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Industrial Market Report

Market Highlights

- **Bottoming Out?** The Phoenix Industrial Market displayed more promises of stabilization this quarter. This quarter, availability continued to descend from its peak during the first quarter of this year, vacancy rates are decreasing, and net absorption was positive for two consecutive quarters. With regard to sales transactions, the ask-bid gap seems to be narrowing, as evidenced by the continued drop in asking prices and increased interest from users and investors. While these are positive indications, stability and job growth will need to be sustained in following quarters to be considered recovery.
- **Construction** Currently, there is 310,061 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 15.13% nearly the same as a year-ago's rate of 15.14% and lower than last quarter's figure of 15.51%. The Northeast market posted the lowest rate in the county at 10.75%.
- Availability Direct/sublease space being marketed was 17.93% this quarter, an increase of 1.88% compared to the 17.60% we saw this same quarter last year.
- Lease Rates The average asking triple net lease rate was \$.45 cents per square foot per month this quarter, one cent lower than last quarter and six cents lower than last year's third quarter rate. The record high for asking lease rates, \$.59, was recorded in the first quarter of 2007.
- Absorption The county posted 999,771 square feet of positive absorption for the third quarter of 2010, giving the industrial market a total of 2,238,836

square feet of positive absorption for the first three quarters of 2010.

- Transaction Activity Leasing activity came in this quarter at 2.8 million square feet. This year–over–year decrease can be attributed to a slow summer season coupled with the upcoming election concerns. Sales activity showed a decrease since last quarter, posting 2 million square feet of activity as compared to last quarter's 2.3 million. 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 9.1% in August 2010, the same as a revised 9.1% in July 2010 and the same as a year–ago estimate of 9.1%. This compares with an unadjusted unemployment rate of 9.7% for Arizona and 9.5% 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 guarters 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 guick action. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation begins going into 2011. Once employment turns positive and consumer confidence stabilizes, the industrial market will regain equilibrium.

) U S T R I A L	MARKE	TOVERVI	EW
	3Q2010	2Q2010	3Q2009	% CHANGE vs. 3Q2009
Vacancy Rate	15.13%	15.51%	15.14%	(0.07%)
Availablity Rate	17.93%	18.85%	17.60%	1.88%
Average Asking Lease Rate	\$0.45	\$0.46	\$0.51	(11.76%)
Sale & Lease Transactions	4,782,727	5,466,342	4,662,775	2.57%
Gross Absorption	5,189,447	4,547,512	4,208,161	23.32%
Net Absorption	999,771	1,812,759	(257,869)	N/A

Compared to last quarter:



Prepared by:

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PHOENIX / INDUSTRIAL MARKET REPORT / THIRD QUARTER 2010













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Central Phoenix 1 Scottsdale Airpark 2 Scottsdale/Salt River 2 Northeast Total 4 Northwest 4 Deer Valley/Pinnacle Park 4 Glendale 2 Grand Avenue 2 North Glendale/Sun City 1 West Phoenix North of Thomas Rd. 2 West Phoenix South of Thomas Rd. 2 West Phoenix South of Thomas Rd. 1 Pinal County 1 Pinal County Total 1 Southeast 2 Chandler Airport 2 Chandler North/Gilbert 4 Falcon Fld/Apache Juction 1 Mesa 1 Tempe East 1	52 5,258,4 58 4,497,6 52 13,880,2 17 13,467,5 72 4,175,0 95 13,332,1 95 4,226,7 26 3,481,2 51 6,865,1 22 6,195,1 38 51,743,0	7 0 64 0 63 0 70 24,111 77 0 72 0 73 0 73 0 77 0 70 0 71 0	0 0 367,397 1,823,980 545,090 89,714 0 0	960,373 318,265 1,492,432 1,752,311 793,235 1,228,483 879,795 406,842 762,465 587,639	18.26% 7.08% 10.75% 13.01% 19.00% 9.21% 20.81% 11.69% 11.11% 9.49%	1,162,714 382,246 1,738,608 2,364,684 952,473 1,717,433 956,803 425,727 922,734	22.11% 8.50% 12.53% 17.56% 22.81% 12.88% 22.64% 12.23%	\$0.72 \$0.85 \$0.74 \$0.68 \$0.40 \$0.34 \$0.49	(17,346) 24,031 4,455 2,493 34,453 21,170	(162,536) 73,532 (62,908) (489,332) 110,305 51,671	147,881 45,994 217,052 182,806 55,959 118,628	371,085 190,144 695,332 782,255 178,502 361,984
Scottsdale Airpark2Scottsdale/Salt River4Northeast Total4Northwest4Deer Valley/Pinnacle Park4Glendale2Grand Avenue2North Glendale/Sun City1West Phoenix North of Thomas Rd.2West Phoenix South of Thomas Rd.2Northwest Total1.4Pinal County1Pinal County Total5Southeast2Chandler Airport4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	52 5,258,4 58 4,497,6 52 13,880,2 17 13,467,5 72 4,175,0 95 13,332,1 95 4,226,7 26 3,481,2 51 6,865,1 22 6,195,1 38 51,743,0	7 0 64 0 63 0 70 24,111 77 0 72 0 73 0 73 0 77 0 70 0 71 0	0 0 367,397 1,823,980 545,090 89,714 0 0	960,373 318,265 1,492,432 1,752,311 793,235 1,228,483 879,795 406,842 762,465 587,639	18.26% 7.08% 10.75% 13.01% 19.00% 9.21% 20.81% 11.69% 11.11% 9.49%	1,162,714 382,246 1,738,608 2,364,684 952,473 1,717,433 956,803 425,727 922,734	22.11% 8.50% 12.53% 17.56% 22.81% 12.88% 22.64% 12.23%	\$0.72 \$0.85 \$0.74 \$0.68 \$0.40 \$0.34 \$0.49	(17,346) 24,031 4,455 2,493 34,453 21,170	(162,536) 73,532 (62,908) (489,332) 110,305 51,671	147,881 45,994 217,052 182,806 55,959 118,628	371,085 190,144 695,332 782,255 178,502 361,984
Scottsdale/Salt River 4 Northeast Total 4 Northwest 4 Deer Valley/Pinnacle Park 4 Glendale 2 Grand Avenue 2 North Glendale/Sun City 1 West Phoenix North of Thomas Rd. 2 West Phoenix South of Thomas Rd. 2 Northwest Total 1.4 Pinal County 1 Pinal County Total 1 Southeast 2 Chandler Airport 4 Falcon Fld/Apache Juction 1 Mesa 1 Tempe East 1 Tempe Northwest 2	38 4,497,6 52 13,880,2 17 13,467,5 72 4,175,0 95 13,332,1 95 4,226,7 26 3,481,2 61 6,865,1 22 6,195,1 38 51,743,0	4 0 3 0 10 24,111 17 0 12 0 13 0 13 0 1 0 1 0	0 367,397 1,823,980 545,090 89,714 0 0	318,265 1,492,432 1,752,311 793,235 1,228,483 879,795 406,842 762,465 587,639	7.08% 10.75% 13.01% 19.00% 9.21% 20.81% 11.69% 11.11% 9.49%	382,246 1,738,608 2,364,684 952,473 1,717,433 956,803 425,727 922,734	8.50% 12.53% 17.56% 22.81% 12.88% 22.64% 12.23%	\$0.85 \$0.74 \$0.68 \$0.40 \$0.34 \$0.49	24,031 4,455 2,493 34,453 21,170	73,532 (62,908) (489,332) 110,305 51,671	45,994 217,052 182,806 55,959 118,628	190,144 695,332 782,255 178,502 361,984
Northeast Total4Northwest1Deer Valley/Pinnacle Park4Glendale2Grand Avenue2North Glendale/Sun City1Worth Glendale/Sun City1North Black Canyon1West Phoenix North of Thomas Rd.2Northwest Total1,4Pinal County1Pinal County1Chandler Airport2Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	52 13,880,2 17 13,467,5 72 4,175,0 95 13,332,1 95 4,226,7 26 3,481,2 51 6,865,1 22 6,195,1 38 51,743,0	33 0 70 24,111 77 0 12 0 13 0 13 0 14 0	0 367,397 1,823,980 545,090 89,714 0 0 0	1,492,432 1,752,311 793,235 1,228,483 879,795 406,842 762,465 587,639	10.75% 13.01% 19.00% 9.21% 20.81% 11.69% 11.11% 9.49%	1,738,608 2,364,684 952,473 1,717,433 956,803 425,727 922,734	12.53% 17.56% 22.81% 12.88% 22.64% 12.23%	\$0.74 \$0.68 \$0.40 \$0.34 \$0.49	4,455 2,493 34,453 21,170	(62,908) (489,332) 110,305 51,671	217,052 182,806 55,959 118,628	695,332 782,255 178,502 361,984
Northwest Deer Valley/Pinnacle Park 4 Glendale 2 Grand Avenue 2 North Glendale/Sun City 1 North Glendale/Sun City 1 West Phoenix North of Thomas Rd. 2 West Phoenix South of Thomas Rd. 2 Northwest Total 1,4 Pinal County 1 Pinal County Total 2 Southeast 2 Chandler Airport 2 Chandler North/Gilbert 4 Falcon Fld/Apache Juction 1 Mesa 1 Tempe East 1 Tempe Northwest 2	17 13,467,5 72 4,175,0 95 13,332,1 95 4,226,7 26 3,481,2 61 6,865,1 22 6,195,1 88 51,743,0	70 24,111 17 0 12 0 13 0 14 0	367,397 1,823,980 545,090 89,714 0 0 0	1,752,311 793,235 1,228,483 879,795 406,842 762,465 587,639	13.01% 19.00% 9.21% 20.81% 11.69% 11.11% 9.49%	2,364,684 952,473 1,717,433 956,803 425,727 922,734	17.56% 22.81% 12.88% 22.64% 12.23%	\$0.68 \$0.40 \$0.34 \$0.49	2,493 34,453 21,170	(489,332) 110,305 51,671	182,806 55,959 118,628	782,255 178,502 361,984
Deer Valley/Pinnacle Park 4 Glendale 2 Grand Avenue 2 North Glendale/Sun City 1 Worth Black Canyon 1 West Phoenix North of Thomas Rd. 2 West Phoenix South of Thomas Rd. 2 Northwest Total 1.4 Pinal County 7 Pinal County Total 7 Chandler Airport 2 Chandler North/Gilbert 4 Falcon Fld/Apache Juction 1 Mesa 1 Tempe East 1	72 4,175,0 95 13,332,1 95 4,226,7 26 3,481,2 61 6,865,1 22 6,195,1 88 51,743,0	17 0 12 0 13 0 13 0 10 0 11 0	1,823,980 545,090 89,714 0 0	793,235 1,228,483 879,795 406,842 762,465 587,639	19.00% 9.21% 20.81% 11.69% 11.11% 9.49%	952,473 1,717,433 956,803 425,727 922,734	22.81% 12.88% 22.64% 12.23%	\$0.40 \$0.34 \$0.49	34,453 21,170	110,305 51,671	55,959 118,628	178,502 361,984
GlendaleGrand Avenue2North Glendale/Sun City1North Black Canyon1West Phoenix North of Thomas Rd.2West Phoenix South of Thomas Rd.1West Phoenix South of Thomas Rd.1Pinal County1Pinal County Total1Southeast2Chandler Airport2Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	72 4,175,0 95 13,332,1 95 4,226,7 26 3,481,2 61 6,865,1 22 6,195,1 88 51,743,0	17 0 12 0 13 0 13 0 10 0 11 0	1,823,980 545,090 89,714 0 0	793,235 1,228,483 879,795 406,842 762,465 587,639	19.00% 9.21% 20.81% 11.69% 11.11% 9.49%	952,473 1,717,433 956,803 425,727 922,734	22.81% 12.88% 22.64% 12.23%	\$0.40 \$0.34 \$0.49	34,453 21,170	110,305 51,671	55,959 118,628	782,255 178,502 361,984 275,637
Grand Avenue2North Glendale/Sun City1North Black Canyon1West Phoenix North of Thomas Rd.2West Phoenix South of Thomas Rd.1West Phoenix South of Thomas Rd.1Pinal County1Pinal County Total1Southeast2Chandler Airport2Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	95 13,332,1 95 4,226,7 26 3,481,2 61 6,865,1 22 6,195,1 38 51,743,0	22 0 33 0 8 0 57 0 1 0	545,090 89,714 0 0	1,228,483 879,795 406,842 762,465 587,639	9.21% 20.81% 11.69% 11.11% 9.49%	1,717,433 956,803 425,727 922,734	12.88% 22.64% 12.23%	\$0.34 \$0.49	21,170	51,671	118,628	361,984
North Glendale/Sun CityNorth Black Canyon1West Phoenix North of Thomas Rd.2West Phoenix South of Thomas Rd.2West Phoenix South of Thomas Rd.1,4Pinal County1Pinal County1Pinal County Total1Southeast2Chandler Airport2Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	95 4,226,7 26 3,481,2 61 6,865,1 22 6,195,1 38 51,743,0	i3 0 8 0 57 0 1 0	89,714 0 0	879,795 406,842 762,465 587,639	20.81% 11.69% 11.11% 9.49%	956,803 425,727 922,734	22.64% 12.23%	\$0.49	,			
North Black Canyon1West Phoenix North of Thomas Rd.2West Phoenix South of Thomas Rd.2Northwest Total1,4Pinal County1Pinal County Total2Southeast2Chandler Airport2Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	26 3,481,2 61 6,865,1 22 6,195,1 38 51,743,0	8 0 57 0 11 0	0 0 0	406,842 762,465 587,639	11.69% 11.11% 9.49%	425,727 922,734	12.23%		52,094	106,146	102,536	275,637
West Phoenix North of Thomas Rd.2West Phoenix South of Thomas Rd.2Northwest Total1,4Pinal County1Pinal County Total1Southeast1Chandler Airport4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	61 6,865,1 22 6,195,1 88 51,743,0	67 0 11 0	0 0	762,465 587,639	11.11% 9.49%	922,734		\$0.37				
West Phoenix South of Thomas Rd.2Northwest Total1,4Pinal County1Pinal County Total1Southeast1Chandler Airport2Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	22 6,195,1 88 51,743,0	'1 0	0	587,639	9.49%		13/1/%		(15,796)	(44,494)	32,698	113,285
Northwest Total1,4Pinal CountyPinal CountyPinal County TotalSoutheastChandler AirportChandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	51,743,0					753.682	13.4470	\$0.31	(57,372)	(17,420)	42,995	320,602
Pinal County Pinal County Total Pinal County Total Southeast Chandler Airport Chandler 2 Chandler North/Gilbert 4 Falcon Fld/Apache Juction 1 Mesa 1 Tempe East 1 Tempe Northwest 2		28 24,111	2,826,181	6,410,770	10.000/	,	12.17%	\$0.44	13,489	35,480	78,156	249,734
Pinal County Pinal County Total Southeast Chandler Airport Chandler North/Gilbert 4 Falcon Fld/Apache Juction 1 Mesa 1 Tempe East 1 Tempe Northwest 2					12.39%	8,093,536	15.64%	\$0.53	50,531	(247,644)	613,778	2,281,999
Pinal County Total Southeast Chandler Airport Chandler North/Gilbert Chandler North/Gilbert Falcon Fld/Apache Juction 1 Mesa 1 Tempe East 1 Tempe Northwest												
Southeast Chandler Airport Chandler 22 Chandler North/Gilbert 4 Falcon Fld/Apache Juction 1 Mesa 1 Tempe East 1 Tempe Northwest 2	86 4,689,0	5 0	720,000	665,100	14.18%	834,607	17.80%	\$0.33	(4,217)	104,845	23,060	171,541
Chandler AirportChandler2Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	86 4,689,0	5 0	720,000	665,100	14.18%	834,607	17.80%	\$0.33	(4,217)	104,845	23,060	171,541
Chandler2Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2												
Chandler North/Gilbert4Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	42 1,467,1	3 0	764,821	435,378	29.68%	402,357	27.42%	\$0.63	72,000	127,509	72,000	145,531
Falcon Fld/Apache Juction1Mesa1Tempe East1Tempe Northwest2	60 14,996,5	′5 O	16,534	1,575,648	10.51%	2,266,965	15.12%	\$0.64	105,084	69,862	174,131	527,122
Mesa1Tempe East1Tempe Northwest2	37 13,781,5	02 0	674,572	2,724,073	19.77%	3,253,642	23.61%	\$0.55	105,410	198,440	256,951	752,806
Tempe East1Tempe Northwest2	07 4,697,4	7 0	0	325,442	6.93%	465,912	9.92%	\$0.58	167,672	262,767	215,889	372,713
Tempe Northwest 2	92 6,258,3	.0 0	0	1,091,367	17.44%	1,316,232	21.03%	\$0.63	(117,558)	104,809	190,878	586,961
	94 5,383,0	51 0	0	446,678	8.30%	703,905	13.08%	\$0.59	12,647	7,208	112,664	245,741
Tompo Couthwoot	27 8,837,5	i3 0	0	685,536	7.76%	1,785,688	20.21%	\$0.48	(1,959)	73,333	133,374	400,342
Tempe Southwest 4	35 18,041,9	6 0	476,000	1,944,291	10.78%	2,502,426	13.87%	\$0.46	202,748	337,889	439,035	1,186,110
Southeast Total 1,8	94 73,463,6	67 0	1,931,927	9,228,413	12.56%	12,697,127	17.28%	\$0.56	546,044	1,181,817	1,594,922	4,217,326
Southwest												
Goodyear	87 8,157,8	0 0	5,200,800	2,228,562	27.32%	1,862,398	22.83%	\$0.41	(67,739)	(77,148)	33,068	189,187
Southwest North of Buckeye Rd. 5	34 30,273,3	9 0	243,400	5,160,366	17.05%	5,935,663	19.61%	\$0.30	38,172	(138,582)	192,828	986,843
Southwest South of Buckeye Rd. 1	85 13,252,0	.6 0	20,132	2,942,466	22.20%	1,871,801	14.12%	\$0.33	74,486	217,059	1,281,507	1,624,248
Tolleson 1	69 26,173,6	61 285,950	806,972	5,744,042	21.95%	6,679,892	25.52%	\$0.35	602,102	1,532,125	675,618	2,025,214
Southwest Total 9	75 77,856,8	285,950	6,271,304	16,075,436	20.65%	16,349,754	21.00%	\$0.34	647,021	1,533,454	2,183,021	4,825,492
Phoenix Total 6,0	52 263,127,9	3 310,061	12,035,068	39,819,287	15.13%	47,186,638	17.93%	\$0.45	999,771	2,238,836	5,189,447	13,783,238
10,000 - 29,999 3,7	47 63,349,7	2 24,111	1,015,557	8,275,356	13.06%	10,514,103	16.60%	\$0.57	247,444	902,137	1,730,573	4,856,189
30,000 – 49,999 1,0			732,126	6,135,108	15.72%	7,641,937	19.58%	\$0.50	44,854	179,699	671,536	2,002,049
	12 55,986,6		970,552	7,197,793	12.86%	9,229,167	16.48%	\$0.48	30,601	230,726	563,494	2,243,257
	09 40,895,5		1,607,991	6,250,593	15.28%	8,102,153	19.81%	\$0.43	100,160	(76,545)	327,278	1,468,350
	TU,UUJ.J		473,377	2,336,680	12.42%	2,686,309	14.28%	\$0.33	307,700	488,935	336,030	660,496
	79 18,807,6		7,235,465	9,623,757	21.36%	9,012,969	20.00%	\$0.37	269,012	513,884	1,560,536	2,552,897
Total 6,0		0	12,035,068	39,819,287	15.13%	47,186,638	17.93%	\$0.45	999,771	2,238,836	5,189,447	13,783,238

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

PHOENIX / INDUSTRIAL MARKET REPORT / THIRD QUARTER 2010

RECENT TRANSACTIONS

Sale Transactions Property Address	Submarket	Square Feet	Sale Pice	Tenant	Owner
9081 W. Washington St.	Tolleson	466,694	\$30,445,247	Cole Real Estate Investments	USAA Real Estate Company
275 S. 67th St.	Southwest North of Buckeye Road	251,668	\$10,025,000	Niagra Bottling, LLC	Five Star Development
4739 W. Jefferson St.	Southwest North of Buckeye Road	160,146	\$6,085,000	M&M Industries, Inc.	DCT Industrial Trust
3433 E. Wood St.	South Airport North of Roeser	45,199	\$4,600,000	Arizona Emergency Products	Jay D. Donkersloot
4502 W. Monterosa St.	Grand Avenue	124,394	\$4,500,000	Suntree, LLC	NutraCea, Inc.
810 S. McClintock Rd.	Tempe East	51,856	\$4,300,000	Jody Humber	Tempe Storage Company, LLC

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
4750–5050 W. Mohave St.	Southwest South of Buckeye Road	1,207,021	August-10	Amazon.com, Inc.	KTR Capital Partners / Tratt Properties, LLC
4739 W. Jefferson St.	Southwest North of Buckeye Road	160,146	September-10	M&M Plastics	M&M Industries, Inc.
2300 S. 51st Ave.	Southwest South of Buckeye Road	128,500	August-10	Fairway Distribution Company	Pacifica Real Estate Group, LLC
4502 W. Monterosa St.	Grand Avenue	124,394	September-10	Suntree, LLC	Suntree, LLC
4949 W. Buckeye Rd.	Southwest South of Buckeye Road	94,080	September-10	Downlite	Globe Corporation
4035 W. Adams St.	Southwest North of Buckeye Road	74,529	July-10	Sun Coatings	Gardner-Gibson, Inc.

Product Type

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





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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.

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