



# Industrial Market Report

METRO PHOENIX 2021

**NAI**Horizon

# Q4

## Industrial Market Report

METRO PHOENIX 2021

The Phoenix industrial market capped a torrid and record-breaking year with another strong quarterly performance. With California's Inland Empire industrial market essentially built out (industrial developers there are starting to look at going vertical with innovating and costly to build, multi-story warehouse and logistics facilities), The Valley is evolving into a submarket of Southern California as 3PLs and others just factor in an additional five hours of drive time on the I-10. That is the approximate time it takes to drive from Phoenix to Riverside, and it is even less if the Arizona industrial facility is in the West Valley.

### Q4 AT A GLANCE

- ▼ Q4 **Vacancy: 5.1%**
- ▼ Q4 **SF Construction: 21.8M SF**
- ▲ Q4 **Avg NNN Rate: \$0.69**

# Q4 Industrial Market Report

## METRO PHOENIX 2021

### Another Strong Quarter

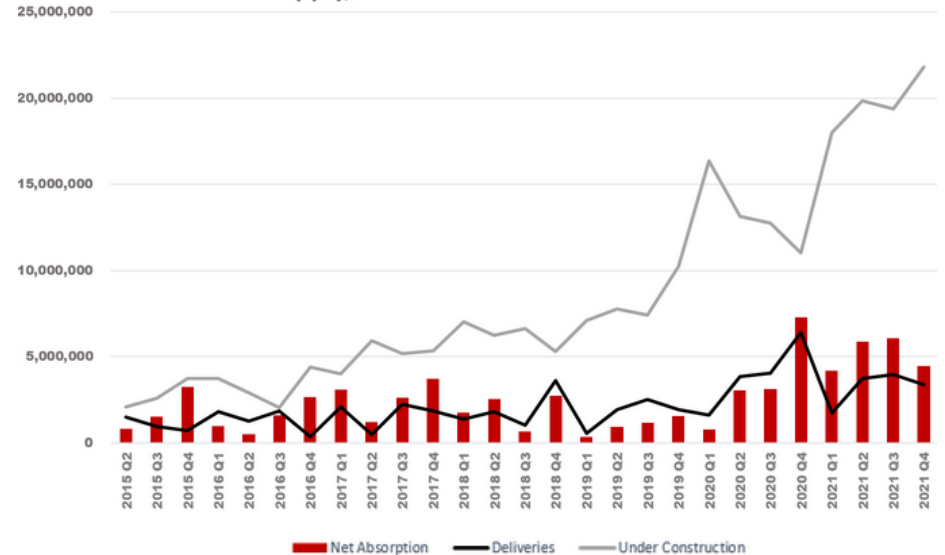
Year-over-year vacancy plummeted by 2.3%, going from 7.3% at the end of 2020 to 5.1% at the close of 2021. It is the least amount of available supply on a percentage basis in the 21st century and has been in steady decline from its highpoint during the 4th quarter of 2009 when the overall industrial vacancy rate was 16%.

Net absorption for all four quarters in 2021 was a stunning 22.76 million square feet, or about three times the annual average.

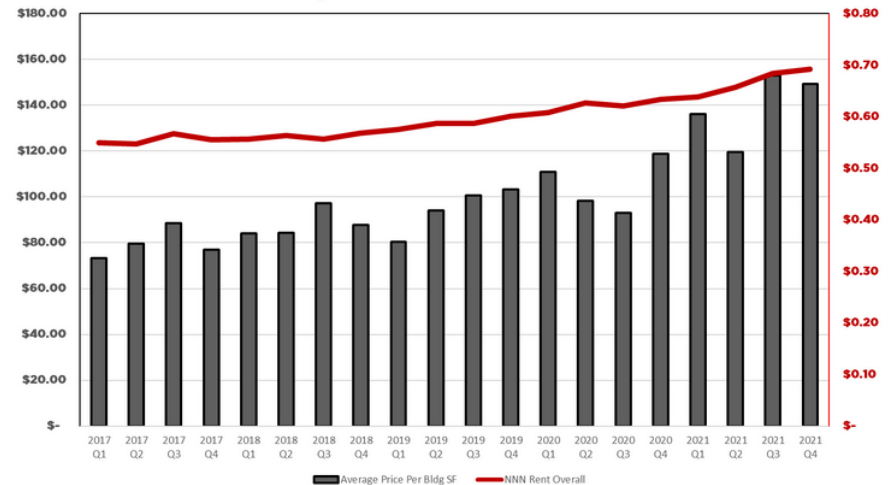
Developers are working hard to deliver much needed supply, as the 4th quarter ended with a considerable 29,356,508 square feet under construction. That has been a trend since the first quarter 2020, when at any given time there was 15-20 million square feet of industrial product underway. However, looking back at the numbers for the past 10 years and to put the nearly 30 million square feet into perspective, during most quarters there was about 5 million square feet of new industrial product under construction. The amount of new construction pending delivery equals 7.6% of total inventory, which now stands at nearly 387 million square feet. In the past decade, developers have added 66 million square feet of industrial product to the Phoenix metro market.

Rents climbed commensurately with soaring demand, spiking 10.9 percent for the year and finished 2021 at an average annual asking rate of \$9.70. New, Class A industrial rents fetch a 25% to 40% premium over the overall industrial market.

Supply, Demand & Under Construction



Average Sale Price PSF & NNN Rent PSF



# Q4 Industrial Market Report

## METRO PHOENIX 2021

### Top Leases

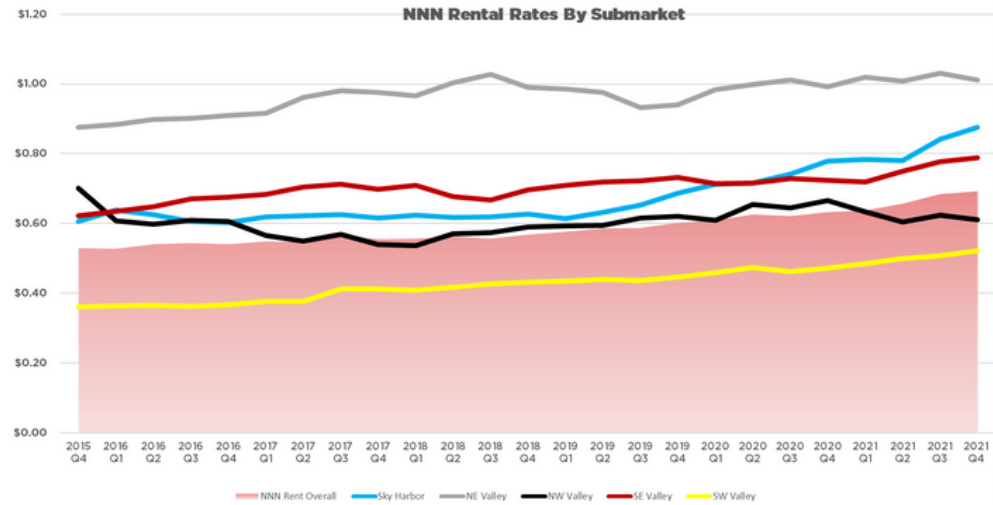
The top leases for the quarter featured three of the best-known retail brands in America – Home Depot, Williams Sonoma and Best Buy, as well as the irreverent, Everett, WA-based Funko, which manufactures licensed and limited pop culture collectibles that are vinyl figurines and bobbleheads (think Jimi Hendricks). Collectively, the four companies took down over 4 million square feet of space in four properties. See below for some of the details.

### Top Sales

For the year, \$4.87 billion worth of industrial properties traded ownership entities with an average market price of \$141 per-square-foot. The first time that the average price per foot for industrial product in the Phoenix area crossed the \$100 market was the 4th quarter of 2018, and it has been rising ever since.

The Market Cap Rate closed out 2021 at 5.9%, practically unchanged from a year earlier when it was 6.0%. The Cap Rate has also steadily compressed over the years. It was 9.1% for every quarter in 2001, for example, and has fallen every year since then.

The biggest sales in in the 4th quarter were \$83.5 million, \$79.2 million, \$74.7 million and a little north of \$71 million, respectively.



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## 2021 Year in Review

25.5M IN 2020

# 35.1M SF

INDUSTRIAL SF LEASED IN 2021

3.73% OF TOTAL INVENTORY

# Deliveries

LEASED 12.88M SF IN 2021

\$108/SF IN 2020

# \$152/SF

AVERAGE SALE PRICE/SF IN 2021

LEASED 758K SF IN 2021

# Amazon

LEASED 7.4M SF SINCE 2018

\$1.68B IN SALES IN Q4 2021

# \$5.3B

SALE DEAL VOLUME 2021

AVERAGE LEASE DEAL SF IN 2020 - 14K

# 21,718 SF

AVERAGE LEASE DEAL SF

### TOP LEASE OF 2021



Submarket: Goodyear  
SF Leased: 1,302,434 SF  
Tenant: Home Depot  
Time on Market: 107 mos

16155 W Elwood St  
Goodyear, AZ 85338

### TOP SALE OF 2021



Submarket: Glendale  
Price: \$186,000,000  
Occupant: Walmart  
SF Sold: 1,257,838 SF  
Date Sold: 9/13/2021

660 N Sarival Ave  
Litchfield Park, AZ 85340







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## Q4 Top Leases

**1**  **16155 W Elwood St**


Submarket	Goodyear
Tenant	Home Depot
Size	1,302,434 SF
Move Date	Jan 2022

**2**  **7723 N Reems Rd**

Submarket	Glendale
Tenant	Williams Sonoma
Size	1,200,140 SF
Move Date	Sep 2022

**3**  **Lower Buckeye Rd & N Miller Rd**

Submarket	Goodyear/Buckeye
Tenant	Funko
Size	862,602 SF
Move Date	April 2022

**4**  **4580 N Pebble Creek Pky**

Submarket	Goodyear
Tenant	Best Buy
Size	802,439 SF
Move Date	May 2022

Photos & Information provided by CoStar


## Q4 Top Sales

**1**  **1515 S 91st Ave - Merit PLC**

Sale Price	\$83,500,000
Buyer	LXP Industrial Trust
Size	487,500 SF
Submarket	Tolleson

**2**  **9081 W Jefferson St - Home Depot Dist.**

Sale Price	\$79,200,000
Buyer	Stealth W Jefferson
Size	466,418 SF
Submarket	Tolleson

**3**  **500 W Pinnacle Rd - Amazon Fulfillment**

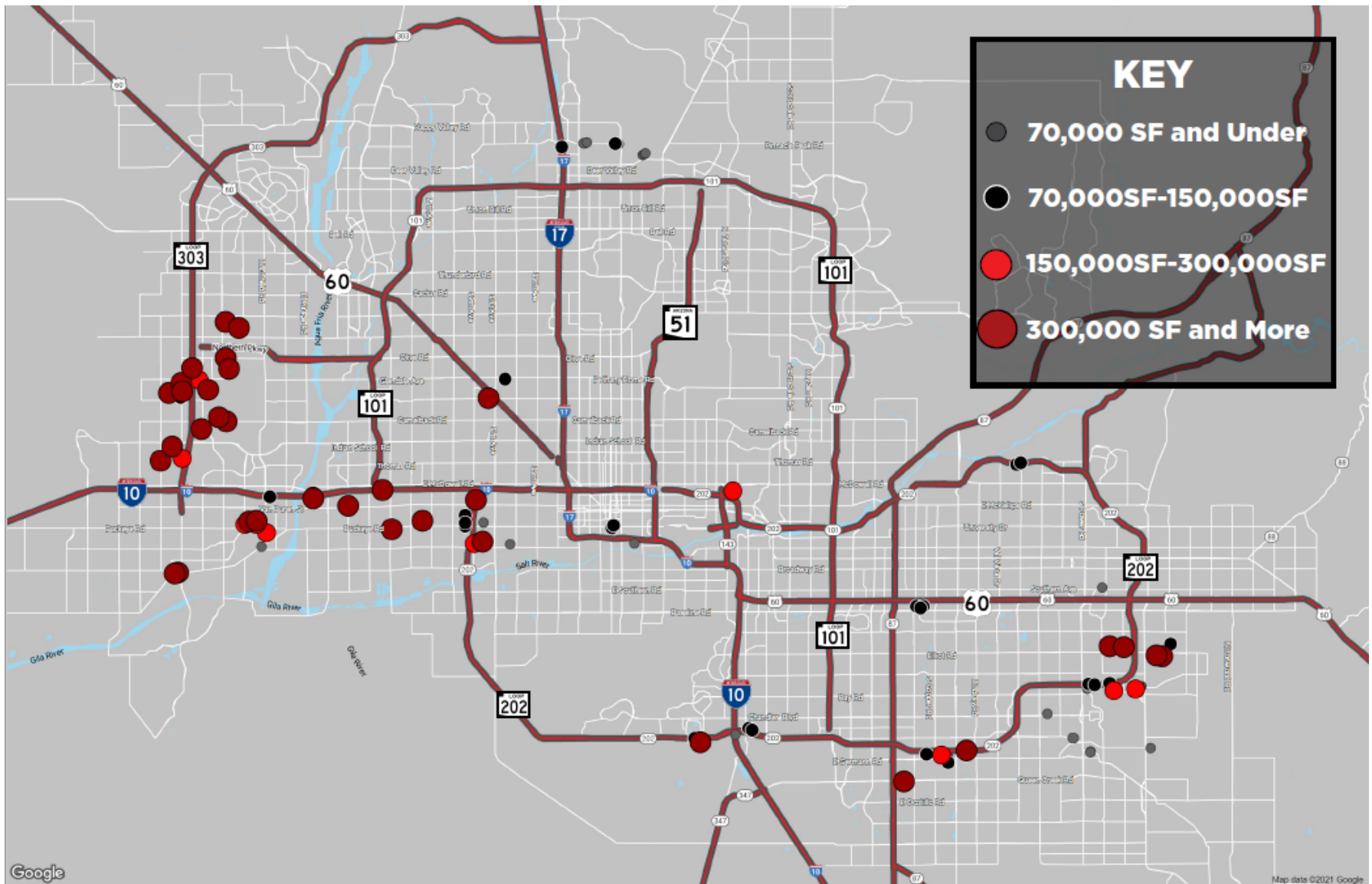
Sale Price	\$74,700,000
Buyer	Stonemont Financial
Size	145,485 SF
Submarket	Deer Valley

**4**  **6395 N Sarival Ave - VT 303 Amazon**

Sale Price	\$71,097,263
Buyer(s)	GFH Financial
Size	278,670 SF
Price/SF:	Litchfield



## Industrial Space Under Construction



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## Industrial Numbers Chart and Data Q4

	RBA	Vacant SF	Vacant %	Net Absorption	Deliveries	Under Construction	Avg NNN Rate	Yearly NNN Rate
<b>Sky Harbor</b>	49,363,556	1,481,195	3.0%	190,207	-	383,185	\$0.88	\$10.51
<b>Northeast Valley</b>	14,878,816	403,631	2.7%	32,148	-	-	\$1.01	\$12.13
<b>Northwest Valley</b>	73,786,008	3,230,994	4.4%	2,763,699	2,021,361	8,964,161	\$0.61	\$7.34
<b>Southeast Valley</b>	96,758,930	4,070,761	4.2%	796,414	193,405	5,518,740	\$0.79	\$9.46
<b>Southwest Valley</b>	110,815,924	8,440,680	7.6%	704,321	1,191,400	6,926,794	\$0.52	\$6.27
<b>All Submarkets</b>	345,603,234	17,627,261	5.1%	4,486,789	3,406,166	21,792,880	\$0.69	\$8.31
<b>2021 Q3</b>	342,197,068	18,707,884	5.5%	6,060,655	3,984,841	19,395,067	\$0.68	\$8.21
<b>2021 Q2</b>	338,241,211	20,812,682	6.2%	5,886,253	3,754,951	19,860,696	\$0.66	\$7.89
<b>2021 Q1</b>	334,486,260	22,943,984	6.9%	4,177,026	1,738,389	18,006,755	\$0.64	\$7.66
<b>2020 Q4</b>	332,813,343	25,448,093	7.6%	7,304,410	6,414,916	11,030,938	\$0.63	\$7.60
<b>2020 Q3</b>	326,402,927	26,342,087	8.1%	3,157,477	4,064,431	12,741,745	\$0.62	\$7.45





## About NAI Horizon

Exceptional global commercial real estate solutions begin with local market leadership and expertise. Established in 1992, NAI Horizon is a full-service commercial real estate company serving Arizona with offices located in Phoenix and Tucson. NAI Horizon is passionate about the commercial real estate business, providing Brokerage and Property Management Services for local, national and international clients. NAI Horizon is a member of the NAI Global commercial real estate network providing real estate solutions to more than 300 offices worldwide. For more information visit [www.naihorizon.com](http://www.naihorizon.com).

## About NAI Global

Advisory Services | Leasing | Property Management  
Property & Note Sales | Tenant Representation

NAI Global is a leading global commercial real estate brokerage firm. NAI Global offices are leaders in their local markets and work in unison to provide clients with exceptional solutions to their commercial real estate needs. NAI Global has more than 300 offices in 43 countries strategically located throughout North America, Latin America and the Caribbean, Europe, Africa and Asia Pacific, with 5,100 local market professionals, managing in excess of 1.1 billion square feet of property and facilities. Annually, NAI Global completes in excess of \$20 billion in commercial real estate transactions and a gross revenue of \$1.5 billion.

NAI Global professionals achieve extraordinary results for clients locally and globally through creativity, collaboration and the consistent delivery of exceptional knowledge and service that only market-leading firms can provide. NAI Global provides a full range of corporate real estate services, including brokerage and leasing, property and facilities management, real estate investment and capital market services, due diligence, global supply chain and logistics consulting and related advisory services.

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