

Los Angeles
Orange County
Ventura
Inland Empire
Phoenix

Q1 | 2020
Market Report
Phoenix Industrial



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MARKET ACTIVITY

KEY TAKE AWAYS

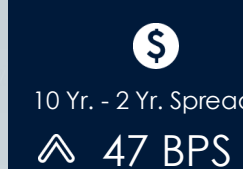
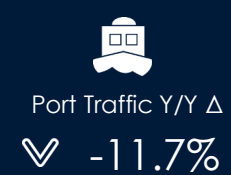
ECONOMIC OUTLOOK

MARKET

- **Vacancy Rate:** Increased by 40 BPS to 7.4% in Q1.
- **Net Absorption:** Fell below 1M SF in Q1, representing 0.29% of inventory.
- **Sales:** The median price PSF in Q1 was \$110.44. Volume fell off by over 35%.
- **Industrial Supply:** Over 2.6M SF was delivered in Q1. Under construction activity continues to increase with greater than 16 million SF, emphasizing the future growth of this market.

ECONOMIC OUTLOOK

- **Interest Rates:** In response to COVID-19 the Fed acted urgently to cut their Fed Funds rate to a range of 0-0.25%.
- **GDP:** It is a near consensus that the U.S. & the world are in the midst of a recession caused by COVID-19. The length and severity of this recession is entirely dependent on how fast COVID-19 can be contained.
- **Economic Relief:** On 3/27, the \$2.2 Trillion CARES Act was signed into law. An impactful part of CARES provides forgivable loans to small businesses to cover payroll & other expenses like rent & utilities. Business must retain their employees to have these loans forgiven by the government.



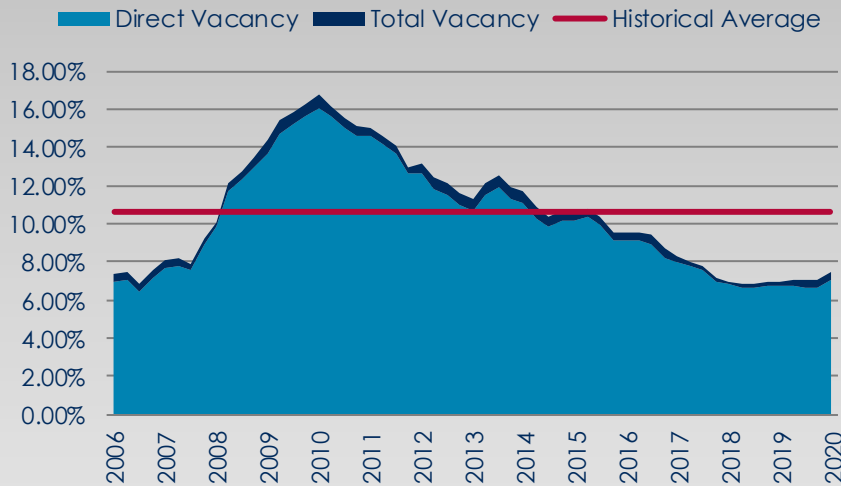
EXPERIENCE IN A CHANGING MARKET

@DAUMCOMMERCIAL

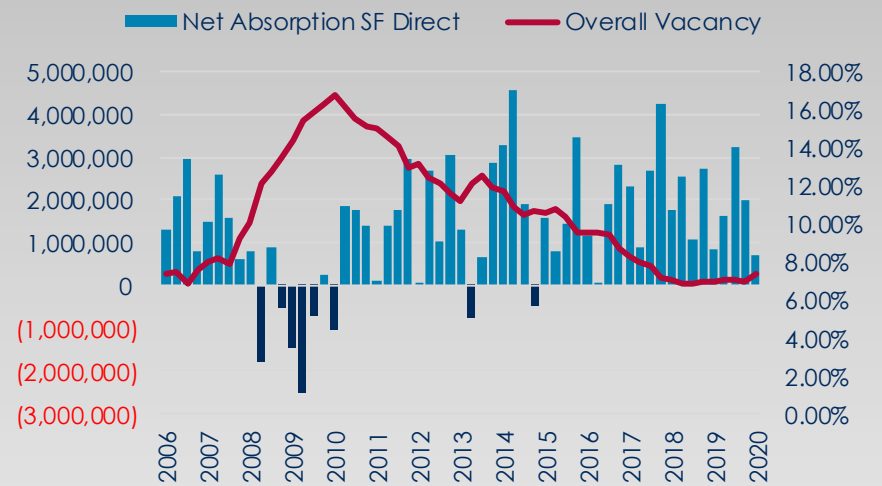


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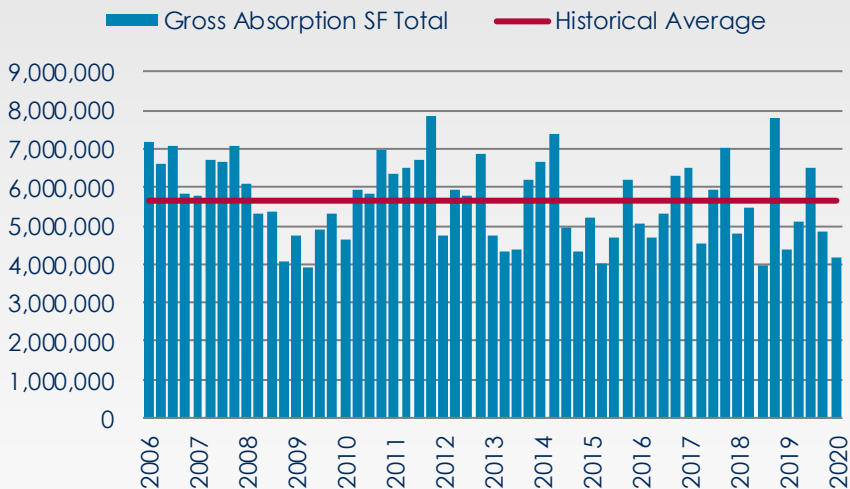
OVERALL VACANCY INCREASED BY 40 BPS IN Q1



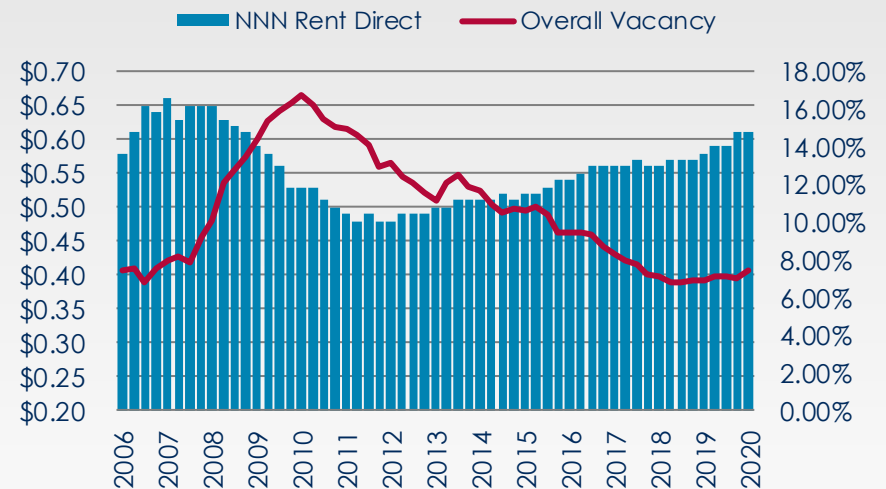
NET ABSORPTION FELL BELOW 1M SF



GROSS ABSORPTION FELL AGAIN IN Q1 FINISHING WITH ONLY 4.1M SF

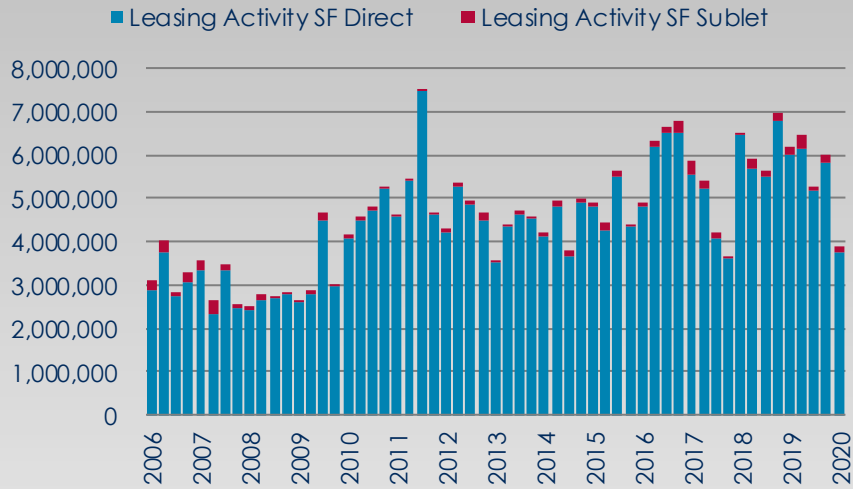


ASKING RENTS REMAIN THE SAME FROM Q4 AT \$0.61 PSF

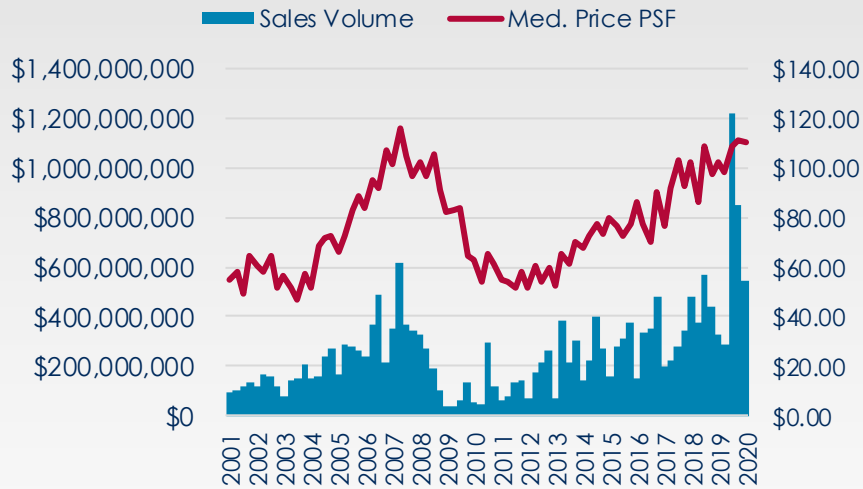


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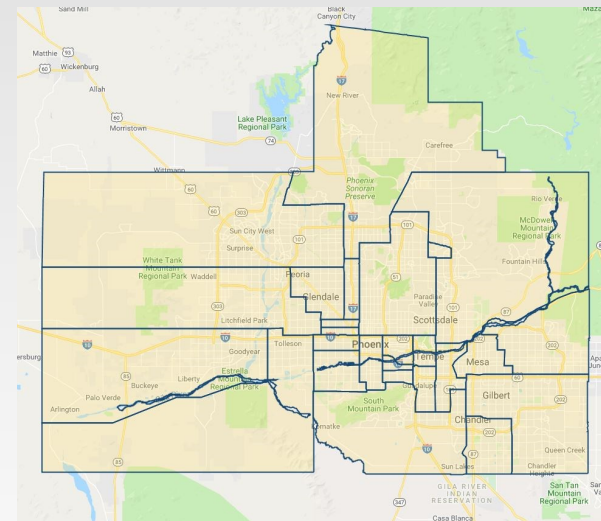
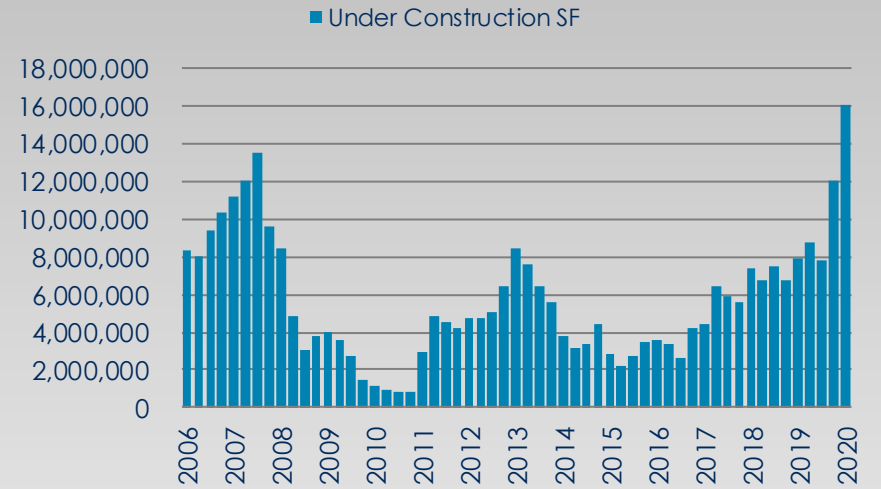
LEASING ACTIVITY FELL BY OVER 2M SF FROM REVISED Q4. TOTALED 3.9M SF IN Q1



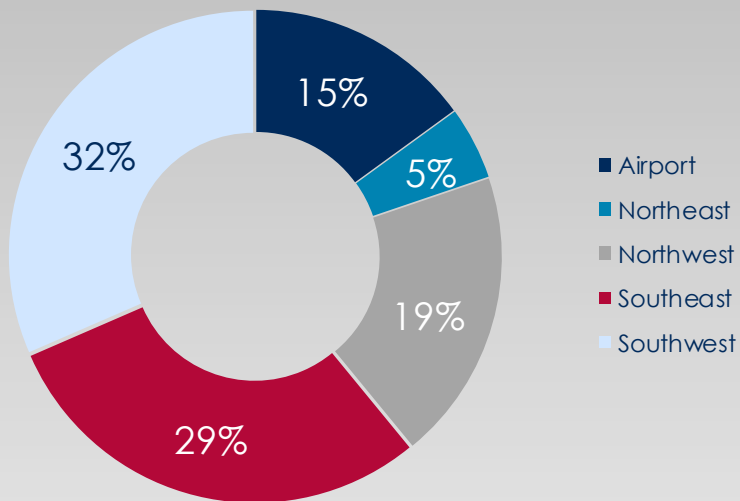
SALES PRICES RELATIVELY FLAT WITH A MEDIAN OF \$110.44 PSF. VOLUME DOWN



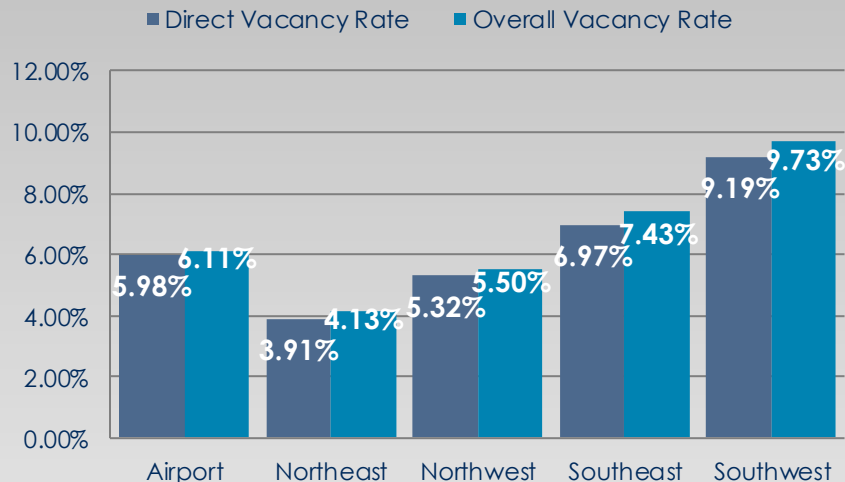
CONSTRUCTION ACTIVITY OVER 2.6M SF WAS DELIVERED IN Q1. UC NOW OVER 16M SF



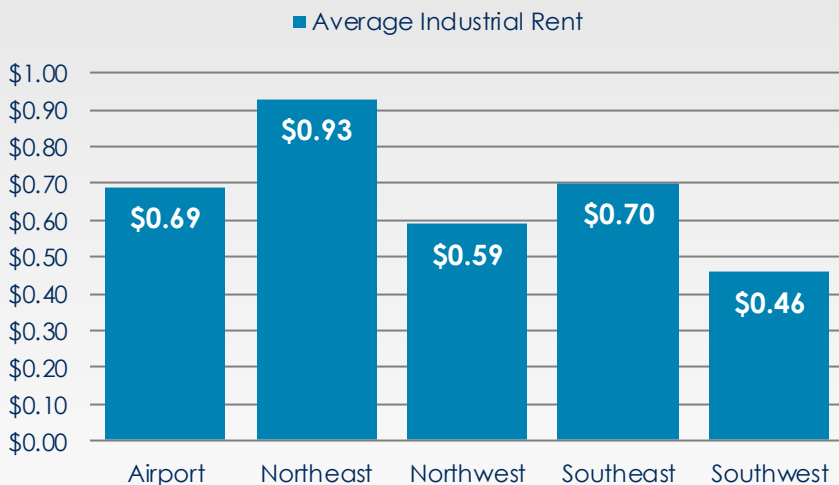
SQUARE FOOT BREAKDOWN- 339,871,351 SF MARKET SIZE



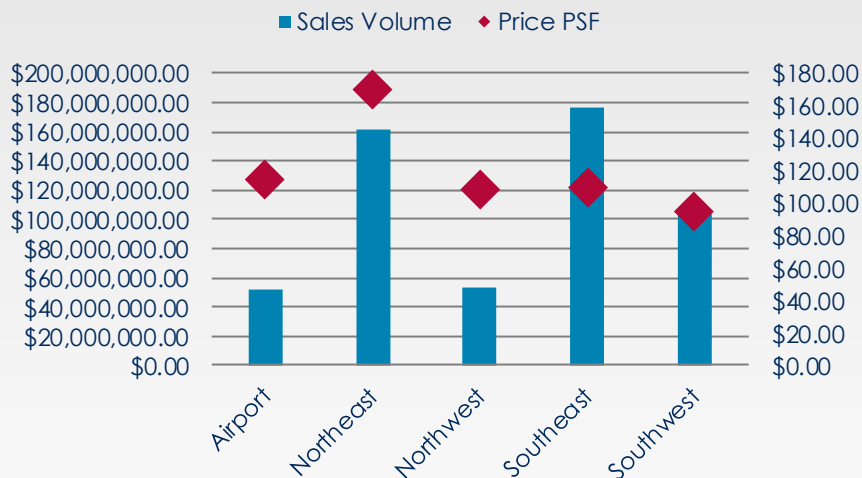
VACANCY BREAKDOWN



AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



VOLUME BREAKDOWN



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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

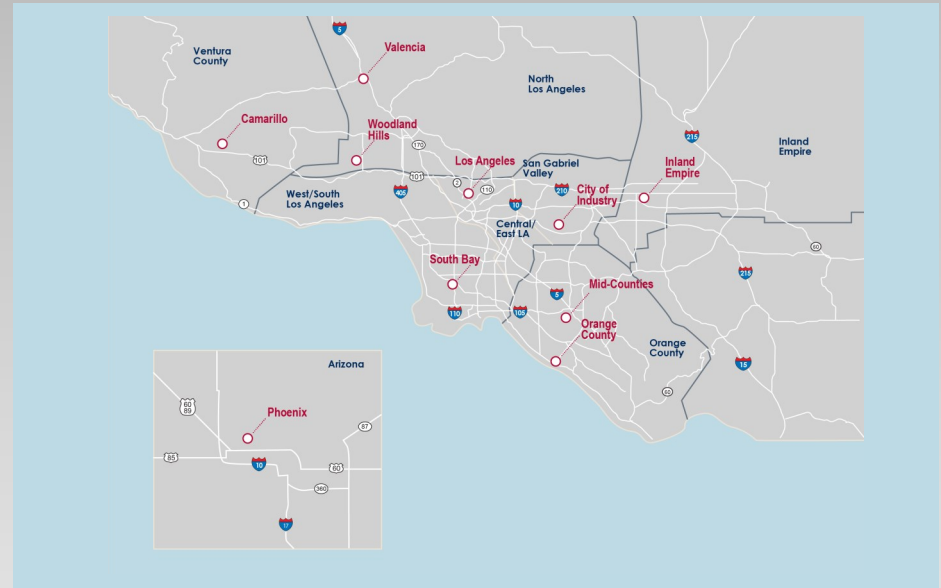
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 2019

New buildings with original construction completed in the year 2019 and granted a Certificate of Occupancy. Renovated buildings are not included.



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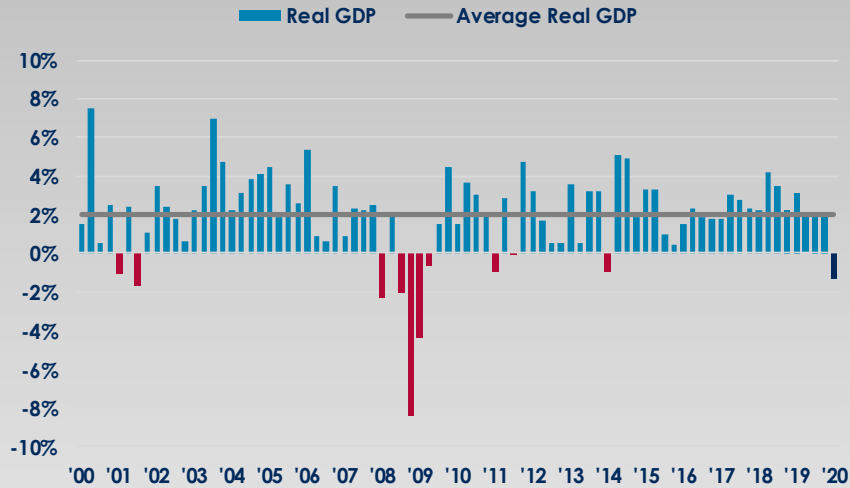
Economic Overview



Q1 2020

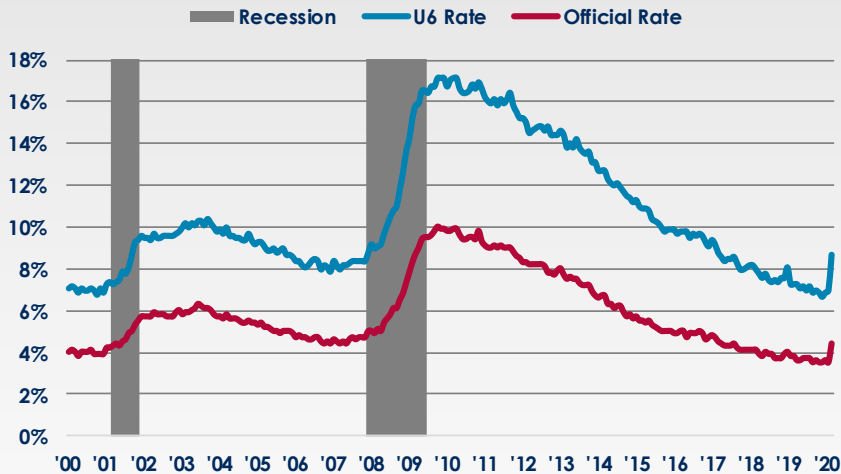
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GDP IN Q4 FINISHED AT 2.1%. Q1 2020 ESTIMATE IS -1.3%

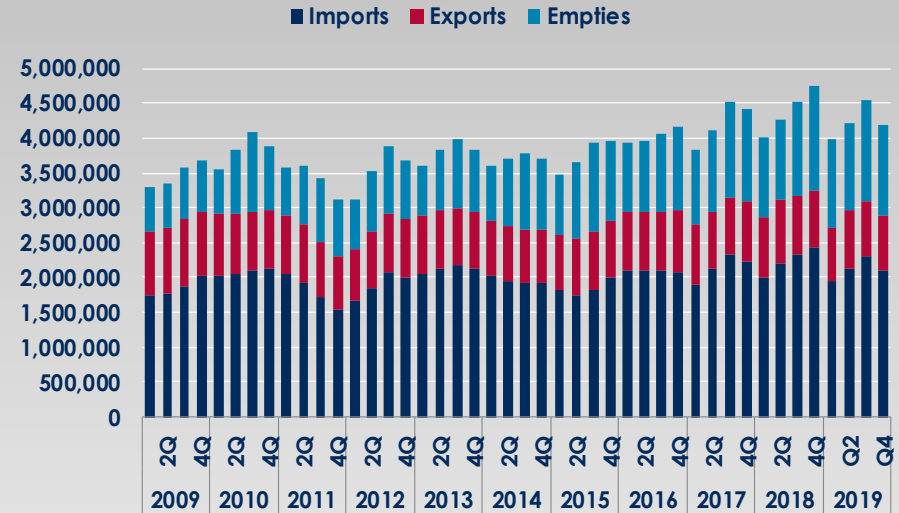


*-1.3% for 1Q20 based on CNBC/Moody's Analytics Rapid Update Survey

THE IMPACT FROM COVID-19 BEGINS TO SHOW

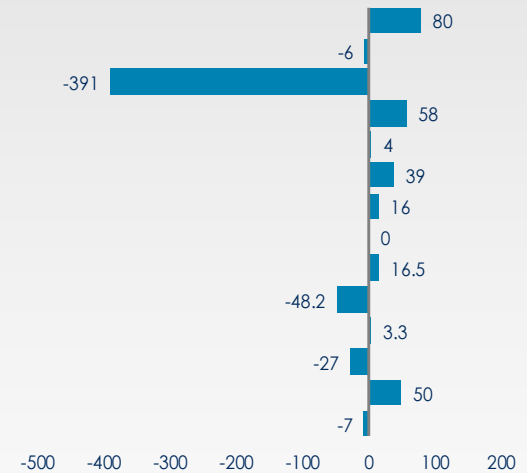


PORT ACTIVITY FELL BY 7.6% FROM Q3. SHARP DECLINE EXPECTED IN Q1-20

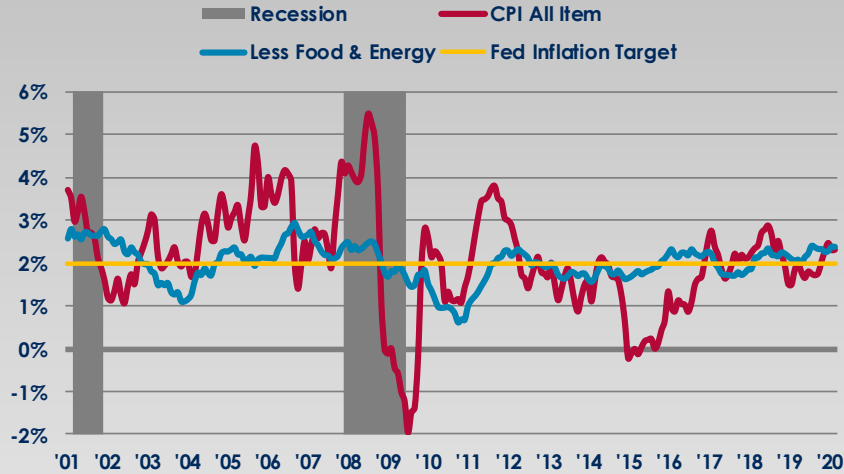


LEISURE & HOSPITALITY HIT HARD DUE TO SHUTDOWNS FROM COVID-19

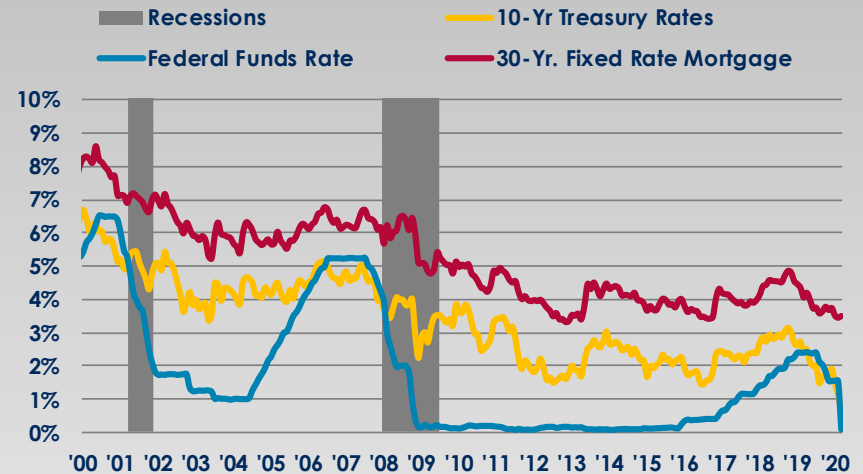
- Government
- Other Services
- Leisure and Hospitality
- Education and Health Services
- Professional and Business Services
- Financial Activities
- Information
- Utilities
- Transportation and Warehousing
- Retail Trade
- Wholesale Trade
- Manufacturing
- Construction
- Mining and Logging



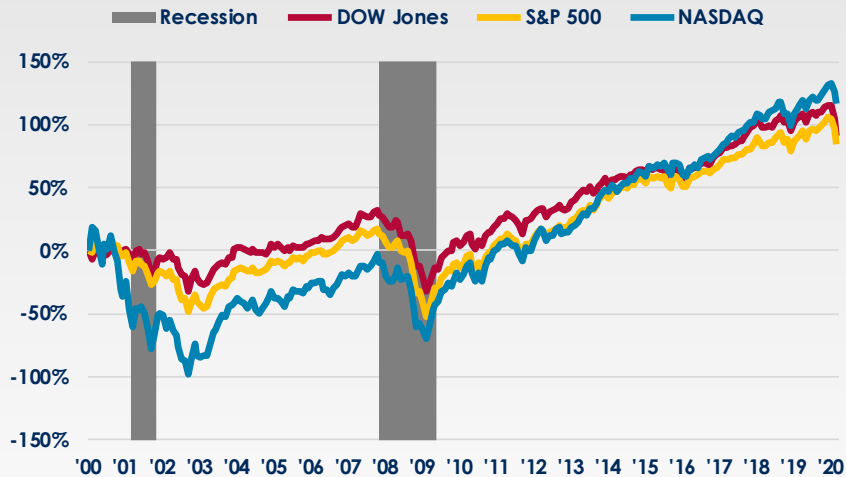
CPI JUST ABOVE 2% TARGET AT 2.32%



THE FEDERAL RESERVE CUT THE FED FUNDS RATE TO 0.0-0.25%



Q1 WAS ONE OF THE WORST QUARTERS IN HISTORY



10-2 YEAR BOND SPREAD INCREASED AS NEAR-TERM PROSPERITY DECLINES

