



MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

UP

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VOIT Real Estate Services

HIGHLIGHTS

- **Steady Growth** - The Phoenix industrial market had a decent start to 2015, posting 1.8 million square feet of positive net absorption, giving the market a total of over 18.4 million square feet of positive absorption for the last thirteen quarters. Both vacancy and availability continued their downward trends and lease rates stayed flat from the previous quarter.
- **Construction** - At the end of the first quarter, there was 2,139,066 square feet of industrial construction underway, 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 and Southeast submarkets in buildings between 50,000 & 100,000 square feet. The remaining construction occurred in the Northwest, Northeast and Airport Area submarkets.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 11.15%, an decrease of only 2 basis points from the previous quarter and a decrease from 2014's first quarter rate of 12.30%. The Northwest submarket posted the lowest rate in the market at 7.44%.
- **Availability** - Direct/sublease space being marketed was 12.63% at the end the first quarter, a decrease of 33 basis points when compared to the previous quarters rate of 12.96%. The Southeast submarket presented the lowest availability rate in the market at 9.84%.
- **Lease Rates** - The average asking-triple net lease rate was \$.44 per square foot per month for the first quarter, flat from the previous quarter and again flat from the first quarter of 2014 rate. This indicates that lease rates are beginning to rise and we are forecasting that occupancy costs will increase going forward. The record high for asking lease rates, \$0.59, was recorded in the first quarter of 2008.
- **Absorption** - The Phoenix industrial market posted 1,808,792 square feet of positive absorption in the first quarter and just over 7.4 million square feet for the year 2014. The Southeast

submarket experienced slightly over 772,000 square feet of the positive absorption in the first quarter of 2015.

- **Transaction Activity** - Leasing activity checked in at 1.6 million square feet for the Phoenix industrial market in the first quarter of 2015, a decrease when compared to 2014's fourth quarter figure of 3.53 million square feet. Sales activity also decreased compared to the previous quarter, posting 1.5 million square feet of activity as compared to the fourth quarter of 2014 at 2.9 million square feet. This statistic can have some lag time in being reported, so look for this quarter's figures to end up somewhat higher on the next report. 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 5.8% in January 2015, a decrease from January 2014's rate of 6.8%. Sectors with strong job growth included professional and business services, retail trade, health care and manufacturing. Phoenix has created a new niche for itself in high tech manufacturing. Phoenix's projected total annual employment growth will be among the strongest in the nation. According to Arizona Department of Administration, February 2015 added 2,000 professional and business services jobs, 5,900 in leisure and hospitality, 1,400 in health care and 1,300 in manufacturing. The largest job gain was in government adding 15,800 jobs. The number of jobs has increased in 2014 and we anticipate this trend continuing through 2015.
- **Overall** - We are seeing vacancy and availability stabilize in the Phoenix industrial market as new space gets delivered. While absorption due to demand has been positive, we anticipate rent growth as 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

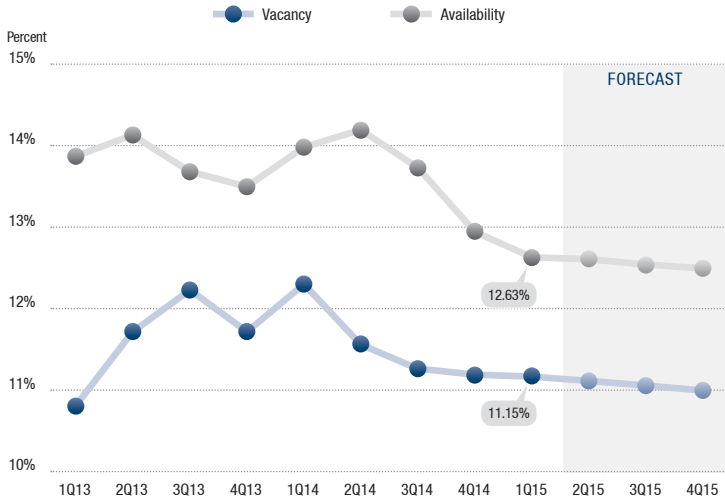
- **Construction** - With a favorable business climate spurring demographic growth in the Phoenix area, we expect it to be a matter of time before development really picks up again. In the meantime, relatively moderate construction levels should help keep vacancy rates stable.
- **Employment** - We anticipate job growth of around 2.6%, or 59,000 jobs, in the Phoenix Metropolitan area over the year. Look for industries like professional & business services, and education & health services to lead the way in employment growth.
- **Lease Rates** - Expect average asking lease rates to increase by around 2% to 4% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates to descend again in coming quarters, dropping by 15 basis points, to below 11.0%, by the end of the fourth quarter of 2015.

OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	11.15%	11.17%	12.30%	(9.35%)
Availability Rate	12.63%	12.96%	13.99%	(9.72%)
Average Asking Lease Rate	\$0.44	\$0.44	\$0.42	4.76%
Sale & Lease Transactions	3,026,888	6,443,911	5,717,014	(47.05%)
Gross Absorption	4,232,048	3,535,581	3,663,598	15.52%
Net Absorption	1,808,792	1,106,960	965,521	N/A

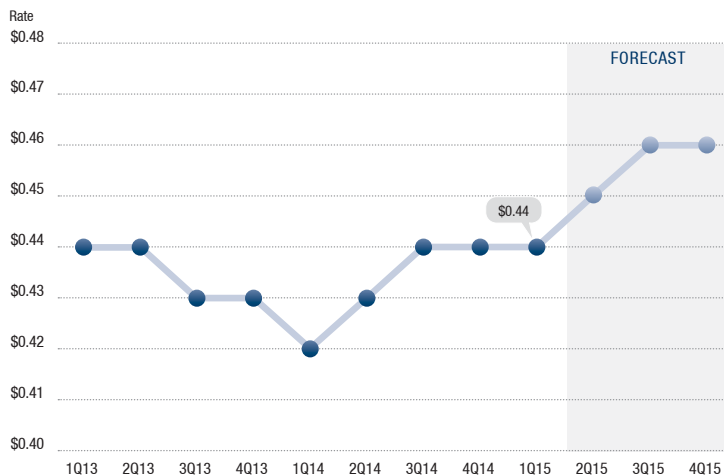
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



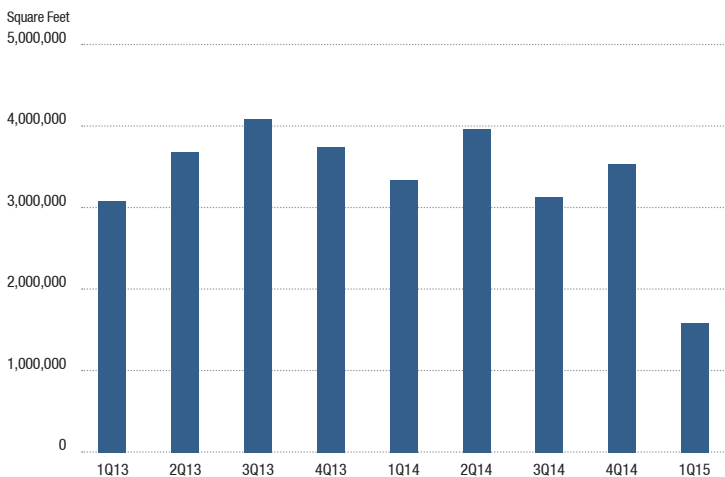
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



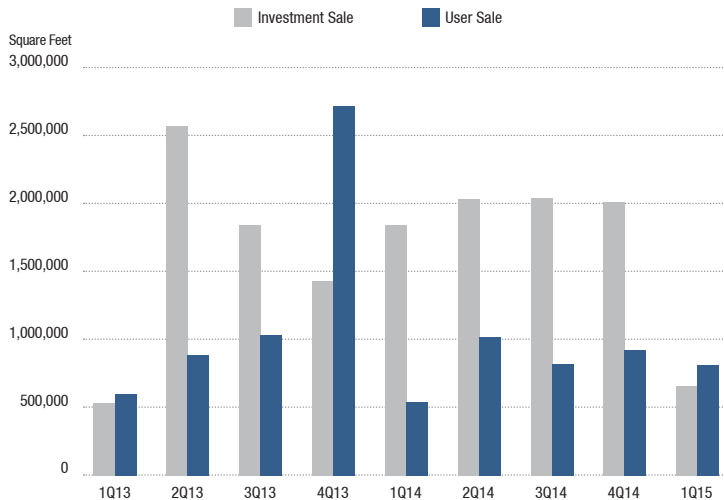
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



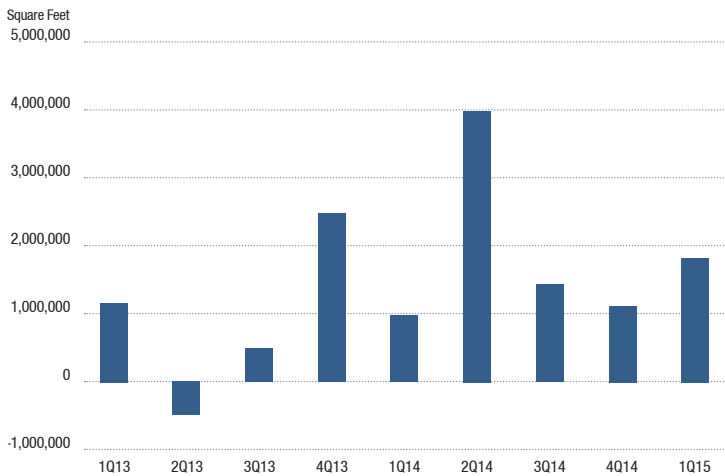
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



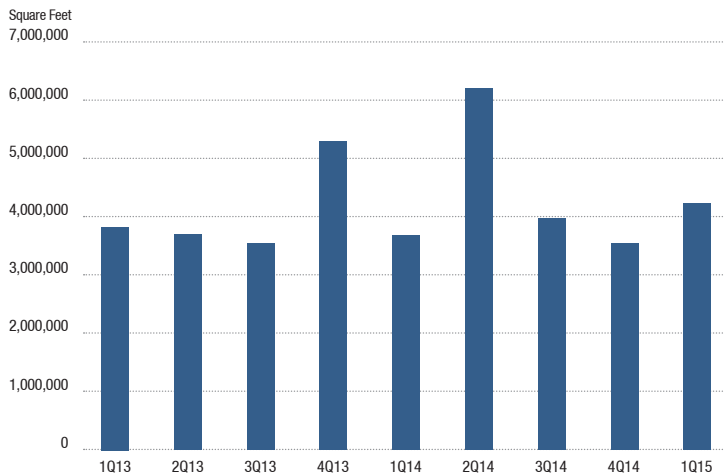
NET ABSORPTION

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 Q2015	Square Feet Available	Availability Rate Q2015	Average Asking Lease Rate	Net Absorption Q2015	Net Absorption 2014	Gross Absorption Q2015	Gross Absorption 2014
Airport Area													
North Airport	285	10,394,248	125,760	12,000	1,611,680	15.51%	1,780,717	17.13%	\$0.52	72,724	13,775	226,192	546,882
South Airport North of Roeser	325	11,288,377	31,488	862,086	1,273,126	11.28%	1,445,175	12.80%	\$0.51	74,562	165,730	217,183	567,400
South Airport South of Roeser	120	4,099,799	155,351	303,000	230,338	5.62%	352,487	8.60%	\$0.60	111,938	296,202	149,278	435,789
SC North of Salt River	358	13,532,293	177,770	0	1,072,203	7.92%	1,264,325	9.34%	\$0.55	39,107	26,247	80,752	632,873
SC South of Salt River	58	1,673,169	0	0	65,711	3.93%	278,222	16.63%	\$0.42	1,100	4,178	1,100	6,300
General Industrial	281	10,926,357	31,488	319,853	1,390,133	12.72%	1,670,291	15.29%	\$0.57	30,772	193,978	76,425	526,747
Warehouse / Distribution	865	30,061,529	458,881	857,233	2,862,925	9.52%	3,450,635	11.48%	\$0.51	268,659	312,154	598,080	1,662,397
Airport Area Total	1,146	40,987,886	490,369	1,177,086	4,253,058	10.38%	5,120,926	12.49%	\$0.53	299,431	506,132	674,505	2,189,244
Northeast													
Central Phoenix	83	2,296,566	0	0	92,819	4.04%	155,579	6.77%	\$0.59	(1,419)	15,027	11,921	76,982
Scottsdale Airpark	222	4,384,541	0	0	358,850	8.18%	522,960	11.93%	\$0.87	(31,642)	118,805	56,783	297,636
Scottsdale / Salt River	78	3,564,202	0	64,562	373,511	10.48%	625,840	17.56%	\$0.96	(3,401)	(16,499)	13,099	162,948
General Industrial	87	3,972,207	0	50,000	93,512	2.35%	391,773	9.86%	\$0.90	(5,533)	19,793	14,487	47,618
Warehouse / Distribution	296	6,273,102	0	14,562	731,738	11.66%	912,606	14.55%	\$0.90	(30,929)	97,540	67,316	489,948
Northeast Total	383	10,245,309	0	64,562	825,250	8.05%	1,304,379	12.73%	\$0.90	(36,462)	117,333	81,803	537,566
Northwest													
Deer Valley / Pinnacle Park	409	11,698,077	235,410	279,432	992,845	8.49%	1,310,142	11.20%	\$0.64	42,490	90,032	147,071	698,537
Glendale	79	5,822,809	0	3,307,777	786,139	13.50%	933,832	16.04%	\$0.43	23,136	627,667	34,934	735,488
Grand Avenue	272	11,668,025	0	525,192	773,513	6.63%	1,113,905	9.55%	\$0.40	146,004	54,780	238,987	495,092
North Glendale / Sun City	67	2,490,130	0	0	238,558	9.58%	284,013	11.41%	\$0.60	5,013	150,094	20,050	208,504
North Black Canyon	103	2,835,461	0	0	125,231	4.42%	214,580	7.57%	\$0.55	(19,048)	58,211	17,543	147,886
West Phoenix North of Thomas Road	248	6,407,508	0	0	343,584	5.36%	504,466	7.87%	\$0.29	15,973	47,191	75,502	390,472
West Phoenix South of Thomas Road	214	6,267,930	0	0	249,971	3.99%	432,532	6.90%	\$0.40	4,027	61,258	38,372	293,227
General Industrial	365	13,089,935	235,410	1,575,032	632,404	4.83%	886,539	6.77%	\$0.47	201,451	(112,323)	249,231	344,572
Warehouse / Distribution	1,027	34,100,005	0	2,537,369	2,877,437	8.44%	3,906,931	11.46%	\$0.51	16,144	1,201,556	323,228	2,624,634
Northwest Total	1,392	47,189,940	235,410	4,112,401	3,509,841	7.44%	4,793,470	10.16%	\$0.50	217,595	1,089,233	572,459	2,969,206
Pinal County													
Pinal County	134	7,030,111	0	749,500	596,901	8.49%	824,764	11.73%	\$0.31	(44,433)	26,681	12,930	133,674
General Industrial	64	3,965,612	0	749,500	195,123	4.92%	267,923	6.76%	\$0.33	(45,163)	33,200	2,600	33,300
Warehouse / Distribution	70	3,064,499	0	0	401,778	13.11%	556,841	18.17%	\$0.30	730	(6,519)	10,330	100,374
Pinal County Total	134	7,030,111	0	749,500	596,901	8.49%	824,764	11.73%	\$0.31	(44,433)	26,681	12,930	133,674
Southeast													
Chandler Airport	38	1,447,627	349,969	1,284,662	20,923	1.45%	105,110	7.26%	\$0.61	55,957	115,631	64,555	147,675
Chandler	229	16,446,600	162,500	270,296	3,072,169	18.68%	1,331,811	8.10%	\$0.62	174,069	515,831	257,130	1,033,203
Chandler North / Gilbert	442	15,049,496	0	2,992,863	1,657,778	11.02%	1,856,189	12.33%	\$0.59	80,220	1,283,244	161,640	2,045,873
Falcon Fld / Apache Junction	95	3,647,487	0	197,378	193,098	5.29%	265,605	7.28%	\$0.58	(13,122)	68,776	22,445	175,258
Mesa	181	5,745,579	0	212,984	329,858	5.74%	486,967	8.48%	\$0.76	69,060	129,001	106,383	309,822
Tempe East	172	4,729,272	0	50,000	276,706	5.85%	425,456	9.00%	\$0.54	84,477	72,423	134,127	363,757
Tempe Northwest	218	8,064,504	0	215,000	1,088,382	13.50%	1,184,543	14.69%	\$0.48	241,392	37,269	307,193	389,145
Tempe Southwest	421	17,584,541	0	160,000	1,206,157	6.86%	1,498,989	8.52%	\$0.51	80,597	503,295	293,079	1,261,510
General Industrial	468	28,967,266	349,969	3,635,485	4,015,287	13.86%	2,390,106	8.25%	\$0.62	232,947	1,647,244	322,013	2,449,232
Warehouse / Distribution	1,328	43,747,840	162,500	1,747,698	3,829,784	8.75%	4,764,564	10.89%	\$0.56	539,703	1,078,226	1,024,539	3,257,035
Southeast Total	1,796	72,715,106	512,469	5,383,183	7,845,071	10.79%	7,154,670	9.84%	\$0.57	772,650	2,725,470	1,346,552	5,726,243
Southwest													
Goodyear	89	9,247,499	187,000	14,359,468	1,096,424	11.86%	1,226,166	13.26%	\$0.39	166,911	809,777	192,090	1,002,006
Southwest North of Buckeye Road	530	31,192,302	659,618	2,980,086	3,471,515	11.13%	5,006,905	16.05%	\$0.38	99,771	582,289	493,806	2,040,030
Southwest South of Buckeye Road	187	15,352,888	54,200	1,306,490	2,952,146	19.23%	3,014,203	19.63%	\$0.36	(175,442)	547,033	151,376	804,222
Tolleson	185	31,758,306	0	6,619,345	5,084,739	16.01%	5,120,220	16.12%	\$0.37	508,771	776,615	706,527	1,929,704
General Industrial	259	15,825,151	54,200	10,139,197	2,502,740	15.81%	3,099,944	19.59%	\$0.41	190,459	1,059,210	221,754	1,610,671
Warehouse / Distribution	732	71,725,844	846,618	15,126,192	10,102,084	14.08%	11,267,550	15.71%	\$0.37	409,552	1,656,504	1,322,045	3,831,291
Southwest Total	991	87,550,995	900,818	25,265,389	12,604,824	14.40%	14,367,494	16.41%	\$0.37	600,011	2,715,714	1,543,799	5,775,962
General Industrial Total	1,524	76,746,528	671,067	16,146,640	8,829,199	11.50%	8,706,576	11.34%	\$0.50	604,933	2,841,102	886,510	5,012,140
Warehouse / Distribution Total	4,318	188,972,819	1,467,999	20,605,481	20,805,746	11.01%	24,859,127	13.15%	\$0.43	1,203,859	4,339,431	3,345,538	12,990,996
Phoenix Total	5,842	265,719,347	2,139,066	36,752,121	29,634,945	11.15%	33,565,703	12.63%	\$0.44	1,808,792	7,180,563	4,232,048	17,331,895
10,000-29,999	3,746	63,328,588	14,940	500,539	4,598,804	7.26%	6,589,419	10.41%	\$0.57	277,832	870,271	1,133,521	4,040,384
30,000-49,999	946	35,873,202	155,182	804,263	3,199,212	8.92%	3,692,131	10.29%	\$0.53	25,656	511,575	544,084	2,349,105
50,000-99,999	668	46,069,289	865,665	2,418,954	4,616,904	10.02%	6,367,218	13.82%	\$0.50	248,078	935,797	473,980	3,267,265
100,000-199,999	296	39,869,619	443,661	5,036,225	5,344,473	13.40%	6,040,215	15.15%	\$0.44	548,360	688,172	917,996	2,488,789
200,000-299,999	85	20,702,484	0	2,257,604	1,865,990	9.01%	2,536,990	12.25%	\$0.42	372,147	420,352	382,878	873,452
300,000 Plus	101	59,876,165	659,618	25,734,536	10,009,562	16.72%	8,339,730	13.93%	\$0.35	336,719	3,754,396	779,589	4,312,900
Phoenix Total	5,842	265,719,347	2,139,066	36,752,121	29,634,945	11.15%	33,565,703	12.63%	\$0.44	1,808,792	7,180,563	4,232,048	17,331,895

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
5330 E. Washington St. – 4 Properties	Tempe Northwest	139,532	\$80.10	Covington Asset Management	City of Phoenix
2950 E. Broadway Rd. – 2 Properties	S. Airport N. of Roeser	95,355	\$66.10	ViaWest Group	CAN Enterprises, Inc.
2432 W. Birchwood Ave.	Mesa	81,425	\$79.83	Dividend Capital	Everwest Real Estate Partners, LLC
5621 S. 25th St.	S. Airport S. of Roeser	74,201	\$60.65	Tashi & Hui Sjem Zouras	Western Window & Door
7812 E. Acoma Dr.	Scottsdale Airpark	73,209	\$85.24	Denali National Trust, LLC	Creative Inns, Inc.
65 N. 101st Ave.	Tolleson	73,050	\$139.63	Cummins Rock Mountain, LLC	Granco Enterprises

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
101 N. 104th Ave.	Tolleson	67,380	Feb-2015	Inveture Foods	DCT Industrial Trust
121 S. 39th Ave.	SW N. of Buckeye Rd.	62,972	Jan-2015	Summit Warehouse & Logistics	Sieroty Company, Inc.
3167 W. Armstrong	Chandler	62,533	Jan-2015	Kovach, Inc.	Store Capital
308 S. Extension Rd.	Mesa	40,004	Mar-2015	Addictive Desert Designs	Presson Corporation
1450 E. Buckeye Rd.	SW N. of Salt River	39,360	Feb-2015	HD Supply	Roberts Ranch Venture, LP
121 S. 39th Ave.	SW N. of Buckeye Rd.	37,856	Jan-2015	Central Bakery, Inc.	Sieroty Company, Inc.

PRODUCT TYPE

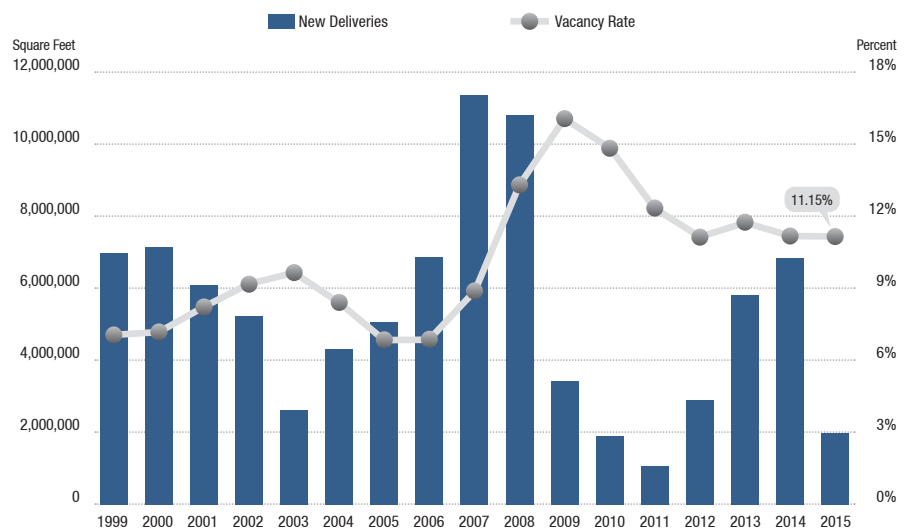
MFG./DIST.

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

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