

Los Angeles
Orange County
Ventura
Inland Empire
Phoenix

Q2 | 2020

Market Report

Phoenix Industrial



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MARKET ACTIVITY



KEY TAKE AWAYS

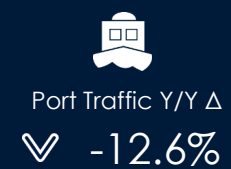
MARKET

- **Vacancy Rate:** Increased by 10 BPS to 7.5% in Q2.
- **Net Absorption:** Increased by over 2.1M SF from Q1, representing 0.98% of inventory.
- **Sales:** The median price PSF in Q2 was \$113.63. Volume fell off by over 54.2%.
- **Industrial Supply:** Nearly 4M SF was delivered in Q2. Under construction fell due to the large amount of deliveries in Q2, but remains above 12.5M SF emphasizing the future growth of this market.

ECONOMIC OUTLOOK

- **GDP:** Q2 is expected to be the worst quarter in history with an estimated decline of over 35% from Q1 due to the unprecedented economic shutdowns from COVID-19. The NBER has declared the U.S. is in a recession that started in February.
- **Employment:** Over 47M Americans have filed for unemployment since economic shutdowns began 14 weeks ago in order to combat COVID-19.
- **Economic Relief:** As part of the larger \$2.2 Trillion CARES, Congress appropriated \$659B for the Paycheck Protection Program (PPP) to provide forgivable loans to small businesses. As of 6/29, over 4.8M loans have been approved. The efficacy of this program is paramount for the U.S. & CRE.

ECONOMIC OUTLOOK



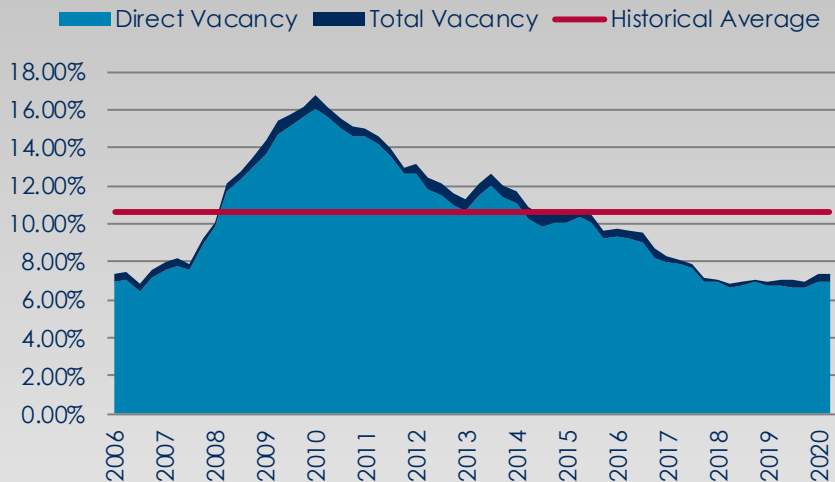
EXPERIENCE IN A CHANGING MARKET

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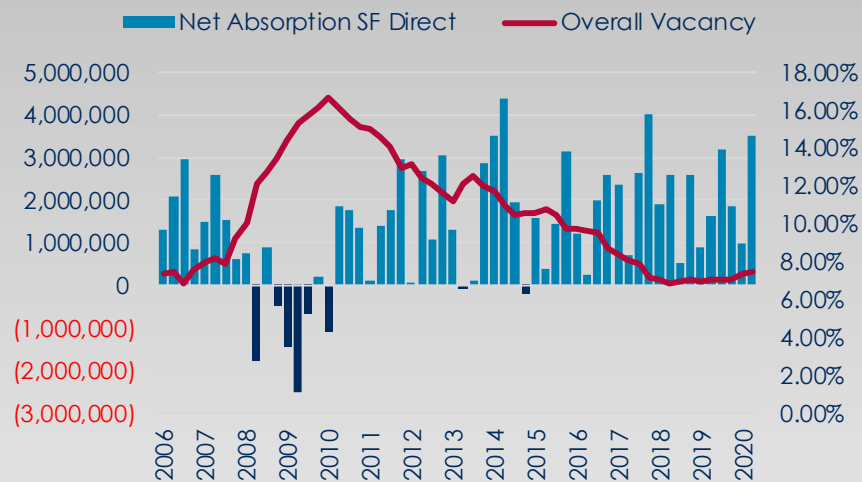


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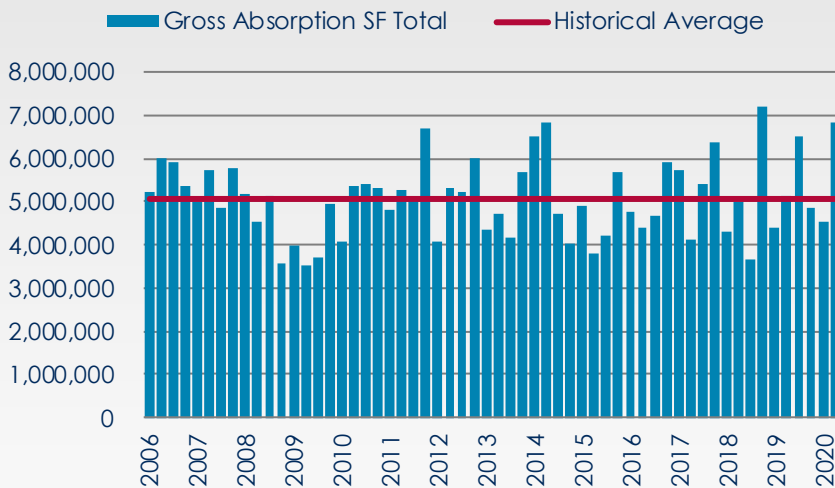
OVERALL VACANCY INCREASED BY 10 BPS IN Q2



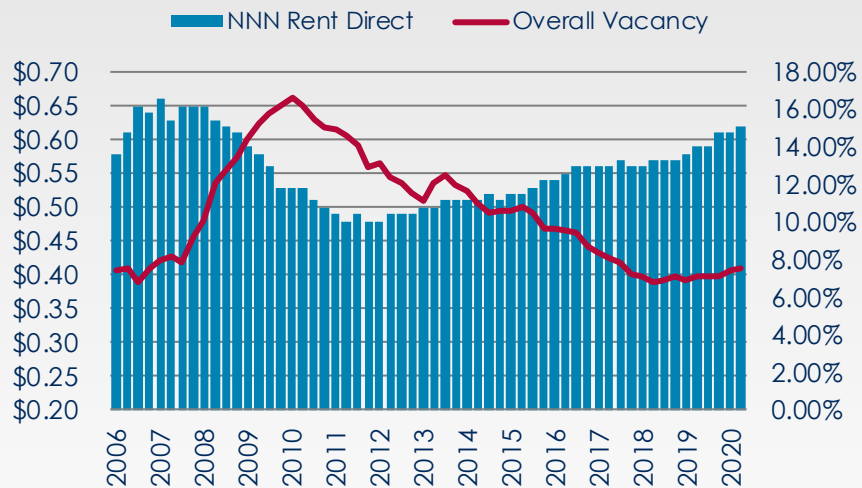
NET ABSORPTION IMPROVED BY OVER 2.1M SF FROM Q1 TO NEARLY 3.4M SF



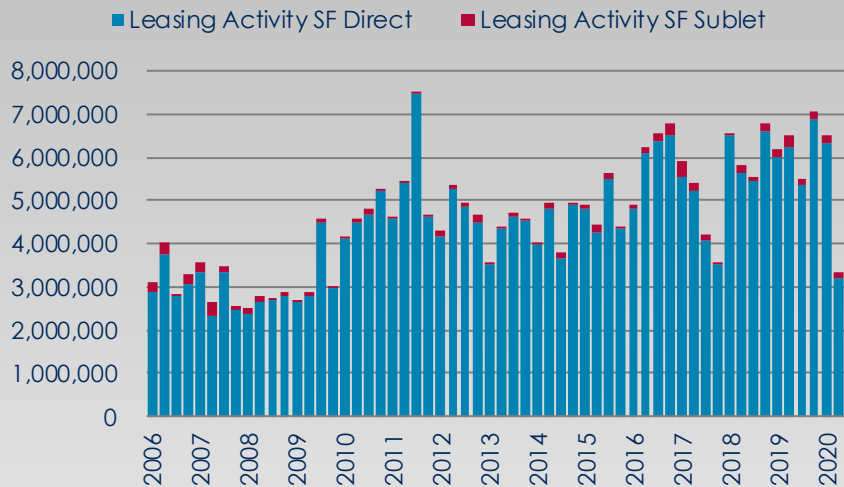
GROSS ABSORPTION INCREASED BY 51% FROM Q1 TO OVER 6.8M SF



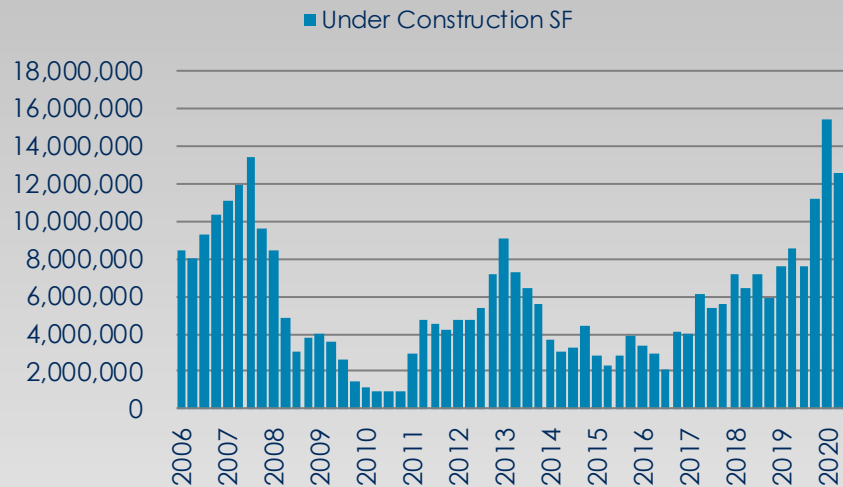
ASKING RENTS MINIMAL INCREASE OF \$0.01 PSF



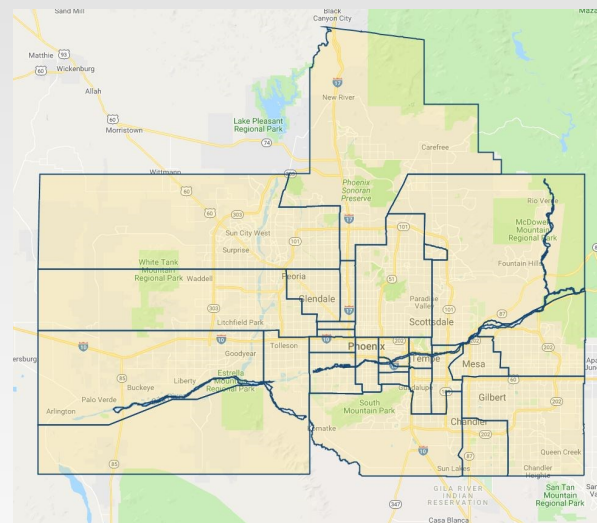
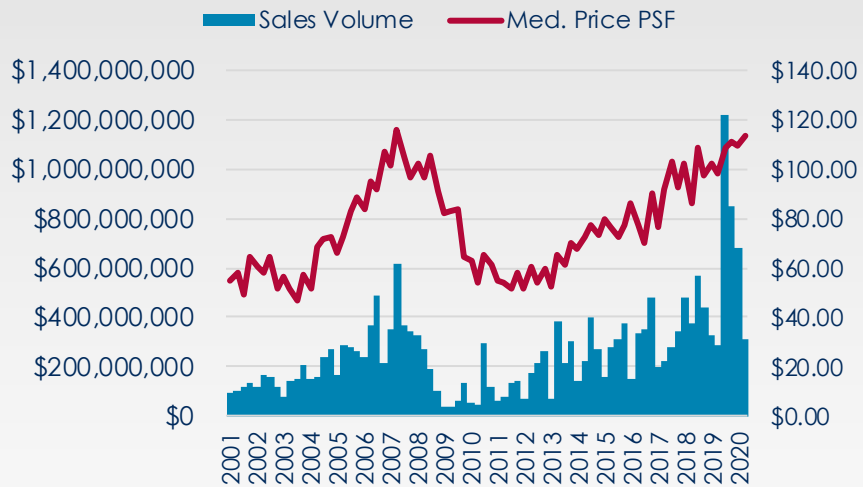
LEASING ACTIVITY DROPPED BY 49% FROM Q1 TO OVER 3.3M SF



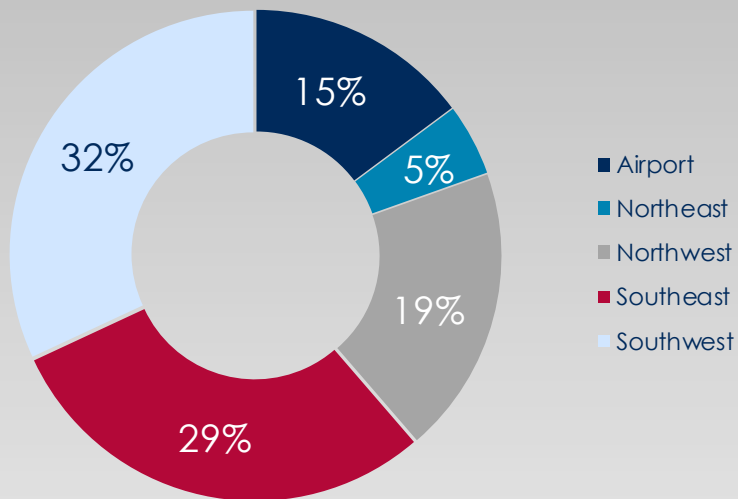
CONSTRUCTION ACTIVITY NEARLY 4M SF WAS DELIVERED IN Q2. UC NOW OVER 12.5M SF



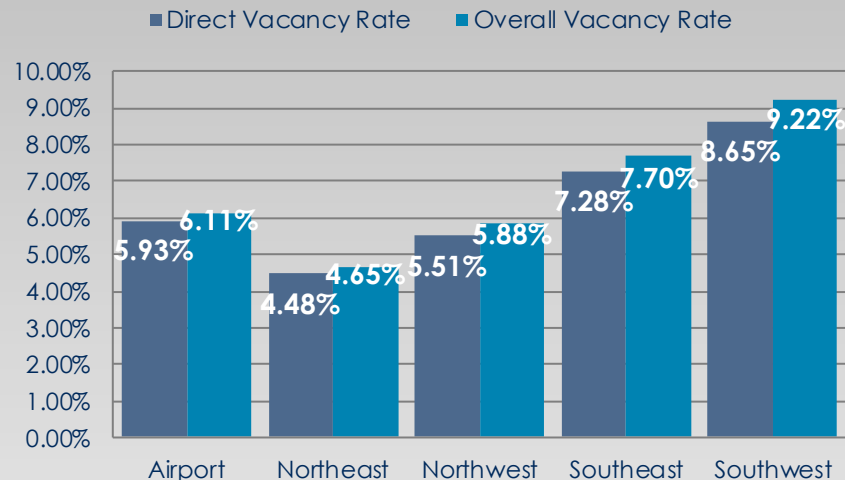
SALES VOLUME DOWN 54.2% FROM Q1. THE MEDIAN PRICE PSF WAS \$113.63



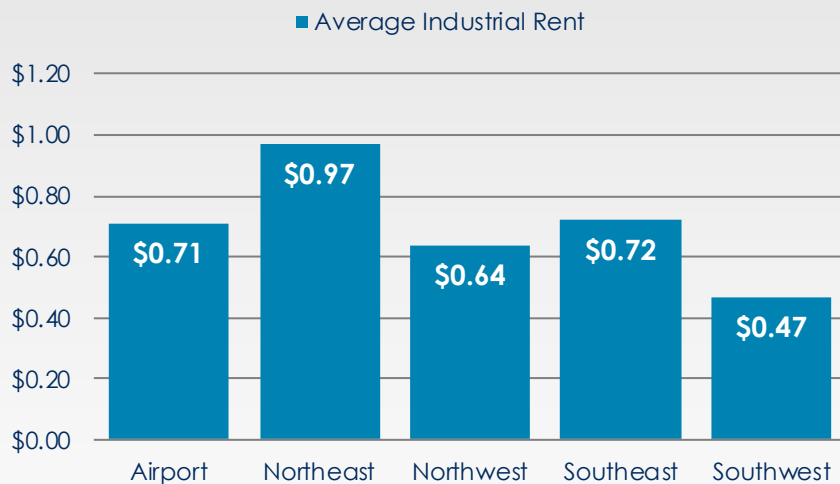
SQUARE FOOT BREAKDOWN- 343,841,455 SF MARKET SIZE



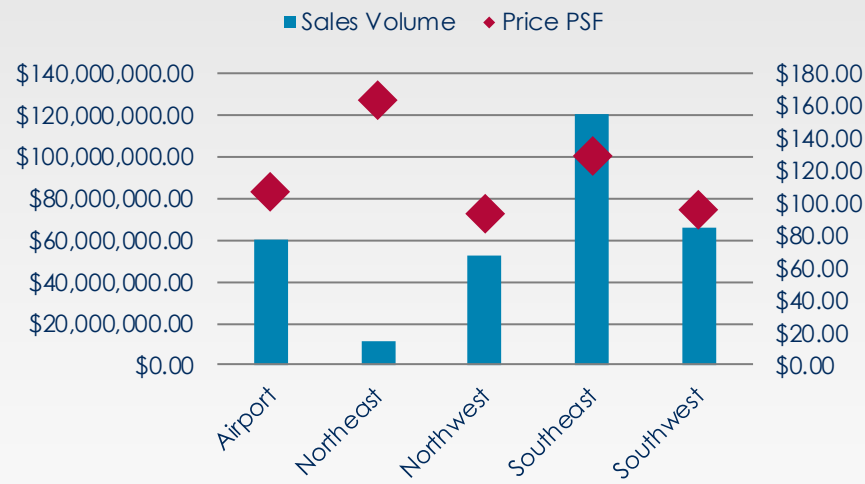
VACANCY BREAKDOWN



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

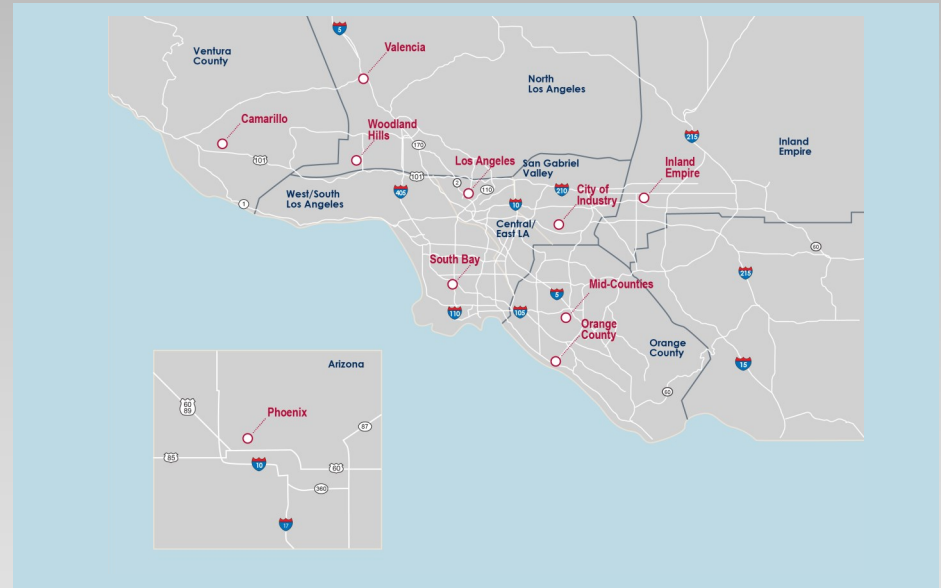
The net change in occupied space over a given period of time, calculated by summing all the positive changes in occupancy (move ins) and subtracting all the negative changes in occupancy (move outs).

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 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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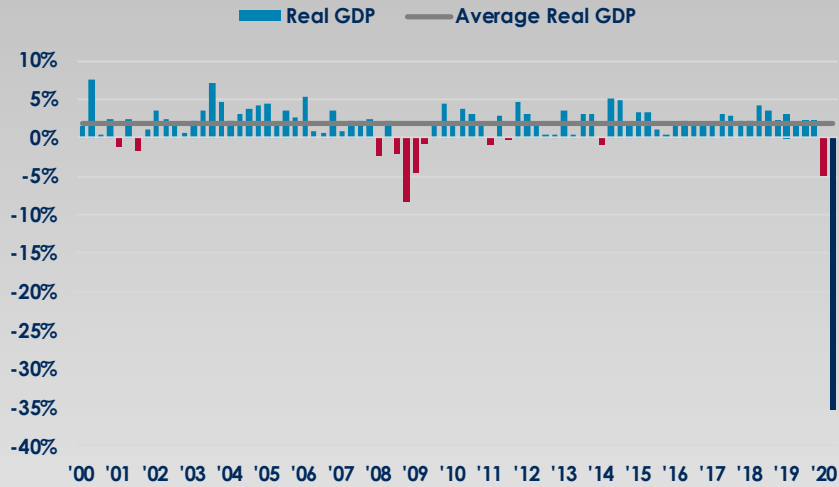
Economic Overview



Q2 2020

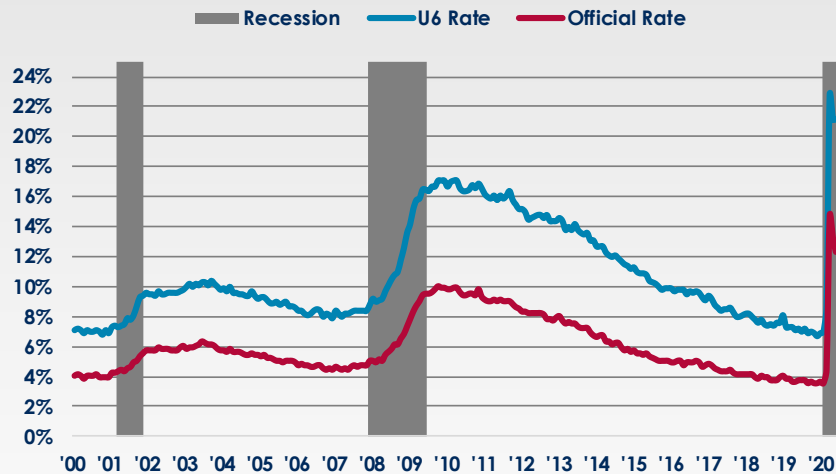
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GDP IN Q1 FINISHED AT -5.0%. Q2 EST. TO BE WORST IN HISTORY

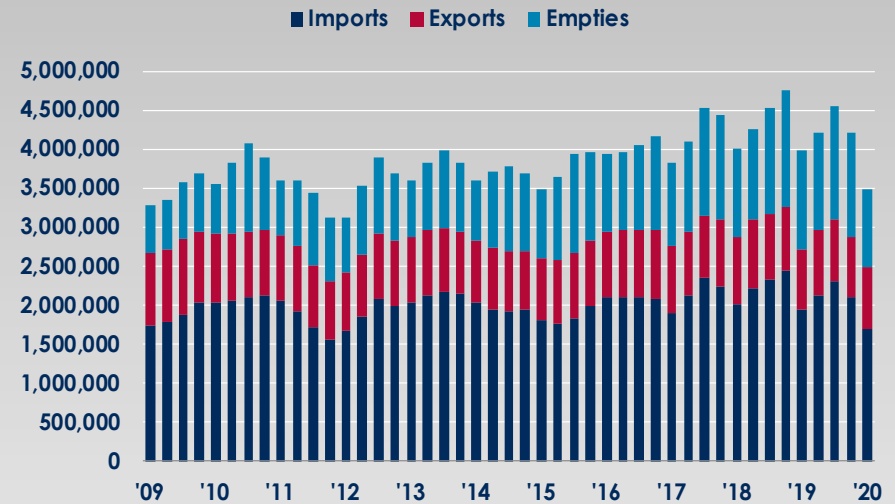


*-35.3% for 2Q20 based on CNBC/Moody's Analytics Rapid Update Survey

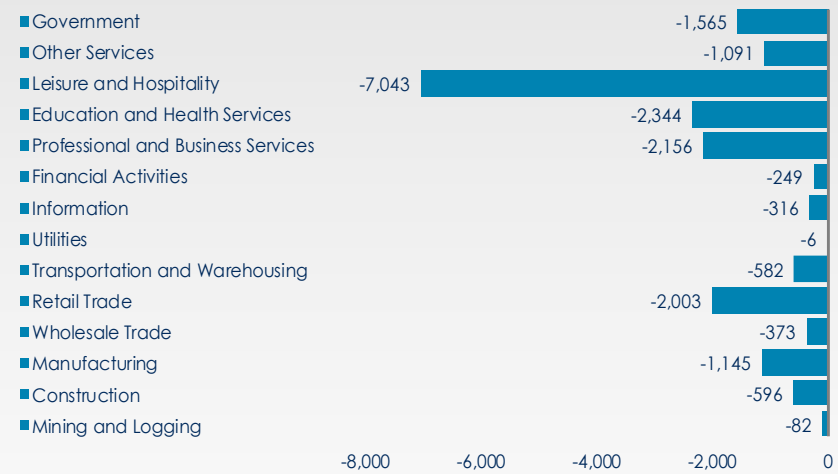
THE IMPACT FROM COVID-19 BEGINS TO SHOW



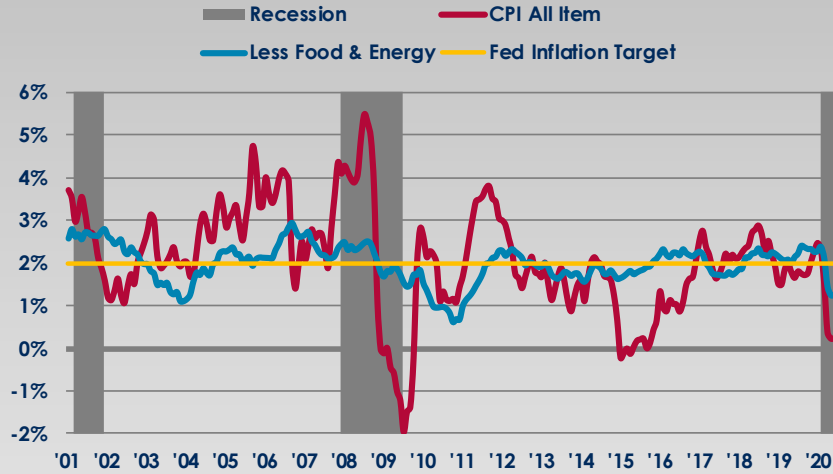
PORT ACTIVITY FELL BY 17.1% FROM Q3. DECLINE EXPECTED IN Q2-20



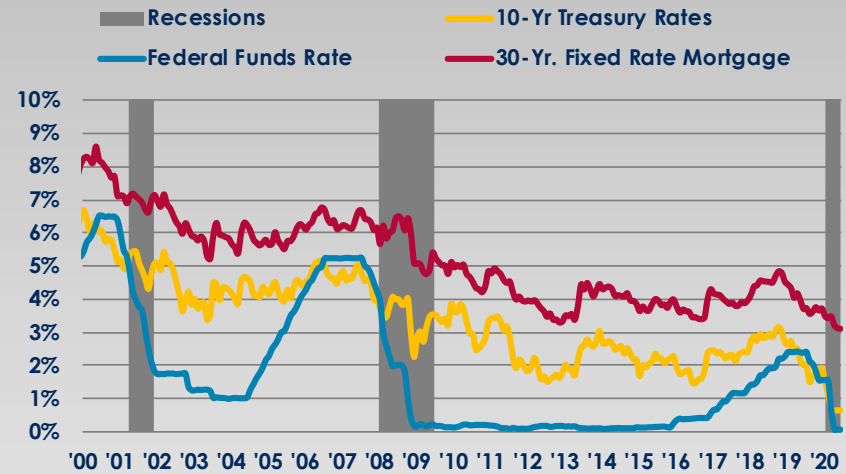
LEISURE & HOSPITALITY HIT HARD DUE TO SHUTDOWNS FROM COVID-19



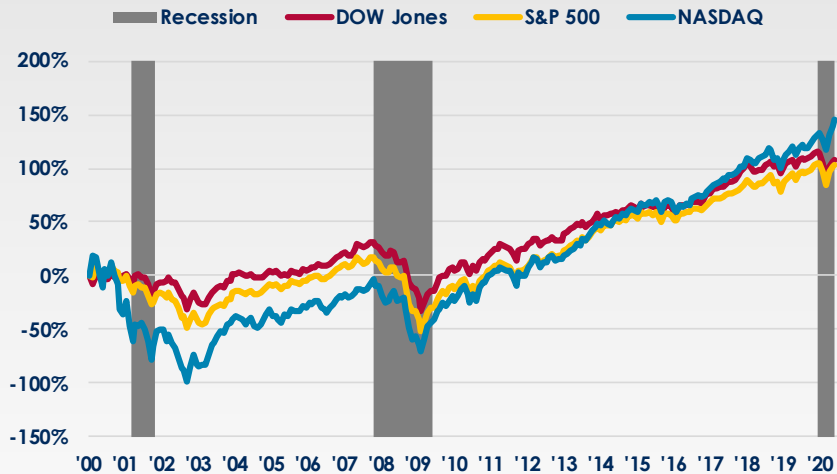
CPI FELL DRASTICALLY IN Q2



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



THE STOCK MARKET HAD ITS BEST QUARTER IN OVER 20 YEARS



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

