

Q4 2020

PHOENIX INDUSTRIAL MARKET REMAINS HOT

The Greater Phoenix Industrial market surged to an all time high recording over 14M square feet of positive net absorption in 2020. The ongoing Covid pandemic and shift to e-commerce has contributed to the increase in demand for warehousing in the valley. The low cost of living and pro-business environment keep Phoenix as a top destination for companies looking to relocate.

Construction remained on record pace at the end of 2020 with over 15M square feet under construction. The Loop 303 corridor continued to be the top choice for new development with three of the five largest projects in Metro Phoenix. The largest project under construction is the 1.3M square foot Elwood Logistics Center in Goodyear. It is the largest speculative industrial building ever built in the Phoenix market and is scheduled for delivery early in 2021. Followed by the 1.19M square foot two-building Park 303 development located along the Loop 303 in Glendale and the Five Below built-to-suit in Goodyear.



Absorption
7.27 M
Q3 2020: 2.6M

Vacancy
7.7 %
Q3 2020: 8.3% %

Rental Rates
\$.65 NNN
Q3 2020: \$.64 NNN

Average \$/SF
\$117.67
Q3 2020: \$108.26

KEY TAKEAWAYS: Q3 VS. Q4

↓ Vacancy 7.7%

↑ Net Absorption 7,272,539 SF

↑ Under Construction 15,116,913 SF

↓ Deliveries 2,725,064 SF

↑ Average Rental Rate \$0.65/SF

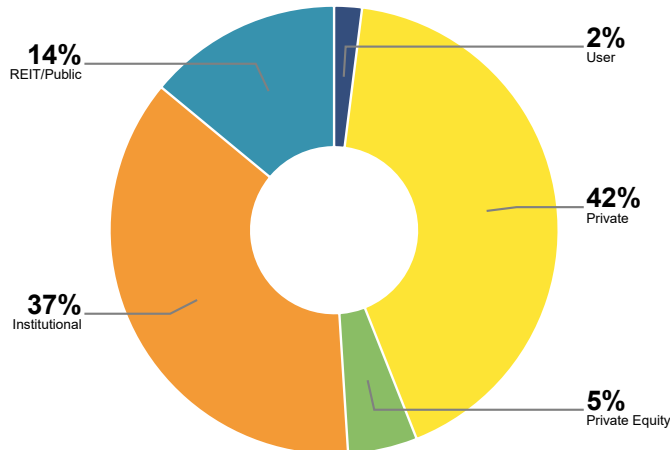
A record 13.5M square feet delivered in 2020. The largest delivery of the quarter was the 855,000 square foot Amazon built-to-suit in Goodyear developed by Prologis. The second largest was the 643,798 square foot MLILY built-to-suit also in Goodyear.

Sales volume was \$1.165B for the quarter, a slight decrease from Q4 2019. Throughout the fourth quarter, 236 sale transactions occurred compared to 226 the same time last year. The largest sale of the quarter was EJM's disposition of a 15 building portfolio which was purchased by Starwood Capital for \$181M. The second largest transaction was 3405 S. McQueen Road in Chandler. The newly constructed 210,784 square foot building is occupied by Amazon on a long term lease. The building was sold for \$87M or \$434/SF.

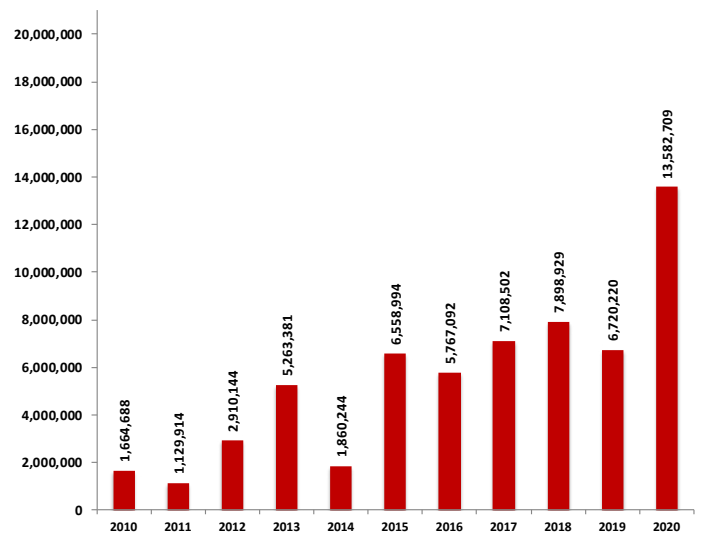
The Greater Phoenix industrial market's momentum continued throughout 2020 finishing as one of the top producing industrial markets in the country. Pent up demand for space, strong net absorption and record construction has Phoenix poised for another positive year. Even with uncertain times ahead the Phoenix market is expected to outpace the national average for the second year in a row.

Building Address	City	Building Name	Developer	Type	Submarket	RBA	Delivery
15700 W. Elwood Street	Goodyear	Elwood Logistics	Tratt Properties	W/D	Southwest	1,310,258	Q1 2021
Loop 303 & Glendale Avenue (2)	Glendale	Park 303- Building A & B	Lincoln Property Co.	W/D	Northwest	1,192,719	Q1 2021
10501 N. Reems Road	Waddell	Mark Anthony Brewing (White Claw)	Marit Partners	W/D	Northwest	916,000	Q1 2021
SWC Miller Rd. & Durango Rd.	Buckeye	Five Below	Scannell Properties	W/D	Southwest	850,000	Q2 2021
NEC Citrus Rd. & Thomas Rd.	Goodyear	XPO Logistics	Westcore	W/D	Northwest	750,000	Q2 2021
NEC Yuma Rd. & 143rd Ave.	Goodyear	Quetico Logistics	Fullmer Company Inc.	W/D	Southwest	719,520	Q2 2021
750,850,950 N. 119th Ave. (3)	Avondale	Fairway 10	Westcore	W/D	Southwest	718,200	Q2 2021
SEC Reems Rd. & Peoria Ave.	Waddell	RRB Beverage/Ball Corporation	Merit Partners	W/D	Northwest	710,900	Q1 2021
NWC Cotton Lane & Indian School Rd.	Goodyear	Amazon	Amazon	W/D	Northwest	650,000	Q1 2021
SWC Peoria Ave. & Reems Rd.	Waddell	Redbull North America	Merit Partners	W/D	Northwest	700,000	Q3 2021
6605 N. Sarival Avenue	Glendale	G303	Hines/Oaktree	W/D	Northwest	569,520	Q1 2021
SEC W. Peoria & Reems Road	Waddell	RRB Beverage/Ball Corporation	Merit Partners	W/D	Northwest	530,000	Q2 2021
7827- 8009 E. Ray Road (7)	Mesa	The Landing - Phase III	Marwest Enterprises	W/D	Southeast	525,342	Q2 2021
5400 W. Watkins	Phoenix	N/A	Majestic Realty Company	W/D	Southwest	489,284	Q2 2021
1515 S. 91st Avenue	Phoenix	Merit PLC Two	Merit Partners, Inc.	W/D	Southwest	487,500	Q2 2021
ENEC Citrus Rd. & Thomas Rd.	Goodyear	Kehe	Lexington Realty Trust	W/D	Northwest	471,205	Q2 2021
1850 S. 71st Avenue	Phoenix	Prologis Logistics Center IV	Prologis, Inc.	W/D	Southwest	438,687	Q2 2021
SEC 107th Avenue & Pierce St. (4)	Avondale	Avondale 107th	Eisenberg Company	W/D	Southwest	405,656	Q1 2021
Northern 101 Commerce Center (4)	Glendale	Northern 101 Commerce Center	LGE Design Build	W/D	Northwest	388,621	Q1 2021
SWC Loop 303 & Glendale Avenue	Glendale	303 Logistics	Barclay Group	W/D	Northwest	349,663	Q2 2021
420 S. 104th Avenue	Tolleson	Cowden Logistics Center	Trammell Crow Company	W/D	Southwest	285,131	Q2 2021
Cotton Land & Thomas Road	Goodyear	Fairlife Milk	Merit Partners, Inc.	MF	Northwest	280,000	Q1 2021
NNEC MC 85 & Litchfield Rd.	Goodyear	Goodyear 85	The Opus Group	W/D	Southwest	276,183	Q3 2021
SWC Germann Rd. & Stearman Dr.	Chandler	Solid Cabinetry	Solid Cabinetry	W/D	Southeast	251,066	Q1 2021
SW Germann Road & Lindsay Rd.	Gilbert	Gilbert Crossroads Business Park	EastGroup Properties, Inc	W/D	Southeast	178,246	Q2 2021
2550 S. 51st Avenue	Phoenix	2550 S. 51st Avenue	CapRock Partners	W/D	Southwest	168,312	Q2 2021
SWC 15th Ave. & Pinnacle Peak Rd. (3)	Phoenix	SWC 15th Ave. & Pinnacle Peak Rd.	Wadsworth Development	W/D	Northwest	136,000	Q2 2021
Phoenix Mesa Gateway Airport	Mesa	Skybridge Building 2	Skyplus Developments	W/D	Southeast	114,657	Q1 2021
NWC Ingram St. & 48th St.	Mesa	BEMO USA	BEMO USA	W/D	Southeast	110,239	Q1 2021
111 E. Buckeye Road	Phoenix	Central Logistics Center	ViaWest Group, Inc.	W/D	Airport	94,146	Q1 2021
8603 W. Roosevelt St.	Tolleson	Composite One	Composite One	W/D	Southwest	65,000	Q2 2021
4507 W. McDowell Rd.	Phoenix	JFN Mechanical	Sun State Builders	W/D	Southwest	34,858	Q3 2021
Total						15,166,913 SF	

SALES VOLUME BY BUYER TYPE



CONSTRUCTION DELIVERIES



Industrial Submarkets	Total Inventory	Vacancy		Net Absorption		Under Construction	Building Completions		Asking NNN Rate
		Total SF	Q4 2020	Q4 2020	YTD Total		Q4 2020	YTD Total	
Sky Harbor Airport									
Distribution/Warehouse	36,008,444	1,816,437	5.1%	808,437	994,130	94,146	-	471,400	\$0.68
Manufacturing	8,879,064	137,649	1.6%	3,422	21,575	-	-	-	\$0.65
Flex	5,086,462	685,718	13.5%	(100,671)	(195,823)	-	-	-	\$1.22
Total	49,973,970	2,639,804	5.3%	711,188	819,882	94,146	-	471,400	\$0.73
Northeast Valley									
Distribution/Warehouse	6,818,868	390,965	5.7%	(27,732)	(177,708)	-	-	-	\$0.95
Manufacturing	2,902,857	27,081	0.9%	20,355	39,500	-	-	-	\$0.83
Flex	5,209,872	305,910	5.9%	77,381	38,389	-	-	-	\$1.13
Total	14,931,597	723,956	4.8%	70,004	(99,819)	-	-	-	\$0.99
Northwest Valley									
Distribution/Warehouse	45,348,014	2,324,047	5.1%	1,071,858	2,478,895	7,364,628	769,726	2,277,569	\$0.57
Manufacturing	14,374,576	520,412	3.6%	788,063	1,684,144	280,000	-	-	\$0.60
Flex	6,370,606	267,217	4.2%	135,525	211,395	-	108,000	144,000	\$1.20
Total	66,093,196	3,111,676	4.7%	1,995,446	4,374,434	7,644,628	877,726	2,421,569	\$0.64
Southeast Valley									
Distribution/Warehouse	55,456,286	5,052,754	9.1%	482,493	1,232,921	1,179,550	103,288	2,607,651	\$0.67
Manufacturing	24,312,861	1,026,990	4.2%	138,459	58,192	-	-	-	\$0.67
Flex	15,444,790	1,576,197	10.2%	111,561	110,360	-	-	471,666	\$1.04
Total	95,213,937	7,655,941	8.0%	732,513	1,401,473	1,179,550	103,288	3,079,317	\$0.73
Southwest Valley									
Distribution/Warehouse	93,522,753	10,557,481	11.3%	3,457,469	7,737,346	6,248,589	1,704,050	7,098,757	\$0.47
Manufacturing	11,873,260	428,203	3.6%	273,420	197,676	-	-	-	\$0.46
Flex	1,764,468	447,800	25.4%	32,499	(262,612)	-	40,000	511,666	\$0.72
Total	107,160,481	11,433,484	10.7%	3,763,388	7,672,410	6,248,589	1,744,050	7,610,423	\$0.47
Total Submarkets									
Distribution/Warehouse	237,154,365	20,141,684	8.5%	5,792,525	12,265,584	14,886,913	2,577,064	12,455,377	\$0.58
Manufacturing	62,342,618	2,140,335	3.4%	1,223,719	2,001,087	280,000	-	-	\$0.62
Flex	33,876,198	3,282,842	9.7%	256,295	(98,291)	-	148,000	1,127,332	\$1.09
Phoenix Metro Total	333,373,181	25,564,861	7.7%	7,272,539	14,168,380	15,166,913	2,725,064	13,582,709	\$0.65

When inaccurate or newly updated information is discovered, it is incorporated into current reporting which may negate comparison to previously published market reports.

Q4 2020 Top Industrial Leases

Tenant Name	Property Name	Address	Submarket	Type	SF	Lease
The RealReal	Liberty Logistics Ctr I	563 S. 63rd Avenue	Southwest	Distribution	593,600	New
Honeywell	Riverside Business Center	4570 W. Lower Buckeye Rd.	Southwest	Distribution	301,954	New
ThriftBooks	Logic Park	9393 W. Buckeye Rd	Southwest	Distribution	189,174	New
Comtech EF Data	Chandler Tech Center	305 N. 54th St.	Southeast	Manufacturing	147,000	New
DB Schenker	The Lotus Project	2050 E. Riverview Drive	Southeast	Distribution	135,217	New

Q4 2020 Top Industrial Sales

Property Address	Buyer	Seller	Type	Sales Price	SF	PSF
EJM Portfolio (15)	Starwood Capital	EJM Development Co.	Distribution	\$181,229,071	1,332,769	\$135.98
3405 S. McQueen Rd.	Lexington Realty Trust	Ryan Companies	Distribution	\$87,725,000	210,784	\$434.75
8046 E. Ray Rd. (3)	Cohen Asset MGMT.	Marwest Enterprises	Distribution	\$81,074,016	604,000	\$125.99
7775 W. Buckeye Rd.	BlackRock Realty Adv.	CBRE Global Investors	Distribution	\$72,500,000	684,420	\$105.93
305 S. Bullard Ave.	Mack Real Estate Group	Walton Street Capital	Distribution	\$59,087,184	793,862	\$74.43

ABOUT LEE & ARIZONA

Now in its 30th year, Lee & Associates Arizona specializes in providing exceptional commercial brokerage services to the industrial, office, land and investment sectors of the Phoenix commercial real estate market. The Phoenix office was established in 1991 and is now recognized as one of the most successful brokerage firms in the state. Each of our 60 nationwide Lee & Associates offices has a strong local ownership combined with a powerful platform from the national Lee & Associates network.

ABOUT THIS REPORT

The information and details contained herein have been obtained from third-party sources believed to be reliable; however, Lee & Associates Arizona has not independently verified its accuracy. Lee & Associates Arizona makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to the implied warranty of suitability and fitness for a particular purpose.

Interested parties should perform their own due diligence regarding the accuracy of the information. The information provided herein, including any sale or lease terms, is being provided subject to errors, omissions, changes of price or conditions, prior sale or lease, and withdrawal without notice, by third-party data source providers.

The Lee & Associates Phoenix Industrial Market report compiles relevant market data by using a third-party database for the proprietary analysis of specific warehouse, distribution, manufacturing and flex properties in the Phoenix Metropolitan Area.

© Copyright 2021 Lee & Associates Arizona. All rights reserved.

Market report analysis by: Lee & Associates Arizona



COMMERCIAL REAL ESTATE SERVICES

3200 East Camelback Road, Suite 100

Phoenix, Arizona 85018

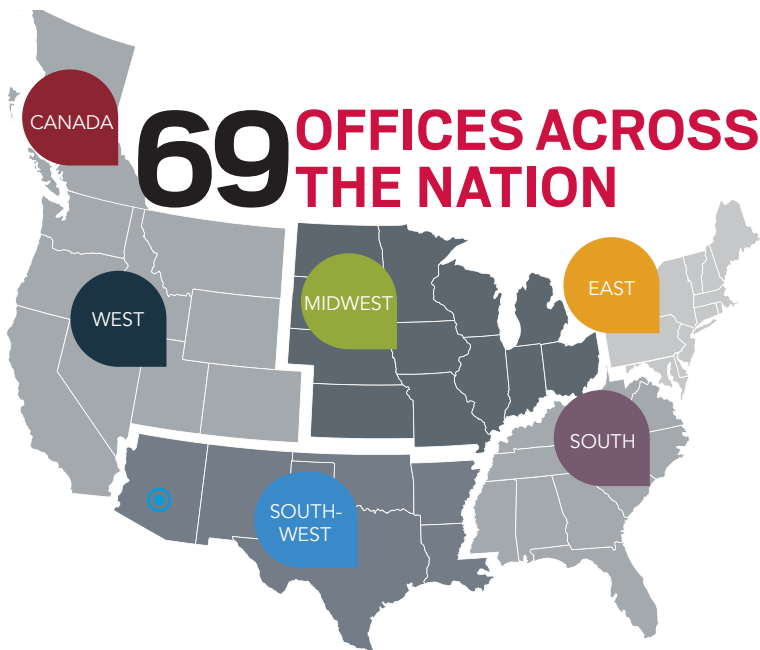
602.956.7777 | www.leeaz.com

15.8+ BILLION
TRANSACTION VOLUME
2019

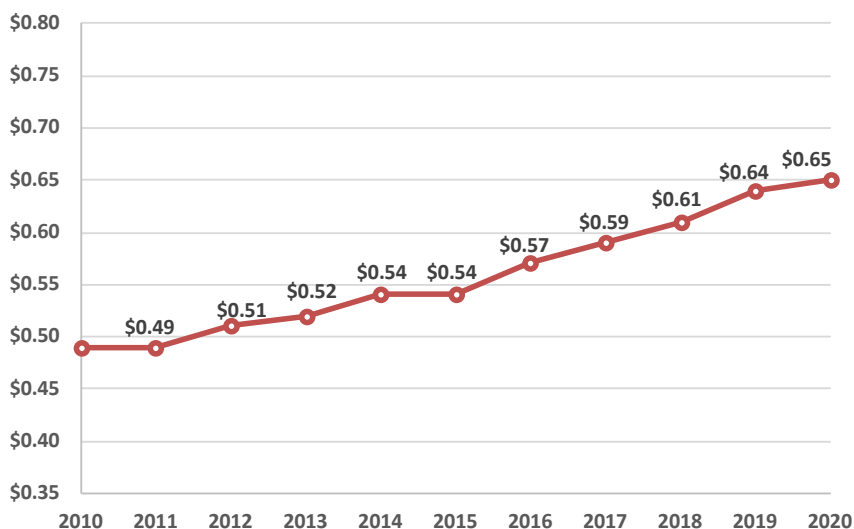
1,360+
PROFESSIONALS
AND GROWING

537
SHAREHOLDERS

11,637
TRANSACTIONS



METRO PHOENIX RENTAL RATES



METRO PHOENIX NET ABSORPTION

