



# Voit

REAL ESTATE SERVICES

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## Industrial Market Report

Compared to last quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

### Market Highlights

- ◆ **Encouraging Numbers** - The numbers this quarter appear to be encouraging for the first time since the third quarter of 2008 — a sign that recovery could be on the horizon. Availability exhibited a slight increase, vacancy dropped, and net absorption posted more than one million square feet of positive absorption. With regards to sales transactions, the ask-bid gap seems to be narrowing, evident from the drop in asking prices. While these are positive indications, stability will need to be sustained in following quarters to be considered recovery.
- ◆ **Construction** - Currently, there is 147,403 square feet of industrial construction underway. Scarce financing and low demand have essentially halted industrial development.
- ◆ **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 15.48% — higher than a year-ago's rate of 14.84% but lower than last quarter's figure of 15.74%. The Northeast market posted the lowest rate in the county at 10.81%.
- ◆ **Availability** - Direct/sublease space being marketed was 18.90% this quarter, an increase of 10.27% compared to the 17.14% we saw this same quarter last year.
- ◆ **Lease Rates** - The average asking Triple Net lease rate was \$.46 cents per square foot per month this quarter, one cent lower than last quarter and six cents lower than last year's second quarter rate. The record high for asking lease rates, \$.59, was recorded in the first quarter of 2007.
- ◆ **Absorption** - The county posted 1,210,142 square feet of positive absorption for the second quarter of 2010, giving

the industrial market a total of 1,291,397 square feet of positive absorption for the first half of 2010.

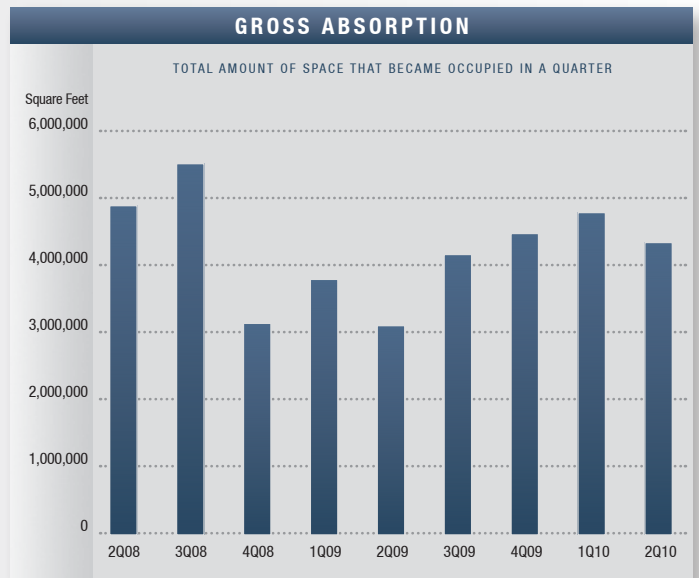
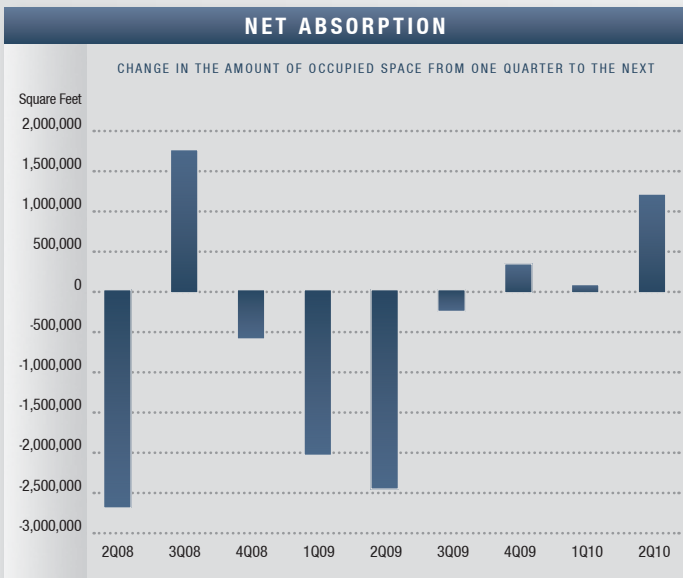
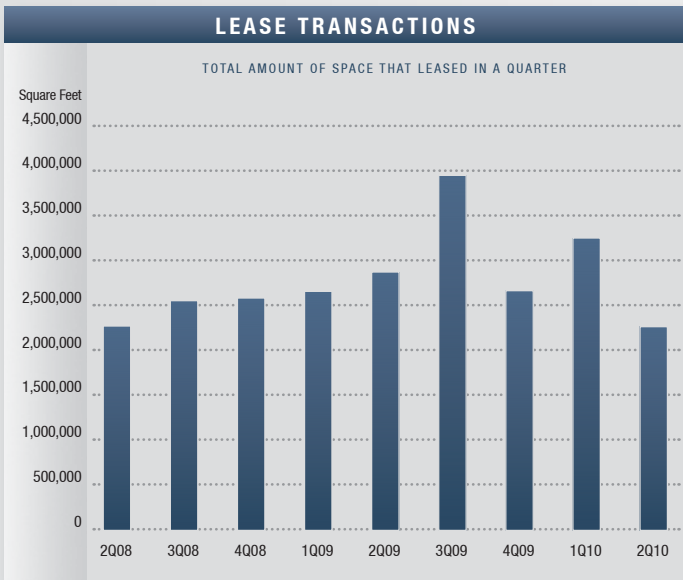
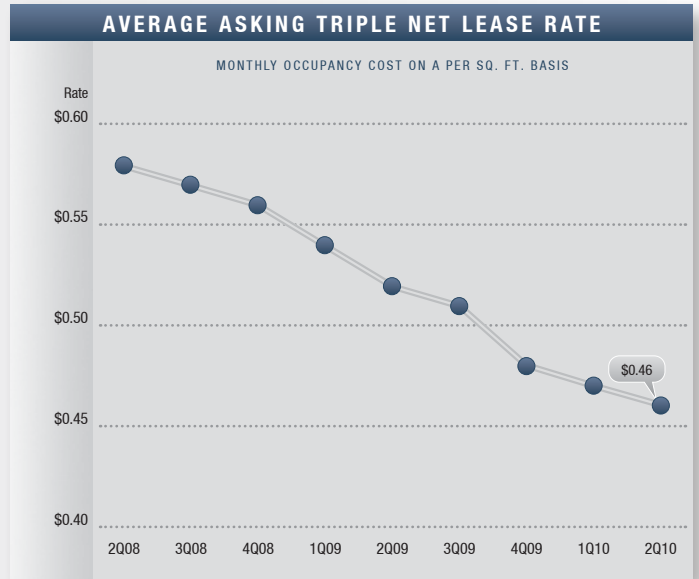
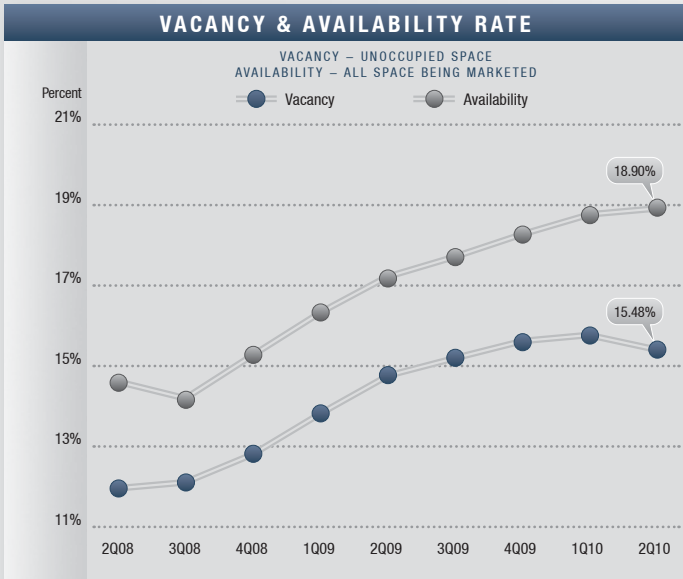
- ◆ **Transaction Activity** - Leasing activity checked in at 2.2 million square feet, mainly a result of the recent trend of short-term deals coupled with lease renegotiations. Details of the largest transactions can be found on the back page of this report.
- ◆ **Unemployment** - The unemployment rate in Phoenix-Mesa-Glendale Metropolitan was 8.7% in May 2010, up from a revised 8.4% in April 2010 and above the year ago estimate of 8.7%. This compares with an unadjusted unemployment rate of 9.6% for Arizona and 9.7% for the nation during the same period.
- ◆ **Overall** - We are beginning to see a decrease in the amount of available space being added per quarter. Positive absorption is the big story, and with few new deliveries in the pipeline to drive vacancy up, the market is beginning to stabilize. We foresee an increase in investment activity in the coming quarters as lenders begin to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances should continue to increase to motivate tenants to quick action. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins in the second half of 2010. Once job creation turns positive and consumer confidence stabilizes, the industrial market will regain equilibrium.

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| INDUSTRIAL MARKET OVERVIEW |           |           |             |                     |
|----------------------------|-----------|-----------|-------------|---------------------|
|                            | 2Q2010    | 1Q2010    | 2Q2009      | % CHANGE vs. 2Q2009 |
| Vacancy Rate               | 15.48%    | 15.74%    | 14.84%      | 4.31%               |
| Availability Rate          | 18.90%    | 18.86%    | 17.14%      | 10.27%              |
| Average Asking Lease Rate  | \$0.46    | \$0.47    | \$0.52      | (11.54%)            |
| Lease Transactions         | 2,241,315 | 3,223,056 | 2,866,995   | (21.82%)            |
| Gross Absorption           | 4,336,430 | 4,792,215 | 3,090,397   | 40.32%              |
| Net Absorption             | 1,210,142 | 81,255    | (2,429,579) | 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 2Q2010 | Total Availability 2Q2010 | Availability Rate 2Q2010 | Average Asking Lease Rate | Net Absorption 2Q2010 | Net Absorption 2010 | Gross Absorption 2Q2010 | Gross Absorption 2010 |
| <b>Airport Area</b>              |                  |                          |                   |                     |                       |                     |                           |                          |                           |                       |                     |                         |                       |
| North Airport                    | 297              | 10,899,632               | 0                 | 250,072             | 1,427,428             | 13.10%              | 1,990,850                 | 18.27%                   | \$0.49                    | 47,077                | 34,554              | 137,062                 | 292,079               |
| South Airport North of Roeser    | 325              | 10,969,434               | 105,292           | 17,560              | 1,498,292             | 13.66%              | 1,933,865                 | 17.63%                   | \$0.53                    | 71,769                | 137,380             | 165,590                 | 391,354               |
| South Airport South of Roeser    | 120              | 3,961,767                | 0                 | 0                   | 647,483               | 16.34%              | 933,842                   | 23.57%                   | \$0.55                    | (14,636)              | (16,486)            | 37,027                  | 101,216               |
| SC North of Roeser               | 368              | 14,136,594               | 0                 | 0                   | 1,955,753             | 13.83%              | 2,331,115                 | 16.49%                   | \$0.41                    | (1,336)               | (180,486)           | 130,787                 | 179,066               |
| SC South of Roeser               | 49               | 1,502,817                | 0                 | 0                   | 111,408               | 7.41%               | 129,558                   | 8.62%                    | \$0.59                    | (5,880)               | 17,136              | 3,800                   | 40,969                |
| <b>Airport Area Total</b>        | <b>1,159</b>     | <b>41,470,244</b>        | <b>105,292</b>    | <b>267,632</b>      | <b>5,640,364</b>      | <b>13.60%</b>       | <b>7,319,230</b>          | <b>17.65%</b>            | <b>\$0.48</b>             | <b>96,994</b>         | <b>(7,902)</b>      | <b>474,266</b>          | <b>1,004,684</b>      |
| <b>Northeast</b>                 |                  |                          |                   |                     |                       |                     |                           |                          |                           |                       |                     |                         |                       |
| Central Phoenix                  | 112              | 4,034,557                | 0                 | 0                   | 211,564               | 5.24%               | 200,730                   | 4.98%                    | \$0.61                    | 34,997                | 28,326              | 84,641                  | 110,926               |
| Scottsdale Airpark               | 251              | 5,215,919                | 0                 | 0                   | 943,027               | 18.08%              | 1,191,248                 | 22.84%                   | \$0.79                    | (121,197)             | (145,190)           | 96,743                  | 223,204               |
| Scottsdale/Salt River            | 86               | 4,461,308                | 0                 | 20,860              | 328,192               | 7.36%               | 461,354                   | 10.34%                   | \$0.94                    | 82,304                | 48,429              | 93,059                  | 136,198               |
| <b>Northeast Total</b>           | <b>449</b>       | <b>13,711,784</b>        | <b>0</b>          | <b>20,860</b>       | <b>1,482,783</b>      | <b>10.81%</b>       | <b>1,853,332</b>          | <b>13.52%</b>            | <b>\$0.80</b>             | <b>(3,896)</b>        | <b>(68,435)</b>     | <b>274,443</b>          | <b>470,328</b>        |
| <b>Northwest</b>                 |                  |                          |                   |                     |                       |                     |                           |                          |                           |                       |                     |                         |                       |
| Deer Valley/Pinnacle Park        | 416              | 13,445,356               | 24,111            | 367,397             | 1,669,177             | 12.41%              | 2,212,903                 | 16.46%                   | \$0.71                    | 100,557               | (406,198)           | 226,387                 | 597,149               |
| Glendale                         | 70               | 3,998,529                | 0                 | 1,888,980           | 827,688               | 20.70%              | 941,471                   | 23.55%                   | \$0.40                    | 89,659                | 75,852              | 96,820                  | 122,543               |
| Grand Avenue                     | 292              | 13,276,145               | 0                 | 545,090             | 1,307,653             | 9.85%               | 1,959,884                 | 14.76%                   | \$0.37                    | 49,332                | 30,501              | 124,652                 | 243,356               |
| North Glendale/Sun City          | 94               | 4,191,761                | 0                 | 89,714              | 930,629               | 22.20%              | 873,150                   | 20.83%                   | \$0.54                    | 20,982                | 55,312              | 81,482                  | 173,101               |
| North Black Canyon               | 126              | 3,481,218                | 0                 | 0                   | 391,046               | 11.23%              | 447,541                   | 12.86%                   | \$0.43                    | (5,586)               | (28,698)            | 38,301                  | 80,587                |
| West Phoenix North of Thomas Rd. | 262              | 6,897,002                | 0                 | 0                   | 705,093               | 10.22%              | 860,587                   | 12.48%                   | \$0.41                    | 69,439                | 39,952              | 106,031                 | 277,607               |
| West Phoenix South of Thomas Rd. | 222              | 6,206,752                | 0                 | 0                   | 622,108               | 10.02%              | 847,604                   | 13.66%                   | \$0.44                    | 40,924                | 21,991              | 80,141                  | 171,578               |
| <b>Northwest Total</b>           | <b>1,482</b>     | <b>51,496,763</b>        | <b>24,111</b>     | <b>2,891,181</b>    | <b>6,453,394</b>      | <b>12.53%</b>       | <b>8,143,140</b>          | <b>15.81%</b>            | <b>\$0.54</b>             | <b>365,307</b>        | <b>(211,288)</b>    | <b>753,814</b>          | <b>1,665,921</b>      |
| <b>Pinal County</b>              |                  |                          |                   |                     |                       |                     |                           |                          |                           |                       |                     |                         |                       |
| Pinal County                     | 86               | 5,893,113                | 0                 | 752,257             | 691,573               | 11.74%              | 856,204                   | 14.53%                   | \$0.34                    | 61,251                | 109,062             | 64,111                  | 148,481               |
| <b>Pinal County Total</b>        | <b>86</b>        | <b>5,893,113</b>         | <b>0</b>          | <b>752,257</b>      | <b>691,573</b>        | <b>11.74%</b>       | <b>856,204</b>            | <b>14.53%</b>            | <b>\$0.34</b>             | <b>61,251</b>         | <b>109,062</b>      | <b>64,111</b>           | <b>148,481</b>        |
| <b>Southeast</b>                 |                  |                          |                   |                     |                       |                     |                           |                          |                           |                       |                     |                         |                       |
| Chandler Airport                 | 40               | 1,520,612                | 18,000            | 864,321             | 495,378               | 32.58%              | 441,679                   | 29.05%                   | \$0.64                    | 13,502                | 49,509              | 19,524                  | 55,531                |
| Chandler                         | 256              | 14,841,291               | 0                 | 123,104             | 1,666,457             | 11.23%              | 2,256,442                 | 15.20%                   | \$0.65                    | 12,357                | (20,947)            | 241,509                 | 352,991               |
| Chandler North/Gilbert           | 436              | 13,745,642               | 0                 | 733,572             | 2,837,549             | 20.64%              | 3,321,289                 | 24.16%                   | \$0.55                    | 52,245                | 84,964              | 239,437                 | 493,351               |
| Falcon Fld/Apache Junction       | 107              | 4,707,308                | 0                 | 0                   | 493,114               | 10.48%              | 556,576                   | 11.82%                   | \$0.66                    | 68,222                | 95,095              | 86,932                  | 156,824               |
| Mesa                             | 191              | 6,115,972                | 0                 | 0                   | 961,109               | 15.71%              | 1,290,343                 | 21.10%                   | \$0.59                    | 230,156               | 218,367             | 286,604                 | 392,083               |
| Tempe East                       | 192              | 5,399,215                | 0                 | 0                   | 433,458               | 8.03%               | 703,027                   | 13.02%                   | \$0.65                    | 13,777                | (4,287)             | 69,327                  | 133,077               |
| Tempe Northwest                  | 226              | 8,821,403                | 0                 | 0                   | 673,470               | 7.63%               | 1,726,328                 | 19.57%                   | \$0.48                    | 6,468                 | 75,292              | 125,194                 | 266,968               |
| Tempe Southwest                  | 433              | 17,514,022               | 0                 | 476,000             | 2,152,380             | 12.29%              | 2,830,695                 | 16.16%                   | \$0.48                    | 35,657                | 129,800             | 306,209                 | 747,075               |
| <b>Southeast Total</b>           | <b>1,881</b>     | <b>72,665,465</b>        | <b>18,000</b>     | <b>2,196,997</b>    | <b>9,712,915</b>      | <b>13.37%</b>       | <b>13,126,379</b>         | <b>18.06%</b>            | <b>\$0.57</b>             | <b>432,384</b>        | <b>627,793</b>      | <b>1,374,736</b>        | <b>2,597,900</b>      |
| <b>Southwest</b>                 |                  |                          |                   |                     |                       |                     |                           |                          |                           |                       |                     |                         |                       |
| Goodyear                         | 86               | 8,129,336                | 0                 | 5,920,800           | 2,160,823             | 26.58%              | 1,764,871                 | 21.71%                   | \$0.41                    | 90,678                | (15,109)            | 132,630                 | 150,319               |
| Southwest North of Buckeye Rd.   | 535              | 30,244,569               | 0                 | 243,400             | 5,334,722             | 17.64%              | 6,807,469                 | 22.51%                   | \$0.30                    | 69,184                | (297,038)           | 229,602                 | 672,931               |
| Southwest South of Buckeye Rd.   | 185              | 13,252,026               | 0                 | 885,910             | 3,016,952             | 22.77%              | 3,347,204                 | 25.26%                   | \$0.35                    | (18,761)              | 142,573             | 131,141                 | 342,741               |
| Tolleson                         | 172              | 26,434,940               | 0                 | 4,916,272           | 6,264,232             | 23.70%              | 6,554,156                 | 24.79%                   | \$0.36                    | 117,001               | 1,011,741           | 901,687                 | 2,075,340             |
| <b>Southwest Total</b>           | <b>978</b>       | <b>78,060,871</b>        | <b>0</b>          | <b>11,966,382</b>   | <b>16,776,729</b>     | <b>21.49%</b>       | <b>18,473,700</b>         | <b>23.67%</b>            | <b>\$0.34</b>             | <b>258,102</b>        | <b>842,167</b>      | <b>1,395,060</b>        | <b>3,241,331</b>      |
| <b>Phoenix Total</b>             | <b>6,035</b>     | <b>263,298,240</b>       | <b>147,403</b>    | <b>18,095,309</b>   | <b>40,757,758</b>     | <b>15.48%</b>       | <b>49,771,985</b>         | <b>18.90%</b>            | <b>\$0.46</b>             | <b>1,210,142</b>      | <b>1,291,397</b>    | <b>4,336,430</b>        | <b>9,128,645</b>      |
| 10,000 – 29,999                  | 3,741            | 63,402,364               | 42,111            | 1,297,174           | 8,680,563             | 13.69%              | 10,539,238                | 16.62%                   | \$0.60                    | 410,602               | 476,914             | 1,616,538               | 3,109,254             |
| 30,000 – 49,999                  | 1,019            | 38,831,285               | 0                 | 746,102             | 6,247,722             | 16.09%              | 7,731,021                 | 19.91%                   | \$0.53                    | 189,878               | 156,097             | 589,850                 | 1,323,823             |
| 50,000 – 99,999                  | 814              | 56,122,961               | 0                 | 1,152,552           | 7,438,369             | 13.25%              | 9,563,848                 | 17.04%                   | \$0.48                    | 274,370               | 205,069             | 795,902                 | 1,666,863             |
| 100,000 – 199,999                | 301              | 39,875,470               | 105,292           | 2,649,261           | 5,722,912             | 14.35%              | 8,587,486                 | 21.54%                   | \$0.44                    | 159,535               | 148,194             | 476,092                 | 1,150,571             |
| 200,000 – 299,999                | 78               | 18,640,591               | 0                 | 1,147,055           | 2,653,828             | 14.24%              | 2,964,744                 | 15.90%                   | \$0.33                    | 109,578               | 181,235             | 109,578                 | 324,466               |
| 300,000+                         | 82               | 46,425,569               | 0                 | 11,103,165          | 10,014,364            | 21.57%              | 10,385,648                | 22.37%                   | \$0.38                    | 66,179                | 123,888             | 748,470                 | 1,553,668             |
| <b>Total</b>                     | <b>6,035</b>     | <b>263,298,240</b>       | <b>147,403</b>    | <b>18,095,309</b>   | <b>40,757,758</b>     | <b>15.48%</b>       | <b>49,771,985</b>         | <b>18.90%</b>            | <b>\$0.46</b>             | <b>1,210,142</b>      | <b>1,291,397</b>    | <b>4,336,430</b>        | <b>9,128,645</b>      |

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

RECENT TRANSACTIONS

Lease Transactions

| Property Address           | Submarket        | Square Feet | Transaction Date | Tenant                                | Owner                         |
|----------------------------|------------------|-------------|------------------|---------------------------------------|-------------------------------|
| 17300 W. Broadway Rd.      | Goodyear         | 460,000     | April-10         | Tower Automotive                      | BET Investments, Inc.         |
| 1721 W. Elliot Rd.         | Chandler N.      | 124,200     | April-10         | Orbital Science Corporation           | OSC                           |
| 435 S. 59th Ave.           | SW N. of Buckeye | 120,984     | April-10         | Closed Loop Refining & Recovery, Inc. | Berendo Property              |
| 7676 N. Glen Harbor Blvd.  | Glendale         | 74,718      | April-10         | Linamar Solar Systems, Inc.           | Kennedy Development, LLC      |
| 83313 W. Pierce St.        | Tolleson         | 74,718      | April-10         | Mobileation, Inc.                     | Liberty Property Trust        |
| 235 S. Hibbert St.         | Mesa             | 59,511      | May-10           | Walmart                               | Erenberg Brothers Partnership |
| 2300 S. 51st Ave.          | SW S. of Buckeye | 56,686      | June-10          | Nivel Parts & MFG Company, LLC        | Pacifica Riverside, LLC       |
| 50 N. 41st Ave.            | SW N. of Buckeye | 53,265      | May-10           | InCide Technologies, Inc.             | Kenyon Plastering, Inc.       |
| 1555 W. 10th Pl. – Renewal | Tempe NW         | 53,142      | June-10          | Neltec, Inc.                          | Morgan Realty Partners        |
| 8920 S. McKemy St.         | Tempe SW         | 50,623      | June-10          | Blue Media                            | Ontario Associates            |

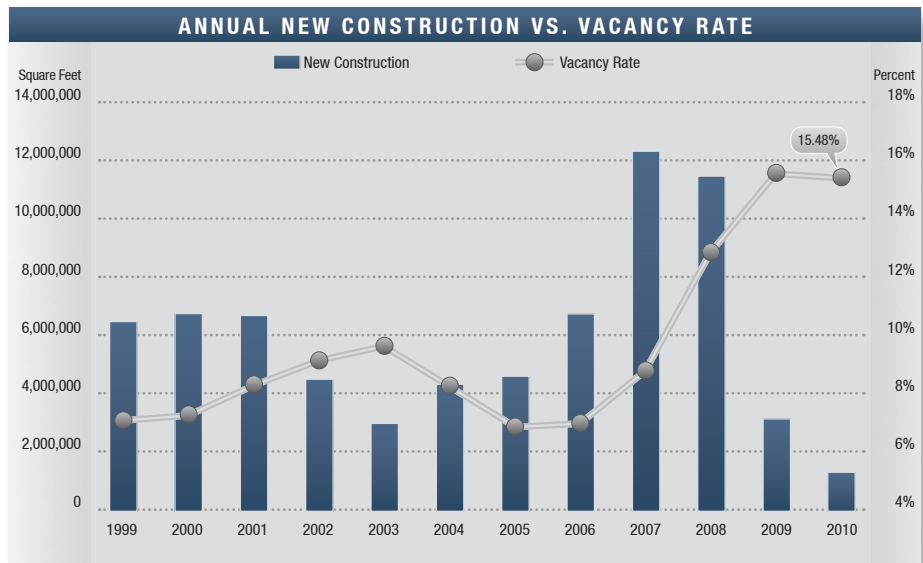
Product Type

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