



MARKET CHANGE

Compared to Previous Quarter:

Vacancy



UP

Net Absorption



FLAT

Lease Rates



UP

Transactions



DOWN

Deliveries



UP

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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

- **Steady Growth** - The Phoenix industrial market had a decent first half to 2015, posting two million square feet of positive net absorption, giving the market a total of over 30.6 million square feet of positive absorption for the last twenty-one quarters. Both vacancy and availability continued their downward trends and lease rates have increased, all on an annual basis.
- **Construction** - At the end of the second quarter, there was 1,264,158 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 above 50,000 square feet. The remaining construction occurred in the Northwest, Northeast and Airport Area submarkets.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 11.51%, a increase of 31 basis points from the previous quarter and a slight decrease from 2014's second quarter rate of 11.56%. The Northwest submarket posted the lowest rate in the market at 7.93%.
- **Availability** - Direct/sublease space being marketed was 12.90% at the end the second quarter, an increase of 32 basis points when compared to the previous quarter's rate of 12.58%, due to recent delivery of new buildings The Southeast submarket presented the lowest availability rate in the market at 9.99%.
- **Lease Rates** - The average asking-triple net lease rate was \$.45 per square foot per month for the second quarter, up one cent from the previous quarter and up two cents from the second quarter of 2014. 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 14,914 square feet of positive absorption in the second quarter and just under two million square feet for the first two quarters

of 2015. The Southeast submarket experienced slightly over 232,000 square feet of the positive absorption in the second quarter of 2015.

- **Transaction Activity** - Leasing activity checked in at 1.95 million square feet for the Phoenix industrial market in the second quarter of 2015, a decrease when compared to 2015's first quarter figure of 2.73 million square feet. Sales activity also decreased compared to the previous quarter, posting just under three million square feet of activity as compared to the first quarter of 2015 at 4.53 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 4.9% in April 2015, a decrease from January 2015's rate of 5.8%. Sectors with strong job growth included education & health services, professional and business services, and leisure & hospitality. 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, year over year job growth added 16,700 education & health services jobs, 16,000 professional & business services jobs, and 13,600 in leisure and hospitality jobs. The number of jobs has increased by 64,000 jobs 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, with over three million square feet being delivered in the first half of 2015. While absorption due to demand has been positive, we anticipate rent growth in the coming quarters. 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

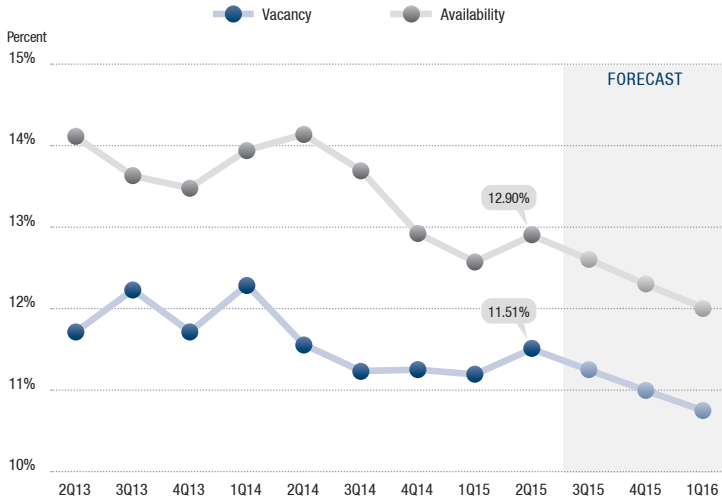
- **Construction** - With a favorable business climate spurring demographic growth in the Phoenix area, we expect it to be a matter of time before development really picks up again. In the meantime, relatively moderate construction levels should help keep vacancy rates stable.
- **Employment** - We anticipate 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 10.75%, by the end of the first quarter of 2016.

OVERVIEW

	2Q15	1Q15	2Q14	% of Change vs. 2Q14
Total Vacancy Rate	11.51%	11.20%	11.56%	(0.43%)
Availability Rate	12.90%	12.58%	14.13%	(8.70%)
Average Asking Lease Rate	\$0.45	\$0.44	\$0.43	4.65%
Sale & Lease Transactions	4,902,718	7,255,689	7,439,309	(34.10%)
Gross Absorption	2,709,204	4,479,445	6,199,204	(56.30%)
Net Absorption	14,914	1,973,651	3,959,511	N/A

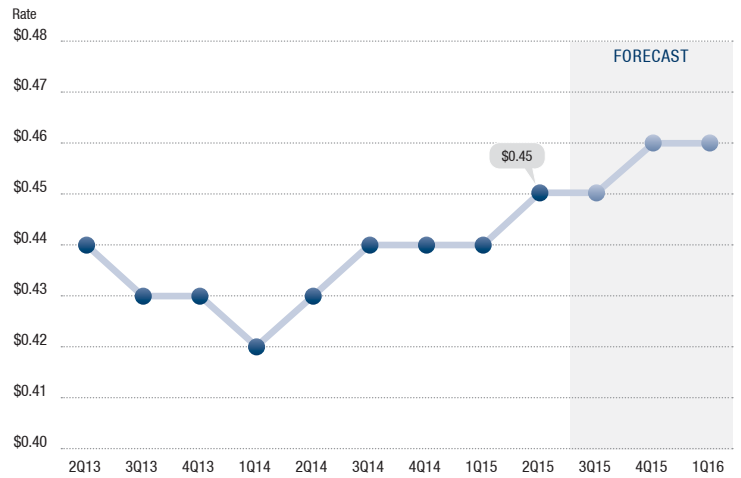
VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



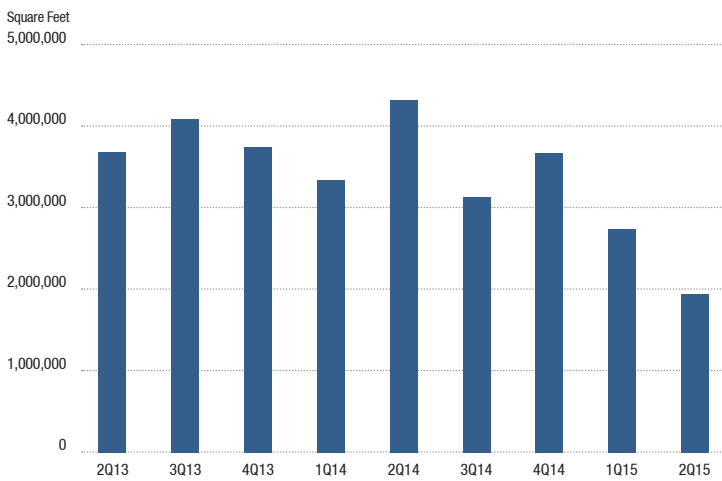
AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



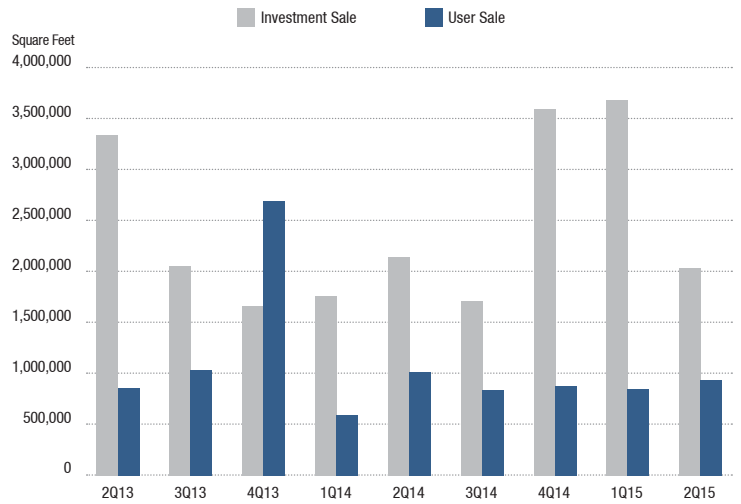
LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



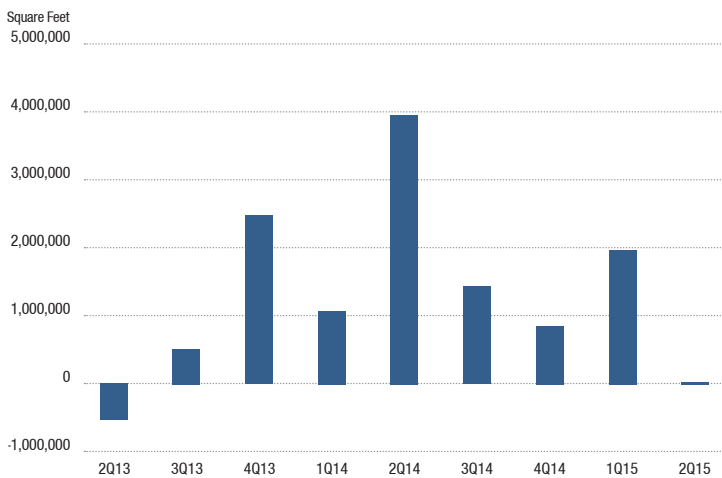
SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



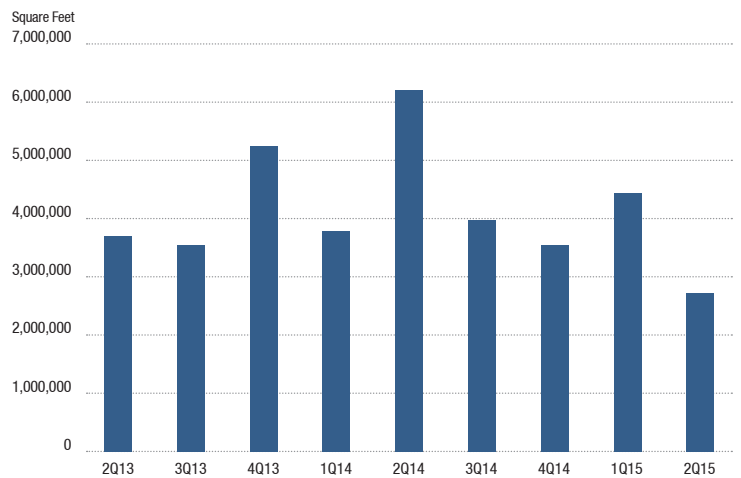
NET ABSORPTION

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 202015	Square Feet Available	Availability Rate 202015	Average Asking Lease Rate	Net Absorption 202015	Net Absorption 2015	Gross Absorption 202015	Gross Absorption 2015	
Airport Area														
North Airport	284	10,344,846	0	75,496	1,764,212	17.05%	1,819,471	17.59%	\$0.50	(123,036)	(54,245)	99,893	279,771	
South Airport North of Roeser	326	11,381,212	14,250	852,363	1,268,007	11.14%	1,656,251	14.55%	\$0.55	22,075	111,169	261,007	493,472	
South Airport South of Roeser	120	4,156,986	0	303,000	219,357	5.28%	401,055	9.65%	\$0.59	119,804	122,682	149,865	190,083	
SC North of Salt River	357	13,510,708	177,770	0	1,047,417	7.75%	1,179,165	8.73%	\$0.60	38,076	94,246	179,991	260,743	
SC South of Salt River	58	1,663,169	0	0	65,711	3.95%	251,622	15.13%	\$0.42	0	1,100	0	1,100	
General Industrial	282	10,910,034	192,020	1,230,859	1,413,053	12.95%	1,793,079	16.44%	\$0.57	(23,300)	7,472	36,606	113,031	
Warehouse / Distribution	863	30,146,887	0	0	2,951,651	9.78%	3,514,485	11.66%	\$0.54	80,219	267,480	654,150	1,112,138	
Airport Area Total	1,145	41,056,921	192,020	1,230,859	4,364,704	10.63%	5,307,564	12.93%	\$0.55	56,919	274,952	690,756	1,225,169	
Northeast														
Central Phoenix	83	2,296,566	0	0	95,787	4.17%	139,136	6.06%	\$0.74	(2,968)	(4,387)	26,642	38,563	
Scottsdale Airpark	224	4,423,061	0	0	371,280	8.39%	534,289	12.08%	\$0.88	(14,315)	(32,545)	108,548	188,123	
Scottsdale / Salt River	77	3,542,795	0	64,562	385,893	10.89%	603,339	17.03%	\$0.95	(13,410)	(15,713)	6,907	25,346	
General Industrial	86	3,964,319	0	64,562	102,994	2.60%	390,510	9.85%	\$0.91	(9,482)	(15,015)	7,700	22,187	
Warehouse / Distribution	298	6,298,103	0	0	749,966	11.91%	886,254	14.07%	\$0.90	(21,211)	(37,630)	134,397	229,845	
Northeast Total	384	10,262,422	0	64,562	852,960	8.31%	1,276,764	12.44%	\$0.91	(30,693)	(52,645)	142,097	252,032	
Northwest														
Deer Valley / Pinnacle Park	413	11,877,830	95,762	452,184	1,165,094	9.81%	1,431,599	12.05%	\$0.69	(20,240)	33,321	87,480	245,622	
Glendale	78	5,782,259	0	3,707,777	754,501	13.05%	887,114	15.34%	\$0.42	22,400	51,669	25,505	60,439	
Grand Avenue	274	11,789,062	0	525,192	876,025	7.43%	1,012,618	8.59%	\$0.40	(85,228)	46,126	104,373	344,860	
North Glendale / Sun City	67	2,490,130	0	420,000	258,944	10.40%	321,782	12.92%	\$0.62	(20,386)	(15,373)	5,766	25,816	
North Black Canyon	104	2,845,661	0	0	122,651	4.31%	194,764	6.84%	\$0.52	2,580	(16,468)	29,398	46,941	
West Phoenix North of Thomas Road	247	6,389,387	0	0	286,163	4.48%	420,326	6.58%	\$0.23	11,413	42,386	83,484	173,986	
West Phoenix South of Thomas Road	214	6,270,219	0	0	298,120	4.75%	472,510	7.54%	\$0.46	(42,185)	(44,122)	39,064	77,436	
General Industrial	365	13,178,987	95,762	5,105,153	820,081	6.22%	927,023	7.03%	\$0.49	(194,657)	6,794	48,548	297,779	
Warehouse / Distribution	1,032	34,265,561	0	0	2,941,417	8.58%	3,813,690	11.13%	\$0.53	63,011	90,745	326,522	677,321	
Northwest Total	1,397	47,444,548	95,762	5,105,153	3,761,498	7.93%	4,740,713	9.99%	\$0.53	(131,646)	97,539	375,070	975,100	
Pinal County														
Pinal County	134	7,125,489	0	730,000	744,322	10.45%	1,055,231	14.81%	\$0.31	(67,804)	(112,237)	40,500	53,430	
General Industrial	66	4,021,094	0	730,000	223,323	5.55%	263,123	6.54%	\$0.33	4,800	(40,363)	33,000	35,600	
Warehouse / Distribution	68	3,104,395	0	0	520,999	16.78%	792,108	25.52%	\$0.30	(72,604)	(71,874)	7,500	17,830	
Pinal County Total	134	7,125,489	0	730,000	744,322	10.45%	1,055,231	14.81%	\$0.31	(67,804)	(112,237)	40,500	53,430	
Southeast														
Chandler Airport	41	1,655,382	139,735	1,283,590	251,832	15.21%	307,813	18.59%	\$0.60	(21,570)	32,803	10,273	74,244	
Chandler	231	16,552,394	122,823	147,473	3,143,535	18.99%	1,423,634	8.60%	\$0.64	91,134	172,703	181,624	346,254	
Chandler North / Gilbert	440	15,008,576	0	3,288,871	1,597,138	10.64%	1,866,237	12.43%	\$0.59	70,836	155,094	204,399	371,231	
Falcon Fld / Apache Junction	96	3,657,765	0	197,378	182,664	4.99%	288,928	7.90%	\$0.57	2,609	7,590	30,982	56,427	
Mesa	180	5,728,077	0	212,984	271,534	4.74%	501,802	8.76%	\$0.72	79,474	136,434	109,689	216,072	
Tempe East	172	4,728,972	0	50,000	314,710	6.65%	386,583	8.17%	\$0.52	(50,782)	55,473	92,476	235,603	
Tempe Northwest	218	8,068,860	0	228,794	1,063,295	13.18%	1,179,778	14.62%	\$0.43	9,848	268,579	56,963	381,495	
Tempe Southwest	421	17,584,541	0	173,312	1,177,314	6.70%	1,556,089	8.85%	\$0.52	50,776	129,065	236,789	529,868	
General Industrial	468	29,137,811	262,558	5,582,402	3,916,088	13.44%	2,513,951	8.63%	\$0.55	26,477	249,424	122,941	444,954	
Warehouse / Distribution	1,331	43,846,756	0	0	4,085,934	9.32%	4,996,913	11.40%	\$0.56	205,848	708,317	800,254	1,766,240	
Southeast Total	1,799	72,984,567	262,558	5,582,402	8,002,022	10.96%	7,510,864	10.29%	\$0.55	232,325	957,741	923,195	2,211,194	
Southwest														
Goodyear	90	9,434,499	0	16,444,108	1,315,095	13.94%	1,467,512	15.55%	\$0.40	(15,844)	135,240	9,814	201,904	
Southwest North of Buckeye Road	532	31,232,952	659,618	2,980,086	3,871,316	12.39%	4,683,520	15.00%	\$0.37	(267,549)	(73,594)	169,551	737,541	
Southwest South of Buckeye Road	188	15,662,466	54,200	1,298,290	2,766,294	17.66%	3,061,339	19.55%	\$0.36	174,852	10,410	185,852	337,228	
Tolleson	183	31,810,317	0	8,005,278	5,082,264	15.98%	5,389,387	16.94%	\$0.37	64,354	435,125	172,369	879,017	
General Industrial	260	16,002,326	713,818	28,727,762	2,601,965	16.26%	3,376,086	21.10%	\$0.40	14,418	91,234	47,645	298,583	
Warehouse / Distribution	733	72,137,908	0	0	10,433,004	14.46%	11,225,672	15.56%	\$0.37	(58,605)	415,947	489,941	1,857,107	
Southwest Total	993	88,140,234	713,818	28,727,762	13,034,969	14.79%	14,601,758	16.57%	\$0.37	(44,187)	507,181	537,586	2,155,690	
General Industrial Total	1,527	77,214,571	193,935	17,391,713	9,077,504	11.76%	9,263,772	12.00%	\$0.48	(181,744)	299,546	296,440	1,212,134	
Warehouse / Distribution Total	4,325	189,799,610	1,070,223	24,049,025	21,682,971	11.42%	25,229,122	13.29%	\$0.44	196,658	1,372,985	2,412,764	5,660,481	
Phoenix Total	5,852	267,014,181	1,264,158	41,440,738	30,760,475	11.52%	34,492,894	12.92%	\$0.45	14,914	1,672,531	2,709,204	6,872,615	
10,000-29,999	3,743	62,958,841	26,250	480,740	4,483,367	7.12%	6,307,452	10.02%	\$0.57	104,911	116,643	930,361	1,770,312	
30,000-49,999	948	35,934,977	76,460	852,642	3,242,191	9.02%	3,821,828	10.64%	\$0.55	105,198	149,889	578,010	1,137,876	
50,000-99,999	675	46,627,665	277,697	2,887,768	5,388,961	11.56%	6,828,882	14.65%	\$0.51	(362,450)	(100,813)	486,312	933,164	
100,000-199,999	298	40,284,337	224,133	5,131,273	5,526,119	13.72%	6,665,128	16.55%	\$0.44	180,406	510,890	417,189	1,255,309	
200,000-299,999	85	20,693,995	0	2,249,404	2,279,838	11.02%	2,650,136	12.81%	\$0.42	(182,714)	173,606	41,012	424,011	
300,000 Plus	103	60,514,366	659,618	29,838,911	9,839,999	16.26%	8,219,468	13.58%	\$0.35	169,563	822,316	256,320	1,351,943	
Phoenix Total	5,852	267,014,181	1,264,158	41,440,738	30,760,475	11.52%	34,492,894	12.92%	\$0.45	14,914	1,672,531	2,709,204	6,872,615	

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

MAJOR TRANSACTIONS

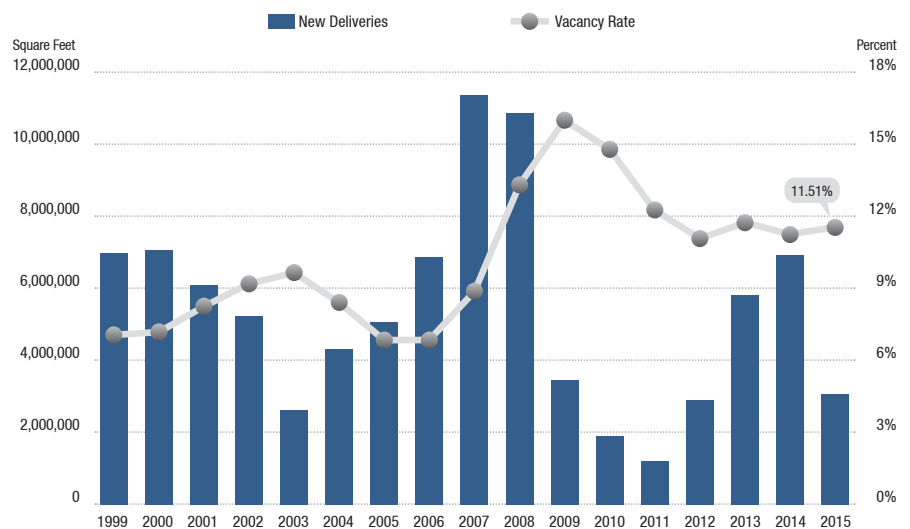
Sales Transactions

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
4401-4409 E. Baseline Rd., Et Al. (9 Buildings)	S. Airport S. of Roeser	460,562	\$91.58	TA Realty	White Star, LLC
7420, 7910, 7970, 8060 S. Kyrene Rd. & 7474 W. Chandler Blvd.	Tempe Southwest	230,524	\$99.12	BH Properties, LLC	Biltmore Holdings Buchanan Street Partners
7160 W. Sherman St. (24.5 Acres)	Tolleson	34,650	\$495.30	Swift Transportation Corporation	Klebe Family Trust
4670 S. 32nd St.	S. Airport S. of Roeser	155,114	\$94.77	Bixby Land Company	Conor Commercial Real Estate
4242 E. Palm St.	Falcon Fld/Apache Jct	56,919	\$151.09	Services Group of America	Daedalus Real Estate Advisors

Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
W. Buckeye Rd.	Tolleson	170,000	Apr-2015	Mattress Firm	First Industrial, LP
2021 E. Jones Ave. (Sale-Leaseback)	S. Airport N. or Roeser	94,885	Apr-2015	Michael Lewis Company	Cohen Assert Management, Inc.
4315 W. Buckeye Rd.	SW S. of Buckeye Road	74,000	Jun-2015	Undisclosed	Cashen Realty Advisors
500 N. 48th St.	North Airport	62,880	May-2015	Undisclosed	Silagi Development & Management
1919 E. University Dr.	S. Airport N. or Roeser	53,144	Apr-2015	ReCommunity	Obed Properties, Inc.

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