

Phoenix

Industrial Market Report First Quarter 2019

Quick Stats

6.5 M

Square feet of industrial space
to be built in 2019.

\$7.46

Per square foot average asking
NNN rate for first quarter.

6.9%

Vacancy rate drops 200 basis
points lower year over year.

606 K

Square feet overall net
absorption for the first quarter.

\$393.5 M

Total industrial investment
sales in the first quarter.

Industrial Market Activity Keeps Chugging Along

With developers and municipalities continuing to open their arms to e-commerce, distribution and manufacturing, the Valley's industrial market looks to remain one of the strongest in the U.S. The Metro Phoenix market is on track to have 6.5 million square feet (msf) of industrial space built this year, making it the sixth-largest delivery of commercial real estate in America. Tenant demand remains brisk, especially in the 50,000 sf to 200,000 sf range. The Valley has 34 developments of at least 90,000 sf scheduled to come online this year. The Southwest Valley continues to lead the way for industrial tenants with its proximity and easy access to California and other Southwest markets.

Rental Rates

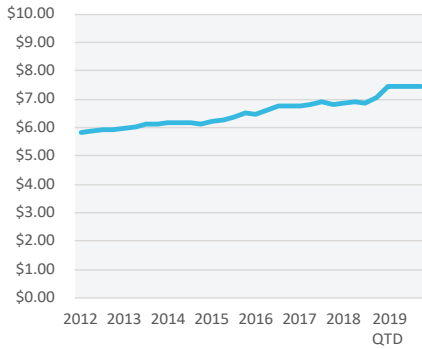
The average asking NNN rate for the quarter was \$7.46 per square foot (psf), which is an increase of nearly \$0.40 psf from last quarter. Rates have been steadily increasing quarter over quarter and have risen 10%

in just the past 2 years. First quarter asking rates were highest in the Scottsdale/Salt River Submarket (\$13.44 psf) and Scottsdale Airpark (\$13.09 psf) Submarket. The Tempe East Submarket was next (\$12.04 psf) followed by the Central Phoenix Submarket (\$10.99 psf).

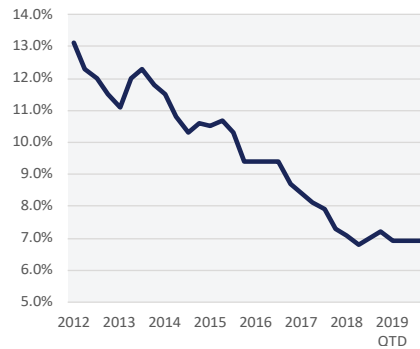
Vacancy

Strong demand for industrial space in the Southwest and East Valley's helped push the overall market vacancy rate to 6.9%. That was 200 basis points lower year over year, but 300 basis points lower than last quarter. For the quarter, vacancy was the lowest in the Scottsdale/Salt River Submarket with an incredible 1.7% being reported and the highest in the Chandler Airport Submarket showing 19.2%. Goodyear led the way with 407,596 sf being positively absorbed and the Grand Avenue market had the highest negative absorption of 217,566 sf.

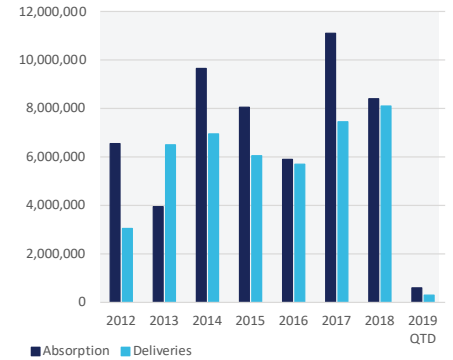
Rental Rates



Vacancy Rates



Absorption & Deliveries



Top Leases

Tenant	Building	Submarket	Square Feet	Type
Z Modular	6205 S. Arizona Avenue	Chandler	222,000	Direct
State Logistics	1755 S. 75th Avenue	Tolleson	211,185	Direct
CHEP Pallets	9494 W. Buckeye	Tolleson	186,336	Direct
Serta Mattress	200 N. 99th Avenue	Tolleson	112,905	Direct
Clearwing Production Inc	3011 E. Broadway Avenue	S Airport N of Roeser	96,164	Direct

Top Sales

Buyer	Building	Submarket	Square Feet	Sale Price	Price/SF
Stream Realty Partners	Southwest Logistics Center	Goodyear	418,200	\$28,437,600	\$68
Cohen Asset Management	Riverside 43	SW S of Buckeye Rd	250,043	\$24,679,244	\$99
Dalfen Industrial, LLC	West Valley Logistics Center	Glendale	418,651	\$24,100,000	\$58
Rio West Grand Avenue Partners, LLC	Rio West Business Park	Tempe Northwest	48,066	\$19,327,068	\$402
David Besins	Hayden Commerce Center	Scottsdale Airpark	103,517	\$16,482,000	\$159

Top Projects Under Construction

Property	Submarket	Completion	Total SF	% Preleased/Owned
The HUB At Goodyear	Goodyear	3Q19	790,980	0.0%
202 West Logistics Center	SW S. of Buckeye Road	2Q19	554,000	0.0%
Andersen Corp/Goodyear Crossing	Goodyear	4Q19	500,000	100.0%
West 80 Industrial	Tolleson	2Q19	379,828	0.0%
Prologis Loop 202 at I-10	SW N. of Buckeye Rd	3Q19	330,842	0.0%

Trends to Watch

The Phoenix Market will see continued growth in population and inventory throughout 2019.



#1 in Population Growth
Phoenix-Mesa-Scottsdale metro gained 96,268 people in the last 12-month period, with an average gain of 263 per day.



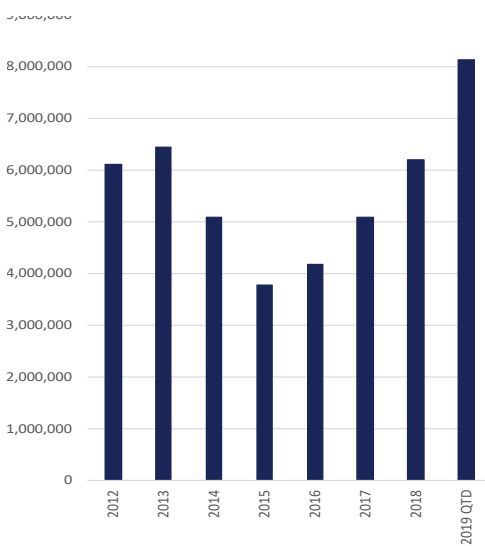
10.5% to 6.9%
While vacancy decreased a modest 30 bps this quarter, it has trended downward since the second quarter 2015.



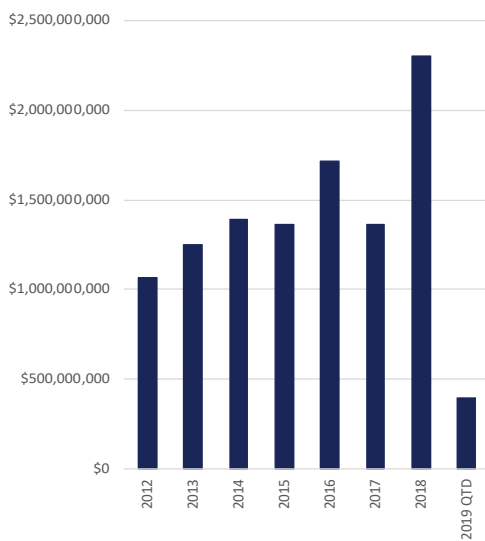
6.5 MSF
There should be 6,500,000 sf of new industrial space added in 2019.

Metro Phoenix is on track for the sixth largest delivery of industrial commercial real estate in America, with 6.5 msf planned to be built in 2019.

Under Construction

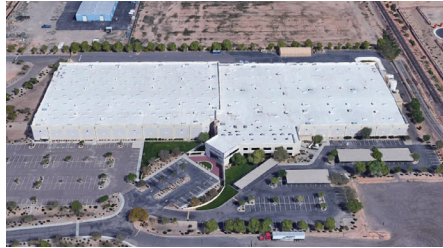


Investment Sales



Leasing

First quarter absorption was strongest in the Goodyear Submarket at 407,596 sf and the Tolleson Submarket at 299,244 sf. Overall net absorption for the quarter was 606,227 sf on 295,229 sf delivered. The largest lease was Z Modular taking 222,000 sf at 6205 S. Arizona Ave., in Chandler.



6205 S. Arizona Ave.

Tolleson nabbed the next three spots: 1755 S. 75th Ave. at 211,185 sf, 9494 W. Buckeye at 186,336 sf, and 200 N. 99th Ave. at 112,905 sf. The fifth of the top five leases was 3011 E. Broadway Ave. at 96,164 sf.

Construction

There were no shovel-in-the-ground projects in the first quarter, but two industrial projects in the Southwest Valley are scheduled to deliver in the second quarter. In addition, there are more than 20 mid-bay projects of 50,000 sf to 200,000 sf under construction in the Valley. They total more than 2.5 msf (42% of local industrial stock under construction). The largest project under construction in the first quarter is The HUB at Goodyear at 790,980 sf with a planned completion for third quarter.



The HUB at Goodyear

The 202 West Logistics Center at 554,000 sf and West 80 Industrial at 379,828 sf in Tolleson are looking at second quarter completions. Prologis Loop 202 at I-10 with 330,842 sf is scheduled to come on line in the third quarter. Anderson Corp./Goodyear Crossing at 500,000 sf is expected to deliver in the fourth quarter.

Investment Sales

Investment sales were brisk in the first quarter totaling more than \$393.5 million. In 1Q 2019, the top three sales were distribution properties; the other two of the top five sales were flex buildings. Stream Realty Partners bought the 418,000 sf Southwest Logistics Center in Goodyear for \$28.4 million (418,200 sf, \$68 psf).



Southwest Logistics Center

Also in the top five investment sales, Cohen Asset Management acquired Riverside 43 in the Southwest Valley for \$24.7 million (250,043 sf, \$98 psf); Dalfen Industrial, LLC bought the West Valley Logistics Center in Glendale for \$24.1 million (418,651 sf, \$58 psf); Rio West Grand Avenue Partners, LLC purchased the Rio West Business Park in Tempe for \$19.3 million (48,066 sf, \$402 psf); and David Besins purchased the Hayden Commerce Center in Scottsdale for \$16.482 million (103,517 sf, \$159 psf).

Market By The Numbers

Submarket	Total RBA (SF)	Vacancy Space Sublease	Vacancy Total Space	Vacancy Rate Flex	Vacancy Rate Warehouse	Net Absorption (Qtr)	Average Ask Total (NNN)	Avg. Ask Flex (NNN)	Avg. Ask Warehouse (NNN)
Central Phoenix Ind	4,536,785	0	202,496	1.2%	5.5%	16,484	\$10.99	\$15.02	\$9.55
Chandler Airport Ind	3,868,489	1,304	857,277	38.2%	19.2%	(106,192)	\$10.48	\$16.95	\$8.41
Chandler Ind	21,444,925	116,515	1,255,776	11.6%	4.5%	(14,820)	\$9.62	\$15.39	\$8.39
Chandler N/Gilbert I.	20,387,267	170,747	920,779	4.9%	4.5%	25,322	\$8.26	\$11.66	\$7.90
Deer Vly/Pinnacle Pk.	17,402,170	41,185	1,364,939	1.7%	9.2%	15,009	\$9.26	\$11.02	\$9.15
Falcon Fld/Apache Jc.	5,157,665	45,612	411,562	15.5%	7.3%	42,905	\$9.23	\$11.79	\$9.05
Glendale Ind	10,347,682	0	719,707	11.2%	6.8%	(62,092)	\$6.21	\$22.33	\$5.56
Goodyear Ind	13,243,416	68,847	1,292,632	7.6%	9.8%	407,596	\$4.65	\$6.89	\$4.59
Grand Avenue Ind	13,449,147	0	569,168	12.6%	4.1%	(217,566)	\$5.85	\$13.28	\$5.44
Mesa Ind	7,702,901	19,400	351,041	3.9%	4.6%	(47,231)	\$7.78	\$8.74	\$7.72
N Glendale/Sun City	3,949,242	0	123,938	4.0%	3.0%	189,784	\$8.59	\$6.20	\$8.84
North Airport Ind	13,458,570	21,812	764,848	12.6%	4.6%	(92,028)	\$9.76	\$14.31	\$7.95
North Black Canyon I.	4,468,143	2,348	372,978	14.2%	6.5%	(9,388)	\$9.67	\$10.69	\$8.62
North Outlying Ind	140,222	0	5,000	0.0%	3.6%	(5,000)	\$0.00	\$0.00	\$0.00
Northwest Outlying I.	38,738	0	0	0.0%	0.0%	0	\$0.00	\$0.00	\$0.00
Pinal County Ind	9,716,031	33,000	335,674	4.7%	3.4%	(648)	\$6.29	\$9.43	\$6.11
S Airport N of Roese.	15,786,387	0	1,378,359	17.5%	6.8%	138,244	\$9.63	\$13.81	\$7.51
S Airport S of Roese.	4,560,317	7,150	144,065	9.3%	2.9%	5,296	\$7.95	\$8.85	\$7.91
SC N of Salt River I.	15,603,950	4,620	528,893	2.6%	3.4%	33,848	\$7.62	\$14.69	\$7.36
SC S of Salt River I.	2,531,146	0	333,503	0.0%	13.4%	77,069	\$4.92	\$0.00	\$4.92
Scottsdale Airpark I.	6,820,472	19,085	416,355	9.1%	4.3%	2,578	\$13.09	\$14.89	\$11.84
Scottsdale/Salt Rive.	5,388,123	3,945	155,196	5.5%	1.7%	(9,322)	\$13.44	\$14.16	\$12.53
Southwest Outlying I.	99,833	0	0	0.0%	0.0%	0	\$2.64	\$0.00	\$2.64
SW N of Buckeye Road.	33,504,977	22,595	2,412,727	0.0%	7.3%	(39,719)	\$5.09	\$0.00	\$5.09
SW S of Buckeye Road.	17,918,823	30,797	675,570	17.5%	3.5%	(23,840)	\$7.21	\$0.00	\$7.21
Tempe East Ind	6,699,948	6,120	311,393	12.0%	2.9%	(3,179)	\$12.04	\$17.39	\$8.92
Tempe Northwest Ind	10,957,884	14,986	580,420	6.3%	5.0%	75,383	\$9.77	\$13.86	\$8.22
Tempe Southwest Ind	21,568,740	97,756	2,215,389	10.4%	10.2%	3,110	\$8.19	\$12.42	\$7.02
Tolleson Ind	38,128,554	48,000	4,743,127	5.8%	12.5%	299,244	\$4.94	\$13.39	\$4.90
W Phx N of Thomas Rd.	8,303,174	4,500	239,941	0.3%	3.1%	1,141	\$6.31	\$7.39	\$6.28
W Phx S of Thomas Rd.	7,027,304	0	185,893	6.8%	2.6%	(95,761)	\$5.86	\$12.60	\$5.73
Total	344,211,025	780,324	23,868,646	9.2%	6.9%	606,227	\$7.46	\$13.67	\$6.66

The data contained in this market report is obtained from The CoStar Group, Inc., and is used under licensed permission. The report is based on all Metro-Phoenix markets for industrial and flex buildings. It includes sublease space only upon the date of availability, and does not include any owner occupied space.



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