

SECOND QUARTER 2014

PHOENIX INDUSTRIAL



MARKET CHANGE

Compared to the Previous Quarter:



Net Absorption



Lease Rates



Transactions



Deliveries DOWN

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HIGHLIGHTS

- Stability The Phoenix industrial market continued to convey promise of stabilization in the second quarter of 2014. While vacancy dropped, availability increased from the previous quarter. Both trends have been relatively flat for the past couple of years. Net absorption posted positively just over 3.6 million square feet during the second quarter, giving the market a total of over 14.4 million square feet of positive absorption over the last two years.
- Construction There was 2,122,781 square feet of industrial
 construction underway at the end of the second 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 and Airport Area
 submarkets 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 11.84%, a decrease of 63 basis points from the previous quarter and relatively flat from 2013's second quarter rate of 11.83%. The Northeast submarket posted the lowest rate in the market at 6.97%.
- Availability Direct/sublease space being marketed was 14.38% at the end of the second quarter, a slight increase of 11 basis points when compared to the previous year's rate of 14.27%. The Northwest submarket presented the lowest availability rate in the market at 9.90%.
- Lease Rates The average asking-triple net lease rate was \$.43 per square foot per month for the second quarter, an increase of one cent from the previous quarter and a decrease of one cent compared to 2013's second quarter rate. This indicates that lease rates are continuing to even out. The record high for asking lease rates, \$0.59, was recorded in the first quarter of 2008.
- Absorption The Phoenix industrial market posted 3,651,226 square feet of positive absorption in the second quarter and

- nearly 19 million square feet over the past three years. The Southwest submarket experienced almost 2 million square feet of the positive absorption in the second quarter of 2014.
- Transaction Activity Leasing activity checked in at 2.2 million square feet for the Phoenix industrial market in the second quarter of 2014, an increase when compared to 2014's first quarter figure of 2.16 million square feet. Sales activity also increased compared to the previous quarter, posting 2.7 million square feet of activity as compared to the first quarter's 2.4 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. 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 6.8% in May 2014, a decrease from January 2014's rate of 7.6%. Sectors with strong job growth included transportation, construction, financial activities, and education/health services. 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, May added 25,410 nonfarm jobs: 1,180 in construction and 3,850 in the education & health services sector. The number of jobs has increased in the first half of 2014 and we anticipate this trend continuing for the remainder of 2014.
- Overall We are seeing vacancy and availability stabilize in the Phoenix industrial market as new space gets delivered. While absorption has been positive, indicating the presence of demand, we anticipate rent growth to remain 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.

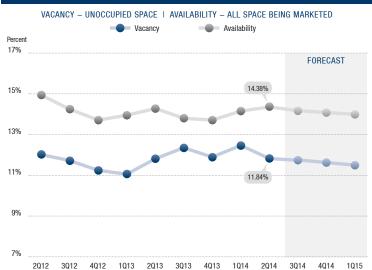
FORFCAST

- 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, construction, and education & health services to lead the way in employment growth.
- Lease Rates Expect average asking lease rates to increase by around 1%-3% by 2015.
- Vacancy We anticipate vacancy rates beginning to descend again in coming quarters, dropping by 34 basis points, to around 11.5% by the end of the first quarter of 2015.

OVERVIEW

	2014	1014	2013	% of Change vs. 2Q13
Vacancy Rate	11.84%	12.47%	11.83%	0.08%
Availablity Rate	14.38%	14.18%	14.27%	0.77%
Average Asking Lease Rate	\$0.43	\$0.42	\$0.44	(2.27%)
Sale & Lease Transactions	4,952,546	4,549,010	7,129,665	(30.54%)
Gross Absorption	5,901,248	3,664,459	3,979,345	48.30%
Net Absorption	3,651,226	961,920	(198,480)	N/A

VACANCY & AVAILABILITY RATE



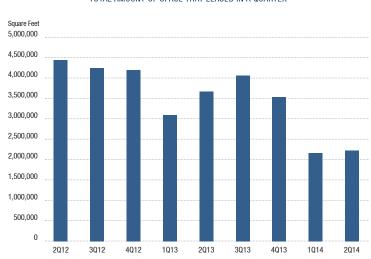
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS

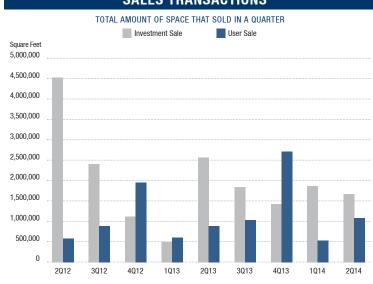


LEASE TRANSACTIONS



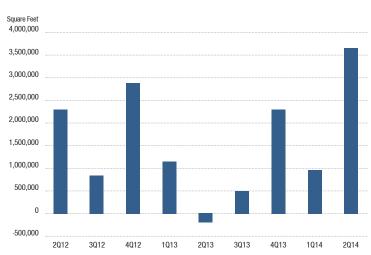


SALES TRANSACTIONS



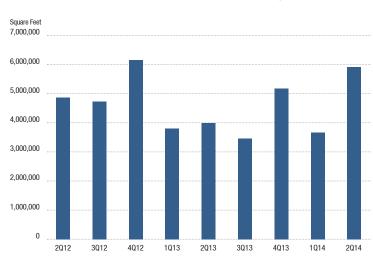
NET ABSORPTION

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



Airport Area North Airport South Airport North of Roeser South Airport South of Roeser SC North of Salt River SC South of Salt River General Industrial Warehouse / Distribution	umber of Bldgs. 283 320 119 360 56 285 853 1,138 82 224 78 89 295	Net Rentable Square Feet 10,374,177 10,631,012 3,973,949 13,667,067 1,647,747 11,213,463 29,080,489 40,293,952 2,377,419 4,361,856 3,742,774	Square Feet U / C 62,880 603,656 0 0 62,880 603,656 666,536	Square Feet Planned 12,000 349,521 458,351 70,000 0 32,000 857,872 889,872	1,803,069 805,817 376,135 1,359,396 69,889 1,669,855 2,744,451 4,414,306	Vacancy Rate 202014 17.38% 7.58% 9.47% 9.95% 4.24% 14.89% 9.44%	Square Feet Available 2,010,740 938,309 459,809 1,643,150 245,097 2,000,725	Availability Rate 202014 19.38% 8.83% 11.57% 12.02% 14.87%	\$0.46 \$0.49 \$0.49	Net Absorption 202014 20,031 91,158 102,005 (103,024)	Net Absorption 2014 (80,390) 73,630 145,642	97,540 212,963 131,132	Gross Absorption 2014 340,683 287,009 196,079
North Airport South Airport North of Roeser South Airport South of Roeser SC North of Salt River SC South of Salt River General Industrial Warehouse / Distribution Airport Area Total Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	320 1119 360 56 285 853 1,138 82 224 78	10,631,012 3,973,949 13,667,067 1,647,747 11,213,463 29,080,489 40,293,952 2,377,419 4,361,856 3,742,774	603,656 0 0 0 0 62,880 603,656 666,536	349,521 458,351 70,000 0 32,000 857,872	805,817 376,135 1,359,396 69,889 1,669,855 2,744,451	7.58% 9.47% 9.95% 4.24% 14.89% 9.44%	938,309 459,809 1,643,150 245,097	8.83% 11.57% 12.02%	\$0.46 \$0.49 \$0.49	91,158 102,005	73,630 145,642	212,963 131,132	287,009 196,079
South Airport North of Roeser South Airport South of Roeser SC North of Salt River SC South of Salt River General Industrial Warehouse / Distribution Airport Area Total 1 Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution	320 1119 360 56 285 853 1,138 82 224 78	10,631,012 3,973,949 13,667,067 1,647,747 11,213,463 29,080,489 40,293,952 2,377,419 4,361,856 3,742,774	603,656 0 0 0 0 62,880 603,656 666,536	349,521 458,351 70,000 0 32,000 857,872	805,817 376,135 1,359,396 69,889 1,669,855 2,744,451	7.58% 9.47% 9.95% 4.24% 14.89% 9.44%	938,309 459,809 1,643,150 245,097	8.83% 11.57% 12.02%	\$0.46 \$0.49 \$0.49	91,158 102,005	73,630 145,642	212,963 131,132	287,009 196,079
South Airport South of Roeser SC North of Salt River SC South of Salt River General Industrial Warehouse / Distribution Airport Area Total Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	119 360 56 285 853 1,138 82 224 78 89	3,973,949 13,667,067 1,647,747 11,213,463 29,080,489 40,293,952 2,377,419 4,361,856 3,742,774	0 0 0 62,880 603,656 666,536	458,351 70,000 0 32,000 857,872	376,135 1,359,396 69,889 1,669,855 2,744,451	9.47% 9.95% 4.24% 14.89% 9.44%	459,809 1,643,150 245,097	11.57% 12.02%	\$0.49 \$0.49	102,005	145,642	131,132	196,079
SC North of Salt River SC South of Salt River General Industrial Warehouse / Distribution Airport Area Total 1 Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	360 56 285 853 1,138 82 224 78 89	13,667,067 1,647,747 11,213,463 29,080,489 40,293,952 2,377,419 4,361,856 3,742,774	0 0 62,880 603,656 666,536	70,000 0 32,000 857,872	1,359,396 69,889 1,669,855 2,744,451	9.95% 4.24% 14.89% 9.44%	1,643,150 245,097	12.02%	\$0.49		***************************************		
SC South of Salt River General Industrial Warehouse / Distribution Airport Area Total 1 Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	56 285 853 1,138 82 224 78 89	1,647,747 11,213,463 29,080,489 40,293,952 2,377,419 4,361,856 3,742,774	0 62,880 603,656 666,536	0 32,000 857,872	69,889 1,669,855 2,744,451	4.24% 14.89% 9.44%	245,097			(103,024)	10.754	100 000	
General Industrial Warehouse / Distribution Airport Area Total 1 Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	285 853 1,138 82 224 78 89	11,213,463 29,080,489 40,293,952 2,377,419 4,361,856 3,742,774	62,880 603,656 666,536	32,000 857,872	1,669,855 2,744,451	14.89% 9.44%		14 87%			19,754	120,663	375,516
Warehouse / Distribution Airport Area Total 1 Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	853 1,138 82 224 78 89	29,080,489 40,293,952 2,377,419 4,361,856 3,742,774	603,656 666,536	857,872	2,744,451	9.44%	2.000 725		\$0.37	0	0	0	0
Airport Area Total 1 Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	1,138 82 224 78 89	40,293,952 2,377,419 4,361,856 3,742,774	666,536					17.84%	\$0.55	30,419	15,446	54,628	327,649
Northeast Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	82 224 78 89	2,377,419 4,361,856 3,742,774	0	,	.,,	10.96%	3,296,380 5,297,105	11.34%	\$0.43 \$0.47	79,751 110,170	141,190 585,435	562,298	871,638 1,199,287
Central Phoenix Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	224 78 89	4,361,856 3,742,774					-,,		*	,	,	,	.,,
Scottsdale Airpark Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	224 78 89	4,361,856 3,742,774		0	172,648	7.26%	221,673	9.32%	\$0.00	4.383	27,447	19,206	55,663
Scottsdale / Salt River General Industrial Warehouse / Distribution Northeast Total	89		U	0	360,314	8.26%	467,504	10.72%	\$0.89	38,274	40,142	83,103	169,985
Warehouse / Distribution Northeast Total			0	85,422	197,171	5.27%	626,480	16.74%	\$0.93	45,687	16,291	51,418	87,649
Northeast Total	295	4,107,731	0	85,422	83,311	2.03%	363,250	8.84%	\$0.92	17,807	21,469	17,807	42,811
		6,374,318	0	0	646,822	10.15%	952,407	14.94%	\$0.90	70,537	62,411	135,920	270,486
Northwest	384	10,482,049	0	85,422	730,133	6.97%	1,315,657	12.55%	\$0.91	88,344	83,880	153,727	313,297
Deer Valley / Pinnacle Park	398	11,455,550	219,070	87,223	905,582	7.91%	1,203,830	10.51%	\$0.68	(93,053)	(5,759)	95,361	302,972
Glendale	73	4,985,840	0	3,307,777	750,457	15.05%	824,878	16.54%	\$0.43	14,876	46,850	38,361	86,545
Grand Avenue	275	11,520,941	0	546,090	836,745	7.26%	948,302	8.23%	\$0.39	1,613	(41,548)	149,190	242,821
North Glendale / Sun City	68	2,528,746	15,428	0	334,305	13.22%	350,236	13.85%	\$0.61	20,913	61,909	41,528	104,316
North Black Canyon	101	2,796,789	0	0	163,769	5.86%	211,951	7.58%	\$0.57	1,087	8,837	40,076	58,776
West Phoenix North of Thomas Road	249	6,479,999	0	0	364,541	5.63%	521,724	8.05%	\$0.26	(8,431)	38,027	104,571	243,625
	215	6,302,314	100,000	1 000 000	344,557	5.47%	501,666	7.96%	\$0.40	23,467	41,324	77,780	158,267
General Industrial Warehouse / Distribution 1	363 1,016	12,911,692 33,158,487	129,308 105,190	1,602,823 2,338,267	709,573 2,990,383	5.50% 9.02%	954,877 3,607,710	7.40% 10.88%	\$0.56 \$0.50	(123,168) 83,640	(108,508) 258,148	60,432 486,435	172,426 1,024,896
	1,379	46,070,179	234,498	3,941,090	3,699,956	8.03%	4,562,587	9.90%	\$0.50	(39,528)	70,289	546,867	1,197,322
Pinal County	.,	,,	,,	-, ,	-,,		1,,1		¥	(,)	,	2.12,221	.,,
Pinal County	127	6,892,223	0	31,786	554,856	8.05%	862,320	12.51%	\$0.34	(6,090)	6,010	0	12,100
General Industrial	63	3,937,044	0	12,286	180,560	4.59%	275,378	6.99%	\$0.34	(0,090)	30,587	0	0
Warehouse / Distribution	64	2,955,179	0	19,500	374,296	12.67%	586,942	19.86%	\$0.36	(6,090)	6,010	0	12,100
Pinal County Total	127	6,892,223	0	31,786	554,856	8.05%	862,320	12.51%	\$0.34	(6,090)	38,950	0	12,100
Southeast													
Chandler Airport	37	1,383,072	0	1,951,578	86,527	6.26%	170,745	12.35%	\$0.57	21,044	41,429	28,369	53,497
Chandler	227	16,502,806	442,433	125,000	3,064,007	18.57%	3,331,078	20.18%	\$0.57	78,614	385,629	152,626	609,128
Chandler North / Gilbert	437	14,880,126	•••••••••••••••••••••••••••••••••••••••	1,140,771	1,700,323	11.43%	2,102,013	14.13%	\$0.57	1,427,245	1,434,218	1,573,871	1,680,782
Falcon Fld / Apache Junction	96	3,655,011	0	0	248,022	6.79%	300,572	8.22%	\$0.58	35,822	11,979	82,582	96,203
Mesa	180	5,792,583	0	10,000	595,698	10.28%	734,462	12.68%	\$0.63	25,532	6,231	66,709	117,676
Tempe East	170	4,624,450	0	50,000	447,849	9.68%	373,666	8.08%	\$0.53	(35,696)	(6,090)	72,689	151,595
Tempe Northwest	218	7,903,897	0	215,000	1,312,961	16.61%	1,541,873	19.51%	\$0.44	36,689	31,578	191,665	258,624
Tempe Southwest	424	17,679,996	0	160,000	1,814,866	10.27%	1,977,515	11.19%	\$0.49	(66,849)	9,385	191,622	437,617
General Industrial Warehouse / Distribution 1	467	29,245,304	152,500	1,102,470	4,445,131	15.20%	5,070,411	17.34%	\$0.54	1,294,009	1,481,832	1,484,408	1,873,566
	1,322 1,789	43,176,637 72,421,941	289,933 442,433	2,549,879 3,652,349	4,825,122 9,270,253	11.18%	5,461,513 10,531,924	12.65% 14.54%	\$0.53 \$0.53	228,392 1,522,401	432,527 437,740	875,725 2,360,133	1,531,556 3,405,122
	.,100	12,121,071	112,700	0,002,040	0,210,200	12.5070	10,001,024	11.5770	ψυ.υυ	1,022,701	107,770	2,000,100	0,100,122
Southwest	01	0.011.414	0	10 606 610	1 201 070	14.00%	1 471 070	1E 079/	ቀ በ ኃር	244 055	670.000	201 450	900 550
Goodyear Southwest North of Buckeye Road	91 533	9,211,414 31,266,587	0	12,636,613 3,528,184	1,381,079 3,554,619	14.99% 11.37%	1,471,078 5,547,556	15.97% 17.74%	\$0.39 \$0.38	344,655 689,243	670,232 675,788	381,459 851,443	802,552 1,166,689
Southwest South of Buckeye Road	187	15,494,277	0	687,900	3,554,619	20.32%	3,301,267	21.31%	\$0.36	13,444	251,570	29,044	301,920
Tolleson	178	30,212,208	779,314	4,801,170	4,308,161	14.26%	4,848,038	16.05%	\$0.35	928,587	705,031	1,016,277	1,167,418
General Industrial	258	14,888,773	489,381	20,874,553	2,036,171	13.68%	2,482,579	16.67%	\$0.41	522,748	710,270	601,331	858,519
Warehouse / Distribution	731	71,295,713	289,933	779,314	10,356,855	14.53%	12,685,360	17.79%	\$0.36	1,453,181	1,592,351	1,676,892	2,580,060
Southwest Total	989	86,184,486	779,314	21,653,867	12,393,026	14.38%	15,167,939	17.60%	\$0.37	1,975,929	1,092,391	2,278,223	3,438,579
Conorol Industrial Total	1 505	76 004 007	E04 000	11 000 501	0.104.001	11.00%	11 147 000	14.010/	\$0.50	1 741 015	0 100 500	0.010.000	2 074 074
	1,525 4,281	76,304,007 186,040,823	524,002 1,598,779	11,993,561 18,260,825	9,124,601 21,937,929	11.96% 11.79%	11,147,220 26,590,312	14.61% 14.29%	\$0.50 \$0.42	1,741,815 1,909,411	2,120,509 2,492,637	2,218,606 3,682,642	3,274,971 6,290,736
	5,806	262,344,830	2,122,781	30,254,386	31,062,530	11.84%	37,737,532	14.29%	\$0.42	3,651,226	4,613,146	5,901,248	9,565,707
	3,727	63,061,568	120,618	737,303	5,506,429	8.73%	7,199,187	11.42%	\$0.54	26,667	270,532	987,047	2,021,012
30,000-49,999	943	35,788,618	44,602	1,113,313	3,856,848	10.78%	4,692,108	13.11%	\$0.51	94,274	(47,918)	556,648	935,051
50,000-99,999	661	45,563,733	568,821	2,369,173	5,066,895	11.12%	6,479,653	14.22%	\$0.47	266,818	344,442	717,882	1,307,159
100,000-199,999	293	39,325,962	425,109	3,823,894	5,579,622	14.19%	6,637,164	16.88%	\$0.44	113,432	406,436	413,605	1,258,486
200,000-299,999	83	20,229,112	278,547	1,749,751	1,890,773	9.35%	2,671,233	13.20%	\$0.35	145,023	551,268	221,054	634,388
300,000 Plus Phoenix Total 5	99 5 ,806	58,375,837 262,344,830	685,084 2,122,781	20,460,952 30,254,386	9,161,963 31,062,530	15.69% 11.84 %	10,058,187 37,737,532	17.23% 14.38%	\$0.35 \$0.43	3,005,012 3,651,226	3,088,386 4,613,146	3,005,012 5,901,248	3,409,611 9,565,707

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

MAJOR TRANSACTIONS

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
1755 S. 75th Ave.	Tolleson	682,291	\$40.99	LBA Realty	Buzz Oates Enterprises
109 N. 37th Ave.	SW N. of Buckeye	208,835	\$66.00	Ashley Furniture Industries, Inc.	Cobalt Capital Partners, LP
3601 E. University Dr. – 3 Properties	North Airport	174,664	\$166.03	Cohen Asset Management, Inc.	Alliance Commercial Partners, LLC
317 S. 48th St.	Tempe Northwest	113,827	\$82.58	Drivetime Automotive Group, Inc.	Benderson Development Company, Inc
3405-3445 S. 5th St.	SC S. of Salt River	109,700	\$82.04	DCT Industrial Trust	Clarion Partners
4101 W. Buckeye Rd.	SW S. of Buckeye	106,000	\$54.95	Inteplast Group, LTD	Prologis

Lease Transactions					
Property Address	City	Square Feet	Transaction Date	Tenant	Owner
3401 W. Papago St.	SW S. of Buckeye	88,488	May-14	BBK Tobacco & Foods	Cabot li AZ1m01, LLC
4802 W. Van Buren St.	SW N. of Buckeye	75,660	May-14	Conference Services International	Dct Phoenix, LLC
50 S. 43rd Ave.	SW N. of Buckeye	60,106	May-14	Big 0 Metals	43rd Avenue & Jefferson Partnership
6902 W. Hadley St.	Tolleson	51,260	May-14	Sun Country Trailers & Towing	JM Wells Company Limited Partnership
465 W. 21st St.	Tempe Southwest	51,035	May-14	21st Century Healthcare	Clpf 21st Street Center PI.
3315 W. Buckeye Rd.	SW S. of Buckeye	43,457	Jun-14	DAT Cabinets	Bre of Us Industrial Props, LLC

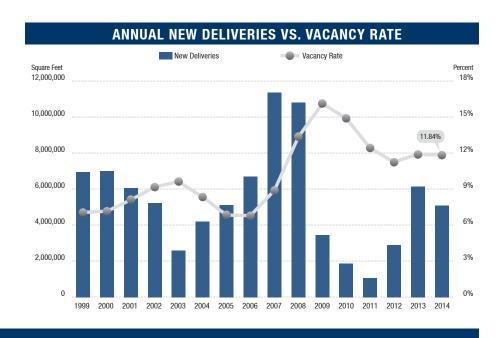
PRODUCT TYPE

MFG./DIST.

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

To view available properties, please visit:

www.voitco.com



Please Contact Us for Further Information

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Inland Empire, CA 909.545.8000

Irvine, CA 949.851.5100 Las Vegas, NV 702.734.4500

Los Angeles, CA 424.329.7500

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 408.885.9110

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