



## MARKET CHANGE

Compared to 2013:

**Vacancy**

**DOWN**



**Net Absorption**

**POSITIVE**



**Lease Rates**

**UP**



**Transactions**

**DOWN**



**Deliveries**

**UP**



## HIGHLIGHTS

- **Steady Growth** - The Phoenix industrial market had a decent 2014, posting 7.2 million square feet of positive net absorption, giving the market a total of over 16.8 million square feet of positive absorption for the last eleven quarters. Both vacancy and availability continued their downward trend and lease rates continued to increase.
- **Construction** - At the end of the year, there was 3,922,684 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 300,000 square feet; the remaining construction occurred in the Northwest and Airport Area submarkets.
- **Vacancy** - Direct/sublease space (unoccupied) finished the quarter at 11.39%, an increase of only 3 basis points from the previous quarter and a decrease from 2013's fourth quarter rate of 11.83%. The Northeast submarket posted the lowest rate in the market at 6.93%.
- **Availability** - Direct/sublease space being marketed was 12.90% at the end of the fourth quarter, a decrease of 71 basis points when compared to the previous year's rate of 13.61%. The Northwest submarket presented the lowest availability rate in the market at 8.61%.
- **Lease Rates** - The average asking-triple net lease rate was \$.44 per square foot per month for the fourth quarter, flat from the previous quarter and an increase of one cent compared to 2013's fourth quarter rate. 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, \$.59, was recorded in the first quarter of 2008.
- **Absorption** - The Phoenix industrial market posted 797,556 square feet of positive absorption in the fourth quarter and just under 7.2 million square feet for the year. The Southeast

submarket experienced slightly over 302,000 square feet of the positive absorption in the fourth quarter of 2014.

- **Transaction Activity** - Leasing activity checked in at 1.8 million square feet for the Phoenix industrial market in the fourth quarter of 2014, a decrease when compared to 2014's third quarter figure of 2.47 million square feet. Sales activity also decreased compared to the previous quarter, posting 2.7 million square feet of activity as compared to the third quarter's 2.8 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 5.9% in November 2014, a decrease from January 2014's rate of 6.8%. Sectors with strong job growth included professional and business services, retail trade, health care and manufacturing. 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, November added 86,000 professional and business services jobs, 50,000 in retail trade, 59,000 in health care and 28,000 in manufacturing. The number of jobs has increased in 2014 and we anticipate this trend continuing into 2015.
- **Overall** - We are seeing vacancy and availability stabilize in the Phoenix industrial market as new space gets delivered. While absorption due to demand has been positive, we anticipate rent growth as 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, 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 40 basis points, to below 11.0%, by the end of the third quarter of 2015.

## OVERVIEW

	2014	2013	2012	% of Change vs. 2013
Total Vacancy Rate	11.39%	11.83%	11.22%	(3.72%)
Availability Rate	12.90%	13.61%	13.70%	(5.22%)
Average Asking Lease Rate	\$.44	\$.43	\$.44	2.33%
Sale & Lease Transactions	21,002,493	26,147,957	24,646,164	(19.68%)
Gross Absorption	17,078,361	16,329,140	19,606,825	4.59%
Net Absorption	7,180,563	3,561,957	5,489,609	N/A

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

[www.voitco.com](http://www.voitco.com)

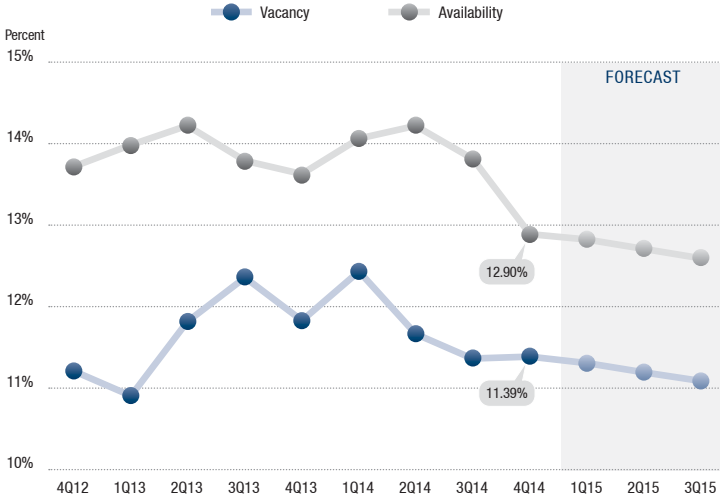
Prepared by:

**Jerry J. Holdner, Jr.**  
Vice President of Market Research  
e-mail: [jholdner@voitco.com](mailto:jholdner@voitco.com)

**Jennifer Farino**  
Market Research Analyst  
e-mail: [jfarino@voitco.com](mailto:jfarino@voitco.com)  
VOIT Real Estate Services

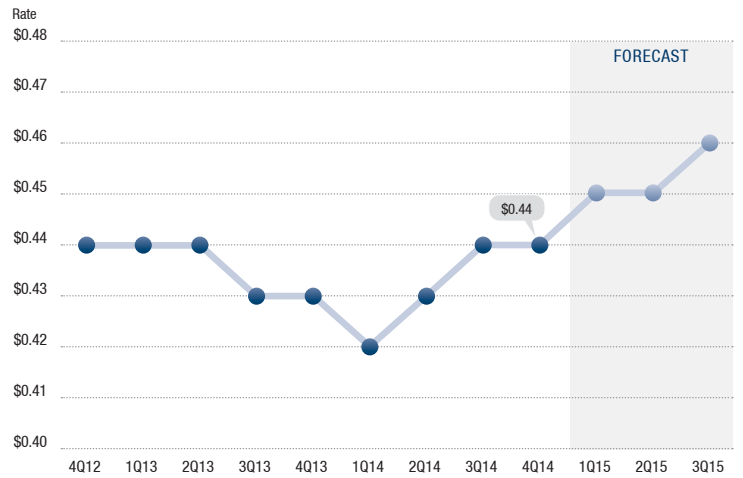
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



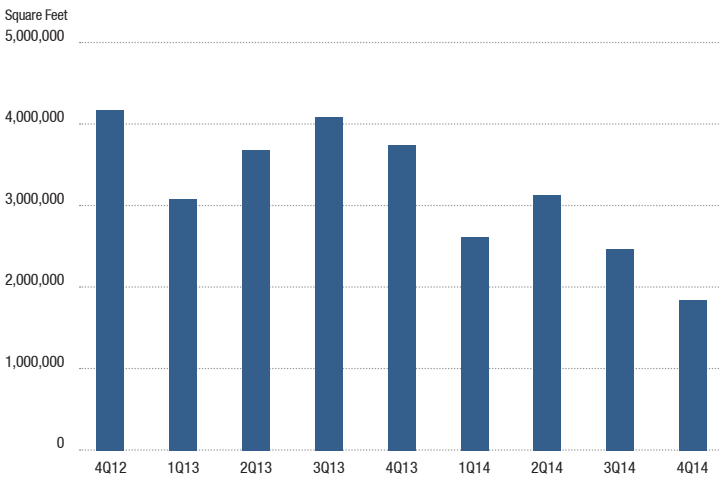
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



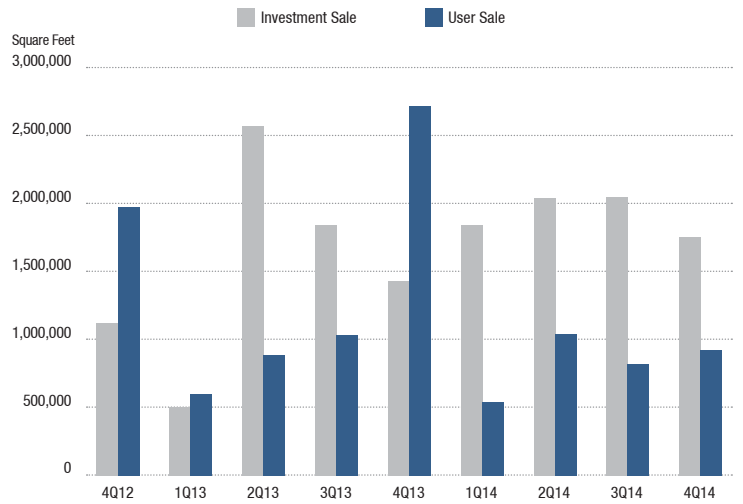
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



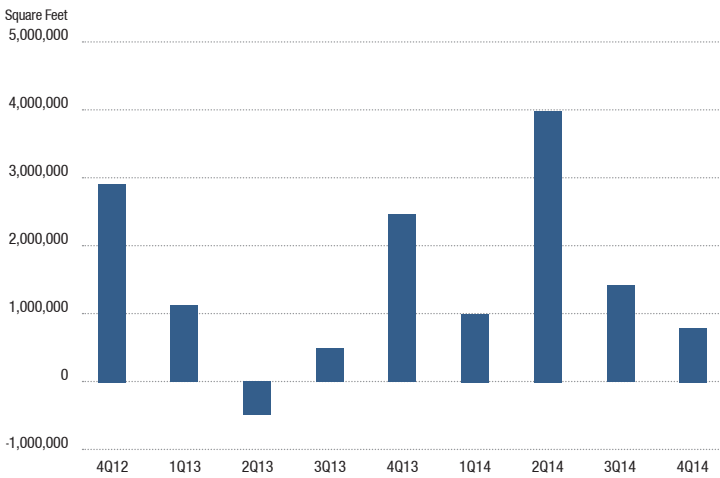
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER



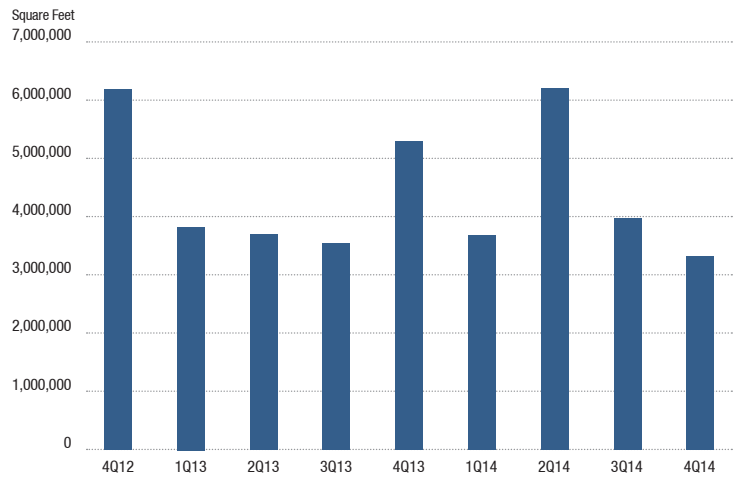
## NET ABSORPTION

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 QO2014	Square Feet Available	Availability Rate QO2014	Average Asking Lease Rate	Net Absorption QO2014	Net Absorption 2014	Gross Absorption QO2014	Gross Absorption 2014
<b>Airport Area</b>													
North Airport	284	10,370,921	62,880	12,000	1,684,404	16.24%	1,836,942	17.71%	\$0.51	54,166	13,775	90,182	546,882
South Airport North of Roeser	325	11,277,646	31,488	847,836	1,347,688	11.95%	1,694,931	15.03%	\$0.49	(20,712)	165,730	115,061	567,400
South Airport South of Roeser	119	3,944,448	155,351	303,000	186,925	4.74%	395,036	10.01%	\$0.56	19,624	296,202	53,423	435,789
SC North of Salt River	360	13,698,013	0	0	1,360,357	9.93%	1,555,831	11.36%	\$0.53	47,780	26,247	167,485	632,873
SC South of Salt River	56	1,646,569	0	0	65,711	3.99%	238,222	14.47%	\$0.37	6,000	4,178	6,000	6,000
General Industrial	281	10,955,444	31,488	319,853	1,468,305	13.40%	1,881,705	17.18%	\$0.55	72,598	193,978	74,542	526,547
Warehouse / Distribution	863	29,982,153	218,231	842,983	3,176,780	10.60%	3,839,257	12.81%	\$0.49	34,260	312,154	357,609	1,662,397
<b>Airport Area Total</b>	<b>1,144</b>	<b>40,937,597</b>	<b>249,719</b>	<b>1,162,836</b>	<b>4,645,085</b>	<b>11.35%</b>	<b>5,720,962</b>	<b>13.97%</b>	<b>\$0.51</b>	<b>106,858</b>	<b>506,132</b>	<b>432,151</b>	<b>2,188,944</b>
<b>Northeast</b>													
Central Phoenix	82	2,284,314	0	0	91,400	4.00%	130,210	5.70%	\$0.65	(9,469)	15,027	10,217	76,982
Scottsdale Airpark	222	4,324,352	0	0	253,999	5.87%	420,812	9.73%	\$0.89	44,033	118,805	72,915	297,636
Scottsdale / Salt River	78	3,557,226	0	64,562	358,756	10.09%	613,776	17.25%	\$0.96	(10,536)	(16,499)	23,391	160,848
General Industrial	89	3,998,438	0	50,000	87,979	2.20%	374,833	9.37%	\$0.91	(6,303)	19,793	0	47,618
Warehouse / Distribution	293	6,167,454	0	14,562	616,176	9.99%	789,965	12.81%	\$0.92	30,331	97,540	106,523	487,848
<b>Northeast Total</b>	<b>382</b>	<b>10,165,892</b>	<b>0</b>	<b>64,562</b>	<b>704,155</b>	<b>6.93%</b>	<b>1,164,798</b>	<b>11.46%</b>	<b>\$0.92</b>	<b>24,028</b>	<b>117,333</b>	<b>106,523</b>	<b>535,466</b>
<b>Northwest</b>													
Deer Valley / Pinnacle Park	409	11,702,063	235,410	59,432	1,028,861	8.79%	1,280,246	10.94%	\$0.65	11,595	90,032	193,887	698,537
Glendale	76	5,653,925	0	3,307,777	786,099	13.90%	939,370	16.61%	\$0.43	(22,486)	627,667	31,321	735,488
Grand Avenue	271	11,547,579	146,000	525,192	803,517	6.96%	295,410	2.56%	\$0.43	928	54,780	60,642	480,092
North Glendale / Sun City	67	2,490,130	0	0	243,571	9.78%	295,410	11.86%	\$0.58	1,607	150,094	13,307	208,504
North Black Canyon	103	2,835,461	0	0	116,395	4.10%	223,244	7.87%	\$0.55	14,272	58,211	28,532	137,674
West Phoenix North of Thomas Road	250	6,478,388	0	0	359,557	5.55%	533,541	8.24%	\$0.29	(20,995)	47,191	90,299	390,472
West Phoenix South of Thomas Road	213	6,257,730	0	0	324,623	5.19%	477,886	7.64%	\$0.40	16,266	61,258	41,304	245,186
General Industrial	363	12,918,084	-289,111	1,575,032	738,896	5.72%	982,721	7.61%	\$0.49	(54,415)	(112,323)	2,487	281,531
Warehouse / Distribution	1,026	34,047,192	670,521	2,317,369	2,923,727	8.59%	3,062,386	8.99%	\$0.52	55,602	1,201,556	456,805	2,614,422
<b>Northwest Total</b>	<b>1,389</b>	<b>46,965,276</b>	<b>381,410</b>	<b>3,892,401</b>	<b>3,662,623</b>	<b>7.80%</b>	<b>4,045,107</b>	<b>8.61%</b>	<b>\$0.52</b>	<b>1,187</b>	<b>1,089,233</b>	<b>459,292</b>	<b>2,895,953</b>
<b>Pinal County</b>													
Pinal County	132	6,991,769	0	669,500	547,468	7.83%	796,519	11.39%	\$0.30	50,215	26,681	80,415	133,374
General Industrial	63	3,938,394	0	0	147,360	3.74%	242,178	6.15%	\$0.33	0	33,200	0	33,200
Warehouse / Distribution	69	3,053,375	0	669,500	400,108	13.10%	554,341	18.16%	\$0.30	50,215	(6,519)	80,415	100,174
<b>Pinal County Total</b>	<b>132</b>	<b>6,991,769</b>	<b>0</b>	<b>669,500</b>	<b>547,468</b>	<b>7.83%</b>	<b>796,519</b>	<b>11.39%</b>	<b>\$0.30</b>	<b>50,215</b>	<b>26,681</b>	<b>80,415</b>	<b>133,374</b>
<b>Southeast</b>													
Chandler Airport	37	1,383,072	649,289	1,262,862	12,325	0.89%	83,031	6.00%	\$0.61	44,579	115,631	44,579	127,699
Chandler	227	16,256,567	385,323	147,473	3,053,738	18.78%	1,327,600	8.17%	\$0.62	126,146	515,831	300,670	1,033,203
Chandler North / Gilbert	439	14,978,982	0	2,902,104	1,740,474	11.62%	2,021,817	13.50%	\$0.58	(145,259)	1,283,244	122,933	2,043,397
Falcon Fld / Apache Junction	96	3,669,987	0	197,378	191,225	5.21%	271,218	7.39%	\$0.59	27,113	68,776	40,830	178,814
Mesa	181	5,792,779	0	222,984	469,528	8.11%	651,032	11.24%	\$0.77	50,306	129,001	88,975	309,822
Tempe East	171	4,696,835	0	50,000	359,533	7.65%	321,651	6.85%	\$0.57	62,915	72,423	110,175	363,757
Tempe Northwest	219	8,078,754	0	215,000	1,342,170	16.61%	1,188,677	14.71%	\$0.48	10,454	37,269	70,292	376,749
Tempe Southwest	422	17,605,541	0	160,000	1,329,752	7.55%	1,812,740	10.30%	\$0.51	126,629	503,295	360,393	1,261,510
General Industrial	469	28,970,746	274,969	3,522,926	4,259,483	14.70%	2,429,313	8.39%	\$0.62	161,752	1,647,244	358,211	2,452,788
Warehouse / Distribution	1,323	43,491,771	759,643	1,634,875	4,239,262	9.75%	5,248,453	12.07%	\$0.55	141,131	1,078,226	780,636	3,242,163
<b>Southeast Total</b>	<b>1,792</b>	<b>72,462,517</b>	<b>1,034,612</b>	<b>5,157,801</b>	<b>8,498,745</b>	<b>11.73%</b>	<b>7,677,766</b>	<b>10.60%</b>	<b>\$0.57</b>	<b>302,883</b>	<b>2,725,470</b>	<b>1,138,847</b>	<b>5,694,951</b>
<b>Southwest</b>													
Goodyear	91	9,211,414	347,000	14,359,468	1,198,904	13.02%	1,355,063	14.71%	\$0.39	52,581	809,777	62,877	972,437
Southwest North of Buckeye Road	532	31,245,058	659,615	2,895,086	3,618,647	11.58%	5,302,639	16.97%	\$0.37	50,242	582,289	392,588	2,024,295
Southwest South of Buckeye Road	186	15,340,088	0	1,306,490	2,776,704	18.10%	3,191,384	20.80%	\$0.36	5,046	547,033	233,885	804,222
Tolleson	180	30,377,095	1,250,328	6,619,345	4,382,739	14.43%	4,761,023	15.67%	\$0.36	204,516	776,615	395,545	1,828,719
General Industrial	256	14,960,476	844,420	10,054,197	1,871,279	12.51%	2,496,732	16.69%	\$0.42	200,951	1,059,210	377,435	1,606,771
Warehouse / Distribution	733	71,213,179	1,412,523	15,126,192	10,105,715	14.19%	12,113,377	17.01%	\$0.36	111,434	1,656,504	707,460	3,689,902
<b>Southwest Total</b>	<b>989</b>	<b>86,173,655</b>	<b>2,256,943</b>	<b>25,180,389</b>	<b>11,976,994</b>	<b>13.90%</b>	<b>14,610,109</b>	<b>16.95%</b>	<b>\$0.37</b>	<b>312,385</b>	<b>2,715,714</b>	<b>1,084,895</b>	<b>5,629,673</b>
General Industrial Total	1,521	75,741,582	1,532,287	15,522,008	8,573,302	11.32%	8,407,482	11.10%	\$0.52	374,583	2,841,102	812,675	4,948,455
Warehouse / Distribution Total	4,307	187,955,124	2,390,397	20,605,481	21,461,768	11.42%	25,607,779	13.62%	\$0.43	422,973	4,339,431	2,489,448	12,134,906
<b>Phoenix Total</b>	<b>5,828</b>	<b>263,696,706</b>	<b>3,922,684</b>	<b>36,127,489</b>	<b>30,035,070</b>	<b>11.39%</b>	<b>34,015,261</b>	<b>12.90%</b>	<b>\$0.44</b>	<b>797,556</b>	<b>7,180,563</b>	<b>3,302,123</b>	<b>17,078,361</b>
10,000-29,999	3,740	63,240,948	14,940	424,489	4,937,761	7.81%	6,788,704	10.73%	\$0.57	213,673	870,271	960,098	4,012,356
30,000-49,999	946	35,901,791	78,722	713,504	3,319,759	9.25%	4,178,933	11.64%	\$0.52	316,452	511,575	695,303	2,301,064
50,000-99,999	665	45,791,271	737,905	2,413,954	4,824,795	10.54%	6,305,856	13.77%	\$0.50	145,017	935,797	789,686	3,220,547
100,000-199,999	294	39,629,465	871,174	4,803,402	5,556,952	14.02%	6,707,558	16.93%	\$0.46	161,555	688,172	699,453	2,439,831
200,000-299,999	84	20,507,394	0	2,037,604	2,299,850	11.21%	2,652,064	12.93%	\$0.35	94,355	420,352	124,359	811,739
300,000 Plus	99	58,625,837	2,219,943	25,734,536	9,095,953	15.52%	7,382,146	12.59%	\$0.35	(133,496)	3,754,396	33,224	4,292,824
<b>Phoenix Total</b>	<b>5,828</b>	<b>263,696,706</b>	<b>3,922,684</b>	<b>36,127,489</b>	<b>30,035,070</b>	<b>11.39%</b>	<b>34,015,261</b>	<b>12.90%</b>	<b>\$0.44</b>	<b>797,556</b>	<b>7,180,563</b>	<b>3,302,123</b>	<b>17,078,361</b>

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

## MAJOR TRANSACTIONS OF 2014

### 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
1000 E. Bell Rd. – 2 Properties	Deer Valley/Pinnacle Peak	545,000	\$13.39	Evergreen Devco, Inc.	Western Digital (Fremont), LLC
1635 S. 43rd Ave.	SW S. of Buckeye Rd.	394,775	\$53.50	Cohen Asset Management	Tratt Properties, LLC
2415 S. Roosevelt St. – 5 Properties	Tempe Southwest	355,371	\$74.43	DCT Industrial Trust	Deutsche Asset & Wealth Management
2225 S. 43rd Ave.	SW S. of Buckeye Rd.	250,796	\$52.63	Exeter Property Group	Prologis
8313 W. Latham St.	Tolleson	242,863	\$60.08	Cohen Asset Management, Inc.	EG Properties, LLC

### Lease Transactions

Property Address	City	Square Feet	Transaction Date	Tenant	Owner
402 S. 54th Pl.	Tempe Northwest	248,900	Oct-14	Youngs Market Company	First Beverage Capital
4550 W. Watkins St.	SW S. of Buckeye Rd.	181,760	Jul-14	OMCO Solar, Inc.	Kansas City Life Insurance
5670 S. 32nd St.	S. Airport S. of Roeser	109,060	Sep-14	LKQ Corporation	Connor Commercial Real Estate
2225 S. 75th Ave.	Tolleson	93,489	Apr-14	Benson Industries	Clarion Partners
3401 W. Papago St.	SW S. of Buckeye	88,488	May-14	HBI International	Cabot II- AZ1M01, LLC
7825 S. Hardy Dr.	Tempe Southwest	78,996	Jun-14	Humana	Transpacific Development Company

## PRODUCT TYPE

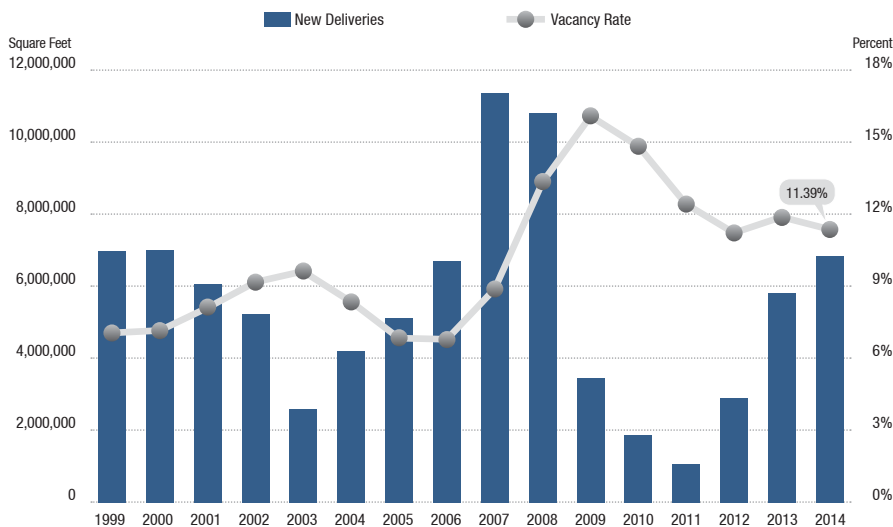
### MFG./DIST.

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

To view available properties, please visit:

[www.voitco.com](http://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](http://www.voitco.com)



REAL ESTATE SERVICES

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.

©2015 Voit Real Estate Services, Inc. Real People. Real Solutions.® is a registered trademark of Voit Real Estate Services.