



Industrial Market Report

Compared to 2010:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

UP

Deliveries

DOWN

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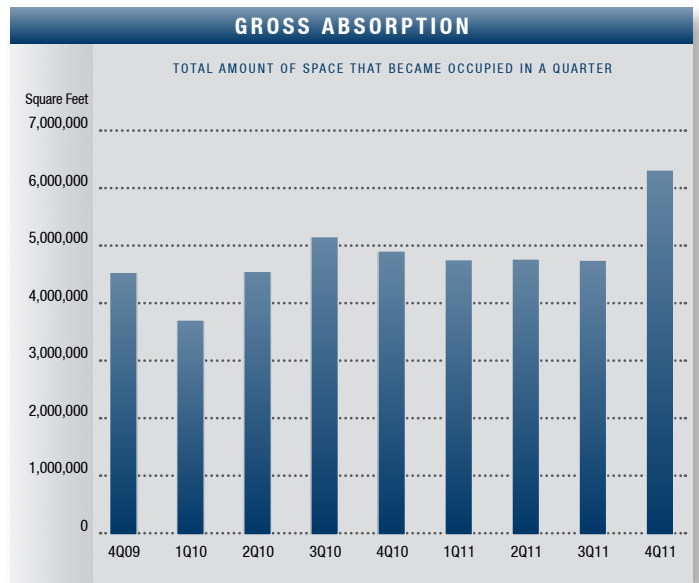
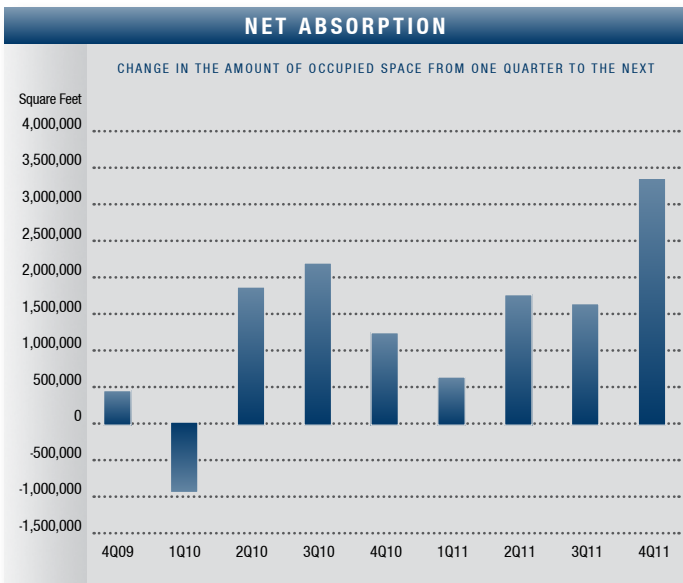
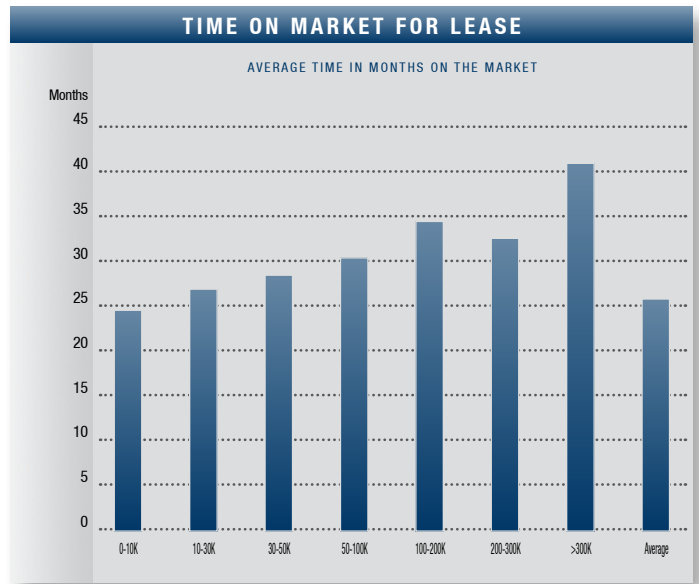
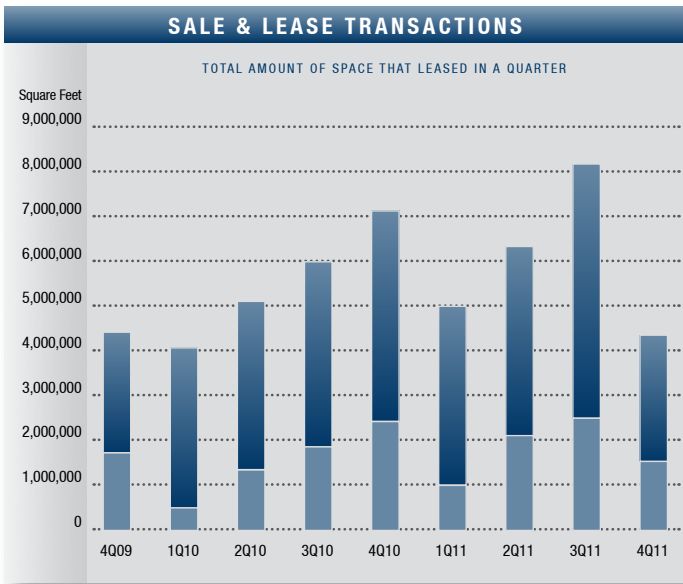
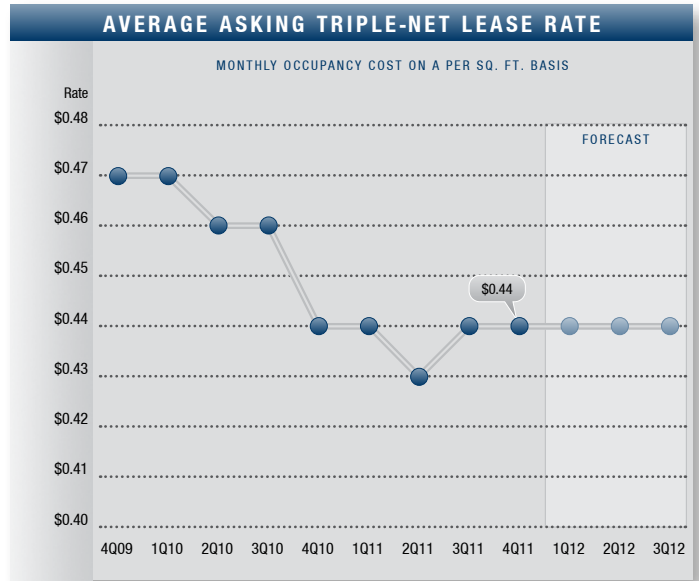
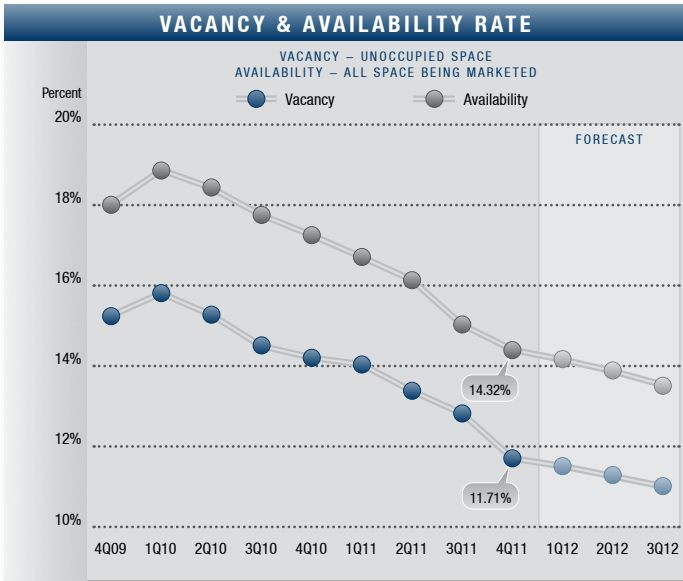
Prepared by:
Jerry J. Holdner, Jr. — Lic.#01145748
 Vice President of Market Research
 VOIT Real Estate Services — Lic.#01333376
 e-mail: jholdner@voitco.com

Market Highlights

- Steady Growth** - The Phoenix industrial market conveyed more promise of stabilization in the fourth quarter of 2011. Availability continued its descent from its peak in the first quarter of 2010, vacancy rates trended downward, and net absorption nearly doubled compared to the previous year. Demand picked up, with a year-over-year rise in sales and lease transactions, and tenants began signing longer lease commitments. While these are positive indications, stability and job growth will need to be sustained in coming quarters to be considered recovery.
- Absorption** - The Phoenix industrial market posted 3.3 million square feet of positive absorption in the fourth quarter of 2011, producing a total of over 12.5 million square feet of positive absorption over the past seven quarters—the most positive absorption seen in one year since 2005.
- Transaction Activity** - Leasing activity checked in at 16.7 million square feet for the Phoenix industrial market in 2011, a slight increase compared to 2010's 16.3 million square feet of leasing activity. Sales activity showed an increase over the previous year, posting 7 million square feet of activity as compared to 2010's 5.96 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 7.7% in November 2011, down from a revised 8.1% in October 2011. This compares with an unadjusted unemployment rate of 8.7% for Arizona and 8.2% for the nation during the same period.
- Overall** - We are seeing continued decreases in both vacancy and availability and consequential increases in net occupancy, which is contributing to the stabilization of asking lease rates. We're also seeing slight increases in sales and lease activity compared to previous years. While these are certainly positive indicators, 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.
- Construction** - There was 2,685,245 square feet of industrial construction underway at the end of 2011. Most of this construction occurred in the Chandler area.
- Vacancy** - Direct/sublease space (unoccupied) continued its seven-quarter trend downward, finishing 2011 at 11.71%—lower than the previous quarter's 12.82% and a significant drop of over 17% from the year-ago rate of 14.17%. The Northeast market posted the lowest rate in the county at 8.02%.
- Availability** - Direct/sublease space being marketed was 14.32% at the end of 2011, a significant decrease when compared to the 17.25% of the same quarter of 2010 and the lowest vacancy rate seen in 3 years.
- Lease Rates** - The average asking-triple net lease rate was \$.44 cents per square foot per month for the fourth quarter, the same as the previous quarter, indicating stability. The record high for asking lease rates, \$.59, was recorded in the first quarter of 2007.

INDUSTRIAL MARKET OVERVIEW

	2011	2010	2009	% of Change vs. 2010
Total Vacancy Rate	11.71%	14.17%	15.20%	(17.36%)
Availability Rate	14.32%	17.25%	18.00%	(16.99%)
Average Asking Lease Rate	\$0.44	\$0.44	\$0.47	0.00%
Sale & Lease Transactions	23,745,055	22,247,031	17,092,796	6.73%
Gross Absorption	20,573,928	18,319,205	15,755,097	12.31%
Net Absorption	7,304,553	4,294,094	(4,063,098)	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 4Q2011	Square Feet Available	Availability Rate 4Q2011	Average Asking Lease Rate	Net Absorption 4Q2011	Net Absorption 2011	Gross Absorption 4Q2011	Gross Absorption 2011
Airport Area													
North Airport	295	10,731,844	0	0	1,652,343	15.40%	1,867,192	17.40%	\$0.45	(58,928)	(144,539)	183,911	581,820
South Airport North of Roeser	318	10,409,131	0	0	1,450,698	13.94%	1,904,974	18.30%	\$0.39	111,938	7,755	241,953	904,082
South Airport South of Roeser	121	4,038,543	0	0	448,891	11.12%	522,823	12.95%	\$0.62	13,722	293,160	28,682	413,016
SC North of Roeser	362	13,830,841	0	0	2,097,511	15.17%	2,132,888	15.42%	\$0.38	(143,045)	(292,290)	166,739	987,879
SC South of Roeser	53	1,620,333	0	0	63,461	3.92%	117,758	7.27%	\$0.39	11,939	41,321	13,400	59,782
Airport Area Total	1,149	40,630,692	0	0	5,712,904	14.06%	6,545,635	16.11%	\$0.42	(64,374)	(94,593)	634,685	2,946,579
Northeast													
Central Phoenix	119	4,514,191	0	20,000	134,453	2.98%	152,684	3.38%	\$0.63	14,544	29,591	38,880	96,975
Scottsdale Airpark	250	5,200,462	0	0	799,194	15.37%	894,761	17.21%	\$0.69	45,074	170,045	97,598	641,426
Scottsdale / Salt River	95	4,724,842	0	50,000	223,767	4.74%	487,608	10.32%	\$0.76	72,728	77,866	93,385	208,042
Northeast Total	464	14,439,495	0	70,000	1,157,414	8.02%	1,535,053	10.63%	\$0.70	132,346	277,502	229,863	946,443
Northwest													
Deer Valley / Pinnacle Park	421	13,398,207	194,262	195,388	1,811,453	13.52%	2,387,381	17.82%	\$0.70	66,742	211,256	207,332	1,039,455
Glendale	93	5,599,062	0	2,403,615	352,907	6.30%	496,518	8.87%	\$0.55	257,820	838,092	265,230	961,130
Grand Avenue	307	13,936,379	19,841	545,090	1,221,299	8.76%	1,653,324	11.87%	\$0.31	(39,849)	41,169	53,434	441,117
North Glendale / Sun City	93	4,231,452	0	69,241	696,477	16.46%	624,308	14.75%	\$0.48	53,896	104,086	59,678	190,594
North Black Canyon	127	3,679,916	0	0	335,755	9.12%	414,049	11.25%	\$0.52	(9,343)	(23,863)	35,070	208,363
West Phoenix North of Thomas Rd.	262	6,854,318	0	0	657,586	9.59%	781,098	11.40%	\$0.29	27,452	103,801	113,054	456,743
West Phoenix South of Thomas Rd.	223	6,284,420	0	0	470,111	7.48%	563,521	8.97%	\$0.49	82,320	119,622	166,586	375,897
Northwest Total	1,526	53,983,754	214,103	3,213,334	5,545,588	10.27%	6,920,799	12.82%	\$0.58	439,038	1,394,163	900,384	3,673,299
Pinal County													
Pinal County	131	7,279,361	0	739,500	505,550	6.94%	610,467	8.39%	\$0.32	45,146	202,383	206,846	443,311
Pinal County Total	131	7,279,361	0	739,500	505,550	6.94%	610,467	8.39%	\$0.32	45,146	202,383	206,846	443,311
Southeast													
Chandler Airport	46	1,731,158	0	731,921	351,627	20.31%	372,327	21.51%	\$0.58	31,047	52,755	31,047	89,262
Chandler	262	15,290,952	1,000,000	366,534	1,074,959	7.03%	1,235,887	8.08%	\$0.70	53,984	493,902	121,974	910,114
Chandler North / Gilbert	449	14,239,652	1,200,000	685,164	2,663,226	18.70%	2,990,572	21.00%	\$0.52	(22,483)	183,662	132,551	968,782
Falcon Fld / Apache Junction	119	5,186,135	0	0	369,883	7.13%	524,918	10.12%	\$0.52	33,185	73,627	60,589	235,471
Mesa	202	6,763,767	271,142	0	825,874	12.21%	1,015,193	15.01%	\$0.60	106,014	331,299	204,510	801,979
Tempe East	189	5,746,804	0	0	444,680	7.74%	709,295	12.34%	\$0.70	(25,066)	32,224	23,684	351,892
Tempe Northwest	230	8,755,000	0	0	989,348	11.30%	1,881,732	21.49%	\$0.52	(20,127)	(47,614)	166,642	461,060
Tempe Southwest	436	18,048,659	0	476,000	1,636,418	9.07%	2,519,985	13.96%	\$0.43	32,983	104,970	243,716	1,254,826
Southeast Total	1,933	75,762,127	2,471,142	2,259,619	8,356,015	11.03%	11,249,909	14.85%	\$0.53	189,537	1,224,825	984,713	5,073,386
Southwest													
Goodyear	93	8,525,501	0	5,540,300	1,347,284	15.80%	1,437,097	16.86%	\$0.40	484,282	987,123	490,390	1,121,570
Southwest North of Buckeye Rd.	539	30,162,631	0	208,400	3,441,195	11.41%	4,467,458	14.81%	\$0.29	(161,444)	402,190	333,852	2,068,988
Southwest South of Buckeye Rd.	188	13,545,748	0	2,413,315	1,993,754	14.72%	2,518,156	18.59%	\$0.32	16,457	155,135	160,457	747,133
Tolleson	177	27,432,117	0	1,360,802	3,755,212	13.69%	3,627,973	13.23%	\$0.34	2,241,911	2,755,825	2,378,323	3,553,219
Southwest Total	997	79,665,997	0	9,522,817	10,537,445	13.23%	12,050,684	15.13%	\$0.33	2,581,206	4,300,273	3,363,022	7,490,910
Phoenix Total	6,200	271,761,426	2,685,245	15,805,270	31,814,916	11.71%	38,912,547	14.32%	\$0.44	3,322,899	7,304,553	6,319,513	20,573,928
10,000-29,999	3,806	64,553,778	30,287	852,313	7,908,180	12.25%	9,993,057	15.48%	\$0.52	224,620	503,110	1,066,433	4,974,163
30,000-49,999	1,046	39,919,479	0	562,089	5,262,851	13.18%	6,619,797	16.58%	\$0.47	153,354	633,975	598,826	2,795,987
50,000-99,999	853	58,642,727	0	810,989	6,300,779	10.74%	7,875,676	13.43%	\$0.46	491,137	888,994	1,029,993	3,796,569
100,000-199,999	334	43,949,536	194,262	1,615,472	6,284,549	14.30%	7,807,166	17.76%	\$0.39	27,238	746,807	801,517	3,190,621
200,000-299,999	82	19,684,191	260,696	516,000	2,394,345	12.16%	3,303,665	16.78%	\$0.34	(184,345)	167,354	141,640	984,960
300,000+	79	45,011,715	2,200,000	11,448,407	3,664,212	8.14%	3,313,186	7.36%	\$0.34	2,610,895	4,364,313	2,681,104	4,831,628
Total	6,200	271,761,426	2,685,245	15,805,270	31,814,916	11.71%	38,912,547	14.32%	\$0.44	3,322,899	7,304,553	6,319,513	20,573,928

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

LARGEST TRANSACTIONS OF 2011

Sale Transactions

Property Address	Submarket	Square Feet	Sale Price PSF	Buyer	Seller
2100 E. Elliot Rd. – 4 Properties	Tempe	892,790	\$60.14	Northwood Acquisitions, LLC	Freescale Semiconductor, Inc.
1115 N. 47th Ave. – 3 Properties	Phoenix	629,764	\$52.80	Crexus Investment Corporation	Alliance Beverage Distributing Company
560 N. 54th St. – 9 Properties	Southeast	552,370	\$55.13	Alliance Commercial Partners, LLC	Lincoln Property Company
4570 W. Lower Buckeye Rd.	SW of Buckeye Rd.	603,910	\$39.74	Duke Realty Corporation	Lincoln Financial Group
21430 N. 15th Ln. – 5 Properties	Deer Valley	340,646	\$70.53	Lincoln Property Company	Cornerstone Real Estate Funds
23000 N. 7th Ave.	Deer Valley	194,262	\$102.95	American Realty Capital Trust, Inc.	Scannell Properties

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
800 N. 75th Ave.	Tolleson	1,267,110	11-Sep	Amazon.com	Buzz Oates Companies
6835 W. Buckeye Rd.	Tolleson	404,673	11-Mar	Amazon.com	Duke Realty Corp.
7200 W. Buckeye Rd.	Tolleson	400,400	11-Sep	Home Depot	Sealy & Company
7210 W. Van Buren St.	Tolleson	337,897	11-Oct	Cornerstone Services, Inc.	Wentworth Property Company, LLC
9704 W. Roosevelt St.	Tolleson	302,640	11-Oct	T.J. Maxx	Prologis
9860 W. Buckeye Rd.	Tolleson	283,358	11-Aug	Western Container Corporation	Monmouth Real Estate Investment Corporation
2950 S. Litchfield Rd.	Goodyear	262,080	11-Mar	Mach 1 Global Services, Inc.	Sun Life Assurance Company of Canada

Product Type

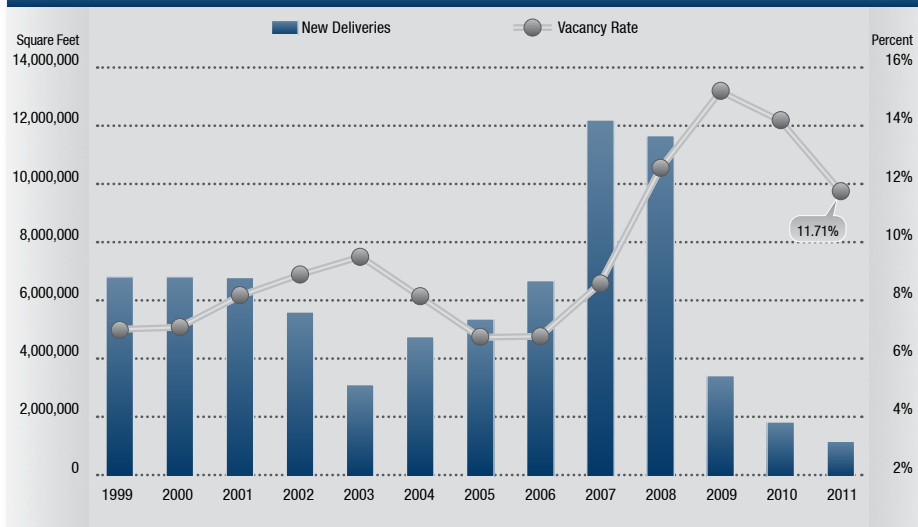
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