

Los Angeles  
Orange County  
Ventura  
Inland Empire  
Phoenix

Q4 | 2020  
**Market Report**  
Phoenix Industrial



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### MARKET ACTIVITY

### KEY TAKE AWAYS

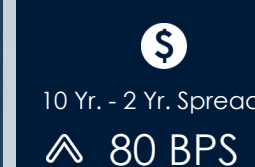
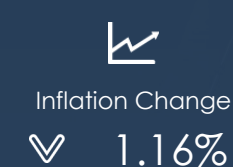
### ECONOMIC OUTLOOK

#### MARKET

- **Vacancy Rate:** Fell by 50 BPS to 7.4% in Q4.
- **Net Absorption:** Q4 was the best quarter on record totaling 7.4M SF, representing 2.08% of inventory.
- **Sales:** The median price PSF in Q4 was \$125.07. Volume increased by 111.6% as the Phoenix market has become a strong market for outside investors.
- **Industrial Supply:** Another 6.2M SF was delivered in Q4. Bringing the 2020 total to 16.8M SF. Under construction fell due to the large amount of deliveries in the previous quarters, but remains above 6.7M SF emphasizing the future growth of this market.

#### ECONOMIC OUTLOOK

- **GDP:** After a record low contraction in Q2 of -31.4%, the U.S. economy rebounded in Q3 with a growth rate of 33.4%. With COVID-19 continuing to spread, Q4 GDP is estimated to grow at 5.7%.
- **Employment:** The unemployment rate continues to decline, but the employment situation is bleak for millions of Americans as thousands of business are permanently closing, leaving more than 10M jobless.
- **Economic Relief:** In late December, Congress passed a \$900B relief package. Included in it is \$284B for a 2nd round of PPP funding for businesses. With the election of Joe Biden & Democrats securing the Senate majority, additional economic stimulus is more likely to occur.



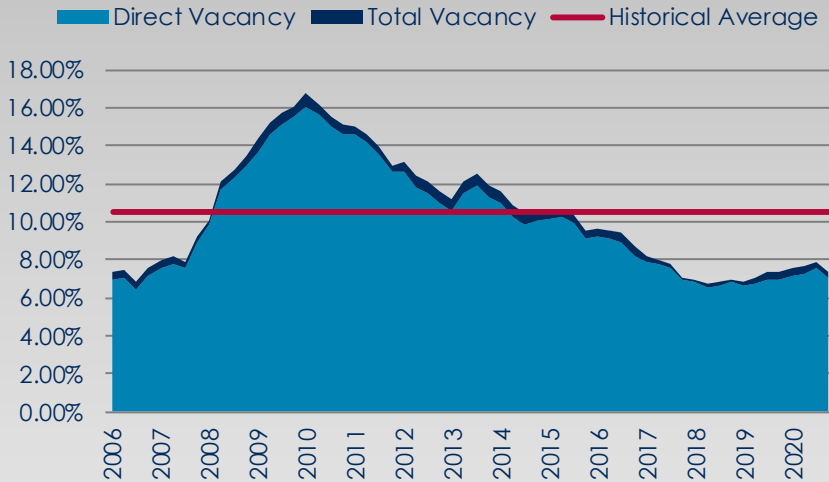
EXPERIENCE IN A CHANGING MARKET

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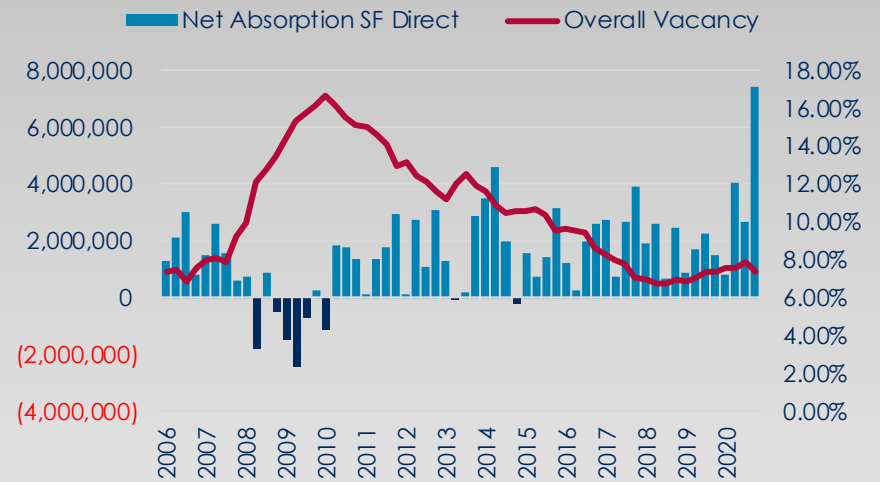


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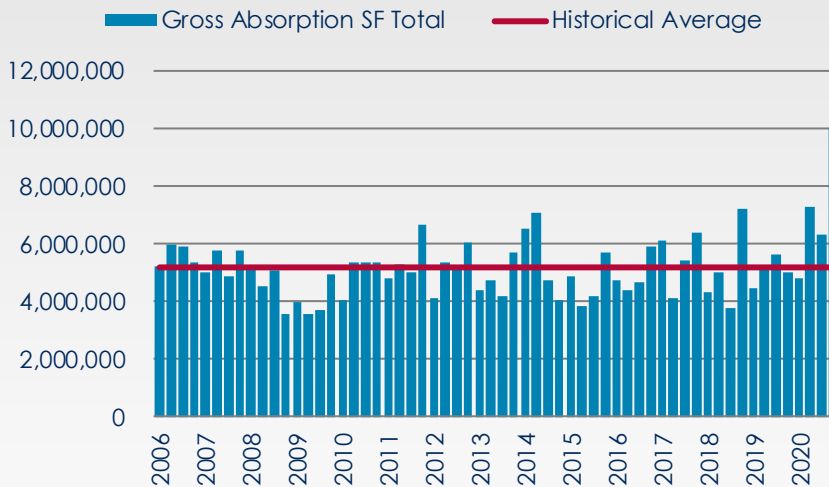
**OVERALL VACANCY  
DECREASED BY 50 BPS IN Q4 TO 7.4%**



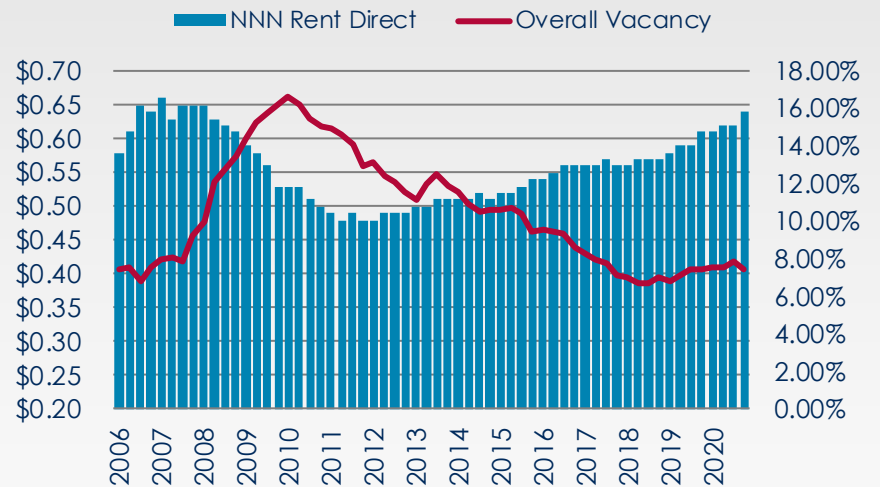
**NET ABSORPTION  
BEST QUARTER ON RECORD TOTALING 7.4M SF**



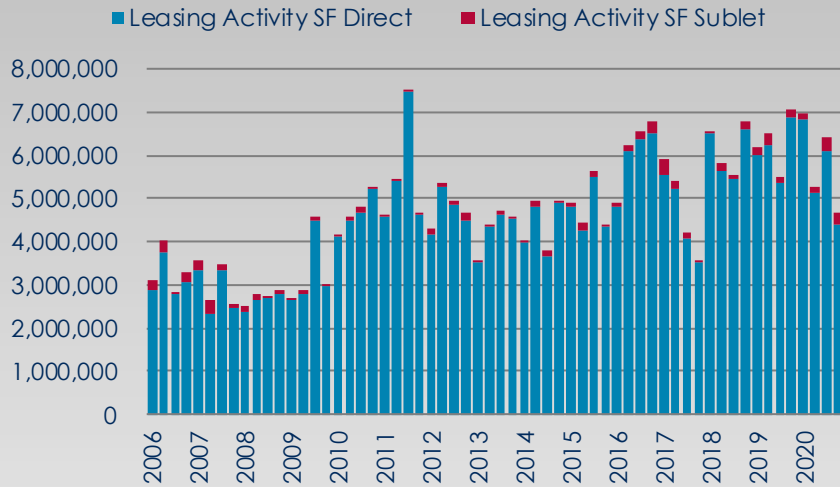
**GROSS ABSORPTION  
INCREASED BY 59% FROM Q3 TO RECORD HIGH OF 10M SF IN Q4**



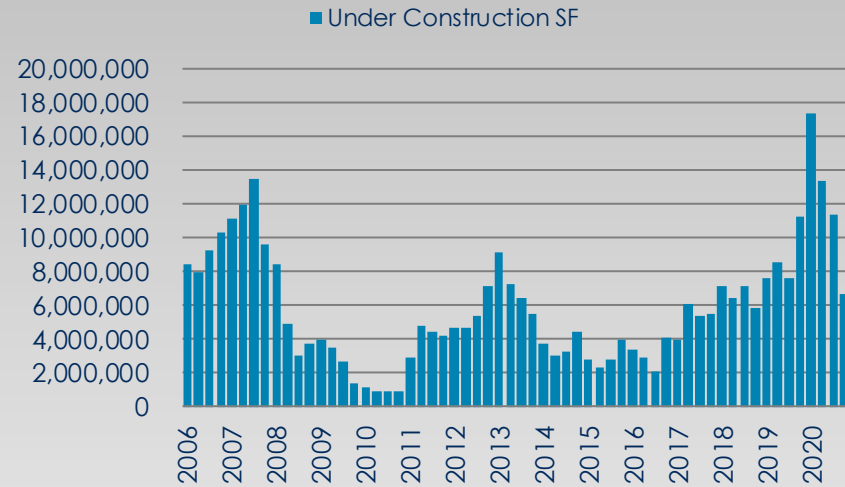
**ASKING RENTS  
INCREASED BY \$0.02 PSF IN Q4 TO \$0.64 PSF**



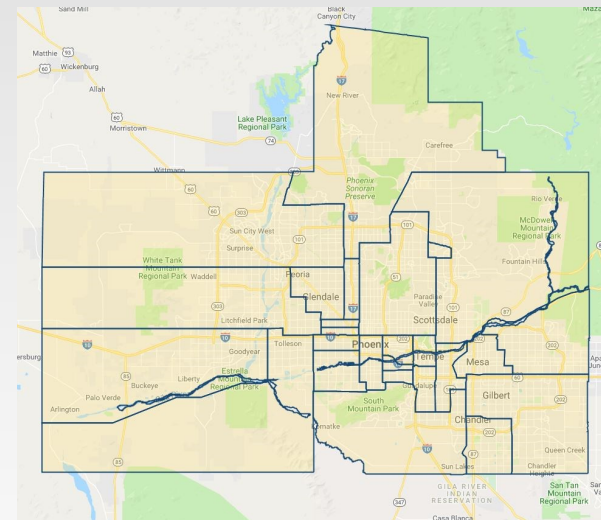
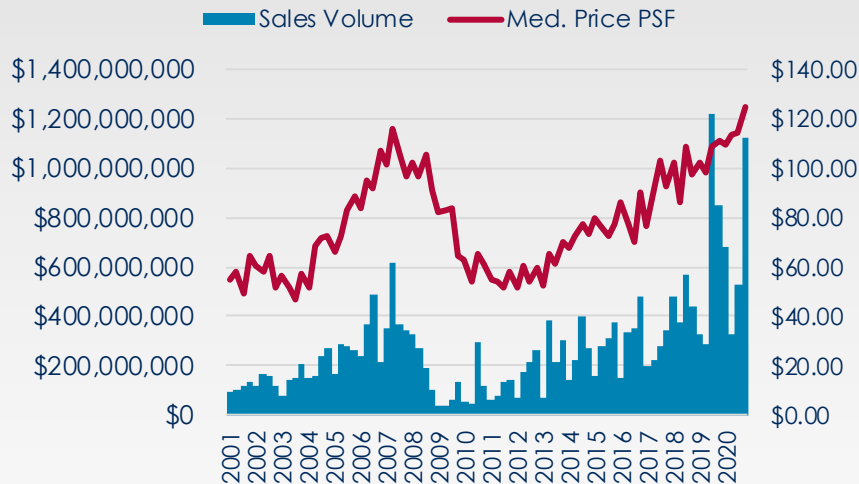
## LEASING ACTIVITY FELL BY 27% FROM Q3 TO 4.7M SF



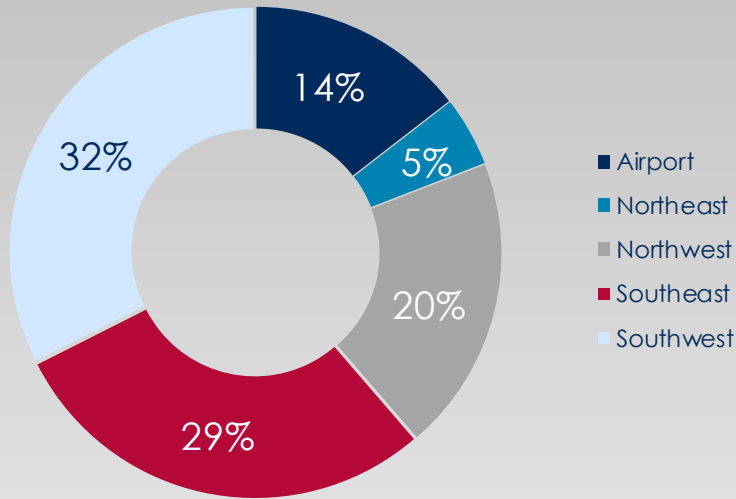
## CONSTRUCTION ACTIVITY OVER 6.2M SF WAS DELIVERED IN Q4. UC SITS AT 6.7M SF



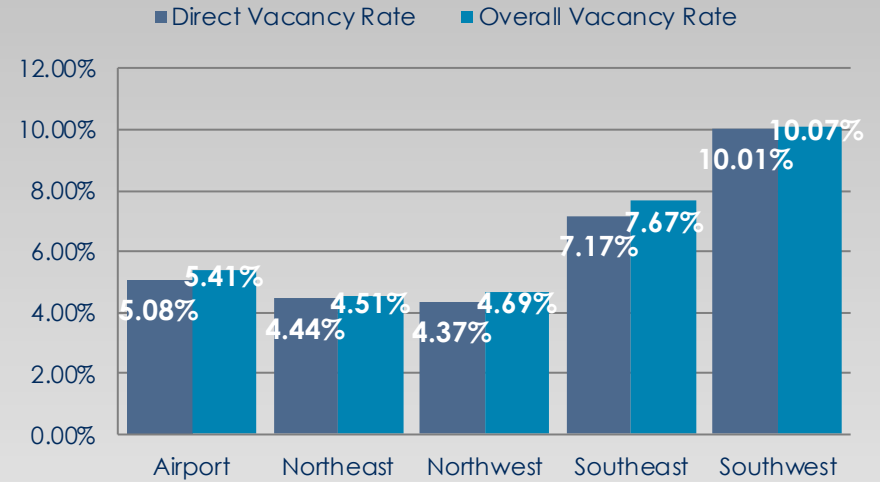
## SALES VOLUME UP 111.6% FROM Q3. THE MEDIAN PRICE PSF WAS \$125.07



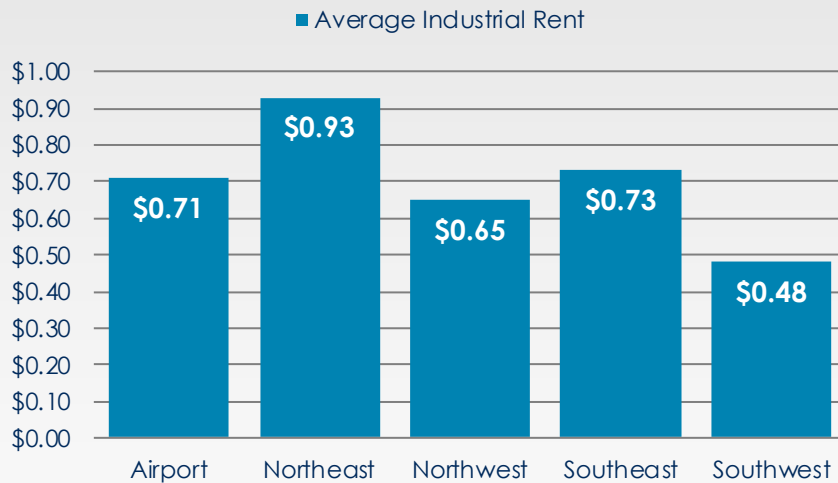
## SQUARE FOOT BREAKDOWN- 355,133,035 SF MARKET SIZE



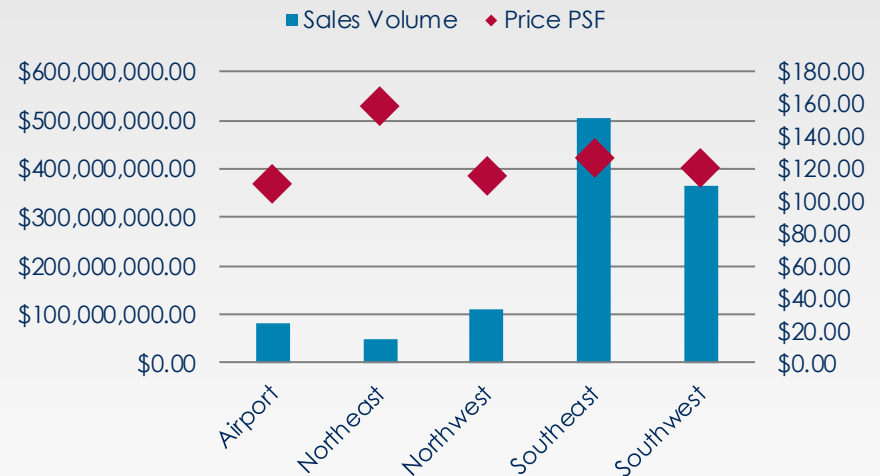
## VACANCY BREAKDOWN



## AVERAGE ASKING RENT PSF NNN AT CLOSE OF QUARTER



## VOLUME BREAKDOWN



## 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

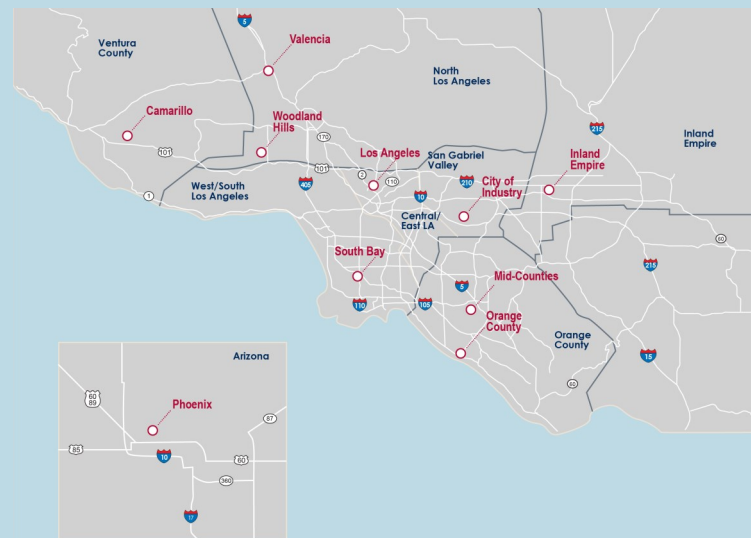
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

### 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 2020

New buildings with original construction completed in the year 2020 and granted a Certificate of Occupancy. Renovated buildings are not included.



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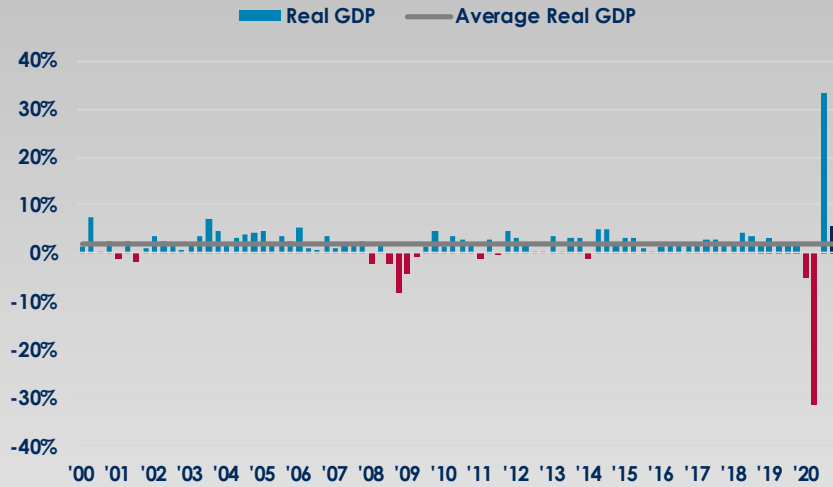
# Economic Overview



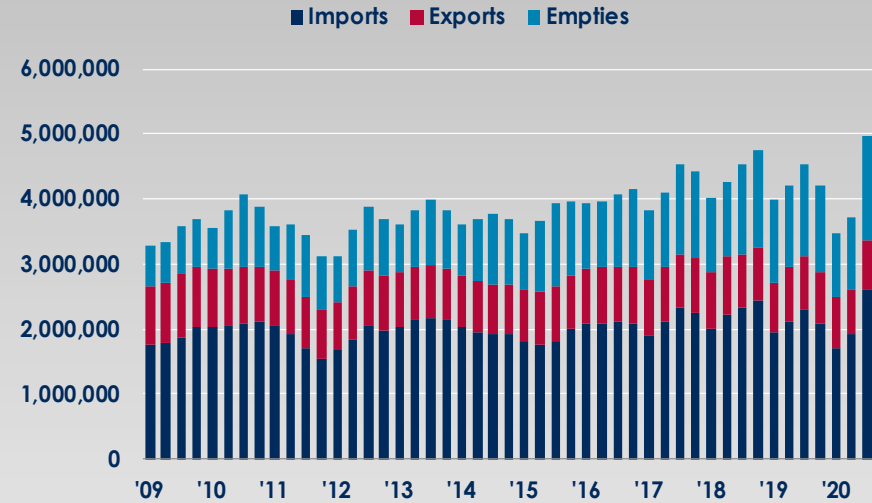
Q4 2020

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GDP IN Q3 FINISHED AT 33.4%. Q4 EST. TO GROW AT 5.7%

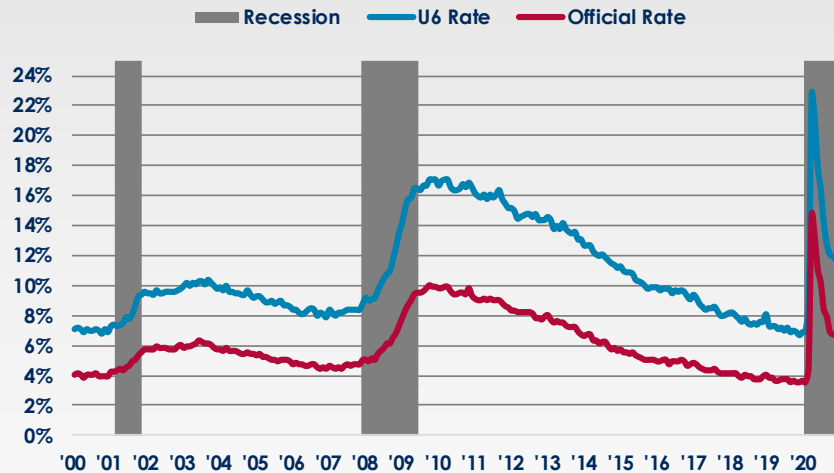


PORT ACTIVITY INCREASED 34% IN Q3 FROM Q2

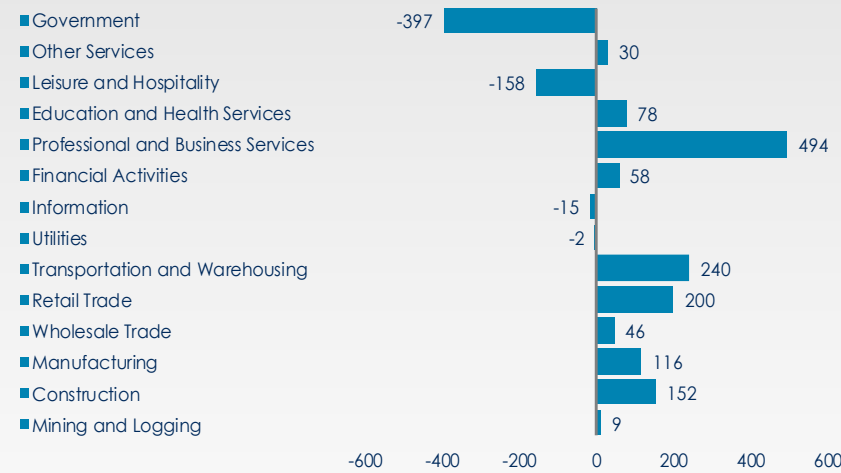


\*5.7% for 4Q20 based on CNBC/Moody's Analytics Rapid Update Survey

THE IMPACT FROM COVID-19 SHOWING SLOW SIGNS OF JOB RECOVERY

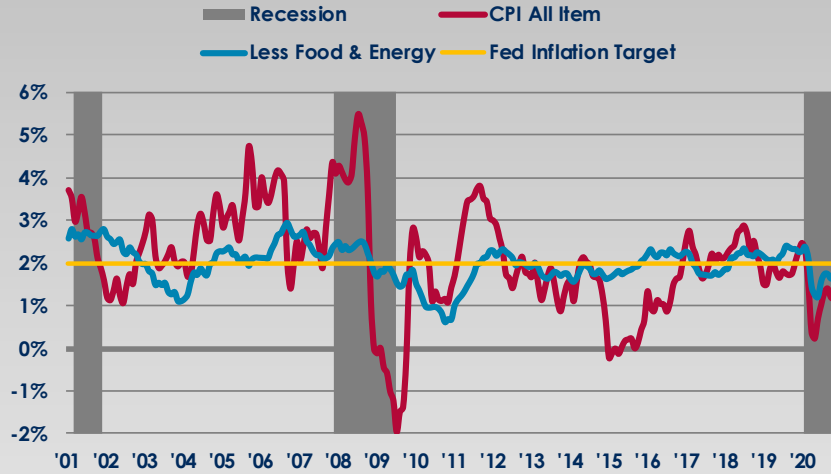


TRANSPORTATION AND WAREHOUSING SHOWED STRONG GAINS IN Q4

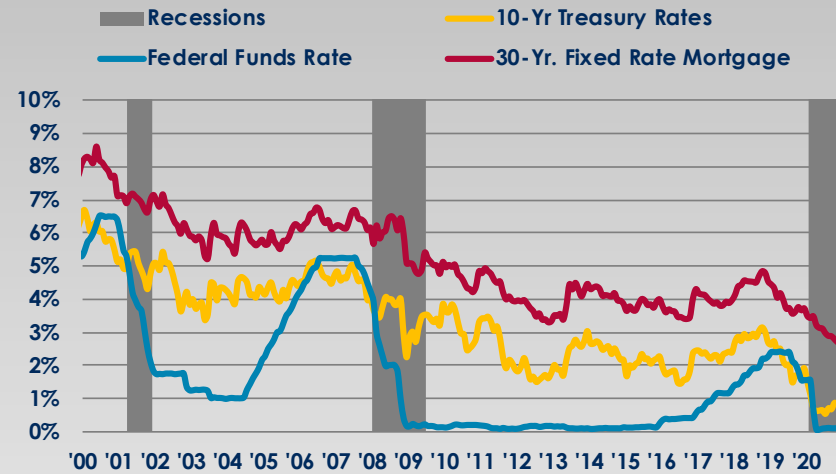




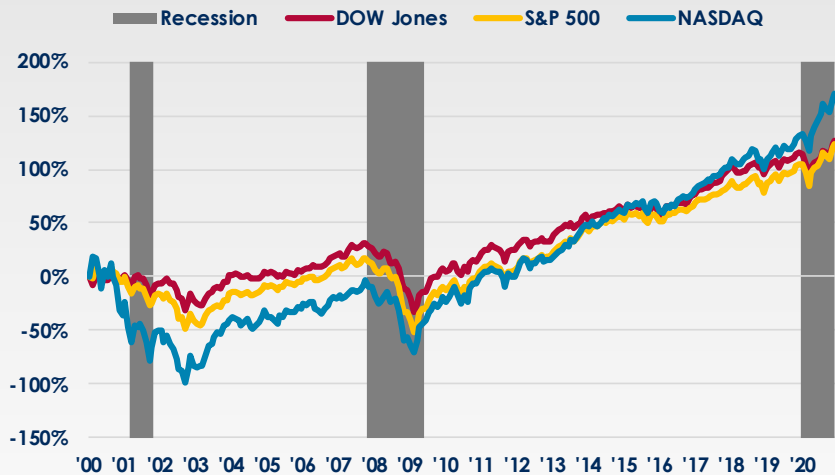
## CPI REMAINS BELOW TARGET BUT PICKING UP



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



## THE STOCK MARKET CONTINUES TO RISE



## 10-2 YEAR BOND SPREAD INCREASED AGAIN IN Q4

