

MARKETBEAT PHOENIX



Industrial Q1 2021

YoY
Chg

12-Mo.
Forecast

7.3%

Vacancy Rate



4.7M

Net Absorption, SF



16.2M

Under Construction, SF



\$0.65

Asking Rent, PSF



ECONOMIC INDICATORS Q1 2021

YoY
Chg

12-Mo.
Forecast

2.1M

Phoenix
Employment



6.4%

Phoenix
Unemployment Rate



6.0%

U.S.
Unemployment Rate



Source: BLS

ECONOMY

In Q1 2021, the Phoenix market recorded an employment level of 2.1 million jobs. The unemployment rate increased from 4.4% in Q1 2020 to 6.4% in Q1 2021, but a strong improvement from the 7.5% unemployment rate in Q4 2020.

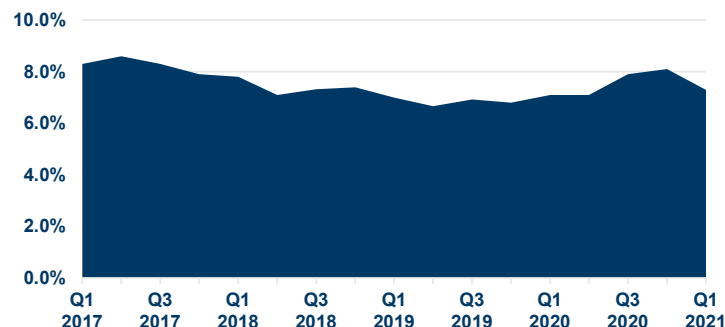
MARKET OVERVIEW

The Phoenix metro industrial market absorbed approximately 4.7 million square feet (msf) in Q1 2021 with six of the seven property product types having recorded positive absorption. In the quarter, distribution space experienced the greatest gain of approximately 2.7 msf followed by the general industrial multi-tenant property type with approximately 815,941 sf of absorption. In Q1 2021, all 17 industrial submarkets saw positive absorption. The Glendale submarket saw the largest positive absorption in Q1 2021 with 977,098 sf followed by West Central Phoenix with 840,447 sf and Sky Harbor with 660,337 sf.

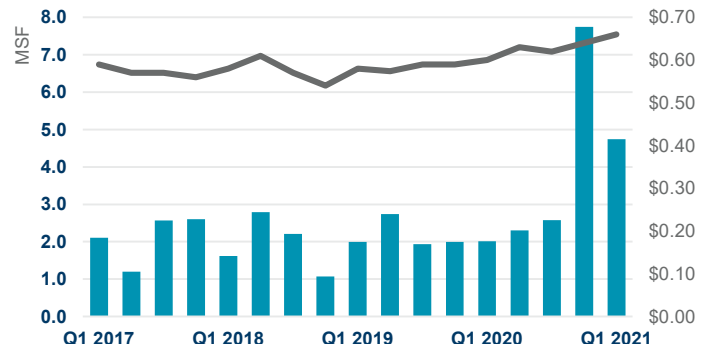
In the first quarter of 2021, the Phoenix metro industrial market direct vacancy rate was 7.1%. Vacancy was 7.8% in Q4 2020 and 6.7% in Q1 2020. Vacancy decreased by 8.9% quarter-over-quarter and increased by 5.9% year-over-year due to the largest inventory growth in a decade outpacing absorption of large new buildings.

In Q1 2021, the Phoenix metro industrial market delivered approximately 2.5 msf of space of which 53.7% or 1.3 msf was occupied upon completion. Industrial projects currently under construction across the metro is approximately 16.2 msf with commitments of approximately 46.8% or 7.6 msf. The Phoenix metro development pipeline continues to be dominated by warehouse and manufacturing projects.

OVERALL VACANCY



OVERALL NET ABSORPTION/OVERALL ASKING RENT



MARKETBEAT PHOENIX

Industrial Q1 2021



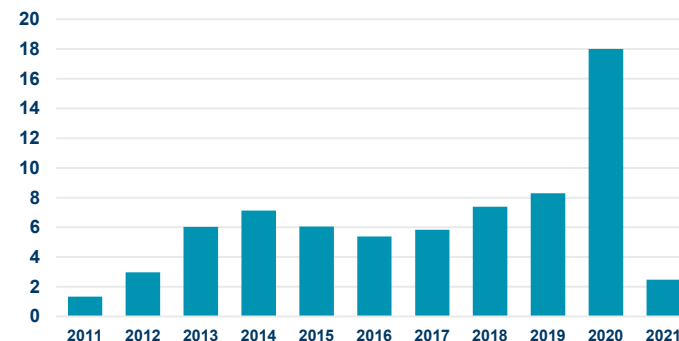
The direct average asking rate in the Phoenix metro industrial market was \$0.66 per square foot (psf) per month on a triple net (NNN) basis across all property product types, an increase of \$0.01 psf per month on the year. This increase marks a 11.9% growth rate from \$0.59 psf per month NNN in Q4 2019.

The sustained strength of warehouse space in Phoenix has been joined by large manufacturing projects in several Phoenix submarkets continues to be the major storylines of the industrial market in 2021. The Phoenix metro industrial market will continue to be one of the most resilient real estate sectors amid the COVID-19 crisis as activity remains strong particularly with the rise in e-commerce demand.

Outlook

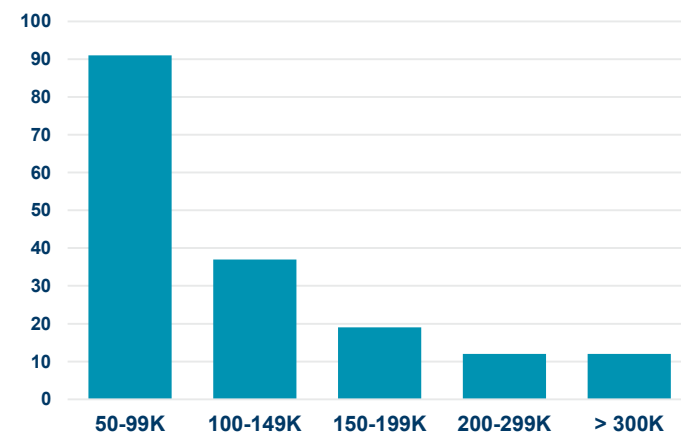
- With high tenant demand and positive absorption, Phoenix's construction pipeline of 16.2 msf will continue to stay on pace.
- E-Commerce will continue to have a long runway into 2022 as consumers continue the shift and momentum to online shopping.
- Warehouse and distribution centers will remain highly sought after as they continue to offer a closer foothold to customers, allowing for lower costs while increasing customer satisfaction.
- All submarkets in the Phoenix metro will see strong tenant activity entering 2021.

NEW SUPPLY (MSF)



LARGE BLOCK SPACE

BLOCKS OF CONTIGUOUS SPACE, EXISTING BUILDINGS
(NUMBER OF BLOCKS; BUILDINGS ARE ONLY COUNTED ONCE)



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MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	DIRECT VACANCY RATE	Q1 OVERALL NET ABSORPTION	2021 YTD OVERALL NET ABSORPTION	UNDER CONSTRUCTION	OVERALL ASKING RATE	DIRECT ASKING RATE
Black Canyon	149	3,897,962	162,640	-	4.2%	64,634	64,634	-	\$0.76	\$0.76
Central Phoenix	112	3,675,422	304,802	-	8.3%	17,099	17,099	-	\$0.66	\$0.66
Chandler	375	26,024,267	1,762,589	102,040	6.8%	449,002	449,002	1,809,334	\$0.73	\$0.74
Deer Valley	515	16,493,228	748,716	34,447	4.5%	98,715	98,715	341,787	\$0.75	\$0.75
East Mesa	124	4,708,686	159,372	47,126	3.4%	187,616	187,616	313,656	\$0.71	\$0.74
Gilbert/Gateway	548	20,920,481	1,367,387	218,375	6.5%	398,755	398,755	1,031,141	\$0.73	\$0.73
Glendale	103	13,032,095	1,219,358	76,356	9.4%	977,098	977,098	4,107,554	\$0.59	\$0.59
Grand Ave	548	17,924,651	385,538	-	2.2%	120,510	120,510	648,165	\$0.54	\$0.54
North Glendale	97	3,984,725	340,470	-	8.5%	176,996	176,996	-	\$0.71	\$0.71
Pinal	137	9,128,695	53,779	-	0.6%	205,127	205,127	-	\$0.55	\$0.55
Scottsdale	139	5,307,285	36,695	-	0.7%	94,826	94,826	-	\$1.35	\$1.35
Scottsdale Airpark	302	6,533,746	420,056	-	6.4%	9,985	9,985	-	\$1.00	\$1.00
Sky Harbor Airport	1,243	48,290,819	2,213,593	60,353	4.6%	660,337	660,337	176,706	\$0.86	\$0.86
Southwest Phoenix	358	65,855,028	10,268,681	20,000	15.6%	71,683	71,683	7,029,150	\$0.52	\$0.48
Tempe	975	38,157,129	2,497,361	41,766	6.5%	366,939	366,939	-	\$0.74	\$0.74
West Central Phoenix	960	58,015,242	2,618,166	15,581	4.5%	840,447	840,447	788,004	\$0.49	\$0.48
West Mesa	188	6,004,621	164,450	-	2.7%	5,750	5,750	-	\$0.68	\$0.68
Grand Total	6,873	347,954,082	24,723,653	616,044	7.1%	4,745,519	4,745,519	16,245,497	\$0.66	\$0.66

PROPERTY TYPES	TOTAL BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	VACANCY RATE	Q1 NET ABSORPTION	2021 YTD OVERALL NET ABSORPTION	UNDER CONSTRUCTION	OVERALL ASKING RATE	DIRECT ASKING RATE
Back Office (OS)	82	7,341,428	575,437	-	7.8%	13,027	13,027	-	\$1.18	\$1.18
Distribution (WHSE)	563	117,484,680	14,471,620	122,451	12.3%	2,709,936	2,709,936	15,318,420	\$0.53	\$0.53
Freestanding (WHSE)	3,137	75,768,380	2,011,655	102,428	2.7%	480,878	480,878	456,011	\$0.56	\$0.56
General Industrial - Manufacturing (MFG)	353	31,960,500	1,498,131	-	4.7%	422,000	422,000	65,000	\$0.69	\$0.69
General Industrial - Multi-Tenant (MFG)	2,157	67,482,602	4,110,912	330,965	6.1%	815,941	815,941	-	\$0.68	\$0.69
Major User (MFG)	69	28,938,853	76,600	-	0.3%	334,335	334,335	406,066	-	-
Multi-Tenant Flex (HT)	512	18,977,639	1,979,298	60,200	10.4%	(30,598)	(30,598)	-	\$1.07	\$1.07
Grand Total	6,873	347,954,082	24,723,653	616,044	7.1%	4,745,519	4,745,519	16,245,497	\$0.65	\$0.66

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KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SF	TENANT	TRANSACTION TYPE	CITY	SUBMARKET
Park 303	1,257,873	Walmart	Direct	Glendale	Glendale
Tolleson Commerce Park	758,857	Gatorade	Direct	Phoenix	Southwest Phoenix
Logistics 75	682,290	Confidential 3PL	Direct	Phoenix	Southwest Phoenix
Akimel Gateway	319,000	Spencer's TV & Appliances	Direct	Phoenix	Chandler
VT303	278,670	Amazon	Direct	Glendale	Glendale

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SF	BUYER	PRICE	PRICE/\$ PSF	CITY	SUBMARKET
Southeast Phoenix Distribution Ctr	473,516	JLL Income Property Trust	\$72,500,000	\$192.18	Chandler	Chandler
Tempe Commerce Park	535,945	Harvest Partners	\$85,350,000	\$159.25	Tempe	Tempe
Lincoln Property Co. Portfolio	530,650	KKR	\$68,000,000	\$128.14	Phoenix	West Central Phoenix
Freight Line Portfolio	134,120	Exeter Property Group	\$51,100,000	\$381.00	Phoenix	West Central Phoenix
Daimler	263,606	KKR	\$43,157,811	\$163.72	Goodyear	Glendale

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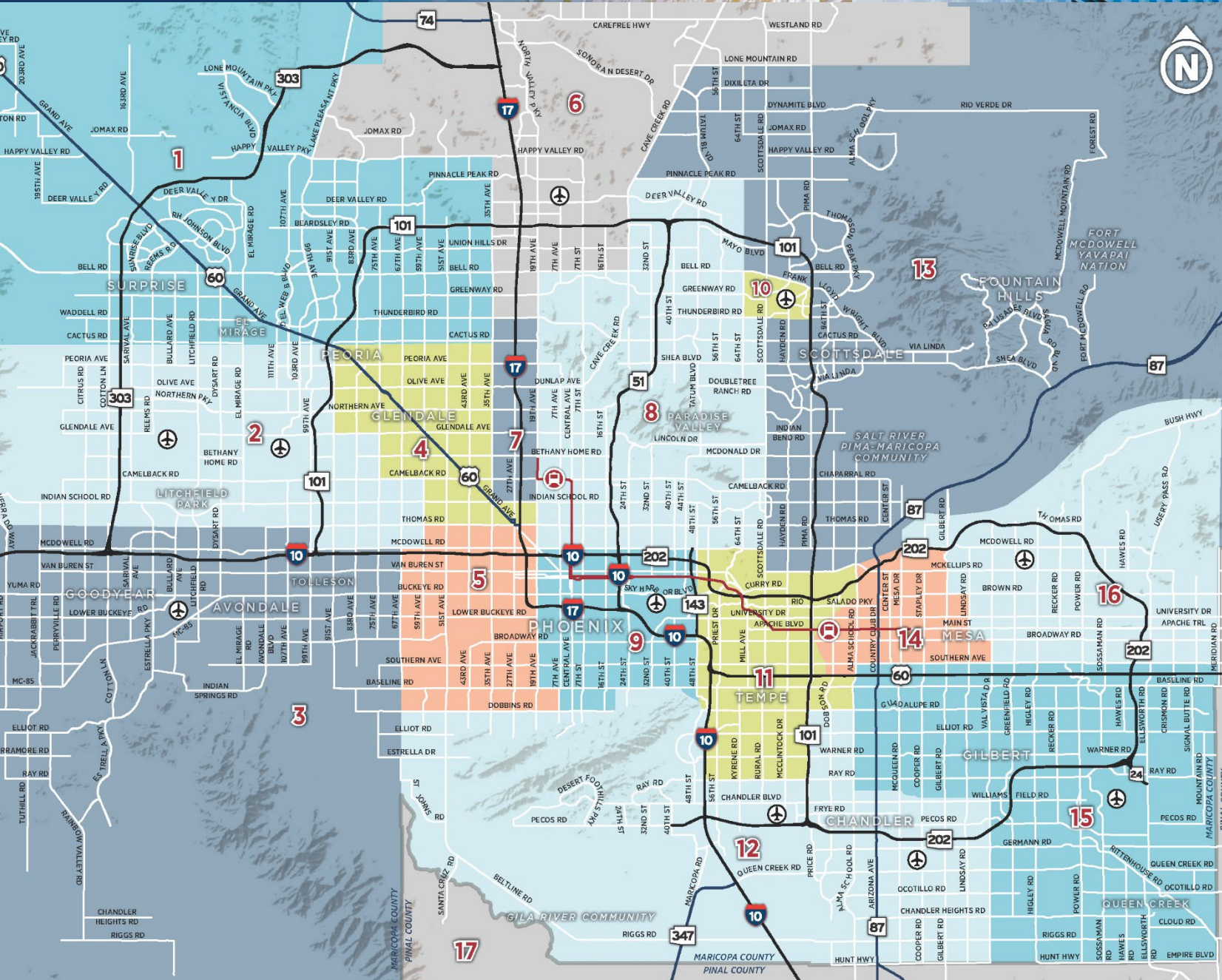
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Industrial Q1 2021



1. North Glendale
2. Glendale
3. Southwest Phoenix
4. Grand Avenue
5. West Central Phoenix
6. Deer Valley
7. Black Canyon
8. Central Phoenix
9. Sky Harbor Airport
10. Scottsdale Airpark
11. Tempe
12. Chandler
13. Scottsdale
14. West Mesa
15. Gilbert/Gateway
16. East Mesa
17. Pinal