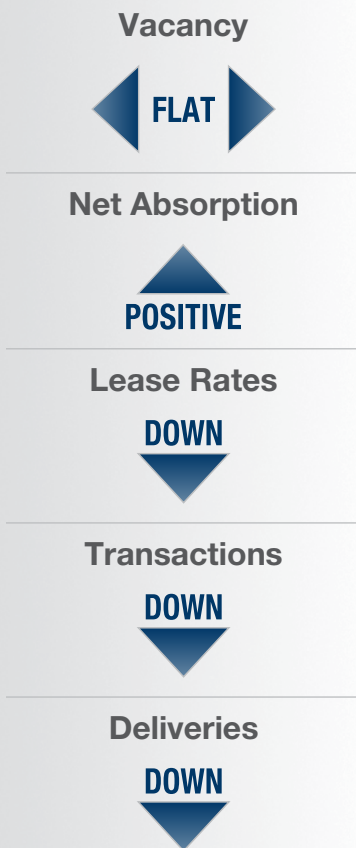




Industrial Market Report

Compared to the Previous Quarter:



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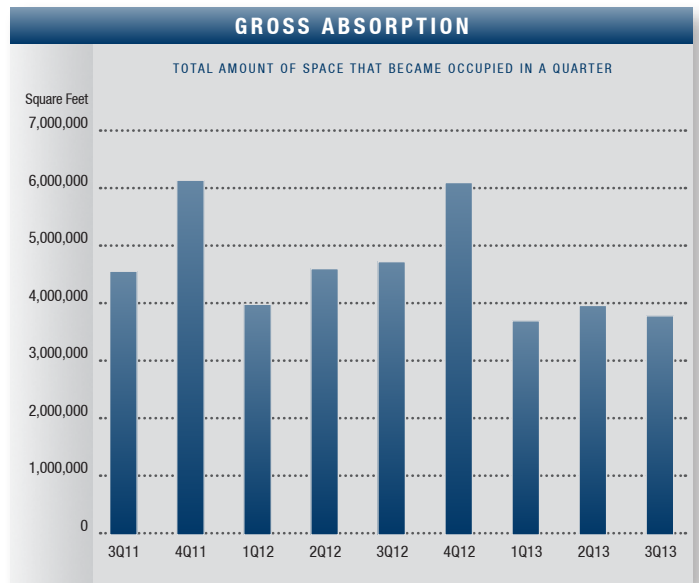
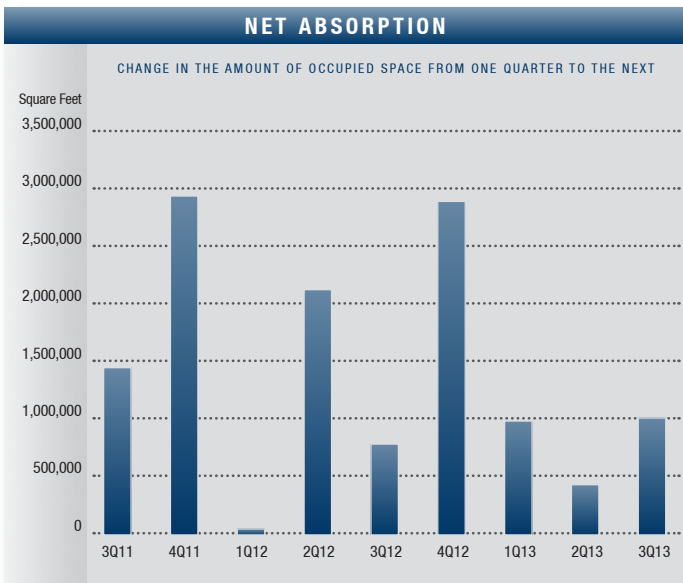
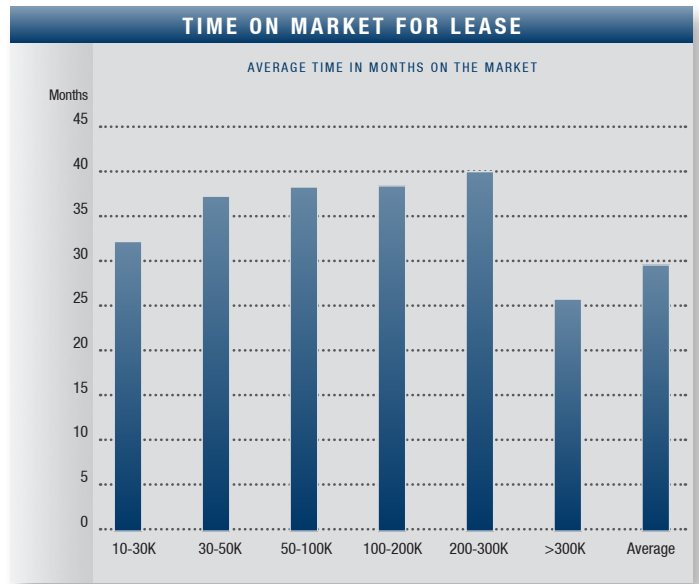
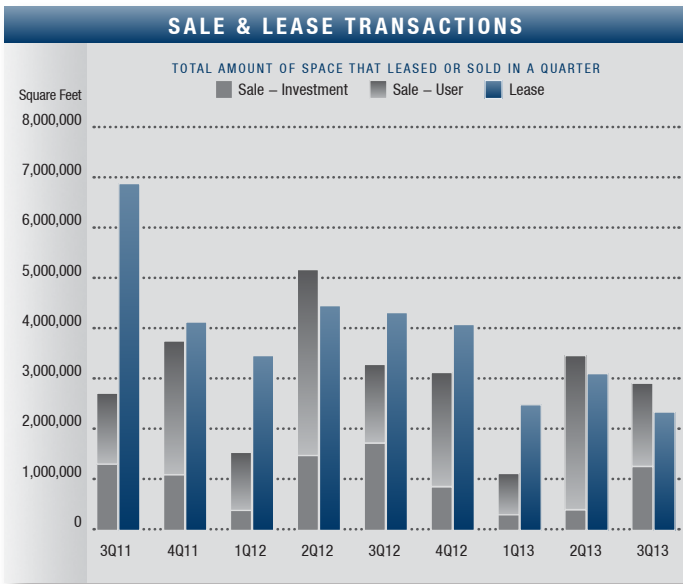
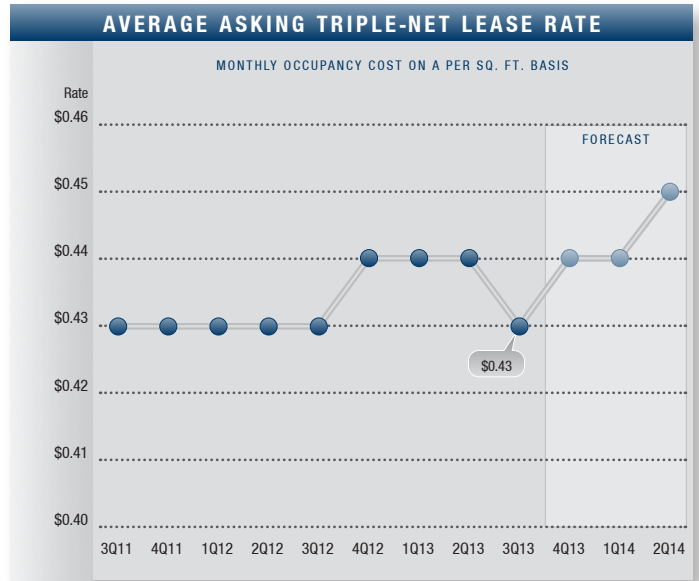
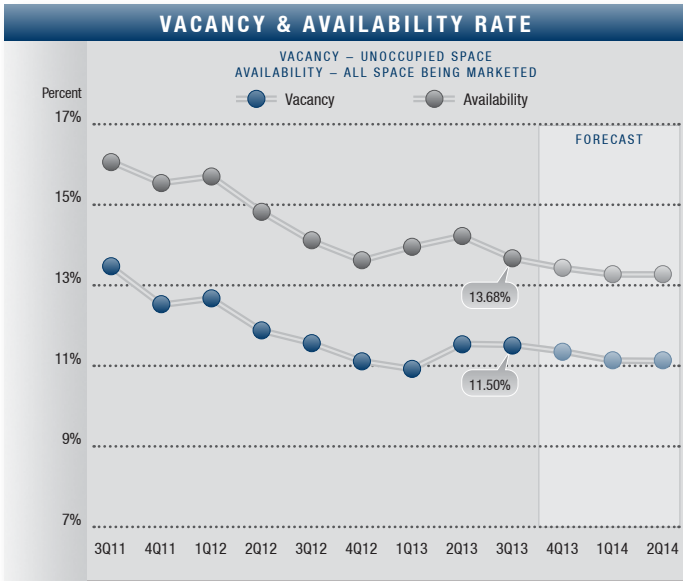
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Market Highlights

- Stability** - The Phoenix industrial market conveyed more promise of stabilization in the third quarter of 2013. Vacancy and availability continued their overall downward trend displaying drops compared to 2012, while net absorption saw positive growth of almost one million square feet for the quarter. As for vacancy, it remained relatively flat compared to second quarter of 2013. While these are positive indications, stability and job growth will be needed in coming quarters to continue to bolster a recovery.
- Construction** - There was 2,885,075 square feet of industrial construction underway at the end of the third 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 submarket, while the remaining construction occurred in the Northwest and Southeast submarkets.
- Vacancy** - Direct / sublease space (unoccupied) finished the quarter at 11.50%, nearly the same as the previous quarter but a decrease from 2012's third quarter rate of 11.57%, making these the lowest rates seen since the first quarter of 2008. The Northeast submarket posted the lowest rate in the market at 7.58%.
- Availability** - Direct / sublease space being marketed was 13.68% at the end the third quarter, a significant decrease when compared to the previous quarter's rate of 14.24%.
- Lease Rates** - The average asking-triple net lease rate was \$.43 per square foot per month for the third quarter, a one cent decrease from the previous quarter and flat compared to 2012's third quarter's rate, indicating stability. The record high for asking lease rates, \$.59, was recorded in the first quarter of 2008.
- Absorption** - The Phoenix industrial market posted 999,860 square feet of positive absorption in the third quarter of 2013, producing a total of 19.5 million square feet of positive absorption over the past 14 consecutive quarters.
- Transaction Activity** - Leasing activity checked in at 2.3 million square feet for the Phoenix industrial market in third quarter 2013, a decrease when compared to 2013's second quarter figure of 3.1 million square feet. Sales activity decreased compared the previous quarter as well, posting 2.9 million square feet of activity as compared to the second quarter's 3.4 million 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 8.3% in August 2013, an increase from January 2013's rate of 8.0%. Sectors with strong job growth included transportation, information driven by transportation, and financial activities. According to Arizona Department of Administration, August added 39,800 nonfarm jobs — 32,000 in government and 8,000 in the education and health services sector.
- Overall** - We are beginning to see a decrease in the amount of available space being marketed. Absorption is displaying signs of improvement, posting positive numbers for 14 straight quarters. With few new deliveries in the pipeline to apply upward pressure on vacancy, the market should continue to stabilize. We anticipate that lease rates will continue to rise again the coming quarters. 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.

INDUSTRIAL MARKET OVERVIEW

	3Q13	2Q13	3Q12	% of Change vs. 3Q12
Total Vacancy Rate	11.50%	11.51%	11.57%	(0.61%)
Availability Rate	13.68%	14.24%	14.13%	(3.18%)
Average Asking Lease Rate	\$0.43	\$0.44	\$0.43	0.00%
Sale & Lease Transactions	5,194,255	6,499,531	7,540,706	(31.12%)
Gross Absorption	3,778,095	3,969,833	4,708,743	(19.76%)
Net Absorption	999,860	402,108	775,514	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 3Q2013	Square Feet Available	Availability Rate 3Q2013	Average Asking Lease Rate	Net Absorption 3Q2013	Net Absorption 2013	Gross Absorption 3Q2013	Gross Absorption 2013
Airport Area													
North Airport	282	10,505,949	0	12,000	1,700,703	16.19%	2,040,891	19.43%	\$0.49	51,273	167,583	80,084	405,367
South Airport North of Roeser	318	10,604,622	0	964,063	963,054	9.08%	1,182,110	11.15%	\$0.45	90,371	169,186	192,153	488,419
South Airport South of Roeser	119	3,961,376	0	303,000	578,798	14.61%	730,030	18.43%	\$0.49	(36,431)	4,543	74,756	235,620
SC North of Salt River	362	13,625,946	0	369,200	1,559,394	11.44%	1,571,156	11.53%	\$0.49	16,573	8,802	113,454	499,073
SC South of Salt River	54	1,586,747	0	0	75,940	4.79%	143,027	9.01%	\$0.44	(51)	(21,747)	6,018	10,773
General Industrial	281	11,281,881	0	964,063	1,501,469	13.31%	1,999,148	17.72%	\$0.52	77,705	(26,152)	122,167	275,802
Warehouse / Distribution	854	29,002,759	0	684,200	3,376,420	11.64%	3,668,066	12.65%	\$0.45	44,030	354,519	344,298	1,363,450
Airport Area Total	1,135	40,284,640	0	1,648,263	4,877,889	12.11%	5,667,214	14.07%	\$0.48	121,735	328,367	466,465	1,639,252
Northeast													
Central Phoenix	86	2,424,774	0	0	73,927	3.05%	191,374	7.89%	\$0.48	(3,851)	18,852	9,881	52,044
Scottsdale Airpark	226	4,381,684	0	0	435,765	9.95%	613,979	14.01%	\$0.84	41,168	164,913	127,324	446,443
Scottsdale / Salt River	80	3,785,816	0	85,422	293,504	7.75%	552,444	14.59%	\$0.75	(84,071)	(42,500)	45,894	238,264
General Industrial	89	4,166,610	0	65,422	187,389	4.50%	327,579	7.86%	\$0.68	(65,275)	45,126	20,615	154,038
Warehouse / Distribution	303	6,425,664	0	20,000	615,807	9.58%	1,030,218	16.03%	\$0.71	18,521	96,139	162,484	582,713
Northeast Total	392	10,592,274	0	85,422	803,196	7.58%	1,357,797	12.82%	\$0.77	(46,754)	141,265	183,099	736,751
Northwest													
Deer Valley / Pinnacle Park	388	11,178,919	0	403,315	714,711	6.39%	885,365	7.92%	\$0.64	98,878	301,287	211,755	807,487
Glendale	71	4,353,047	582,000	3,307,777	377,056	8.66%	617,435	14.18%	\$0.85	(8,903)	39,548	28,058	104,773
Grand Avenue	267	11,394,758	0	546,090	929,097	8.15%	1,026,318	9.01%	\$0.36	48,292	179,080	114,008	385,603
North Glendale / Sun City	66	2,502,298	0	40,933	466,868	18.66%	505,541	20.20%	\$0.56	(17,668)	101,490	19,095	154,134
North Black Canyon	103	2,850,753	0	0	161,989	5.68%	267,431	9.38%	\$0.44	5,326	191,297	28,570	247,849
West Phoenix North of Thomas Road	247	6,425,866	0	0	402,255	6.26%	541,582	8.43%	\$0.21	40,764	108,620	112,421	275,836
West Phoenix South of Thomas Road	216	6,314,095	0	0	416,112	6.59%	626,351	9.92%	\$0.33	28,156	(20,211)	65,418	198,094
General Industrial	362	12,758,058	164,000	1,924,244	927,338	7.27%	1,178,762	9.24%	\$0.57	28,218	104,878	145,089	145,089
Warehouse / Distribution	996	32,261,678	418,000	2,373,871	2,540,750	7.88%	3,291,261	10.20%	\$0.51	166,627	796,233	434,236	1,740,550
Northwest Total	1,358	45,019,736	582,000	4,298,115	3,468,088	7.70%	4,470,023	9.93%	\$0.52	194,845	901,111	579,325	2,173,776
Pinal County													
Pinal County	120	6,615,817	0	39,500	570,288	8.62%	686,104	10.37%	\$0.32	(87,401)	(75,449)	31,066	140,124
General Industrial	59	3,701,218	0	20,000	176,347	4.76%	271,165	7.33%	\$0.32	(80,400)	(67,300)	9,600	95,308
Warehouse / Distribution	61	2,914,599	0	19,500	393,941	13.52%	414,939	14.24%	\$0.33	(7,001)	(8,149)	21,466	44,816
Pinal County Total	120	6,615,817	0	39,500	570,288	8.62%	686,104	10.37%	\$0.32	(87,401)	(75,449)	31,066	140,124
Southeast													
Chandler Airport	37	1,383,072	0	1,332,921	146,279	10.58%	193,396	13.98%	\$0.54	(5,997)	(3,576)	9,605	27,526
Chandler	232	14,217,945	411,251	100,000	1,061,540	7.47%	1,024,717	7.21%	\$0.55	45,162	284,030	82,729	571,147
Chandler North / Gilbert	428	14,003,077	0	941,148	2,665,065	19.03%	2,814,600	20.10%	\$0.57	69,480	412,781	243,650	898,318
Falcon Fld / Apache Junction	92	3,563,237	0	0	245,896	6.90%	318,249	8.93%	\$0.56	(3,430)	92,159	8,325	148,781
Mesa	178	5,706,535	0	10,000	637,727	11.18%	760,404	13.33%	\$0.56	31,369	9,807	72,089	221,120
Tempe East	169	4,609,153	0	0	257,396	5.58%	476,613	10.34%	\$0.61	10,593	92,947	67,082	317,952
Tempe Northwest	223	8,145,564	0	208,000	939,210	11.53%	1,424,606	17.49%	\$0.58	10,307	(20,795)	90,872	283,510
Tempe Southwest	426	17,807,258	0	160,000	1,903,190	10.69%	2,289,185	12.86%	\$0.47	92,557	47,722	277,495	801,196
General Industrial	465	27,198,757	285,000	354,697	2,581,057	9.49%	3,082,582	11.33%	\$0.63	50,821	577,370	102,226	881,350
Warehouse / Distribution	1,320	42,237,084	126,251	2,397,372	5,275,236	12.49%	6,219,188	14.72%	\$0.52	199,220	337,705	749,621	2,388,200
Southeast Total	1,785	69,435,841	411,251	2,752,069	7,856,303	11.31%	9,301,770	13.40%	\$0.54	250,041	915,075	851,847	3,269,550
Southwest													
Goodyear	84	7,865,261	0	9,665,318	1,595,089	20.28%	1,679,516	21.35%	\$0.35	(30,196)	31,823	22,704	375,732
Southwest North of Buckeye Road	530	30,656,086	0	944,332	3,835,674	12.51%	4,626,138	15.09%	\$0.34	(347,445)	(342,389)	272,891	930,025
Southwest South of Buckeye Road	185	14,973,071	394,775	1,486,171	2,892,310	19.32%	3,153,619	21.06%	\$0.34	1,050,422	750,806	1,219,208	1,508,684
Tolleson	173	27,801,871	1,497,049	1,590,357	3,213,374	11.56%	3,691,980	13.28%	\$0.36	(105,387)	(229,814)	151,490	657,022
General Industrial	255	14,777,538	297,049	1,841,911	1,923,492	13.02%	2,168,645	14.68%	\$0.35	8,028	203,070	45,149	430,302
Warehouse / Distribution	717	66,518,751	1,594,775	11,844,267	9,612,955	14.45%	10,982,608	16.51%	\$0.35	559,366	7,356	1,621,144	3,041,161
Southwest Total	972	81,296,289	1,891,824	13,686,178	11,536,447	14.19%	13,151,253	16.18%	\$0.35	567,394	210,426	1,666,293	3,471,463
General Industrial Total	1,513	73,884,062	2,885,075	5,170,337	8,355,964	11.31%	9,052,494	12.25%	\$0.50	(882,693)	(1,487,166)	444,846	8,629,813
Warehouse / Distribution Total	4,249	179,360,535	0	17,339,210	20,756,247	11.57%	25,581,667	14.26%	\$0.41	1,882,553	3,907,961	3,333,249	2,801,103
Phoenix Total	5,762	253,244,597	2,885,075	22,509,547	29,112,211	11.50%	34,634,161	13.68%	\$0.43	999,860	2,420,795	3,778,095	11,430,916
Phoenix by Size													
10,000-29,999	3,713	62,811,998	0	932,022	6,168,497	9.82%	8,184,257	13.03%	\$0.53	254,785	630,176	1,178,529	3,873,137
30,000-49,999	941	35,776,094	0	1,016,093	4,085,244	11.42%	4,852,400	13.56%	\$0.50	1,399	231,246	443,879	1,716,727
50,000-99,999	646	44,526,993	0	1,541,929	5,456,238	12.25%	6,037,905	13.56%	\$0.45	(54,834)	585,366	504,629	1,829,807
100,000-199,999	292	39,184,331	290,251	3,600,005	5,598,250	14.29%	6,972,776	17.79%	\$0.41	(86,371)	180,954	254,005	1,439,280
200,000-299,999	83	20,196,728	285,000	2,206,905	2,121,055	10.50%	2,459,510	12.18%	\$0.38	(191,036)	62,806	17,799	400,401
300,000+	87	50,748,453	2,309,824	13,212,593	5,682,927	11.20%	6,127,313	12.07%	\$0.34	1,075,917	730,247	1,379,254	2,171,564
Phoenix Total	5,762	253,244,597	2,885,075	22,509,547	29,112,211	11.50%	34,634,161	13.68%	\$0.43	999,860	2,420,795	3,778,095	11,430,916

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
563 S. 63rd Ave.	Southwest Ind.	593,600	\$47.00	Liberty Property Trust	Seefried Industrial Properties, Inc.
1005-1017 W. Alameda Dr. – 3 Properties	N. Airport	308,038	Undisclosed	DCT Industrial Trust	Prologis
7255 S. Kyrene Rd. – 2 Properties	Tempe S.W.	193,679	\$80.04	Cal-Int Foods, Inc.	Valley Citrus Packing Company
520 N. Bullard Ave. – 6 Properties	Goodyear Ind.	182,496	\$69.04	Presson Corporation	The Guardian Life Insurance Co. of America
5445 W. Missouri Ave.	Grand Ave. Ind.	105,904	\$86.99	WAM Development Group	United Insulated Structures Corporation
4707 E. Baseline Rd.	S. of Roeser Ind.	136,683	\$54.87	Dalfen America Corporation	Holualoa Companies

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
402 N. 44th Ave.	SW N. of Buckeye Rd.	221,116	Aug-13	Phoenix Hill	Prologis Logistics Service, Inc.
440-444 W. Fairmont Dr.	Tempe Southwest	83,280	Sep-13	Excel Logistics	Walton Cwaz Fairmont 86, LLC
2636 S. Wilson St.	Tempe Southwest	72,751	Jul-13	Sollid Cabinetry, LLC	Gateway Valleyview, Inc.
5107 N. 51st Ave.	Grand Avenue Ind.	72,437	Sep-13	Hensley	North 51st Avenue Partners, LLC
1016 W. Geneva Dr.	Tempe Southwest	69,444	Aug-13	1st United Door Technologies, Inc.	CLPF Geneva Industrial, LP
450 N. 54th St.	Chandler	66,243	Aug-13	Oragami Owl	Galveston 10, LLC
844 N. 44th Ave.	N. of Buckeye Rd.	62,443	Aug-13	Sears Logistics	Bre & Dp AZ, LLC

Product Type

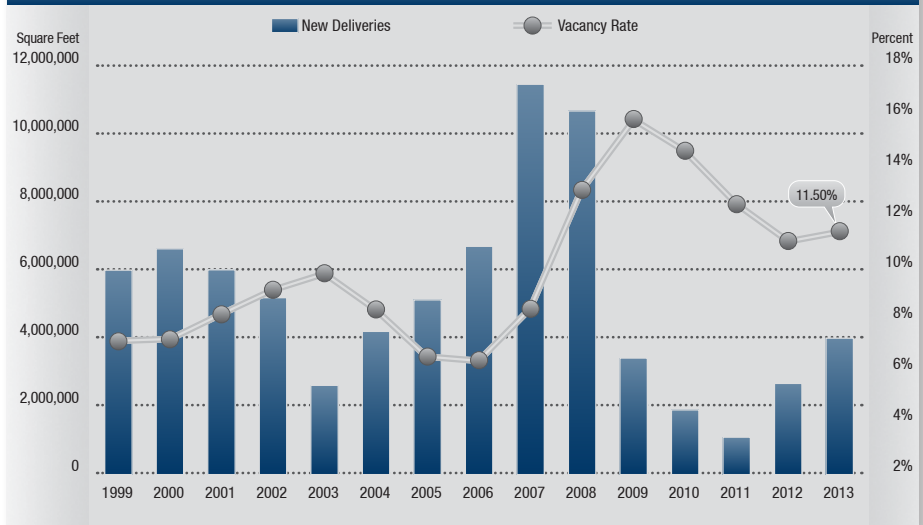
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