

Q1 2017

Industrial Insight

Strong market fundamentals as 2017 begins

- Developers deliver more than 2.0 million square feet of speculative industrial space in the first quarter of 2017
- Total vacancy dips to 8.8 percent despite speculative deliveries
- Average asking rents hold steady at \$0.50 per square foot from the previous quarter, up 2.1 percent from Q1 2016

Absorption was led by the Southwest and Airport submarkets which recorded over 1.8 million square feet and 480,141 square feet of absorption, respectively. Significant size lease commencements include:

- Summit Logistics - 341,145 square feet at 1755 S 75th Avenue (Southwest)
- Aviall Inc. - 323,345 square feet at 605 North 75th Avenue (Southwest)
- Maintenance Supply - 58,824 square feet at 2820 South 18th Place (Airport)
- Viking SupplyNet - 39,608 square feet at 2626 South 7th Street (Airport)

More than 2 million square feet of speculative industrial space was delivered, and approximately 26 percent of that new product was preleased. As developers anticipate further tenant demand for new space, an additional 3.7 million square feet of industrial space is projected to be delivered by the end of the year. More than 59 percent of this new product is preleased, including a 1.0 m.s.f. warehouse & distribution center located at 7101 N Glen Harbor Blvd in the Northwest submarket. The warehouse will be home to personal appliance manufacturer, ConAir Corporation. While the overall market average asking rent rates are \$0.50 p.s.f., the highest average rates in Metro Phoenix belong to the Scottsdale and Deer Valley submarkets at \$0.92 and \$0.74 respectively. Since 2013, average asking rents have surged more than 30 percent in Scottsdale and 25 percent in Deer Valley.

Outlook

Since 2010, Phoenix has averaged more than 5.7 million square feet of absorption annually. Phoenix is well positioned for continued growth in 2017 with nearly 2.2 million square feet of the projected 3.7 million square feet of new industrial product expected to be completed and occupied by the end of the year. In addition, approximately 2.6 m.s.f. of leases were signed in Q1 2017. While there are plenty of existing large blocks of space still available and ample available land for development, landlords are confident that absorption will continue to keep pace with construction.

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Fundamentals	Forecast
YTD net absorption	1,870,652 SF ▲
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Under construction	3,840,636 SF ►
Total vacancy	8.8% ▼
Average asking rent (NNN)	\$0.50 PSF ▲
Tenant improvements	Falling ▼

