

YoY Chg 12-Mo. Forecast

4.4%
Overall Vacancy



4.5M
YTD Net Absorption, SF



47.5M
Under Construction, SF



\$1.21
Overall Asking Rent, PSF



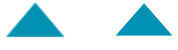
ECONOMIC INDICATORS Q1 2023

YoY Chg 12-Mo. Forecast

2.4M
Phoenix Employment



3.4%
Phoenix Unemployment Rate



3.5%
U.S. Unemployment Rate



Source: BLS

*Q1 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA) – seasonally adjusted.

ECONOMY

In Q1 2023, the Phoenix market recorded an employment level of 2.4 million jobs and the unemployment rate increased slightly from 3.0% in Q1 2022 to 3.4% in Q1 2023. The metro area continues to have tremendous growth, as the number of households increased by 1.7% year-over-year (YOY) to 1.9 million.

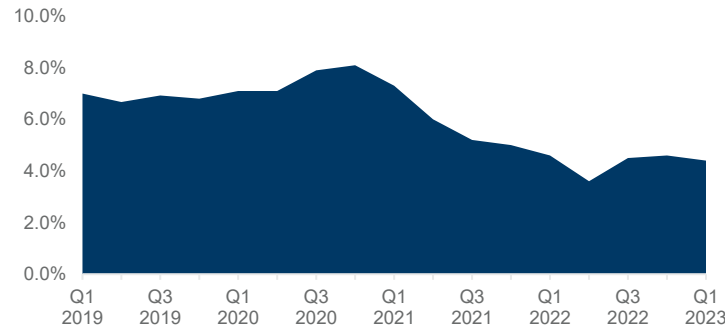
MARKET OVERVIEW

New leasing totaled 4.1 million square feet (msf) in the first quarter of 2023, down slightly from 11.6 msf YOY. This was the lowest quarterly new leasing figure since Q3 2020 when there was 2.0 msf of new leasing activity. Demand remained strong in the warehouse/distribution sector, accounting for 81.7% (3.3 msf) of new leasing in the first quarter. The Southwest Valley submarket posted the highest amount of new leasing activity, accounting for 61.9% of total new leasing due to the proximity to the Ports of Los Angeles and Long Beach and large population base in Southern California.

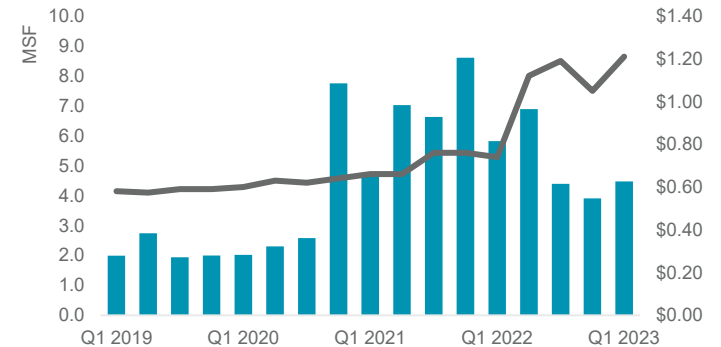
Phoenix reached 4.5 msf of net absorption during the first quarter, its highest quarterly total since midyear 2022. Occupancy gains were bolstered by 16 tenants moving into spaces 100,000 sf and larger in the first quarter. The Southwest Valley led the metro in absorption gains with Cubework and JA Solar occupying 916,160 sf and 763,410 sf, respectively during the first quarter.

The construction pipeline for Phoenix ranks second in the U.S. behind only Dallas (74.8 msf) with 47.5 msf underway. The warehouse/distribution sector in Phoenix dominates the development pipeline with approximately 41.9 msf or 88% of all product types under construction. Construction starts increased QOQ in the first quarter with 5.0 msf of new starts. This pushed the total square footage breaking ground using the rolling quarter-on-quarter measure to 32.5 msf as some developers opted to delay ground breakings due in part to the changes in the financing market in the last twelve months.

OVERALL VACANCY



OVERALL NET ABSORPTION/OVERALL ASKING RENT



In the first quarter, developers added 4.8 msf of new product to the market. The Southwest Valley and Southeast Valley submarkets recorded the highest number of completions in the first quarter, with 3.7 msf and 823,314 sf completed, respectively. Speculative projects accounted for 94% of new projects or 4.4 msf of which 52.7% or 2.3 msf was delivered occupied. Due to the velocity and depth of occupiers in the market, owners and developers continue to be optimistic that their space will become occupied in the near term.

Asking rents remained at or near historically high levels at the close of the first quarter across all sizes and product types. The direct average asking rate increased 40.2% YOY to \$1.22 per in the first quarter on a triple net (NNN) basis. The warehouse sector asking rents edged higher by 44.1% to \$1.18 psf while manufacturing sector asking rents climbed 20.7% to \$1.11 psf.

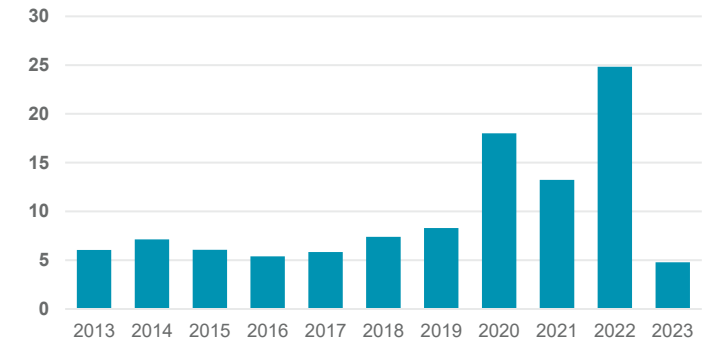
In addition to demand of warehouse space, the Phoenix market has also yielded a major uptick in manufacturing. According to a report published by the federal government, there has been over \$58 billion in private investments made across the state since 2021. Significant manufacturing announcements include Taiwan Semiconductor Manufacturing Co. locating their first manufacturing facility in the U.S. in north Phoenix and the continued Intel expansion of their Ocotillo campus in Chandler.

As the Phoenix metro industrial market continues to diversify it will continue to be one of the most resilient real estate sectors as activity remains strong particularly with the rise in e-commerce demand and the commitment by the state of Arizona to the semiconductor industry.

Outlook

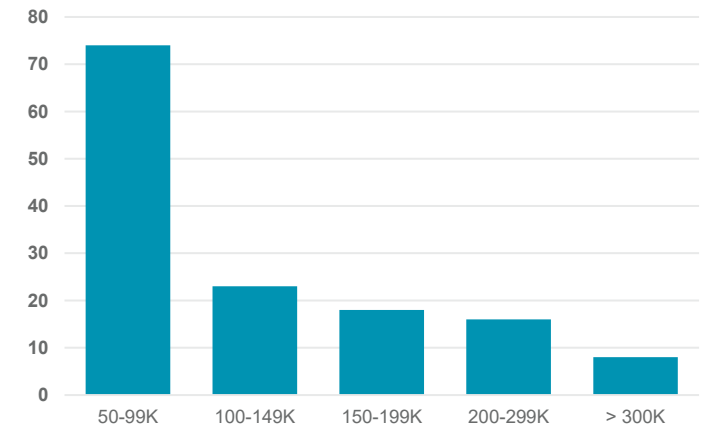
- While deal volume and construction activity were historically high, land pricing has moderated. Phoenix should continue to benefit from extremely tight market conditions in Southern California as tenants opt for opportunities further inland where options are not as scarce.
- The investment sales market for industrial facilities has seen increased uncertainty due to rapidly rising inflation and interest rates.
- Concern of overbuilding has risen in Phoenix amid the rapidly shifting macroeconomic dynamics and potential negative impact on consumer demand.
- Tenant demand will continue to be fueled by 3PL's, food & beverage, e-commerce, and semiconductor chip related manufacturers.
- Metro Phoenix boasts a strong labor pool of qualified workers, and significant employment growth is expected to continue. The projected five-year growth rate of 10.4% for production occupations in Phoenix is more than double the national average.

NEW SUPPLY (MSF)



LARGE BLOCK SPACE

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



MARKETBEAT PHOENIX



Industrial Q1 2023

MARKET STATISTICS

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	DIRECT VACANCY RATE	Q1 OVERALL NET ABSORPTION	2023 YTD OVERALL NET ABSORPTION	UNDER CONSTRUCTION	OVERALL NNN ASKING RATE	DIRECT NNN ASKING RATE
Airport	1,755	69,569,182	2,227,139	287,617	3.2%	-190,904	-190,904	964,302	\$1.20	\$1.21
Northeast Valley	504	13,860,064	213,036	74,718	1.5%	-72,357	-72,357	188,569	\$1.29	\$1.28
Northwest Valley	1,477	50,212,233	1,570,629	103,745	3.1%	-76,271	-76,271	3,299,696	\$1.21	\$1.21
Southeast Valley	1,192	84,213,727	3,603,439	383,213	4.3%	658,176	658,176	15,509,768	\$1.24	\$1.29
Southwest Valley	1,626	157,663,357	8,172,558	70,000	5.2%	4,149,816	4,149,816	27,488,735	\$0.97	\$0.98
Grand Total	6,554	375,518,563	15,786,801	919,293	4.2%	4,468,460	4,468,460	47,451,070	\$1.21	\$1.22

PROPERTY TYPES	TOTAL BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	DIRECT VACANCY RATE	Q1 OVERALL NET ABSORPTION	2023 YTD OVERALL NET ABSORPTION	UNDER CONSTRUCTION	OVERALL NNN ASKING RATE	DIRECT NNN ASKING RATE
Office Service (OS)	360	14,694,628	2,107,722	339,639	14.3%	-143,321	-143,321	39,491	\$1.30	\$1.31
Warehouse Distribution (WD)	2,585	215,133,174	10,364,295	338,176	4.8%	4,818,932	4,818,932	41,891,586	\$1.14	\$1.18
High Technology (HT)	326	21,872,390	1,831,583	182,946	8.4%	-392,825	-392,825	2,130,371	\$1.22	\$1.24
Manufacturing (MF)	3,283	123,818,371	1,483,201	58,532	1.2%	185,674	185,674	3,389,622	\$1.11	\$1.11
Grand Total	6,554	375,518,563	15,786,801	919,293	4.2%	4,468,460	4,468,460	47,451,070	\$1.21	\$1.22

KEY CONSTRUCTION COMPLETIONS Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
GO 99 South	Tolleson	JA Solar	763,419	Speculative	GO Industrial
G303	North Goodyear	Mlily	683,862	Speculative	Hines
Buckeye Logistics	Buckeye	Vacant	640,937	Speculative	BET Investments

KEY PROJECTS UNDER CONSTRUCTION Q1 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	CONSTRUCTION TYPE	OWNER/DEVELOPER
Ross Stores	Buckeye	Ross Stores	1,600,000	Built-To-Suit	Ryan Companies
Park 303	North Goodyear	Vacant	1,259,666	Speculative	Lincoln Property Company
Southern Industrial Center	Buckeye	Vacant	1,207,360	Speculative	Contour Real Estate

KEY LEASE TRANSACTIONS

PROPERTY	SF	TENANT	TRANSACTION TYPE	CITY	SUBMARKET
Cotton 303 Logistics Center	915,160	Cubework	Direct	Glendale	North Goodyear
Gateway 202	353,662	Sysco	Direct	Mesa	Phoenix-Mesa Gateway
Majestic Tolleson Center	222,874	Verst Logistics Group	Direct	Tolleson	Tolleson
Luke Logistics Center	408,581	Transpak	Direct	Glendale	North Goodyear
View 202	146,025	Safelite	Direct	Mesa	Phoenix-Mesa Gateway

KEY SALES TRANSACTIONS

PROPERTY	SF	BUYER	PRICE	PRICE PSF	CITY	SUBMARKET
Ryan West Business Park	242,863	Stonelake Capital Partners	\$38,200,000	\$157.29	Tolleson	Tolleson
Chandler Airport Technology Center	219,440	Dalfen Industrial	\$35,384,700	\$161.25	Chandler	Chandler Airport
Chandler Crossroads I & II	216,328	Fidelity Investments	\$40,150,000	\$185.60	Chandler	Chandler Airport
Warner Commerce Center	197,000	Barings	\$42,400,000	\$215.23	Tempe	Chandler
Peoria Logistics Park	157,554	Cohen Asset Management	\$28,646,182	\$181.82	Peoria	Grand Avenue

JEFF COOLEIDGE

Senior Research Manager

Tel: +1602 224 4448

jeffrey.cooledge@cushwake.com**JARED LEWIS**

Research Analyst

Tel: +1480 499 0653

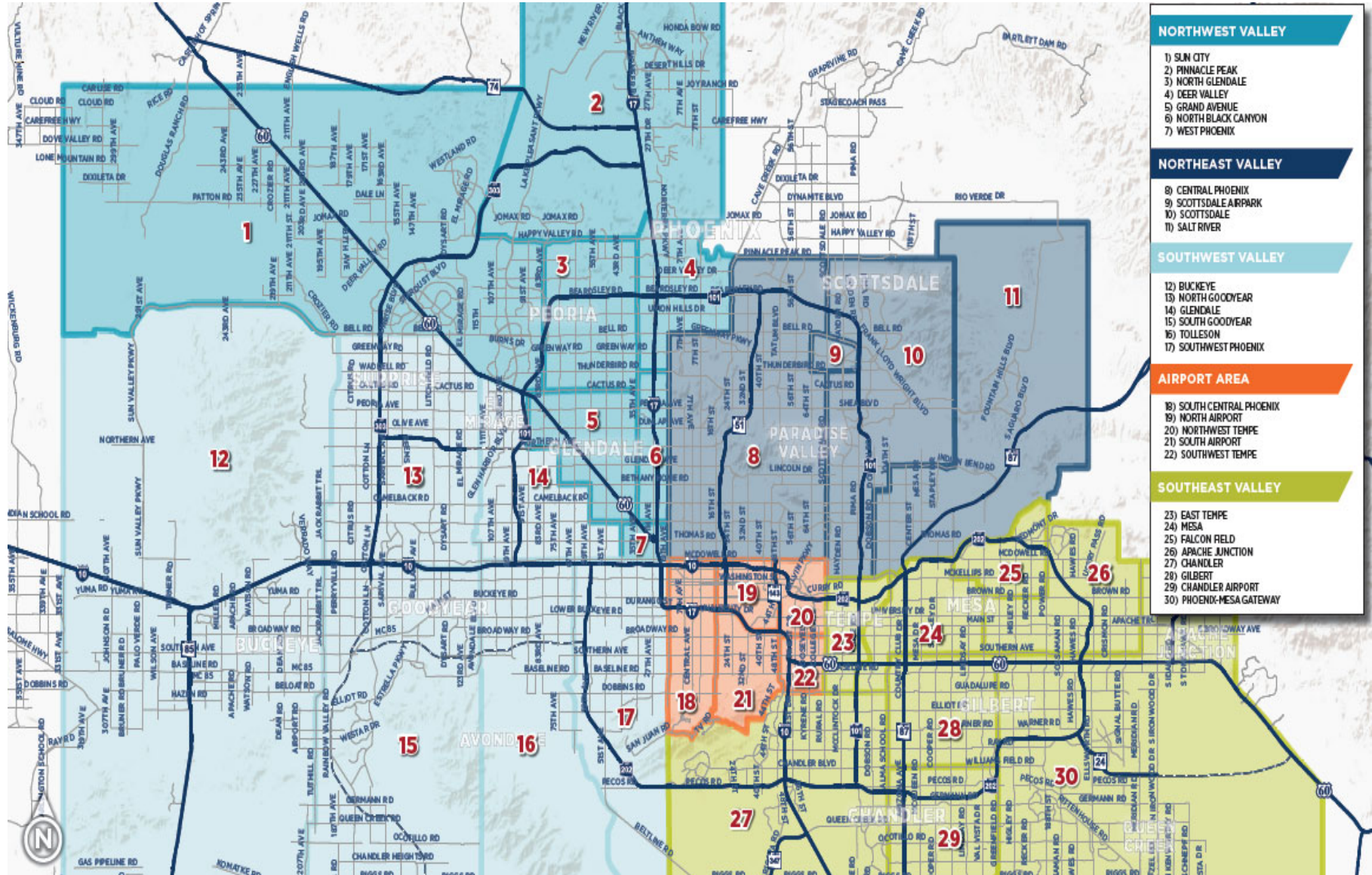
jared.lewis@cushwake.com**A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION**

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in over 400 offices and approximately 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow [@CushWake](https://twitter.com/CushWake) on Twitter.

©2023 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

MARKETBEAT PHOENIX

Industrial Q1 2023



- NORTHWEST VALLEY**
 - 1) SUN CITY
 - 2) PINNACLE PEAK
 - 3) NORTH GLENDALE
 - 4) DEER VALLEY
 - 5) GRAND AVENUE
 - 6) NORTH BLACK CANYON
 - 7) WEST PHOENIX
- NORTHEAST VALLEY**
 - 8) CENTRAL PHOENIX
 - 9) SCOTTSDALE AIRPARK
 - 10) SCOTTSDALE
 - 11) SALT RIVER
- SOUTHWEST VALLEY**
 - 12) BUCKEYE
 - 13) NORTH GOODYEAR
 - 14) GLENDALE
 - 15) SOUTH GOODYEAR
 - 16) TOLLESON
 - 17) SOUTHWEST PHOENIX
- AIRPORT AREA**
 - 18) SOUTH CENTRAL PHOENIX
 - 19) NORTH AIRPORT
 - 20) NORTHWEST TEMPE
 - 21) SOUTH AIRPORT
 - 22) SOUTHWEST TEMPE
- SOUTHEAST VALLEY**
 - 23) EAST TEMPE
 - 24) MESA
 - 25) FALCON FIELD
 - 26) APACHE JUNCTION
 - 27) CHANDLER
 - 28) GILBERT
 - 29) CHANDLER AIRPORT
 - 30) PHOENIX-MESA GATEWAY