



E-Commerce, Distribution & Logistics Ecosystem

December 2019

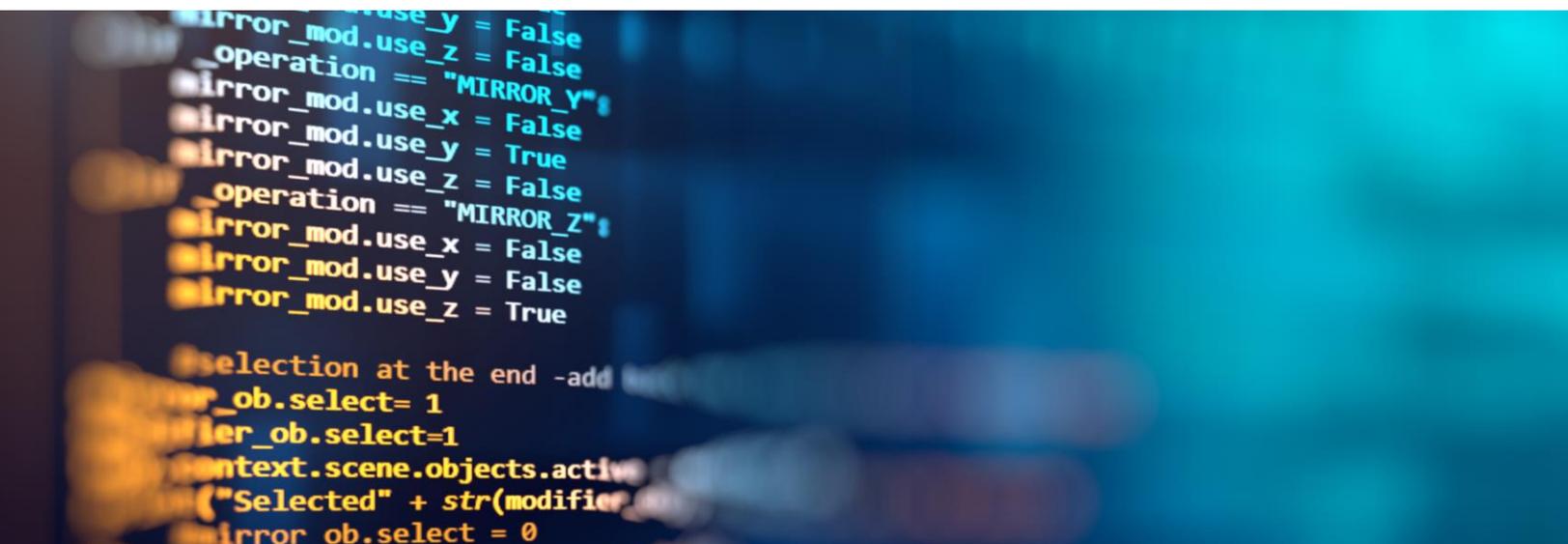
Supply Success in Greater Phoenix

One of the Nation's Largest E-Commerce, Distribution & Logistics Hubs

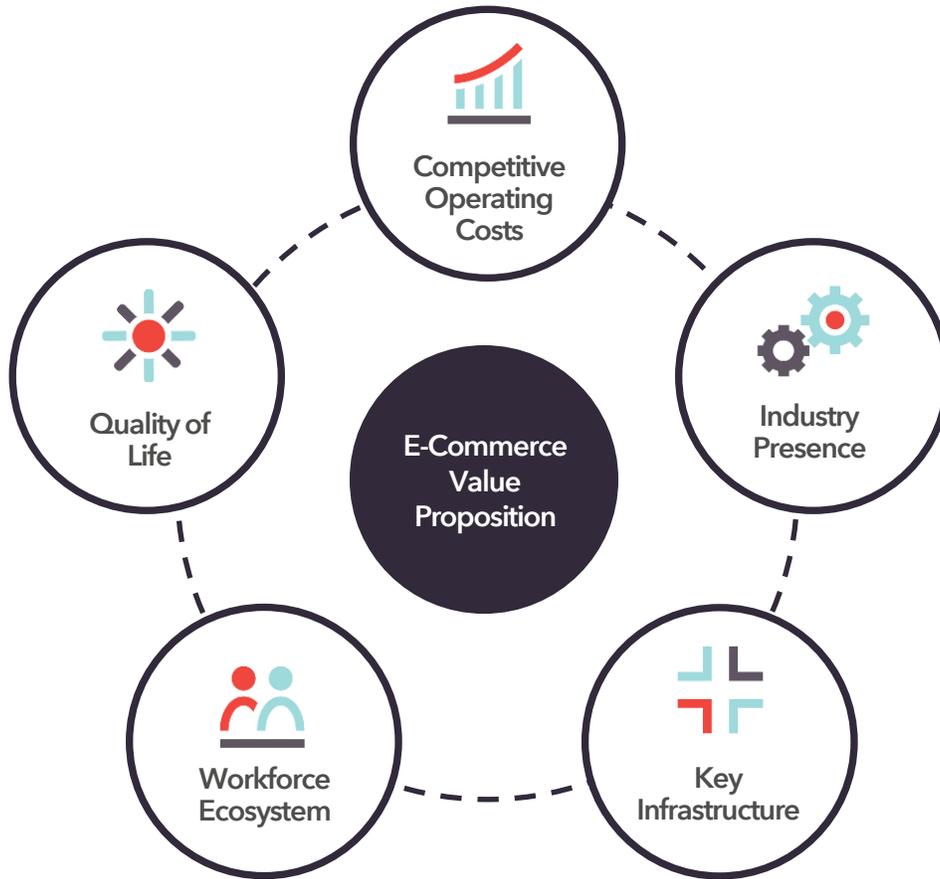
Greater Phoenix is a large and growing e-commerce, distribution and logistics hub. Many of the largest e-commerce firms have facilities in Greater Phoenix. With exceptional access to major markets, innovative trade programs, and high-quality infrastructure, the region is an ideal location for these types of operations.

Here are just a few reasons why so many top companies choose Greater Phoenix:

- Lower operating costs than peer markets
- Well-planned, high-quality, air, rail and highway infrastructure
- Access to key markets within a one-day haul
- Innovative programs providing fast-tracked customs with Mexico
- More affordable cost of living for the employees that make companies great. The region opens the door to a better quality of life than peer markets
- A welcoming and supportive region with active trade associations and key partners



Value Proposition



| Competitive Operating Costs | Industry Presence | Key Infrastructure | Workforce Ecosystem | Quality of Life |
|--|--|---|---|--|
| <ul style="list-style-type: none"> • 4.2 - 12.1% less expensive operating costs than in competitor markets • Real Estate costs 11% lower than Las Vegas and 13% lower than Riverside | <ul style="list-style-type: none"> • Major firms such as Amazon, REI, Chewy, Inc., UPS and others have significant operations • Home to largest full-truckload carrier in the United States • Several innovative logistics firms based in Greater Phoenix | <ul style="list-style-type: none"> • Access to Interstates 8, 10, 17 and 40 • Served by Union Pacific and BNSF Railroads • Sky Harbor International Airport serves 10 major freight carriers • Planned highways throughout region | <ul style="list-style-type: none"> • #2 Supply Chain Management Program in the U.S. at ASU • Internet Edge Supply Chain Lab provides expertise and industry connectivity • Larger workforce than Las Vegas and Reno combined | <ul style="list-style-type: none"> • 4 - 20% lower cost of living than competitor markets • Home costs 2 - 37% lower than competitor markets • Home to the largest municipal park in the nation |

Value Proposition

What Industry is Saying About Greater Phoenix



"The Goodyear distribution center will enable us to continue to focus on the needs of customers by moving our gear and apparel more quickly and efficiently, now and into the future."

-Rick Bingle, vice president of supply chain - REI



"We're excited to further expand Chewy fulfillment operations to Arizona, our first in the state and seventh in the country. We greatly appreciate the partnership with the city of Goodyear and look forward to investing in the local community with the creation of 700 new jobs."

-Ryan Cohen, co-founder & CEO - Chewy, Inc.

DAIMLER

Daimler Trucks North America

"Selecting the Phoenix area as a PDC location was more than just picking a dot on a map... Phoenix's ideal location will improve service for many of those dealers and fleets."

-Stefan Kurschner, senior vice president of Aftermarket - Daimler Trucks North America

Operating Cost Analysis

The Annual Business Operating Cost Analysis has been prepared using the following parameters as an estimate for e-commerce, distribution and logistics operations in competitor markets. Component and custom analyses to match your company's operations can be provided upon request.

Assumptions

- \$10,000,000 personal property investment
- 120,000 square foot Industrial Warehouse, Lease
- Utilities (per month):
 - Electric: 1,000W, 200,000KWh
 - Water/Wastewater: 3,000cf, 5/8 meter
- 250 jobs (Bureau of Labor Statistics equivalent occupations)

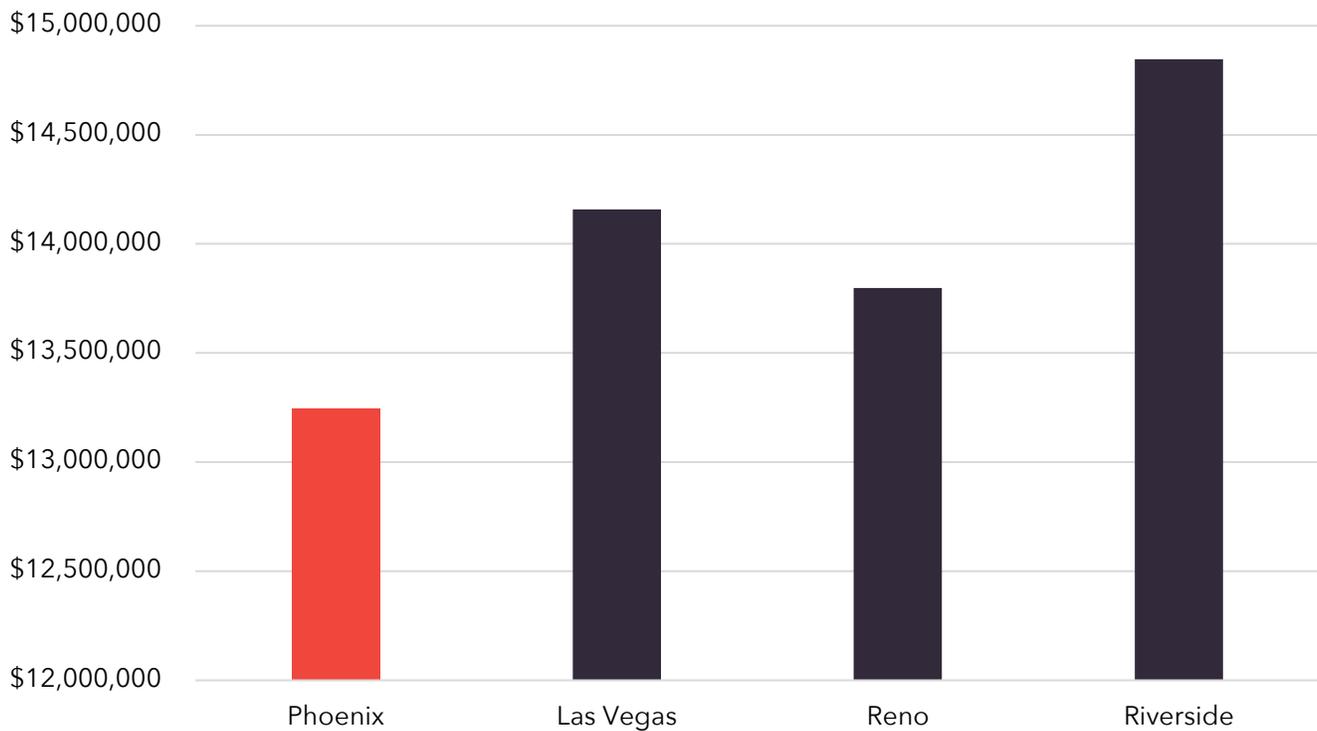
| Occupations | Employment |
|--|------------|
| Material Moving Workers, All Other | 100 |
| Laborers and Material Movers, Hand | 100 |
| Packaging and Filling Machine Operators | 30 |
| First-Line Supervisors of Laborers and Material Movers | 10 |
| Shipping, Receiving, and Traffic Clerks | 5 |
| Logisticians | 3 |
| Transportation, Storage and Distribution Managers | 1 |
| General and Operations Managers | 1 |
| Total | 250 |

Operating Cost Analysis

Annual Operating Cost

| Metro | Payroll | Benefits | Utilities | Real Estate | Property Tax | Total Operating Cost | Index |
|-----------|--------------|-------------|-----------|-------------|--------------|----------------------|--------|
| Phoenix | \$9,400,433 | \$2,498,330 | \$329,148 | \$792,000 | \$223,740 | \$13,243,651 | 100.0% |
| Las Vegas | \$10,046,851 | \$2,791,836 | \$261,568 | \$950,400 | \$107,936 | \$14,158,592 | 106.9% |
| Reno | \$9,884,892 | \$2,750,331 | \$283,249 | \$756,000 | \$123,578 | \$13,798,050 | 104.2% |
| Riverside | \$9,964,629 | \$3,236,616 | \$509,787 | \$1,018,800 | \$115,900 | \$14,845,732 | 112.1% |

Total Operating Cost by Region



Operating Cost Analysis

Arizona Tax Environment vs. Competitor Markets

Arizona has a very competitive tax and mandated benefits environment compared to peer markets.

| Metro | Sales Tax Rate | Corporate Income | | Inventory Tax | Unemployment Insurance | | | Workers Comp. (Rate per \$100 Payroll) |
|-----------|----------------|------------------|------------|---------------|------------------------|-----------|--------------|--|
| | | Tax Rate | Bases | | Rate (as % of Payroll) | Wage Base | Max. Payment | |
| Phoenix | 8.60% | 4.90% | Net Income | No | 2.00% | \$7,000 | \$140.00 | \$1.50 |
| Las Vegas | 8.25% | 1.48% | Payroll | No | 2.95% | \$30,500 | \$870.25 | \$1.31 |
| Reno | 8.27% | 1.48% | Payroll | No | 2.95% | \$30,500 | \$870.25 | \$1.31 |
| Riverside | 8.00% | 8.84% | Net Income | No | 3.40% | \$7,000 | \$238.00 | \$3.24 |

Source: Applied Economics Metrocomp Tool; Tax Foundation, 2018; Various state revenue departments, 2018; Oregon Dept. of Consumer and Business Services, "Workers' Comp. Premium Rate Ranking", 2016; U.S. DOL, "Significant Provisions of State Unemployment Insurance Laws", July 2018.

Warehouse Market Rates

The tables below provide quoted rates for warehouse properties within Greater Phoenix and competitor markets.

Market Rate for Lease of Warehouses

| Metro | Average Quoted Rate | Index |
|---------------------------|---------------------|--------|
| Phoenix | \$7.66 | 100.0% |
| Las Vegas | \$8.53 | 111.4% |
| Reno | \$6.10 | 79.6% |
| Riverside (Inland Empire) | \$8.69 | 113.4% |

Average Quoted Warehouse Rates by Market

| Submarket | Average Quoted Rent |
|--------------------------|---------------------|
| Glendale | \$7.32 |
| Goodyear | \$5.72 |
| Grand Avenue | \$7.07 |
| Pinal County | \$7.45 |
| Southwest Outlying | \$6.38 |
| SW N of Buckeye Road | \$5.97 |
| SW S of Buckeye Road | \$6.69 |
| Tolleson | \$6.01 |
| W Phoenix N of Thomas Rd | \$6.88 |
| W Phoenix S of Thomas Rd | \$6.91 |

Industry Ecosystem

Notable Logistics Firms Headquartered in Greater Phoenix



Knight-Swift

Knight-Swift is the largest full truckload carrier in North America and is the result of a merger between Knight Transportation and Swift Transportation, two Phoenix-based, publicly traded firms. With roughly 28,000 employees nationally, Knight-Swift also provides cross-border, intermodal, and logistics services.



GlobalTranz

GlobalTranz is a privately-held, Scottsdale-based logistics and freight management technology firm. A full-service 3PL provider, GlobalTranz reported over \$1 billion in revenue in FY 2018. It is also currently the tenth largest freight brokerage in the United States.



GPS Insight

GPS Insight is a Scottsdale-based fleet management and logistics firm. An eight-time Inc. 5000 Fastest-Growing Private Companies and five-time Deloitte Technology Fast 500 winner, GPS Insight tracks 125,000 vehicles/assets and has 145 employees.

Industry Ecosystem

Distribution Centers

Many leading national firms operate distribution centers in Greater Phoenix. Listed below are the largest operations in the region by employment.

| Company | Employee Count | Community |
|-----------------------------|----------------|-------------|
| Amazon | 2,278 | Phoenix |
| Amazon | 1,400 | Phoenix |
| Marshalls | 1,248 | Phoenix |
| Walmart | 1,141 | Buckeye |
| Amazon | 975 | Goodyear |
| Amazon | 832 | Phoenix |
| Amazon | 809 | Phoenix |
| Amazon | 764 | Phoenix |
| Chewy | 700 | Goodyear |
| Atlas Retail Services | 665 | Tolleson |
| Conair Corporation | 450 | Glendale |
| Basha's | 380 | Chandler |
| Autozone | 380 | Tolleson |
| Target | 375 | Phoenix |
| Crescent Crown Distributing | 325 | Mesa |
| REI | 312 | Goodyear |
| Petsmart | 300 | Phoenix |
| O-Reilly Automotive | 295 | Phoenix |
| Sitch Fix | 290 | Phoenix |
| Tractor Supply Company | 267 | Casa Grande |
| Tuesday Morning | 229 | Phoenix |

Industry Ecosystem

Major Carrier Locations

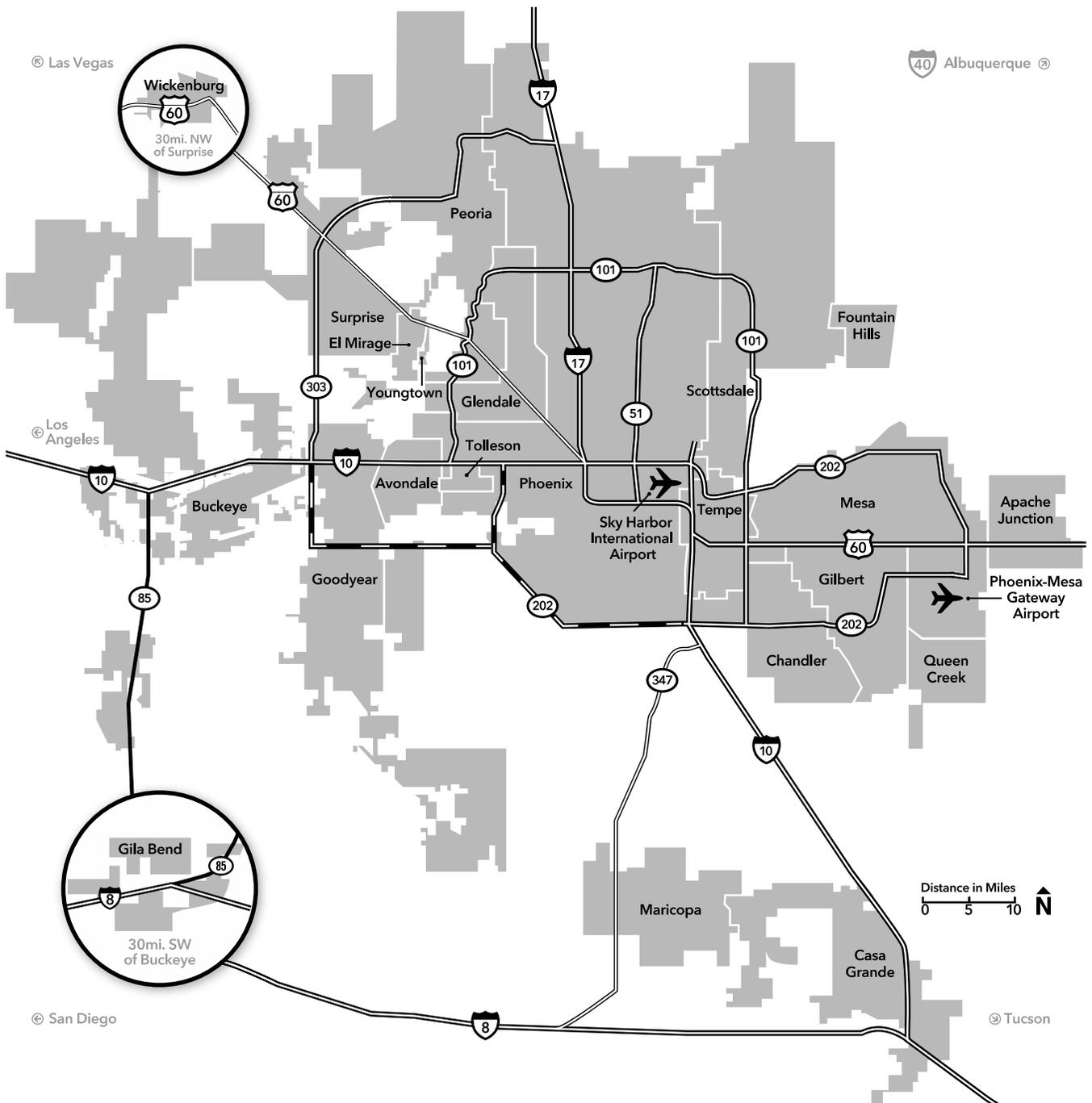
The map below shows freight and sorting locations for major shipping firms in Greater Phoenix. As can be seen below, FedEx and UPS have substantial operations in Greater Phoenix, including the development of a new distribution center in Goodyear, near Interstate 10 and Loop 303.



Key Infrastructure

Greater Phoenix Regional Highway Map

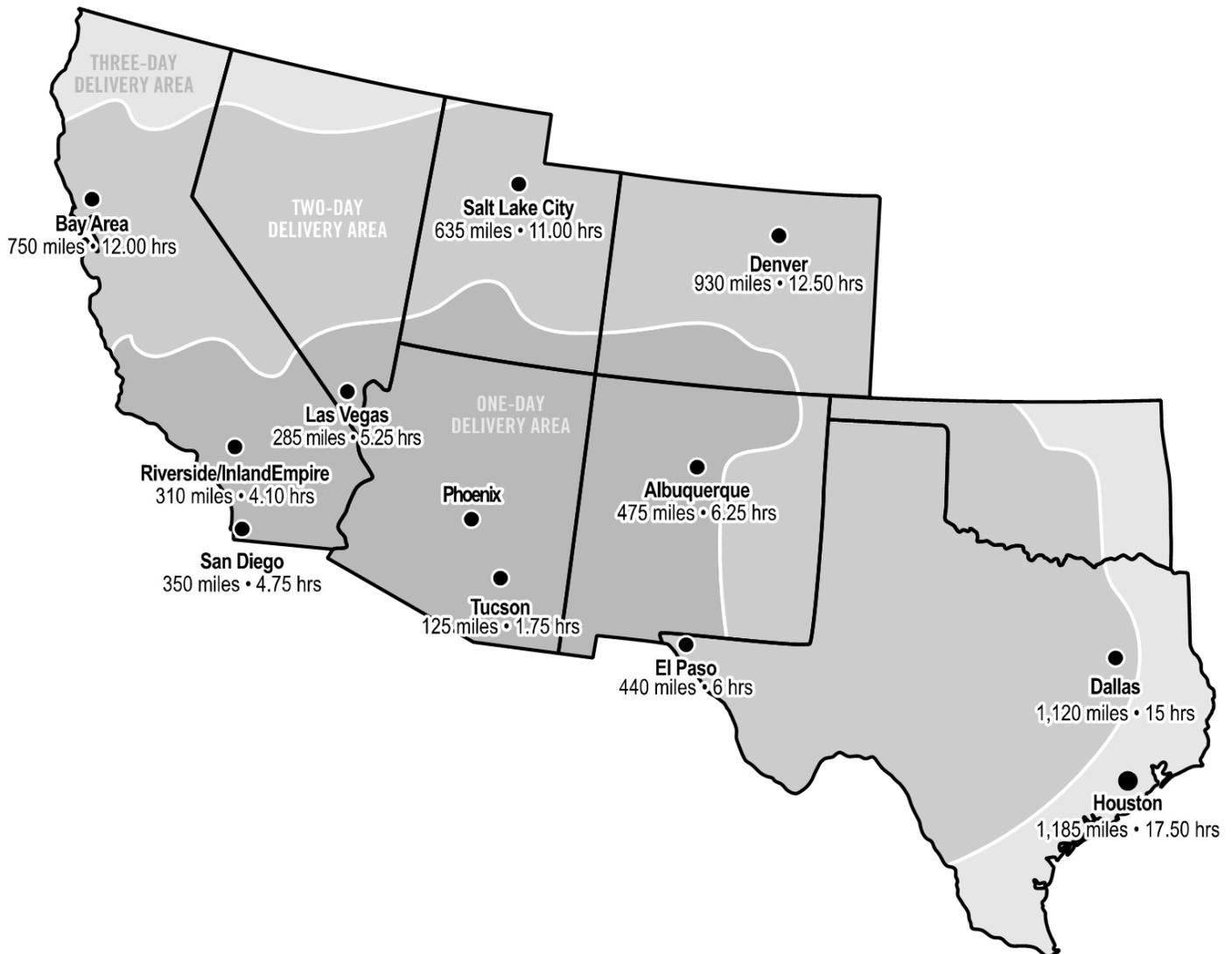
The map below displays existing and planned highway infrastructure in Greater Phoenix. The region's highways are well-planned and provide easy access to all the major submarkets in the region. In addition, proximity to Interstates 8 and 40 mean that access to California markets is seamless.



Key Infrastructure

Greater Phoenix Market Access

Greater Phoenix has access to more than 33 million people in seven states within a one-day truck haul, including major seaports in Los Angeles and Long Beach. Firms have access to nearly the entire Southwest within a two-day haul. Hauling is made easy thanks to easy access to Interstates 8, 10, 17 and 40.

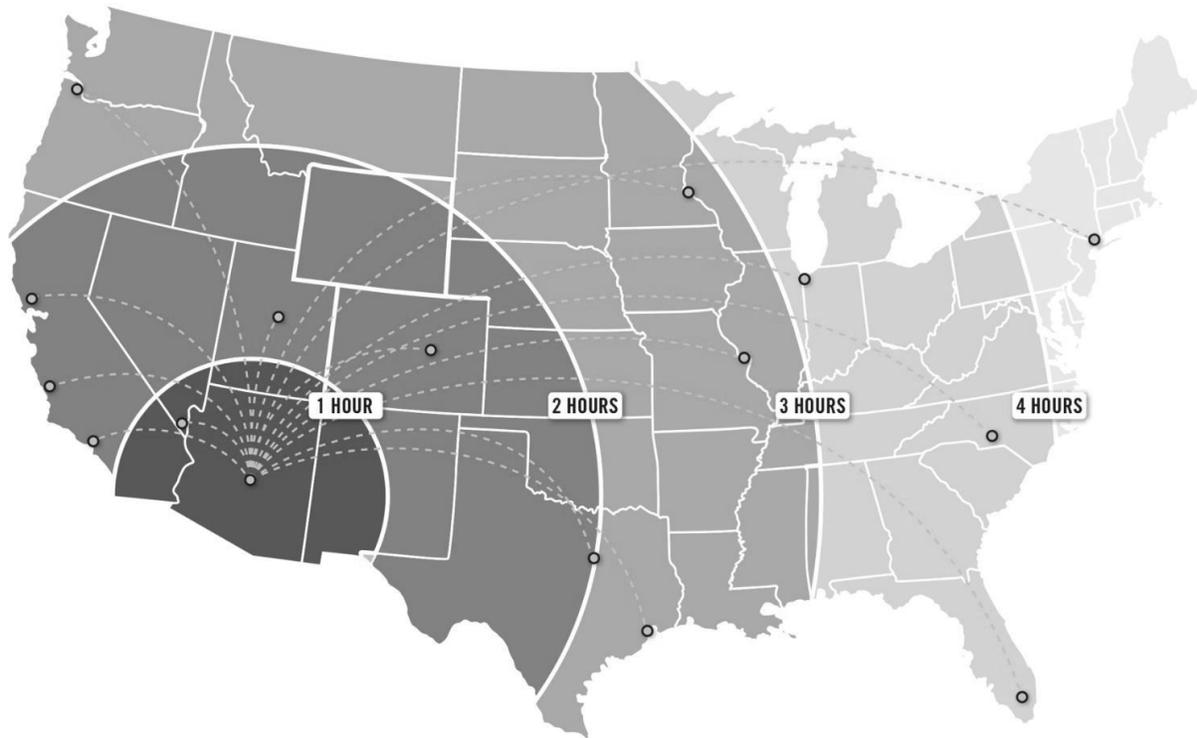


Key Infrastructure

Greater Phoenix Airport Access

Skybridge at Phoenix-Mesa Gateway International Airport:

- An air logistics hub to ship high-value goods directly to consumers through a bonded facility incorporating Mexican and U.S. customs – will be the first of its kind in the interior U.S. for air freight activities.
- Ideally situated within the Southwestern U.S. to not only meet growing e-commerce and airport logistics demands in the Phoenix metropolitan area but also to serve as a direct carrier to and from consumers in Mexico and across the U.S.A.
- In addition, the proximity to ASU's Polytechnic Campus creates opportunities for partnerships to attract and retain workforce talent within Gateway.



Phoenix Sky Harbor International Airport:

- 43 million passengers annually
- 1,200 daily domestic and international flights
- Over 800 tons of cargo handled daily

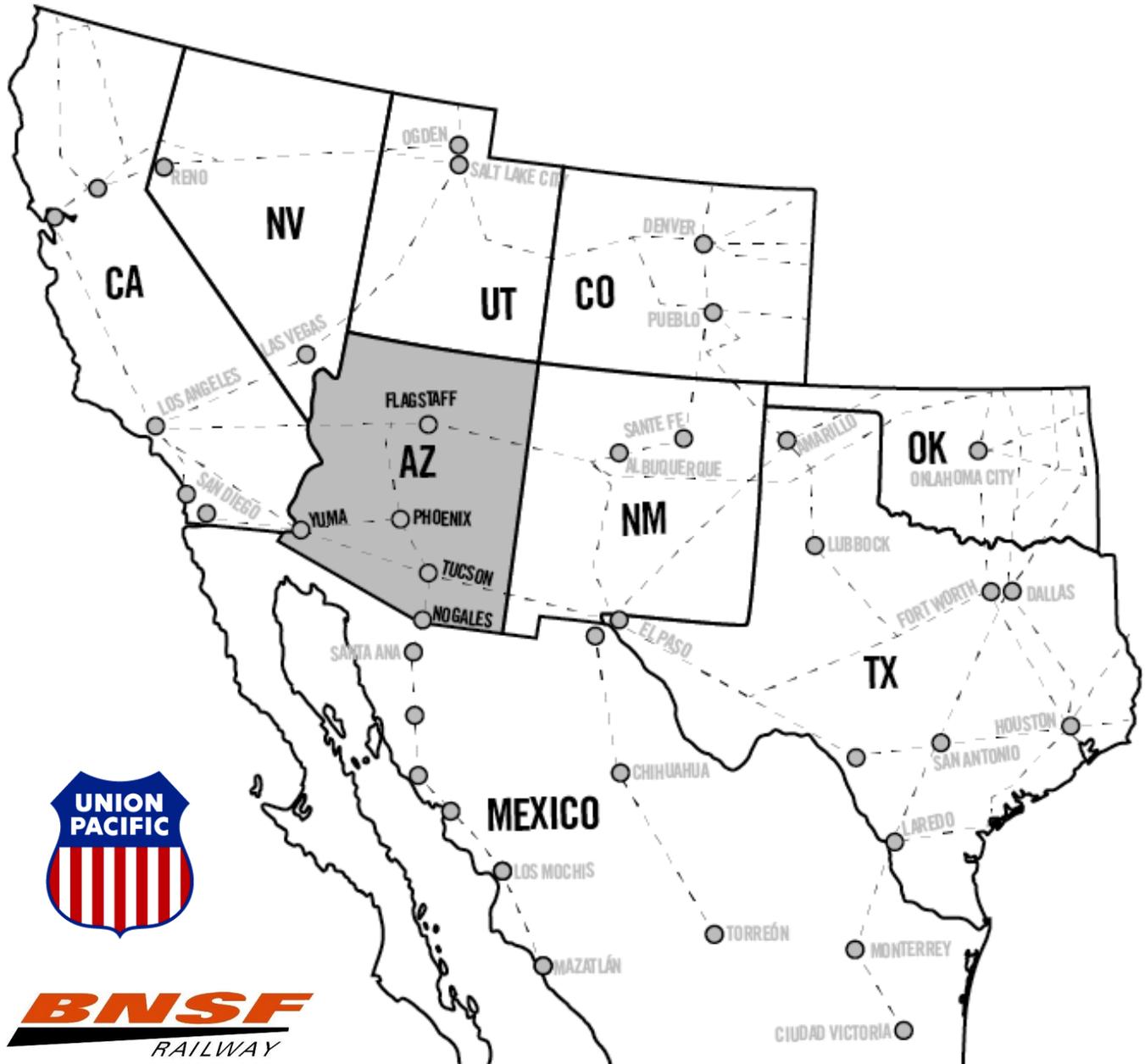
Major Cargo Carriers from Sky Harbor:

- | | |
|---------------------|----------------------|
| • Amazon Prime Air | • DHL |
| • American Airlines | • FedEx |
| • Ameriflight | • Southwest Airlines |
| • British Airways | • United |
| • Delta Airlines | • UPS |

Key Infrastructure

Regional Rail Access

Greater Phoenix is served by two major railroads, Union Pacific and BNSF. The map below displays all major rail lines throughout the Southwest.



Labor Analysis

Labor Pool

The table below shows employment for the following e-commerce, distribution and logistics occupations in the selected metros.

| Occupation | Phoenix | Las Vegas | Reno | Riverside |
|--|----------------|---------------|---------------|----------------|
| General and Operations Managers | 38,981 | 13,347 | 3,741 | 19,158 |
| Transportation, Storage and Distribution Managers | 2,239 | 814 | 357 | 2,401 |
| Logisticians | 2,384 | 582 | 173 | 1,735 |
| Shipping, Receiving and Traffic Clerks | 7,834 | 3,345 | 2,199 | 11,946 |
| Stock Clerks and Order Fillers | 31,347 | 15,064 | 4,364 | 35,661 |
| Packaging and Filling Machine Operators and Tenders | 3,592 | 1,022 | 448 | 3,713 |
| First-line Supervisors of Transportation and Material Moving Workers, Except Aircraft Cargo Handling Supervisors | 5,574 | 2,897 | 1,128 | 7,478 |
| Heavy and Tractor-Trailer Truck Drivers | 19,275 | 5,687 | 4,290 | 25,717 |
| Light Truck or Delivery Services Drivers | 11,994 | 4,922 | 1,536 | 14,751 |
| Industrial Truck and Tractor Operators | 8,820 | 2,005 | 952 | 17,162 |
| Laborers and Freight, Stock, and Material Movers, Hand | 36,147 | 22,461 | 10,244 | 65,904 |
| Packers and Packagers, Hand | 8,122 | 3,722 | 1,148 | 11,707 |
| Total | 176,309 | 75,870 | 30,580 | 217,332 |

Labor Analysis

Labor Costs

Provided below are median annual wages for the selected e-commerce, distribution and logistics occupations in the comparison regions.

| Occupation | Phoenix | Las Vegas | Reno | Riverside |
|--|----------|-----------|----------|-----------|
| General and Operations Managers | \$91,208 | \$108,098 | \$95,846 | \$101,733 |
| Transportation, Storage and Distribution Managers | \$80,350 | \$85,925 | \$87,027 | \$87,173 |
| Logisticians | \$70,574 | \$68,952 | \$68,245 | \$72,051 |
| Shipping, Receiving and Traffic Clerks | \$31,845 | \$31,221 | \$36,130 | \$33,259 |
| Stock Clerks and Order Fillers | \$26,478 | \$26,187 | \$29,307 | \$26,894 |
| Packaging and Filling Machine Operators and Tenders | \$26,998 | \$26,770 | \$28,683 | \$26,062 |
| First-line Supervisors of Transportation and Material Moving Workers, Except Aircraft Cargo Handling Supervisors | \$53,310 | \$53,498 | \$55,203 | \$56,638 |
| Heavy and Tractor-Trailer Truck Drivers | \$43,243 | \$46,363 | \$47,694 | \$45,490 |
| Light Truck or Delivery Services Drivers | \$34,902 | \$34,923 | \$35,464 | \$37,211 |
| Industrial Truck and Tractor Operators | \$35,339 | \$34,861 | \$37,440 | \$34,382 |
| Laborers and Freight, Stock, and Material Movers, Hand | \$28,454 | \$27,310 | \$29,931 | \$29,411 |
| Packers and Packagers, Hand | \$24,274 | \$20,904 | \$27,019 | \$26,042 |

Talent Pipeline

Greater Phoenix Talent Pipeline

The Department of Supply Chain Management at Arizona State University's W.P. Carey School of Business advances knowledge in global supply chain management while focusing on issues of practical importance. Its faculty is globally recognized for expertise in procurement, supply management, operations management, logistics and supply chain performance optimization.



Top 5

ASU ranked 2nd by *U.S. News and World Report* for Best Supply Chain Management Programs

Number of Graduates in Supply Chain Management and Logistics by Region

The chart below displays the number of graduates in Supply Chain Management and Logistics degree programs by region in during the 2017-2018 school year.

| Metro | Graduates |
|-----------|-----------|
| Phoenix | 404 |
| Las Vegas | 0 |
| Reno | 0 |
| Riverside | 43 |

Talent Pipeline

Internet Edge Supply Chain Lab

The Internet Edge Supply Chain Lab's mission is to create industry-inspired research that advances understanding of innovations, challenges, and new possibilities involving Supply Chain Management at the boundary shared by the Internet and the physical world.

The lab is led by Elliot Rabinovich and Dale Rogers. They are currently working on the following projects:



- Last mile fulfillment in omnichannel retailing with Walmart
- Merchandise variety in omnichannel retailing with Relay Foods
- Role of online retailing in promoting local grocery supply chains with USDA
- Management practices in warehouse platform systems with JDA Software and FLEXE
- Social media use during humanitarian disaster events with WeLink
- IoT Case Study: The IoT Supply Chain with Intel

The Internet Edge Supply Chain Lab hosts spring and fall meetings which cover a variety of topics including IoT and future supply chain challenges. In addition, the events feature expert lectures and networking opportunities.

Event participants have included:

- Arrow Electronics
- Basha's Supermarkets
- Cargomatic
- Comcast
- Dell
- Engage3
- FedEx
- Fiat-Chrysler
- Ford
- FLEXE
- GS1
- Google
- Home Depot
- IBM
- Igginition
- Intel
- JDA Software
- Knight Transportation
- Menlo Logistics
- Newegg
- n.io
- OnTrac
- Relay Foods
- Resilinc
- Terbine
- Trax Technologies
- The Gap
- Walmart

For more information about the Internet Edge Supply Chain Lab, please visit:
<https://research.wpcarey.asu.edu/internet-edge/>

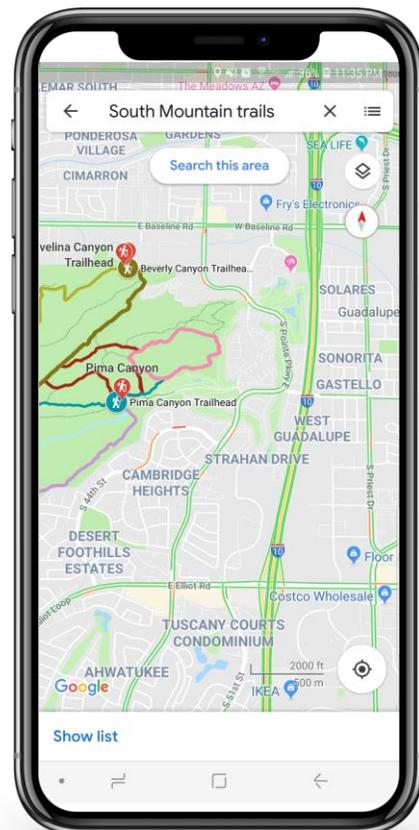


E-Commerce

Quality of Life

Parks & Recreation

Greater Phoenix is home to hundreds of parks and hundreds of miles of hiking, biking and walking trails. The Greater Phoenix region is home to the largest municipal park in the United States, South Mountain Park. South Mountain Park covers more than 16,000 acres. Other large parks in the region include the White Tank Mountain Regional Park, Camelback Mountain, Piastewa Peak and the Superstition Mountains. Notable walking trails in the region include the canal system, Tempe Town Lake the Greenbelt, and Papago Park.



Quality of Life

Cost of Living

Greater Phoenix is more affordable for companies and the people that make them successful.

Greater Phoenix is the only market with a cost of living below the national average. Across all major buckets of expenses, Greater Phoenix is lower cost than peer markets.

| Metro | Cost of Living Index | Index |
|-----------|----------------------|--------|
| Phoenix | 105.1 | 100.0% |
| Las Vegas | 109.0 | 103.7% |
| Reno | 117.4 | 111.7% |
| Riverside | 125.5 | 119.4% |

Source: Emsi 2019 Q4 Dataset

Housing

Greater Phoenix has an affordable housing market. It is significantly cheaper to own or rent in the Metro Phoenix area compared to peer markets. Phoenix also has the second largest inventory of homes for sale, making it easier to find the right home at the right price. Even though median wages are lower in Greater Phoenix, housing is so affordable that a smaller portion of yearly income is spent on housing.

| Metro | Median Home Value | Index | Median Rent | Index |
|-----------|-------------------|--------|-------------|--------|
| Phoenix | \$273,700 | 100.0% | \$1,445 | 100.0% |
| Las Vegas | \$278,800 | 101.9% | \$1,365 | 94.4% |
| Reno | \$368,500 | 134.6% | \$1,672 | 115.7% |
| Riverside | \$374,000 | 136.6% | \$1,915 | 132.5% |

Source: Zillow Home Value Index November 2019; Zillow Rental Value Index November 2019

Personal Income Tax

Greater Phoenix has the lowest personal income tax of those states that have a personal income tax across all income levels. With its affordable cost of living and low taxes rates, income goes further in Greater Phoenix.

| State | \$50,000 | \$150,000 | \$270,000 | \$500,000 | \$1 Million Or More |
|------------|-------------------------------|-----------|-----------|-----------|---------------------|
| Arizona | 3.36% | 4.24% | 4.54% | 4.54% | 4.54% |
| Nevada | No Personal Income Tax Levied | | | | |
| California | 8.00% | 9.30% | 9.30% | 11.30% | 13.30% |

Source: Tax Foundation 2019. Tax rates are for single filers.

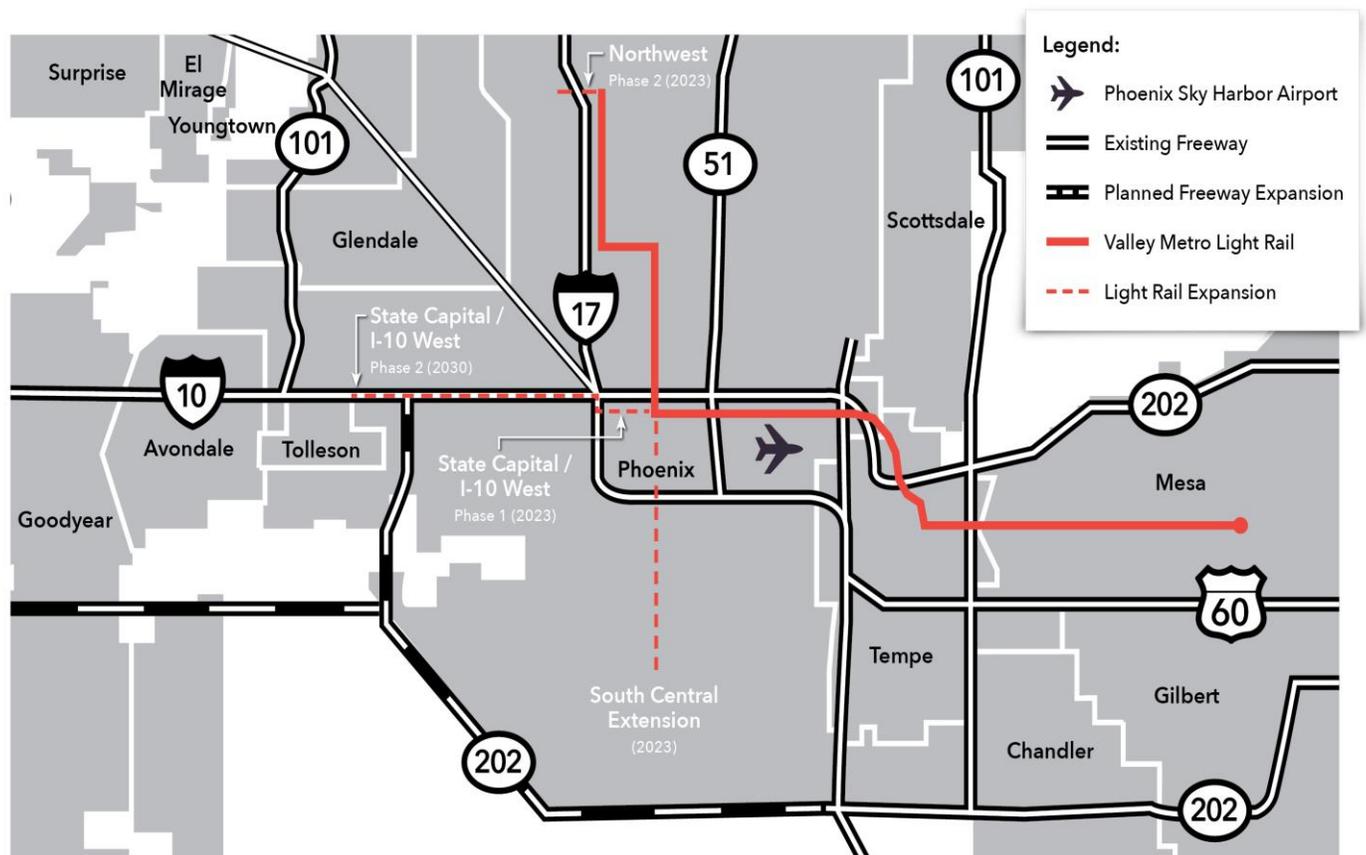
Quality of Life

Commute Times & Light Rail

Many companies that have recently expanded into the region have commented on the ease of access to workforce and the accessibility of the market. An important aspect of this is the region's commute times which are significantly shorter than competitor markets, enabling your workforce to spend more time enjoying their lifestyle and less time in traffic. The region has a modern freeway system and an expanding light rail ensuring that there is a robust supply of talent no matter where a business is located.

| Metro | Average Commute Times | Yearly Commute | Index |
|-----------|-----------------------|----------------|--------|
| Phoenix | 26.7 minutes | 9.6 days | 100.0% |
| Las Vegas | 25.4 minutes | 9.2 days | 95.1% |
| Reno | 22.3 minutes | 8.1 days | 83.5% |
| Riverside | 32.7 minutes | 11.8 days | 122.5% |

Source: ACS 2018 1-Year Estimates



Summary & Conclusion

Greater Phoenix is an ideal location for e-commerce, distribution and logistics operations. The region has the right mix of market access and affordable operating costs to make business successful. In addition, the market has the benefit of the following:

- A larger workforce than Las Vegas and Reno combined with similar access to California markets
- Substantially lower real estate and labor costs than Riverside
- A highly affordable market for workers allowing a higher quality of life than peer markets

Not only does the region have the right balance of factors to support your operations, the region is actively engaged in improving the competitiveness of business within the region.

Rankings & Recognition

#1

Phoenix was ranked #1 Fastest Growing City by population in Business Facilities' 2019 Metro Rankings Report

#1

Arizona State University named America's Most Innovative University five years in a row by U.S. News & World Report

#3

Sky Harbor International Airport ranked 3rd in the Wall Street Journal's "The Best of the Biggest Airports"

Top Tier

APS and SRP rank as top business service providers by J.D. Power and Associates for reliability

Top 10

In 2019, Arizona was ranked in the top 10 best states to start a business by WalletHub

Top 10

Greater Phoenix is ranked in the top 10 for low catastrophic and natural disaster risk

Top 20

In 2018, two cities within the region were listed in the top 20 happiest cities in the nation

Top 20

Arizona ranked in the top 20 states for doing business in 2019

Greater Phoenix Greater Together

People. Place. Technology.