



MARKET CHANGE

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

UP

Transactions

UP

Deliveries

DOWN

To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr.
Vice President of Market Research
e-mail: jholdner@voitco.com

Jennifer Farino
Market Research Analyst
e-mail: jfarino@voitco.com

VOIT Real Estate Services

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, \$.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.

FORECAST

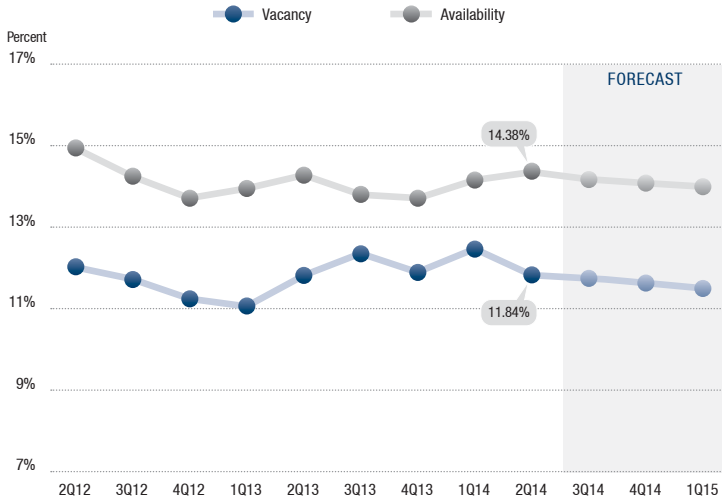
- **Construction** - With a favorable business climate spurring demographic growth in the Phoenix area, we expect it to be a matter of time before development really picks up again. In the meantime, relatively moderate construction levels should help keep vacancy rates stable.
- **Employment** - We anticipate 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, 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

	2Q14	1Q14	2Q13	% of Change vs. 2Q13
Vacancy Rate	11.84%	12.47%	11.83%	0.08%
Availability 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

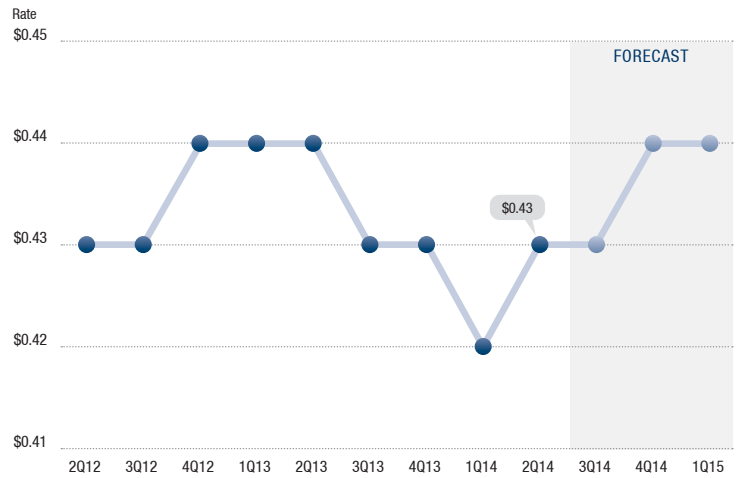
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



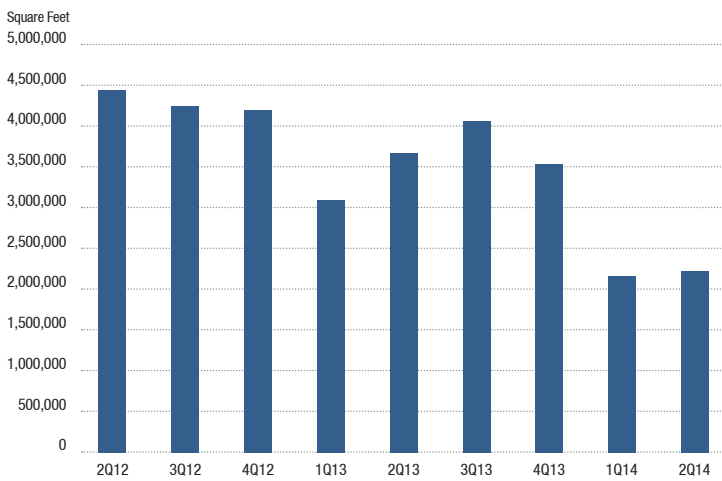
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



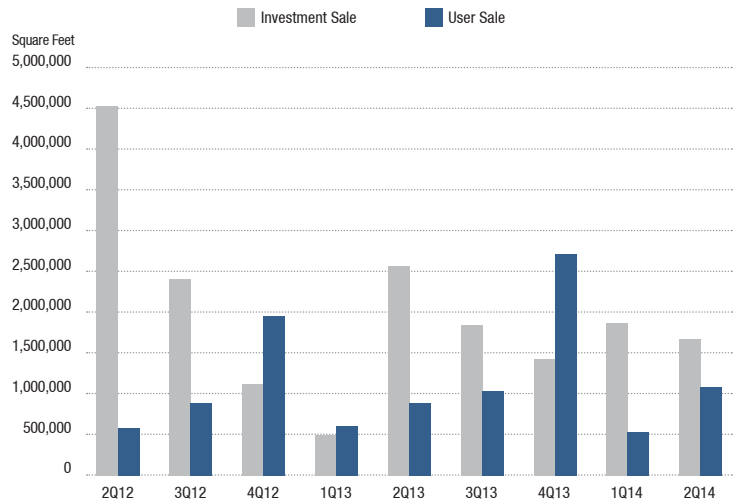
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



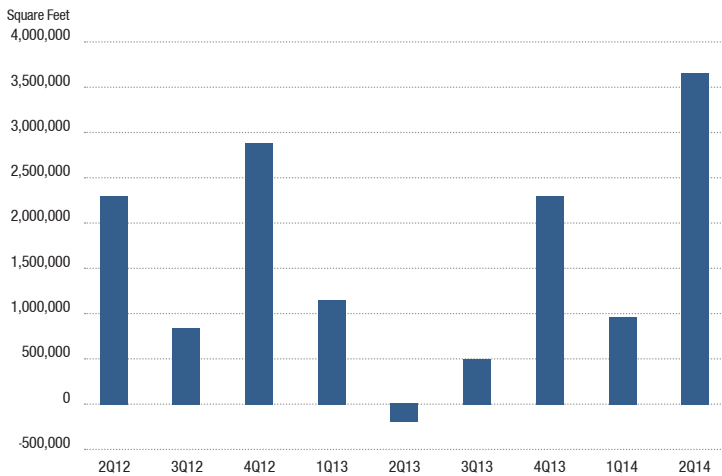
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



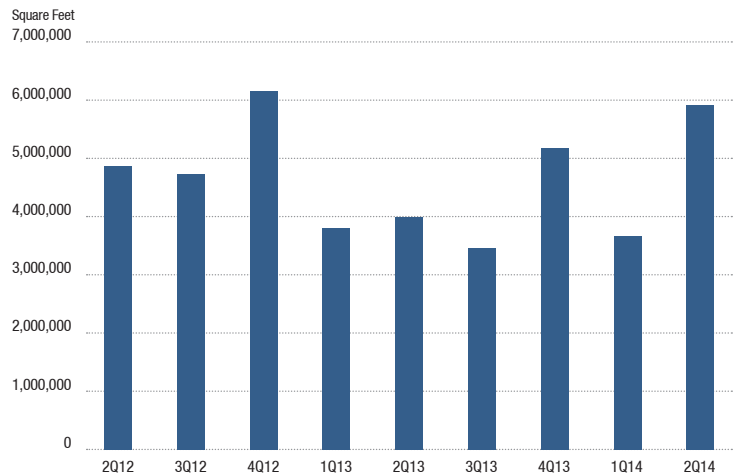
NET ABSORPTION

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



MAJOR TRANSACTIONS

Sales 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 O 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 Pl.
3315 W. Buckeye Rd.	SW S. of Buckeye	43,457	Jun-14	DAT Cabinets	Bre of Us Industrial Props, LLC

PRODUCT TYPE

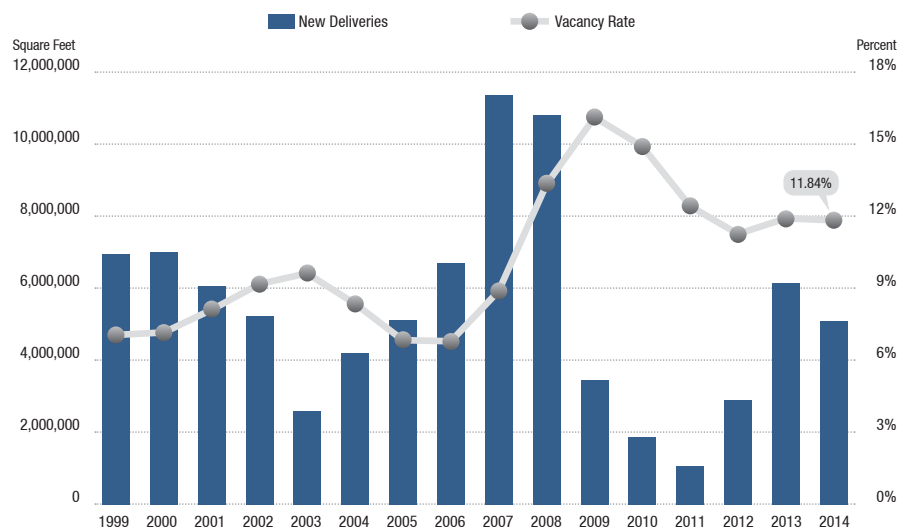
MFG./DIST.

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

To view available properties, please visit:

www.voitco.com

ANNUAL NEW DELIVERIES VS. VACANCY RATE



Please Contact Us for Further Information

101 Shipyard Way, Newport Beach, CA 92663 949.644.8648 Lic.#01333376 www.voitco.com



Anaheim, CA
714.978.7880

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

Real People.
Real Solutions.®

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.

©2014 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.