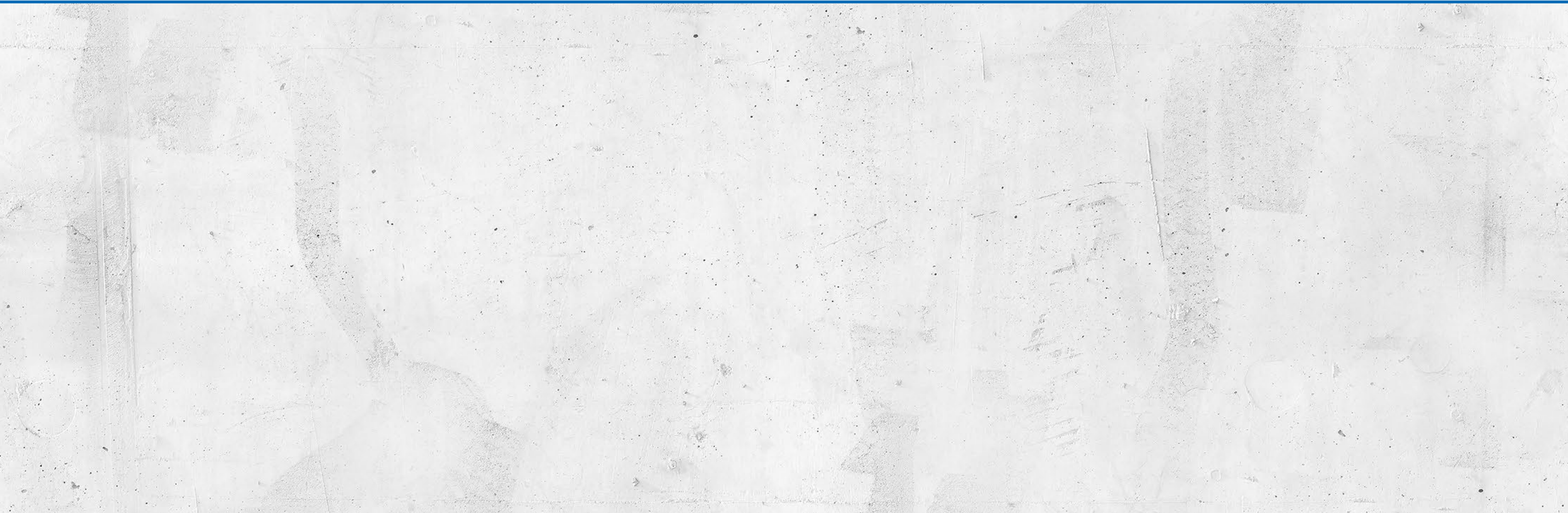


Phoenix Industrial Market Overview



Market Observations

Economy

- U.S. retail sales are decent but not great relative to their 20-year average. This has implications for industrial leasing activity.
- Gulf and East Coast dockworkers ended a 3-day strike after a tentative deal was reached with the United States Maritime Alliance. Gulf and East Coast distributors will continue to reroute cargo to other seaports until a new labor contract is signed.
- Loaded import volume at Southern California’s ports totaled 6.5 million containers in the first eight months of 2024, up 22.5% from the same period in 2023.
- A good portion of this cargo is being shipped eastward by rail to markets outside of the Southwest. Goods that are “just passing through” have a negligible impact on local market dynamics.

Major Transactions

- Leasing volumes remain muted relative to 2023. Forty-one percent of all leasing activity took place in Class A space, indicating demand for quality space is still high.
- Pre-leasing activity is limited amid elevated modern-gen product availability.
- Sales activity for industrial product totaled \$2.1 billion in the first nine months of 2024, illustrating investor confidence in the Metro as a good location to place capital.
- BlackRock and Longpoint Realty Partners were among the third quarter’s top buyers.

Leasing Market Fundamentals

- Net absorption in the third quarter of 2024 was 2.5 MSF versus 10.4 MSF in construction deliveries as numerous speculative buildings delivered partially vacant.
- Unleased speculative construction deliveries, coupled with record levels of sublet vacant space, pushed the market’s total vacancy rate to 12.3%.
- Sublet availability leapt by 57.8% from last quarter to reach 6.2 MSF, a new high. New listings from Home Depot (1.3 MSF) and Logistics Plus (543 KSF) are factors.
- Under-construction activity decreased for the fifth consecutive quarter; 25.7 MSF is presently underway.
- The average asking rent dropped by 5.2% from year-end as the market readjusts to the influx of new construction and sublease space coming online.

Outlook

- Sublease availability will likely increase as distributors continue to pivot back to just-in-time inventory models amid slower demand for consumer goods.
- Phoenix will appeal to distributors priced out of Southern California. Namely, those that are warehousing goods with longer dwell times. Lower rents, lower taxes, less regulation, population growth, infrastructure enhancements and proximity to the Mexican border are among factors.
- BNSF will develop a 4,321-acre transportation hub in the North Glendale area that will include an intermodal terminal, a warehouse/distribution business park and rail-served sites. Groundbreaking will commence in 2025, with completion set for 2028. The Phoenix site will link to inland ports in Southern California and Dallas.

1. Economy
2. Market Fundamentals
3. Appendix

3Q24

Economy



Loaded Imports in the First Eight Months of 2024 Third Busiest Compared to Same Period of Prior Years



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West Coast Dockworkers Signed a New Contract in 2023; Their Eastern Counterparts are Next Up...



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Import Traffic Has Jumped Since Late 2023 at Los Angeles/Long Beach

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Retail Sales (an Indicator of Warehouse Demand) Continue to Moderate

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The Pandemic Accelerated E-Commerce Sales Growth and Adoption Rates

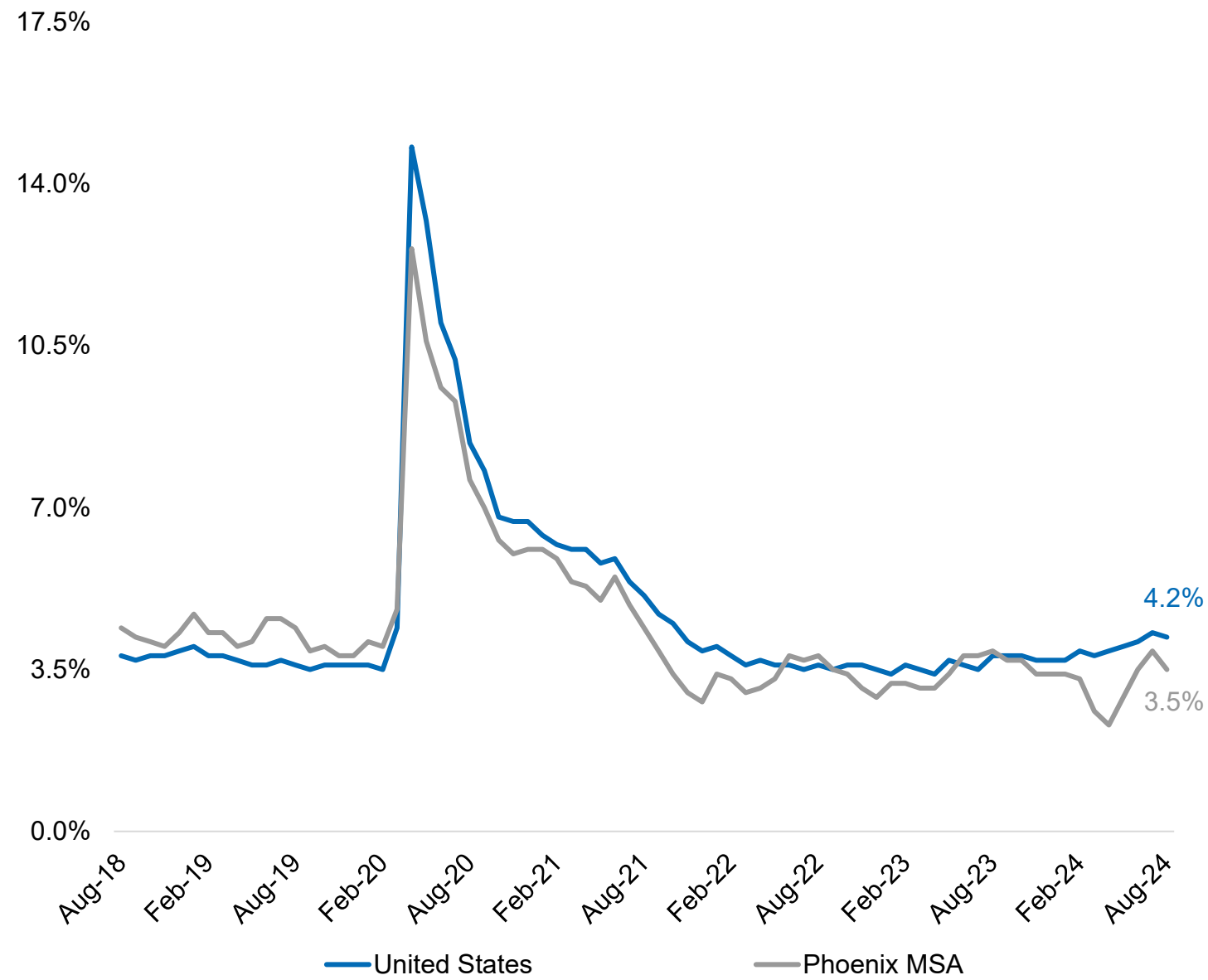


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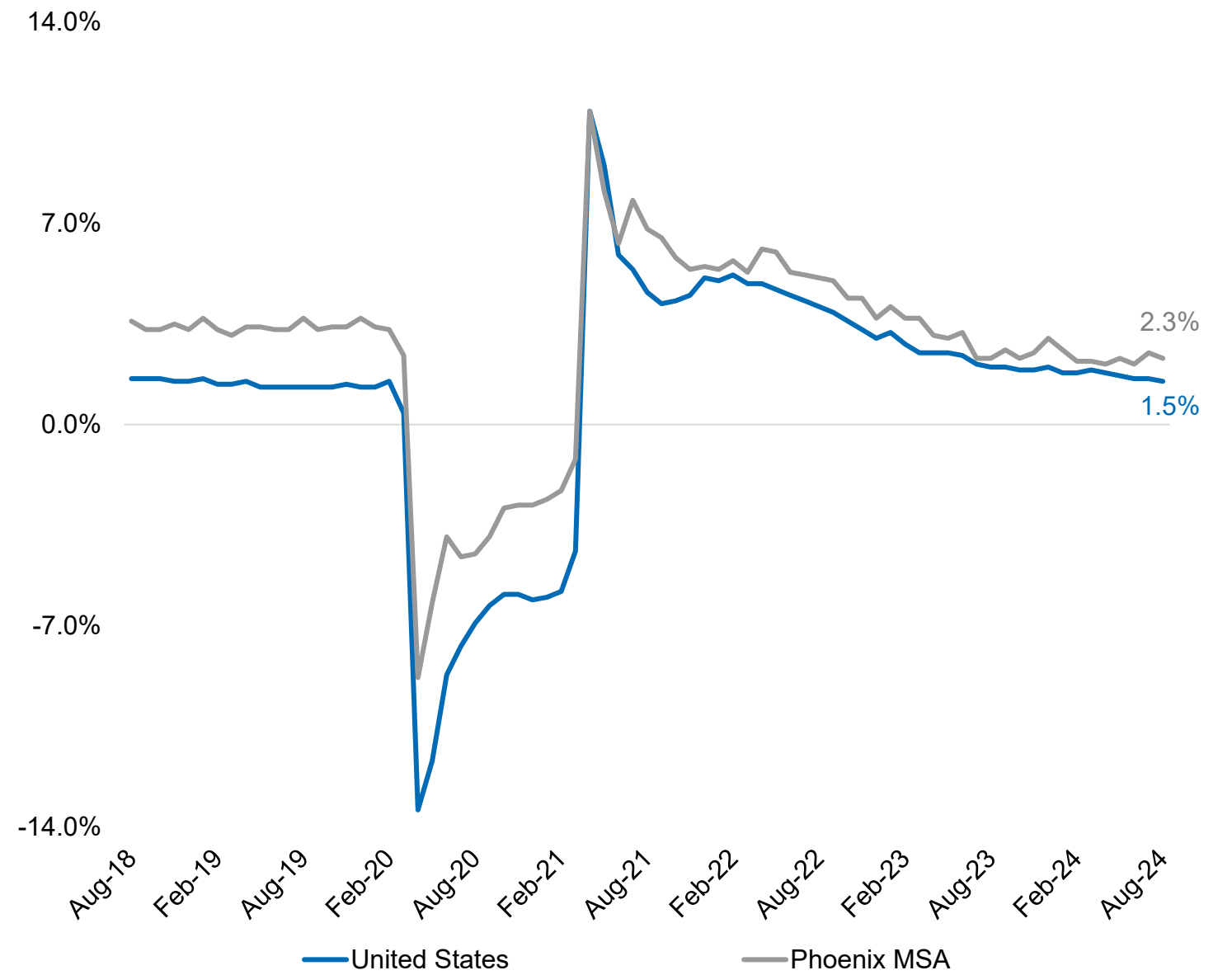
Phoenix's Labor Market is Outperforming the Nation's

Local unemployment (currently, 3.5%) has remained below the national average (4.2%) for 12-straight months. Overall local job growth has slowed but remains in the positive for now as companies adapt to softening economic conditions.

Unemployment Rate, Not Seasonally Adjusted



Nonfarm Payroll Employment, Non-Seasonally Adjusted, 12-Month % Change

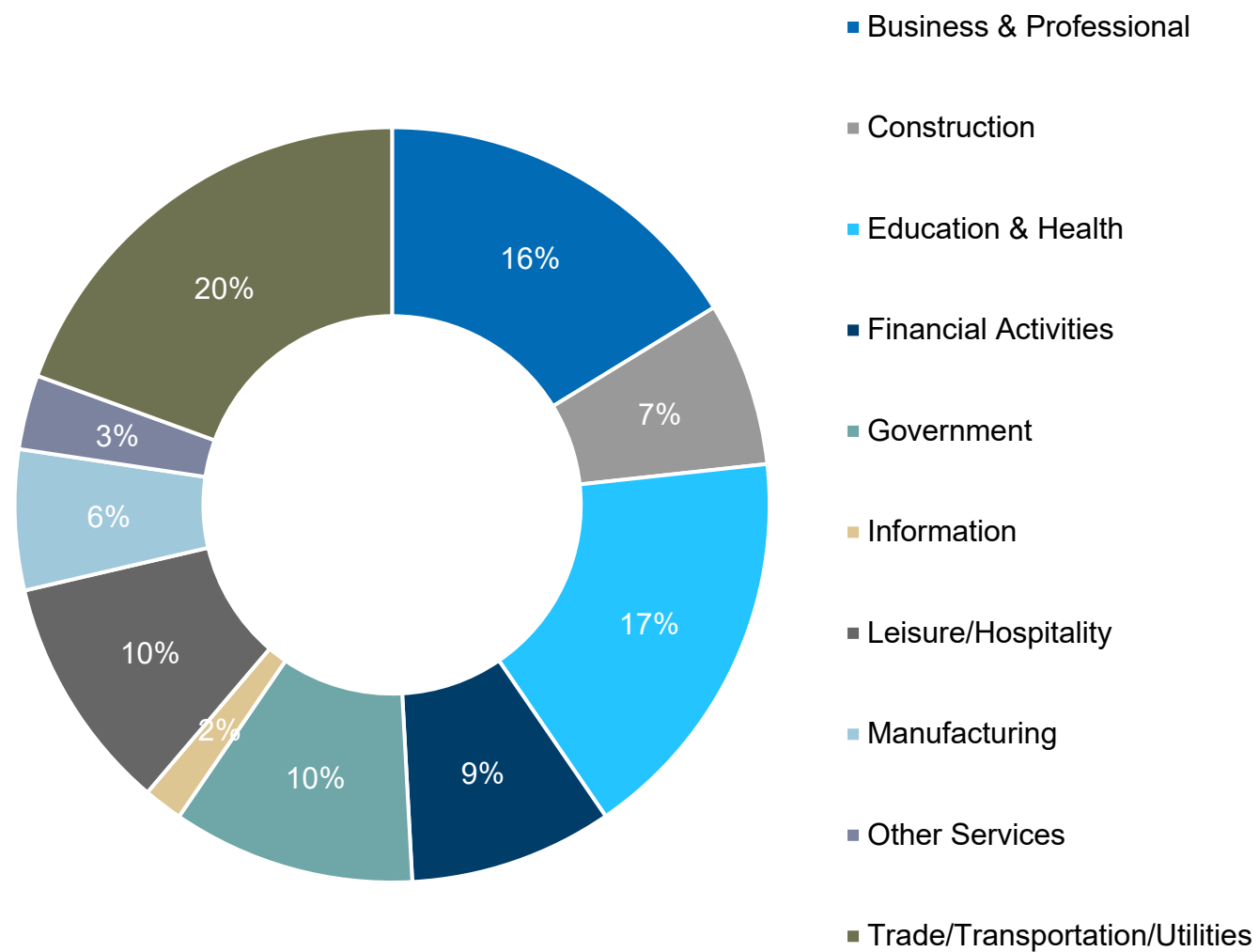


Source: U.S. Bureau of Labor Statistics, Phoenix MSA
 Note: August 2024 data is preliminary.

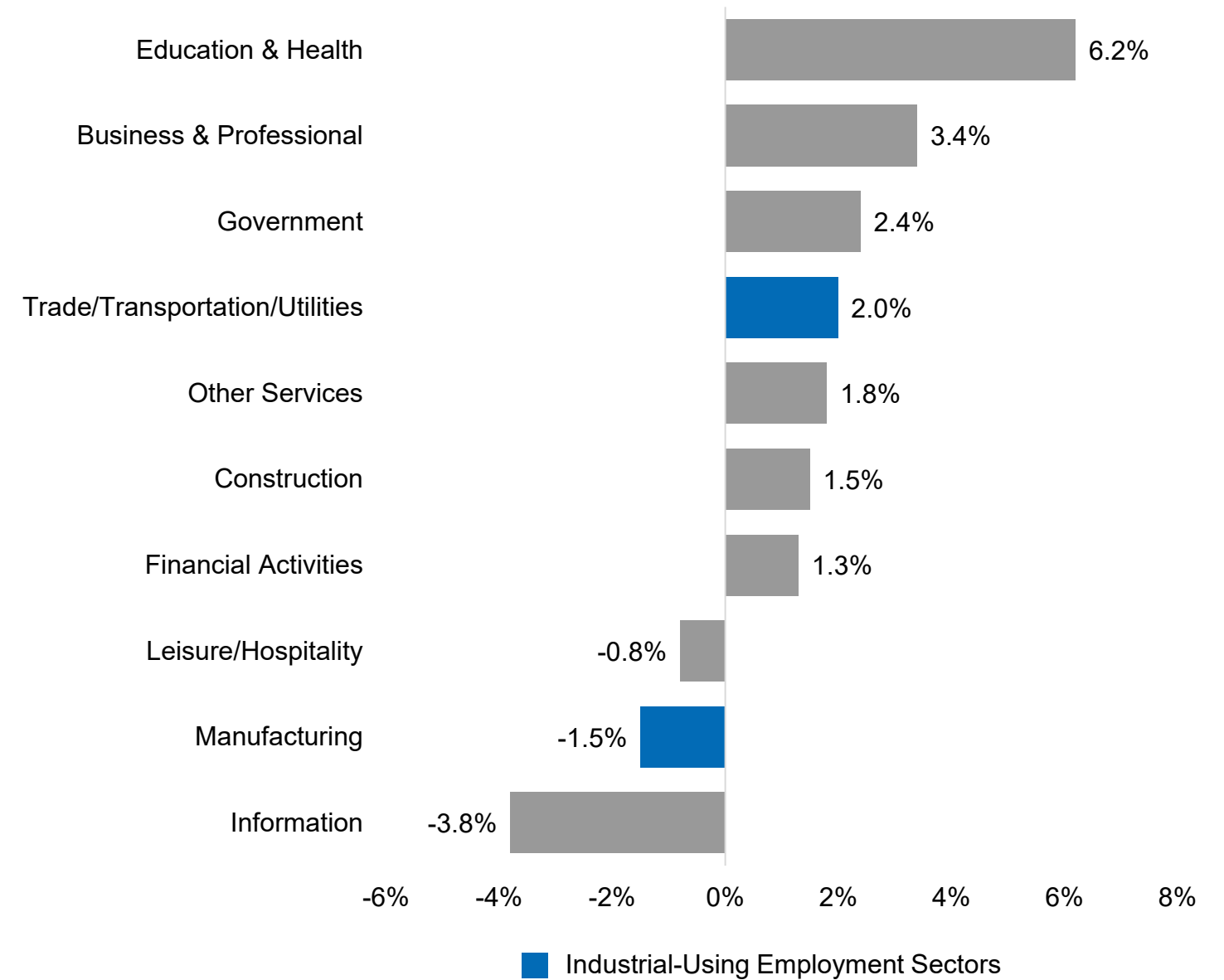
Job Growth Was Pronounced in Already Strong Employment Sectors

Education and health led all industries in annual job growth, followed by business and professional and government. For industrial-occupying sectors: trade/transportation/utilities grew by 2.0%. While manufacturing contracted by 1.5%.

Employment by Industry, August 2024



Employment Growth by Industry, 12-Month % Change, August 2024

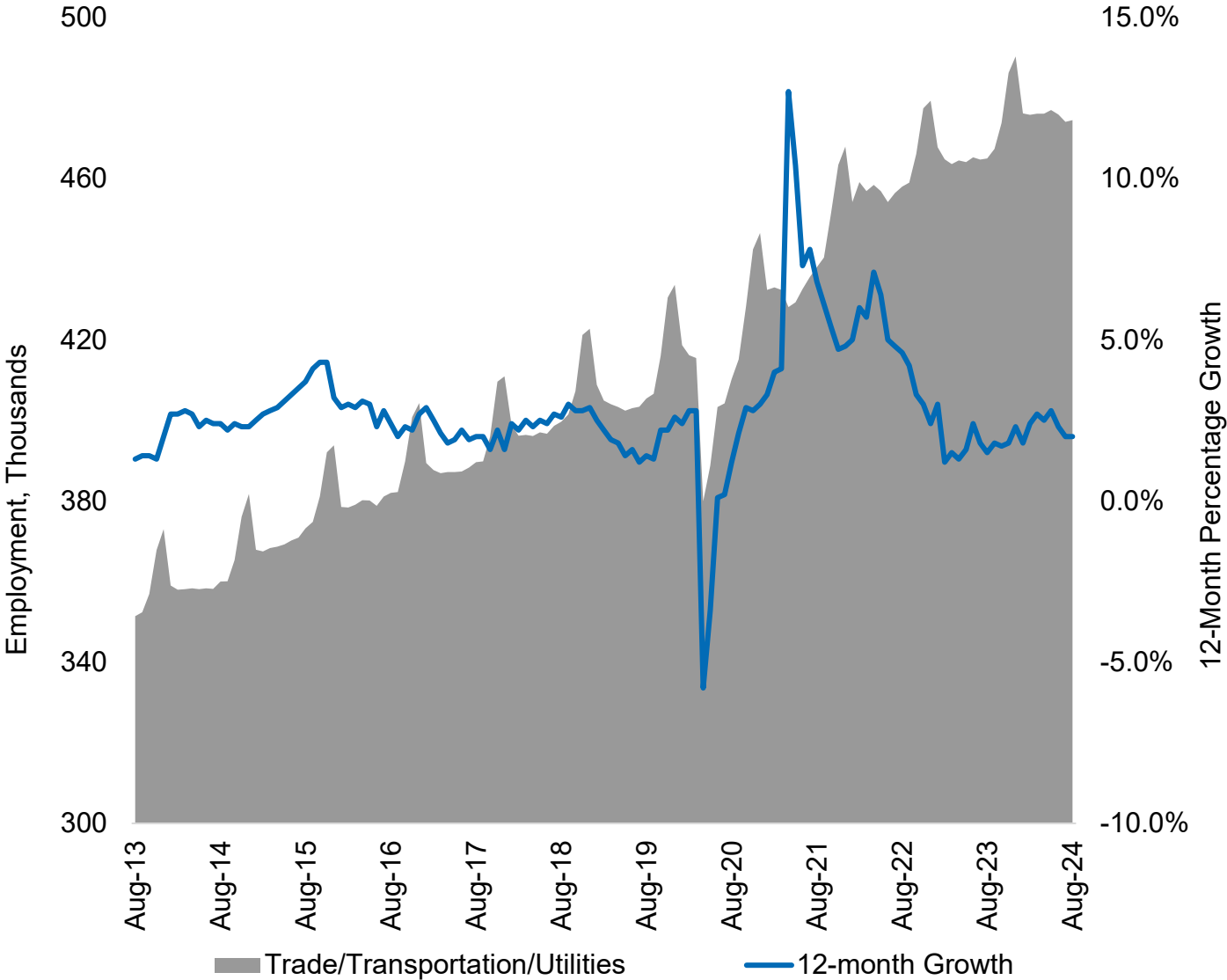


Source: U.S. Bureau of Labor Statistics, Phoenix MSA
 Note: August 2024 data is preliminary.

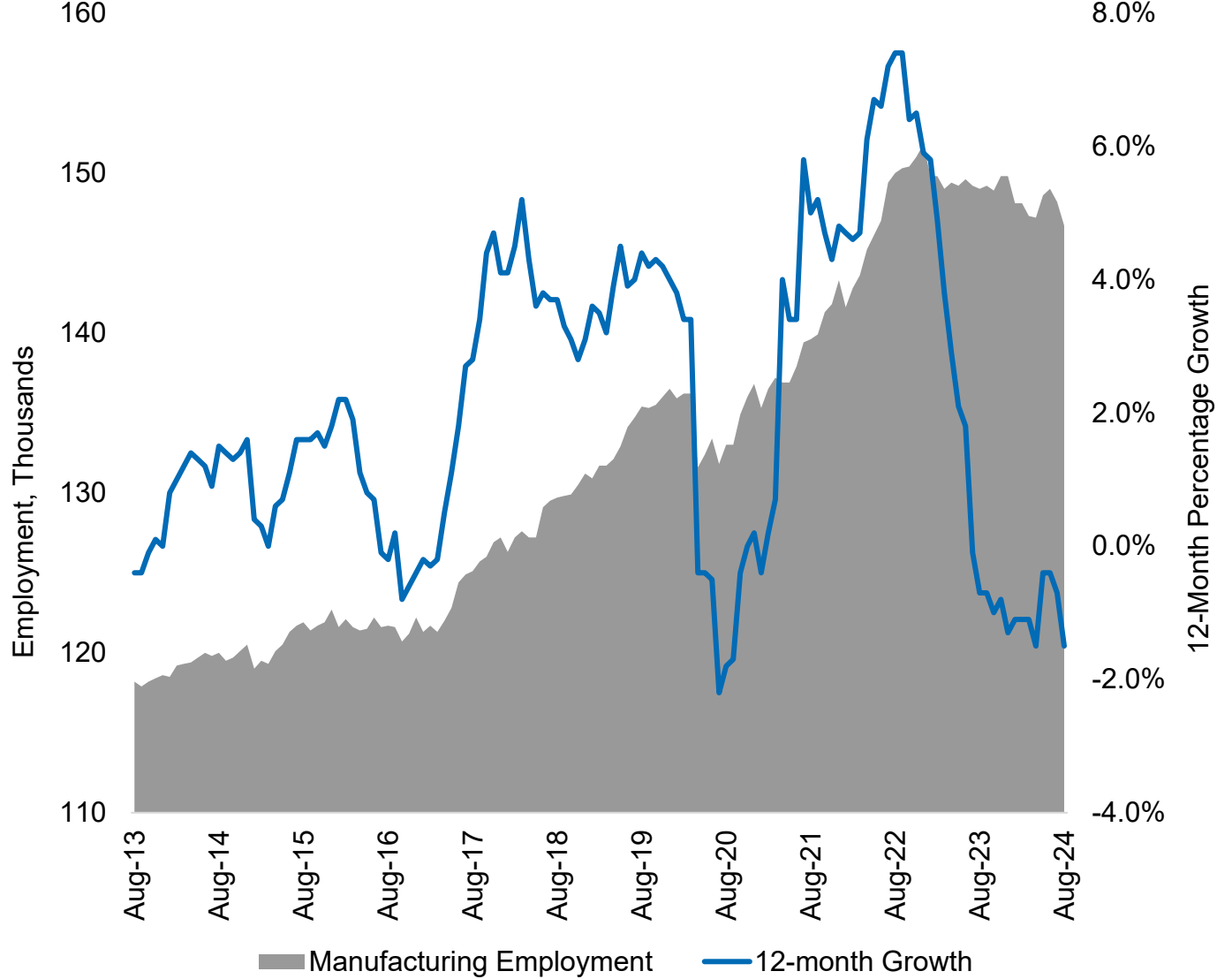
Seasonal Volatility Aside, TPU Employment is Strong; Manufacturing is Uneven

Phoenix's warehouse segment continues to benefit from population growth and distributors priced out of more expensive coastal markets. Manufacturing annual job growth contracted slightly for the time being but will trend upwards over the long-term since the White House designated the Metro as a workforce hub for advanced manufacturing.

Trade/Transportation/Utilities (TPU) Employment and 12-Month Growth Rate



Manufacturing Employment and 12-Month Growth Rate



Source: U.S. Bureau of Labor Statistics, Phoenix MSA

Union Pacific Opened a New Intermodal Terminal Near Downtown Phoenix This Year

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3Q24

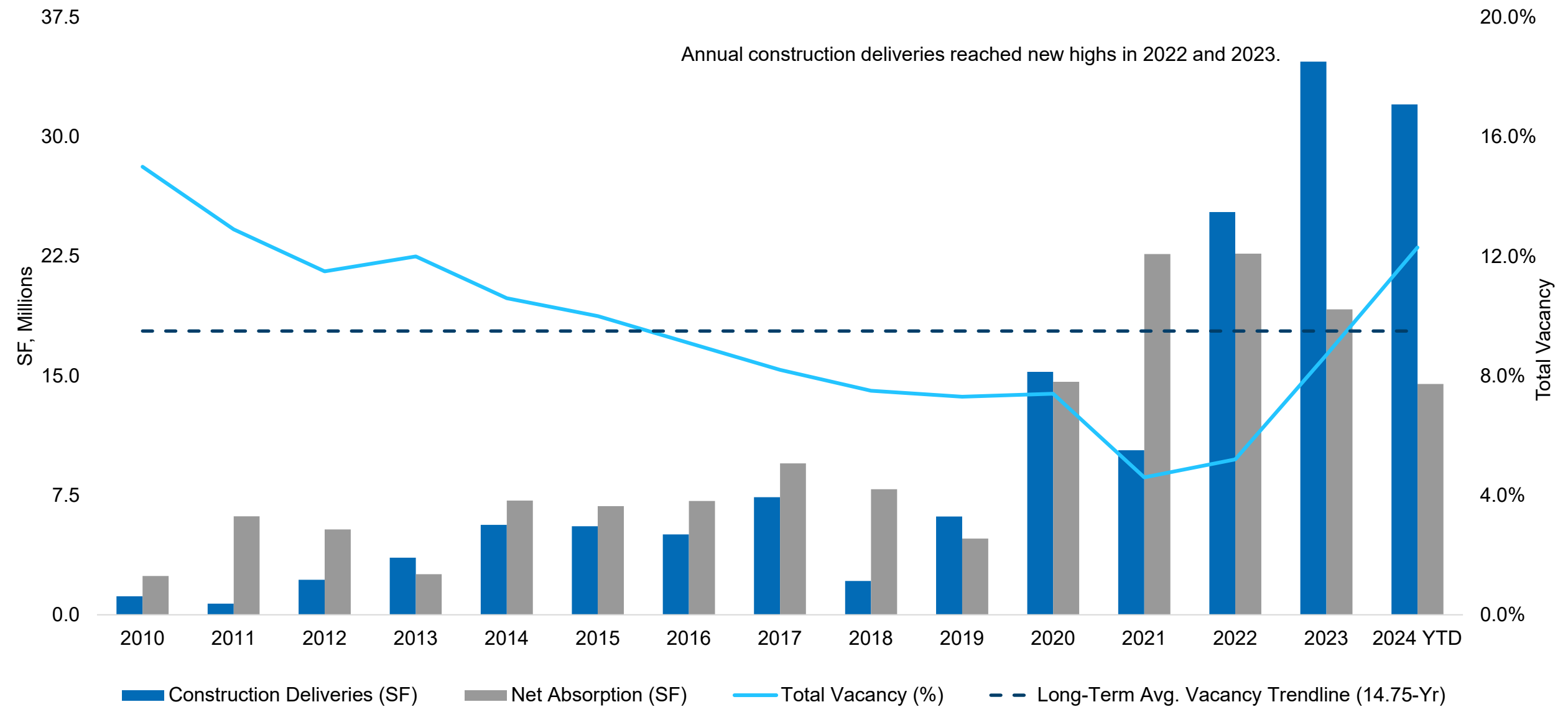
Market Fundamentals



Vacancy Surpasses Historical Average in 2024

Vacancy increased to 12.3% after 32.0 MSF in construction deliveries was met with 14.5 MSF in net absorption gains in the first nine months of 2024. Fewer construction starts will help to temper future vacancy increases as developers wait to see how the nearly 100 MSF delivered since 2021 will be absorbed by users in the coming quarters.

Historical Construction Deliveries, Net Absorption, and Vacancy

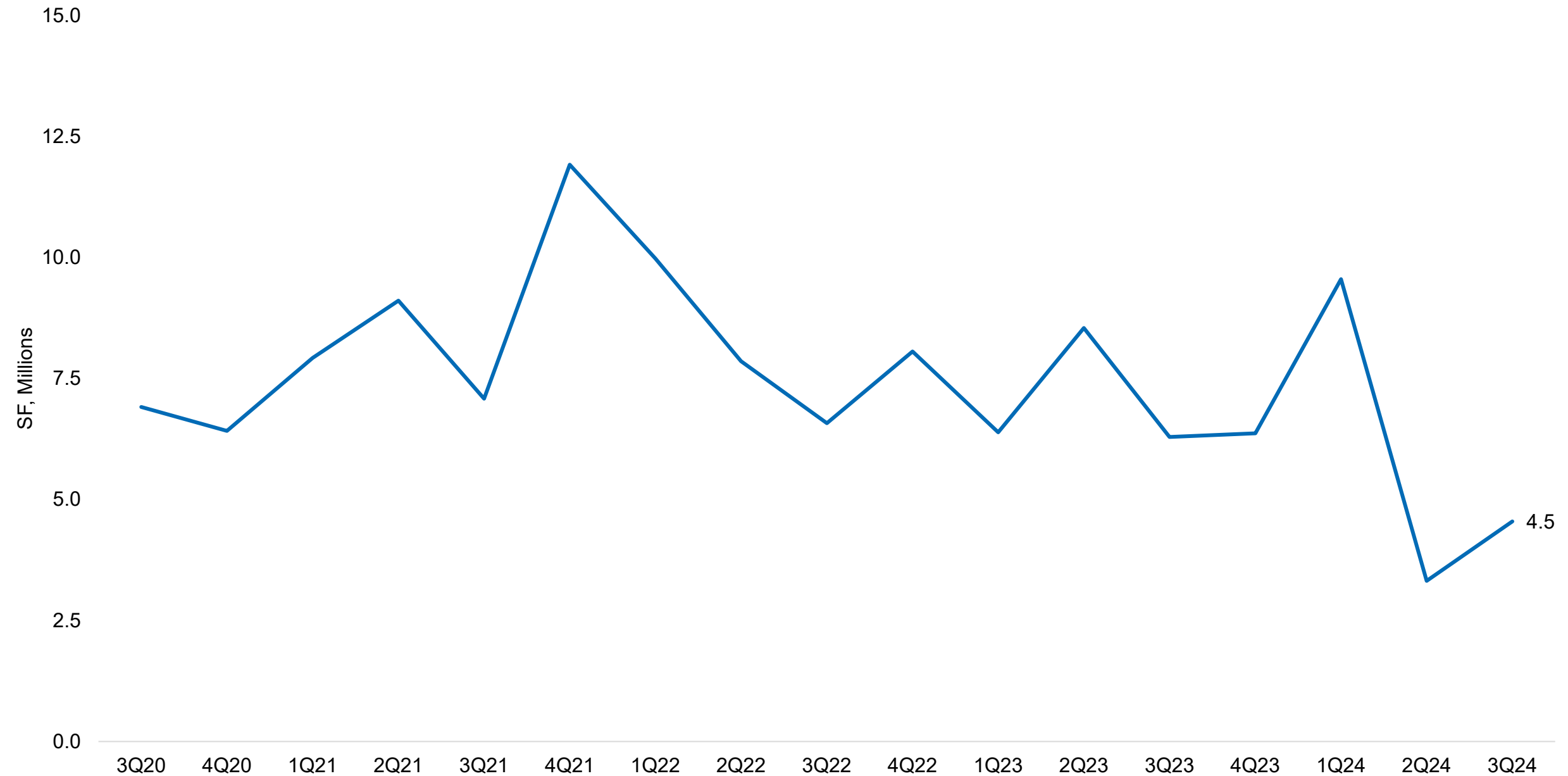


Source: Newmark Research

Industrial Leasing Activity Stalls in 3Q24

This quarter's leasing activity totaled 4.5 MSF, the second-lowest the Metro has experienced in the last four years and a modest improvement on the previous quarter. Pre-leasing activity that was prominent in 2021 and 2022 slowed down and more tenants are waiting for buildings to deliver first before signing leases. Tenant downsizes and general cost-cutting efforts are also crimping leasing momentum.

Total Leasing Activity (SF)

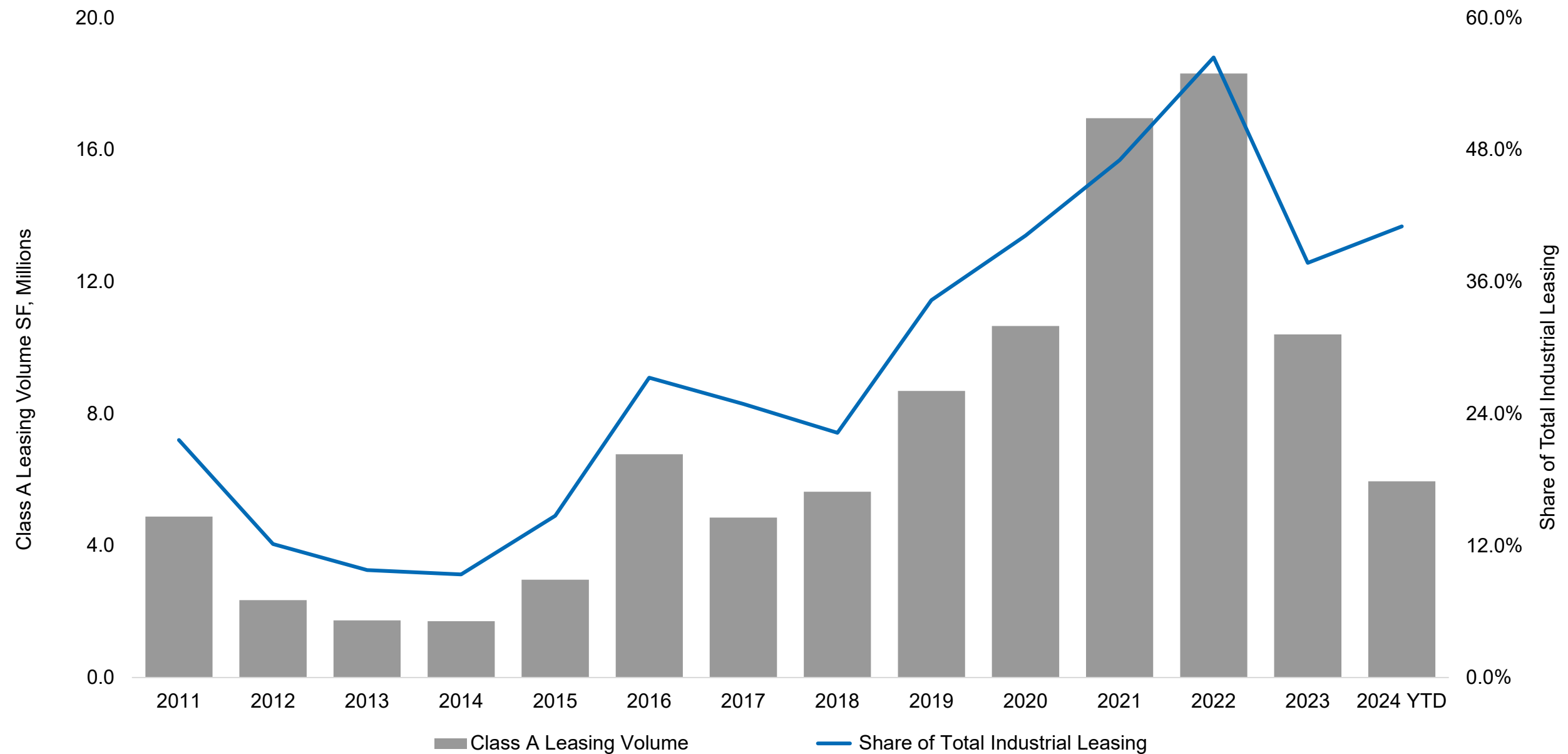


Source: Newmark Research

A Cooling Industrial Market Sees Lowered Class A Warehouse Leasing

Class A leasing activity has noticeably decreased since 2021. Class A accounted for 41.0% of leasing activity in the nine months of 2024. Demand for Class A space remains strong, but with the current influx of new supply, tenants have the upper hand with more options to choose from as landlords look to fill vacancies.

Industrial Class A Leasing Volume and Percentage of Total Industrial Leasing Volume

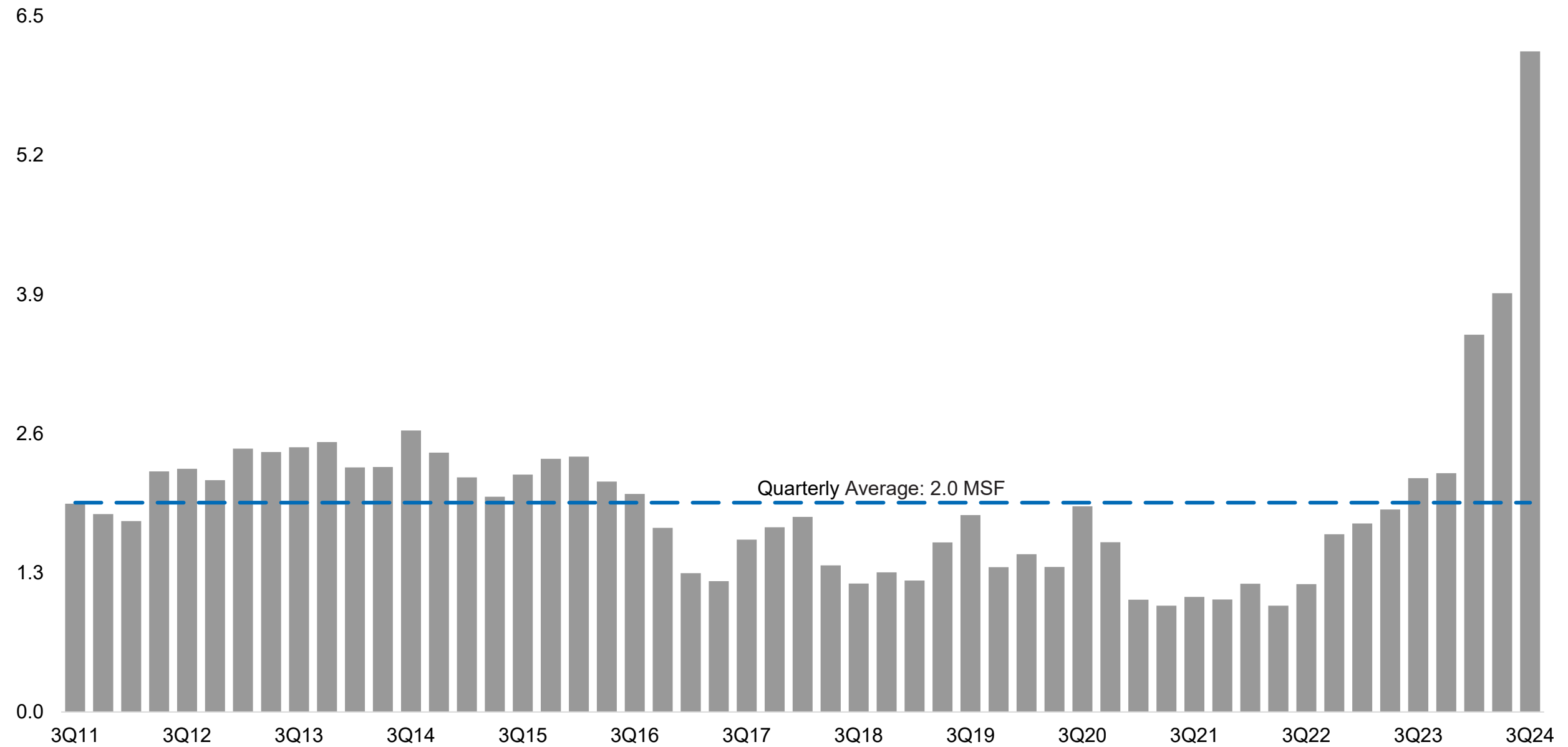


Source: Newmark Research

Industrial Sublease Availability Soared to Record High in 3Q24

Sublet availability reached a historical high in the third quarter amid limited sublease signings and new listing from Home Depot (1.3 MSF), Logistics Plus (543 KSF) and a host of smaller offerings.

Available Industrial Sublease Volume (MSF)

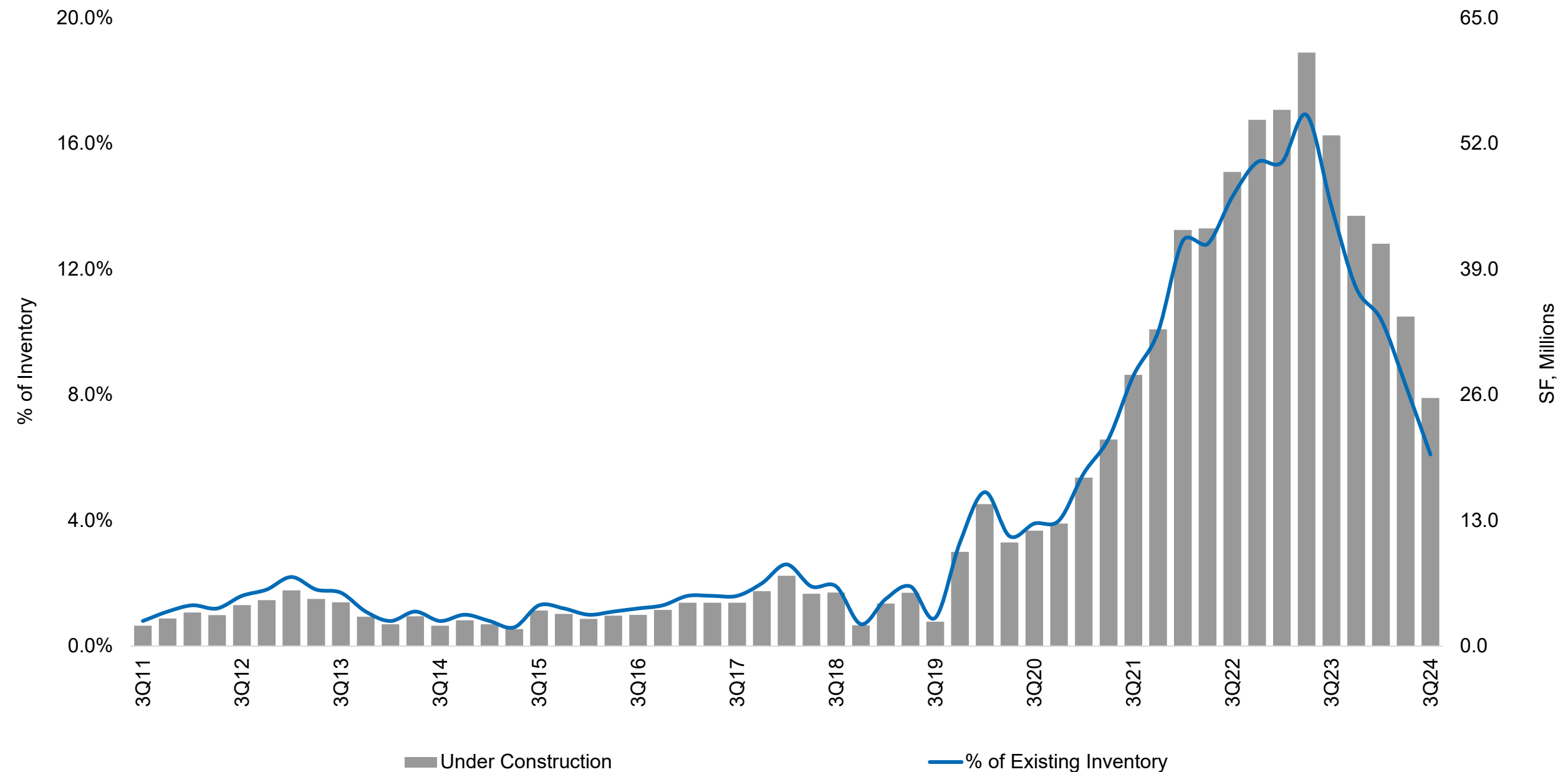


Source: Newmark Research

Industrial Supply Pipeline Continues to Empty

The construction pipeline, after reaching a high of 61.4 MSF in the second quarter of 2023, is decreasing. Since 2021, the Phoenix Metro inventory base has increased dramatically – up by 32.3% in the last 3.75 years. Phoenix has the most underway product compared to other Southwest markets: a testament to the Metro’s ability to attract new businesses and investors alike before inflation took hold and construction debt financing became more difficult.

Industrial Under Construction and % of Existing Inventory

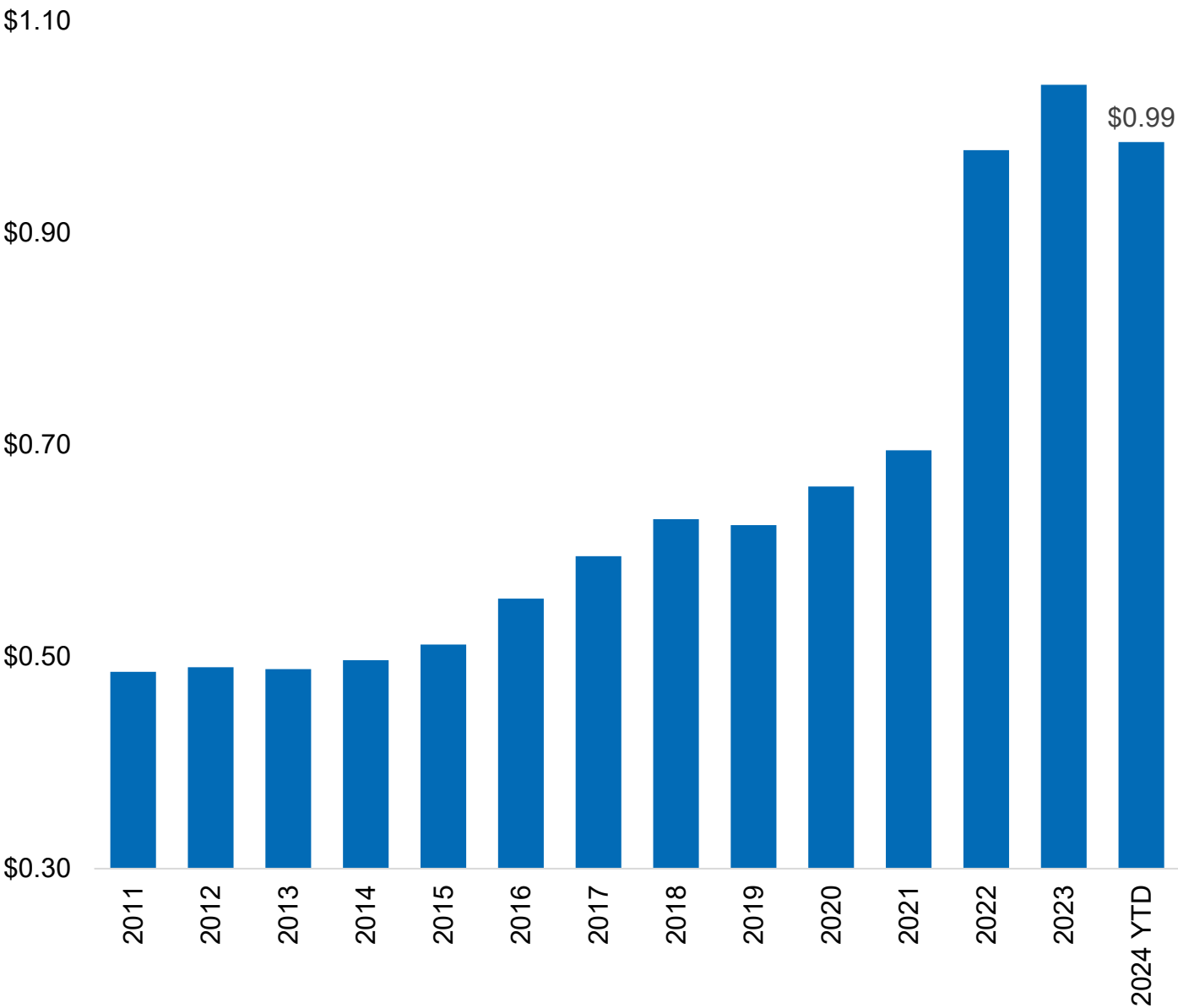


Source: Newmark Research

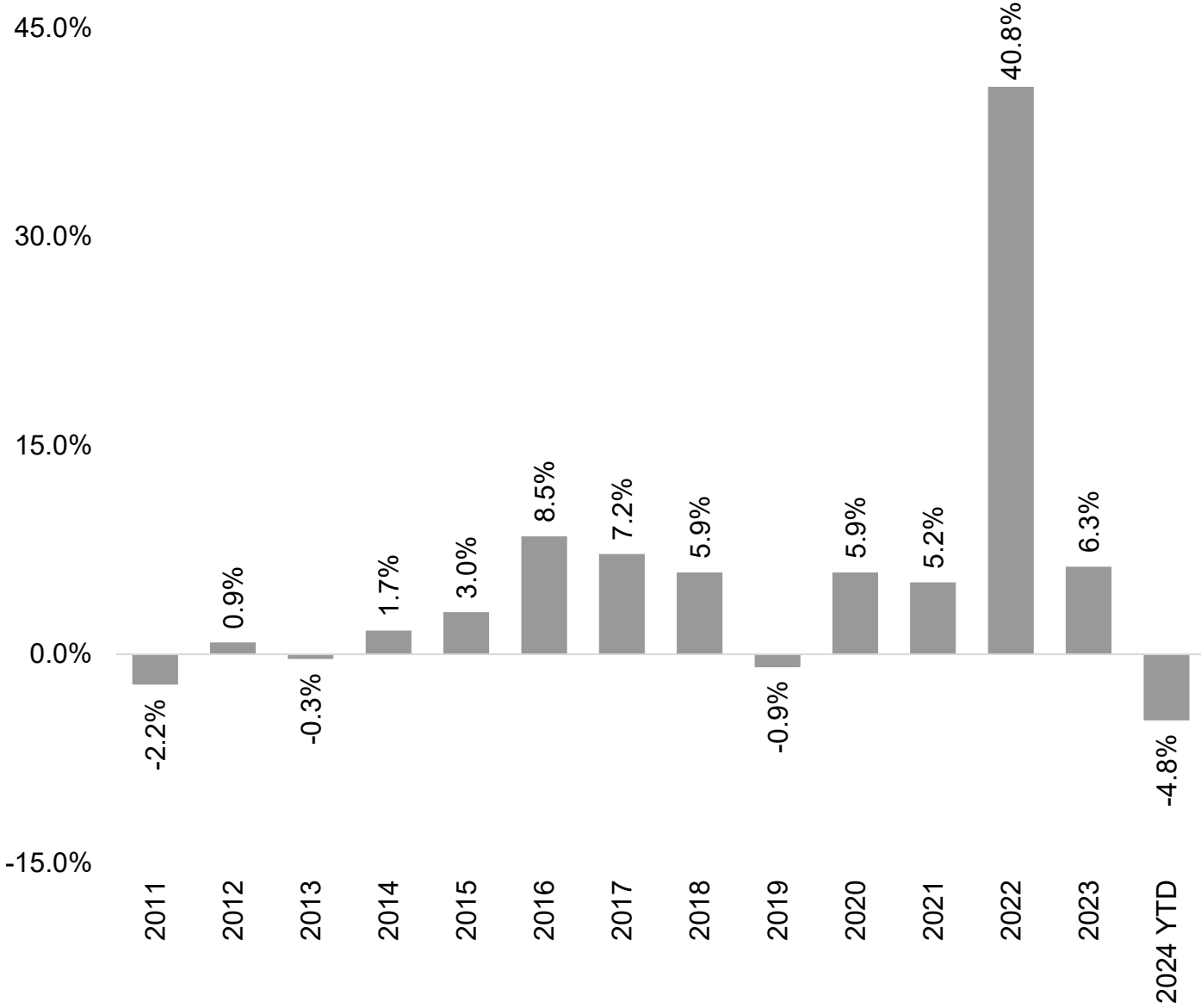
High Construction Levels and Increased Sublease Availability Drop Asking Rents

Continued high levels of speculative construction deliveries, alongside record high sublet availability, has pushed asking rents down as landlords work to attract tenants. As construction deliveries decline in the coming quarters and right-sizing efforts slow, asking rents will eventually plateau. They will increase when leasing activity eventually picks up.

Industrial Average Asking Rent, \$/SF/Month, NNN



Year-over-Year Asking Rent Growth Rate % Change



Source: Newmark Research

Exceptional Effective Rent Growth in Recent Years is Reversing Course

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Notable 3Q24 Lease Transactions

Key lease agreements played a major role in securing the credibility of Phoenix as a central hub for manufacturing and 3PL users.

Select Lease Transactions

| Tenant | Building(s) | Submarket | Type | Square Feet |
|--|------------------------------------|-----------|-----------------|-------------|
| GTI Fabrication | Laikin Park Building 1B | Goodyear | Direct Lease | 531,583 |
| <i>The pre-fab building manufacturer will occupy the vacant property as the sole tenant in December.</i> | | | | |
| American Tire Distributors | 2001 S 15 th Ave | Phoenix | Lease Extension | 192,761 |
| <i>The automotive firm has renewed its lease at the property through 4Q29.</i> | | | | |
| Freeport | 5302 W Buckeye Rd | Phoenix | Direct Lease | 137,980 |
| <i>The Phoenix-based mining company the vacant property in 1Q25. Lease term expires in 1Q26.</i> | | | | |
| Quantum | 5026 E Ellsworth Rd | Mesa | Direct Lease | 135,759 |
| <i>The mechanical and plumbing contractor occupied the property in July. Lease term expires in 3Q35.</i> | | | | |
| Vistar | SWC 75 th Ave & Dobbins | Laveen | Pre-lease | 131,500 |
| <i>The food and beverage distributor will move into the facility when it delivers in December. Lease term expires in 4Q39.</i> | | | | |

Notable 3Q24 Sale Transactions

Sales volume in 2024 will likely top that of 2023's.

Select Sale Transactions

| Building Address | Submarket | Sales Price | Price/SF | Square Feet |
|---|-----------------|---------------|----------|-------------|
| The Cubes at Glendale – 15301 W Northern Ave | Glendale | \$128,100,000 | \$107 | 1,200,140 |
| <i>BlackRock acquired the property from CRG in July.</i> | | | | |
| 8201 E McDowell Rd | Scottsdale | \$61,100,000 | \$72 | 850,000 |
| <i>Baker Development Corporation acquired the property from General Dynamics in a sale-leaseback.</i> | | | | |
| Falcon Park 303 – Phase II – 15152 W Camelback Rd | Litchfield Park | \$50,000,000 | \$153 | 326,018 |
| <i>EQT Exeter acquired the property from US Capital Development in July.</i> | | | | |
| University Logistics Center – 1345 S 52 nd St | Tempe | \$27,500,000 | \$245 | 112,300 |
| <i>Setna IO acquired the property from LBA Logistics in July.</i> | | | | |
| KV Buckeye 10 – 835 N 215 th Ave (portfolio) | Buckeye | \$27,135,460 | \$202 | 134,400 |
| <i>MDH Partners acquired the property from Kentwood Ventures in August.</i> | | | | |

2024 Will Top 2023 in Sales Volume

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Private, Opportunistic Buyers Are Active



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3Q24

Appendix



Phoenix Metro Industrial Submarket Map and High-Level Statistics | 3Q24



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Population Has Quadrupled Over the Past Five Decades



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Access to Large Populations and Lower Costs of Doing Business Favor Phoenix

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