



Industrial Market Report

Compared to the Previous Quarter:



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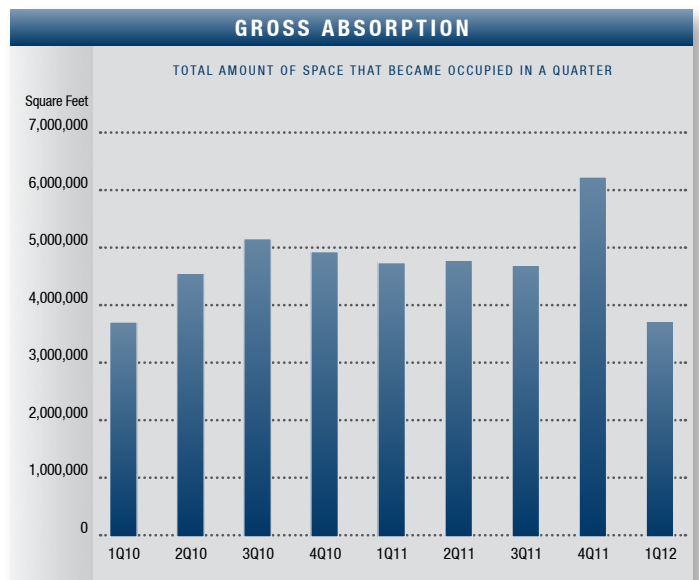
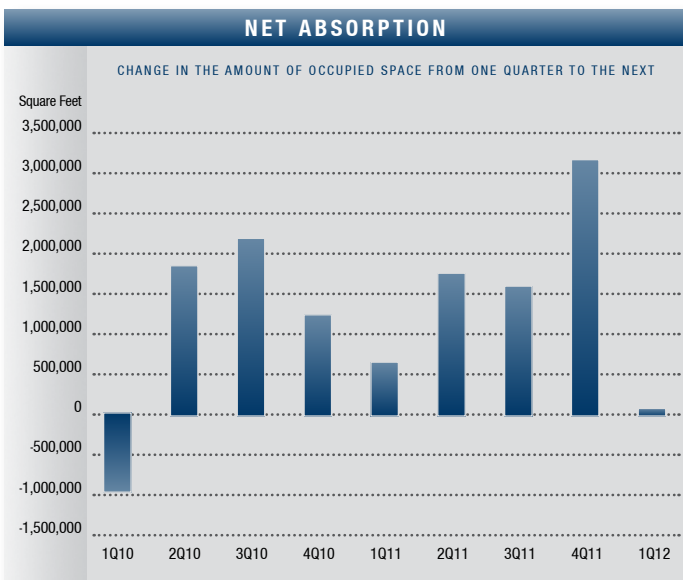
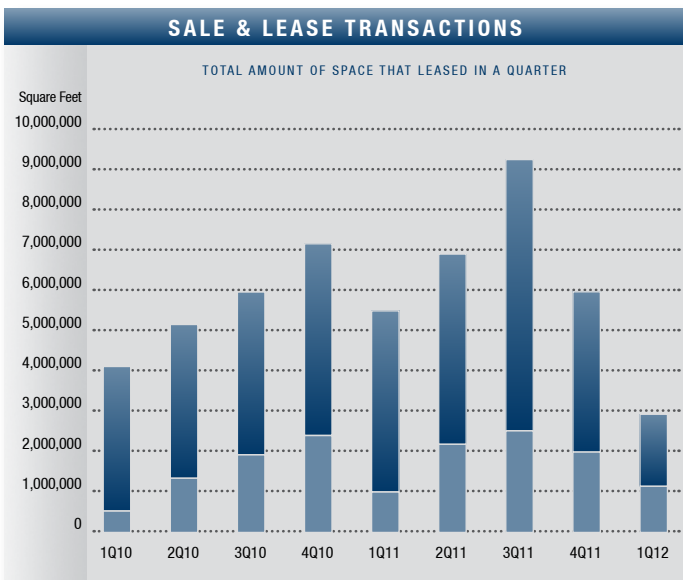
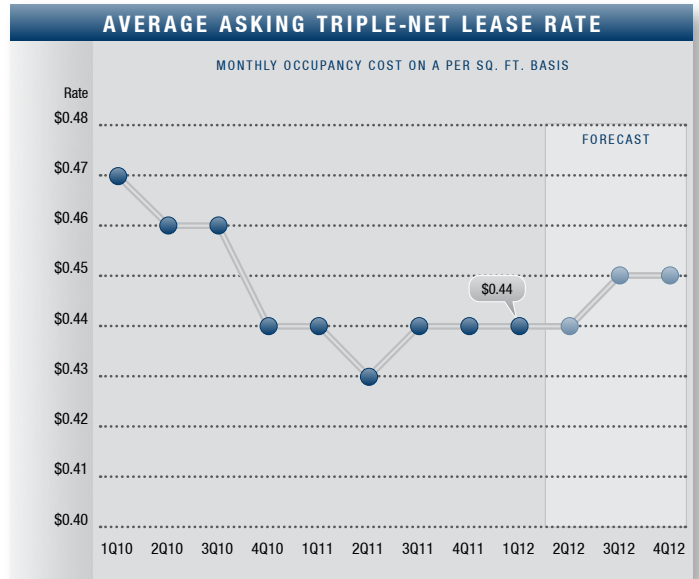
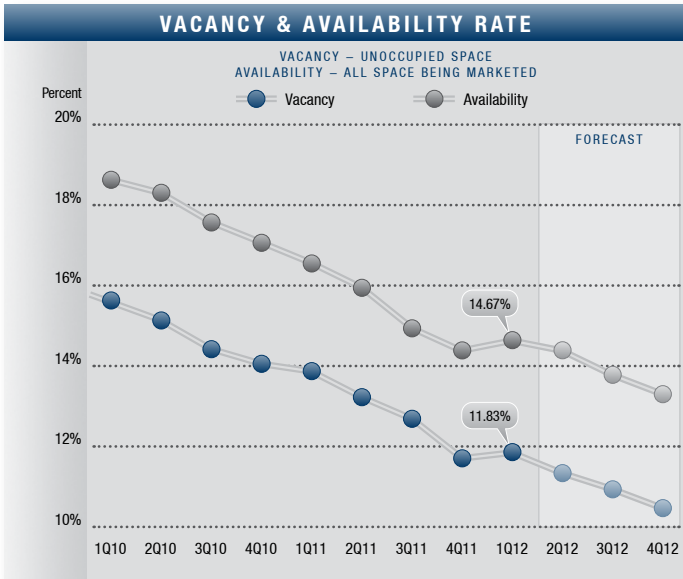
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Market Highlights

- Stability** - The Phoenix industrial market conveyed more promise of stabilization in the first quarter of 2012. Availability slightly increased compared to the previous quarter, though still showed a 11.25% decrease from 2011's first quarter rate. Vacancy rates also exhibited a slight bump up from the previous quarter but still came in 14.7% lower than the first quarter of 2011. While the volume of lease and sale transactions decreased compared to previous quarters, net absorption posted a positive number, making the first quarter of 2012 the eighth consecutive quarter of positive absorption. While these are mostly positive indications, stability and job growth will be needed in coming quarters to continue to bolster a recovery.
- Construction** - There was 3,139,200 square feet of industrial construction underway at the end of the first quarter, bringing construction back to the levels seen in the first half of 2009 but still lower than those seen during the market's peak in the second half of 2007. Most of this construction occurred in the Southeast submarket.
- Vacancy** - Direct/sublease space (unoccupied) rose slightly to 11.83% compared to the 2011's fourth quarter rate of 11.71%, still a decrease of almost 15% from 2011's first quarter. The Northeast market posted the lowest rate in the county at 8.05%. These rates are the lowest seen since the third quarter of 2008.
- Availability** - Direct/sublease space being marketed was 14.67% at the end the first quarter, a small increase when compared to the previous quarter's rate of 14.34% but still a decrease of 11.25% from the previous year.
- Lease Rates** - The average asking-triple net lease rate was \$.44 cents per square foot per month for the first quarter, the same as the previous quarter's rate as well as the previous year's rate, indicating stability. The record high for asking lease rates, \$.59, was recorded in the first quarter of 2007.
- Absorption** - The Phoenix industrial market posted 84,109 square feet of positive absorption in the first quarter of 2012, producing a total of over 12.5 million square feet of positive absorption over eight consecutive quarters.
- Transaction Activity** - Leasing activity checked in at almost 1.8 million square feet for the Phoenix industrial market in first quarter 2012, a rather dramatic drop from the previous quarter's near 4 million square feet. Sales activity also showed a decrease from the previous quarter, posting 1 million square feet of activity as compared to the fourth quarter of 2011's near 2 million square feet. Details of the largest transactions can be found on the back page of this report.
- Unemployment** - The unemployment rate in the Phoenix-Mesa-Glendale Metropolitan area was 7.8% in February 2012, a slight decrease from January and a significant drop from last February's rate of 9.0%. This increase may be accounted for by unemployed workers, previously discouraged by economic conditions and limited prospects, re-entering the labor pool in search of a job.
- Overall** - We are seeing a trend to stability in the market. Lease rates appear to have hit bottom, and we anticipate that they will begin to rise in late 2012. While this is certainly a positive, cautious optimism still prevails, as job creation will need to continue in order to drive the demand needed to sustain growth in the Phoenix industrial market.

INDUSTRIAL MARKET OVERVIEW

	1Q12	4Q11	1Q11	% of Change vs. 1Q2011
Total Vacancy Rate	11.83%	11.71%	13.87%	(14.71%)
Availability Rate	14.67%	14.34%	16.53%	(11.25%)
Average Asking Lease Rate	\$0.44	\$0.44	\$0.44	0.00%
Sale & Lease Transactions	2,858,438	5,944,601	5,423,638	(47.30%)
Gross Absorption	3,701,807	6,234,781	4,741,228	(21.92%)
Net Absorption	84,109	3,188,509	639,864	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2012	Square Feet Available	Availability Rate 1Q2012	Average Asking Lease Rate	Net Absorption 1Q2012	Net Absorption 2012	Gross Absorption 1Q2012	Gross Absorption 2012
Airport Area													
North Airport	293	10,652,317	0	12,000	1,865,266	17.51%	1,908,393	17.92%	\$0.49	(194,494)	(194,494)	73,763	73,763
South Airport North of Roeser	315	10,344,073	0	0	1,349,260	13.04%	1,632,656	15.78%	\$0.39	138,898	138,898	307,875	307,875
South Airport South of Roeser	121	4,038,551	0	0	454,691	11.26%	554,223	13.72%	\$0.62	(5,800)	(5,800)	33,600	33,600
SC North of Roeser	360	13,787,827	0	0	1,968,003	14.27%	2,047,794	14.85%	\$0.41	151,430	151,430	166,261	166,261
SC South of Roeser	53	1,616,333	0	0	59,905	3.71%	114,202	7.07%	\$0.39	3,556	3,556	22,000	22,000
Airport Area Total	1,142	40,439,101	0	12,000	5,697,125	14.09%	6,257,268	15.47%	\$0.44	93,590	93,590	603,499	603,499
Northeast													
Central Phoenix	120	4,535,368	0	20,000	123,289	2.72%	137,876	3.04%	\$0.57	(2,862)	(2,862)	12,632	12,632
Scottsdale Airpark	250	5,191,517	0	0	774,247	14.91%	886,911	17.08%	\$0.67	24,947	24,947	125,431	125,431
Scottsdale / Salt River	96	4,769,252	0	50,000	269,415	5.65%	331,185	6.94%	\$0.74	(39,748)	(39,748)	24,202	24,202
Northeast Total	466	14,496,137	0	70,000	1,166,951	8.05%	1,355,972	9.35%	\$0.67	(17,663)	(17,663)	162,265	162,265
Northwest													
Deer Valley / Pinnacle Park	418	13,505,542	0	185,388	1,743,473	12.91%	2,328,028	17.24%	\$0.70	262,242	262,242	446,795	446,795
Glendale	93	5,514,921	600,000	1,983,615	338,612	6.14%	449,417	8.15%	\$0.55	14,295	14,295	32,792	32,792
Grand Avenue	309	14,004,938	0	546,090	1,166,905	8.33%	1,515,580	10.82%	\$0.31	78,595	78,595	177,576	177,576
North Glendale / Sun City	92	4,089,743	0	69,241	744,088	18.19%	681,311	16.66%	\$0.51	(47,611)	(47,611)	11,118	11,118
North Black Canyon	124	3,618,140	0	0	219,043	6.05%	416,316	11.51%	\$0.51	107,112	107,112	135,475	135,475
West Phoenix North of Thomas Rd.	261	6,808,730	0	0	756,798	11.12%	852,591	12.52%	\$0.29	(93,412)	(93,412)	68,102	68,102
West Phoenix South of Thomas Rd.	222	6,433,112	0	0	532,892	8.28%	636,043	9.89%	\$0.50	(62,781)	(62,781)	56,417	56,417
Northwest Total	1,519	53,975,126	600,000	2,784,334	5,501,811	10.19%	6,879,286	12.75%	\$0.59	258,440	258,440	928,275	928,275
Pinal County													
Pinal County	131	7,314,446	0	739,500	583,686	7.98%	711,753	9.73%	\$0.31	(92,886)	(92,886)	33,753	33,753
Pinal County Total	131	7,314,446	0	739,500	583,686	7.98%	711,753	9.73%	\$0.31	(92,886)	(92,886)	33,753	33,753
Southeast													
Chandler Airport	46	1,731,158	0	731,921	316,713	18.29%	328,737	18.99%	\$0.62	1,529	1,529	10,116	10,116
Chandler	261	15,307,567	1,000,000	366,534	1,142,920	7.47%	1,641,852	10.73%	\$0.60	(73,198)	(73,198)	73,402	73,402
Chandler North / Gilbert	451	14,410,937	1,200,000	809,512	2,684,028	18.62%	2,972,053	20.62%	\$0.52	(7,208)	(7,208)	197,764	197,764
Falcon Fld / Apache Junction	118	5,165,635	0	0	381,827	7.39%	541,531	10.48%	\$0.58	(11,944)	(11,944)	34,555	34,555
Mesa	204	6,933,532	0	0	752,267	10.85%	907,608	13.09%	\$0.56	235,011	235,011	322,914	322,914
Tempe East	190	5,758,265	0	0	454,048	7.89%	697,033	12.10%	\$0.73	(9,368)	(9,368)	60,231	60,231
Tempe Northwest	231	8,707,650	0	0	1,339,964	15.39%	1,911,371	21.95%	\$0.52	(373,177)	(373,177)	64,916	64,916
Tempe Southwest	436	18,085,979	0	476,000	1,644,774	9.09%	2,476,497	13.69%	\$0.43	(37,321)	(37,321)	216,650	216,650
Southeast Total	1,937	76,100,723	2,200,000	2,383,967	8,716,541	11.45%	11,476,682	15.08%	\$0.52	(275,676)	(275,676)	980,548	980,548
Southwest													
Goodyear	94	8,536,001	0	5,658,363	1,347,330	15.78%	1,415,943	16.59%	\$0.40	(46)	(46)	10,568	10,568
Southwest North of Buckeye Rd.	538	30,166,584	0	208,400	3,446,162	11.42%	4,523,250	14.99%	\$0.30	(22,424)	(22,424)	432,270	432,270
Southwest South of Buckeye Rd.	190	13,680,945	0	2,516,115	2,152,353	15.73%	2,736,503	20.00%	\$0.31	4,501	4,501	20,000	20,000
Tolleson	173	27,312,696	339,200	1,291,033	3,560,815	13.04%	4,548,670	16.65%	\$0.34	136,273	136,273	530,629	530,629
Southwest Total	995	79,696,226	339,200	9,673,911	10,506,660	13.18%	13,224,366	16.59%	\$0.33	118,304	118,304	993,467	993,467
Phoenix Total	6,190	272,021,759	3,139,200	15,663,712	32,172,774	11.83%	39,905,327	14.67%	\$0.44	84,109	84,109	3,701,807	3,701,807
10,000-29,999	3,797	64,358,216	0	834,767	7,951,107	12.35%	9,731,627	15.12%	\$0.52	(56,840)	(56,840)	1,166,094	1,166,094
30,000-49,999	1,049	40,092,002	0	639,283	5,337,461	13.31%	6,439,727	16.06%	\$0.47	(62,396)	(62,396)	487,003	487,003
50,000-99,999	846	58,151,940	80,000	874,689	6,528,996	11.23%	8,187,792	14.08%	\$0.46	(323,701)	(323,701)	587,914	587,914
100,000-199,999	337	44,468,749	0	1,936,472	6,316,744	14.20%	8,088,911	18.19%	\$0.40	166,246	166,246	485,090	485,090
200,000-299,999	82	19,727,320	259,200	526,231	2,745,176	13.92%	3,164,078	16.04%	\$0.34	(90,135)	(90,135)	524,771	524,771
300,000+	79	45,223,532	2,800,000	10,852,270	3,293,290	7.28%	4,293,192	9.49%	\$0.46	450,935	450,935	450,935	450,935
Total	6,190	272,021,759	3,139,200	15,663,712	32,172,774	11.83%	39,905,327	14.67%	\$0.44	84,109	84,109	3,701,807	3,701,807

This survey consists of buildings greater than 10,000 square feet. Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
3601 E. University Dr. – 3 Properties	SW Tempe	174,664	\$104.92	Alliance Commercial Partners	RREEF America
1725 W. Williams Rd. – 6 Properties	Deer Valley	214,488	\$53.62	Presson Corporation	RDB Development
4633–4645 W. Polk St.	N. of Buckeye Rd.	176,460	\$25.73	Kings Brothers Leasing Operations, LLC	National Brands, Inc.
450 E. Elliot Rd.	Chandler	58,559	\$54.99	Infinity Trading & Solutions	Wells Fargo Bank, N.A.
7881 E. Gray Rd.	Scottsdale Airpark	34,768	\$86.29	7881 E. Gray Rd., LLC	JGM Group, LLC
3210 S. 5th St.	S. of Salt River	28,355	\$79.63	Quality Risk Management, Inc.	Salvo Properties, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1010 N. 47th Ave.	N. of Buckeye Rd.	108,436	Jan-12	OMCO	Myron Zimmerman Investments
2340 E. University Dr.	N. of Roeser Rd.	57,200	Mar-12	Sunora Energy Solutions	Verdres Family Investment Partnership
7919 S. Hardy Dr.	SW Tempe	49,726	Feb-12	Robertson Fuel	Trans Pacific Development Company
6607 W. Boston St.	Chandler	48,000	Mar-12	Sound Packaging, LLC	Jerrold & Joice Monkmarsh
3 N. 47th Ave.	N. of Buckeye Rd.	45,000	Feb-12	Prime Time Transport and Delivery Co.	Zimmerman Investments
3145 E. Washington St.	North Airport	40,455	Jan-12	Redcat Racing	Harrison Properties
7815 S. Hardy Dr.	SW Tempe	29,126	Jan-12	Action Industries	Trans Pacific Development Company

Product Type

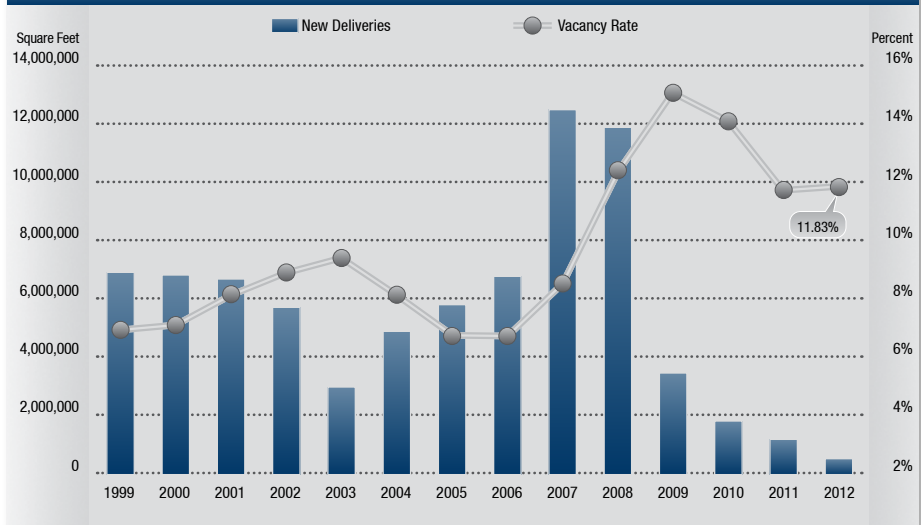
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