



## Industrial Market Report

Compared to the Previous Quarter:



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Prepared by:

**Jerry J. Holdner, Jr.** — Lic.#01145748  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Jon Rappa** — Lic.#SA636968000  
Market Research Analyst  
e-mail: [jrappa@voitco.com](mailto:jrappa@voitco.com)

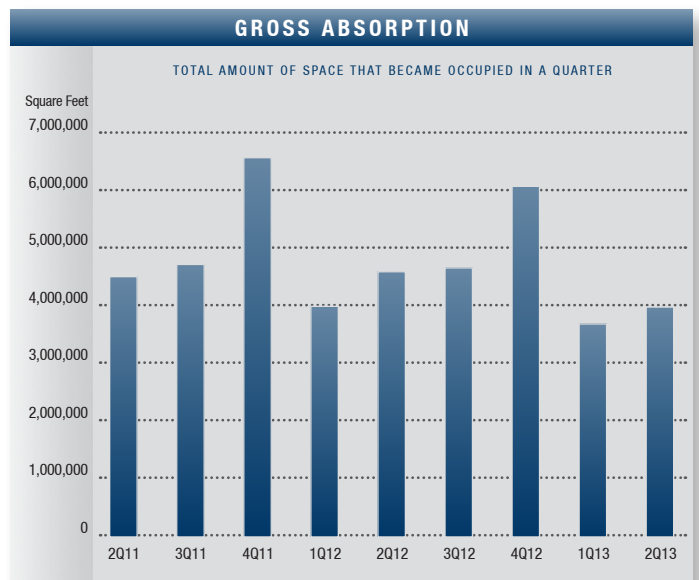
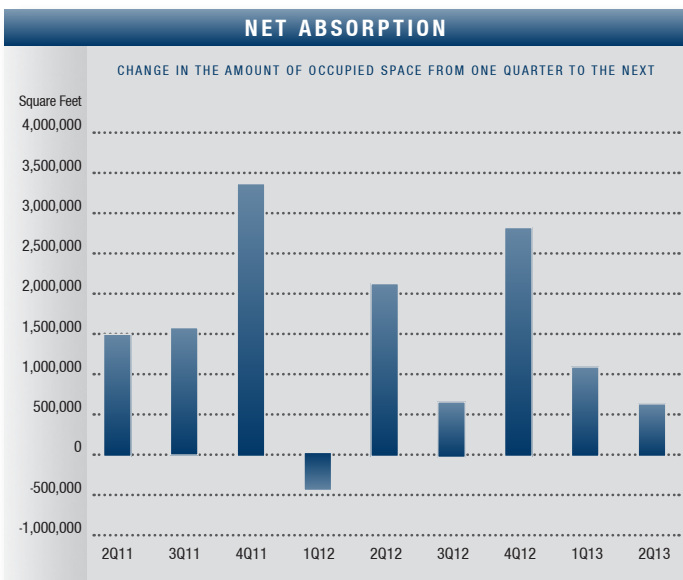
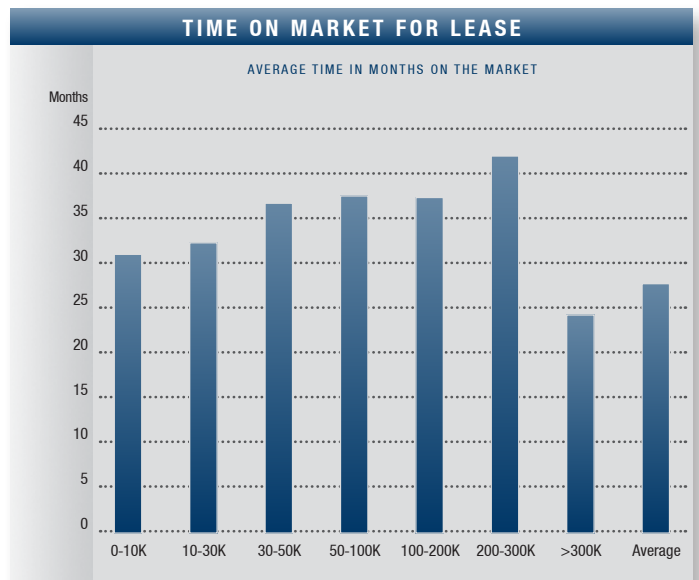
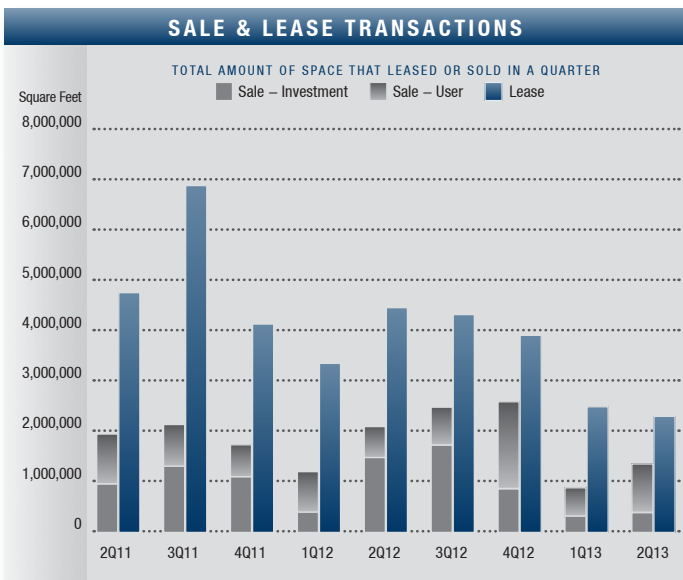
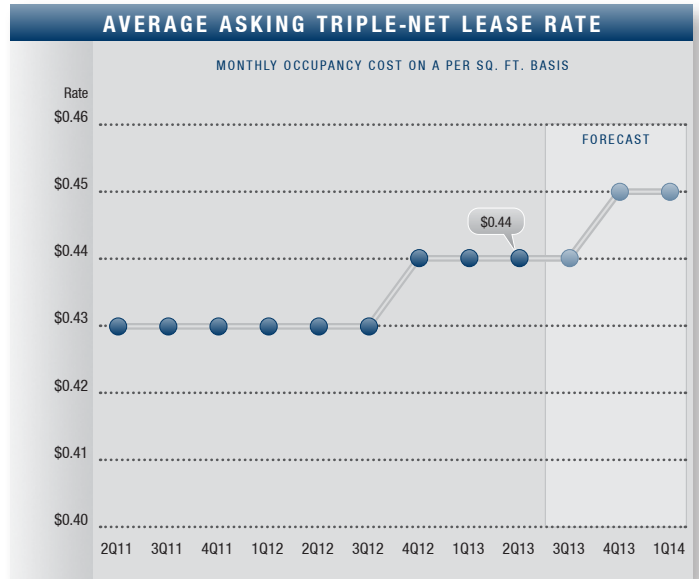
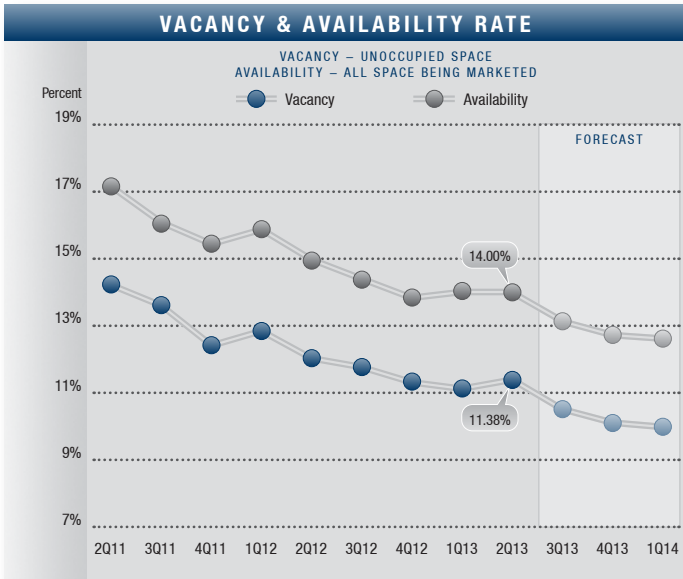
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### Market Highlights

- Stability** - The Phoenix industrial market conveyed more promise of stabilization in the second quarter of 2013. Both vacancy and availability continued their overall downward trends and displayed drops compared to 2012, while net absorption saw positive growth of 632,000 square feet for the quarter. Demand picked up compared to the previous quarter, posting a respectable 3.9 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 632,469 square feet of positive absorption in the second quarter of 2013, producing a total of over 7.2 million square feet of positive absorption over 5 consecutive quarters.
- Transaction Activity** - Leasing activity checked in at 2.25 million square feet for the Phoenix industrial market in second quarter 2013, relatively steady compared to 2013's first quarter figure of 2.44 million square feet. Sales activity increased compared the previous quarter, posting 1.31 million square feet of activity as compared to the first quarter's 814,000 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 6.6% in April 2013, a healthy decrease from January 2013's rate of 6.8%. 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.
- Overall** - We are seeing a continued decrease in available and vacant space and a subsequent increase in net occupancy, which is contributing to stability in asking lease rates. We anticipate that lease rates will begin to rise during the middle of 2013. 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.
- Construction** - There was 3,588,026 square feet of industrial construction underway at the end of the second 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 Southeast and Southwest submarkets.
- Vacancy** - Direct/sublease space (unoccupied) increased to 11.38% from 2013's first quarter rate of 11.13% but still displayed a significant drop of 63 basis points compared the second quarter of 2012's rate, making these 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 14.00% at the end the second quarter, a significant decrease when compared to the 14.96% 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 second quarter, the same as the previous quarter's rate and one cent more than 2012's second quarter's rate, indicating stability. The record high for asking lease rates, \$.59, was recorded in the first quarter of 2007.

### INDUSTRIAL MARKET OVERVIEW

	2Q13	1Q13	2Q12	% of Change vs. 2Q12
Total Vacancy Rate	11.38%	11.13%	12.01%	(5.25%)
Availability Rate	14.00%	14.05%	14.96%	(6.42%)
Average Asking Lease Rate	\$0.44	\$0.44	\$0.43	2.33%
Sale & Lease Transactions	3,924,848	3,263,179	6,487,175	(39.50%)
Gross Absorption	3,918,741	3,643,758	4,591,428	(14.65%)
Net Absorption	632,469	1,091,354	2,107,871	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 2Q2013	Square Feet Available	Availability Rate 2Q2013	Average Asking Lease Rate	Net Absorption 2Q2013	Net Absorption 2013	Gross Absorption 2Q2013	Gross Absorption 2013
<b>Airport Area</b>													
North Airport	282	10,485,403	0	12,000	1,756,968	16.76%	2,055,774	19.61%	\$0.46	28,968	111,318	165,875	325,283
South Airport North of Roeser	317	10,594,622	0	32,000	1,074,706	10.14%	1,262,556	11.92%	\$0.46	35,754	71,682	152,188	296,266
South Airport South of Roeser	119	3,961,376	0	303,000	542,367	13.69%	741,735	18.72%	\$0.50	63,247	40,974	83,247	160,864
SC North of Salt River	359	13,614,864	0	369,200	1,607,006	11.80%	1,782,224	13.09%	\$0.49	(71,847)	(17,414)	114,354	387,539
SC South of Salt River	53	1,572,296	0	0	61,438	3.91%	128,576	8.18%	\$0.44	4,755	(7,245)	4,755	4,755
General Industrial	276	11,128,167	0	32,000	1,582,966	14.22%	1,989,016	17.87%	\$0.52	(25,213)	(107,649)	48,635	153,635
Warehouse / Distribution	854	29,100,394	0	684,200	3,459,519	11.89%	3,981,849	13.68%	\$0.45	86,090	306,964	471,784	1,021,072
<b>Airport Area Total</b>	<b>1,130</b>	<b>40,228,561</b>	<b>0</b>	<b>716,200</b>	<b>5,042,485</b>	<b>12.53%</b>	<b>5,970,865</b>	<b>14.84%</b>	<b>\$0.48</b>	<b>60,877</b>	<b>199,315</b>	<b>520,419</b>	<b>1,174,707</b>
<b>Northeast</b>													
Central Phoenix	86	2,424,839	0	20,000	70,076	2.89%	181,542	7.49%	\$0.47	21,892	22,703	29,167	42,163
Scottsdale Airpark	228	4,419,660	0	0	488,995	11.06%	643,011	14.55%	\$0.74	28,482	113,693	126,853	319,119
Scottsdale / Salt River	78	3,731,732	0	50,000	199,339	5.34%	473,623	12.69%	\$0.81	27,048	44,276	169,115	188,889
General Industrial	92	4,152,739	0	50,000	124,709	3.00%	254,839	6.14%	\$0.68	12,967	109,387	20,577	133,423
Warehouse / Distribution	300	6,423,492	0	20,000	633,701	9.87%	1,043,337	16.24%	\$0.69	64,455	71,285	304,558	416,748
<b>Northeast Total</b>	<b>392</b>	<b>10,576,231</b>	<b>0</b>	<b>70,000</b>	<b>758,410</b>	<b>7.17%</b>	<b>1,298,176</b>	<b>12.27%</b>	<b>\$0.69</b>	<b>77,422</b>	<b>180,672</b>	<b>325,135</b>	<b>550,171</b>
<b>Northwest</b>													
Deer Valley / Pinnacle Park	389	11,167,095	0	114,840	824,849	7.39%	1,018,361	9.12%	\$0.61	109,612	191,149	304,358	595,732
Glendale	71	4,462,903	582,000	3,319,215	368,153	8.25%	569,089	12.75%	\$0.54	56,066	67,451	68,950	95,715
Grand Avenue	272	11,847,732	0	546,090	978,429	8.26%	1,259,563	10.63%	\$0.38	30,534	129,748	98,228	271,595
North Glendale / Sun City	66	2,502,298	0	69,241	449,200	17.95%	503,855	20.14%	\$0.52	32,723	119,158	41,125	135,039
North Black Canyon	102	2,829,075	0	0	158,390	5.60%	263,144	9.30%	\$0.44	6,902	187,696	14,389	218,779
West Phoenix North of Thomas Road	248	6,442,666	0	0	443,019	6.88%	568,332	8.82%	\$0.23	96,232	67,856	191,760	234,807
West Phoenix South of Thomas Road	216	6,314,284	0	0	444,268	7.04%	600,294	9.51%	\$0.29	(72,792)	(48,367)	17,068	132,676
General Industrial	364	12,864,903	164,000	1,675,515	949,556	7.38%	1,228,376	9.55%	\$0.57	(36,602)	71,128	102,556	283,305
Warehouse / Distribution	1,000	32,701,150	418,000	2,373,871	2,716,752	8.31%	3,554,262	10.87%	\$0.48	295,879	643,563	633,322	1,401,038
<b>Northwest Total</b>	<b>1,364</b>	<b>45,566,053</b>	<b>582,000</b>	<b>4,049,386</b>	<b>3,666,308</b>	<b>8.05%</b>	<b>4,782,638</b>	<b>10.50%</b>	<b>\$0.50</b>	<b>259,277</b>	<b>714,691</b>	<b>735,878</b>	<b>1,684,343</b>
<b>Pinal County</b>													
Pinal County	117	6,508,065	0	39,500	482,362	7.41%	589,130	9.05%	\$0.32	11,804	952	95,038	96,958
General Industrial	56	3,577,289	0	20,000	101,722	2.84%	176,740	4.94%	\$0.32	2,500	2,400	74,208	74,208
Warehouse / Distribution	61	2,930,776	0	19,500	380,640	12.99%	412,390	14.07%	\$0.33	9,304	(1,448)	20,830	22,750
<b>Pinal County Total</b>	<b>117</b>	<b>6,508,065</b>	<b>0</b>	<b>39,500</b>	<b>482,362</b>	<b>7.41%</b>	<b>589,130</b>	<b>9.05%</b>	<b>\$0.32</b>	<b>11,804</b>	<b>952</b>	<b>95,038</b>	<b>96,958</b>
<b>Southeast</b>													
Chandler Airport	38	1,411,510	0	1,332,921	140,282	9.94%	187,075	13.25%	\$0.64	0	2,421	0	17,921
Chandler	234	14,315,045	1,411,251	100,000	1,211,702	8.46%	1,058,766	7.40%	\$0.56	319,782	238,868	405,332	488,418
Chandler North / Gilbert	429	13,999,543	0	871,411	2,795,100	19.97%	2,867,732	20.48%	\$0.56	65,528	287,816	257,318	605,458
Falcon Fld / Apache Junction	91	3,543,896	0	0	242,466	6.84%	279,180	7.88%	\$0.57	31,415	95,589	61,154	140,456
Mesa	181	5,750,202	0	10,000	690,771	12.01%	795,331	13.83%	\$0.62	18,618	(27,776)	104,807	149,031
Tempe East	169	4,641,297	0	0	337,754	7.28%	491,338	10.59%	\$0.86	10,932	84,604	125,524	250,870
Tempe Northwest	224	8,256,291	0	208,000	951,053	11.52%	1,522,498	18.44%	\$0.64	1,640	(32,638)	97,074	192,638
Tempe Southwest	428	17,855,469	0	160,000	2,036,613	11.41%	2,539,666	14.22%	\$0.46	(100,744)	(71,301)	187,678	484,058
General Industrial	472	27,449,153	1,285,000	284,960	2,750,603	10.02%	3,223,485	11.74%	\$0.63	328,856	480,149	467,941	746,121
Warehouse / Distribution	1,322	42,324,100	126,251	2,397,372	5,655,138	13.36%	6,518,101	15.40%	\$0.52	18,315	97,434	770,946	1,582,729
<b>Southeast Total</b>	<b>1,794</b>	<b>69,773,253</b>	<b>1,411,251</b>	<b>2,682,332</b>	<b>8,405,741</b>	<b>12.05%</b>	<b>9,741,586</b>	<b>13.96%</b>	<b>\$0.55</b>	<b>347,171</b>	<b>577,583</b>	<b>1,238,887</b>	<b>2,328,850</b>
<b>Southwest</b>													
Goodyear	85	8,608,537	0	11,042,404	1,985,175	23.06%	2,100,232	24.40%	\$0.34	26,947	25,319	299,135	316,328
Southwest North of Buckeye Road	529	30,166,457	0	944,332	2,892,643	9.59%	4,428,818	14.68%	\$0.33	115,946	89,842	379,700	657,134
Southwest South of Buckeye Road	183	13,677,890	1,594,775	1,486,171	2,390,586	17.48%	2,707,770	19.80%	\$0.32	8,400	59,876	92,000	248,476
Tolleson	173	27,264,294	0	2,256,633	3,107,987	11.40%	3,704,443	13.59%	\$0.36	(275,375)	(124,427)	232,549	505,532
General Industrial	258	15,838,969	0	3,885,273	2,465,894	15.57%	2,869,535	18.12%	\$0.35	95,157	(20,887)	182,573	348,453
Warehouse / Distribution	712	63,878,209	1,594,775	11,844,267	7,910,497	12.38%	10,071,728	15.77%	\$0.34	(219,239)	71,497	820,811	1,379,017
<b>Southwest Total</b>	<b>970</b>	<b>79,717,178</b>	<b>1,594,775</b>	<b>15,729,540</b>	<b>10,376,391</b>	<b>13.02%</b>	<b>12,941,263</b>	<b>16.23%</b>	<b>\$0.34</b>	<b>(124,082)</b>	<b>50,610</b>	<b>1,003,384</b>	<b>1,727,470</b>
General Industrial Total	1,518	75,011,220	3,588,026	5,947,748	7,975,450	10.63%	9,741,991	12.99%	\$0.50	(1,250,084)	(2,184,138)	896,490	4,761,396
Warehouse / Distribution Total	4,249	177,358,121	0	17,339,210	20,756,247	11.70%	25,581,667	14.42%	\$0.42	1,882,553	3,907,961	3,022,251	2,801,103
<b>Phoenix Total</b>	<b>5,767</b>	<b>252,369,341</b>	<b>3,588,026</b>	<b>23,286,958</b>	<b>28,731,697</b>	<b>11.38%</b>	<b>35,323,658</b>	<b>14.00%</b>	<b>\$0.44</b>	<b>632,469</b>	<b>1,723,823</b>	<b>3,918,741</b>	<b>7,562,499</b>
10,000-29,999	3,718	62,891,988	0	836,727	6,457,968	10.27%	8,715,600	13.86%	\$0.53	192,369	355,565	1,329,223	2,680,568
30,000-49,999	938	35,641,818	0	1,017,356	4,140,304	11.62%	4,747,146	13.32%	\$0.50	197,575	184,980	581,369	1,240,974
50,000-99,999	648	44,704,443	0	1,302,073	5,540,099	12.39%	6,312,274	14.12%	\$0.45	297,949	558,578	674,123	1,269,578
100,000-199,999	293	39,302,587	290,251	2,997,903	5,615,984	14.29%	7,222,417	18.38%	\$0.41	(2,248)	339,768	445,830	1,125,075
200,000-299,999	83	20,165,848	285,000	2,134,751	1,930,019	9.57%	2,394,149	11.87%	\$0.37	41,252	253,842	241,404	453,994
300,000+	87	49,662,657	3,012,775	14,998,148	5,047,323	10.16%	5,932,072	11.94%	\$0.34	(94,428)	31,090	646,792	792,310
<b>Phoenix Total</b>	<b>5,767</b>	<b>252,369,341</b>	<b>3,588,026</b>	<b>23,286,958</b>	<b>28,731,697</b>	<b>11.38%</b>	<b>35,323,658</b>	<b>14.00%</b>	<b>\$0.44</b>	<b>632,469</b>	<b>1,723,823</b>	<b>3,918,741</b>	<b>7,562,499</b>

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
2140-2350 W. Broadway Rd. – 11 properties	Mesa	808,409	\$95.25	Industrial Income Trust, Inc.	RREEF America
6825 & 6913 W. Buckeye Rd.	Tolleson	684,064	\$64.76	Industrial Income Trust, Inc.	Principle Real Estate Investors, LLC
16661 & 16671 N. 84th Ave.	Glendale/Sun City	203,028	\$77.82	Presson Corporation	LNR Partners, Inc.
7001 W. Erie St.	Chandler	86,120	\$72.57	Hopewell Development Corporation	Essex Financial Group
2507 W. Erie Dr.	Tempe S.W.	83,385	\$60.00	Turner Real Estate Investments	Rexford Industrial
2202 S. 55th Ave.	S. of Buckeye Rd.	25,593	\$195.37	Marten Transportation, Ltd.	J.B. Hunt Transportation

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
7102 W. Roosevelt St.	Tolleson	153,600	Jun-13	Summit Warehouse & Logistics	First Industrial Realty Trust, Inc.
1825 S. 43rd Ave.	S. of Buckeye Rd.	117,075	Apr-13	McLane Foodservice	Lincoln Property Group
1576 S. Nelson Rd.	Chandler	95,000	May-13	N/A	Lone Butte Development Corporation
900 N. Fiesta Blvd.	Chandler/Gilbert	62,413	May-13	Air Transportation Components	MJA Investments, Inc.
8590 W. Buckeye Rd.	Tolleson	54,756	May-13	Swisher Hygiene	LBA Realty
9160 S. McKemy St.	Tempe S.W.	39,535	May-13	N/A	The Hewson Company
601 N. 44th Ave.	N. of Buckeye Rd.	34,842	May-13	XO Windows	Bridge Enterprises, LLC

Product Type

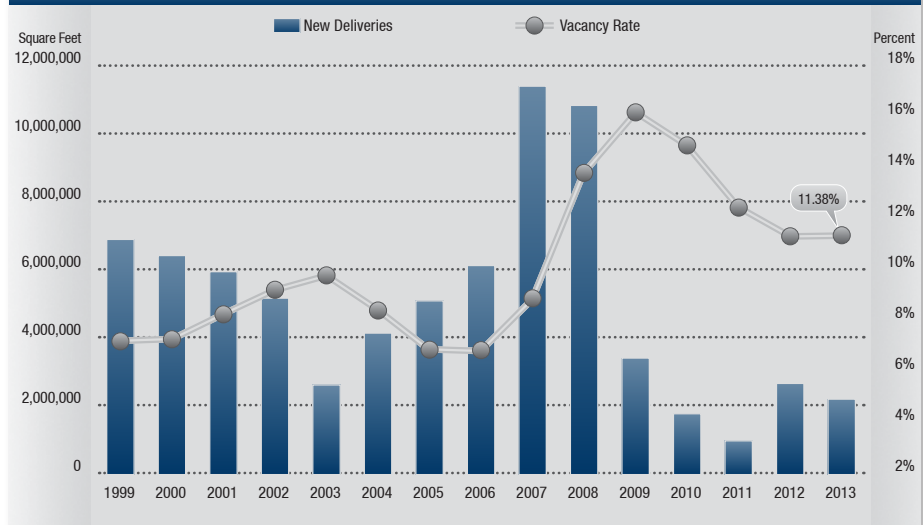
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