

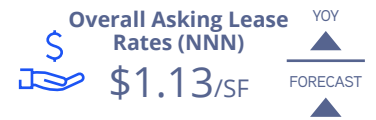


Phoenix, AZ

Industrial 24Q3

Key Takeaways

- Investment sales volume peak over \$1 billion in the third quarter
- Vacancy increased 450 bps Y-o-Y, ending at 10.1%
- 1.8 million square feet of sublease spaced added to the market in the third quarter



Q3 2024

Sales volume recorded the highest level of volume since third quarter 2022, reaching \$1.08 billion across the market. This marks an increase of 82 percent year-over-year, and a 28.2 percent increase compared to last quarter. Vacant deliveries pushed the market vacancy rate up for the fifth consecutive quarter, now hitting 10.1 percent and marking a 450 bps increase year-over-year. During the third quarter, 6.7 million square feet of new inventory was added to the market, bringing the year-to-date level to 26.8 million square feet. Net absorption for the quarter ended at 1.9 million square feet, bringing the year-to-date value up to 11.7 million square feet.

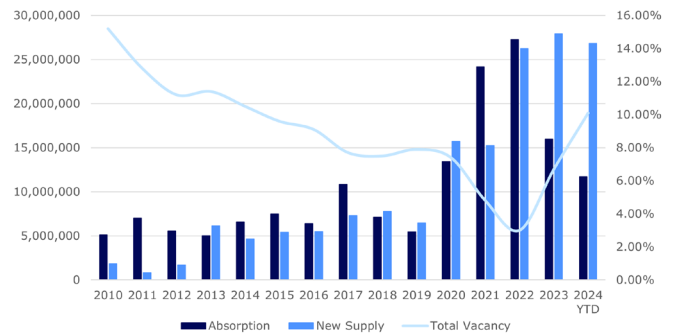
Market Indicators



Historic Comparison

| | 23 Q3 | 23 Q2 | 24 Q3 |
|---|---------|---------|---------|
| Total Inventory (in Thousands of SF) | 395,574 | 425,596 | 432,930 |
| New Supply (in Thousands of SF) | 12,040 | 10,020 | 6,713 |
| Net Absorption (in Thousands of SF) | 4,021 | 5,318 | 1,922 |
| Direct Vacancy | 5.6% | 9.0% | 10.1% |
| Under Construction (in Thousands of SF) | 40,502 | 28,010 | 25,560 |
| Overall Asking Lease Rates (NNN) | \$1.03 | \$1.12 | \$1.13 |

Historical Absorption, Deliveries and Vacancy Rates



Lease Transactions



Lease
Lakin Park/
17505 W MC 85
Goodyear
530,307 SF



Lease
LogistiCenter at Copperwing B5/
NEC N Dysart Rd & W Olive Ave
Glendale
203,801 SF



Sublease
Power Industrial/
10206 W Van Buren St
Tolleson
161,515 SF

Sale Transactions

| Property Name/Property Address | Submarket | Sale Date | Sale Price | Size SF | Sale Price SF | Class |
|---|------------------|-----------|---------------|-----------|---------------|-------|
| The Cubes at Glendale - Bldg B (Amazon) | Glendale | 7/18 | \$128,100,000 | 1,200,140 | \$107 | A |
| Midway Commerce Center (3 bldgs) | Chandler Airport | 7/29 | \$57,000,000 | 301,994 | \$189 | A |
| KV Buckeye 10 (2 bldgs) | Goodyear | 8/9 | \$51,000,000 | 249,600 | \$204 | A |



Executive Summary

Q3 2024

As of August 2024, Phoenix metro had expanded its labor force by 53,400 employees compared to August 2023, which represents a 2.2 percent increase. Trade, Transportation, and Utilities supersector jobs have increased by 2.09 percent, and Construction jobs increased 2.11 percent over the same period.

Investor demand propelled investment sales volume its highest quarter in almost two years reaching \$1.08 billion, marking an 82 percent increase compared to third-quarter 2023. Year-to-date sales volume reached \$2.39 billion, marking an increase of 43.7 percent compared to the first three quarters of 2023. The average price per square foot rose to \$203 in the third quarter, an increase of 6.9 percent quarter-over-quarter. Third quarter deliveries added 6.7 million square feet to the market, bringing the year-to-date deliveries to 26.8 million square feet. Unleased deliveries pushed the market vacancy rate up for the fifth consecutive quarter, now hitting 10.1 percent and marking a 450 bps increase year-over-year. Sublease availability had the largest increase quarter-over-quarter, jumping up 41.0 percent. However, sublease options are still relatively low, making up only 1.5 percent of total inventory.

Net absorption for the quarter ended at 1.9 million square feet, bringing the year-to-date value up to 11.7 million square feet. Despite the increase in vacancy, overall rental rates continue showing sustainable growth, increasing 9.1 percent year-over-year and 1.05 percent increase quarter-over-quarter ending at \$1.13 per square foot.

Outlook

The Phoenix market still leads the nation in construction, which will continue to put pressure on vacancy. California Governor Gavin Newsom signed Assembly Bill 98 at the end of September, which will pile on more regulatory measures and fuel future growth here in Arizona. The bill changes how large warehouses are developed and operated in California. Warehouse operators will likely face increased costs because of the infrastructure and equipment requirements, including the need for detailed truck routing plans and separate truck entrances.

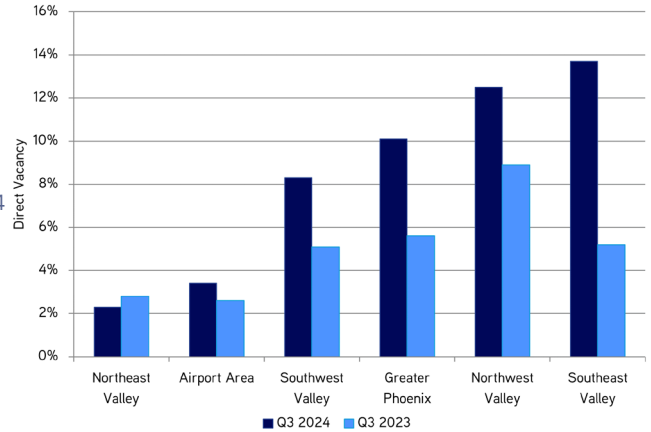
Additionally, the location constraints imposed by the buffer zones could limit the availability of suitable land for new developments, potentially slowing the approval and construction processes in the industrial market.



Vacancy

The Phoenix industrial market has added 54.7 million square feet of new inventory during the past seven quarters, which continues to elevate vacancy rates around the market. Vacancy has increased 450 bps year-over-year, and 110 bps quarter-over-quarter ending at 10.1 percent. The rate of deliveries continues to outpace net absorption. Of the 6.7 million square feet of new inventory added in the third quarter, 5.3 million square delivered vacant, which represents 12.2 percent of direct market vacancy. Sublease availability is still relatively low. However, the third quarter posted a 41.0 percent increase quarter-over-quarter, which was largely due to Home Depot adding 1.3 million square feet at Elwood Logistic Center. Overall vacancy in buildings built pre-2024 is 6.5 percent, and buildings built pre-2023 have a vacancy rate of 3.4 percent, market wide. There are currently 16 existing buildings that could accommodate a tenant looking for 500,000 square feet or more. These available spaces total 11.2 million square feet, and make up nearly 25.7 percent of direct market vacancy.

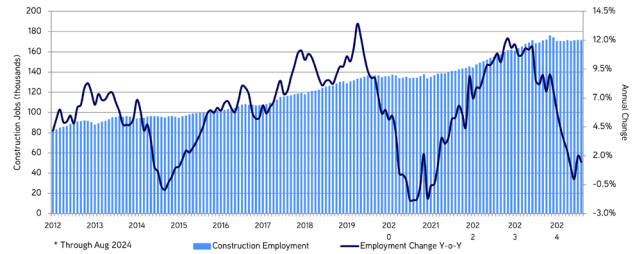
For the third consecutive quarter, the Southeast submarket cluster ended with the highest vacancy at 13.7 percent, posting an 850 bps increase year-over-year. Of the 26.8 million square feet delivered in 2024, the Southeast cluster holds 44.5 percent of entire market's new vacant space.



Absorption and Leasing

The third quarter marked the 18th consecutive quarter surpassing one million square feet of net absorption. Third quarter posted 1.9 million square feet of positive absorption, bringing the year-to-date level to 11.7 million square feet. Nearly 85 percent of net absorption year-to-date has taken place between the Northwest and Southwest clusters. Three large completions in the third quarter accounted for over 50 percent of net absorption, which included Sub-Zero, Tricolor Auto, and Kroger. Despite positive net absorption, leasing activity had a slight dip during the third quarter. The number of new direct leases decreased by 8.5 percent and the average deal size decreased 18.2 percent to 36,450 square feet compared to third quarter 2023.

The largest lease in the third quarter was signed late in September by New York based, GTI Fabrication at Lakin Park in Goodyear. The 530,000-square-foot speculative building was completed earlier this year.

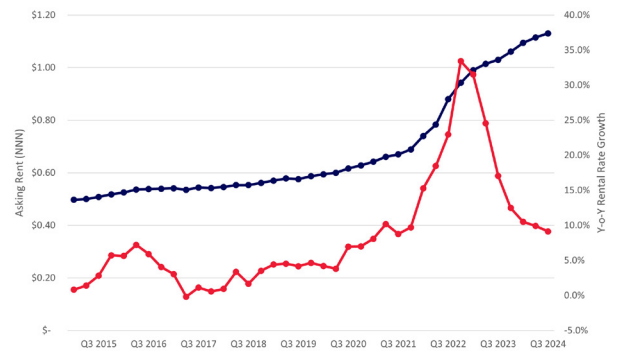


Rental Rates

Following the rapid increase in rental rates in 2022 which reached 33.4 growth year-over-year, the pace of rising prices is beginning to normalize, posting a marginal increase of 1.05 percent quarter-over-quarter ending at \$1.13 per square foot. However, year-over-year rental rates had a 9.1 percent increase. Overall industrial rental rates have increased 63.7 percent over the past three years and have risen 28.4 percent during the past two years.

Rental rates have softened the most in the Southeast cluster, as a result of heavy deliveries of vacant space. That submarket cluster posted the only decrease in the market quarter-over-quarter, dropping 0.52 percent, ending at \$1.30 per square foot.

The Northwest submarket cluster ended the quarter with the highest year-over-year increase, posting a 15.3 percent increase ending at \$0.95 per square foot. This ended the Southwest cluster's six consecutive quarters of previously leading the market. However, Southwest cluster bumped to second by posting an 11.8 percent increase ending at \$ 0.98 per square foot.

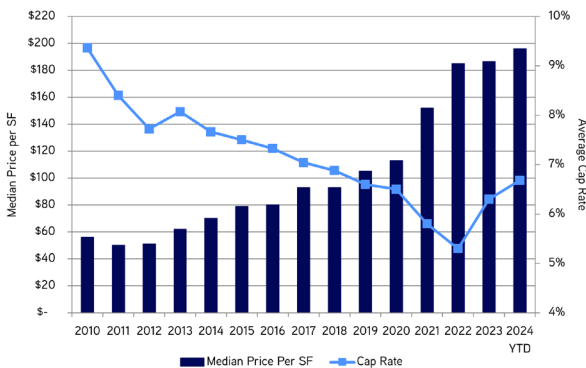


Investment Trends

Third quarter investment sales volume rebounded to capture the highest level of volume since third quarter 2022, reaching \$1.08 billion across the market. This marks an increase of 82 percent year-over-year, and a 28.2 percent increase compared to last quarter. Year to date, sales volume reached \$2.3 billion, outpacing the first three quarters of 2023 by 43.7 percent. Average price per quarter foot jumped up to \$203, a 13.1 percent increase year-over-year. Through the first three quarters, the average price per square foot landed at \$195, marking an increase of 5.7 percent compared to the same time frame of 2023.

The Southeast submarket cluster led the market in sales volume during the third quarter, with \$446.1 million, representing 41.2 percent of total sales volume. EQT Exeter purchased a 15 property, multi-state portfolio from Artis REIT that included 12 properties in Arizona (all in the Southeast cluster) for a combined value of \$151.7 million. This sizable sale was followed by Longpoint Realty Partners acquiring over 370,000 square feet in two transactions totaling \$74 million. This marked the company's first acquisitions in Arizona.

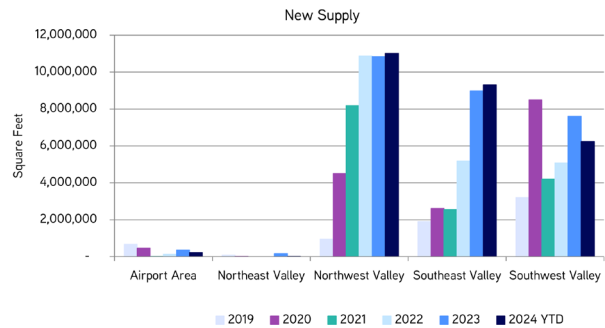
The largest single acquisition of the quarter was BlackRock purchasing The Cubes at Glendale building B for \$128.1 million. The 1.2 million-square-foot building was 100 percent leased by Amazon, which signed a 10-year lease back in March.



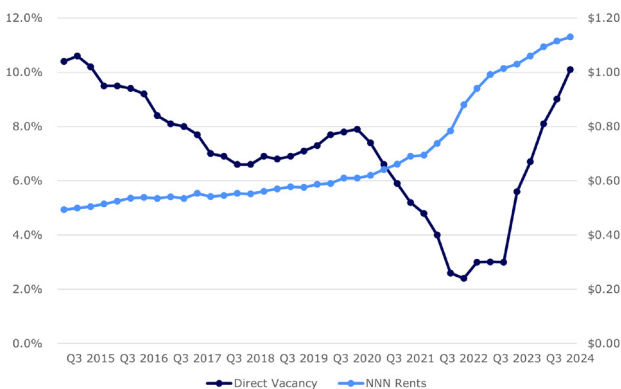
Construction

The market continues to deliver elevated levels of new space throughout the market. During the third quarter, 6.7 million square feet of new inventory was added to the market, bringing the year-to-date level to 26.8 million square feet. Of the 6.7 million square feet that delivered, 20.5 percent was pre-leased. The 26.8 million square feet of new deliveries in 2024 includes 17.2 million square feet still available for lease, which represents nearly 39.5 percent of vacancy in the entire market. Year-to-date deliveries represent a 6.19 percent increase in total inventory. The Northwest cluster topped the quarter adding 3.1 million square feet, which included Sub-Zero's build-to-suit expansion of nearly 600,000 square feet. The largest speculative delivery was IndiCap's phase I of Virgin Industrial Park, totaling over one million square feet within three buildings. The project delivered 100 percent available for lease.

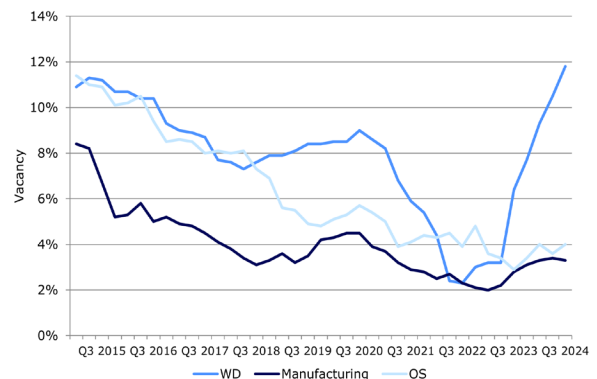
There are currently 25.5 million square feet of product under construction. Approximately 81.5 percent of this space is concentrated within the Northwest and Southwest clusters. Build-to-suit projects make up over 30 percent of the product under construction.



Vacancy vs. Rental Rate



Vacancy by Type



Phoenix | Q3 2024 | 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 | SF | Total Available Q3-24 | Vacant Rate Q3-23 | 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 | 36,707,975 | 1,443,609 | 3.9% | 327,436 | 0.9% | 1,771,045 | 4.8% | 2.9% | (177,515) | (53,290) | - | 222,104 | 215,592 | \$1.30 |
| MF | 8,299,865 | 123,931 | 1.5% | 10,000 | 0.1% | 133,931 | 1.6% | 2.2% | (52,404) | 7,707 | - | - | 14,290 | \$1.14 |
| OS | 3,752,805 | 94,532 | 2.5% | 5,750 | 0.2% | 100,282 | 2.7% | 6.7% | (16,187) | 27,702 | - | - | - | \$1.31 |
| TOTAL | 48,760,645 | 1,662,072 | 3.4% | 343,186 | 0.7% | 2,005,258 | 4.1% | 2.9% | (246,106) | (17,881) | - | 222,104 | 229,882 | \$1.24 |
| Northeast Market Cluster: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River | | | | | | | | | | | | | | |
| WD | 8,029,232 | 215,372 | 2.7% | 70,007 | 0.9% | 285,379 | 3.6% | 5.1% | 2,139 | 49,700 | - | 10,000 | 287,787 | \$1.49 |
| MF | 2,628,018 | 1,248 | 0.0% | 10,602 | 0.4% | 11,850 | 0.5% | 0.5% | 1,200 | (1,248) | - | - | - | \$1.43 |
| OS | 3,558,953 | 103,771 | 2.9% | 27,291 | 0.8% | 131,062 | 3.7% | 2.1% | (3,577) | (34,481) | - | - | - | \$1.42 |
| TOTAL | 14,216,203 | 320,391 | 2.3% | 107,900 | 0.8% | 428,291 | 3.0% | 3.4% | (238) | 13,971 | - | 10,000 | 287,787 | \$1.45 |
| 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 | 85,044,550 | 12,379,793 | 14.6% | 1,182,094 | 1.4% | 13,561,887 | 15.9% | 11.2% | 903,436 | 6,830,701 | 2,533,069 | 9,699,862 | 13,272,584 | \$0.92 |
| MF | 18,269,731 | 892,597 | 4.9% | 116,072 | 0.6% | 1,008,669 | 5.5% | 4.6% | 640,874 | 1,119,108 | 599,351 | 1,345,529 | 1,740,367 | \$1.04 |
| OS | 3,828,998 | 91,397 | 2.4% | 18,917 | 0.5% | 110,314 | 2.9% | 2.9% | (19,868) | (45,375) | - | - | - | \$1.21 |
| TOTAL | 107,143,279 | 13,363,787 | 12.5% | 1,317,083 | 1.2% | 14,680,870 | 13.7% | 9.5% | 1,524,442 | 7,904,434 | 3,132,420 | 11,045,391 | 15,012,951 | \$0.95 |
| Southeast Market Cluster: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest | | | | | | | | | | | | | | |
| WD | 87,658,158 | 14,990,617 | 17.1% | 967,181 | 1.1% | 15,957,798 | 18.2% | 7.9% | 307,257 | 1,712,103 | 1,577,579 | 9,073,633 | 3,933,691 | \$1.28 |
| MF | 25,971,396 | 1,178,027 | 4.5% | 39,463 | 0.2% | 1,217,490 | 4.7% | 5.2% | 131,170 | 216,423 | - | 240,000 | 273,000 | \$1.31 |
| OS | 8,541,666 | 557,933 | 6.5% | 7,121 | 0.1% | 565,054 | 6.6% | 3.4% | (49,906) | (74,523) | - | - | - | \$1.39 |
| TOTAL | 122,171,220 | 16,726,577 | 13.7% | 1,013,765 | 0.8% | 17,740,342 | 14.5% | 6.9% | 388,521 | 1,854,003 | 1,577,579 | 9,313,633 | 4,206,691 | \$1.30 |
| Southwest Market Cluster: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleason, Southwest Outlying | | | | | | | | | | | | | | |
| WD | 125,436,228 | 11,481,632 | 9.2% | 3,475,503 | 2.8% | 14,957,135 | 11.9% | 6.5% | 268,715 | 1,973,977 | 2,003,166 | 6,242,969 | 5,627,138 | \$0.96 |
| MF | 12,488,774 | 69,979 | 0.6% | 99,015 | 0.8% | 168,994 | 1.4% | 0.3% | (12,604) | 24,525 | - | - | 81,779 | \$1.01 |
| OS | 2,714,381 | 55,030 | 2.0% | 2,500 | 0.1% | 57,530 | 2.1% | 0.5% | 0 | (33,124) | - | - | 114,630 | \$0.97 |
| TOTAL | 140,639,383 | 11,606,641 | 8.3% | 3,577,018 | 2.5% | 15,183,659 | 10.8% | 6.1% | 256,111 | 1,965,378 | 2,003,166 | 6,242,969 | 5,823,547 | \$0.98 |

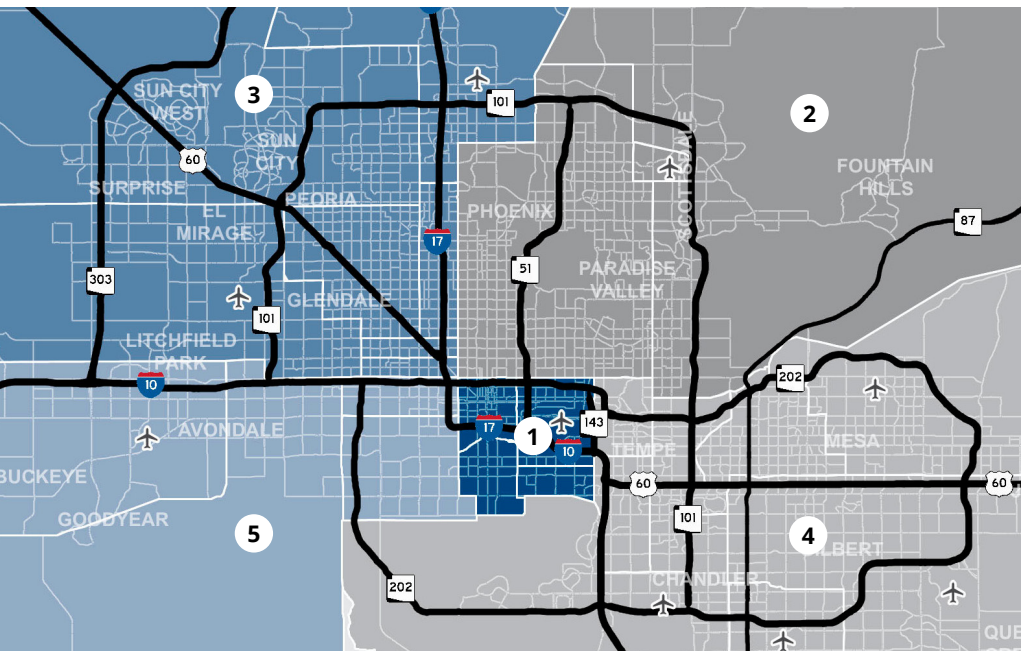
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| LEGEND | |
|--------|----------------------------|
| WD | Warehouse-Distribution |
| MF | Manufacturing |
| OS | Office Services = Flex/R&D |

| 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 | SF | Total Available Q3-24 | Vacant Rate Q3-23 | Current Period | YTD | Current Period | YTD | SF | Rate (NNN) |
| Grand Total | | | | | | | | | | | | | | |
| WD | 342,876,143 | 40,511,023 | 11.8% | 6,022,221 | 1.8% | 46,533,244 | 13.6% | 6.4% | 1,304,032 | 10,513,191 | 6,113,814 | 25,248,568 | 23,336,792 | \$1.11 |
| MF | 67,657,784 | 2,265,782 | 3.3% | 275,152 | 0.4% | 2,540,934 | 3.8% | 2.8% | 708,236 | 1,366,515 | 599,351 | 1,585,529 | 2,109,436 | \$1.16 |
| OS | 22,396,803 | 902,663 | 4.0% | 61,579 | 0.3% | 964,242 | 4.3% | 2.9% | (89,538) | (159,801) | - | - | 114,630 | \$1.39 |
| TOTAL | 432,930,730 | 43,679,468 | 10.1% | 6,358,952 | 1.5% | 50,038,420 | 11.6% | 5.6% | 1,922,730 | 11,719,905 | 6,713,165 | 26,834,097 | 25,560,858 | \$1.13 |

| Quarterly Comparisons and Totals | | | | | | | | | | | | | | |
|----------------------------------|-------------|------------|-------|-----------|-------|------------|-------|------|-----------|------------|------------|------------|------------|--------|
| 24Q3 Total | 432,930,730 | 43,679,468 | 10.1% | 6,358,952 | 1.5% | 50,038,420 | 11.6% | 5.6% | 1,922,730 | 11,719,905 | 6,713,165 | 26,834,097 | 25,560,858 | \$1.13 |
| 24Q2 Total | 425,596,633 | 38,369,371 | 9.0% | 4,507,076 | 1.1% | 42,876,447 | 10.1% | 3.0% | 5,318,487 | 9,797,175 | 10,031,901 | 20,120,932 | 28,010,190 | \$1.12 |
| 24Q1 Total | 413,800,158 | 33,523,083 | 8.1% | 4,001,565 | 1.0% | 37,524,648 | 9.1% | 3.0% | 4,478,688 | 4,478,688 | 9,708,925 | 9,708,925 | 33,080,065 | \$1.09 |
| 23Q4 Total | 404,228,532 | 27,025,992 | 6.7% | 3,360,129 | 0.80% | 30,386,121 | 7.5% | 3.0% | 3,117,611 | 15,982,862 | 7,507,772 | 27,939,858 | 39,751,248 | \$1.06 |
| 23Q3 Total | 395,574,716 | 22,178,257 | 5.6% | 2,510,399 | 0.6% | 24,688,656 | 6.2% | 4.0% | 4,021,880 | 12,865,251 | 12,040,105 | 20,411,988 | 40,502,603 | \$1.03 |



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

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\$4.3B
annual revenue



2B
square feet managed



19,000
professionals



66
countries we operate in



\$98B
assets under management



46,000
lease and sale transactions

Number of countries includes affiliates

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