

Phoenix Industrial

Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



Notable Transactions

Trademark Visual
3825 S 36th Street
North Airport
64,014 s.f. Leased

United Comb & Novelty Corp
955 N Fiesta Boulevard
Chandler N / Gilbert
60,563 s.f. Leased

Gravity Extreme Zone
190 S Kyrene Road
Chandler
57,348 s.f. Leased

Tom Auto
844 N 47th Avenue
SW N of Buckeye Road
52,632 s.f. Leased

HALCO Lighting
3103 E Broadway Road,
S Airport N of Roeser
50,000 s.f. Leased

The Phoenix industrial real estate market started the year with increasing development, currently there is just over 4.2 million square feet under construction, and rental rates continue to increase. For the first half of 2017, the market has experienced 4.1 million square feet of positive absorption and new deliveries of over 3 million square feet causing total vacancy to decrease to 9.4%. We expect increased competition for space and higher rates to continue throughout the second half of 2017, in spite of new construction, as a result of the strong economy and business expansion. The Phoenix unemployment rate sits at 4.3%, a 10 basis point decrease from the 4.4% recorded this time last year.

The submarkets with the highest total vacancy rates include Chandler Airport at 25.1%, SC South of Salt River at 20.1%, and Chandler with 17.5%. Submarkets with the least vacant space include West Phoenix North of Thomas Road at 3.5%, Falcon Field/ Apache Junction at 3.6%, and West Phoenix South of Thomas Road at 3.8%. With over 3 million square feet of industrial space under construction, new deliveries in 2017 could temporarily ease the tightening market.

Asking rental rates for all industrial properties maintained the average price of \$0.58 per square foot on a triple-net basis, which represents a 5.45% year-over-year increase in rates. Asking rates are highest in the Northeast cluster submarket at an average of \$0.98 per square foot, because a larger share of the industrial stock there is comprised of flex properties. By contrast, the lowest rates are found in Pinal County, which reported an average asking rent of \$0.34 per square foot, on a triple-net basis. Across the Phoenix market, asking rental rates for warehouse and distribution space averaged \$0.55 per square foot, while flex spaces are on the market for an average \$1.11 per square foot.

Flex properties experienced positive absorption of 80,130 square feet this quarter causing total vacancy to decrease to 13.5%. Meanwhile, the manufacturing and warehouse market was active this quarter, with almost 600,000 square feet of positive net absorption lowering total vacancy to 7.7%.

→ Continued, page 2

Area Review

Total sales activity this quarter was consistent with last quarter, total dollar volume in the second quarter reached \$189 million, a slight decrease from the \$193 million worth of industrial real estate that transacted in the first quarter. The median sale price

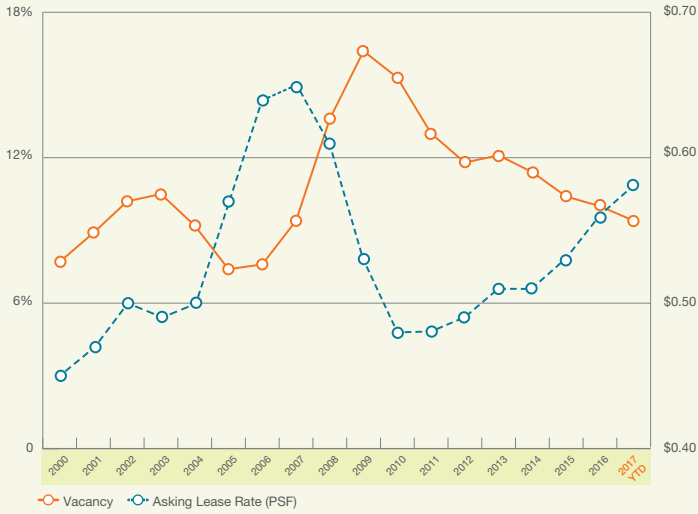
for industrial assets was \$86 per square foot. Median cap rates decreased to 7.2% from 7.9% this time last year.

Data Source: CoStar

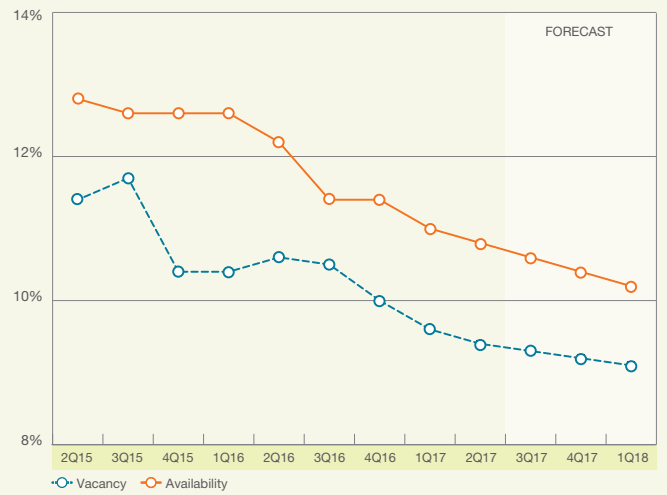
Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Total Vacancy Rate	2Q Direct Net Absorption	YTD Direct Net Absorption	2Q Leasing Activity	YTD Leasing Activity	Average NNN Rental Rate
North Airport	11,874,124	11.1%	11.3%	24,022	349,358	139,075	205,239	\$0.70
South Airport North of Roeser	14,883,858	17.1%	17.2%	239,835	479,413	239,170	669,434	\$0.75
South Airport South of Roeser	4,235,127	3.3%	5.7%	5,504	(61,604)	13,110	47,506	\$0.51
SC North of Salt River	14,195,699	8.3%	8.5%	19,090	105,019	18,934	183,247	\$0.59
SC South of Salt River	2,012,776	20.1%	20.1%	0	3,294	0	3,294	\$0.58
Airport Area	47,201,584	11.8%	12.2%	288,451	875,480	410,289	1,108,720	\$0.69
Central Phoenix	3,288,409	3.8%	4.0%	21,571	28,999	23,505	51,303	\$0.83
Scottsdale Airpark	6,403,829	10.9%	10.9%	4,237	(78,365)	97,101	220,664	\$1.00
Scottsdale/Salt River	5,308,842	6.5%	6.5%	(4,741)	(30,904)	44,647	99,636	\$0.97
Northeast	15,001,080	7.8%	7.8%	21,067	(80,270)	165,253	371,603	\$0.98
Deer Valley/Pinnacle Park	15,212,869	7.9%	8.2%	64,068	(27,558)	202,241	372,786	\$0.76
Glendale	7,784,227	15.2%	15.2%	185,576	179,417	29,347	685,940	\$0.52
Grand Avenue	11,685,607	4.0%	4.2%	109,284	234,620	40,959	72,430	\$0.43
North Glendale/Sun City	3,187,999	5.8%	6.0%	8,981	(16,208)	9,191	50,381	\$0.59
North Black Canyon	4,010,548	10.4%	10.4%	13,265	10,492	42,230	78,726	\$0.67
West Phoenix North of Thomas Rd	7,100,053	3.5%	3.5%	(11,017)	(25,533)	41,348	131,574	\$0.31
West Phoenix South of Thomas Rd	6,349,899	3.7%	3.8%	(82,382)	(87,306)	48,838	75,327	\$0.32
Northwest	55,331,202	7.1%	7.3%	287,775	267,924	414,154	1,467,164	\$0.58
Pinal County	8,199,020	7.6%	7.6%	(29,807)	(31,641)	11,334	50,793	\$0.34
Chandler Airport	3,314,944	25.1%	25.1%	205,243	226,049	30,373	120,238	\$0.86
Chandler	20,093,325	17.4%	17.5%	2,714	106,841	71,317	211,230	\$0.80
Chandler North/Gilbert	17,869,478	9.1%	9.5%	65,784	65,677	213,228	528,279	\$0.68
Falcon Fld/Apache Junction	4,136,165	3.5%	3.6%	40,562	58,713	11,204	27,283	\$0.70
Mesa	6,282,753	5.1%	5.5%	28,656	11,475	128,994	197,487	\$0.59
Tempe East	5,657,602	4.7%	5.4%	46,903	57,314	62,912	166,598	\$0.50
Tempe Northwest	10,595,812	6.2%	6.2%	64,381	99,716	95,718	192,521	\$0.80
Tempe Southwest	21,100,247	7.2%	7.4%	43,742	(55,597)	125,182	490,025	\$0.69
Southeast	89,050,326	10.0%	10.2%	497,985	570,188	738,928	1,933,661	\$0.74
Goodyear	10,003,575	6.7%	6.7%	43,066	625,399	42,884	141,477	\$0.40
Southwest North of Buckeye Rd	31,961,201	8.4%	8.4%	(244,175)	(75,376)	226,978	501,785	\$0.37
Southwest South of Buckeye Rd	16,225,257	10.0%	10.0%	28,915	349,939	201,686	460,246	\$0.36
Tolleson	34,949,890	9.2%	9.5%	97,891	1,598,971	85,853	831,306	\$0.38
Southwest	93,139,923	8.8%	8.9%	(74,303)	2,498,933	557,401	1,934,814	\$0.38
Manufacturing & Warehouse	189,989,454	7.5%	7.7%	591,755	2,187,941	1,696,377	3,971,966	\$0.55
General Industrial	86,250,855	11.1%	11.3%	319,283	1,879,421	145,362	1,795,779	\$0.44
Flex	31,682,826	13.4%	13.5%	80,130	33,252	455,620	1,099,010	\$1.11
Phoenix Total	307,923,135	9.2%	9.4%	991,168	4,100,614	2,297,359	6,866,755	\$0.58

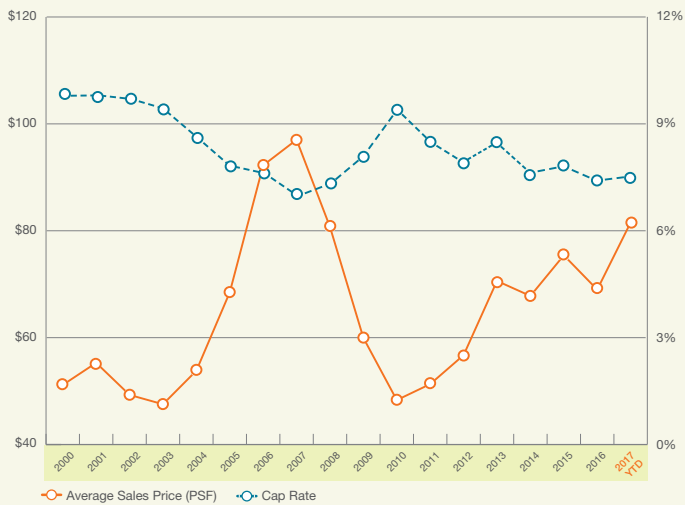
VACANCY VS ASKING LEASE RATE



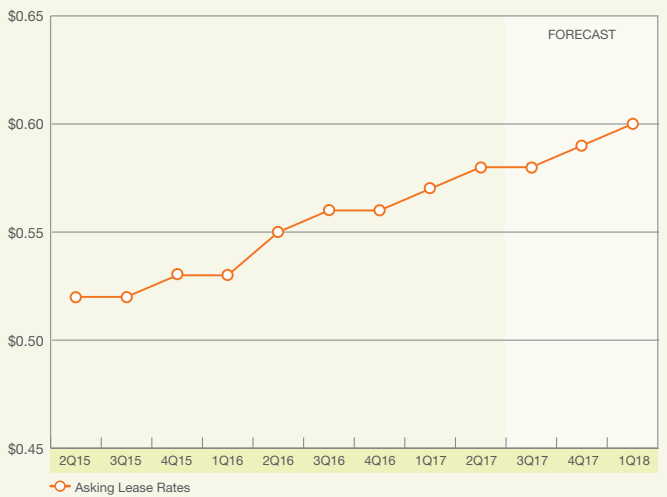
VACANCY VS AVAILABILITY



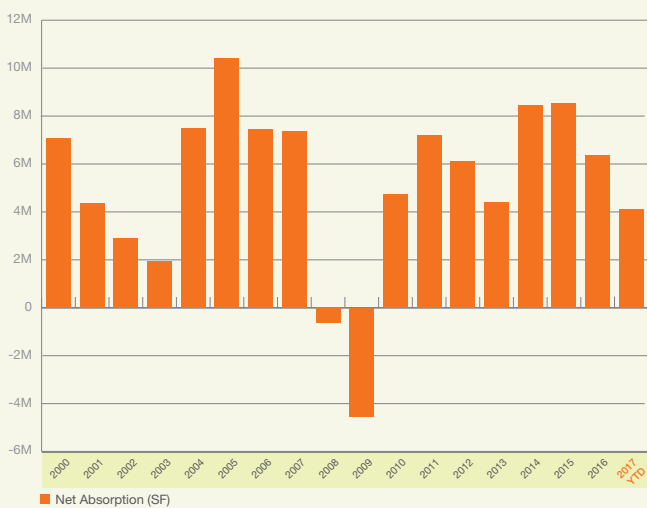
AVERAGE SALES PRICE & CAPITALIZATION RATES



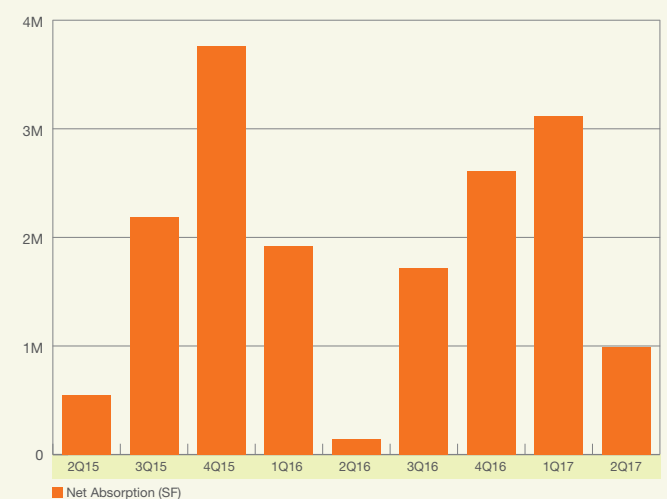
ASKING LEASE RATE



NET ABSORPTION - HISTORICAL



NET ABSORPTION - QUARTERLY



Offices

Seattle
206.296.9600

Bellevue
425.454.7040

South Seattle
206.248.7300

Tacoma
253.722.1400

Olympia
360.705.2800

Portland
503.221.9900

San Francisco
415.229.8888

Redwood Shores
650.769.3600

Silicon Valley
408.970.9400

Sacramento
916.970.9700

Roseville
916.751.3600

Los Angeles
213.880.5250

Long Beach
562.472.0071

Commerce
323.727.1144

Orange County
949.557.5000

Inland Empire
909.764.6500

San Diego
858.509.1200

Carlsbad
760.430.1000

Reno
775.301.1300

Phoenix
602.513.5200

Contact

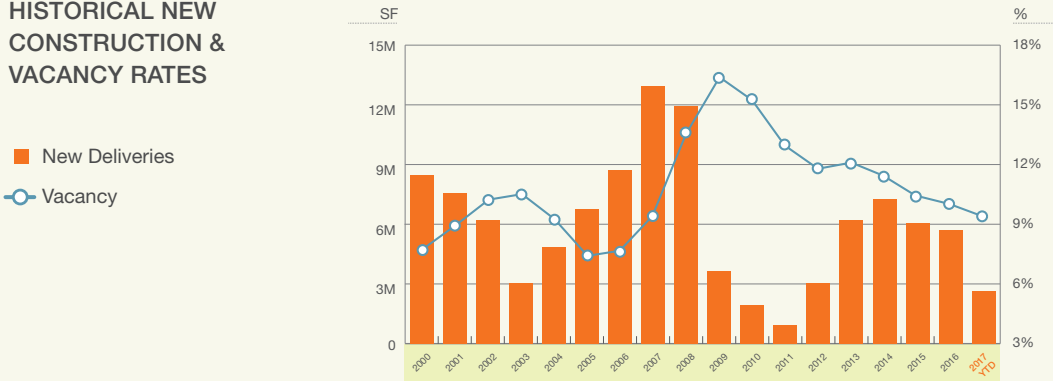
Mark Read
Executive VP, Brokerage
Southwest
858.509.1200
mread@kiddermathews.com

Designated Broker
Mark Read | LIC #00572743

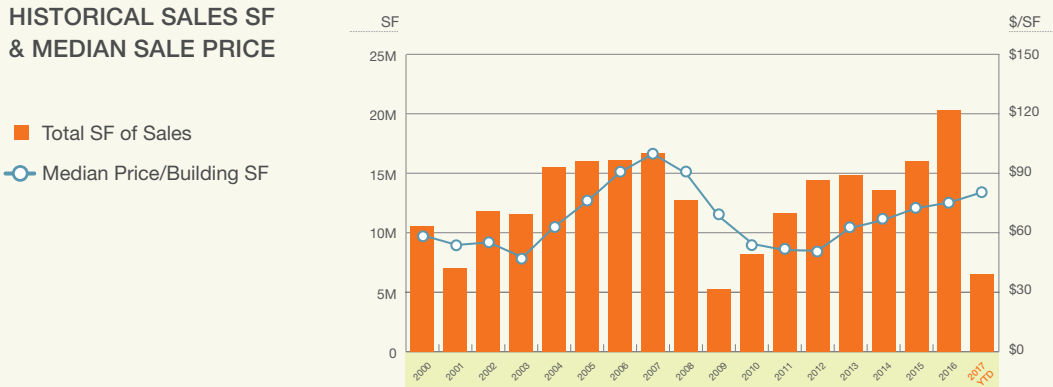
Market Breakdown

	2Q17	1Q17	2Q16	Annual % Change
Vacancy Rate	9.4%	9.6%	10.6%	-11.32%
Availability Rate	10.8%	11.0%	12.2%	-11.48%
Asking Lease Rate	\$0.58	\$0.57	\$0.55	5.45%
Leased SF	2,297,359	4,569,396	6,276,924	-63.40%
Sold SF	2,821,644	3,541,748	1,449,458	94.67%
Net Absorption	991,168	3,113,100	139,725	N/A

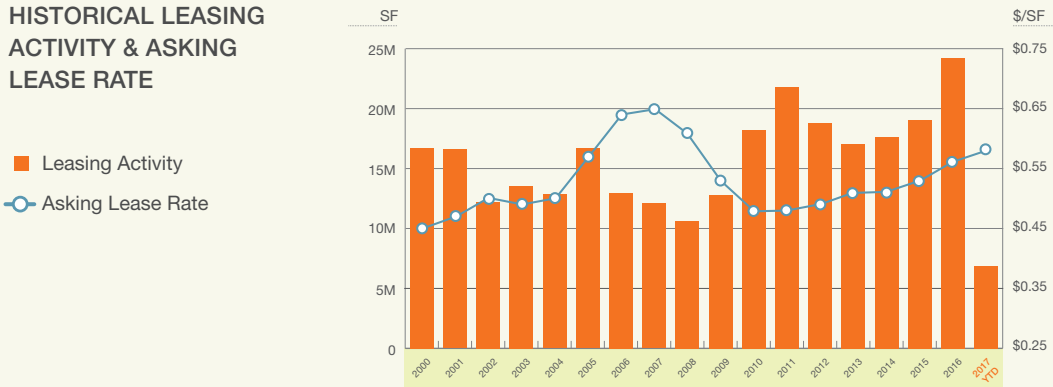
HISTORICAL NEW CONSTRUCTION & VACANCY RATES



HISTORICAL SALES SF & MEDIAN SALE PRICE



HISTORICAL LEASING ACTIVITY & ASKING LEASE RATE



This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.