

Year End  
**2014**  
Industrial  
Market Report

Overall 2014 witnessed over 7 million SF of net absorption, **the strongest growth since 2005.**



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Year end results for 2014 in the valley's industrial market give reason for optimism for 2015. The sector experienced over 7 million SF of net absorption in 2014, the strongest growth since 2005. This is a significant feat considering that 6.38 million SF of new construction was delivered in 2014. This marks the highest amount since 2008. Additionally, another 2.76 million SF is currently under construction as of the beginning of 2015. Further proof of the improving market was seen with a 3.5% increase in rental rates, for 2014, the third straight year of raising rents. This continued improvement is due in part to an improving economy, tightening of available product and job growth; the unemployment rate dropped to 5.9% from 6.8% at the mid-year point.

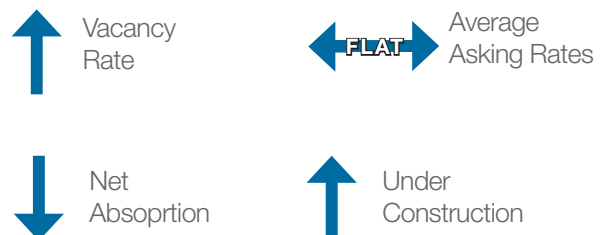
Leasing and sales activity slowed in the fourth quarter of 2014, with 2,354,655 SF leased in 438 transactions. The second quarter of 2014 saw the most action, with 3.9 million SF leased in 668 transactions. The year totaled with 12.9 million SF being leased, continuing the gradual decline since 2011 when 22.4 million SF was leased. While sales volume for 2014 ended slightly higher than the previous year with over \$1.22 billion compared to \$1.14 billion seen in 2013, the

4th quarter of 2014 was the second largest quarter with \$319 million in sales, behind the third quarter with \$474 million.

Currently businesses seeking to expand or relocate into space smaller than 50,000 SF are finding the available options for sale which meet their criteria limited. As a result, build-to-suit activity, which has slowed due to the cost of construction, has begun to increase and will continue to become a real option for business owners as the cost to purchase and remodel second generation buildings approaches the cost of build-to-suit options.

These statistics, combined with an improving economy, provide true signs that 2015 is poised to be a breakout year for the Greater Phoenix industrial sector.

## Q4 Industrial Market Trends



# Phoenix 4Q14 Industrial Snapshot

4Q14  
Industrial

## Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
Distribution	60,747,392 SF	9,370,833 SF	15.4%	-40,216 SF	838,471 SF	1,566,462 SF	\$0.40
Warehouse	136,674,033 SF	12,217,837 SF	8.9%	466,399 SF	148,982 SF	827,935 SF	\$0.48
Manufacturing	58,153,027 SF	7,272,297 SF	12.5%	214,962 SF	-	306,000 SF	\$0.46
Flex	33,333,041 SF	6,024,138 SF	18.1%	-177,711 SF	81,768 SF	60,000 SF	\$0.98
<b>Q4 TOTAL</b>	<b>288,907,493 SF</b>	<b>34,885,105 SF</b>	<b>12.1%</b>	<b>503,374 SF</b>	<b>1,069,221 SF</b>	<b>2,760,397 SF</b>	<b>\$0.53</b>
Q3 2014	287,838,272 SF	34,319,258 SF	11.9%	1,987,958 SF	687,163 SF	2,270,829 SF	\$0.53
Q2 2014	287,183,167 SF	35,652,111 SF	12.4%	3,809,978 SF	1,847,757 SF	2,638,566 SF	\$0.52

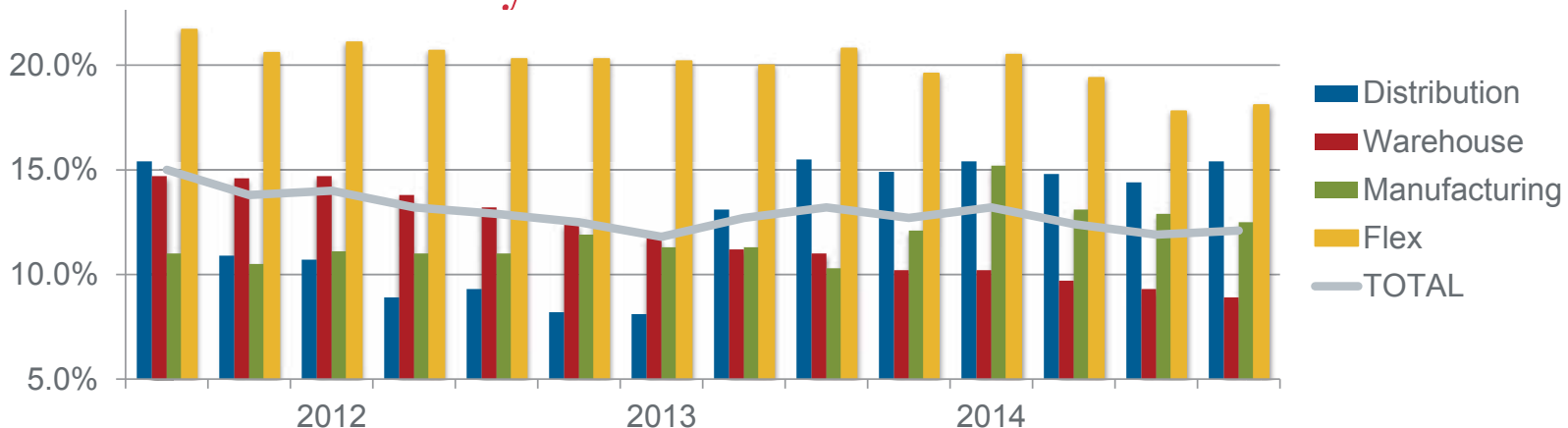
## Significant Lease Transactions

Property	Address	Tenant	Size	Class	Type
4141 W Van Buren St	4141 W Van Buren, Phoenix	Marco Display Specialist	67,697 SF	A	Move-In
3807 W Adams St	3807 W Adams St, Phoenix	Darkin International	62,567 SF	C	Renewal
Estrella Business Park	1010 S 65th Ave, Phoenix	Propak Logistics Inc	48,735 SF	A	Move-In

## Significant Sale Transactions

Property	Address	Buyer	Sale Date	Size	Class	Price
3302 W Earll	3302 W Earll, Phoenix	Angelo, Gordon & Co	12/15/2014	41,056 SF	B	\$9.7M
Roosevelt Center	2145 S Roosevelt, Tempe	DCT Industrial Trust	10/15/2014	129,166 SF	A	\$9.6M
Broadway Industrial Park	2636 S Wilson, Tempe	DCT Industrial Trust	10/15/2014	112,655 SF	C	\$8.4M

## Industrial Vacancy Rates



The Office Market is a compilation that includes Class A, Class B, and Class C buildings with at least 10,000 SF of space. Medical office buildings are included. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI Horizon. NAI Horizon makes no warranties or representations as to the completeness or accuracy thereof. NAI Horizon makes no guarantee about projections, opinions, assumptions or estimates. Occasionally corrected or updated information becomes available for both current and historical data thereby invalidating specific comparison to previously issued reports.

# Market Numbers

Year End  
2014

## Vacancy

- Increased to 12.1% from 11.9% in Q4 2014
- Distribution properties reported a vacancy rate of 15.4%
- Warehouse properties reported the lowest vacancy rate in the Valley at 8.9%
- Flex properties reported the highest vacancy rate in the Valley at 18.1%

## Rental Rates (NNN)

- Rates remained steady in the fourth quarter of 2014 at \$0.53 for the Phoenix Metro Industrial Market
- The Southwest Valley had the lowest average rental rates at \$0.36
- The Northeast Valley held the highset average rental rate at \$0.85

## New Construction

- Ending Q4 2014, there were 2,760,397 SF of new industrial buildings under construction.
- Over 1 million SF was delivered in Q4 2014

## Net Absorption

- In Q4 2014, 503,374 SF were absorbed in the Phoenix Metro Industrial Market

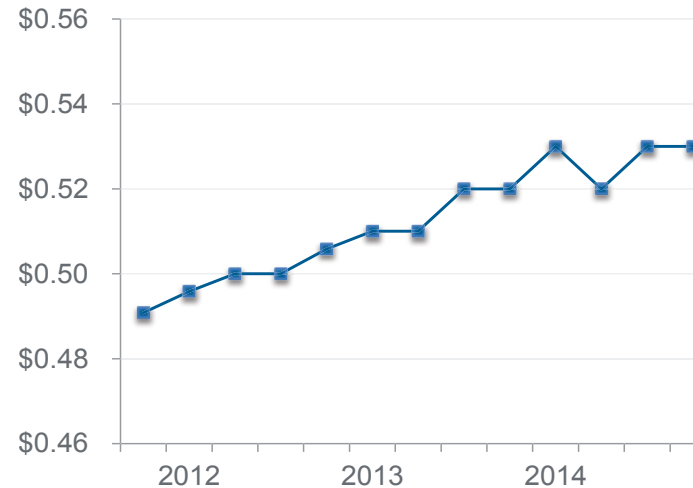
## Economic Trends

**↑** Consumer Price Index  
Up 1.3% over last 12 months

**↓** 30-Year Fixed Mortgage  
3.64% National Average, down from 3.68% 3Q14

**↓** Phoenix Metro Unemployment  
Arizona, 11/14- 5.9% down from 6.8% 2Q14

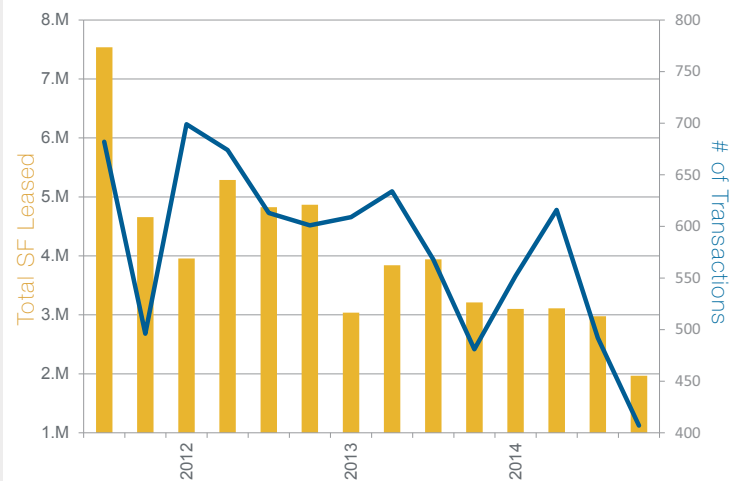
## Average NNN Rental Rates



## Average Sale Price/SF



## Leasing Activity







## 7881 E Gray Rd

Scottsdale, AZ 85260

Sale Price: **\$3,550,000.00**

Size: 34,768 SF

Sold: December 2014



## 2121 S Power Rd

Mesa, AZ 85208

Size: ±14,060 SF

Leased: November 2014



## 1401 E Van Buren St

Phoenix, AZ 85006

Sale Price: **\$1,400,000**

Size: 32,897 SF

Sold: November 2014



## 570 W Southern Ave

Tempe, AZ 85282

Sale Price: **\$1,977,390**

Size: 21,917 SF

Sold: December 2014



## 2521 W Birchwood Ave

Mesa, AZ 85202

Size: 28,539 SF

Leased: December 2014



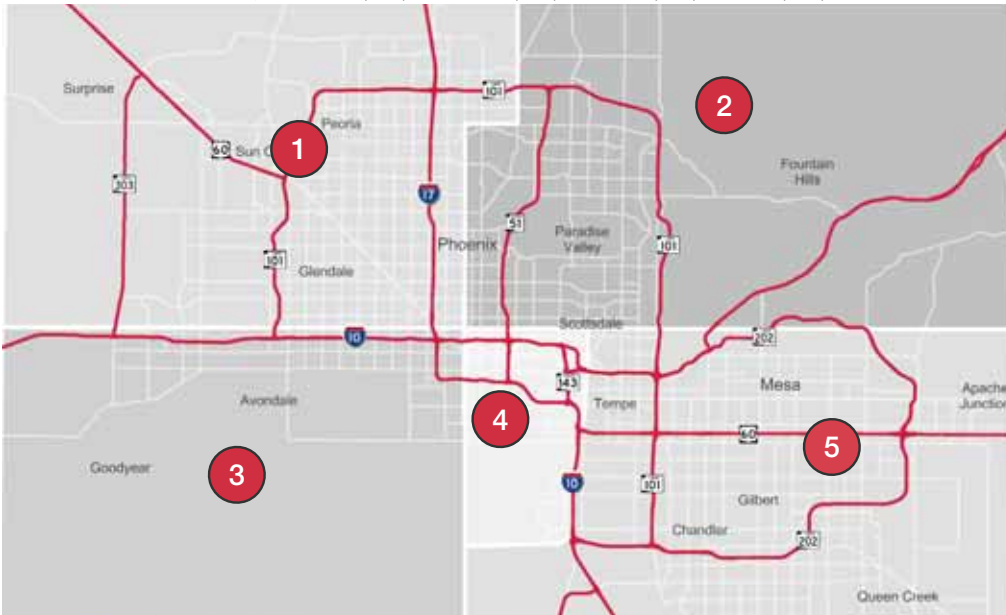
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# PHOENIX SUBMARKETS

# Q4 2014

Submarket Clusters	Total RBA	Direct Vacant SF	Sublet Vacant SF	Total Vacant SF	Direct Vacant %	Sublet Vacant %	Total Vacant %	Total Net Absorption	RBA Delivered	RBA Under Const.
<b>Sky Harbor</b>										
Distribution	5,333,981	955,026	-	955,026	17.9%	0.0%	17.9%	51,846	604,658	218,231
Warehouse	27,451,767	2,203,254	180,964	2,384,218	8.0%	0.7%	8.7%	(34,531)	28,013	-
Manufacturing	8,934,394	1,113,691	-	1,113,691	12.5%	0.0%	12.5%	49,790	-	-
Flex	5,116,714	835,442	9,280	844,722	16.3%	0.2%	16.5%	(974)	-	-
<b>Total</b>	<b>46,836,856</b>	<b>5,107,413</b>	<b>190,244</b>	<b>5,297,657</b>	<b>10.9%</b>	<b>0.4%</b>	<b>11.3%</b>	<b>66,131</b>	<b>632,671</b>	<b>218,231</b>
<b>Northeast Valley</b>										
Distribution	817,868	177,677	-	177,677	21.7%	0.0%	21.7%	(7,358)	-	-
Warehouse	6,171,497	476,969	25,298	502,267	7.7%	0.4%	8.1%	27,059	-	-
Manufacturing	3,026,392	36,158	-	36,158	1.2%	0.0%	1.2%	(6,303)	-	-
Flex	5,228,953	706,364	9,951	716,315	13.5%	0.2%	13.7%	51,377	-	-
<b>Total</b>	<b>15,244,710</b>	<b>1,397,168</b>	<b>35,249</b>	<b>1,432,417</b>	<b>9.2%</b>	<b>0.2%</b>	<b>9.4%</b>	<b>64,775</b>	<b>-</b>	<b>-</b>
<b>Northwest Valley</b>										
Distribution	6,142,508	663,514	-	663,514	10.8%	0.0%	10.8%	12,096	113,880	-
Warehouse	31,356,256	2,316,877	51,350	2,368,227	7.4%	0.2%	7.6%	77,322	50,433	-
Manufacturing	11,102,948	697,172	10,608	707,780	6.3%	0.1%	6.4%	(71,261)	-	146,000
Flex	6,589,594	1,368,586	0	1,368,586	20.8%	0.0%	20.8%	(22,567)	-	-
<b>Total</b>	<b>55,191,306</b>	<b>5,046,149</b>	<b>61,958</b>	<b>5,108,107</b>	<b>9.1%</b>	<b>0.1%</b>	<b>9.3%</b>	<b>(4,410)</b>	<b>164,313</b>	<b>146,000</b>
<b>Southeast Valley</b>										
Distribution	8,671,550	862,776	11,757	874,533	9.9%	0.1%	10.1%	(17,373)	119,933	595,323
Warehouse	39,027,976	3,558,208	33,954	3,592,162	9.1%	0.1%	9.2%	162,998	-	168,320
Manufacturing	24,620,764	3,583,053	217,000	3,800,053	14.6%	0.9%	15.4%	74,550	-	-
Flex	15,012,526	2,598,696	227,693	2,826,389	17.3%	1.5%	18.8%	(146,925)	81,768	60,000
<b>Total</b>	<b>87,332,816</b>	<b>10,602,733</b>	<b>490,404</b>	<b>11,093,137</b>	<b>12.1%</b>	<b>0.6%</b>	<b>12.7%</b>	<b>73,250</b>	<b>201,701</b>	<b>823,643</b>
<b>Southwest Valley</b>										
Distribution	39,682,135	6,506,457	183,376	6,689,833	16.4%	0.5%	16.9%	(79,427)	-	752,908
Warehouse	32,500,008	3,177,135	183,428	3,360,563	9.8%	0.6%	10.3%	213,551	70,536	659,615
Manufacturing	10,442,529	1,133,276	481,339	1,614,615	10.9%	4.6%	15.5%	168,186	-	160,000
Flex	1,385,254	268,126	-	268,126	19.4%	-	19.4%	1,318	-	-
<b>Total</b>	<b>84,009,926</b>	<b>11,084,994</b>	<b>848,143</b>	<b>11,933,137</b>	<b>13.2%</b>	<b>1.0%</b>	<b>14.2%</b>	<b>303,628</b>	<b>70,536</b>	<b>1,572,523</b>
<b>Total Submarket Clusters</b>										
Distribution	60,747,392	9,175,700	195,133	9,370,833	15.1%	0.3%	15.4%	(40,216)	838,471	1,566,462
Warehouse	136,674,033	11,732,443	485,394	12,217,837	8.6%	0.4%	8.9%	446,399	148,982	827,935
Manufacturing	58,153,027	6,563,350	708,947	7,272,297	11.3%	1.2%	12.5%	214,962	-	306,000
Flex	33,333,041	5,777,214	246,924	6,024,138	17.3%	0.7%	18.1%	(117,771)	81,768	60,000
<b>Overall Total 4Q14</b>	<b>288,907,493</b>	<b>33,248,707</b>	<b>1,636,398</b>	<b>34,885,105</b>	<b>11.5%</b>	<b>0.6%</b>	<b>12.1%</b>	<b>503,374</b>	<b>1,069,221</b>	<b>2,760,397</b>
Overall Total 3Q14	287,838,272	32,423,851	1,895,407	34,319,258	11.3%	0.7%	11.9%	1,987,958	687,163	2,700,829
Overall Total 2Q14	287,183,167	33,846,692	1,805,419	35,652,111	11.8%	0.6%	12.4%	3,809,978	1,847,757	2,638,566
Overall Total 1Q14	285,453,279	35,915,364	1,816,837	37,732,201	12.6%	0.6%	13.2%	715,994	2,790,757	2,190,956
Overall Total 4Q13	282,683,722	33,866,757	1,811,881	35,678,638	12.0%	0.6%	12.6%	2,632,297	1,286,477	4,705,797



## INDUSTRIAL SUBMARKETS

- 1 Northwest Valley**  
Deer Vly/Pinnacle Pk, Glendale, Grand Avenue, N Glendale/Sun City, North Black Canyon, W Phx N of Thomas Rd, W Phx S of Thomas Rd
- 2 Northeast Valley**  
Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River
- 3 Southwest Valley**  
Goodyear, SW N of Buckeye Rd, SW S of Buckeye Rd, Tolleson
- 4 Sky Harbor**  
North Airport, S Airport N of Roeser, S Airport S of Roeser, SC N of Salt River, SC S of Salt River
- 5 Southeast Valley**  
Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe E, Tempe NW, Tempe SW



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# Year End 2014 Industrial Market Report

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