

MARKETBEAT

Phoenix

Industrial Q1 2019



PHOENIX INDUSTRIAL

Economic Indicators

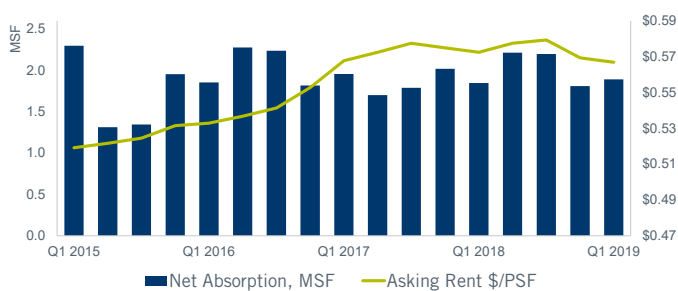
	Q1 2018	Q1 2019	12-Month Forecast
Phoenix Employment	2,084k	2,146k	▲
Phoenix Unemployment	4.3%	4.4%	▲
U.S. Unemployment	4.1%	3.8%	▼

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

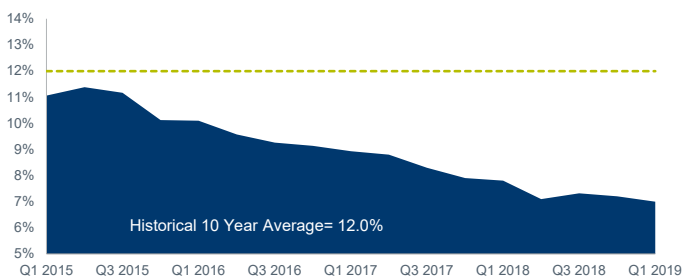
Market Indicators (Overall, All Classes)

	Q1 2018	Q1 2019	12-Month Forecast
Vacancy	7.8%	7.0%	▼
Net Absorption (sf)	1.4M	1.7M	▲
Under Construction (sf)	4.9M	7.0M	▼
Average Asking Rent*	\$0.57	\$0.57	■

Overall Net Absorption/Overall Asking Rent 4-QTR TRAILING AVERAGE (IN MILLIONS)



Overall Vacancy



Economy

The Metro Phoenix job market continued to improve, adding 62,300 jobs year-over-year through the first quarter of 2019. During the same time period, the unemployment rate increased from 4.3% to 4.4%.

Market Overview

In the first quarter of 2019 the Metro Phoenix industrial market overall vacancy rate was 7.0%, down 40 basis-points (bps) from the fourth quarter of 2018. This marked an 80 bps reduction from first quarter of 2018 (7.8%), and a 1,030 bps reduction from the start of the decade in the first quarter of 2010 (17.3%). The direct vacancy rate, which excludes sublet space, was 6.7%. Eleven of the 17 submarkets showed positive absorption in the first quarter of 2019. Six submarkets had positive absorption in excess of 100,000 square feet (sf).

The Metro Phoenix industrial market absorbed +1.7 million square feet (msf) in the first quarter of 2019. Distribution space experienced the greatest gain, +1.8 msf. Freestanding space recorded -418,000 sf in negative absorption. XPO absorbed +640,000 sf in PV 303's Building B, the largest move-in of the quarter. The Southwest Phoenix submarket showed the most positive absorption, +657,000 sf for the quarter. The Paramount Windows distribution space in Tempe, at -130,000 sf, was the largest move-out; the tenant moved to the west side of Phoenix. The Grand Avenue submarket had the most negative absorption, -253,000 sf.

Together, the five largest industrial submarkets make up two-thirds (66.7%) of the total market inventory. Four of those submarkets had positive occupancy growth. Southwest Phoenix saw its vacancy rate drop 110 bps in the face of new inventory deliveries, as the 2018 new deliveries are absorbed by tenants.

In the fourth quarter of 2018, developers in the Phoenix industrial market delivered 612,000 sf of new product in eight buildings. Distribution space was the majority, 433,000 sf or 70.6%. Office Services (150,000 sf) and freestanding (56,000 sf) made up the rest of new construction. The North Glendale (272,000 sf) submarket received the most deliveries in the first quarter of 2019. This was a light quarter for deliveries but the industrial pipeline is robust. Cushman & Wakefield is tracking 42 industrial properties that are currently under construction, with a combined area of 7.0 msf. Forty-one of these properties are currently projected to deliver in 2019, though some will likely be finished in 2020. Of that space, 15.6% is disclosed as pre-leased.

MARKETBEAT

Phoenix

Industrial Q1 2019



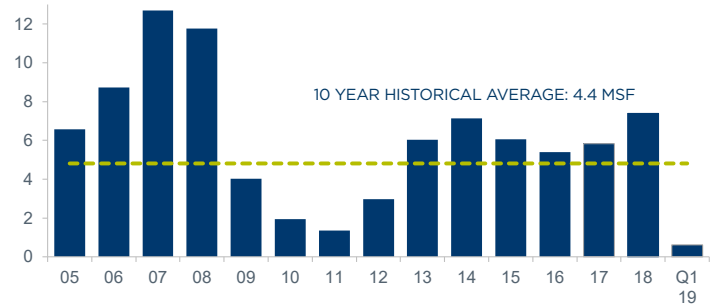
The direct average asking rate in the Metro Phoenix industrial market was \$0.57 per square foot (psf), on a monthly triple net basis. This is the same as the first quarter of 2018. Scottsdale, which is mostly flex space, was the most expensive at \$1.03 psf. Southwest Phoenix, a market dominated by warehouse and distribution space, remained the least expensive at \$0.39 psf.

Outlook:

- Space competition, previously uncommon, is increasingly frequent for tenants. The low vacancy rates in Phoenix have sustained in the face of heavy building. Credit tenants remain desirable.
- The 202 South Mountain Freeway project is nearly complete and will increase asking rents in southwestern submarkets. Of all industrial construction in the market, 52.3% is distribution facilities in the Southwest Phoenix, West Central Phoenix and Glendale submarkets.
- Los Angeles industrial vacancy dipped to 1.5% at the end of 2018. As the next major market east, Phoenix will continue to win users with cost advantage and space availability.
- BTS projects in the 10,000 to 20,000 sf size range currently do not pencil out in many submarkets. Tenant improvement costs are historically high, and labor shortages for contractors add to the misery for small users.

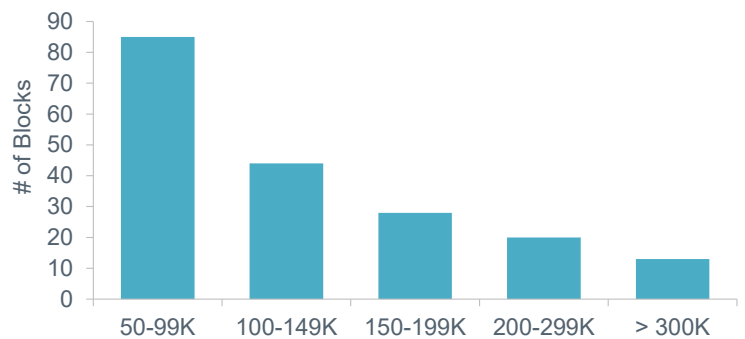
New Supply

2018 NEW SUPPLY EXCEEDED HISTORIC AVERAGE

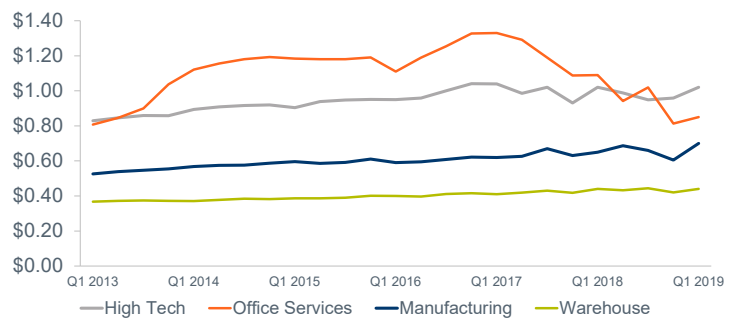


Large Block Space

BLOCKS OF CONTIGUOUS SPACE (BUILDINGS ARE ONLY COUNTED ONCE)



Asking Rents



MARKETBEAT

Phoenix

Industrial Q1 2019



SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT (sf)	DIRECT VACANT (sf)	OVERALL VACANCY RATE	Q1 NET ABSORPTION (sf)	2019 YTD NET ABSORPTION (sf)	UNDER CONSTRUCTION (sf)	OVERALL ASKING RENT	DIRECT ASKING RENT
Black Canyon	149	3,940,884	2,348	377,689	9.6%	13,037	13,037	-	\$0.76	\$0.76
Central Phoenix	112	3,587,711	-	468,581	13.1%	26,064	26,064	59,400	\$0.47	\$0.47
Chandler	362	24,234,484	115,319	1,780,697	7.8%	65,905	65,905	734,516	\$0.75	\$0.77
Deer Valley	509	16,056,254	41,185	1,438,617	9.2%	-11,880	-11,880	200,000	\$0.77	\$0.77
East Mesa	119	4,415,714	45,612	325,309	8.4%	13,879	13,879	104,529	\$0.72	\$0.74
Gilbert/Gateway	522	18,553,416	163,751	663,700	4.5%	71,443	71,443	1,206,088	\$0.68	\$0.70
Glendale	97	9,881,485	-	806,447	8.2%	571,708	571,708	994,170	\$0.52	\$0.52
Grand Ave	550	18,117,119	4,500	1,047,364	5.8%	-253,153	-253,153	-	\$0.46	\$0.46
North Glendale	92	3,277,417	-	118,731	3.6%	-35,809	-35,809	-	\$0.76	\$0.76
Pinal	136	8,314,063	33,000	256,524	3.5%	-10,470	-10,470	-	\$0.46	\$0.41
Scottsdale	138	5,289,978	3,945	151,652	2.9%	7,029	7,029	-	\$1.09	\$1.09
Scottsdale Airpark	306	6,569,255	19,085	398,931	6.4%	18,756	18,756	-	\$1.09	\$1.10
Sky Harbor Airport	1,247	47,226,626	33,582	2,711,866	5.8%	-14,649	-14,649	900,201	\$0.65	\$0.66
Southwest Phoenix	313	50,472,032	116,847	5,406,268	10.9%	656,608	656,608	2,444,214	\$0.40	\$0.40
Tempe	980	38,108,418	209,722	3,051,835	8.6%	177,997	177,997	-	\$0.63	\$0.68
West Central Phoenix	952	55,506,142	53,392	2,207,863	4.1%	566,251	566,251	319,803	\$0.58	\$0.59
West Mesa	188	6,062,884	-	354,400	5.8%	-41,078	-41,078	-	\$0.64	\$0.64
Grand Total	6,772	319,613,882	842,288	21,566,474	7.0%	1,721,638	1,721,638	6,962,921	\$0.57	\$0.58

CLASSIFICATION	TOTAL BLDGS	INVENTORY	SUBLET VACANT (sf)	DIRECT VACANT (sf)	OVERALL VACANCY RATE	Q1 NET ABSORPTION (sf)	2019 YTD NET ABSORPTION (sf)	UNDER CONSTRUCTION (sf)	OVERALL ASKING RENT	DIRECT ASKING RENT
Back Office	82	7,285,520	2,740	826,522	11.4%	(28,288)	-28,288	-	\$0.78	\$0.87
Distribution	497	98,321,927	247,794	10,237,786	10.7%	1,819,140	1,819,140	4,411,005	\$0.43	\$0.44
Freestanding	3,141	75,015,455	184,470	2,136,345	3.1%	(418,075)	-418,075	241,834	\$0.67	\$0.67
General Industrial - Manufacturing	345	29,684,203	-	1,236,597	4.2%	(161,370)	-161,370	558,516	\$0.67	\$0.67
General Industrial - Multi-Tenant	2,148	66,246,103	342,039	4,678,820	7.6%	74,287	74,287	750,716	\$0.66	\$0.67
Major User	57	24,855,533	-	431,005	1.7%	-	-	768,000	\$1.14	\$1.14
Multi-Tenant Flex	502	18,205,141	65,245	2,019,399	11.5%	435,944	435,944	232,850	\$0.95	\$0.99
Grand Total	6,772	319,613,882	842,288	21,566,474	7.0%	1,721,638	1,721,638	6,962,921	\$0.57	\$0.58

* Entries not reflective of U.S. MarketBeat table

CUSHMAN & WAKEFIELD HAS RE-CLASSIFIED THE COMPETITIVE BUILDING INVENTORY TO REFLECT DEMOLITIONS

ASKING RENTS ARE LISTED AS TRIPLE NET

NET ABSORPTION IS THE NET CHANGE IN PHYSICALLY OCCUPIED SPACE BETWEEN THE CURRENT PERIOD AND THE PREVIOUS PERIOD

MARKETBEAT

Phoenix

Industrial Q1 2019



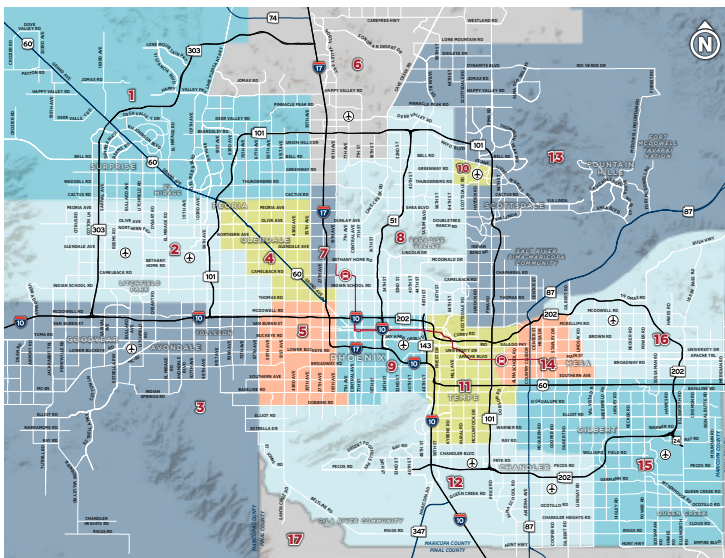
Key Lease Transactions Q1 2019

PROPERTY	SF	TENANT NAME	TRANSACTION TYPE	ASKING RATE	CITY	SUBMARKET
6205 S Arizona Ave	222,000	Z Modular	New	\$0.70	Chandler	Chandler
1755 S 75th Ave	211,185	States Logistics	New	\$0.38	Phoenix	Southwest Phoenix
9494 W Buckeye Rd	186,336		New	\$0.42	Tolleson	Southwest Phoenix
3333 S 7th St	120,000	Amazon	New	-	Phoenix	Sky Harbor Airport
200 N 99th Ave	112,905		New	\$0.43	Tolleson	Southwest Phoenix
3011 E Broadway Ave	96,164	Clearwing Production	New	-	Phoenix	Sky Harbor Airport
555 S 65th Ave	86,939	SleepComp West (Latexco)	New	\$0.42	Phoenix	West Central Phoenix
3333 S 7th St	85,000	Sunny's	New	-	Phoenix	Sky Harbor Airport

Key Sale Transactions Q1 2019

PROPERTY	SF	BUYER	PRICE	PSF	CITY	SUBMARKET
2950 S Litchfield Rd (Portfolio)	418,200	Stream Realty Partners	\$28,437,600.00	\$68.00	Goodyear	Southwest Phoenix
2200 S 43rd Ave	250,043	Cohen Asset Management	\$24,679,244.00	\$98.70	Phoenix	West Central Phoenix
12000 N 132nd Ave	418,651	Dalfen America	\$24,100,000.00	\$57.57	Surprise	North Glendale
1921 W Rio Salado Pky (Portfolio)	48,066	Oaktree Capital Management	\$19,327,068.00	\$402.09	Tempe	Tempe
14000 N Hayden Rd	103,517	David Besins	\$16,482,000.00	\$159.22	Scottsdale	Scottsdale Airpark
1821 W Rio Salado Pky (Portfolio)	99,607	Oaktree Capital Management	\$16,231,795.00	\$162.96	Tempe	Tempe
1343 N Colorado St (Portfolio)	120,700	Evan Porges	\$14,653,385.00	\$121.40	Gilbert	Gilbert/Gateway
1343 N Colorado St (Portfolio)	104,900	Evan Porges	\$12,346,615.00	\$117.70	Gilbert	Gilbert/Gateway
6505 W Chandler Blvd	157,200	Phoenix Rising Investments	\$10,700,000.00	\$68.07	Chandler	Chandler Ind

Industrial Submarkets



- 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

Cushman & Wakefield
2555 E Camelback Road
Suite 400
Phoenix, AZ 85016
cushmanwakefield.com

For more information, contact:
Ronan McNulty
Associate Director
Tel: +1 602 224 4448
Fax: +1 602 253 0528
ronan.mculty@cushwake.com

About Cushman & Wakefield

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 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 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 on Twitter.

©2019 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.