

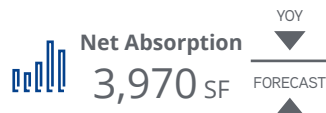


Phoenix, AZ

Industrial
23Q2

Key Takeaways

- Rental rates have increased over 24.5 percent Y-o-Y ending at \$1.01 NNN
- The amount of product under construction increased 40.2 percent Y-o-Y to 49.3 million square feet
- 3.9 million square feet of positive net absorption



Q2 2023

Following a slowdown in Investment sales during the past two quarters, the second quarter had an elevation in sales volume, increasing 19.2 percent quarter-over-quarter ending at \$583 million. Phoenix experienced another quarter of positive net absorption ending at 3.9 million square feet. There were 3.8 million square feet of new inventory delivered in the second quarter, the lowest figure since first quarter 2021. An additional 6.4 million square feet that broke ground during the second quarter, increasing the total amount of industrial space under construction to 49.3 million square feet.

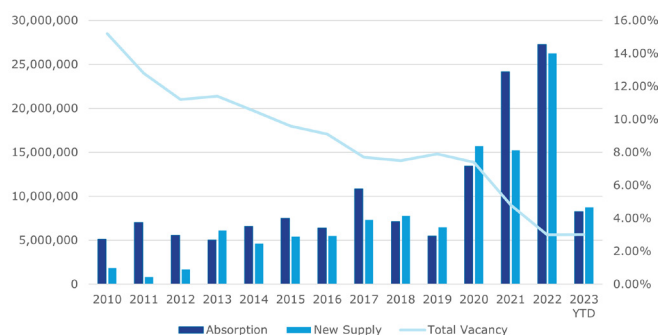
Market Indicators



Historic Comparison

	22 Q2	23 Q1	23 Q2
Total Inventory (in Thousands of SF)	357,122	378,893	381,724
New Supply (in Thousands of SF)	6,701	4,517	3,896
Net Absorption (in Thousands of SF)	8,999	4,872	3,970
Direct Vacancy	2.6%	3.0%	3.0%
Under Construction (in Thousands of SF)	35,216	46,804	49,373
Overall Asking Lease Rates (NNN)	\$0.78	\$0.99	\$1.01

Historical Absorption, Deliveries and Vacancy Rates



Lease Transactions



Lease
Lexington North/
SWC Indian School Rd &
Loop 303
Glendale
488,400 SF



Lease
Commerce @ 303/
5125 N Alsup Rd
Glendale
331,684 SF



Lease
Crimson Canyon Center/
25651 W Durango St
Goodyear
326,103 SF

Sale Transactions

Property Name/Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
GO 99 (3 properties)	Tolleson	5/18	\$165,000,000	1,282,863	\$129	A
The Cubes Glendale Bldg E	Glendale	4/6	\$82,661,600	570,080	\$145	A
Falcon Park 303/15132 W Camelback Rd	Glendale	5/17	\$81,698,544	599,486	\$136	A



Executive Summary

Q2 2023

June's Consumer Price Index report of Phoenix MSA posted the lowest year-over-year figure since February 2021, increasing only 4.4 percent, but still above the national level of 3.0 percent. The metro area had the 9th highest year-over-year inflation rate nationally, signaling that the Federal Reserve tightening is working. As of May 2023, Phoenix metro had expanded its labor force by 80,200 employees compared to May 2022, which represents a 3.5 percent increase. Manufacturing jobs have increased by 2.2 percent, and the Construction supersector jobs increased 3.1 percent over the same period. The growth of the labor force in the industrial market witnessed its first sign of easing.

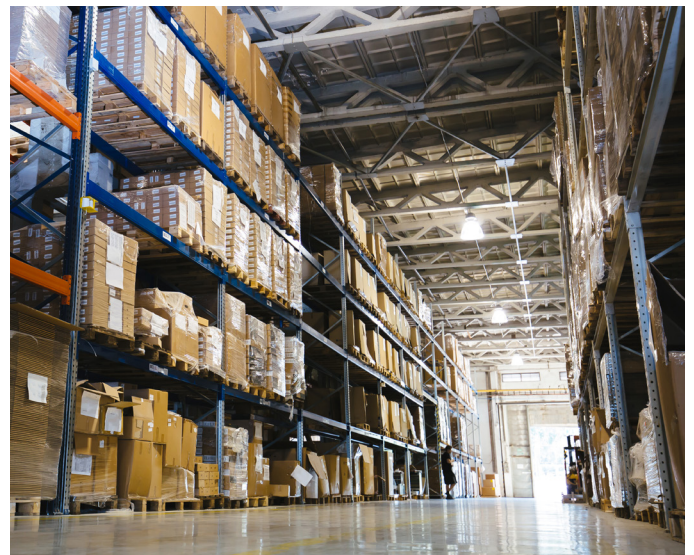
The industrial market continues to display strong fundamentals and remains the primary driver of the Phoenix commercial real estate market. Phoenix experienced another quarter of positive net absorption ending at 3.9 million square feet. Due to the delayed length of product delivering, the market witnessed the lowest level of net absorption since third quarter 2020. There were 3.8 million square feet of new inventory delivered in the second quarter, the lowest figure since first quarter 2021. An additional 6.4 million square feet that broke ground during the second quarter, increasing the total amount of industrial space under construction to 49.3 million square feet. Overall rental rates increased 2.2 percent quarter-over-quarter and 24.5 percent year-over-year to \$1.01 per square foot (NNN).

Following a slowdown in Investment sales during the past two quarters, the second quarter had an elevation in sales volume, increasing 19.2 percent quarter-over-quarter ending at \$583 million. The average price per square foot landed at \$183 during 2nd quarter, bringing the year-to-date average to \$188 per square foot.

Outlook

After 10 consecutive meetings of the Federal Reserve resulting in increased interest rates, the June meeting hit the pause button following the May inflation report that showed signs of easing. However, it is predicted that the country will see more increases throughout the remainder of the year. The new interest rate environment will require some adjustments, as the market was accustomed to the near zero environment before March 2022.

Arizona continues to be a national epicenter for the semiconductor industry, which continues to put pressure on the fundamentals in the industrial market. Besides a small slowing in the second quarter, the remainder of the year is expected to demonstrate strength of the market with more inventory delivering with lease commitments.

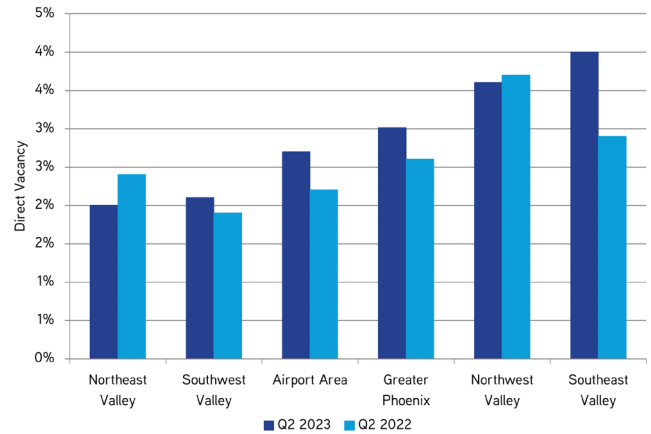


Vacancy

The industrial market continues to perform at excellent levels. While delivering nearly 4 million square feet of inventory in the second quarter, demand in the market allowed vacancy to remain at a compressed level of 3.0 percent. The market posted a level status compared to the previous quarter, but a 40-bps increase compared to the same time last year. The market persists in a healthy state despite the characteristics faced in the national environment.

Larger blocks of space remain in high demand, with currently only 15 existing buildings throughout metro Phoenix containing options for tenants seeking 150,000 square feet, and only one option for tenants looking for more than 500,000 square feet, and this building delivered vacant in the second quarter.

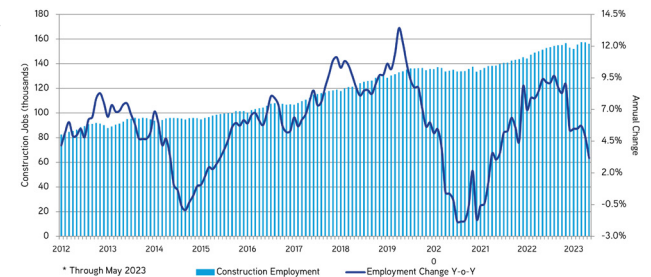
The Northeast submarket cluster took the lead for lowest vacancy rate of the first half of the year ending at 2.0 percent decreasing 40-bps year-over-year. This was the largest decrease of vacancy in the market. The largest increase in vacancy was experienced the Southeast cluster, due to the three buildings at Converge Logistics Center delivering 100 percent vacant.



Absorption and Leasing

The second quarter marked the 13th consecutive quarter surpassing one million square feet of net absorption. The first half of the year ended with 8.3 million square feet of positive net absorption, and the second quarter posted 3.9 million square feet of positive absorption. Second quarter 2022 was such a landmark quarter, making it difficult to outperform its 8.9 million square feet of net absorption and marking an absorption level greater than the entire first half of 2023. Of the 13 new direct leases signed during second quarter over 100,000 square feet, seven of them were signed for buildings that are currently under construction.

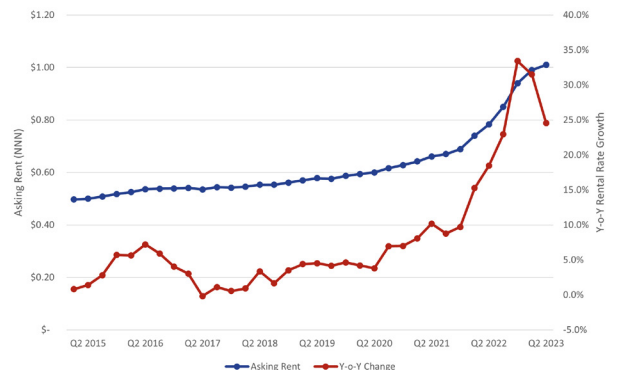
The largest lease of the quarter was a medical uniforms company called FIGS that signed for 488,400 square feet at Lexington North, in the Northwest submarket cluster, which delivered second quarter. The second largest lease involved CJ Logistics, agreeing to take half of the building at Commerce @ 303 totaling 331,684 square feet, which delivered in late 2022.



Rental Rates

The rise in rental rates continues to permeate the market, increasing 24.5 percent year-over-year ending at \$1.01 (NNN monthly) and a 2.2 percent increase quarter-over-quarter. In the past two years the market has averaged a year-over-year growth of 20.9 percent with the largest increases being in the past four quarters, with an average increase of 30.4 percent. Rental rates have increased 52.8 percent since Q2 2021. Tenants are negotiating renewals and witnessing sticker shock because of the rapid increase. The Northeast submarket cluster leads the market with the highest rental rates at \$1.40, and an 11.9 percent increase year-over-year.

All five submarket clusters witnessed rental rate increases both year-over-year and quarter-over-quarter. For the second consecutive quarter the Southwest submarket led the market with the largest increase year-over-year, increasing 44.3 percent ending at \$0.84 per square foot. This was followed by Southeast submarket that increased 36.1 percent over the same period, ending at \$1.23 per square foot.



Investment Trends

In the new interest rate environment, the investment sales market continues to establish its footing. However, the market outperformed the previous quarter by 19.2 percent, ending at \$583 million. It was nearly impossible to compete with the market high of \$1.430 billion that was captured a year ago, as the market posted a 59.2 percent decrease. The second quarter was the first increase in sales volume by quarter since the second quarter of 2022. The average price per square foot ended at \$183.45, which was a slight increase quarter-over-quarter by 0.61 percent. Within the national Blackstone portfolio sold to Prologis, there were nine properties in the market totaling 1.6 million square feet.

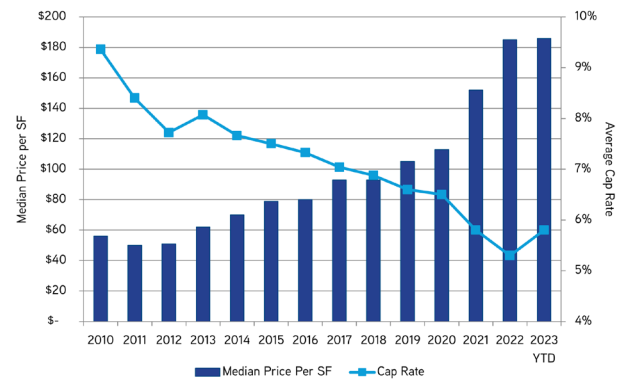
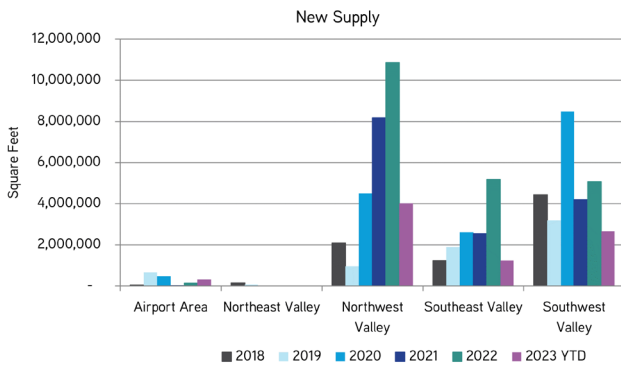
The Northwest Valley led the market in total sales volume during second quarter reaching \$231 million, making up nearly 40 percent of the sale volume in the market. This was driven by two separate single building sales each reaching over \$80 million. Falcon Park 303, sold for \$81.6 million (136.28/SF), and is 100 percent occupied by Unical Aviation. The Cube Glendale building E, sold for \$82.6 million (\$145/SF), and was 100 percent vacant at the time of the sale.

The largest portfolio sale in the market this quarter was a

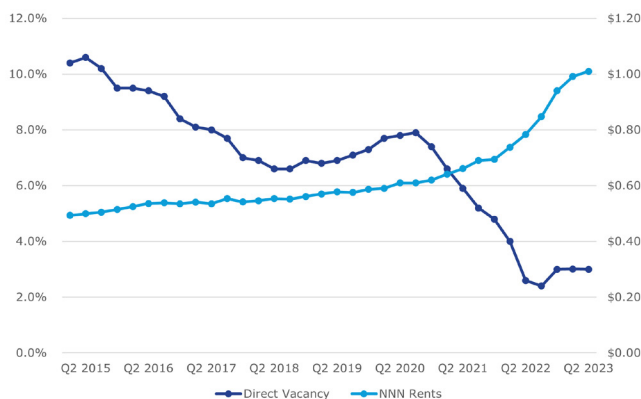
three-building portfolio sold by developer George Oliver to KKR, fetching \$165 million for 1,282,863 square feet. The project was 67.6 percent leased to JA Solar and Ladder Industries.

Construction

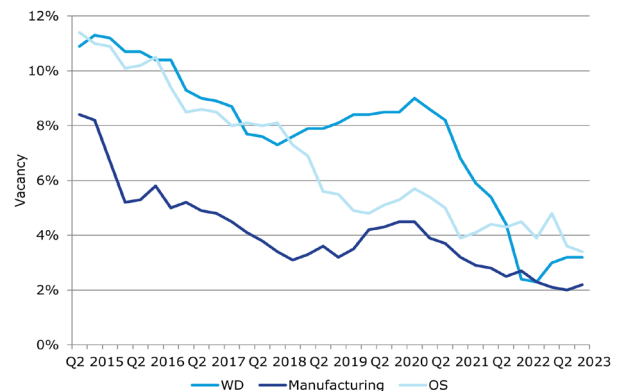
At the end of the 2nd quarter, construction of 6.4 million square feet was started, triggering the total amount of inventory under construction to land at 49.3 million square feet. This marks a 40.2 percent increase compared to the same time a year ago. Currently, 19.04 percent of the product under construction has been pre-leased. The market delivered 3.8 million square feet during 2nd quarter, bringing the year-to-date total to 8.3 million square feet, increasing the total inventory by 2.1 percent. Extended construction timelines caused the market to deliver the lowest amount of new inventory in six quarters. Of the 3.8 million square feet completed this quarter, 2.2 million square feet delivered occupied, or 56.8 percent. The wSouthwest submarket cluster delivered the most inventory during second quarter, making up 54 percent of new inventory. The Southeast submarket cluster had the largest expansion of current product under construction, marking a 105.6 percent increase year-over-year.



Vacancy vs. Rental Rate



Vacancy by Type



Phoenix | Q2 2023 | Industrial | Market Statistics



LEGEND	
WD =	Warehouse-Distribution
MF =	Manufacturing
OS =	Office Services = Flex/R&D

Existing Properties Building Type	Direct Vacancy		Sublease Availability		Total Vacancy		Net Absorption - SF		New Supply - SF		Under Constr.	Avg Rent		
	Total Inventory SF	SF	Rate	SF	Rate	Total Available Q2-23	Vacant Rate Q2-22	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)	
INDUSTRIAL MARKET														
Airport Market Cluster: North Airport, S Airport N of Roeser, S Airport S of Roeser, SC N of Salt River, SC S of Salt River														
WD	36,566,169	1,049,472	2.9%	224,968	0.6%	1,274,440	3.5%	2.1%	169,323	397,673	156,953	327,479	340,863	\$1.27
MF	8,053,623	23,636	0.3%	-	0.0%	23,636	0.3%	1.6%	56,407	101,749	-	-	-	\$1.15
OS	3,835,561	227,676	5.9%	5,301	0.1%	232,977	6.1%	10.0%	20,171	151,908	-	-	-	\$1.30
TOTAL	48,455,353	1,300,784	2.7%	230,269	0.5%	1,531,053	3.2%	2.6%	245,901	651,330	156,953	327,479	340,863	\$1.24
Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River														
WD	8,067,616	243,676	3.0%	73,475	0.9%	317,151	3.9%	4.1%	37,344	65,868	-	-	170,019	\$1.40
MF	2,627,354	0	0.0%	-	0.0%	-	0.0%	0.1%	7,462	4,492	-	-	-	\$1.44
OS	3,548,956	41,548	1.2%	-	0.0%	41,548	1.2%	0.8%	1,430	27,091	-	-	-	\$1.36
TOTAL	14,243,926	285,224	2.0%	73,475	0.5%	358,699	2.5%	2.4%	46,236	97,451	-	-	170,019	\$1.40
Northwest Market Cluster: Deer Valley/Pinnacle Peak, Glendale, Grand Avenue, N Glendale/Sun City, North Black Canyon, North Outlying, W Phx N of Thomas, W Phx S of Thomas														
WD	65,597,201	2,549,053	3.9%	518,992	0.8%	3,068,045	4.7%	9.4%	1,996,002	4,501,227	1,122,076	4,030,271	17,679,059	\$0.80
MF	16,395,180	495,987	3.0%	-	0.0%	495,987	3.0%	1.4%	42,915	76,445	-	-	1,849,351	\$1.03
OS	3,762,326	56,209	1.5%	-	0.0%	56,209	1.5%	3.1%	89,739	78,375	-	-	-	\$1.08
TOTAL	85,754,707	3,101,249	3.6%	518,992	0.6%	3,620,241	4.2%	7.4%	2,128,656	4,656,047	1,122,076	4,030,271	19,528,410	\$0.82
Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest														
WD	68,853,593	2,871,872	4.2%	175,478	0.3%	3,047,350	4.4%	3.4%	200,697	1,080,027	510,832	1,247,813	16,890,508	\$1.20
MF	27,741,376	925,046	3.3%	83,324	0.3%	1,008,370	3.6%	4.3%	(48,271)	71,571	-	-	339,346	\$1.25
OS	8,815,333	370,452	4.2%	90,254	1.0%	460,706	5.2%	3.9%	(33,095)	(2,814)	-	-	-	\$1.35
TOTAL	105,410,302	4,167,370	4.0%	349,056	0.3%	4,516,426	4.3%	3.7%	119,331	1,148,784	510,832	1,247,813	17,229,854	\$1.23
Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleson, Southwest Outlying														
WD	112,724,936	2,523,264	2.2%	914,710	0.8%	3,437,974	3.0%	3.3%	1,340,124	2,178,278	2,029,564	2,689,626	12,104,182	\$0.80
MF	12,087,470	45,549	0.4%	0	0.0%	45,549	0.4%	1.1%	95,058	76,389	76,694	76,694	-	\$0.85
OS	3,152,161	89,938	2.9%	0	0.0%	89,938	2.9%	3.0%	(4,908)	35,092	-	-	-	\$0.95
TOTAL	127,964,567	2,658,751	2.1%	914,710	0.7%	3,573,461	2.8%	3.1%	1,430,274	2,289,759	2,106,258	2,766,320	12,104,182	\$0.84

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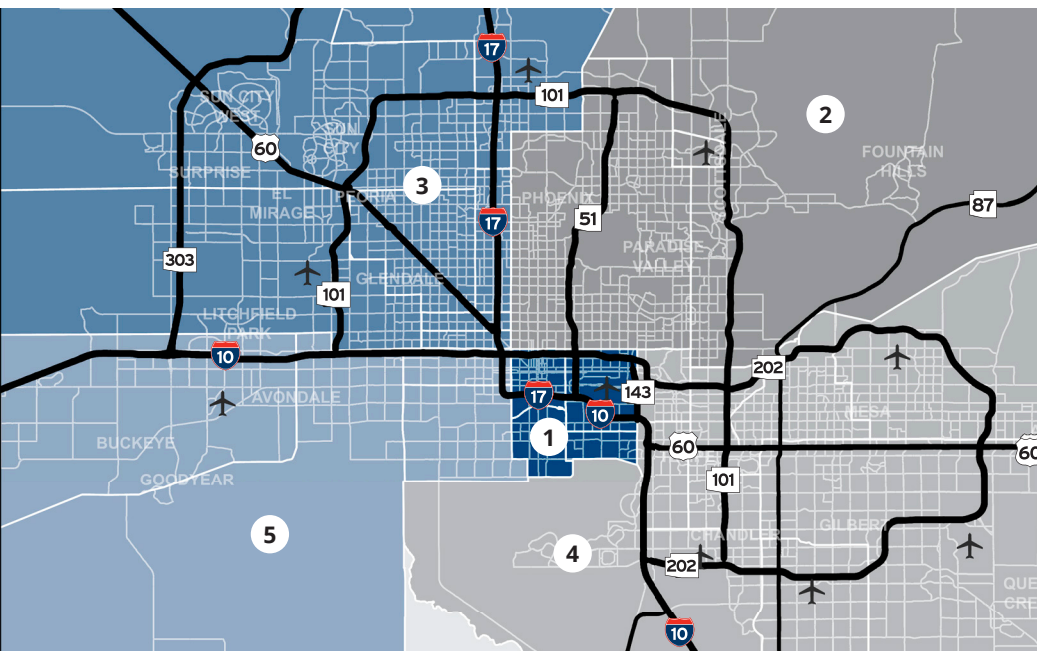
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LEGEND	
WD	Warehouse-Distribution
MF	Manufacturing
OS	Office Services = Flex/R&D

Existing Properties	Direct Vacancy			Sublease Availability		Total Vacancy			Net Absorption - SF		New Supply - SF		Under Constr.	Avg Rent	
	Building Type	Total Inventory SF	SF	Rate	SF	Rate	SF	Total Available Q2-23	Vacant Rate Q2-22	Current Period	YTD	Current Period	YTD	SF	Rate (NNN)
Grand Total															
WD	291,809,515	9,237,337	3.2%	1,907,623	0.7%	11,144,960	3.8%	4.4%	3,743,490	8,223,073	3,819,425	8,295,189	47,184,631	\$0.98	
MF	66,905,003	1,490,218	2.2%	83,324	0.1%	1,573,542	2.4%	2.5%	153,571	330,646	76,694	76,694	2,188,697	\$1.06	
OS	23,114,337	785,823	3.4%	95,555	0.4%	881,378	3.8%	4.3%	73,337	289,652	-	-	-	\$1.30	
TOTAL	381,828,855	11,513,378	3.0%	2,086,502	0.5%	13,599,880	3.6%	4.0%	3,970,398	8,843,371	3,896,119	8,371,883	49,373,328	\$1.01	

Quarterly Comparisons and Totals														
23Q2 Total	381,828,855	11,513,378	3.0%	2,086,502	0.5%	13,599,880	3.6%	4.0%	3,970,398	8,843,371	3,896,119	8,371,883	49,373,328	\$1.01
23Q1 Total	378,893,905	11,388,438	3.0%	1,315,967	0.3%	12,704,405	3.4%	4.0%	4,872,973	4,872,973	4,475,764	4,475,764	46,804,021	\$0.99
22Q4 Total	373,043,956	11,051,168	3.0%	1,429,817	0.4%	12,480,985	3.3%	4.8%	5,643,143	27,260,319	8,173,974	26,240,813	43,704,820	\$0.94
22Q3 Total	363,959,795	8,894,921	2.4%	1,058,405	0.3%	9,953,326	2.7%	5.2%	4,949,956	21,617,176	5,801,541	18,066,839	40,903,260	\$0.85
22Q2 Total	357,122,222	9,273,928	2.6%	1,081,669	0.3%	10,355,597	2.9%	5.9%	8,782,139	16,667,220	6,701,074	12,591,957	35,216,520	\$0.78



1. Airport Market
2. Northeast Market
3. Northwest Market
4. Southeast Market
5. Southwest Market

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\$4.5B
annual revenue



2B
square feet managed



18,000
professionals



66
countries we operate in



\$98B
assets under management



51,000
lease and sale transactions

Number of countries includes affiliates

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