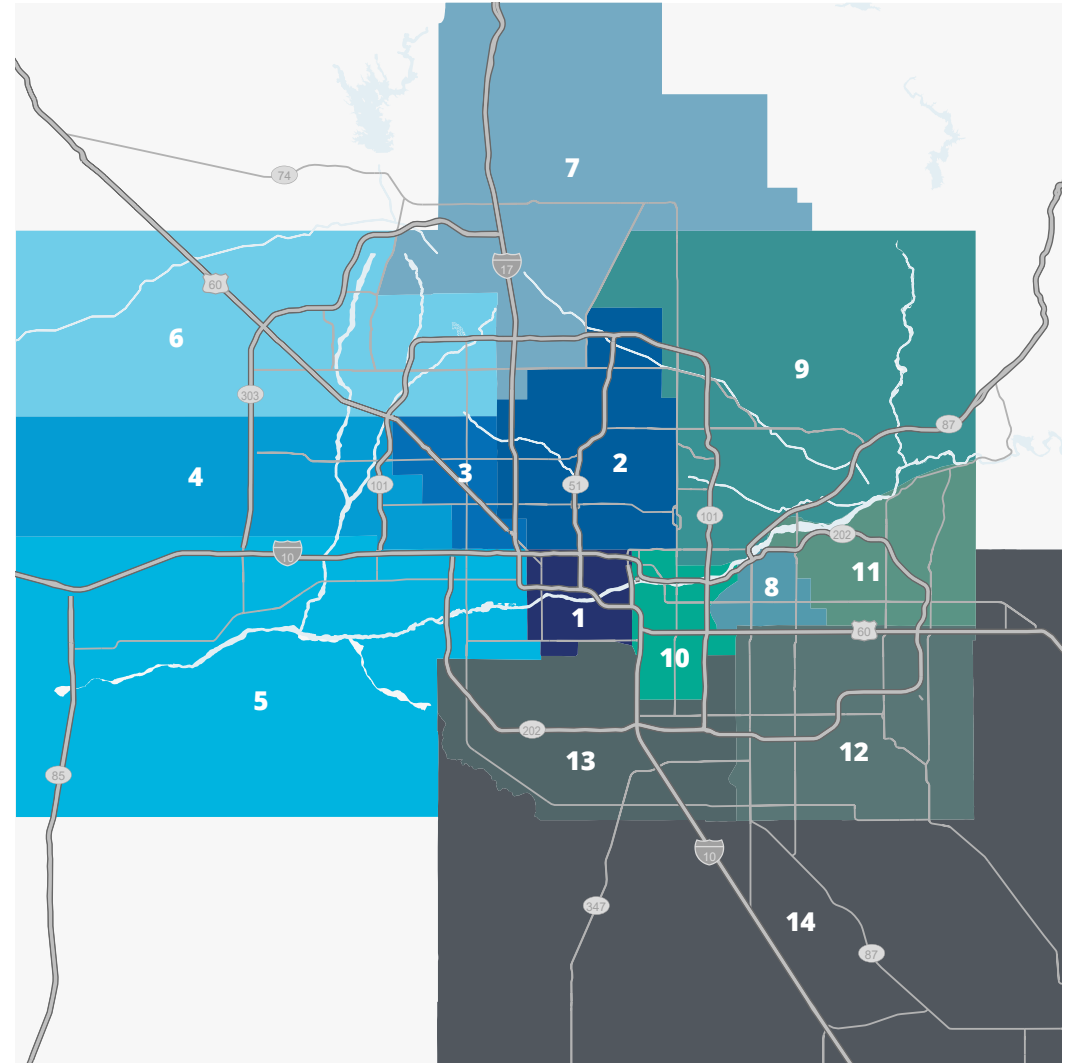
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RESEARCH METHODOLOGY

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 |