



## MARKET CHANGE

*Compared to the Previous Quarter:*

Vacancy



UP

Net Absorption



POSITIVE

Lease Rates



DOWN

Transactions



DOWN

Deliveries



UP

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VOIT Real Estate Services

## HIGHLIGHTS

- **Stability** - The Phoenix industrial market continued to convey promise of stabilization in the first quarter of 2014. While vacancy and availability increased from the previous quarter, both trends were relatively flat over the past couple of years. Net absorption posted almost 900,000 square feet of positive absorption during the first quarter, giving the market an average of over 1 million square feet of positive absorption over the last two years.
- **Construction** - There was 2,006,497 square feet of industrial construction underway at the end of the first quarter, an encouraging sign, but still below levels seen during the market's peak in the second half of 2007. Most of this construction occurred in the Southwest submarket and in buildings above 300,000 square feet; the remaining construction occurred in the Northwest and Southeast submarkets.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 12.51%, an increase from the previous quarter and from 2013's first quarter rate of 11.09%. The Northwest submarket posted the lowest rate in the market at 7.67%.
- **Availability** - Direct/sublease space being marketed was 14.32% at the end of the first quarter, an increase when compared to the previous year's rate of 14.05%. The Northwest submarket presented the lowest availability rate in the market at 9.57%.
- **Lease Rates** - The average asking-triple net lease rate was \$.42 per square foot per month for the first quarter, a decrease of only one cent from the previous quarter and a decrease of two cents compared to 2013's first quarter rate, an indication that lease rates are still stabilizing. The record high for asking lease rates, \$.59, was recorded in the first quarter of 2008.
- **Absorption** - The Phoenix industrial market posted 882,434 square feet of positive absorption in the first quarter and nearly 16.5 million square feet over the past three years. The Southwest submarket experienced over 465,000 square feet of the positive absorption in the first quarter of 2014.
- **Transaction Activity** - Leasing activity checked in at 1.26 million square feet for the Phoenix industrial market in the first quarter 2014, a decrease when compared to 2013's fourth quarter figure of 3.3 million square feet. Sales activity also decreased compared the previous quarter, posting 2.2 million square feet of activity as compared to the fourth quarter's 4.1 million square feet. This statistic can have some lag time in being reported, so look for first quarter figures to end up somewhat higher. 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 7.3% in February 2014, a slight decrease from January 2014's rate of 7.5%. Sectors with strong job growth included transportation, construction, financial activities and education / health services. According to Arizona Department of Administration, February added 25,480 nonfarm jobs including 1,260 in construction and 3,828 in the education and health services sector. Over 2013, the number of jobs increased; we anticipate this trend continuing in 2014.
- **Overall** - We are seeing a flattening out of vacancy and availability in the Phoenix industrial market as new space gets delivered. While absorption has been positive, indicating the presence of demand, we anticipate rent growth remaining minimal until the percentage of vacant space in the market begins declining again. The Phoenix area is poised for growth; however, 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.

## FORECAST

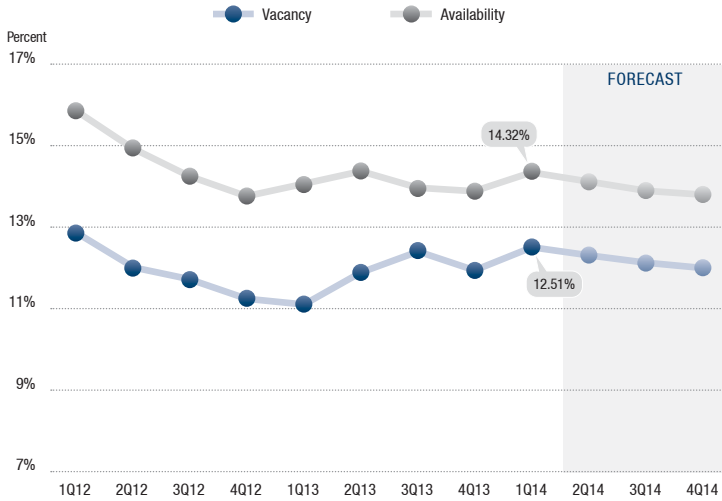
- **Construction** - With a favorable business climate spurring demographic growth in the Phoenix area, we expect it to be a matter of time before development really picks up again. In the meantime, relatively moderate construction levels should help keep vacancy rates stable.
- **Employment** - We anticipate a job growth of around 2.6%, or 59,00 jobs, in the Phoenix Metropolitan area over the year. Look for industries like professional & business services, construction, and education & health services to lead the way in employment growth.
- **Lease Rates** - Expect average asking lease rates to increase by around 2%–3% by 2015.
- **Vacancy** - We anticipate vacancy rates beginning to descend again in coming quarters, dropping by 50 basis points, to around 12%, by the end of 2015.

## OVERVIEW

	1Q14	4Q13	1Q13	% of Change vs. 1Q13
Vacancy Rate	12.51%	11.95%	11.09%	12.80%
Availability Rate	14.32%	13.86%	14.05%	1.92%
Average Asking Lease Rate	\$0.42	\$0.43	\$0.44	(4.55%)
Sale & Lease Transactions	3,499,609	7,481,634	4,195,383	(16.58%)
Gross Absorption	3,190,225	5,167,351	3,734,771	(14.58%)
Net Absorption	882,434	2,349,162	1,098,316	N/A

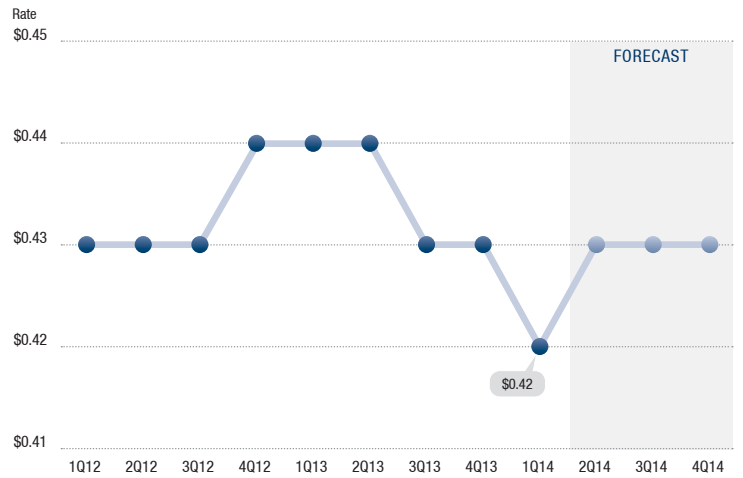
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



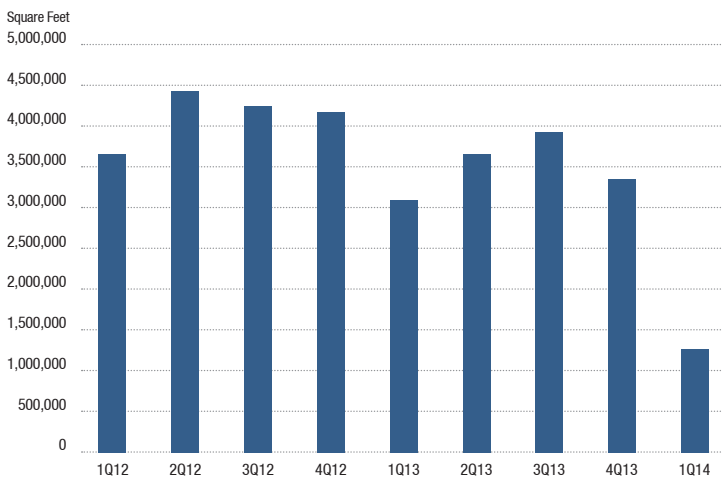
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



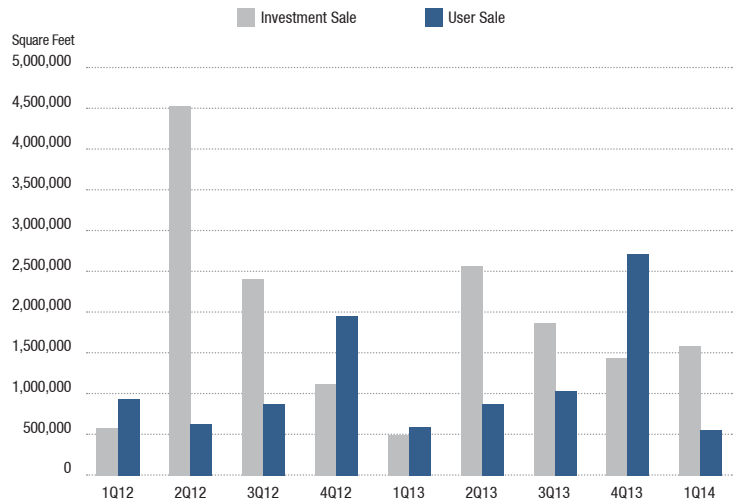
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



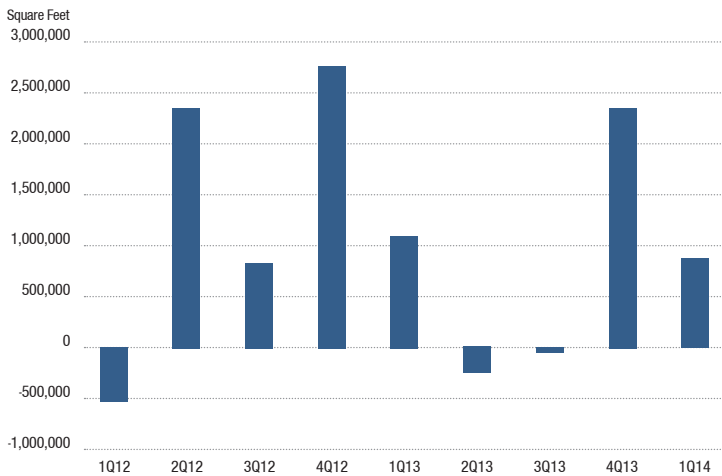
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



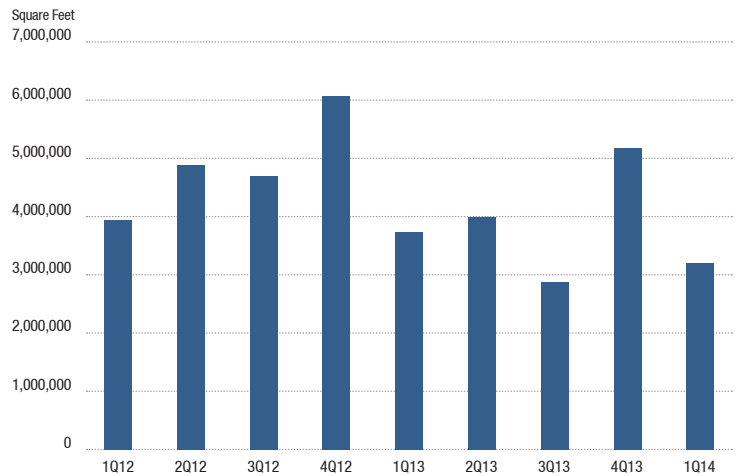
## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



## GROSS ABSORPTION

TOTAL AMOUNT OF SPACE THAT BECAME OCCUPIED IN A QUARTER



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate Q2014	Square Feet Available	Availability Rate Q2014	Average Asking Lease Rate	Net Absorption Q2014	Net Absorption 2013	Gross Absorption Q2014	Gross Absorption 2013
<b>Airport Area</b>													
North Airport	281	10,338,983	0	74,880	1,757,224	17.00%	1,934,203	18.71%	\$0.45	(101,421)	172,724	61,384	449,121
South Airport North of Roeser	320	10,630,130	0	953,177	886,975	8.34%	1,102,173	10.37%	\$0.46	(17,528)	222,884	74,046	667,645
South Airport South of Roeser	119	3,973,220	0	458,351	478,140	12.03%	571,692	14.39%	\$0.45	43,637	70,604	64,947	310,736
SC North of Salt River	363	13,699,416	0	70,000	1,393,054	10.17%	1,620,009	11.83%	\$0.51	56,596	134,919	147,311	662,429
SC South of Salt River	54	1,586,747	0	0	69,889	4.40%	187,097	11.79%	\$0.44	0	(15,696)	0	16,824
General Industrial	280	11,035,293	0	94,880	1,522,262	13.79%	1,965,326	17.81%	\$0.52	24,387	13,502	91,262	325,641
Warehouse / Distribution	857	29,193,203	0	1,461,528	3,063,020	10.49%	3,449,848	11.82%	\$0.45	(44,103)	571,933	256,426	1,781,114
<b>Airport Area Total</b>	<b>1,137</b>	<b>40,228,496</b>	<b>0</b>	<b>1,556,408</b>	<b>4,585,282</b>	<b>11.40%</b>	<b>5,415,174</b>	<b>13.46%</b>	<b>\$0.47</b>	<b>(19,716)</b>	<b>585,435</b>	<b>347,688</b>	<b>2,106,755</b>
<b>Northeast</b>													
Central Phoenix	83	2,387,419	0	0	177,031	7.42%	225,501	9.45%	\$0.65	23,064	(107,316)	36,457	74,062
Scottsdale Airpark	229	4,450,695	0	0	400,455	9.00%	563,986	12.67%	\$0.89	1,868	208,680	86,882	543,693
Scottsdale / Salt River	80	3,785,411	0	85,422	281,690	7.44%	872,109	23.04%	\$0.79	(29,396)	(1,290)	36,231	258,333
General Industrial	92	4,173,233	0	85,422	145,592	3.49%	573,464	13.74%	\$0.92	3,662	90,763	25,004	189,158
Warehouse / Distribution	300	6,450,292	0	0	713,584	11.06%	1,088,132	16.87%	\$0.71	(8,126)	9,311	134,566	686,930
<b>Northeast Total</b>	<b>392</b>	<b>10,623,525</b>	<b>0</b>	<b>85,422</b>	<b>859,176</b>	<b>8.09%</b>	<b>1,661,596</b>	<b>15.64%</b>	<b>\$0.87</b>	<b>(4,464)</b>	<b>100,074</b>	<b>159,570</b>	<b>876,088</b>
<b>Northwest</b>													
Deer Valley / Pinnacle Park	391	11,254,413	399,908	90,674	603,903	5.37%	786,307	6.99%	\$0.66	97,202	333,267	175,411	1,067,577
Glendale	73	4,988,764	0	3,307,777	765,333	15.34%	868,400	17.41%	\$0.45	31,974	201,948	48,184	323,462
Grand Avenue	269	11,448,182	0	546,090	833,541	7.28%	923,336	8.07%	\$0.41	(68,627)	324,237	63,365	558,257
North Glendale / Sun City	67	2,514,646	0	15,428	370,218	14.72%	368,895	14.67%	\$0.61	25,996	133,054	62,788	193,240
North Black Canyon	102	2,826,628	0	0	160,419	5.68%	288,105	10.19%	\$0.43	(231)	193,098	18,719	263,993
West Phoenix North of Thomas Road	249	6,484,931	0	0	408,222	6.29%	580,162	8.95%	\$0.27	5,354	129,523	97,950	347,923
West Phoenix South of Thomas Road	216	6,313,666	0	0	372,374	5.90%	568,875	9.01%	\$0.29	28,107	(13,534)	43,487	297,383
General Industrial	361	12,842,389	60,000	1,621,702	619,147	4.82%	975,932	7.60%	\$0.60	32,518	458,038	111,994	265,210
Warehouse / Distribution	1,006	32,988,841	339,908	2,338,267	2,894,863	8.78%	3,408,148	10.33%	\$0.51	87,257	843,555	397,910	2,120,674
<b>Northwest Total</b>	<b>1,367</b>	<b>45,831,230</b>	<b>399,908</b>	<b>3,959,969</b>	<b>3,514,010</b>	<b>7.67%</b>	<b>4,384,080</b>	<b>9.57%</b>	<b>\$0.50</b>	<b>119,775</b>	<b>1,301,593</b>	<b>509,904</b>	<b>3,051,835</b>
<b>Pinal County</b>													
Pinal County	127	6,892,223	0	31,786	548,766	7.96%	807,247	11.71%	\$0.35	12,100	38,950	12,100	257,496
General Industrial	64	3,950,484	0	12,286	180,560	4.57%	275,378	6.97%	\$0.31	0	30,587	0	195,508
Warehouse / Distribution	63	2,941,739	0	19,500	368,206	12.52%	531,869	18.08%	\$0.33	12,100	8,363	12,100	61,988
<b>Pinal County Total</b>	<b>127</b>	<b>6,892,223</b>	<b>0</b>	<b>31,786</b>	<b>548,766</b>	<b>7.96%</b>	<b>807,247</b>	<b>11.71%</b>	<b>\$0.35</b>	<b>12,100</b>	<b>38,950</b>	<b>12,100</b>	<b>257,496</b>
<b>Southeast</b>													
Chandler Airport	37	1,383,072	0	2,217,778	120,155	8.69%	136,435	9.86%	\$0.59	7,801	14,747	12,544	62,891
Chandler	229	16,510,211	0	269,602	3,221,949	19.51%	3,307,748	20.03%	\$0.55	233,367	317,920	456,502	742,074
Chandler North / Gilbert	432	14,086,257	109,540	1,185,508	3,096,193	21.98%	2,116,311	15.02%	\$0.56	(3,784)	(968)	106,911	1,174,667
Falcon Fld / Apache Junction	95	3,641,270	0	0	299,947	8.24%	346,496	9.52%	\$0.64	(39,946)	78,054	13,621	199,331
Mesa	180	5,810,168	0	10,000	655,369	11.28%	797,473	13.73%	\$0.59	(42,778)	50,650	46,967	288,556
Tempe East	170	4,620,496	0	0	412,153	8.92%	478,948	10.37%	\$0.57	29,606	38,840	78,906	391,771
Tempe Northwest	218	7,908,647	0	215,000	1,223,524	15.47%	1,454,317	18.39%	\$0.44	48,688	(361,802)	61,286	471,380
Tempe Southwest	424	17,677,941	0	160,000	1,751,077	9.91%	2,161,060	12.22%	\$0.47	73,174	300,299	245,995	1,205,706
General Industrial	467	29,162,839	109,540	1,211,607	5,689,906	19.51%	5,045,533	17.30%	\$0.53	161,761	(269,584)	376,574	1,254,222
Warehouse / Distribution	1,318	42,475,223	0	2,846,281	5,090,461	11.98%	5,753,255	13.54%	\$0.52	144,367	705,324	646,158	3,282,154
<b>Southeast Total</b>	<b>1,785</b>	<b>71,638,062</b>	<b>109,540</b>	<b>4,057,888</b>	<b>10,780,367</b>	<b>15.05%</b>	<b>10,798,788</b>	<b>15.07%</b>	<b>\$0.52</b>	<b>306,128</b>	<b>437,740</b>	<b>1,022,732</b>	<b>4,536,376</b>
<b>Southwest</b>													
Goodyear	85	8,933,043	0	12,636,613	1,623,291	18.17%	1,377,645	15.42%	\$0.37	325,577	479,502	421,093	843,353
Southwest North of Buckeye Road	531	31,158,988	0	3,510,520	3,658,834	11.74%	941,692	3.02%	\$0.35	142,464	(148,860)	307,121	1,488,224
Southwest South of Buckeye Road	187	15,500,743	0	673,800	3,162,611	20.40%	3,577,929	23.08%	\$0.35	238,126	871,454	272,876	1,756,407
Tolleson	175	28,388,213	1,497,049	4,190,967	3,702,439	13.04%	4,096,410	14.43%	\$0.36	(237,556)	(109,705)	137,141	771,880
General Industrial	255	14,565,851	0	8,532,747	2,025,881	13.91%	2,369,110	16.26%	\$0.41	232,066	246,876	257,188	561,582
Warehouse / Distribution	723	69,415,136	1,497,049	12,479,153	10,121,294	14.58%	11,624,566	16.75%	\$0.35	236,545	845,515	881,043	4,298,282
<b>Southwest Total</b>	<b>978</b>	<b>83,980,987</b>	<b>1,497,049</b>	<b>21,011,900</b>	<b>12,147,175</b>	<b>14.46%</b>	<b>13,993,676</b>	<b>16.66%</b>	<b>\$0.35</b>	<b>468,611</b>	<b>1,092,391</b>	<b>1,138,231</b>	<b>4,859,864</b>
<b>General Industrial Total</b>	<b>1,519</b>	<b>75,730,089</b>	<b>169,640</b>	<b>11,558,644</b>	<b>10,183,348</b>	<b>13.45%</b>	<b>11,204,743</b>	<b>14.80%</b>	<b>\$0.50</b>	<b>454,394</b>	<b>572,182</b>	<b>862,022</b>	<b>3,424,572</b>
<b>Warehouse / Distribution Total</b>	<b>4,270</b>	<b>183,589,291</b>	<b>1,836,857</b>	<b>19,144,729</b>	<b>22,251,428</b>	<b>12.12%</b>	<b>25,921,818</b>	<b>14.12%</b>	<b>\$0.41</b>	<b>428,040</b>	<b>2,993,101</b>	<b>2,328,203</b>	<b>12,263,842</b>
<b>Phoenix Total</b>	<b>5,789</b>	<b>259,319,380</b>	<b>2,006,497</b>	<b>30,703,373</b>	<b>32,434,776</b>	<b>12.51%</b>	<b>37,126,561</b>	<b>14.32%</b>	<b>\$0.42</b>	<b>882,434</b>	<b>3,556,183</b>	<b>3,190,225</b>	<b>15,688,414</b>
10,000-29,999	3,730	63,008,815	171,052	757,718	5,528,857	8.77%	7,297,339	11.58%	\$0.54	195,402	1,087,179	931,345	5,134,655
30,000-49,999	940	35,673,832	0	1,274,852	3,744,848	10.50%	4,922,502	13.80%	\$0.50	(8,081)	540,036	376,403	2,391,684
50,000-99,999	655	45,145,490	168,856	2,561,053	5,286,082	11.71%	6,774,745	15.01%	\$0.44	3,592	1,033,303	568,568	2,771,258
100,000-199,999	293	39,338,889	109,540	4,354,503	5,530,685	14.06%	6,143,088	15.62%	\$0.41	232,006	425,661	526,080	2,030,094
200,000-299,999	83	20,228,512	0	2,214,498	2,076,908	10.27%	2,407,149	11.90%	\$0.35	376,141	251,442	383,230	621,517
300,000 Plus	95	55,923,842	1,557,049	19,540,749	10,267,396	18.36%	9,581,738	17.13%	\$0.35	83,374	218,562	404,599	2,739,206
<b>Phoenix Total</b>	<b>5,789</b>	<b>259,319,380</b>	<b>2,006,497</b>	<b>30,703,373</b>	<b>32,434,776</b>	<b>12.51%</b>	<b>37,126,561</b>	<b>14.32%</b>	<b>\$0.42</b>	<b>882,434</b>	<b>3,556,183</b>	<b>3,190,225</b>	<b>15,688,414</b>

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

## MAJOR TRANSACTIONS

### Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
1711 W. Greentree Dr. – 5 Properties	S. Tempe/Ahwatukee	219,697	\$184.24	Dornin Investment Group, LLC	Westport Capital Partners, LLC
1635 S. 43 Ave.	SW S. of Buckeye	394,775	\$53.19	Cohen Asset Management	Tratt Properties, LLC
21415 N. 15th Ln. – 2 Properties	Deer Valley/Pinnacle Peak	193,366	\$91.41	Mertix Enterprises, Inc.	Carlson Real Estate Services, LLC
2225 S. 43rd Ave.	SW S. of Buckeye	250,796	\$52.63	Exeter 2225 South 43rd, LLC	Prologis, LP
145 S. 79th St.	Chandler	129,187	\$74.31	Via West Properties, LLC	Capital Commercial Investments
6525 E. Thomas Rd.	Central Phoenix	117,869	\$72.11	Mertiage Homes of AZ, Inc.	Paramount Leisure Industries, Inc.

### Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
440 S. 51st Ave	SW N of Buckeye	30,000	Feb-14	Leggett & Platt, Inc.	Leclerc Foods USA, Inc.
1120 W. Fairmont Dr.	Tempe South	28,068	Jan-14	Box Smart	EastGroup Properties, Inc.
3110 N. Oakland Rd.	Falcon Fld/Apache Jct	24,053	Jan-14	Arizona Cast Turbine	Great Point Investors, LLC
6410 S. Sossaman Rd.	Chandler N./Gilbert	22,700	Jan-14	Water Purity	Williams Gateway Airport Authority
825 N. 73rd Ave.	Tolleson	80,817	Feb-14	Standard Process, Inc.	EJM Development Company
13148 W. Foxfire Dr.	N. Glendale/Sun City	19,378	Jan-14	Century Goods, LLC	Presson Corporation

## PRODUCT TYPE

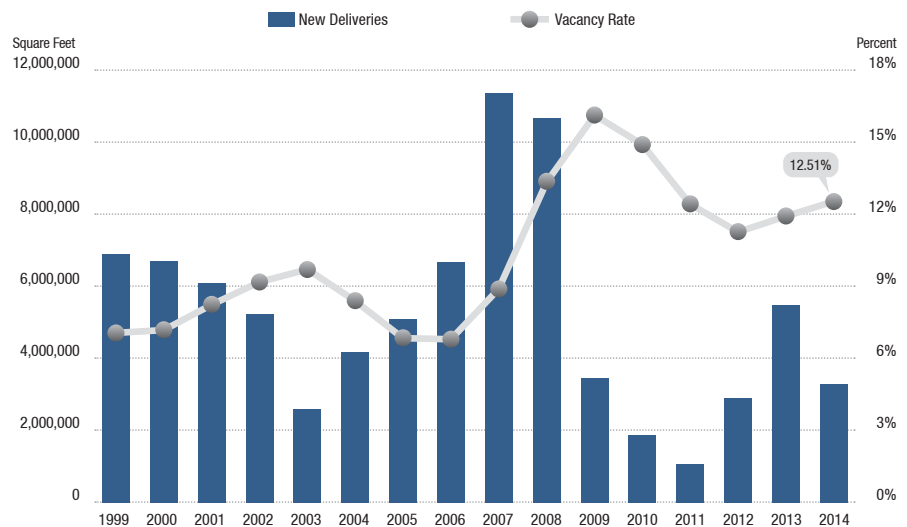
### MFG./DIST.

Manufacturing/Distribution/Warehouse facilities with up to 29.9% office space.

To view available properties, please visit:

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### ANNUAL NEW DELIVERIES VS. VACANCY RATE



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Irvine, CA  
949.851.5100

Las Vegas, NV  
702.734.4500

Newport Beach, CA  
949.644.8648

Phoenix, AZ  
602.952.8648

Reno, NV  
775.771.9955

Sacramento, CA  
916.772.8648

San Diego, CA  
858.453.0505

San Jose, CA  
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