



# Offering Memorandum

1601 E BROADWAY RD | PHOENIX, AZ 85040



Colliers International  
2390 E Camelback Rd | Suite 100  
Phoenix, AZ 85016  
P: +1 602 222 5000



1601 E BROADWAY ROAD  
PHOENIX, AZ

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## Presented By

KIM SOULÉ  
Senior Vice President  
DIRECT +1 602 222 X6047  
MOBILE +1 602 339 6080  
kim.soule@colliers.com

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1601 E BROADWAY ROAD  
PHOENIX, AZ



**PROPERTY  
OVERVIEW**



# Property Overview

Colliers International, as the Exclusive Listing Agent, is pleased to present the opportunity to acquire 1601 E Broadway Road, Phoenix, AZ. The property is a 90,194 square foot, single-tenant industrial building located on 11.4 acres of land. The building was constructed in 1986 and is 100% leased to Ducommun Aero Structures. The property is offered for sale, free and clear of debt, at an asking price of \$6,000,000. This sale is being offered on an "as is, where is" basis.

## INVESTMENT HIGHLIGHTS

- **Strong tenant** (Ducommun Aero Structures) with a three-year remaining term. Ducommun has closed its Arizona location and has subleased the space. The

subtenant, Exotic Metals Forming Company, has been in existence over 60 years and is a privately owned company that provides parts to the aerospace industry. The sublease was signed effective 3/14/19 and expires 02/28/22.

- **Capital Improvements.** Fairly new chiller system, roof, and upgraded power management system. Both the chiller and roof are under warranty.
- **Access.** Easy access to Interstates 17 and 10. The property is located approximately 14 miles to Interstate 17 and 3 miles to I-10.



# Property Summary

LOCATION	Located on the southeast corner of Broadway Road and 16 <sup>th</sup> Street 1601 East Broadway Rd Phoenix, AZ 85282
BUILDING AREA	90,194 SF
LAND AREA	11.4 AC (additional land for expansion)
YEAR BUILT	1986
ZONING	CP/GCP, Commerce Park/General Commerce Park
PROPERTY TYPE	Industrial
PARKING	80 spaces
PERCENT LEASED	100%
CONSTRUCTION TYPE	Masonry
ROOF STRUCTURE	Flat, built-up roofing system with foam
CEILING HEIGHT	20-22'
DOCK HEIGHT	3 truckwells
HVAC	Roof-mounted chiller system installed in 2012
SPRINKLERS	Combination
TOPOGRAPHY	Generally level and at street grade
STREET FRONTAGE	Broadway Road and 16 <sup>th</sup> Street
WATER/SEWER	City of Phoenix
ELECTRICITY	Salt River Project
GAS	Southwest Gas
ASSESSOR NUMBER	123-56-004A
ANNUAL INCOME	\$456,000





## About the Tenant



Founded in 1849, Ducommun is the oldest company in California. Evolving from a hardware supply store opened by Charles Ducommun in Los Angeles during the California Gold Rush, the company assisted in the birth of the aerospace industry in Southern California by providing aircraft aluminum to early aerospace pioneers like Lindbergh, Douglas and Lockheed.

Today, Ducommun is a global provider of innovative manufacturing solutions for customers in the aerospace, defense and industrial markets. We specialize in two core areas – Electronic Systems and Structural Systems – to produce complex products and components for commercial aircraft platforms, mission-critical military and space programs, and sophisticated industrial applications.

Our company is organized to leverage our full spectrum of capabilities through common, companywide processes and value-added services like new product introduction, supply chain strategies, and program management that create value for the customer and to facilitate ease of doing business.



Exotic is a family-owned organization of individuals driven and committed to being the best complex sheet metal aerospace company that we can be. We engineer, manufacture, and provide aftermarket support on vital systems and components for virtually every commercial airliner and military aircraft in active service today. We have sophistication to provide innovative solutions and the flexibility to provide rapid response to our customers' needs.

Our word is our bond and we conduct our business with respect, integrity and loyalty to our customers and employees. Since our founding in 1966, Exotic has cultivated a culture of entrepreneurship where employees are inspired to be the best that they can be and are rewarded with a share in the company's success. The entire organization is motivated to do whatever it takes to achieve our customers' goals.

## About the Subtenant





## SOUTHEAST VIEW





# NORTHWEST VIEW





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A nighttime photograph of the Phoenix skyline. Several skyscrapers are illuminated with warm yellow and orange lights, standing out against a deep blue twilight sky. In the foreground, there is a dark, silhouetted landscape with some low-lying vegetation and a few palm trees. The overall scene conveys a modern, urban environment.

# MARKET OVERVIEW





## KEY TAKEAWAYS

The Greater Phoenix industrial market cooled a bit in the fourth quarter, vacancy ticked 10 basis points higher to 7.5 percent over the quarter but was 10 basis points lower over the year. While absorption rebounded to a little over 2.3 million square feet in the fourth quarter, nearly matching second quarter's high of 2.54 million, rents remained unchanged at \$0.58 per square foot.

Development of new industrial space remains quite active with a 17 percent over the year increase in projects under construction. As a result, new construction is putting upward pressure on vacancy which has witnessed minor 10 to 20 basis point increases over the last three quarters.

In 2018, industrial property sales volume surged 33 percent to \$1.61 billion with only a minor increase in overall transactions, which suggests that the buildings that changed hands commanded higher prices. The median price settled at \$93 per square foot, below second quarter's \$96 high, and unchanged when compared to 2017. Cap rates continued to compress decreasing 16 basis points over the year to 6.88 percent.

## GREATER PHOENIX INDUSTRIAL MARKET

The Greater Phoenix industrial market ended 2018 with a bit of a slowdown during the fourth quarter. Net absorption was still positive, totaling approximately 2.3 million square feet, it was less than second quarter's high of 2.5 million and 38 percent lower than fourth quarter 2017's high of 3.8 million.

With net absorption posting a modest slowdown, the vacancy rate rose off the cyclical low of 7.2 percent that was recorded in the second quarter. Despite a modest 30 basis point increase, the current market vacancy rate is still 10 basis points lower than one year ago. Vacancy in the low- to mid-7 percent range is a significant improvement from double-digit rates as recently as 2015.

Investment conditions somewhat mirrored overall market conditions during the fourth quarter. Many of the trends were positive, but lagged the fast-paced levels from the second quarter. Industrial building sales slowed during the fourth quarter, but 2018 sales volume trended 33 percent higher than in 2017 with median price maintaining its \$93 per square foot amount with cap rates below 7 percent.







## RENTAL RATES

Asking rents were up slightly over the year reaching \$0.58 per square foot, per month. During the past 12 months, asking rents have advanced 1.8 percent.

Rents in big-box distribution buildings continue to rise at a faster clip than the market as a whole. Asking rents in big-box distribution spaces have risen by 6.4 percent in the past 12 months, reaching \$0.46 per square foot, per month in the fourth quarter.

Following years of robust absorption levels, the Southwest Valley is recording strong rent growth. Average asking rents in the Southwest Valley ended the third quarter at \$0.41 per square foot, per month, up 6.4 percent from one year ago.

## FORECAST

Rents should continue to push higher with tenant demand for space strong and newer, more expensive product coming to market. Asking rents are forecast to rise by approximately 3.0-3.5 percent in 2019.

## ABSORPTION AND LEASING ACTIVITY

Net absorption in Greater Phoenix was quite strong for 2018. During the fourth quarter, the pace of tenant expansion/leasing increased and resulted in absorption of 2.3 million square feet, 167 basis point increase over third quarter.

Net absorption in the Northeast Valley totaled more than 100,000 square feet in the fourth quarter, and tenants have moved into a net of more than 470,000 square feet of space for the year. Vacancy in the submarket has dipped below 5 percent for the first time in more than 15 years.

## FORECAST

Net absorption is forecast to reach approximately 6.3 million square feet in 2019, lagging the amount of new construction in the market. With several large blocks of large spec space coming online late in the year, there could be a surge in net absorption in the first half of 2019.

## CONSTRUCTION

Approximately 5.4 million square feet of industrial space is currently under construction, down from first quarter's 6.8 million square feet high. The continued high levels of tenant demand will continue to fuel new construction projects in the coming quarters. Deliveries for Greater Phoenix totaled a little over 7.7 million square feet for the year and have averaged nearly 5.8 million square feet per year since 2013.

## FORECAST

Completions of industrial space will continue to accelerate in the first half of 2019, with estimated delivery of 7.5 million square feet by the end of 2019. As more spec development comes on line over the next several quarters, vacancy is expected to nominally increase rising 50 basis points to 8 percent by the end of the year.

## INVESTMENT

Investment activity has been quite strong, with prices generally pushing higher and cap rates compressing, despite near-term increases. One factor that could influence future development and investment activity is the recent trend of large parcels of industrial land being acquired by technology companies for data center/tech developments, such as Microsoft's purchase of 258 acres in Goodyear. This could limit the supply of land for future traditional industrial development, and could raise market prices.



## CONFIDENTIALITY AND DISCLAIMER STATEMENT

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2. You will hold it and treat it in the strictest of confidence; and
3. You will not, directly or indirectly, disclose or permit anyone else to disclose this Offering Memorandum or its contents in any fashion or manner detrimental to the interest of the Seller.

Owner and Colliers International expressly reserve the right, at their sole discretion, to reject any and all expressions of interest or offers to purchase the Property and to terminate discussions with any person or entity reviewing this Offering Memorandum or making an offer to purchase the Property unless and until a written agreement for the purchase and sale of the Property has been fully executed and delivered.

If you wish not to pursue negotiations leading to the acquisition of this Property

or in the future you discontinue such negotiations, then you agree to purge all materials relating to this Property including this Offering Memorandum.

A prospective purchaser's sole and exclusive rights with respect to this prospective transaction, the Property, or information provided herein or in connection with the sale of the Property shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Seller or Colliers International or any of their affiliates or any of their respective officers, directors, shareholders, owners, employees, or agents for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Property.

This Offering Memorandum shall not be deemed to represent the state of affairs of the Property or constitute an indication that there has been no change in the state of affairs of the Property since the date this Offering Memorandum.

### EXCLUSIVELY OFFERED BY:

KIM SOULÉ  
Senior Vice President  
DIRECT +1 602 222 5047  
MOBILE +1 602 339 6080  
kim.soule@colliers.com



Colliers International  
2390 E Camelback Rd | Suite 100  
Phoenix, AZ 85016  
P: +1 602 222 5000