



Industrial Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

DOWN

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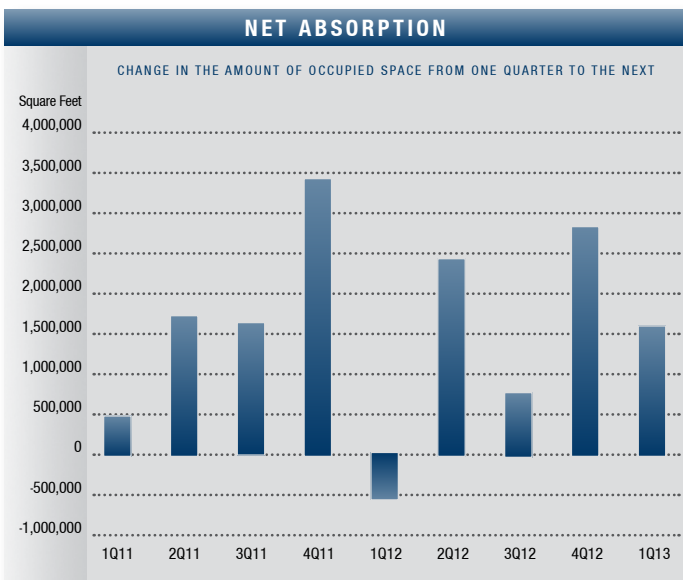
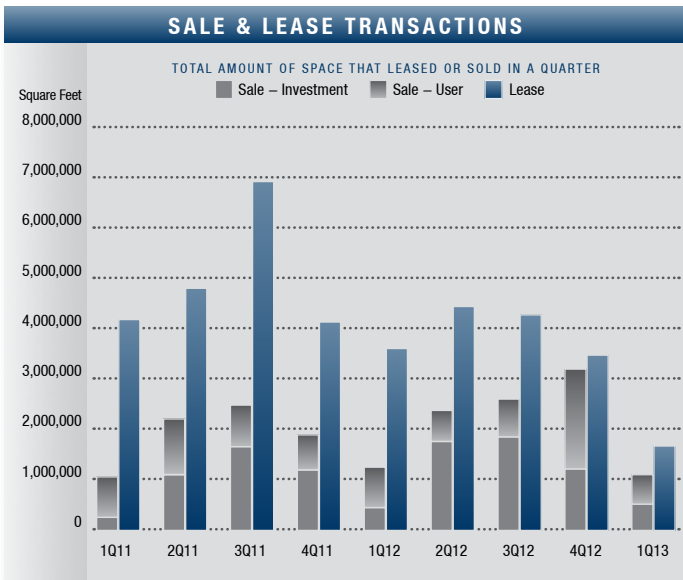
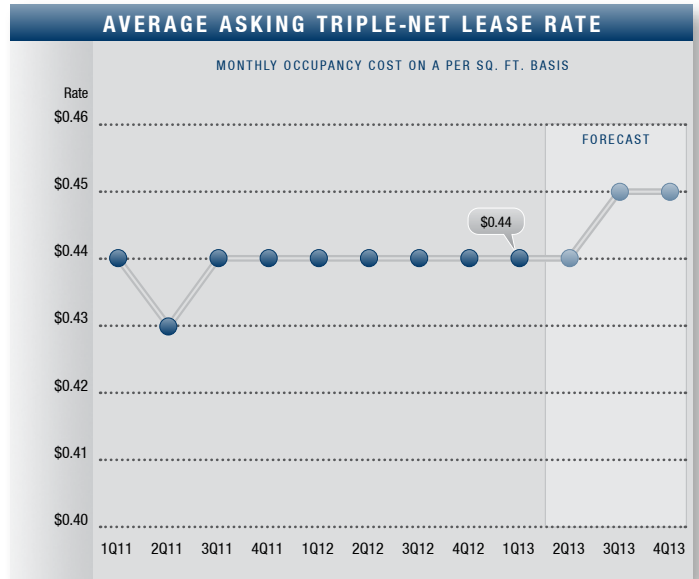
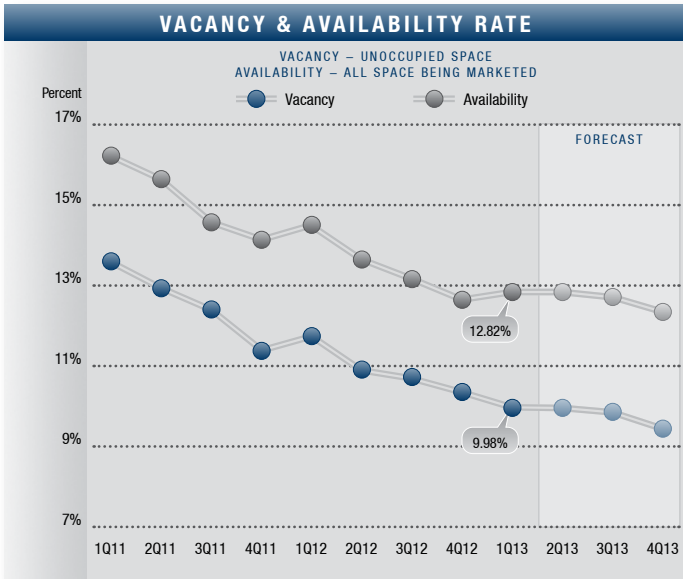
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Market Highlights

- Stability** - The Phoenix industrial market conveyed more promise of stabilization in the first quarter of 2013. Both vacancy and availability continued their overall downward trends and displayed near double-digit percentage drops compared to 2012, while net absorption saw positive growth of 1.6 million square feet for the quarter. Demand slowed, compared to the blockbuster quarter that preceded it, posting a respectable 2.9 million square feet. While these are positive indications, stability and job growth will be needed in coming quarters to continue to bolster a recovery.
- Absorption** - The Phoenix industrial market posted 1,596,268 square feet of positive absorption in the first quarter of 2013, producing a total of over 7.5 million square feet of positive absorption over 4 consecutive quarters.
- Transaction Activity** - Leasing activity checked in at 1.81 million square feet for the Phoenix industrial market in first quarter 2013, a drop from 2012's fourth quarter figure of 3.45 million square feet. Sales activity fell compared the previous quarter, posting 1.05 million square feet of activity as compared to the fourth quarter's 3.17 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 6.7% in January 2013, a healthy decrease from January 2012's rate of 7.9%. Sectors with strong job growth include trade, transportation, utilities driven by retail trade, and professional and business services — largely in the administrative and support services area. In addition, the beleaguered construction industry made substantial strides over the past 12 months, with the addition of 4,500 jobs, while the financial activities sector gained traction, aided by Wells Fargo's addition of 1,000 to local staff.
- Construction** - There was 5,071,079 square feet of industrial construction underway at the end of the first quarter, an encouraging sign, but still below construction levels seen during the market's peak in the second half of 2007. Most of this construction occurred in the Southwest submarket.
- Vacancy** - Direct/sublease space (unoccupied) decreased to 9.98% from 2012's fourth quarter rate of 10.34% and displayed a significant drop of nearly 15% from the first quarter 2012's rate, making this the lowest rates seen since the first quarter of 2008. The Northeast market posted the lowest rate in the county at 5.93%.
- Availability** - Direct/sublease space being marketed was 12.82% at the end the first quarter, a significant decrease when compared to the 14.51% rate of the same quarter of 2012.
- Lease Rates** - The average asking-triple net lease rate was \$.44 cents per square foot per month for the fourth quarter, the same as the previous quarter's rate and equal to 2012's first quarter's rate, indicating stability. The record high for asking lease rates, \$.59, was recorded in the first quarter of 2007.

INDUSTRIAL MARKET OVERVIEW

| | 1Q13 | 4Q12 | 1Q12 | % of Change vs. 1Q12 |
|---------------------------|-----------|-----------|-----------|----------------------|
| Total Vacancy Rate | 9.98% | 10.34% | 11.74% | (14.99%) |
| Availability Rate | 12.82% | 12.63% | 14.51% | (11.65%) |
| Average Asking Lease Rate | \$0.44 | \$0.44 | \$0.44 | 0.00% |
| Sale & Lease Transactions | 2,871,696 | 6,632,592 | 4,798,717 | (40.16%) |
| Gross Absorption | 4,241,356 | 6,048,511 | 3,917,449 | 8.27% |
| Net Absorption | 1,596,268 | 2,814,004 | (545,017) | 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 1Q2013 | Square Feet Available | Availability Rate 1Q2013 | Average Asking Lease Rate | Net Absorption 1Q2013 | Net Absorption 2012 | Gross Absorption 1Q2013 | Gross Absorption 2012 |
| Airport Area | | | | | | | | | | | | | |
| North Airport | 295 | 11,512,070 | 0 | 12,000 | 1,806,846 | 15.70% | 2,059,207 | 17.89% | \$0.48 | 82,350 | (107,549) | 159,408 | 620,859 |
| South Airport North of Roeser | 314 | 10,511,498 | 30,000 | 32,000 | 1,121,360 | 10.67% | 1,303,666 | 12.40% | \$0.43 | 35,928 | 427,029 | 144,078 | 921,716 |
| South Airport South of Roeser | 121 | 4,052,469 | 0 | 0 | 614,206 | 15.16% | 749,191 | 18.49% | \$0.49 | (21,825) | (99,263) | 82,753 | 127,430 |
| SC North of Salt River | 365 | 13,761,095 | 0 | 70,000 | 1,459,556 | 10.61% | 1,678,860 | 12.20% | \$0.49 | 54,433 | 243,120 | 273,185 | 627,967 |
| SC South of Salt River | 55 | 1,649,384 | 0 | 0 | 80,644 | 4.89% | 153,782 | 9.32% | \$0.42 | (26,451) | 11,068 | 0 | 23,800 |
| General Industrial | 301 | 12,654,641 | 0 | 32,000 | 1,649,417 | 13.03% | 2,068,393 | 16.34% | \$0.52 | (94,096) | (19,118) | 112,479 | 986,855 |
| Warehouse / Distribution | 849 | 28,831,875 | 30,000 | 82,000 | 3,433,195 | 11.91% | 3,876,313 | 13.44% | \$0.45 | 218,531 | 493,523 | 546,945 | 1,334,917 |
| Airport Area Total | 1,150 | 41,486,516 | 30,000 | 114,000 | 5,082,612 | 12.25% | 5,944,706 | 14.33% | \$0.47 | 124,435 | 474,405 | 659,424 | 2,321,772 |
| Northeast | | | | | | | | | | | | | |
| Central Phoenix | 122 | 4,602,741 | 0 | 20,000 | 81,072 | 1.76% | 82,775 | 1.80% | \$0.48 | 4,727 | 34,628 | 10,280 | 96,312 |
| Scottsdale Airpark | 255 | 5,514,876 | 0 | 0 | 582,803 | 10.57% | 763,396 | 13.84% | \$0.69 | 80,353 | 128,257 | 193,516 | 521,301 |
| Scottsdale / Salt River | 98 | 4,900,746 | 0 | 50,000 | 226,387 | 4.62% | 365,215 | 7.45% | \$0.73 | 17,228 | (10,237) | 19,774 | 128,705 |
| General Industrial | 172 | 8,557,631 | 0 | 50,000 | 187,716 | 2.19% | 282,190 | 3.30% | \$0.68 | 94,228 | 42,676 | 110,130 | 370,160 |
| Warehouse / Distribution | 303 | 6,460,732 | 0 | 20,000 | 702,546 | 10.87% | 929,196 | 14.38% | \$0.72 | 8,080 | 109,972 | 113,440 | 376,158 |
| Northeast Total | 475 | 15,018,363 | 0 | 70,000 | 890,262 | 5.93% | 1,211,386 | 8.07% | \$0.69 | 102,308 | 152,648 | 223,570 | 746,318 |
| Northwest | | | | | | | | | | | | | |
| Deer Valley / Pinnacle Park | 420 | 12,954,092 | 0 | 114,840 | 1,001,612 | 7.73% | 1,180,931 | 9.12% | \$0.60 | 64,434 | 451,745 | 304,799 | 1,090,427 |
| Glendale | 103 | 6,502,199 | 164,000 | 3,787,215 | 436,427 | 6.71% | 611,565 | 9.41% | \$0.52 | 3,402 | 678,594 | 31,250 | 753,399 |
| Grand Avenue | 308 | 13,901,219 | 0 | 546,090 | 1,023,734 | 7.36% | 1,275,341 | 9.17% | \$0.38 | 99,214 | 193,391 | 173,367 | 602,788 |
| North Glendale / Sun City | 93 | 4,165,164 | 0 | 69,241 | 480,956 | 11.55% | 537,066 | 12.89% | \$0.52 | 79,463 | 202,886 | 88,762 | 345,563 |
| North Black Canyon | 123 | 3,598,367 | 0 | 0 | 201,303 | 5.59% | 303,794 | 8.44% | \$0.46 | 178,113 | (53,261) | 210,622 | 211,066 |
| West Phoenix North of Thomas Road | 256 | 6,696,013 | 0 | 0 | 563,659 | 8.42% | 721,347 | 10.77% | \$0.21 | 16,612 | 76,098 | 76,747 | 410,172 |
| West Phoenix South of Thomas Road | 221 | 6,637,794 | 0 | 0 | 371,476 | 5.60% | 550,775 | 8.30% | \$0.29 | 24,425 | 87,212 | 115,608 | 324,297 |
| General Industrial | 515 | 21,469,748 | 164,000 | 1,725,515 | 1,021,965 | 4.76% | 1,255,033 | 5.85% | \$0.57 | 146,872 | 223,193 | 232,359 | 651,072 |
| Warehouse / Distribution | 1,009 | 32,985,100 | 0 | 2,791,871 | 3,057,202 | 9.27% | 3,925,786 | 11.90% | \$0.48 | 318,791 | 1,413,472 | 768,796 | 3,086,640 |
| Northwest Total | 1,524 | 54,454,848 | 164,000 | 4,517,386 | 4,079,167 | 7.49% | 5,180,819 | 9.51% | \$0.49 | 465,663 | 1,636,665 | 1,001,155 | 3,737,712 |
| Pinal County | | | | | | | | | | | | | |
| Pinal County | 138 | 7,441,940 | 0 | 739,500 | 482,866 | 6.49% | 648,542 | 8.71% | \$0.33 | (10,752) | 25,286 | 1,920 | 208,245 |
| General Industrial | 78 | 4,521,790 | 0 | 20,000 | 104,122 | 2.30% | 228,048 | 5.04% | \$0.32 | 0 | (20,607) | 0 | 34,940 |
| Warehouse / Distribution | 60 | 2,920,150 | 0 | 719,500 | 378,744 | 12.97% | 420,494 | 14.40% | \$0.33 | (10,752) | 45,893 | 1,920 | 173,305 |
| Pinal County Total | 138 | 7,441,940 | 0 | 739,500 | 482,866 | 6.49% | 648,542 | 8.71% | \$0.33 | (10,752) | 25,286 | 1,920 | 208,245 |
| Southeast | | | | | | | | | | | | | |
| Chandler Airport | 47 | 2,004,502 | 0 | 1,332,921 | 140,282 | 7.00% | 187,075 | 9.33% | \$0.70 | 2,421 | 69,555 | 17,921 | 104,000 |
| Chandler | 260 | 15,762,529 | 1,285,000 | 116,534 | 1,304,147 | 8.27% | 1,408,483 | 8.94% | \$0.59 | 258,668 | 100,776 | 433,086 | 494,062 |
| Chandler North / Gilbert | 465 | 16,114,803 | 0 | 1,101,515 | 2,793,514 | 17.34% | 3,206,123 | 19.90% | \$0.52 | 224,344 | 1,013,436 | 353,540 | 1,766,686 |
| Falcon Fld / Apache Junction | 124 | 5,356,015 | 0 | 0 | 364,869 | 6.81% | 398,934 | 7.45% | \$0.63 | 69,857 | 53,585 | 84,990 | 246,514 |
| Mesa | 207 | 7,153,744 | 0 | 0 | 679,389 | 9.50% | 949,955 | 13.28% | \$0.63 | (47,244) | 429,437 | 45,174 | 758,048 |
| Tempe East | 189 | 5,649,917 | 0 | 0 | 364,292 | 6.45% | 438,372 | 7.76% | \$0.94 | 57,572 | 52,294 | 125,346 | 282,395 |
| Tempe Northwest | 229 | 8,514,883 | 0 | 0 | 952,693 | 11.19% | 1,551,903 | 18.23% | \$0.63 | (34,278) | 13,869 | 95,564 | 734,708 |
| Tempe Southwest | 440 | 18,497,189 | 0 | 160,000 | 1,695,027 | 9.16% | 2,555,399 | 13.82% | \$0.44 | 187,382 | 141,831 | 454,380 | 1,210,150 |
| General Industrial | 633 | 36,398,488 | 1,285,000 | 382,494 | 2,794,447 | 7.68% | 3,672,627 | 10.09% | \$0.63 | 487,396 | 533,132 | 644,580 | 1,551,908 |
| Warehouse / Distribution | 1,328 | 42,655,094 | 0 | 2,328,476 | 5,499,764 | 12.89% | 7,023,617 | 16.47% | \$0.52 | 231,326 | 1,341,651 | 965,421 | 4,044,655 |
| Southeast Total | 1,961 | 79,053,582 | 1,285,000 | 2,710,970 | 8,294,213 | 10.49% | 10,696,244 | 13.53% | \$0.54 | 718,722 | 1,874,783 | 1,610,001 | 5,596,563 |
| Southwest | | | | | | | | | | | | | |
| Goodyear | 95 | 8,610,378 | 603,863 | 11,088,304 | 1,525,859 | 17.72% | 1,783,996 | 20.72% | \$0.34 | (1,628) | (340,035) | 17,193 | 188,218 |
| Southwest North of Buckeye Road | 547 | 30,729,877 | 593,600 | 944,332 | 2,996,224 | 9.75% | 4,498,594 | 14.64% | \$0.33 | (85,491) | 476,949 | 218,047 | 2,492,699 |
| Southwest South of Buckeye Road | 191 | 13,522,429 | 2,394,616 | 1,506,303 | 1,575,145 | 11.65% | 2,097,923 | 15.51% | \$0.32 | 132,063 | 67,508 | 237,063 | 488,113 |
| Tolleson | 180 | 27,846,710 | 0 | 1,456,633 | 2,832,612 | 10.17% | 3,600,835 | 12.93% | \$0.37 | 150,948 | 603,940 | 272,983 | 2,875,832 |
| General Industrial | 306 | 18,320,160 | 0 | 3,931,173 | 2,777,316 | 15.16% | 3,075,260 | 16.79% | \$0.35 | 10,665 | (188,433) | 187,080 | 1,042,837 |
| Warehouse / Distribution | 707 | 62,389,234 | 3,592,079 | 11,064,399 | 6,152,524 | 9.86% | 8,906,088 | 14.28% | \$0.34 | 185,227 | 996,795 | 558,206 | 5,002,025 |
| Southwest Total | 1,013 | 80,709,394 | 3,592,079 | 14,995,572 | 8,929,840 | 11.06% | 11,981,348 | 14.85% | \$0.34 | 195,892 | 808,362 | 745,286 | 6,044,862 |
| General Industrial Total | 2,003 | 101,793,116 | 1,449,000 | 6,141,182 | 8,431,500 | 8.28% | 10,478,066 | 10.29% | \$0.50 | 682,550 | 570,843 | 1,286,628 | 4,637,772 |
| Warehouse / Distribution Total | 4,258 | 176,371,527 | 3,622,079 | 17,006,246 | 19,327,460 | 10.96% | 25,184,979 | 14.28% | \$0.42 | 913,718 | 4,401,306 | 2,954,728 | 14,017,700 |
| Phoenix Total | 6,261 | 278,164,643 | 5,071,079 | 23,147,428 | 27,758,960 | 9.98% | 35,663,045 | 12.82% | \$0.44 | 1,596,268 | 4,972,149 | 4,241,356 | 18,655,472 |
| 10,000-29,999 | 3,845 | 65,302,764 | 0 | 863,393 | 6,808,467 | 10.43% | 9,138,610 | 13.99% | \$0.52 | 110,608 | 1,148,478 | 1,384,504 | 5,022,703 |
| 30,000-49,999 | 1,060 | 40,593,239 | 30,000 | 1,004,424 | 4,405,717 | 10.85% | 5,158,770 | 12.71% | \$0.49 | 38,972 | 906,440 | 703,719 | 2,986,022 |
| 50,000-99,999 | 850 | 58,528,034 | 0 | 1,129,173 | 5,806,079 | 9.92% | 7,210,451 | 12.32% | \$0.46 | 259,072 | 560,879 | 608,280 | 3,314,449 |
| 100,000-199,999 | 335 | 44,214,933 | 164,000 | 2,907,539 | 5,511,629 | 12.47% | 6,886,088 | 15.57% | \$0.41 | 499,508 | 754,294 | 836,745 | 2,279,006 |
| 200,000-299,999 | 86 | 20,858,294 | 285,000 | 1,926,751 | 2,006,967 | 9.62% | 2,608,621 | 12.51% | \$0.36 | 212,590 | 1,231 | 212,590 | 1,520,870 |
| 300,000+ | 85 | 48,667,379 | 4,592,079 | 15,316,148 | 3,220,101 | 6.62% | 4,660,505 | 9.58% | \$0.34 | 475,518 | 1,600,827 | 495,518 | 3,532,422 |
| Phoenix Total | 6,261 | 278,164,643 | 5,071,079 | 23,147,428 | 27,758,960 | 9.98% | 35,663,045 | 12.82% | \$0.44 | 1,596,268 | 4,972,149 | 4,241,356 | 18,655,472 |

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 Per SF | Buyer | Seller |
|-------------------------------------|--------------------|-------------|-------------------|---------------------------|------------------------------|
| 3200 W. Germann Rd. | Chandler | 201,398 | \$104.57 | Digital Realty Trust | Amkor Technology |
| 9363 E. Southern Ave. | Chandler / Gilbert | 107,510 | \$80.39 | Extra Space Storage, Inc. | Corrina Ardizzone |
| 3467 E. Queen Creek Rd. | Chandler / Gilbert | 69,440 | \$99.37 | Cubesmart, LP | Omni America, LLC |
| 8205 N. 67th Ave. | Grand Avenue | 19,000 | \$289.47 | CLK Development AZ, LP | Edmund Aurelio |
| 9299 W. Olive Ave. - 16 Condo units | Glendale | N/A | \$110,000/unit | Mangat Group, Inc. | Roskamp Management Company |
| 7211 E. Southern Ave. | Chandler / Gilbert | 19,491 | \$161.56 | Holualoa Clearview, LLC | Case Huff & Associates, Inc. |

Lease Transactions

| Property Address | Submarket | Square Feet | Transaction Date | Tenant | Owner |
|-----------------------|--------------------|-------------|------------------|---------------------------|----------------------------|
| 6725 W. Allison Rd. | Chandler | 105,000 | Feb-13 | Sound Packaging | Inertia Dynamics |
| 5120 W. Buckeye Rd. | S. of Buckeye Rd. | 80,587 | Jan-13 | Amcor Packaging | Sun Life of Canada, Inc. |
| 2120 W. Guadalupe Rd. | Chandler / Gilbert | 45,000 | Feb-13 | Metron Technology | The Terraden Corporation |
| 5707 W. Buckeye Rd. | S. of Buckeye Rd. | 42,000 | Feb-13 | Valley Pallet, Inc. | D.F. Properties, Inc. |
| 475 W. Vaughn Dr. | Tempe SW | 34,908 | Feb-13 | VWR International | Cabot Properties, Inc. |
| 15690 N. 83rd Way | Scottsdale Airpark | 34,000 | Feb-13 | Ridgeline Energy Services | Z Fahrenheit Holdings, LLC |
| 441 W. Geneva Dr. | Tempe SW | 29,441 | Jan-13 | White Mountain Roofing | EastGroup Properties |

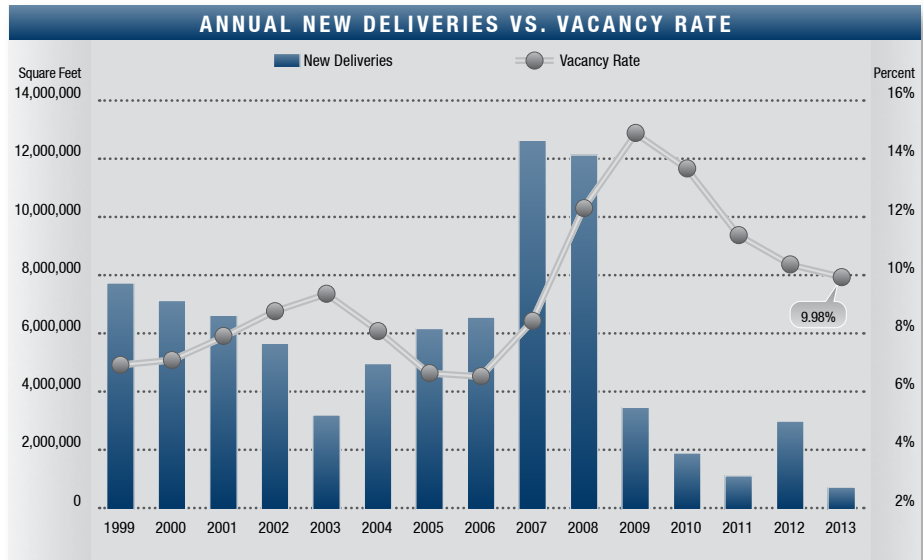
Product Type

MFG./DIST.

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