



QUICK STATS

Current Quarter

Direct Vacancy	7.0%
Overall Vacancy	7.2%
Lease Rate NNN	\$0.56
Gross Absorption	3,743,843 SF
Under Construction	6,038,405 SF

MARKET TRENDS

Change from Last	Quarter	Year
Overall Vacancy	↑	↓
Rental Rates	↑	↑
Gross Absorption	↓	↓
Under Construction	↓	↑

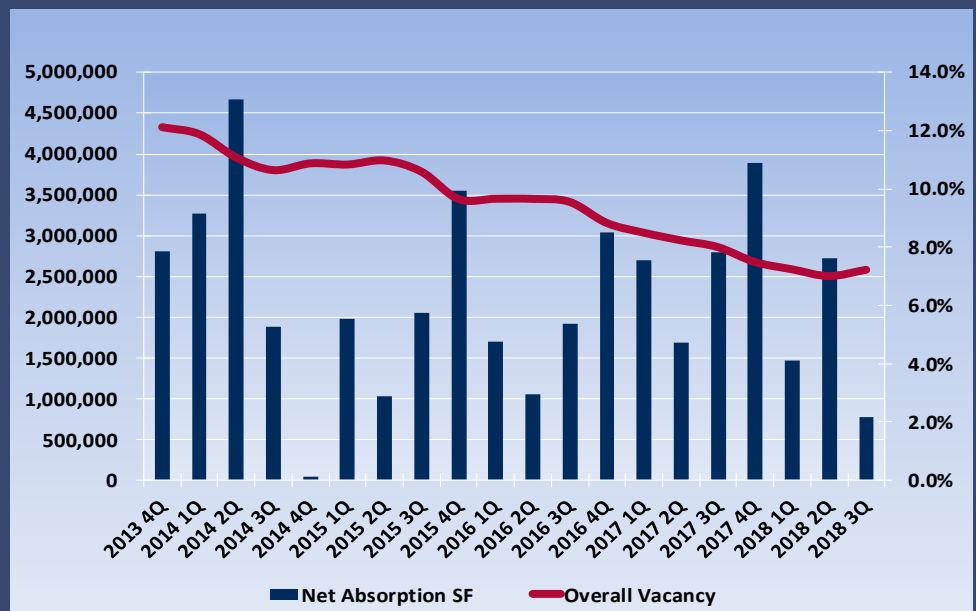
ECONOMIC STATS

	Current Month	Previous Year
	Sep. '18	Sep. '17
Unemployment Rate (MSA)	4.2%	4.2%
Change in # Of Jobs (MSA)	+9,900	+69,100
% Change for Jobs (MSA)	+0.5%	+3.8%

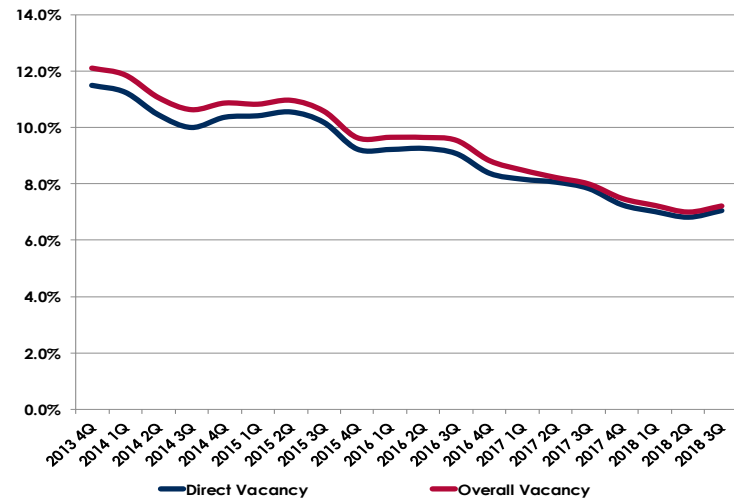
SUMMARY & OUTLOOK

The Phoenix industrial market witnessed vacancy rates increase during the quarter, moving from 7.0% to 7.2%. Average asking rents in the market increased 3.7%, year over year, moving from \$0.54nnn to \$0.56nnn. Gross absorption finished the quarter with 3.7 million square feet of activity, while net absorption posted a gain of 774,000 square feet of occupied space. New construction activity decreased during the quarter with 6.0 million square feet currently underway, as the market has delivered 5.3 million square feet of new space for the year. The labor market continues to perform well, as the unemployment rate remained at 4.2%, year over year, adding 69,100 new jobs (+3.8%). Since the 1st quarter of 2013, buildings 100,000 sf and larger have seen vacancy decline from 10.3% to 8.7% (absorbing +38.0 million sf), while buildings under 20,000 sf have witnessed vacancy decrease from 9.3% to 4.2% (absorbing +3.7 million sf) and buildings 20,000 to 99,999 sf have seen vacancy decline from 13.4% to 7.2% (absorbing +14.5 million sf). During the past five years, the market has absorbed 45.0 million square feet of industrial space, while new construction has added 32.2 million square feet of new space. The investment and sale market for industrial real estate in the greater Phoenix market remains strong, as median sale prices remain at a decade high of \$90 PSF, while the total transaction volume is on-pace to reach an all-time high in 2018. The capital markets remain solid, but with the Fed continuing to raise interest rates at a measured pace, we do expect overall price growth and demand to cool in the coming year. The Phoenix industrial market continues to see market fundamentals strengthen, and we expect vacancy to decline further as we move into the final quarter of 2018, as strong demand levels remain above new supply, with rents expected to rise another 3% to 5% in the coming year.

VACANCY & NET ABSORPTION

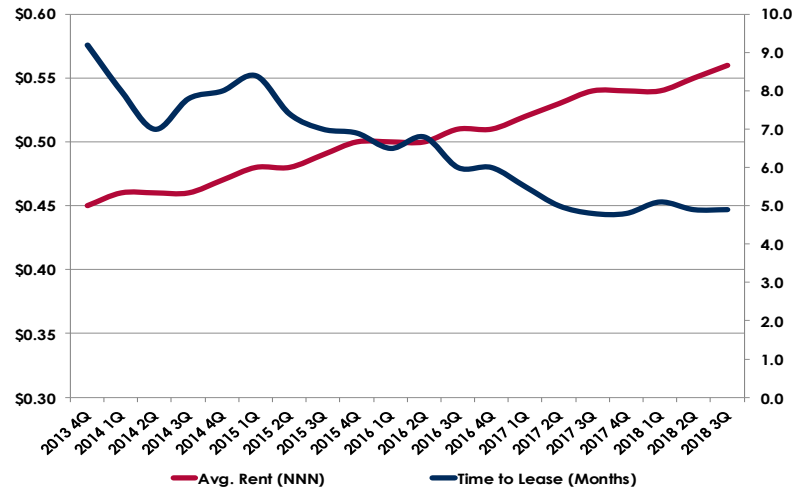


VACANCY



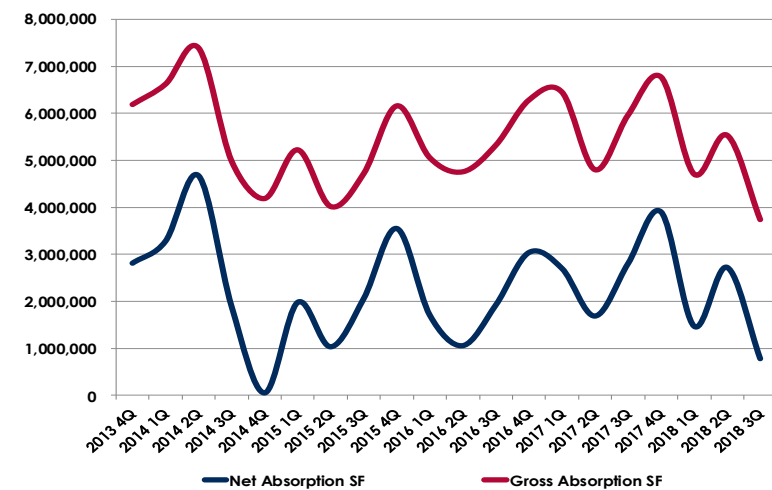
Overall vacancy rates (including sublease space) increased during the quarter, moving from 7.0% to 7.2%. Of the five submarkets within the Phoenix market, the Northeast submarket ended the quarter with the lowest total vacancy of 5.2%, followed by the Northwest at 6.4%, the Southeast at 6.7%, the Airport at 7.8%, and the Southwest submarket finishing the quarter at 8.3%. Since the third quarter of 2017, overall vacancy rates have declined from 8.0% to 7.2%, and remains near its lowest level in more than a decade.

RENTAL RATES & TIME ON THE MARKET



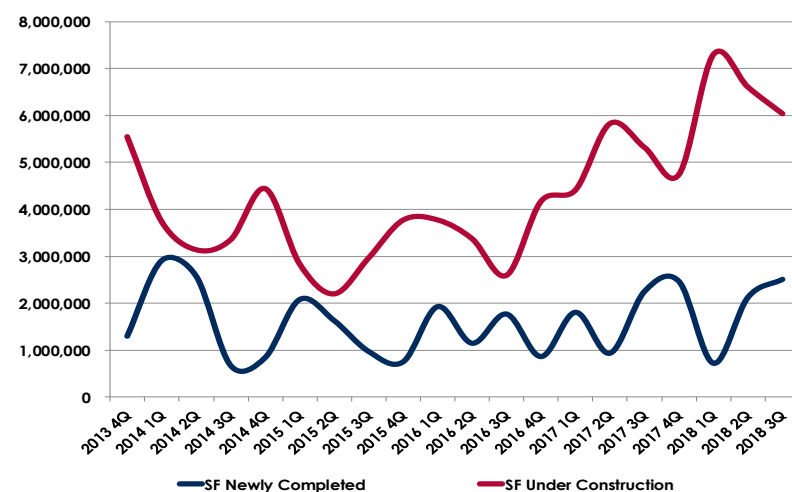
Standard industrial rental rates increased 3.7%, year over year, moving from \$0.54nnn to \$0.56nnn. Of the five major submarkets within the Phoenix market, the Northeast submarket ended the quarter with the highest standard industrial rental rate of \$0.95nnn, followed by the Southeast submarket at \$0.64nnn, the Airport at \$0.60nnn, the Northwest at \$0.58nnn, and the Southwest submarket finishing at \$0.42nnn. Average industrial asking rates increased 1.8% from the previous quarter, moving from \$0.55nnn to \$0.56nnn, while the median time to lease was unchanged at 4.9 months.

ABSORPTION



Gross absorption during the quarter totaled 3.7 million square feet, down 32% compared to the previous quarter, and lower by 37% compared to a year ago. Net absorption posted a gain of 774,000 square feet during the quarter, and has gained 5.0 million square feet for the year. In 2017, the market gained 11.0 million square feet, after gaining 7.7 million square feet during 2016, +8.6 million square feet during 2015, and a gain of +9.9 million square feet in 2014. The overall market continues to see very strong growth, recording positive net absorption during the past twenty quarters, while absorbing 45.0 million square feet.

CONSTRUCTION ACTIVITY



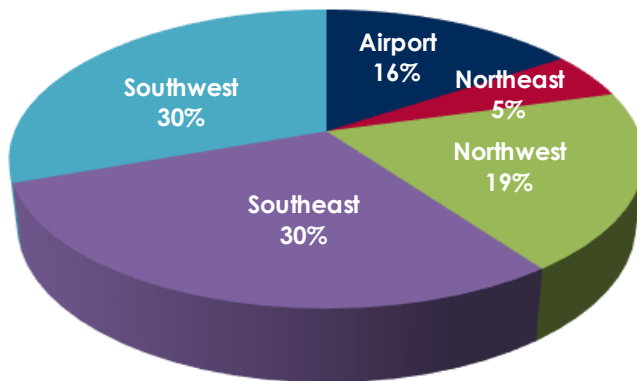
Under construction activity moved lower during the quarter, with 6.0 million square feet currently underway, as the market has delivered 5.3 million square feet for the year. In 2017, the market delivered 7.4 million square feet of new space, after adding 5.7 million square feet of new space in 2016. During 2015, the market added 5.4 million square feet of new space, after adding 7.0 million square feet in 2014. During the past five years, the market has averaged 6.4 million square feet of new space deliveries, annually. Among the space currently under construction, 34% of the new space has been pre-leased or is already committed.



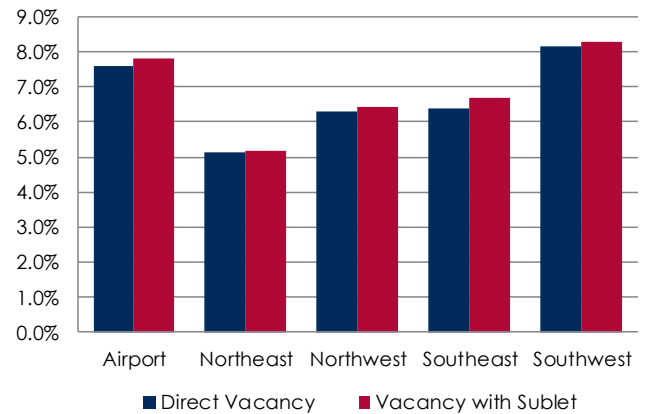
MARKET SNAPSHOT

SUBMARKETS	Total Inventory Square Footage	Direct Vacant Square Footage	Direct Vacancy Rate	Total Vacant w/ Sublet Square Footage	Vacancy with Sublet Rate
Airport	50,812,929	3,848,070	7.6%	3,958,904	7.8%
Northeast	16,295,003	833,361	5.1%	842,842	5.2%
Northwest	62,900,728	3,966,315	6.3%	4,041,602	6.4%
Southeast	95,891,282	6,136,577	6.4%	6,411,162	6.7%
Southwest	99,003,198	8,088,817	8.2%	8,219,045	8.3%
Phoenix Totals	324,903,140	22,873,140	7.0%	23,473,555	7.2%

Industrial Market Inventory

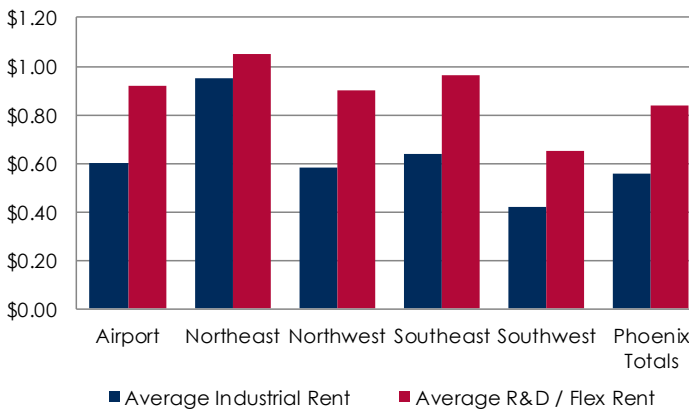


Industrial Vacancy Rates

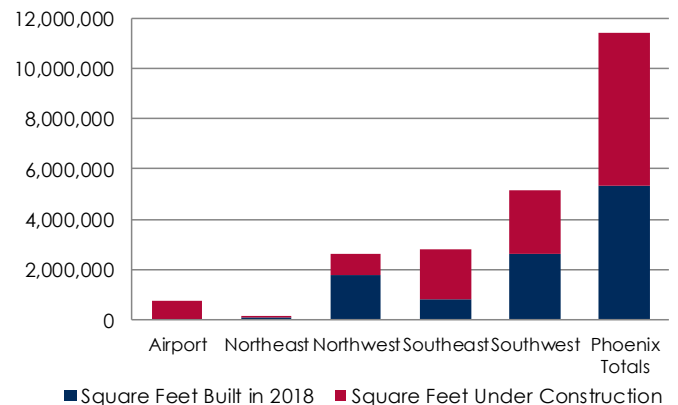


SUBMARKETS	Average Industrial Rent	Average R&D / Flex Rent	Square Feet Built in 2018	Square Feet Under Construction	Gross Absorption Square Feet Current Quarter
Airport	\$0.60	\$0.92	47,500	674,062	615,049
Northeast	\$0.95	\$1.05	61,992	59,400	342,337
Northwest	\$0.58	\$0.90	1,792,504	801,500	655,369
Southeast	\$0.64	\$0.96	837,595	1,953,881	1,229,378
Southwest	\$0.42	\$0.65	2,604,353	2,549,562	901,710
Phoenix Totals	\$0.56	\$0.84	5,343,944	6,038,405	3,743,843

Industrial Rental Rates



New Construction Activity



PHOENIX INDUSTRIAL SALES TREND ANALYSIS

TOTAL SALES TRANSACTIONS										
Market	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
Under 20,000 SF	119	154	217	207	339	373	393	422	467	422
20,000 - 99,999 SF	35	54	70	86	101	123	137	100	114	132
100,000 SF & Larger	5	9	18	23	12	14	32	22	23	14
Totals	159	217	305	316	452	510	562	544	604	568

TOTAL TRANSACTION DOLLAR VALUE (MILLIONS)										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
Under 20,000 SF	\$87.8	\$92.5	\$81.5	\$102.9	\$154.5	\$174.1	\$176.0	\$208.4	\$244.1	\$211.8
20,000 - 99,999 SF	\$77.5	\$96.4	\$160.5	\$145.6	\$235.7	\$329.3	\$342.5	\$294.0	\$322.5	\$388.2
100,000 SF & Larger	\$87.2	\$78.2	\$109.3	\$234.3	\$255.3	\$126.2	\$232.4	\$524.3	\$249.4	\$329.0
Totals	\$252.6	\$267.2	\$351.3	\$482.8	\$645.5	\$629.6	\$750.8	\$1,026.7	\$816.0	\$928.9

TOTAL SQUARE FEET SOLD										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
Under 20,000 SF	1,005,292	1,185,302	1,488,429	1,647,627	2,551,328	2,862,448	3,175,914	3,392,674	3,614,526	3,158,413
20,000 - 99,999 SF	1,155,343	2,064,244	2,932,806	3,339,562	4,059,982	4,823,398	5,480,389	4,324,986	4,702,476	5,943,743
100,000 SF & Larger	1,857,702	2,421,898	3,809,625	4,785,996	3,797,898	2,147,253	5,182,343	8,135,456	4,930,899	3,921,939
Totals	4,018,337	5,671,444	8,230,860	9,773,185	10,409,208	9,833,099	13,838,646	15,853,116	13,247,901	13,024,095

AVERAGE PRICE / SF										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
Under 20,000 SF	\$89.34	\$79.51	\$61.86	\$66.28	\$69.42	\$75.31	\$76.96	\$81.33	\$96.08	\$96.33
20,000 - 99,999 SF	\$67.08	\$47.89	\$55.83	\$48.55	\$60.83	\$69.63	\$72.97	\$69.59	\$77.87	\$80.52
100,000 SF & Larger	\$51.50	\$39.48	\$43.22	\$53.45	\$67.21	\$58.76	\$63.02	\$64.44	\$64.17	\$83.89
Averages	\$65.83	\$51.79	\$52.23	\$54.03	\$65.19	\$68.51	\$70.37	\$68.77	\$77.20	\$84.91

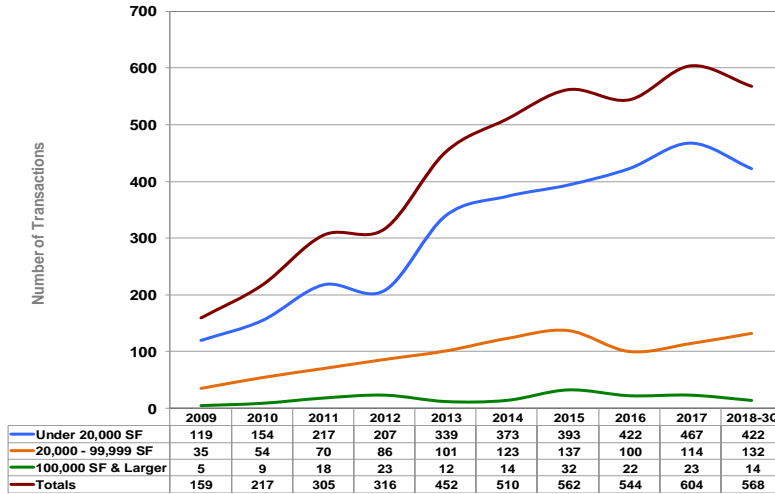
MEDIAN PRICE / SQUARE FOOT										
Bldg. SF	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q
Under 20,000 SF	\$90.95	\$73.92	\$66.17	\$63.09	\$68.77	\$77.35	\$76.47	\$83.13	\$94.07	\$101.79
20,000 - 99,999 SF	\$58.46	\$50.52	\$55.01	\$48.17	\$52.12	\$64.33	\$67.02	\$65.37	\$72.99	\$70.28
100,000 SF & Larger	\$69.55	\$34.17	\$38.39	\$47.71	\$64.76	\$57.80	\$64.80	\$63.94	\$69.82	\$82.09
Median Average	\$83.33	\$66.00	\$55.31	\$57.66	\$65.00	\$69.80	\$74.49	\$77.73	\$86.59	\$90.15

MEDIAN \$ PSF INCREASE										
Bldg. SF	2010	2011	2012	2013	2014	2015	2016	2017	2018-3Q	
Under 20,000 SF	-18.7%	-10.5%	-4.7%	9.0%	12.5%	-1.1%	8.7%	13.2%	8.2%	
20,000 - 99,999 SF	-13.6%	8.9%	-12.4%	8.2%	23.4%	4.2%	-2.5%	11.7%	-3.7%	
100,000 SF & Larger	-50.9%	12.4%	24.3%	35.7%	-10.7%	12.1%	-1.3%	9.2%	17.6%	
Totals	-20.8%	-16.2%	4.2%	12.7%	7.4%	6.7%	4.3%	11.4%	4.1%	

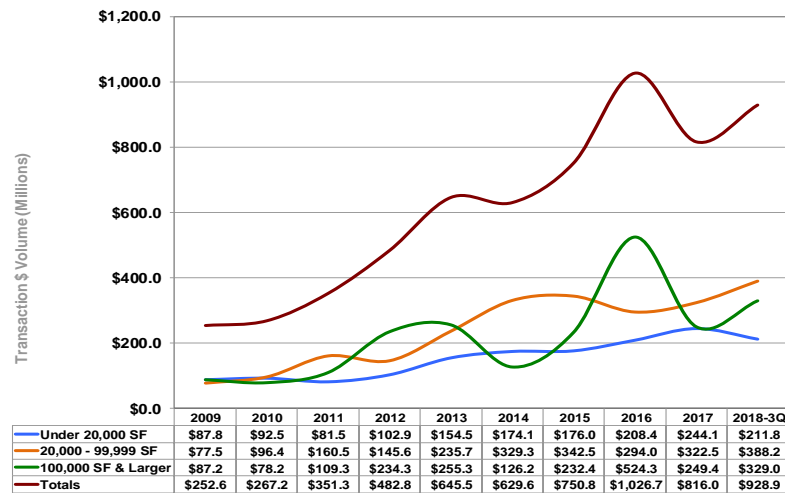


PHOENIX INDUSTRIAL SALES TREND ANALYSIS

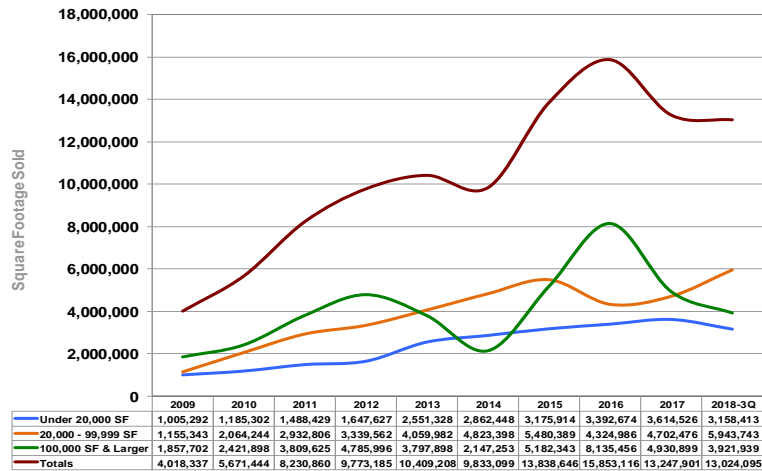
Number of Transactions



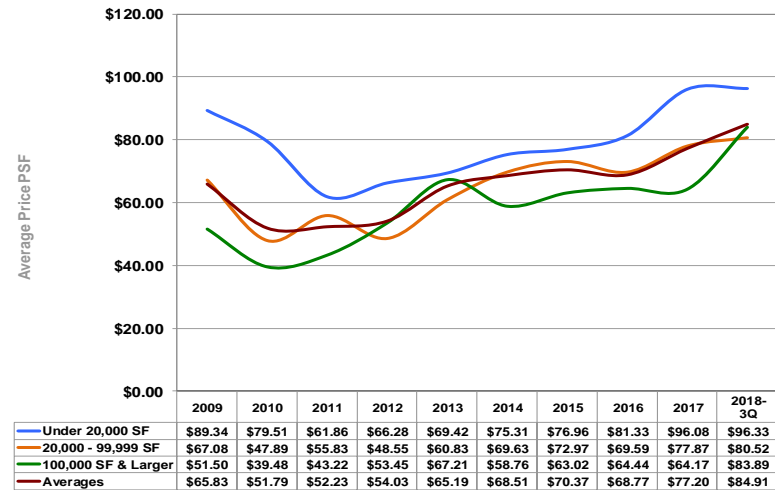
Transaction Volume \$



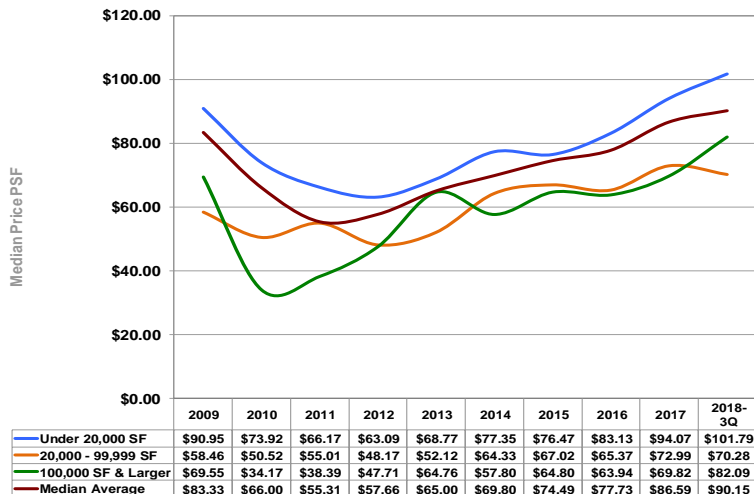
Square Footage Sold



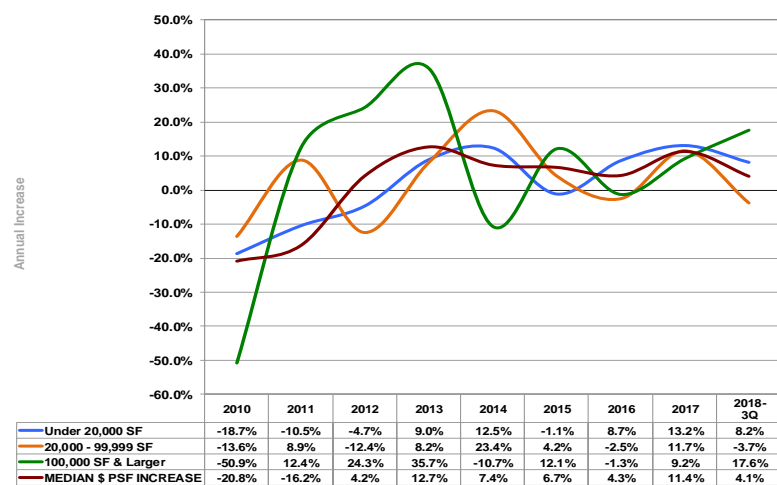
Average Price PSF



Median Price PSF



% Change Median Price PSF



MARKET REPORT OVERVIEW

PHOENIX, ARIZONA MARKET MAP



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METHODOLOGY & TERMINOLOGY

Methodology

Industrial and flex (R & D) buildings that are 5,000 square feet and greater.

Direct Vacant SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale directly from the landlord.

Total Vacant W/ Sublet SF

Space that is vacant and ready for occupancy by a user. The space is being offered for lease or sale by the landlord or for sublease by the current tenant.

Direct Vacancy Rate

Total vacant direct space (vacant space for lease or sale from the landlord or owner) divided by the total rentable square footage for existing buildings only.

Vacancy W/ Sublet Rate

Total vacant direct space and sublease space divided by the total rentable square footage for existing buildings only.

Gross Absorption

The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time.

Net Absorption

The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

Under Construction

Planned buildings for which construction has started but have not yet been granted a Certificate of Occupancy. Planned buildings are not included.

Completed in 2018

New buildings with original construction completed in the year 2018 and granted a Certificate of Occupancy. Renovated buildings are not included.