



EXCLUSIVE OFFERING MEMORANDUM
Net-Leased Investment Opportunity
17602 N. Black Canyon Highway, Phoenix, AZ 85053

Paul E. Boyle
Executive Director
602.224.4414
Paul.Boyle@cushwake.com

Rick Danis
Executive Director
602.224.4405
Rick.Danis@cushwake.com



Disclaimer

Cushman & Wakefield ("Agent") has been engaged as the exclusive agent for the sale of 17602 N. Black Canyon Highway (the "Property"), by the owner of the Property ("Seller").

The Property is being offered for sale in an "as-is, where-is" condition and Seller and Agent make no representations or warranties as to the accuracy of the information contained in this Offering Memorandum. The enclosed materials include highly confidential information and are being furnished solely for the purpose of review by prospective purchasers of the interest described herein. Neither the enclosed materials nor any information contained herein is to be used for any other purpose or made available to any other person without the express written consent of the Seller. Each recipient, as a prerequisite to receiving the enclosed, should be registered with Cushman & Wakefield as a "Registered Potential Investor" or as "Buyer's Agent" for an identified "Registered Potential Investor." The use of this Offering Memorandum and the information provided herein is subject to the terms, provisions and limitations of the confidentiality agreement furnished by Agent prior to delivery of this Offering Memorandum.

The enclosed materials are being provided solely to facilitate the prospective investor's own due diligence for which it shall be fully and solely responsible. The material contained herein is based on information and sources deemed to be reliable, but no representation or warranty, express or implied, is being made by Agent or Seller or any of their respective representatives, affiliates, officers, employees, shareholders, partners and directors, as to the accuracy or completeness of the information contained herein. Summaries contained herein of any legal or other documents are not intended to be comprehensive statements of the terms of such documents, but rather only outlines of some of the principal provisions contained therein. Neither the Agent nor the Seller shall have any liability whatsoever for the accuracy or completeness of the information contained herein or any other written or oral communication or information transmitted or made available or any action taken or decision made by the recipient with respect to the Property. Interested parties are to make their own investigations, projections and conclusions without reliance upon the material contained herein.

Seller reserves the right, at its sole and absolute discretion, to withdraw the Property from being marketed for sale at any time and for any reason. Seller and Agent each expressly reserves the right, at their sole and absolute discretion, to reject any and all expressions of interest or offers regarding the Property and/or to terminate discussions with any entity at any time, with or without notice. This offering is made subject to omissions, correction of errors, change of price or other terms, prior sale or withdrawal from the market without notice. Agent is not authorized to make any representations or agreements on behalf of Seller.

Seller shall have no legal commitment or obligation to any interested party reviewing the enclosed materials, performing additional investigation and/or making an offer to purchase the Property unless and until a binding written agreement for the purchase of the Property has been fully executed, delivered, and approved by Seller and any conditions to Seller's obligations thereunder have been satisfied or waived.

By taking possession of and reviewing the information contained herein, the recipient agrees that (a) the enclosed materials and their contents are of a highly confidential nature and will be held and treated in the strictest confidence and shall be returned to Agent or Seller promptly upon request; and (b) the recipient shall not contact employees or tenants of the Property directly or indirectly regarding any aspect of the enclosed materials or the Property without the prior written approval of the Seller or Agent; and (c) no portion of the enclosed materials may be copied or otherwise reproduced without the prior written authorization of Seller or Agent or as otherwise provided in the Confidentiality and/or Registration Agreement executed and delivered by the recipient(s) to Cushman & Wakefield.



Contents

Executive Summary	4
Property Description	
Investment Highlights	7
Property Summary	8
Building Specifications	9
Property Photographs	10
Property Maps	11
Financial Analysis	
Income/Expense Proforma	17
Tenant Overview	18
Market Overview	19
Phoenix Office Snapshot	28
Phoenix Industrial Snapshot	30

Exclusively represented by:



Paul E. Boyle
Executive Director
602.224.4414
Paul.Boyle@cushwake.com

Rick Danis
Executive Director
602.224.4405
Rick.Danis@cushwake.com

www.cushmanwakefield.com



Cushman & Wakefield has been retained as exclusive advisor to offer to qualified investors the opportunity to acquire the Cox Communications building located at 17602 North Black Canyon Highway in Phoenix, Arizona. The property is 100% lease to Cox Communications of Arizona LLC, a subsidiary of Cox Communications, Inc., under a NNN lease agreement. Cox recently extended their lease term to 3/31/2026. The tenant has a long history of occupancy in the property beginning in 1990, and leases two adjacent parcels totaling 3.46 (combined) acres north of the property, which the tenant utilizes for vehicle service/maintenance and parking.

The subject property represents an opportunity for investors to acquire a NNN single tenant, flex/back-office facility in the dynamic Deer Valley submarket, occupied by a well-established tenant, with outstanding credit.

INVESTMENT SUMMARY

Address:	17602 N. Black Canyon Highway, Phoenix
Property Size:	40,720 Square Feet
Tenant:	Cox Communications LLC, a subsidiary of Cox Communications, Inc.
Lease Term:	Seven (7) Years
Annual Increases:	2.5%
Lease Expiration:	March 31, 2026
Renewal Options:	Three (3), Five (5) Year Periods
Original Lease Date:	August, 1990
NOI:	\$605,099
Offering Price:	Unpriced



OFFERING PROCEDURES

The subject property is being offered for sale on a strict “As Is Where Is” basis.

Detailed financial information, title reports and other relevant due diligence information are available for review upon request.

Offers should be addressed to:

Cushman & Wakefield

2555 E Camelback Rd., Suite 400

Phoenix Arizona, 85016

and sent to the attention of:

PAUL BOYLE

paul.boyle@cushwake.com

602.224.4414

RICK DANIS

rick.danis@cushwake.com

602.224.4405

Offers should be in the form of a Letter of Intent (LOI) and at a minimum offers should include the following:

- Price
- Earnest Money Deposit
- Source of Capital
- Due Diligence Time Period
- Closing Period

PROPERTY DESCRIPTION



INVESTMENT HIGHLIGHTS

- + Tenant, Cox Communications of Arizona LLC (\$2.5B in estimated annual revenue 2018), is a subsidiary of Cox Communications, Inc., which has \$12B in annual revenue (2018), and a BBB rating.
- + Significant Tenant Commitment to Facility - Cox Communications of Arizona LLC, has occupied the subject property since 1990 and leases an additional 3.46 acre parcel of land which is used for its vehicle service/maintenance and parking.
- + Satellite Dish and Antennas on site - The facility features two satellite dishes and an antenna tower on the property, which the Tenant utilizes.
- + Short Distance From Corporate Headquarters-The subject property is located four miles (10+/- minutes) from Cox Communications Company Owned Phoenix Headquarters facility located at 1550 W. Deer Valley Road.
- + Key Location For Area Service Center Access—The property is centrally located with immediate freeway access to I-17 and Loop 101, allowing convenient routes to the six Area Service Center Territories served by Cox Communications.
- + I-17 corridor location with established corporate presence and abundance of amenities in area.

RECENT CAPITAL IMPROVEMENTS

- + New roof with 10 year warranty completed in 2013
- + Tenant installed two large receiving disks on site (2017-19)
- + New parking lot seal coat in progress
- + New plumbing (2019)
- + Tenant installed new carpet and relocated the viewing/screening room
- + Completely repainted in 2013/2014
- + Constructed additional restroom facilities (2018)
- + All HVAC units recently replaced (2008)
- + Tenant installed covered parking structures with solar panels



Adjacent Cox Operations Facility

PROPERTY SUMMARY

The subject property is an 40,720 square foot, state of the art single-tenant flex/back-office facility which was originally developed in 1981 as part of a 76,416 square foot development. In 2013, the site was formally split into two self-sufficient properties, fully entitled. The south portion of the property, containing approximately 35,696 square feet was sold to its existing tenant. The property is made of concrete-tilt construction and features traditional office areas and general production areas. Other building features include 100% air-conditioning, fire sprinklers throughout, grade-level and truckwell loading, and 3 phase, 800 amps, 277/480 volt power. The building resides on 3.29 acres and the tenant utilizes an additional 3.46 acres for service vehicle maintenance and parking. The entire property is zoned IP, City of Phoenix.



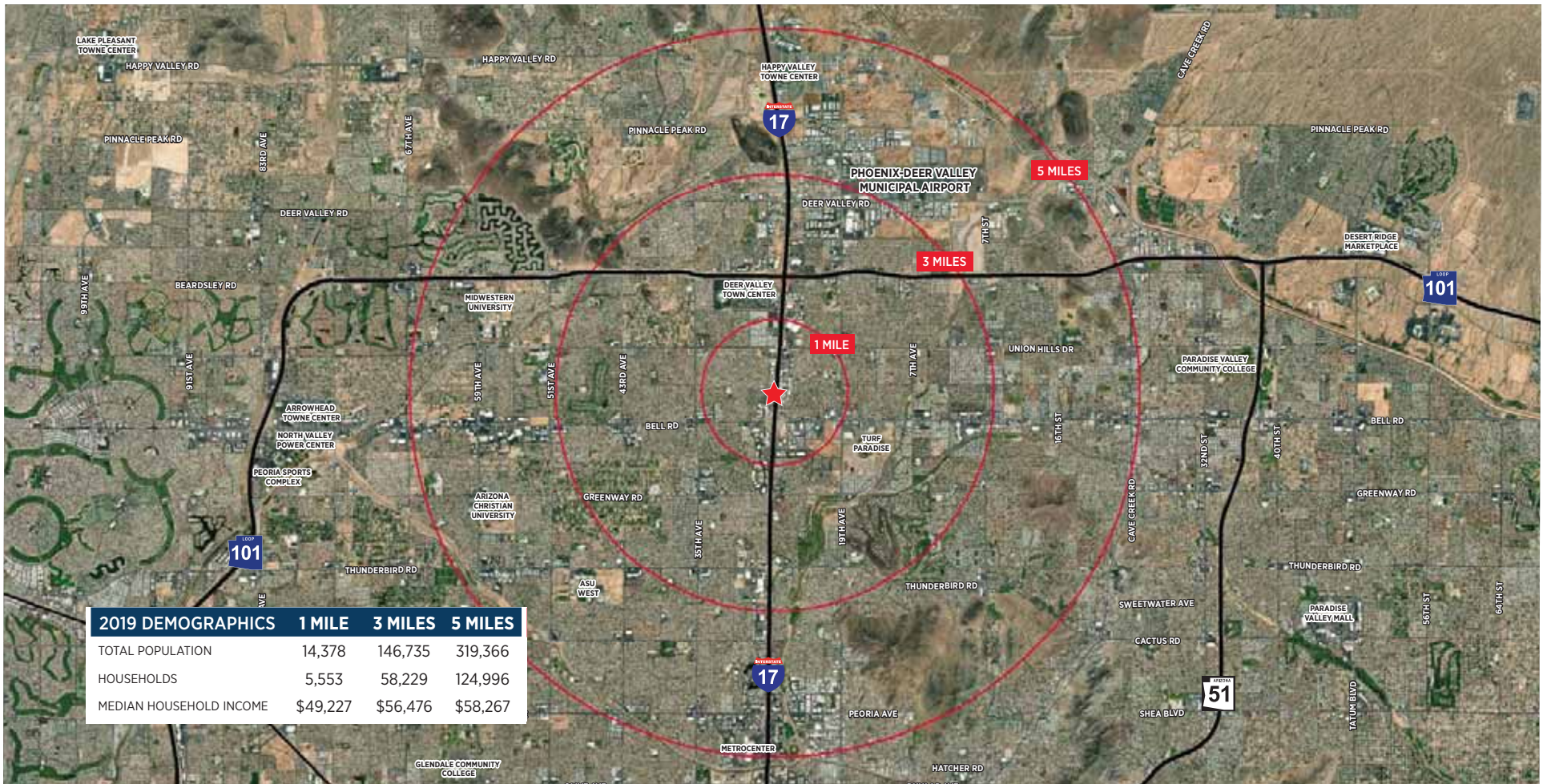


BUILDING SPECIFICATIONS

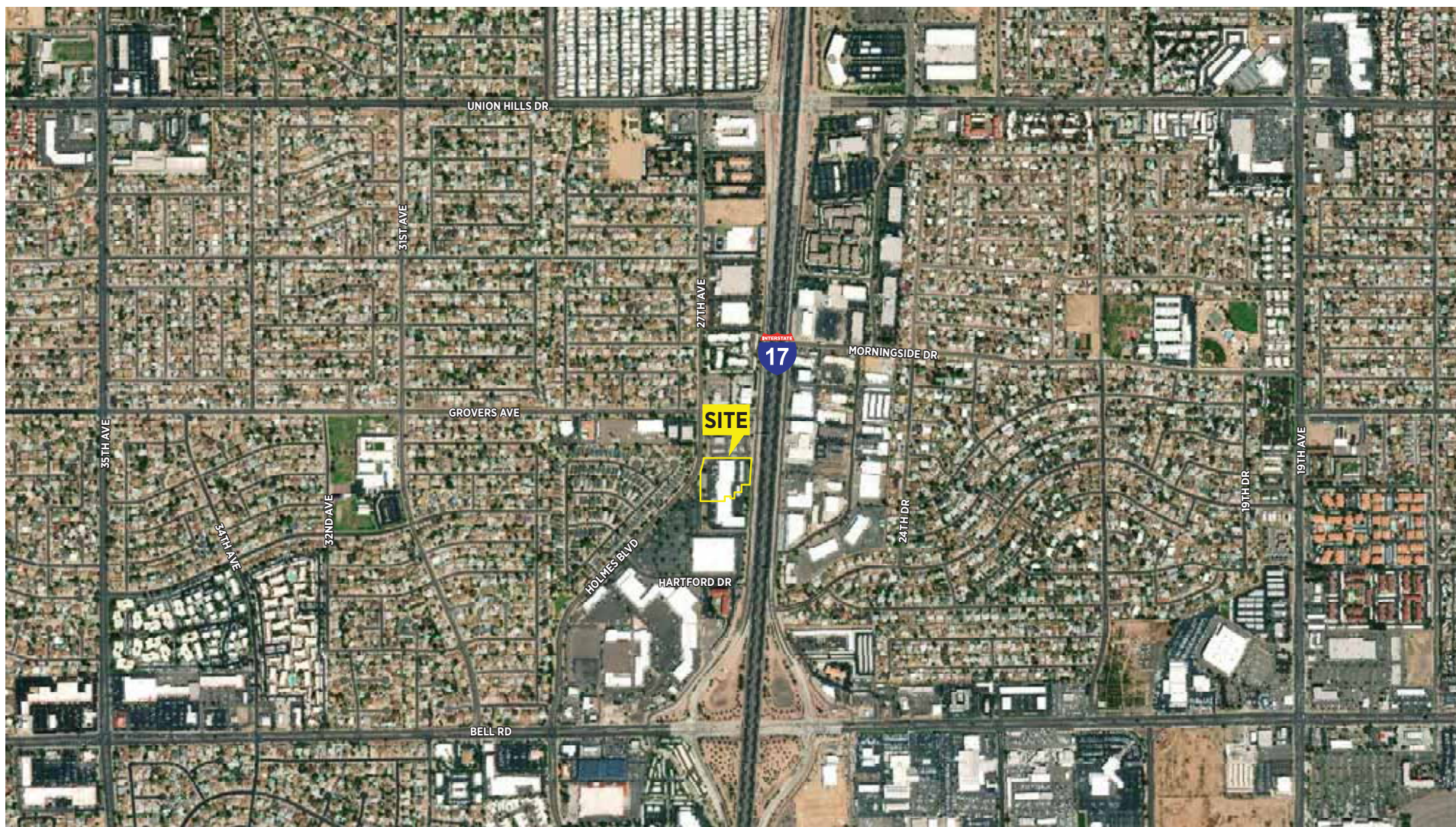
Address	17602 N. Black Canyon Highway, Phoenix, AZ 85053
Subject Property Size	±40,720 Square Feet
Land Area	±3.29 Acres
Tenant	Cox Communications of Arizona LLC, a subsidiary of Cox Communications, Inc.
Year Built	1981/2008/2014/2018
Construction	Tilt-Up Concrete
Loading	Grade Level & Truckwell
Zoning	IP, City of Phoenix
Parking	133 spaces (3.27 per 1,000 SF); includes 48 covered
Clear Height	10'-14' in office area, 16' in warehouse
Power	3 phase, 800 amps, 277/480 volt
Sprinklered	Yes
Parcel Number	208-06-014A
Property Taxes	\$47,514.72 (2019)
Features	100% air conditioning State of the art back-office/flex facility Excellent corporate presence



AREA OVERVIEW MAP



PROPERTY OVERVIEW MAP



COX HEADQUARTERS MAP



AREA AMENITIES MAP



17602



FINANCIAL ANALYSIS





INCOME/EXPENSE PROFORMA

40,720 Square Feet @ \$1.2383 PSF, NNN	\$605,099
Vacancy/Reserves (0%)	\$0
Net Operating Income	\$605,099



TENANT OVERVIEW

Cox Enterprises is a leading communications, media and automotive services company. Cox Enterprises has revenues of \$20.4 billion and more than 50,000 employees, the company's major operating subsidiaries include Cox Communications, Inc., (cable television distribution, high-speed Internet access, telephone, commercial telecommunications and advertising solutions); Manheim, Inc. (vehicle auctions, repair and certification services and web-based technology products); AutoTrader Group (automotive media and software solutions); and Cox Media Group, Inc. (television and radio stations, digital media, newspapers and advertising sales rep firms). The company's national consumer brands include AutoTrader.com, Kelley Blue Book, Manheim, Savings.com and Valpak.

Privatization: On December 8th, 2004, Cox Enterprises Inc. announced the successful acquisition of the publicly held minority interest of Cox Communications, Inc. (CCI). Cox Holdings, Inc., a wholly owned subsidiary of Cox Enterprises, acquired CCI through a cash tender offer for \$34.75 per share and a short form merger was completed. CCI Class A Common Stock was consequently de listed from the New York Stock Exchange on December 9th, 2004. As a private company, Cox Communications no longer trades on the NYSE, nor does it provide financial information to the general public.

The property was recently awarded the national contract for the National Cox Television Channel distribution, which is a prestigious nomination for this division and facility. Recent improvements in 2018 and 2019 were upgraded in both the technology and common areas of the tenants space. Another division within the facility is Cox Creative Studios, a heavily invested service with highly improved studios. This commitment from the tenant illustrates the critical nature of the facility.

MARKET OVERVIEW



PHOENIX MARKET OVERVIEW

METRO PHOENIX

Maricopa County, in which Phoenix is located, covers more than 9,000 square miles. Its strategic southwest location has made it a major business and distribution hub for aerospace, high-technology, logistics, financial services, bioscience and sustainable technology companies.

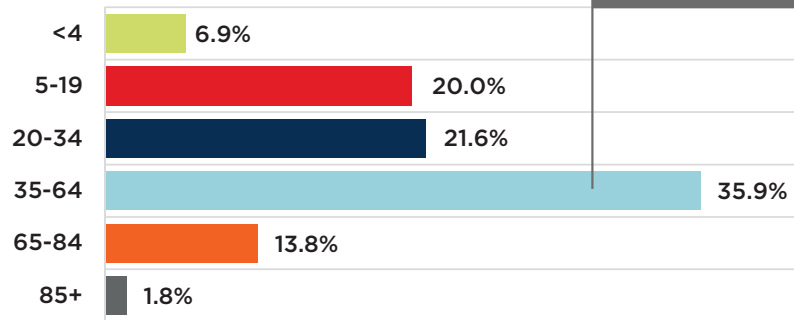
DEMOGRAPHICS

The population of Greater Phoenix is 4.8 million and is expected to grow to nearly 6.4 million in the next 20 years. A relatively young region, Greater Phoenix has a median age of 36.1 – two years younger than the average age nationwide. The population boasts comparatively high-earnings, with an median household income of over \$62,609. This is 6% above the national median average household income, which stands at \$59,039.

BLOOMERG BUSINESS RANKS PHOENIX AS "AMERICA'S THIRD MOST AFFORDABLE, FUN CITY"

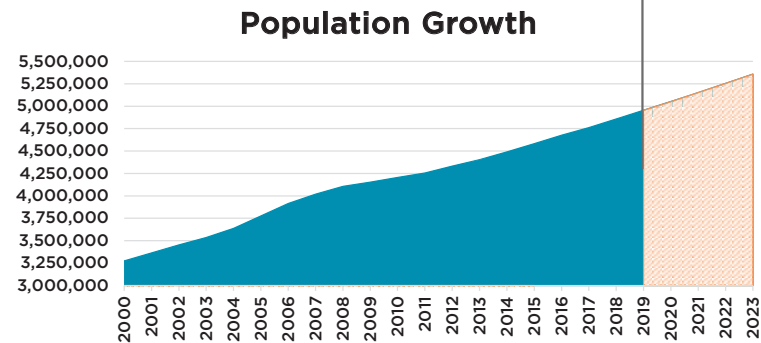


CITY OF PHOENIX AGE BREAKDOWN



Gen X make up the highest percentage of the Phoenix population. **35.9%**

CITY OF PHOENIX POPULATION GROWTH



Metro Phoenix is slated to increase by 500,000 people in the next 5 years. **10.3%**



ECONOMY/EMPLOYMENT

The Metro Phoenix employment base has grown rapidly in the past 20 years and currently boasts more than 2 million workers. Projected employment by occupation shows continued strength in the area's professional and technical work force, with service employment increasing as well. Arizona is nationally ranked #2 as a top state for workforce quality and availability, and #1 in higher education degree opportunities. A steady influx of new workers and high graduation levels from the state's largest university, Arizona State University, enrich the quality of labor. Thanks to the variety of universities and technical schools in the area, the pipeline of skilled workers continues to grow.

Metro Phoenix has a diversified base of industries, led by aerospace, high-tech manufacturing, distribution and logistics, financial services and corporate/regional headquarters. Phoenix has recently seen many companies move or expand from California including Google-Waymo, McKesson, Dexcom, DoubleDutch, Entertainment Partners, Uber, and ZipRecruiter. Major data processing, credit card and customer service companies are also attracted to Greater Phoenix's telecommunications infrastructure. Phoenix has a predictable climate and low catastrophic risk – no earthquakes, tornadoes or coastal flooding.

Intel, Freescale, Microchip Technology and ON Semiconductor have given Arizona the distinction of being the fourth largest semiconductor manufacturing exporter in the nation. In addition, Metro Phoenix also attracts major software development and internet employers such as Yelp, GoDaddy, PayPal, Zenefits, Infusionsoft, Weebly and Clearlink.

COMPANIES IN HIGH-GROWTH SECTORS HAVE ELECTED TO LOCATE SIGNIFICANT FACILITIES IN THE METRO PHOENIX AREA, MOST NOTABLY IN HIGH-TECH, EARNING THE DESIGNATION OF THE SILICON DESERT.

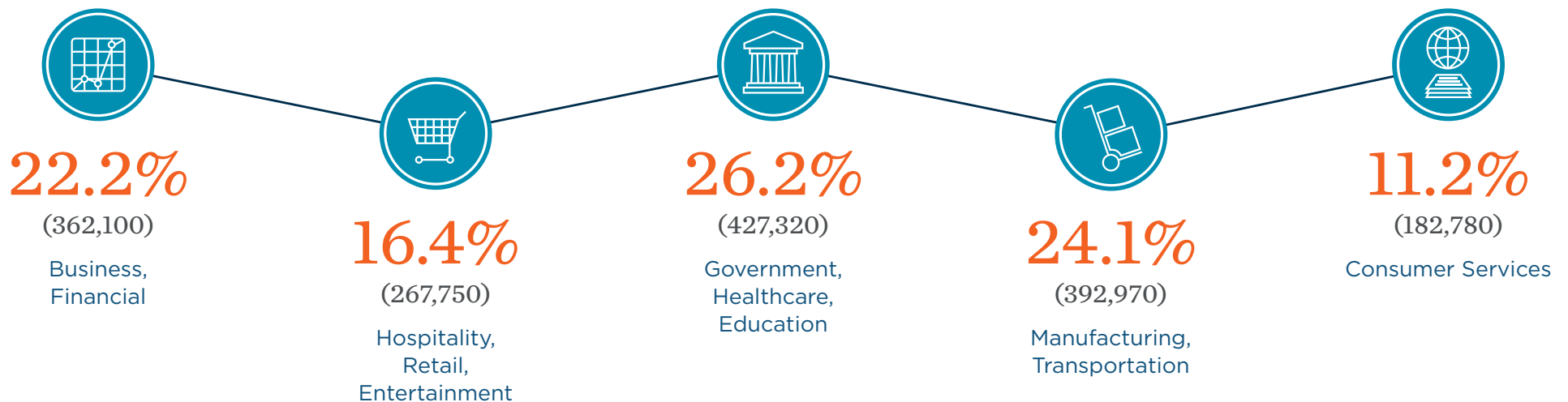
Phoenix is ranked among the top in the country for its solar and renewable energy sector, and has a rapidly growing healthcare and biomedical industry. With \$1.3 billion in strategic investments over the past 10 years added into its emerging healthcare enterprise and research capabilities, Greater Phoenix is the place for healthcare opportunities. Arizona is among national leaders with more than 1,400 active clinical trials and is expected to add 43,000 healthcare jobs in the next decade – more than Minneapolis, Philadelphia, San Francisco and Seattle.



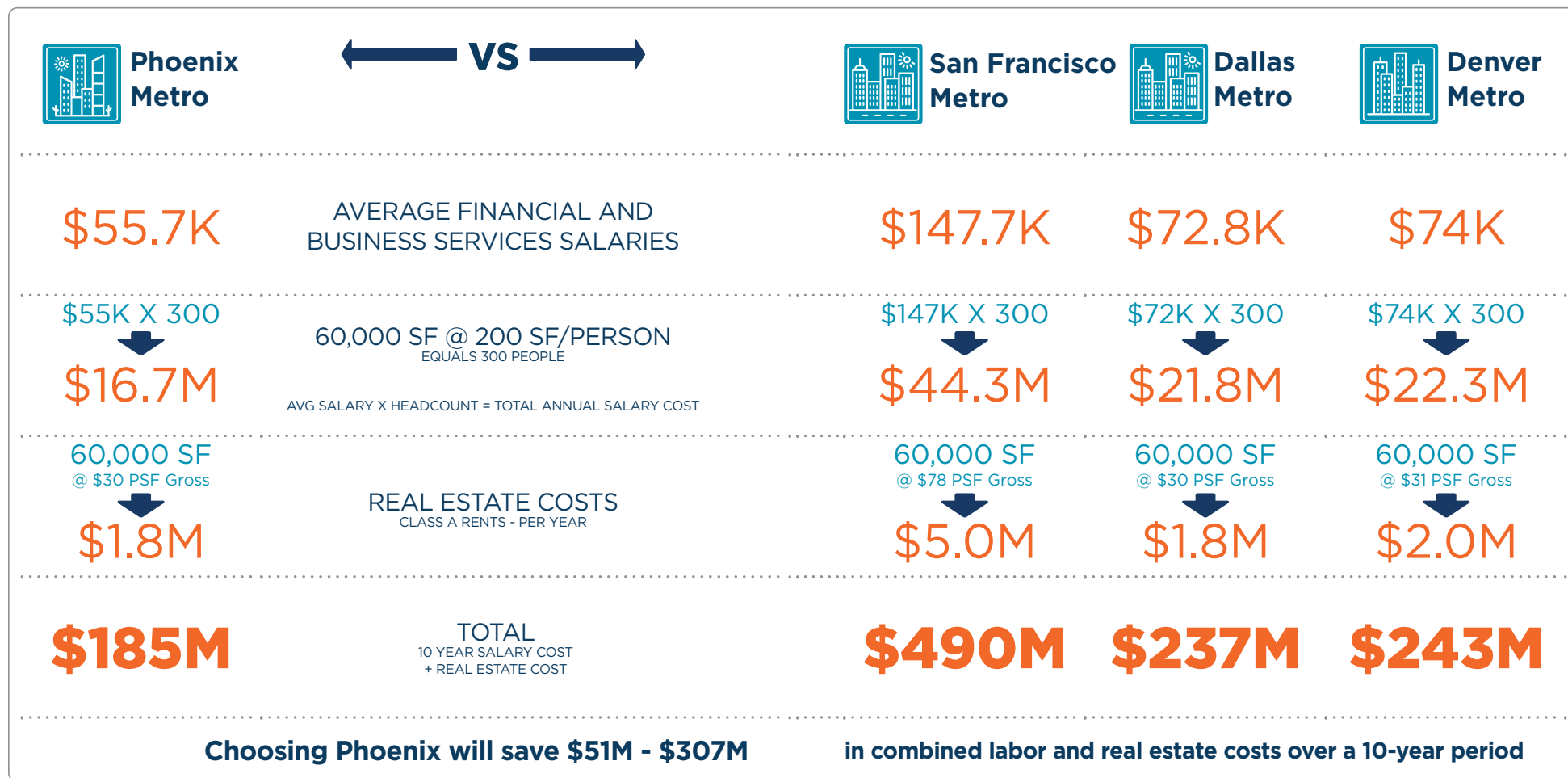
TOP PHOENIX EMPLOYERS



OCCUPATIONAL COMPOSITION



PHOENIX BUSINESS DIFFERENTIATORS



COMMUTE/TRANSPORTATION

Greater Phoenix offers dependable infrastructure and access to a great consumer base. Offering a low-cost, low-regulation operating environment that is well-positioned to access California and the rest of the West Coast, the Greater Phoenix region enables companies to serve more than 35 million consumers within a single day's truck haul.

The region is also home to eight additional general aviation airports. The Valley Metro Rail Line runs more than 28 miles from Phoenix, through Tempe, and into Mesa. The light rail travels through the downtown area and offers access to Phoenix Sky Harbor International Airport and links two of the four metro area campuses of Arizona State University.

Phoenix is centrally located and enjoys a number of modern freeways. These include I-17, which moves traffic north and south and I-10, which takes commuters to and from the far western and eastern stretches of the city. Loop 101 reaches the northern part of Phoenix and links the southern suburbs, while Loop 202 takes commuters from central Phoenix to the East Valley. State Route 51 links the central city with Loop 101 on the city's northern edge. The city also has a modern transit system that includes both local and express bus service, as well as "RAPID" buses that take commuters non-stop to and from strategically located Park and Ride facilities.



PHOENIX SKY HARBOR INTERNATIONAL AIRPORT, NAMED THE BEST AIRPORT IN THE U.S. FOR 2018 BY THE POINTS GUY, HANDLES 44 MILLION PASSENGERS ANNUALLY TO MORE THAN 80 DOMESTIC LOCATIONS AND 21 INTERNATIONAL DESTINATIONS.



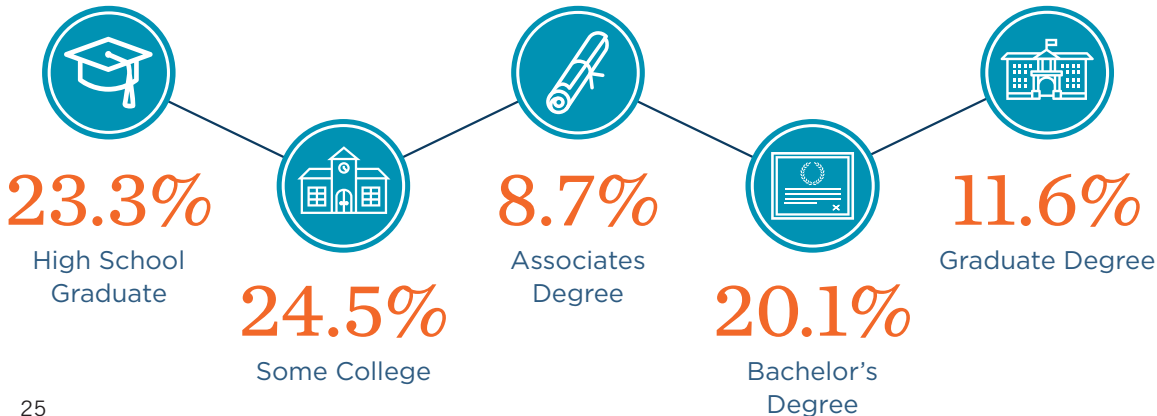
EDUCATION

Because the City of Phoenix covers many square miles, it is served by 30 unique school districts with more than 325 schools, as well as 200 charter and private schools. Many school districts feature open enrollment, which increases parents’ ability to choose the best school for their child. Phoenix is home to the only high school dedicated to bioscience in the country.

There are five colleges campuses within city limits, a downtown campus of Arizona State University, a satellite campus of the University of Arizona of Medicine, and two branch campuses of Northern Arizona University. Additionally, Phoenix is home to private colleges such as Grand Canyon University, Arizona Christian University, University of Phoenix, Phoenix School of Law and DeVry University. There are also many trade, vocational and online schools covering a variety of professional fields.

PHOENIX’S POPULATION IS HIGHLY EDUCATED, WITH 31.7% HOLDING A BACHELOR’S DEGREE OR HIGHER.

PHOENIX EDUCATION ATTAINMENT



MARKET OVERVIEW

The Phoenix office and industrial market continues to remain strong. Third quarter ending 2019, the overall vacancy for industrial market totaled 6.9% and office totaled 14.1%, which are both the lowest vacancy rates since 1999 when industrial was 7.4% and 2007 when office vacancy was 14.3%. The Deer Valley industrial market currently has a vacancy rate of 7.0%, one hundred basis points above the overall vacancy of 6.9% and the Deer Valley office market is 11.9%, two hundred-twenty basis points below the overall market vacancy rate of 14.1%.







Cushman & Wakefield Office Market Snapshot

Phoenix • Third Quarter • 2019

PHOENIX OFFICE

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Phoenix Employment	2,118k	2,172k	▲
Phoenix Unemployment	4.1%	4.3%	▼
U.S. Unemployment	3.8%	3.7%	▲

*Q3 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA).

Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	15.6%	14.9%	▼
Net Absorption (sf)	494k	530k	▼
Under Construction (sf)	3.1M	1.9M	▼
Overall Rate	\$25.43	\$26.55	▲

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE



Economy

The Metro Phoenix economy continues to improve, adding 54,300 jobs year-over-year (YOY) through the third quarter of 2019. During the same period, the unemployment rate increased from 4.1% to 4.3%. According to Bureau of Labor Statistics, the Phoenix metropolitan statistical area added 7,000 office sector jobs through the third quarter. The three sectors that make up office employment are: business & professional services, information/technology and financial activities.

Market Overview

In the third quarter of 2019, vacancy in the Metro Phoenix office market fell to 14.9%. This marks the lowest vacancy rate since the first quarter of 2008, when it stood at 15.9%. The rate dropped 40 basis points (bps) quarter-over-quarter and 70 bps YOY.

The Metro Phoenix office market absorbed 531,000 square feet (sf) during the third quarter of 2019. This brings 2019 net absorption to 1.7 million square feet (msf). This marked the 25th straight quarter of positive absorption since the third quarter of 2013. More than half (16) of Metro Phoenix's 22 office submarkets experienced occupancy gains in the third quarter of 2019. The Scottsdale Airpark submarket led the way with 132,000 sf of net absorption, due in large part to Republic Services expanding their lease by an additional 41,000 sf and Paramount Mortgage occupying 32,000 sf at Northsight Corporate Center and Raintree Corporate Center respectively. The Deer Valley submarket experienced the second largest occupancy growth with 131,000 sf. This can be attributed to Farmers Insurance occupying a Phase II build-to-suit (bts) project at 17 North Corporate Center. Six of the 22 submarkets in the Metro Phoenix office market experienced negative absorption during the third quarter of 2019. Price Corridor submarket had -158,000 sf of absorption. The main cause for the large negative absorption can be attributed to the addition of 153,000 sf of new inventory in the submarket at Chandler Freeway Crossing II, which delivered vacant. Across the market, Class A (539,300 sf) and Class C (5,700 sf) office buildings recorded positive absorption while Class B (-14,000 sf) recorded negative absorption.

Construction in the Metro Phoenix office market remained robust in the third quarter of 2019, with 1.9 msf of product currently under construction. The Tempe North submarket currently has 1.1 msf under construction, or 61% of the total office square footage under construction across the Metro Phoenix market. The Chandler/Gilbert/202 submarket currently has 361,000 sf followed by the Downtown submarket with 228,000 sf under construction.



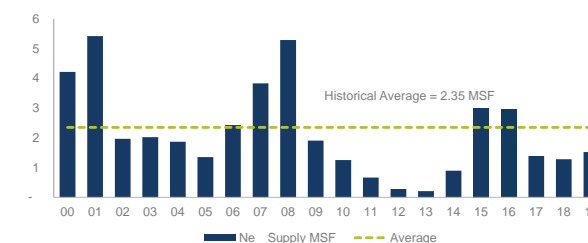
Cushman & Wakefield Office Market Snapshot

Phoenix • Third Quarter • 2019

SUBMARKET	TOTAL BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	VACANCY RATE	Q3 NET ABSORPTION	2019 NET ABSORPTION	UNDER CONSTRUCTION	OVERALL AVG ASKING RENT	DIRECT ASKING RENT
Downtown	43	7,402,788	1,106,650	123,423	16.6%	-82,822	21,919	228,402	\$30.83	\$31.39
Midtown	82	10,561,369	2,088,175	45,977	20.2%	124,758	183,946	-	\$23.55	\$23.84
CBD Total	125	17,964,157	3,194,825	169,400	18.7%	41,936	205,865	228,402	\$26.26	\$26.57
44th Street Corridor	42	3,493,052	343,270	25,137	10.5%	22,890	88,761	-	\$26.33	\$26.27
Arrowhead	23	1,446,587	69,182	6,650	5.2%	-8,425	2,215	-	\$23.95	\$24.10
Camelback Corridor	71	7,343,074	1,138,605	92,251	16.8%	53,991	51,937	-	\$34.08	\$34.77
Chandler/Gilbert/202	45	3,075,594	860,919	7,192	28.2%	8,098	65,099	369,508	\$25.91	\$25.92
Deer Valley	73	7,918,297	935,960	7,578	11.9%	131,649	11,568	-	\$24.74	\$24.74
East-Central Phoenix	43	1,928,669	203,194	2,756	10.7%	12,400	-3,234	-	\$20.70	\$20.45
Glendale/Peoria	14	827,799	34,277	-	4.1%	22,725	10,352	-	\$18.33	\$18.36
Mesa	24	1,219,383	53,831	-	4.4%	18,598	82,321	-	\$20.10	\$19.53
Metrocenter	65	4,589,312	1,425,716	1,952	31.1%	-67,505	-112,490	-	\$19.74	\$19.73
N Phoenix/Desert Ridge	35	2,397,186	301,951	13,649	13.2%	-9,325	50,179	-	\$25.48	\$26.05
Piestewa Peak Corridor	32	2,010,074	355,684	2,378	17.8%	2,019	52,267	-	\$24.31	\$24.34
Price Corridor	63	6,953,629	688,965	82,485	11.1%	-157,941	348,321	-	\$29.45	\$29.45
Scottsdale Airpark	144	10,130,483	1,462,863	41,597	14.9%	132,547	-188,008	80,568	\$29.83	\$30.80
Scottsdale Central	67	5,254,354	565,146	50,769	11.7%	16,279	-83,056	-	\$28.74	\$29.15
Scottsdale South	39	4,366,381	614,968	37,468	14.9%	125,599	193,124	65,000	\$31.19	\$31.73
Sky Harbor	54	4,842,419	976,225	41,025	21.0%	-45,268	-30,930	-	\$23.03	\$23.21
South I-10/Ahwatukee	56	3,091,790	328,384	16,189	11.1%	100,087	-69,978	-	\$21.37	\$21.53
Superstition Corridor	44	2,464,319	235,353	17,473	10.3%	70,308	12,249	-	\$21.58	\$21.60
Tempe North	100	11,600,894	784,451	120,348	7.8%	56,834	373,666	1,126,128	\$27.70	\$28.54
West Phoenix	36	1,665,697	280,585	1,787	17.0%	3,456	-3,412	-	\$19.80	\$19.79
Suburban Total	1,070	86,618,993	11,659,529	568,684	14.1%	489,016	1,424,122	1,633,120	\$26.63	\$26.85
CLASS	TOTAL BLDGS	INVENTORY	DIRECT VACANT	SUBLET VACANT	VACANCY RATE	Q3 NET ABSORPTION	2019 NET ABSORPTION	UNDER CONSTRUCTION	OVERALL AVG ASKING RENT	DIRECT ASKING RENT
Class A	275	43,743,048	5,293,919	386,273	13.0%	539,305	604,692	1,496,499	\$31.11	\$31.57
Class B	740	53,602,075	8,593,750	332,886	14.5%	-14,077	323,368	365,023	\$24.20	\$24.43
Class C	180	7,238,027	966,685	18,925	4.1%	5,724	128,756	-	\$17.76	\$17.84
Grand Total	1,195	104,583,150	14,854,354	738,084	14.9%	530,952	1,672,582	1,861,522	\$26.55	\$26.79

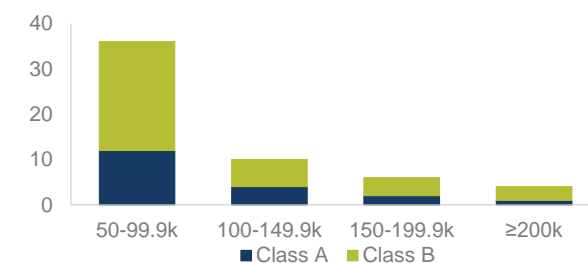
New Supply

NEW INVENTORY TO DELIVER IN 2019 IS 35% BELOW THE HISTORICAL AVERAGE



Large Block Space

CONTIGUOUS BLOCKS OF AVAILABLE SPACE



Class A Rate

METRO PHOENIX CLASS A ASKING RENT INCREASED OVER THE TRAILING 4 QUARTERS





Cushman & Wakefield Industrial Market Snapshot

Phoenix • Third Quarter • 2019

PHOENIX INDUSTRIAL

Economic Indicators

	Q3 18	Q3 19	12-Month Forecast
Phoenix Employment	2,118k	2,173k	▲
Phoenix Unemployment	4.1%	4.3%	▼
U.S. Unemployment	3.8%	3.7%	▼

*Q3 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA).

Economy

The Metro Phoenix job market continued to improve, adding 54,300 jobs year-over-year through the third quarter of 2019. During the same time period, the unemployment rate increased from 4.1% to 4.3% despite strong job growth. The labor force increased by more people than jobs were added.

Market Overview

In the third quarter of 2019, the Metro Phoenix industrial market overall vacancy rate was 6.9%, up 20 basis points (bps) from the second quarter of 2019 and down 50 bps from the end of 2018. The direct vacancy rate, which excludes sublease space, was 6.4%. Vacancy increased due to inventory growth rather than negative absorption.

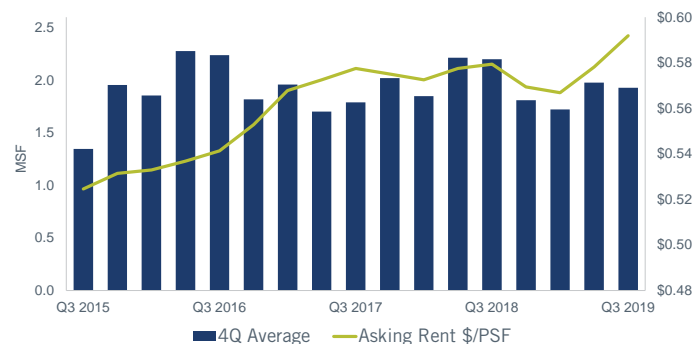
Market Indicators (Overall, All Classes)

	Q3 18	Q3 19	12-Month Forecast
Vacancy	7.3%	6.9%	▼
Net Absorption (sf)	2.2M	2.0M	▲
Under Construction (sf)	4.4M	8.5M	■
Overall Rate	\$0.58	\$0.59	▲

In the third quarter of 2019, Metro Phoenix industrial developers delivered 4.7 msf of new inventory, which is the new all-time high, surpassing the 4.0 msf delivered in the second quarter of 2008. By the end of the third quarter of 2019, 6.9 msf of new inventory has been delivered year to date (ytd), 200,000 sf more than was absorbed. Additionally, 40.6% of current construction is build-to-suit, and 59.4% is speculative, indicating higher levels of preleasing especially in distribution space from previous quarters. The development pipeline is now 8.5 msf in 42 buildings, the most since the first quarter of 2013 and above the 20-year historical average of 4.9 msf under construction. Cushman & Wakefield is tracking 2.7 msf scheduled to deliver before the end of 2019 and 5.8 msf is slated to deliver in 2020.

Overall Net Absorption/Overall Asking Rent

4-QTR TRAILING AVERAGE (IN MILLIONS)



The Metro Phoenix industrial market absorbed +2.0 million square feet (msf) in the third quarter of 2019 and 6.7 msf ytd. Distribution space experienced the greatest gain, 687,000 sf. The only sector that recorded negative absorption was back office, with -71,000 sf. Through the first three quarters of 2019, distribution has recorded +4.1 msf to lead all sectors. The only sector with negative absorption is freestanding, at -152,000 sf. Nike absorbed 902,000 SF at Lincoln 40 Logistics, a building that had delivered empty in the fourth quarter of 2018, for the largest move-in of the third quarter. Conair vacated 620,000 sf to move into their new manufacturing and distribution campus in Glendale, and listed their old building for rent. The Southwest Phoenix submarket saw the most positive absorption in the third quarter of 2019 with 1.5 msf, while Glendale recorded -421,000 sf of negative absorption, influenced heavily by the Conair vacancy. Through the first 3 quarters of 2019, 14 of 17 industrial submarkets saw positive absorption, and ten of 17 were positive in the third quarter. Southwest Phoenix leads all submarkets with 3.7 msf and North Glendale with -23,000 sf, has the most negative absorption through the first three quarters in 2019.



Cushman & Wakefield Industrial Market Snapshot

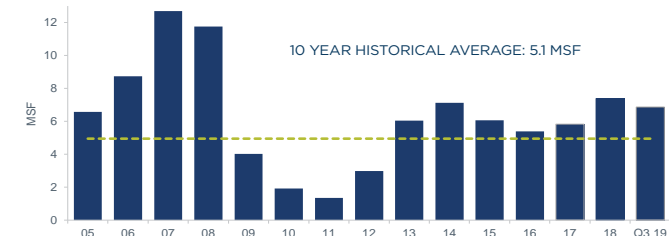
Phoenix • Third Quarter • 2019

SUBMARKET	TOTAL BLDGS	INVENTORY	SUBLET VACANT (sf)	DIRECT VACANT (sf)	OVERALL VACANCY RATE	Q3 NET ABSORPTION (sf)	2019 YTD NET ABSORPTION (sf)	UNDER CONSTRUCTION (sf)	OVERALL ASKING RENT	DIRECT ASKING RENT
Black Canyon	149	3,940,884	0	340,338	8.6%	49,605	48,040	0	\$0.81	\$0.81
Central Phoenix	113	3,647,111	0	314,857	8.6%	128,880	230,884	0	\$0.83	\$0.83
Chandler	367	24,963,702	72,068	1,392,937	5.9%	99,979	579,142	593,690	\$0.78	\$0.80
Deer Valley	510	16,256,254	33,016	1,110,714	7.0%	150,538	207,854	170,149	\$0.70	\$0.73
East Mesa	121	4,445,126	48,356	377,775	9.6%	-23,144	4,569	158,728	\$0.71	\$0.71
Gilbert/Gateway	535	19,561,860	283,000	1,239,606	7.8%	451,690	542,069	592,353	\$0.66	\$0.72
Glendale	99	10,855,675	0	1,118,499	10.3%	-421,154	259,656	500,000	\$0.42	\$0.49
Grand Ave	550	18,117,119	11,469	585,235	3.3%	-22,187	158,240	0	\$0.43	\$0.43
North Glendale	93	3,437,417	0	105,978	3.1%	9,078	-23,056	400,053	\$0.68	\$0.69
Pinal	136	8,314,063	0	213,309	2.6%	13,684	-255	0	\$0.37	\$0.37
Scottsdale	138	5,289,978	0	112,790	2.1%	-3,491	41,946	0	\$1.05	\$1.11
Scottsdale Airpark	306	6,569,255	28,849	374,656	6.1%	-9,391	52,795	0	\$1.09	\$1.11
Sky Harbor Airport	1,250	48,014,338	77,889	2,870,969	6.1%	225,585	707,945	355,189	\$0.75	\$0.74
Southwest Phoenix	318	52,360,810	502,757	4,338,978	9.2%	1,512,174	3,672,214	5,554,150	\$0.38	\$0.42
Tempe	979	37,912,349	136,620	2,927,676	8.1%	96,993	118,871	0	\$0.65	\$0.67
West Central Phoenix	952	55,784,849	449,303	3,130,633	6.4%	-167,009	129,092	216,880	\$0.47	\$0.47
West Mesa	188	6,062,884	0	334,595	5.5%	-76,375	-21,273	0	\$0.59	\$0.63
Grand Total	6,804	325,533,674	1,643,327	20,889,545	6.9%	2,015,455	6,708,733	8,541,192	\$0.59	\$0.61

CLASSIFICATION	TOTAL BLDGS	INVENTORY	SUBLET VACANT (sf)	DIRECT VACANT (sf)	OVERALL VACANCY RATE	Q3 NET ABSORPTION (sf)	2019 YTD NET ABSORPTION (sf)	UNDER CONSTRUCTION (sf)	OVERALL ASKING RENT	DIRECT ASKING RENT
Back Office	82	7,287,902	0	700,030	9.6%	-71,392	105,464	0	\$1.18	\$1.18
Distribution	507	101,650,075	869,933	10,376,863	11.1%	687,366	4,094,443	4,691,119	\$0.45	\$0.47
Freestanding	3,141	75,139,961	137,509	1,752,577	2.5%	116,481	-151,744	60,000	\$0.68	\$0.68
General Industrial - Manufacturing	348	30,110,587	12,164	1,182,714	4.0%	410,769	327,126	480,820	\$0.72	\$0.73
General Industrial - Multi-Tenant	2,161	67,202,708	543,342	4,676,960	7.8%	422,429	808,923	892,640	\$0.65	\$0.67
Major User	61	25,812,993	0	429,143	1.7%	347,712	698,322	1,942,464	\$1.02	\$0.99
Multi-Tenant Flex	504	18,329,448	80,379	1,771,258	10.1%	102,090	826,199	474,149	\$0.90	\$0.95
Grand Total	6,804	325,533,674	1,643,327	20,889,545	6.9%	2,015,455	6,708,733	8,541,192	\$0.59	\$0.61

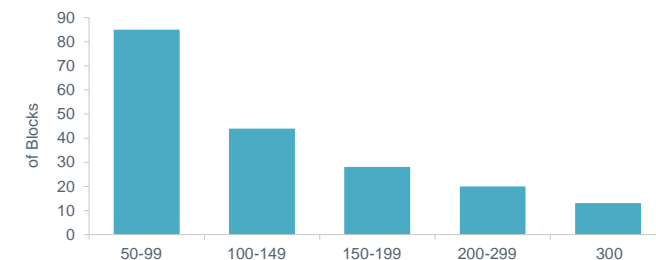
New Supply

2019 SUPPLY WILL BE HIGHEST IN A DECADE



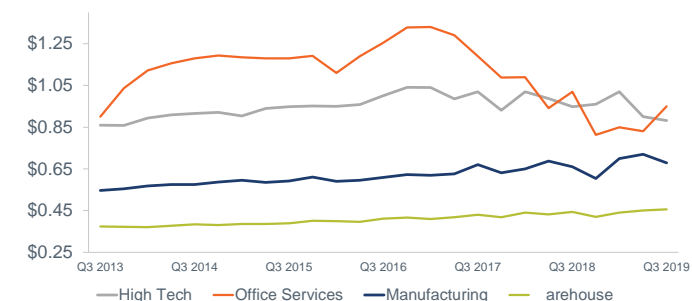
Large Block Space

BLOCKS OF CONTIGUOUS SPACE, EXISTING BUILDINGS (BUILDINGS ARE ONLY COUNTED ONCE)



Asking Rents

WAREHOUSE RENT GROWTH ON SLOW, STEADY MARCH UP SINCE Q4 2011





Paul E. Boyle
Executive Director
602.224.4414
Paul.Boyle@cushwake.com

Rick Danis
Executive Director
602.224.4405
Rick.Danis@cushwake.com

COX

 **CUSHMAN &
WAKEFIELD**