

# The CoStar Industrial Report

Year-End 2014

## Phoenix Industrial Market



## Table of Contents

Table of Contents . . . . .	<b>A</b>
Methodology . . . . .	<b>B</b>
Terms & Definitions . . . . .	<b>C</b>
Market Highlights & Overview . . . . .	<b>1</b>
CoStar Markets & Submarkets . . . . .	<b>4</b>
Inventory & Development Analysis . . . . .	<b>5</b>
Inventory & Development Analysis	
Select Top Deliveries	
Select Top Under Construction Properties	
Figures at a Glance . . . . .	<b>9</b>
Figures at a Glance by Building Type & Market	
Figures at a Glance by Building Type & Submarket	
Historical Figures at a Glance	
Leasing Activity Analysis . . . . .	<b>13</b>
Select Top Lease Transactions	
Sales Activity Analysis . . . . .	<b>15</b>
Sales Activity Analysis	
Select Top Sales Transactions	
Analysis of Individual CoStar Submarket Clusters . . . . .	<b>17</b>
Airport Market	
Northeast Market	
Northwest Market	
Southeast Market	
Southwest Market	

## Methodology

The CoStar Industrial Report calculates Industrial statistics using CoStar Group's base of existing, under construction and under renovation Industrial buildings in each given metropolitan area. All Industrial building types are included, including warehouse, flex/research & development, distribution, manufacturing, industrial showroom, and service buildings, in both single-tenant and multi-tenant buildings, including owner-occupied buildings. CoStar Group's national database includes approximately 80.7 billion square feet of coverage in 3.5 million properties. All rental rates reported in the CoStar Industrial Report are calculated using the quoted rental rate for each property. The quoted rental rate is exclusive of the expense pass through associated with the rent.

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**CoStar Group, Inc.**

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## Terms & Definitions

**Availability Rate:** The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

**Available Space:** The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

**Build-to-Suit:** A term describing a particular property, developed specifically for a certain tenant to occupy, with structural features, systems, or improvement work designed specifically for the needs of that tenant. A build-to-suit can be leased or owned by the tenant. In a leased build-to-suit, a tenant will usually have a long term lease on the space.

**Buyer:** The individual, group, company, or entity that has purchased a commercial real estate asset.

**Cap Rate:** Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

**CBD:** Abbreviation for Central Business District. (See also: Central Business District)

**Central Business District:** The designations of Central Business District (CBD) and Suburban refer to a particular geographic area within a metropolitan statistical area (MSA) describing the level of real estate development found there. The CBD is characterized by a high density, well organized core within the largest city of a given MSA.

**Class A:** A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

**Class B:** A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Class C:** A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

**Construction Starts:** Buildings that began construction during a specific period of time. (See also: Deliveries)

**Contiguous Blocks of Space:** Space within a building that is, or is able to be joined together into a single contiguous space.

**Deliveries:** Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certi-

cate of occupancy must have been issued for the property.

**Delivery Date:** The date a building completes construction and receives a certificate of occupancy.

**Developer:** The company, entity or individual that transforms raw land to improved property by use of labor, capital and entrepreneurial efforts.

**Direct Space:** Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

**Existing Inventory:** The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

**Flex Building:** A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

**Full Service Rental Rate:** Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

**Gross Absorption:** The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing activity, which is the sum of all space leased over a certain period of time. Unless otherwise noted Gross Absorption includes direct and sublease space.

**Growth in Inventory:** The change in size of the existing square footage in a given area over a given period of time, generally due to the construction of new buildings.

**Industrial Building:** A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

**Landlord Rep:** (Landlord Representative) In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the owner/landlord is referred to as the Landlord Rep.

**Leased Space:** All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

**Leasing Activity:** The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

**Market:** Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets)

**Multi-Tenant:** Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different

tenant needs. (See also: Tenancy).

**Net Absorption:** The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

**Net Rental Rate:** A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

**New Space:** Sometimes called first generation space, refers to space that has never been occupied and/or leased by a tenant.

**Occupied Space:** Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

**Office Building:** A type of commercial building used exclusively or primarily for office use (business), as opposed to manufacturing, warehousing, or other uses. Office buildings may sometimes have other associated uses within part of the building, i.e., retail sales, financial, or restaurant, usually on the ground floor.

**Owner:** The company, entity, or individual that holds title on a given building or property.

**Planned/Proposed:** The status of a building that has been announced for future development but not yet started construction.

**Preleased Space:** The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

**Price/SF:** Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

**Property Manager:** The company and/or person responsible for the day-to-day operations of a building, such as cleaning, trash removal, etc. The property manager also makes sure that the various systems within the building, such as the elevators, HVAC, and electrical systems, are functioning properly.

**Quoted Rental Rate:** The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.

**RBA:** Abbreviation for Rentable Building Area. (See also: Rentable Building Area)

**Region:** Core areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

**Relet Space:** Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

**Rentable Building Area:** (RBA) The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

**Rental Rates:** The annual costs of occupancy for a particular space quoted on a per square foot basis.

**Sales Price:** The total dollar amount paid for a particular property at a particular point in time.

**Sales Volume:** The sum of sales prices for a given group of buildings in a given time period.

**Seller:** The individual, group, company, or entity that sells a particular commercial real estate asset.

**SF:** Abbreviation for Square Feet.

**Single-Tenant:** Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy)

**Sublease Space:** Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

**Submarkets:** Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

**Suburban:** The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD. (See also: CBD)

**Tenancy:** A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

**Tenant Rep:** Tenant Rep stands for Tenant Representative. In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the tenant is referred to as a Tenant Rep.

**Time On Market:** A measure of how long a currently available space has been marketed for lease, regardless of whether it is vacant or occupied.

**Under Construction:** Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building under construction, the site must have a concrete foundation in place. Abbreviated UC.

**Vacancy Rate:** A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

**Vacant Space:** Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

**Weighted Average Rental Rate:** Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

**Year Built:** The year in which a building completed construction and was issued a certificate of occupancy.

**YTD:** Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

## Phoenix's Vacancy Increases to 11.8%

### Net Absorption Positive 619,372 SF in the Quarter

The Phoenix Industrial market ended the fourth quarter 2014 with a vacancy rate of 11.8%. The vacancy rate was up over the previous quarter, with net absorption totaling positive 619,372 square feet in the fourth quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,752,913 square feet. Rental rates ended the fourth quarter at \$6.62, an increase over the previous quarter. A total of 14 buildings delivered to the market in the quarter totaling 1,069,221 square feet, with 3,986,684 square feet still under construction at the end of the quarter.

#### Absorption

Net absorption for the overall Phoenix Industrial market was positive 619,372 square feet in the fourth quarter 2014. That compares to positive 2,080,033 square feet in the third quarter 2014, positive 4,295,347 square feet in the second quarter 2014, and positive 781,392 square feet in the first quarter 2014.

The Flex building market recorded net absorption of negative (117,771) square feet in the fourth quarter 2014, compared to positive 470,743 square feet in the third quarter 2014, positive 312,513 in the second quarter 2014, and negative (195,905) in the first quarter 2014.

The Warehouse building market recorded net absorption of positive 737,143 square feet in the fourth quarter 2014 compared to positive 1,609,290 square feet in the third quarter 2014, positive 3,982,834 in the second quarter 2014, and positive 977,297 in the first quarter 2014.

#### Vacancy

The Industrial vacancy rate in the Phoenix market area increased to 11.8% at the end of the fourth quarter 2014. The vacancy rate was 11.7% at the end of the third quarter 2014, 12.4% at the end of the second quarter 2014, and 13.0% at the end of the first quarter 2014.

Flex projects reported a vacancy rate of 18.2% at the end of the fourth quarter 2014, 17.6% at the end of the third quarter 2014, 19.1% at the end of the second quarter 2014, and 20.0% at the end of the first quarter 2014.

Warehouse projects reported a vacancy rate of 11.0% at the end of the fourth quarter 2014, 11.0% at the end of third quarter 2014, 11.4% at the end of the second quarter 2014, and 12.1% at the end of the first quarter 2014.

#### Largest Lease Signings

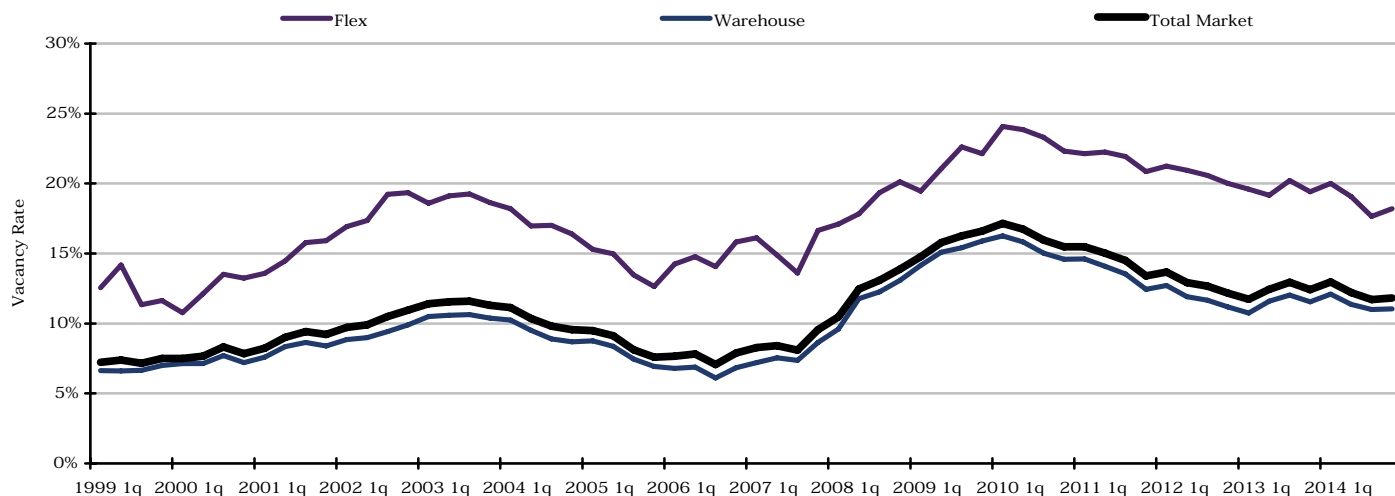
The largest lease signings occurring in 2014 included: the 248,900-square-foot lease signed by Youngs Market Company at 402 S 54th Pl in the Southeast market; the 181,760-square-foot deal signed by OMCO Solar, Inc. at 4550 W Watkins St in the Southwest market; and the 110,000-square-foot lease signed by Computershare at 2900 S Diablo Way - Diablo Technology Center - Bldg A in the Southeast market.

#### Sublease Vacancy

The amount of vacant sublease space in the Phoenix market decreased to 1,752,913 square feet by the end of the fourth quarter 2014, from 2,116,406 square feet at the end of the third quarter 2014. There was 2,035,031 square feet vacant

## Vacancy Rates by Building Type

1999-2014



Source: CoStar Property®

at the end of the second quarter 2014 and 2,046,449 square feet at the end of the first quarter 2014.

Phoenix's Flex projects reported vacant sublease space of 246,924 square feet at the end of fourth quarter 2014, up from the 227,325 square feet reported at the end of the third quarter 2014. There were 251,635 square feet of sublease space vacant at the end of the second quarter 2014, and 268,182 square feet at the end of the first quarter 2014.

Warehouse projects reported decreased vacant sublease space from the third quarter 2014 to the fourth quarter 2014. Sublease vacancy went from 1,889,081 square feet to 1,505,989 square feet during that time. There were 1,783,396 square feet at the end of the second quarter 2014, and 1,778,267 square feet at the end of the first quarter 2014.

### Rental Rates

The average quoted asking rental rate for available Industrial space was \$6.62 per square foot per year at the end of the fourth quarter 2014 in the Phoenix market area. This represented a 1.1% increase in quoted rental rates from the end of the third quarter 2014, when rents were reported at \$6.55 per square foot.

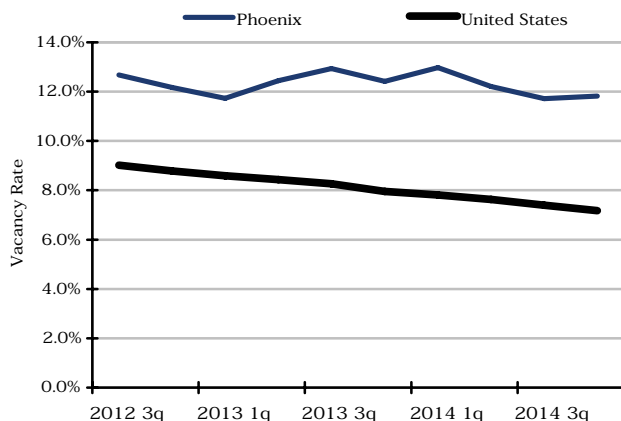
The average quoted rate within the Flex sector was \$12.13 per square foot at the end of the fourth quarter 2014, while Warehouse rates stood at \$5.61. At the end of the third quarter 2014, Flex rates were \$12.01 per square foot, and Warehouse rates were \$5.52.

### Deliveries and Construction

During the fourth quarter 2014, 14 buildings totaling 1,069,221 square feet were completed in the Phoenix market area. This compares to seven buildings totaling 677,658 square feet that were completed in the third quarter 2014, 12 buildings totaling 2,379,221 square feet completed in the second quarter 2014, and 2,790,757 square feet in three buildings completed in the first quarter 2014.

## U.S. Vacancy Comparison

Past 10 Quarters



Source: CoStar Property®

There were 3,986,684 square feet of Industrial space under construction at the end of the fourth quarter 2014.

Some of the notable 2014 deliveries include: 4500 S Dobson Rd - FAB 42 - Intel Corp., a 2,145,757-square-foot facility that delivered in first quarter 2014 and is now 100% occupied, and 7502 W Durango St - WinCo Warehouse, an 800,000-square-foot building that delivered in second quarter 2014 and is now 100% occupied.

The largest projects underway at the end of fourth quarter 2014 were 7775 W Buckeye Rd - Southwest Industrial Center - Bldg 1, a 684,420-square-foot building with 0% of its space pre-leased, and 10 West Logistics Center - Bldg A, a 659,615-square-foot facility that is 0% pre-leased.

### Inventory

Total Industrial inventory in the Phoenix market area amounted to 307,235,915 square feet in 9,941 buildings as of the end of the fourth quarter 2014. The Flex sector consisted of 33,366,578 square feet in 1,134 projects. The Warehouse sector consisted of 273,869,337 square feet in 8,807 buildings. Within the Industrial market there were 2,192 owner-occupied buildings accounting for 93,154,526 square feet of Industrial space.

### Sales Activity

Tallying industrial building sales of 15,000 square feet or larger, Phoenix industrial sales figures rose during the third quarter 2014 in terms of dollar volume compared to the second quarter of 2014.

In the third quarter, 61 industrial transactions closed with a total volume of \$380,370,257. The 61 buildings totaled 3,951,636 square feet and the average price per square foot equated to \$96.26 per square foot. That compares to 51 transactions totaling \$227,755,141 in the second quarter. The total square footage was 3,210,708 for an average price per square foot of \$70.94.

Total year-to-date industrial building sales activity in 2014 is up compared to the previous year. In the first nine months of 2014, the market saw 152 industrial sales transactions with a total volume of \$764,608,970. The price per square foot has averaged \$79.60 this year. In the first nine months of 2013, the market posted 126 transactions with a total volume of \$623,531,827. The price per square foot averaged \$72.91.

Cap rates have been lower in 2014, averaging 7.45%, compared to the first nine months of last year when they averaged 7.90%.

# Phoenix Industrial Market

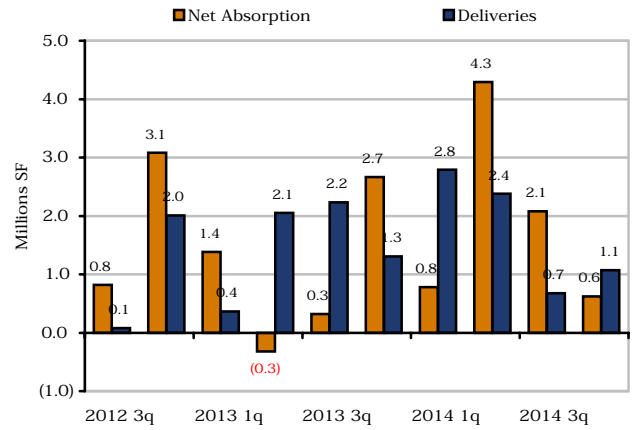
Overview

One of the largest transactions that has occurred within the last four quarters in the Phoenix market is the sale of two DataCenters at 615 N 48th St. in Phoenix and 8521 E Princess Dr in Scottsdale. These 652,856-square-foot industrial buildings sold for \$125,000,000, or \$191.47 per square foot. The property sold on 8/27/2014.

Reports compiled by: Adam Jarrett, CoStar Research Manager; Tom Summers, CoStar Research Manager.

## Absorption & Deliveries

Past 10 Quarters



Source: CoStar Property®



## CoStar Submarket Clusters & Submarkets

In analyzing metropolitan areas, CoStar has developed geographic designations to help group properties together, called Markets, Submarket Clusters and Submarkets. Markets are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Markets are then divided into Submarket Clusters, which are core areas within a metropolitan area that are known to be competitive with each other in terms of attracting and keeping tenants. Markets are then further subdivided into smaller units called Submarkets, which serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted competitive set, or peer group.

Submarket Clusters	Submarkets
Airport Ind	North Airport Ind S Airport N of Roeser Ind S Airport S of Roeser Ind SC N of Salt River Ind SC S of Salt River Ind
Northeast Ind	Central Phoenix Ind Scottsdale Airpark Ind Scottsdale/Salt River Ind
Northwest Ind	Deer Vly/Pinnacle Pk Ind Glendale Ind Grand Avenue Ind N Glendale/Sun City Ind North Black Canyon Ind W Phx N of Thomas Rd Ind W Phx S of Thomas Rd Ind
Southeast Ind	Chandler Airport Ind Chandler Ind Chandler N/Gilbert Ind Falcon Fld/Apache Jct Ind Mesa Ind Tempe East Ind Tempe Northwest Ind Tempe Southwest Ind
Southwest Ind	Goodyear Ind SW N of Buckeye Road Ind SW S of Buckeye Road Ind Tolleson Ind

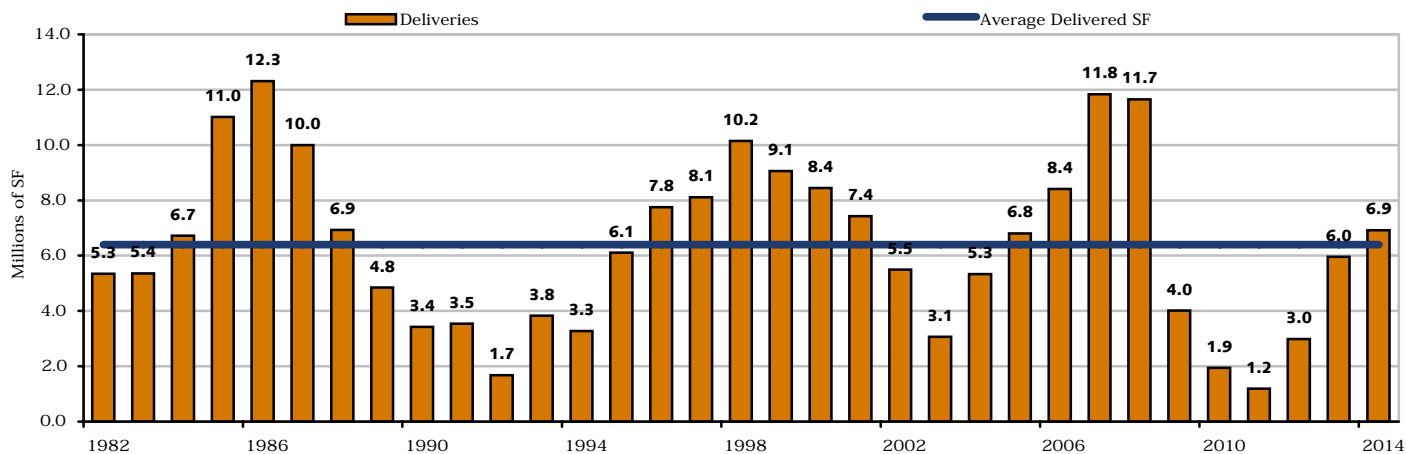
# Phoenix Industrial Market



Inventory & development

## Historical Deliveries

1982 - 2014



Source: CoStar Property® \* Future deliveries based on current under construction buildings.

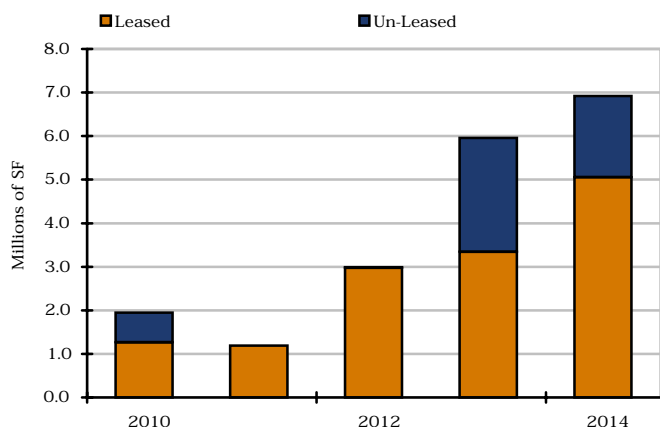
## CONSTRUCTION ACTIVITY Markets Ranked by Under Construction RBA

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Released SF	Released %	All Existing	U/C
Southwest Ind	5	2,256,943	731,518	32.4%	66,288	451,389
Southeast Ind	12	1,098,612	697,292	63.5%	29,112	91,551
Northwest Ind	5	381,410	160,940	42.2%	23,121	76,282
Airport Ind	3	249,719	108,746	43.5%	24,534	83,240
Northeast Ind	0	0	0	0.0%	19,870	0
<b>Totals</b>	<b>25</b>	<b>3,986,684</b>	<b>1,698,496</b>	<b>42.6%</b>	<b>30,906</b>	<b>159,467</b>

Source: CoStar Property®

## Recent Deliveries

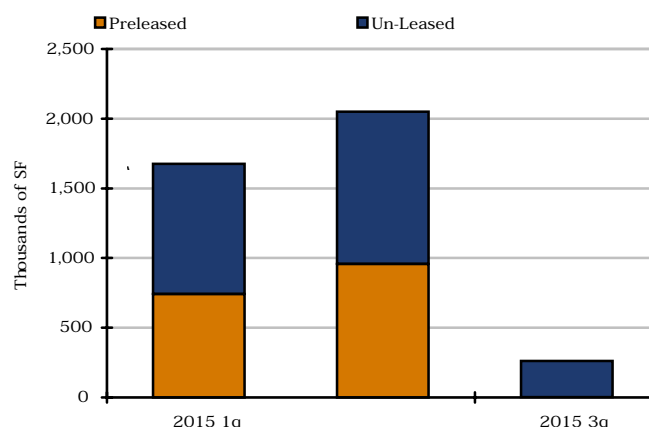
Leased & Un-Leased SF in Deliveries Since 2010



Source: CoStar Property®

## Future Deliveries

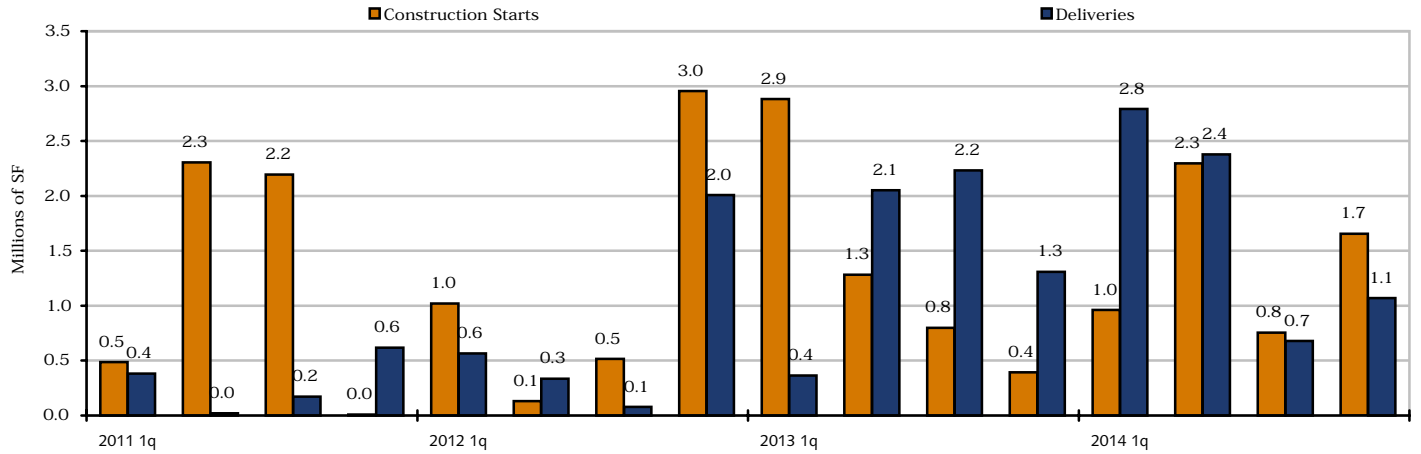
Released & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

## Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

## RECENT DELIVERIES BY PROJECT SIZE Breakdown of Year-to-Date Development Based on RBA of Project

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	17	273,018	88,854	32.5%	\$8.34	190,876	82,142
50,000 SF - 99,999 SF	8	604,601	215,238	35.6%	\$7.62	164,766	439,835
100,000 SF - 249,999 SF	3	436,037	120,185	27.6%	\$7.80	0	436,037
250,000 SF - 499,999 SF	4	1,360,395	1,082,234	79.6%	\$0.00	1,082,234	278,161
>= 500,000 SF	4	4,242,806	3,545,757	83.6%	\$0.00	4,242,806	0

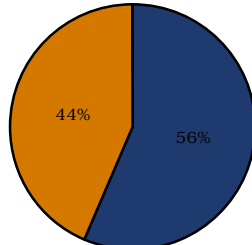
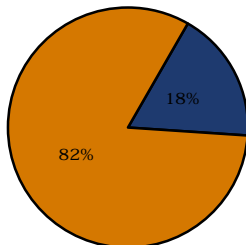
Source: CoStar Property®

## Recent Development by Tenancy

Based on RBA Developed for Single & Multi-Tenant Use

2014 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

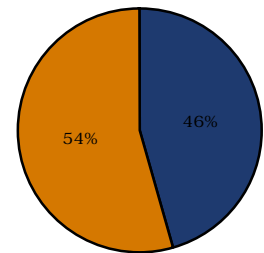
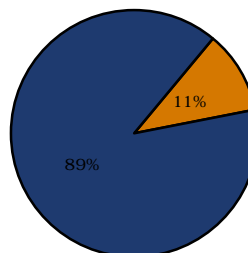
Source: CoStar Property®

## Existing Inventory Comparison

Based on Total RBA

By Building Type

By Tenancy Type



■ Flex ■ Warehouse

■ Multi ■ Single

Source: CoStar Property®

## Phoenix Industrial Market

Inventory &amp; development

## Select Year-to-Date Deliveries

Based on Project Square Footage

- |  |   |  |
|--|---|--|
| <p><b>1. 4500 S Dobson Rd - FAB 42 - Intel Corp.</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>2,145,757</b><br/> Occupied: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Third Quarter 2011</b><br/> Deliv Date: <b>First Quarter 2014</b><br/> Leasing Co: <b>N/A</b><br/> Developer: <b>N/A</b></p>                           | <p><b>2. 7502 W Durango St - WinCo Warehouse</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>800,000</b><br/> Occupied: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Second Quarter 2013</b><br/> Deliv Date: <b>Second Quarter 2014</b><br/> Leasing Co: <b>WinCo Foods, Inc.</b><br/> Developer: <b>N/A</b></p>                        | <p><b>3. 8585 W Buckeye Rd</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>697,049</b><br/> Occupied: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Third Quarter 2013</b><br/> Deliv Date: <b>Second Quarter 2014</b><br/> Leasing Co: <b>JLL</b><br/> Developer: <b>Five Star Development</b></p>                             |
| <p><b>4. 5801 N 99th Ave - American Furniture</b></p> <p>Submarket: <b>Northwest Industrial Market</b><br/> RBA: <b>600,000</b><br/> Occupied: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>Third Quarter 2014</b><br/> Leasing Co: <b>American Furniture</b><br/> Developer: <b>N/A</b></p>                | <p><b>5. 6600 W Latham St - Living Spaces</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>437,234</b><br/> Occupied: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Second Quarter 2013</b><br/> Deliv Date: <b>Second Quarter 2014</b><br/> Leasing Co: <b>Ryan Companies US, Inc.</b><br/> Developer: <b>Ryan Companies US, Inc.</b></p> | <p><b>6. 16575 W Commerce Dr - Macy's Expansion</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>360,000</b><br/> Occupied: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>First Quarter 2013</b><br/> Deliv Date: <b>First Quarter 2014</b><br/> Leasing Co: <b>Macy's Distributio Center</b><br/> Developer: <b>N/A</b></p>          |
| <p><b>7. 5000 W Chandler Blvd - Intel Corp.</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>285,000</b><br/> Occupied: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Third Quarter 2012</b><br/> Deliv Date: <b>First Quarter 2014</b><br/> Leasing Co: <b>Intel Corporation</b><br/> Developer: <b>N/A</b></p>                    | <p><b>8. 3000 S 24th St - Airport - I-10 Business Park</b></p> <p>Submarket: <b>Airport Industrial Market</b><br/> RBA: <b>278,161</b><br/> Occupied: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>Fourth Quarter 2014</b><br/> Leasing Co: <b>JLL</b><br/> Developer: <b>Wentworth Property</b></p>          | <p><b>9. 3000 S 24th St - Airport - I-10 Business Park</b></p> <p>Submarket: <b>Airport Industrial Market</b><br/> RBA: <b>169,620</b><br/> Occupied: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>Fourth Quarter 2014</b><br/> Leasing Co: <b>JLL</b><br/> Developer: <b>Wentworth Property</b></p>     |
| <p><b>10. 3000 S 24th St - Airport - I-10 Business Park</b></p> <p>Submarket: <b>Airport Industrial Market</b><br/> RBA: <b>156,877</b><br/> Occupied: <b>41%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>Fourth Quarter 2014</b><br/> Leasing Co: <b>JLL</b><br/> Developer: <b>Wentworth Property</b></p> | <p><b>11. 1495 E Baseline Rd</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>109,540</b><br/> Occupied: <b>51%</b><br/> Quoted Rate: <b>\$7.80</b><br/> Grnd Brk Date: <b>First Quarter 2014</b><br/> Deliv Date: <b>Second Quarter 2014</b><br/> Leasing Co: <b>Commercial Properties, Inc.</b><br/> Developer: <b>N/A</b></p>                             | <p><b>12. 7600 W Van Buren St - Americold</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>94,230</b><br/> Occupied: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Third Quarter 2013</b><br/> Deliv Date: <b>Second Quarter 2014</b><br/> Leasing Co: <b>AmeriCold Logistics, LLC</b><br/> Developer: <b>EJM Development Co.</b></p> |
| <p><b>13. 425 E Pinnacle Peak Rd - Pinnacle 7</b></p> <p>Submarket: <b>Northwest Industrial Market</b><br/> RBA: <b>90,575</b><br/> Occupied: <b>0%</b><br/> Quoted Rate: <b>\$7.32</b><br/> Grnd Brk Date: <b>Fourth Quarter 2013</b><br/> Deliv Date: <b>Second Quarter 2014</b><br/> Leasing Co: <b>CBRE</b><br/> Developer: <b>The Mack Company</b></p>                | <p><b>14. 485 N Juniper Dr - Chandler Corporate Center</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>81,768</b><br/> Occupied: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>Fourth Quarter 2014</b><br/> Leasing Co: <b>Colliers International</b><br/> Developer: <b>N/A</b></p>     | <p><b>15. 525 E Pinnacle Peak Rd - Pinnacle 7</b></p> <p>Submarket: <b>Northwest Industrial Market</b><br/> RBA: <b>78,281</b><br/> Occupied: <b>0%</b><br/> Quoted Rate: <b>\$7.32</b><br/> Grnd Brk Date: <b>Fourth Quarter 2013</b><br/> Deliv Date: <b>Second Quarter 2014</b><br/> Leasing Co: <b>CBRE</b><br/> Developer: <b>The Mack Company</b></p>                  |

## Select Top Under Construction Properties

Based on Project Square Footage

- |  |   |  |
|--|---|--|
| <p><b>1. 7775 W Buckeye Rd - SW Ind Center - Bldg 1</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>684,420</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>\$4.32</b><br/> Grnd Brk Date: <b>First Quarter 2014</b><br/> Deliv Date: <b>First Quarter 2015</b><br/> Leasing Co: <b>CBRE</b><br/> Developer: <b>N/A</b></p>                                     | <p><b>2. 10 West Logistics Center - Bldg A</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>659,615</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Fourth Quarter 2014</b><br/> Deliv Date: <b>Second Quarter 2015</b><br/> Leasing Co: <b>Cassidy Turley</b><br/> Developer: <b>N/A</b></p>                 | <p><b>3. 777 S 79th Ave - PepsiCo</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>565,908</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Third Quarter 2014</b><br/> Deliv Date: <b>Second Quarter 2015</b><br/> Leasing Co: <b>N/A</b><br/> Developer: <b>Merit Partners, Inc.</b></p>                     |
| <p><b>4. NWC Gilbert Rd &amp; Queen Creek Rd</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>310,000</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>Second Quarter 2015</b><br/> Leasing Co: <b>Colliers International</b><br/> Developer: <b>N/A</b></p>                         | <p><b>5. N 127th Ave - Coldwater Depot - Phase III</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>187,000</b><br/> Preleased: <b>3%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Fourth Quarter 2014</b><br/> Deliv Date: <b>Second Quarter 2015</b><br/> Leasing Co: <b>CBRE</b><br/> Developer: <b>Trammell Crow Company</b></p> | <p><b>6. S Litchfield Rd - Cookson Doors</b></p> <p>Submarket: <b>Southwest Industrial Market</b><br/> RBA: <b>160,000</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Fourth Quarter 2013</b><br/> Deliv Date: <b>First Quarter 2015</b><br/> Leasing Co: <b>The Cookson Company, Inc.</b><br/> Developer: <b>N/A</b></p>         |
| <p><b>7. 5670 S 32nd St - Canal Crossing Logistics</b></p> <p>Submarket: <b>Airport Industrial Market</b><br/> RBA: <b>155,351</b><br/> Preleased: <b>70%</b><br/> Quoted Rate: <b>\$6.84</b><br/> Grnd Brk Date: <b>Fourth Quarter 2014</b><br/> Deliv Date: <b>First Quarter 2015</b><br/> Leasing Co: <b>Lee &amp; Associates</b><br/> Developer: <b>McShane Construction Co.</b></p> | <p><b>8. 4455 W Camelback Rd - Dreamfoam Bedding</b></p> <p>Submarket: <b>Northwest Industrial Market</b><br/> RBA: <b>146,000</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Third Quarter 2014</b><br/> Deliv Date: <b>First Quarter 2015</b><br/> Leasing Co: <b>Brydant Inc.</b><br/> Developer: <b>N/A</b></p>                    | <p><b>9. 202 S Kyrene Rd - Kyrene 202 - VI</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>122,823</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Fourth Quarter 2014</b><br/> Deliv Date: <b>Third Quarter 2015</b><br/> Leasing Co: <b>Eastgroup Properties, Inc.</b><br/> Developer: <b>N/A</b></p> |
| <p><b>10. 6805 W Morelos Pl - Rinchem Company</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>100,000</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>First Quarter 2015</b><br/> Leasing Co: <b>Rinchem Company, Inc.</b><br/> Developer: <b>N/A</b></p>                          | <p><b>11. 6877 W Frye Rd - Av-Air</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>92,500</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>First Quarter 2015</b><br/> Leasing Co: <b>AV-Air, Inc.</b><br/> Developer: <b>Sun State Builders</b></p>                    | <p><b>12. 330 E Germann Rd - Park Lucero - Bldg B</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>88,000</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Fourth Quarter 2014</b><br/> Deliv Date: <b>First Quarter 2015</b><br/> Leasing Co: <b>JLL</b><br/> Developer: <b>N/A</b></p>                  |
| <p><b>13. Lone Cactus Rd - Park Ladera - Bldg B</b></p> <p>Submarket: <b>Northwest Industrial Market</b><br/> RBA: <b>83,762</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Fourth Quarter 2014</b><br/> Deliv Date: <b>Second Quarter 2015</b><br/> Leasing Co: <b>CBRE</b><br/> Developer: <b>N/A</b></p>                                    | <p><b>14. 11325 E Willis Rd - Bldg 2</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>75,217</b><br/> Preleased: <b>0%</b><br/> Quoted Rate: <b>Negotiable</b><br/> Grnd Brk Date: <b>Fourth Quarter 2014</b><br/> Deliv Date: <b>Third Quarter 2015</b><br/> Leasing Co: <b>Lee &amp; Associates</b><br/> Developer: <b>Sun State Builders</b></p>    | <p><b>15. 6877 W Frye Rd - Av-Air</b></p> <p>Submarket: <b>Southeast Industrial Market</b><br/> RBA: <b>70,000</b><br/> Preleased: <b>100%</b><br/> Quoted Rate: <b>N/A</b><br/> Grnd Brk Date: <b>Second Quarter 2014</b><br/> Deliv Date: <b>First Quarter 2015</b><br/> Leasing Co: <b>AV-Air, Inc.</b><br/> Developer: <b>Sun State Builders</b></p>               |

## Phoenix Industrial Market

Figures at a Glance

## Flex Market Statistics

Year-End 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Ind	156	5,116,714	835,442	844,722	16.5%	(33,032)	0	0	\$12.37
Northeast Ind	231	5,228,953	706,364	716,315	13.7%	116,191	0	0	\$12.75
Northwest Ind	258	6,589,878	1,368,586	1,368,586	20.8%	129,459	0	0	\$11.34
Southeast Ind	455	15,045,779	2,648,507	2,876,200	19.1%	144,465	81,768	60,000	\$12.42
Southwest Ind	34	1,385,254	268,126	268,126	19.4%	112,497	0	0	\$7.09
<b>Totals</b>	<b>1,134</b>	<b>33,366,578</b>	<b>5,827,025</b>	<b>6,073,949</b>	<b>18.2%</b>	<b>469,580</b>	<b>81,768</b>	<b>60,000</b>	<b>\$12.13</b>

Source: CoStar Property®

## Warehouse Market Statistics

Year-End 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Ind	1,880	44,834,101	4,589,224	4,897,103	10.9%	557,192	632,671	249,719	\$6.05
Northeast Ind	601	11,302,540	749,625	774,923	6.9%	107,674	0	0	\$9.53
Northwest Ind	2,272	51,905,865	3,796,727	3,858,685	7.4%	1,163,522	1,069,216	381,410	\$6.19
Southeast Ind	2,743	78,055,050	8,517,404	8,780,115	11.2%	2,736,724	2,674,153	1,038,612	\$6.55
Southwest Ind	1,311	87,771,781	11,090,037	11,938,180	13.6%	2,741,452	2,459,049	2,256,943	\$4.44
<b>Totals</b>	<b>8,807</b>	<b>273,869,337</b>	<b>28,743,017</b>	<b>30,249,006</b>	<b>11.0%</b>	<b>7,306,564</b>	<b>6,835,089</b>	<b>3,926,684</b>	<b>\$5.61</b>

Source: CoStar Property®

## Total Industrial Market Statistics

Year-End 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Airport Ind	2,036	49,950,815	5,424,666	5,741,825	11.5%	524,160	632,671	249,719	\$6.91
Northeast Ind	832	16,531,493	1,455,989	1,491,238	9.0%	223,865	0	0	\$11.11
Northwest Ind	2,530	58,495,743	5,165,313	5,227,271	8.9%	1,292,981	1,069,216	381,410	\$7.29
Southeast Ind	3,198	93,100,829	11,165,911	11,656,315	12.5%	2,881,189	2,755,921	1,098,612	\$8.12
Southwest Ind	1,345	89,157,035	11,358,163	12,206,306	13.7%	2,853,949	2,459,049	2,256,943	\$4.46
<b>Totals</b>	<b>9,941</b>	<b>307,235,915</b>	<b>34,570,042</b>	<b>36,322,955</b>	<b>11.8%</b>	<b>7,776,144</b>	<b>6,916,857</b>	<b>3,986,684</b>	<b>\$6.62</b>

Source: CoStar Property®

## Flex Submarket Statistics

Year-End 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central Phoenix Ind	54	946,275	60,949	60,949	6.4%	73,725	0	0	\$10.18
Chandler Airport Ind	10	672,039	323,367	323,367	48.1%	30,437	0	0	\$14.12
Chandler Ind	73	3,571,376	741,662	836,883	23.4%	(11,381)	81,768	60,000	\$10.65
Chandler N/Gilbert Ind	98	2,422,835	496,387	508,710	21.0%	166,550	0	0	\$11.00
Deer Vly/Pinnacle Pk Ind	85	3,466,707	807,191	807,191	23.3%	49,414	0	0	\$13.10
Falcon Fld/Apache Jct Ind	29	465,866	95,884	95,884	20.6%	19,323	0	0	\$9.16
Glendale Ind	11	358,779	67,085	67,085	18.7%	16,732	0	0	\$8.47
Goodyear Ind	10	196,019	0	0	0.0%	43,579	0	0	\$7.29
Grand Avenue Ind	22	153,377	7,966	7,966	5.2%	(1,394)	0	0	\$16.23
Mesa Ind	41	437,770	17,362	17,362	4.0%	15,133	0	0	\$10.10
N Glendale/Sun City Ind	26	492,504	88,617	88,617	18.0%	66,350	0	0	\$8.20
North Airport Ind	44	1,718,028	304,728	314,008	18.3%	56,833	0	0	\$11.41
North Black Canyon Ind	66	1,334,369	314,083	314,083	23.5%	18,051	0	0	\$8.45
S Airport N of Roeser Ind	58	2,418,206	404,541	404,541	16.7%	(94,710)	0	0	\$13.27
S Airport S of Roeser Ind	10	123,480	7,568	7,568	6.1%	(7,568)	0	0	\$0.00
SC N of Salt River Ind	40	828,924	118,605	118,605	14.3%	12,413	0	0	\$10.30
SC S of Salt River Ind	4	28,076	0	0	0.0%	0	0	0	\$0.00
Scottsdale Airpark Ind	108	2,466,251	477,915	487,866	19.8%	14,999	0	0	\$11.93
Scottsdale/Salt River Ind	69	1,816,427	167,500	167,500	9.2%	27,467	0	0	\$14.94
SW N of Buckeye Road Ind	9	267,669	0	0	0.0%	6,000	0	0	\$0.48
SW S of Buckeye Road Ind	6	338,994	209,639	209,639	61.8%	0	0	0	\$0.00
Tempe East Ind	39	879,522	35,371	148,244	16.9%	8,140	0	0	\$11.33
Tempe Northwest Ind	72	2,441,627	264,414	264,414	10.8%	(26,406)	0	0	\$14.28
Tempe Southwest Ind	93	4,154,744	674,060	681,336	16.4%	(57,331)	0	0	\$13.37
Tolleson Ind	9	582,572	58,487	58,487	10.0%	62,918	0	0	\$7.61
W Phx N of Thomas Rd Ind	39	688,191	72,943	72,943	10.6%	(19,694)	0	0	\$6.31
W Phx S of Thomas Rd Ind	9	95,951	10,701	10,701	11.2%	0	0	0	\$10.74
<b>Totals</b>	<b>1,134</b>	<b>33,366,578</b>	<b>5,827,025</b>	<b>6,073,949</b>	<b>18.2%</b>	<b>469,580</b>	<b>81,768</b>	<b>60,000</b>	<b>\$12.13</b>

Source: CoStar Property®

## Warehouse Submarket Statistics

Year-End 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central Phoenix Ind	241	3,020,801	135,746	140,740	4.7%	18,223	0	0	\$8.28
Chandler Airport Ind	61	1,500,935	23,748	23,748	1.6%	109,708	0	653,289	\$7.49
Chandler Ind	288	16,666,692	2,904,575	3,063,332	18.4%	523,683	2,550,690	385,323	\$6.56
Chandler N/Gilbert Ind	659	16,435,206	1,742,941	1,819,901	11.1%	1,285,263	109,540	0	\$6.96
Deer Vly/Pinnacle Pk Ind	569	12,681,260	1,029,699	1,040,307	8.2%	100,693	453,788	235,410	\$8.12
Falcon Fld/Apache Jct Ind	207	4,236,011	249,217	250,217	5.9%	43,817	13,923	0	\$7.93
Glendale Ind	102	5,813,423	793,536	793,536	13.7%	631,230	600,000	0	\$5.47
Goodyear Ind	144	9,396,719	684,191	1,143,030	12.2%	814,971	360,000	347,000	\$4.06
Grand Avenue Ind	570	13,017,156	846,989	898,339	6.9%	44,114	0	146,000	\$4.95
Mesa Ind	416	6,877,318	475,184	487,946	7.1%	146,315	0	0	\$6.87
N Glendale/Sun City Ind	119	2,779,693	253,223	253,223	9.1%	147,424	15,428	0	\$7.21
North Airport Ind	564	11,732,533	1,635,394	1,765,006	15.0%	30,097	0	62,880	\$6.64
North Black Canyon Ind	182	3,259,418	155,169	155,169	4.8%	66,713	0	0	\$7.55
S Airport N of Roeser Ind	436	12,018,697	1,349,759	1,365,041	11.4%	184,161	632,671	31,488	\$6.26
S Airport S of Roeser Ind	153	4,198,251	207,864	210,864	5.0%	280,238	0	155,351	\$7.00
SC N of Salt River Ind	617	14,951,962	1,310,851	1,470,836	9.8%	54,538	0	0	\$5.21
SC S of Salt River Ind	110	1,932,658	85,356	85,356	4.4%	8,158	0	0	\$4.92
Scottsdale Airpark Ind	264	4,616,294	247,823	266,427	5.8%	107,950	0	0	\$10.67
Scottsdale/Salt River Ind	96	3,665,445	366,056	367,756	10.0%	(18,499)	0	0	\$8.29
SW N of Buckeye Road Ind	673	31,987,112	3,504,561	3,633,507	11.4%	603,669	437,234	659,615	\$4.45
SW S of Buckeye Road Ind	281	15,854,278	2,627,528	2,778,904	17.5%	546,197	0	0	\$4.75
Tempe East Ind	319	5,600,479	393,402	393,402	7.0%	80,673	0	0	\$6.88
Tempe Northwest Ind	277	8,484,021	1,358,471	1,366,928	16.1%	39,995	0	0	\$6.45
Tempe Southwest Ind	516	18,254,388	1,369,866	1,374,641	7.5%	507,270	0	0	\$5.90
Tolleson Ind	213	30,533,672	4,273,757	4,382,739	14.4%	776,615	1,661,815	1,250,328	\$4.36
W Phx N of Thomas Rd Ind	426	7,522,668	386,568	386,568	5.1%	74,299	0	0	\$4.86
W Phx S of Thomas Rd Ind	304	6,832,247	331,543	331,543	4.9%	99,049	0	0	\$5.09
<b>Totals</b>	<b>8,807</b>	<b>273,869,337</b>	<b>28,743,017</b>	<b>30,249,006</b>	<b>11.0%</b>	<b>7,306,564</b>	<b>6,835,089</b>	<b>3,926,684</b>	<b>\$5.61</b>

Source: CoStar Property®

## Phoenix Industrial Market

Figures at a Glance

## Total Industrial Submarket Statistics

Year-End 2014

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central Phoenix Ind	295	3,967,076	196,695	201,689	5.1%	91,948	0	0	\$9.10
Chandler Airport Ind	71	2,172,974	347,115	347,115	16.0%	140,145	0	653,289	\$8.44
Chandler Ind	361	20,238,068	3,646,237	3,900,215	19.3%	512,302	2,632,458	445,323	\$7.90
Chandler N/Gilbert Ind	757	18,858,041	2,239,328	2,328,611	12.3%	1,451,813	109,540	0	\$7.78
Deer Vly/Pinnacle Pk Ind	654	16,147,967	1,836,890	1,847,498	11.4%	150,107	453,788	235,410	\$9.99
Falcon Fld/Apache Jct Ind	236	4,701,877	345,101	346,101	7.4%	63,140	13,923	0	\$8.14
Glendale Ind	113	6,172,202	860,621	860,621	13.9%	647,962	600,000	0	\$5.78
Goodyear Ind	154	9,592,738	684,191	1,143,030	11.9%	858,550	360,000	347,000	\$4.19
Grand Avenue Ind	592	13,170,533	854,955	906,305	6.9%	42,720	0	146,000	\$5.00
Mesa Ind	457	7,315,088	492,546	505,308	6.9%	161,448	0	0	\$6.91
N Glendale/Sun City Ind	145	3,272,197	341,840	341,840	10.4%	213,774	15,428	0	\$7.34
North Airport Ind	608	13,450,561	1,940,122	2,079,014	15.5%	86,930	0	62,880	\$7.33
North Black Canyon Ind	248	4,593,787	469,252	469,252	10.2%	84,764	0	0	\$8.03
S Airport N of Roeser Ind	494	14,436,903	1,754,300	1,769,582	12.3%	89,451	632,671	31,488	\$8.11
S Airport S of Roeser Ind	163	4,321,731	215,432	218,432	5.1%	272,670	0	155,351	\$7.00
SC N of Salt River Ind	657	15,780,886	1,429,456	1,589,441	10.1%	66,951	0	0	\$5.47
SC S of Salt River Ind	114	1,960,734	85,356	85,356	4.4%	8,158	0	0	\$4.92
Scottsdale Airpark Ind	372	7,082,545	725,738	754,293	10.7%	122,949	0	0	\$11.32
Scottsdale/Salt River Ind	165	5,481,872	533,556	535,256	9.8%	8,968	0	0	\$11.44
SW N of Buckeye Road Ind	682	32,254,781	3,504,561	3,633,507	11.3%	609,669	437,234	659,615	\$4.45
SW S of Buckeye Road Ind	287	16,193,272	2,837,167	2,988,543	18.5%	546,197	0	0	\$4.75
Tempe East Ind	358	6,480,001	428,773	541,646	8.4%	88,813	0	0	\$7.94
Tempe Northwest Ind	349	10,925,648	1,622,885	1,631,342	14.9%	13,589	0	0	\$9.66
Tempe Southwest Ind	609	22,409,132	2,043,926	2,055,977	9.2%	449,939	0	0	\$8.18
Tolleson Ind	222	31,116,244	4,332,244	4,441,226	14.3%	839,533	1,661,815	1,250,328	\$4.39
W Phx N of Thomas Rd Ind	465	8,210,859	459,511	459,511	5.6%	54,605	0	0	\$4.97
W Phx S of Thomas Rd Ind	313	6,928,198	342,244	342,244	4.9%	99,049	0	0	\$5.24
<b>Totals</b>	<b>9,941</b>	<b>307,235,915</b>	<b>34,570,042</b>	<b>36,322,955</b>	<b>11.8%</b>	<b>7,776,144</b>	<b>6,916,857</b>	<b>3,986,684</b>	<b>\$6.62</b>

Source: CoStar Property®



## Flex Market Statistics

Year-End 2014

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2014 4q	1,134	33,366,578	5,827,025	6,073,949	18.2%	(117,771)	1	81,768	1	60,000	\$12.13
2014 3q	1,133	33,284,810	5,647,085	5,874,410	17.6%	470,743	0	0	2	141,768	\$12.01
2014 2q	1,133	33,284,810	6,093,518	6,345,153	19.1%	312,513	0	0	2	141,768	\$11.76
2014 1q	1,133	33,284,810	6,389,484	6,657,666	20.0%	(195,905)	0	0	0	0	\$11.56
2013 4q	1,133	33,284,810	6,193,659	6,461,761	19.4%	269,180	0	0	0	0	\$11.31
2013 3q	1,133	33,284,810	6,466,664	6,730,941	20.2%	(159,814)	4	236,725	0	0	\$11.38
2013 2q	1,129	33,048,085	6,067,233	6,334,402	19.2%	140,718	0	0	4	236,725	\$11.17
2013 1q	1,129	33,048,085	6,188,243	6,475,120	19.6%	140,393	0	0	4	236,725	\$10.77
2012	1,129	33,048,085	6,226,869	6,615,513	20.0%	309,254	2	104,750	3	221,700	\$10.39
2011	1,128	33,005,515	6,499,401	6,882,197	20.9%	207,894	3	152,850	3	116,450	\$10.22
2010	1,126	33,364,665	7,168,968	7,449,241	22.3%	18,608	2	104,843	3	152,850	\$10.73
2009	1,125	33,260,422	6,705,204	7,363,606	22.1%	(211,802)	16	583,618	1	14,843	\$12.54
2008	1,110	32,686,942	6,222,332	6,578,324	20.1%	(391,595)	29	894,512	14	566,323	\$13.08
2007	1,081	31,792,430	5,030,470	5,292,217	16.6%	275,439	25	1,239,924	20	853,167	\$13.69
2006	1,060	31,154,616	4,648,037	4,929,842	15.8%	364,961	64	1,548,551	20	1,075,238	\$12.99
2005	996	29,606,065	3,446,408	3,746,252	12.7%	2,398,050	38	1,543,661	51	1,236,670	\$11.70

Source: CoStar Property®

## Warehouse Market Statistics

Year-End 2014

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2014 4q	8,807	273,869,337	28,743,017	30,249,006	11.0%	737,143	13	987,453	24	3,926,684	\$5.61
2014 3q	8,794	272,881,884	28,109,615	29,998,696	11.0%	1,609,290	7	677,658	24	3,258,421	\$5.52
2014 2q	8,788	272,226,779	29,169,485	30,952,881	11.4%	3,982,834	12	2,379,221	27	3,181,218	\$5.53
2014 1q	8,777	269,965,427	30,896,096	32,674,363	12.1%	977,297	3	2,790,757	24	3,406,840	\$5.51
2013 4q	8,775	267,180,070	29,129,542	30,866,303	11.6%	2,394,558	7	1,309,277	16	5,237,261	\$5.52
2013 3q	8,769	265,905,795	30,336,098	31,986,584	12.0%	479,625	4	1,996,600	16	6,151,820	\$5.51
2013 2q	8,770	264,056,150	29,015,339	30,616,566	11.6%	(461,405)	6	2,051,304	17	7,349,668	\$5.49
2013 1q	8,765	262,036,466	26,418,110	28,135,477	10.7%	1,241,164	3	364,875	18	8,119,938	\$5.47
2012	8,764	261,936,602	27,519,619	29,276,777	11.2%	5,621,789	12	2,885,394	12	5,617,336	\$5.44
2011	8,759	259,297,598	31,156,321	32,259,562	12.4%	6,438,110	14	1,039,466	10	4,091,951	\$5.33
2010	8,747	258,289,256	36,313,030	37,689,330	14.6%	4,425,589	14	1,840,261	5	249,500	\$5.44
2009	8,742	257,002,403	39,283,149	40,828,066	15.9%	(4,513,311)	31	3,428,741	8	1,398,583	\$5.88
2008	8,723	253,878,044	32,047,910	33,190,396	13.1%	(1,509,419)	200	10,761,786	26	3,713,746	\$6.86
2007	8,525	243,195,188	20,492,588	20,998,121	8.6%	5,228,709	214	10,595,608	132	8,512,808	\$7.16
2006	8,314	232,889,227	14,922,964	15,920,869	6.8%	6,282,614	191	6,863,798	148	9,125,073	\$6.82
2005	8,127	226,343,819	14,806,503	15,658,075	6.9%	8,707,830	162	5,262,795	148	4,202,547	\$6.19

Source: CoStar Property®

## Total Industrial Market Statistics

Year-End 2014

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2014 4q	9,941	307,235,915	34,570,042	36,322,955	11.8%	619,372	14	1,069,221	25	3,986,684	\$6.62
2014 3q	9,927	306,166,694	33,756,700	35,873,106	11.7%	2,080,033	7	677,658	26	3,400,189	\$6.55
2014 2q	9,921	305,511,589	35,263,003	37,298,034	12.2%	4,295,347	12	2,379,221	29	3,322,986	\$6.51
2014 1q	9,910	303,250,237	37,285,580	39,332,029	13.0%	781,392	3	2,790,757	24	3,406,840	\$6.55
2013 4q	9,908	300,464,880	35,323,201	37,328,064	12.4%	2,663,738	7	1,309,277	16	5,237,261	\$6.48
2013 3q	9,902	299,190,603	36,802,762	38,717,525	12.9%	319,811	8	2,233,325	16	6,151,820	\$6.46
2013 2q	9,899	297,104,235	35,082,572	36,950,968	12.4%	(320,687)	6	2,051,304	21	7,586,393	\$6.34
2013 1q	9,894	295,084,555	32,606,353	34,610,597	11.7%	1,381,557	3	364,875	22	8,356,663	\$6.27
2012	9,893	294,984,687	33,746,488	35,892,290	12.2%	5,931,043	14	2,990,144	15	5,839,036	\$6.21
2011	9,887	292,303,113	37,655,722	39,141,759	13.4%	6,646,004	17	1,192,316	13	4,208,401	\$6.02
2010	9,873	291,653,925	43,481,998	45,138,571	15.5%	4,444,197	16	1,945,104	8	402,350	\$6.14
2009	9,867	290,262,825	45,988,353	48,191,672	16.6%	(4,725,113)	47	4,012,359	9	1,413,426	\$6.67
2008	9,833	286,564,986	38,270,242	39,768,720	13.9%	(1,901,014)	229	11,656,298	40	4,280,069	\$7.65
2007	9,606	274,987,618	25,523,058	26,290,338	9.6%	5,504,148	239	11,835,532	152	9,365,975	\$8.12
2006	9,374	264,043,843	19,571,000	20,850,711	7.9%	6,647,575	255	8,412,349	168	10,200,311	\$7.84
2005	9,123	255,949,884	18,252,911	19,404,327	7.6%	11,105,880	200	6,806,456	199	5,439,217	\$7.16

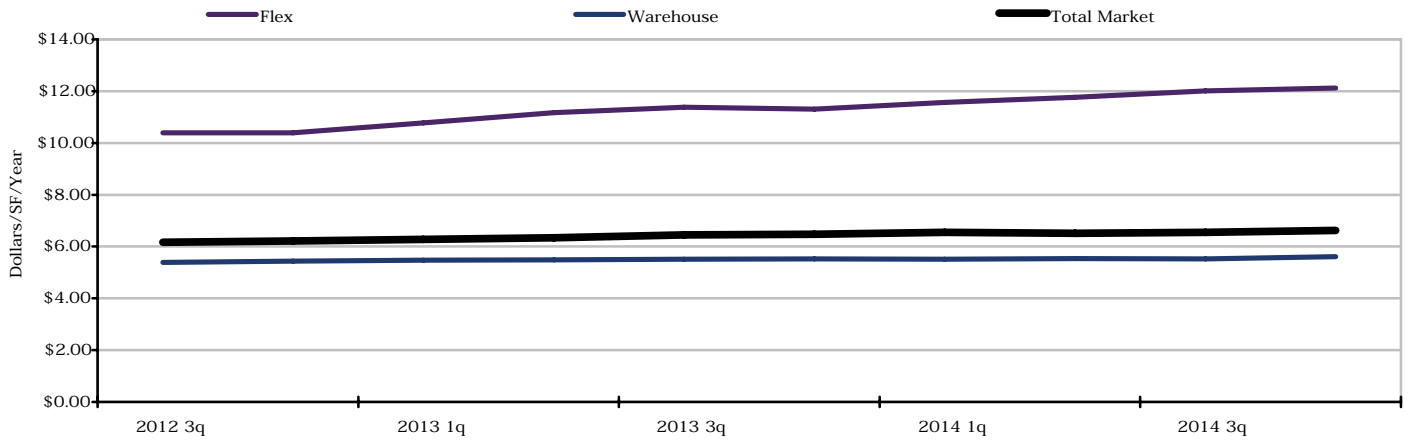
Source: CoStar Property®

# Phoenix Industrial Market

Leasing Activity

## Historical Rental Rates

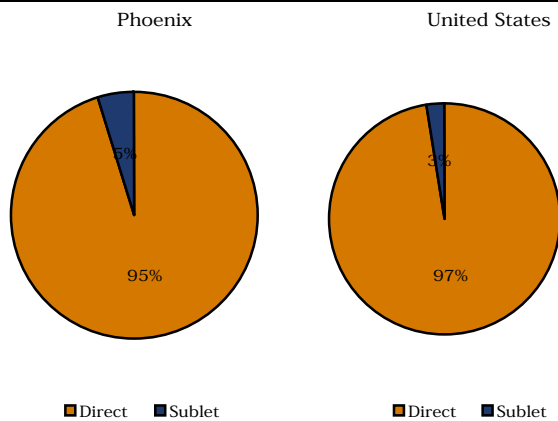
Based on Quoted Rental Rates



Source: CoStar Property®

## Vacancy by Available Space Type

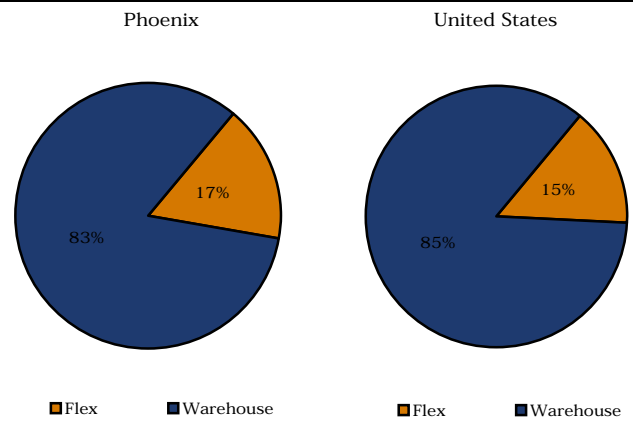
Percent of All Vacant Space in Direct vs. Sublet



Source: CoStar Property®

## Vacancy by Building Type

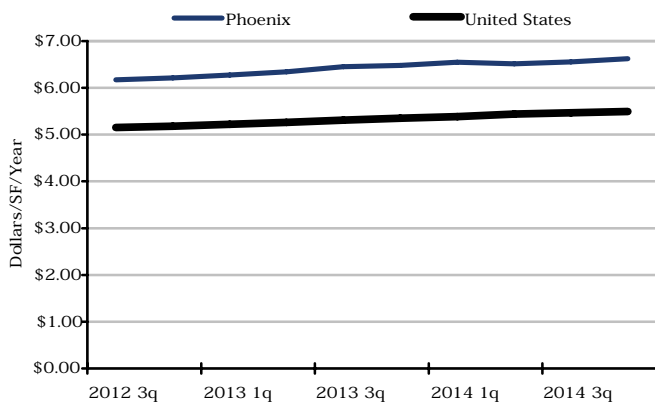
Percent of All Vacant Space by Building Type



Source: CoStar Property®

## U.S. Rental Rate Comparison

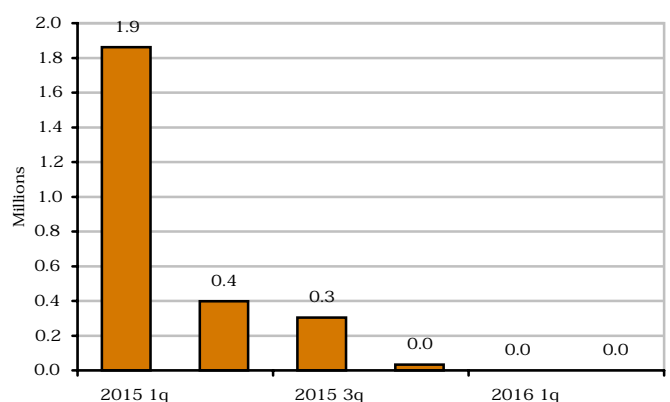
Based on Average Quoted Rental Rates



Source: CoStar Property®

## Future Space Available

Space Scheduled to be Available for Occupancy\*



Source: CoStar Property®

\* Includes Under Construction Space

## Select Top Industrial Leases Based on Leased Square Footage For Deals Signed in 2014

Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company	
1	402 S 54th Pl	Tempe Northwest Ind	248,900	4th	Youngs Market Company	Cassidy Turley	JLL
2	4550 W Watkins St	SWS of Buckeye Road Ind	181,760	3rd	OMCO Solar, Inc.	Keyser	Colliers International
3	2900 S Diablo Way	Tempe Southwest Ind	110,000	1st	Computershare	Newmark Grubb Knight Frank	Colliers International
4	5670 S 32nd St	S Airport S of Roeser Ind	109,060	3rd	LKQ Corporation	CBRE	Lee & Associates
5	1821 W Rio Salado Pky	Tempe Northwest Ind	99,607	2nd	US Airways	CBRE	CBRE
6	2225 S 75th Ave	Tolleson Ind	93,489	2nd	Benson Industries	NAI Horizon	JLL
7	3401 W Papago St	SWS of Buckeye Road Ind	88,488	2nd	HBI International	Cresa	Cushman & Wakefield, Inc.
8	7410 S Roosevelt St	Tempe Southwest Ind	85,245	1st	Consumer Cellular	Capacity Commercial Group	Lee & Associates
9	7825 S Hardy Dr	Tempe Southwest Ind	78,996	2nd	Humana	DTZ	CBRE
10	344 N McKerny Ave	Chandler Ind	78,540	1st	BidOn Fusion	Cutler Commercial	Cutler Commercial
11	4802 W Van Buren St	SWN of Buckeye Road Ind	75,660	2nd	Conference Services Int'l Etc. LLC	Lee & Associates	JLL
12	8601 W Washington St	Tolleson Ind	73,781	2nd	Green Light Direct	CD Commercial Advisors	Liberty Property Trust; JLL
13	4141 W Van Buren St	SWN of Buckeye Road Ind	67,697	4th	Marco Display Specialist	Green Street Commercial Real Estate	Colliers International
14	616 S 55th Ave	SWN of Buckeye Road Ind	65,483	2nd	Amerimax Building Products, Inc.	N/A	Cassidy Turley
15	420 S 53rd Ave	SWN of Buckeye Road Ind	63,840	1st	CFA Cabinetry	Cushman & Wakefield, Inc.	Lee & Associates
16	3000 S 24th St	S Airport N of Roeser Ind	63,000	3rd	Anixter International, Inc.	CBRE	JLL
17	3807 W Adams St	SWN of Buckeye Road Ind	62,576	4th	Daikin International	JLL	Direct Deal
18	240 N 48th Ave	SWN of Buckeye Road Ind	58,240	1st	Supply Source	CBRE	CBRE
19	2021 W Rio Salado Pky	Tempe Northwest Ind	56,436	2nd	US Airways	CBRE	CBRE
20	1000 S Priest Dr	Tempe Northwest Ind	54,944	2nd	Test Advantage Hardware, Inc.	JLL	JLL
21	6902 W Hadley St	Tolleson Ind	51,260	2nd	Sun Country Trailers & Towing	Lee & Associates	Commercial Properties, Inc.
22	465 W 21st St	Tempe Southwest Ind	51,035	2nd	21st Century Healthcare	DAUM Commercial Real Estate Service	JLL
23	150 S Kyrene Rd	Chandler Ind	50,544	3rd	CORT Business Service Corp.	Cushman & Wakefield, Inc.	Colliers International
24	1010 S 65th Ave	SWN of Buckeye Road Ind	48,735	4th	Propak Logistics, Inc.	CBRE	Direct Deal
25	1921 W Rio Salado Pky	Tempe Northwest Ind	48,066	2nd	US Airways	CBRE	CBRE
26	2600 W McDowell Rd	WPhx S of Thomas Rd Ind	48,041	3rd	Upfitters LLC	Commercial Properties, Inc.	JLL
27	2115 S 11th Ave	SC N of Salt River Ind	46,428	3rd	Marazzi Distribution	CBRE	Lee & Associates
28	1720 W Broadway Rd	Mesa Ind	46,000	3rd	United Subcontractors	Cassidy Turley	Cutler Commercial
29	1700 N Desert Dr	Tempe Northwest Ind	45,705	3rd	Regional Acceptance Corp.	JLL	CBRE
30	860 W Carver Rd	Tempe Southwest Ind	45,228	1st	PetClub	GPS Retail Advisors; Cassidy Turley	Cassidy Turley
31	2120 W Guadalupe Rd	Chandler N/Gilbert Ind	45,000	1st	Viasat	Lee & Associates	Lee & Associates
32	200 S Kyrene Rd	Chandler Ind	44,602	4th	Stone Creek Furniture Factory	LevRose Real Estate	Colliers International
33	875 W Elliot Rd	Tempe Southwest Ind	43,671	4th	Transperfect	JLL	JLL
34	3315 W Buckeye Rd	SWS of Buckeye Road Ind	43,457	2nd	DAT Cabinets	Southwest Commercial Brokerage	JLL
35	3941 W Mohave St	SWS of Buckeye Road Ind	43,200	1st	Tireco	The Everest Group, Inc.	Colliers International
36	6205 S Arizona Ave	Chandler Airport Ind	42,000	3rd	Barlow Company, Inc.	Cassidy Turley	Lee & Associates
37	4707 W Van Buren St	SWN of Buckeye Road Ind	40,541	2nd	Global Home Imports	N/A	Cassidy Turley
38	4110 W Washington St	SWN of Buckeye Road Ind	40,000	2nd	Peterman Lumber Inc.	Colliers International	NAI Horizon
39	8465 N 90th	Scottsdale/Salt River Ind	37,711	3rd	Xyron Inc.	Direct Deal	Ross Brown Partners, Inc.
40	4445 E Elwood St	North Airport Ind	37,552	2nd	J&K Cabinetry, Inc.	Colliers International	Direct Deal

Source: CoStar Property®

\* Renewal

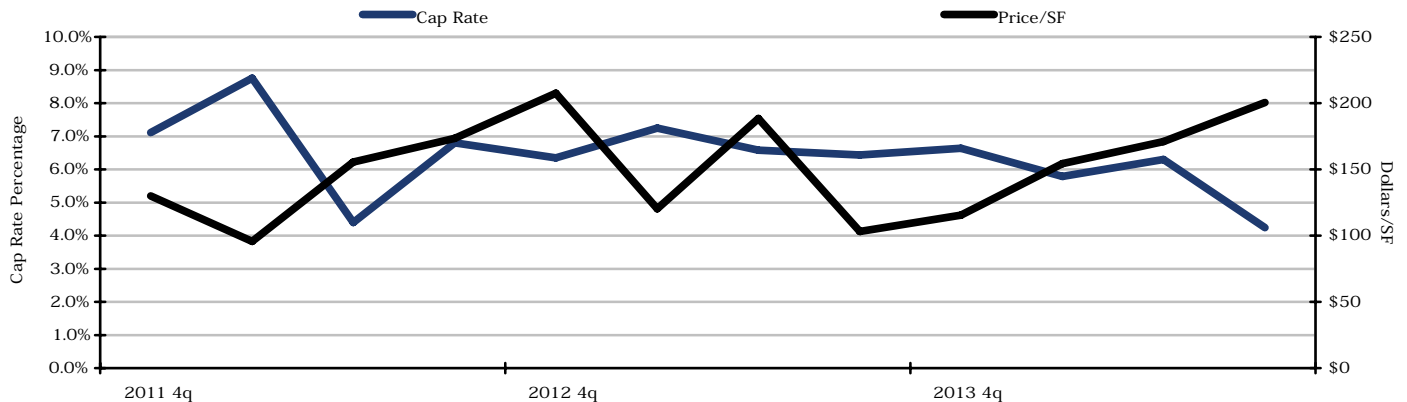
# Phoenix Industrial Market



Sales Activity

## The Optimist Sales Index

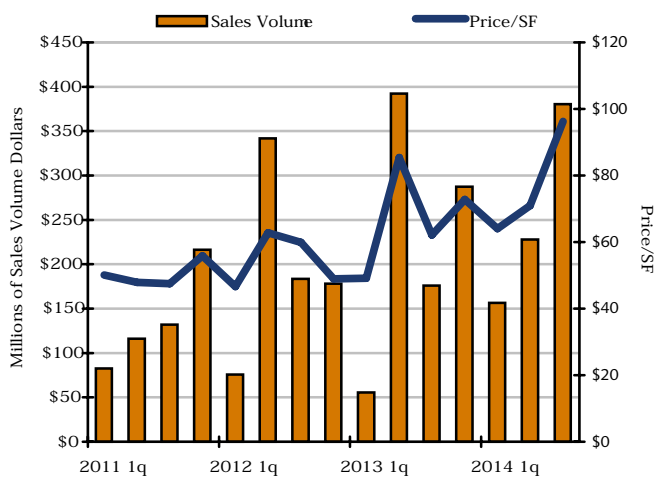
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



Source: CoStar COMPS®

## Sales Volume & Price

Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## Sales Analysis by Building Size

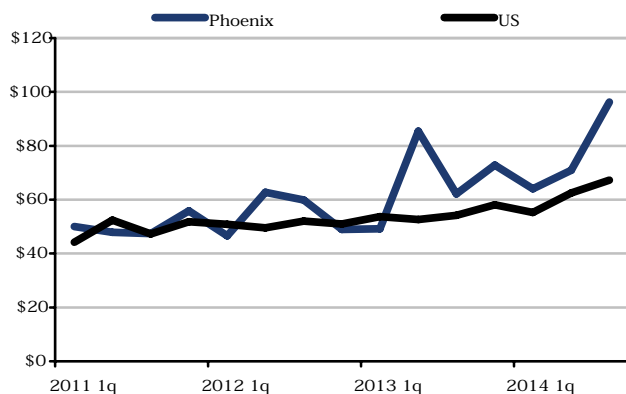
Based on Industrial Bldg Sales From Oct. 2013 - Sept. 2014

Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 25,000 SF	348	3,268,631	\$261,170,445	\$ 79.90	7.87%
25K-99K SF	87	4,042,446	\$282,554,044	\$ 69.90	7.37%
100K-249K SF	23	3,470,455	\$265,825,072	\$ 76.60	6.87%
>250K SF	8	4,633,983	\$400,790,463	\$ 86.49	5.25%

Source: CoStar COMPS®

## U.S. Price/SF Comparison

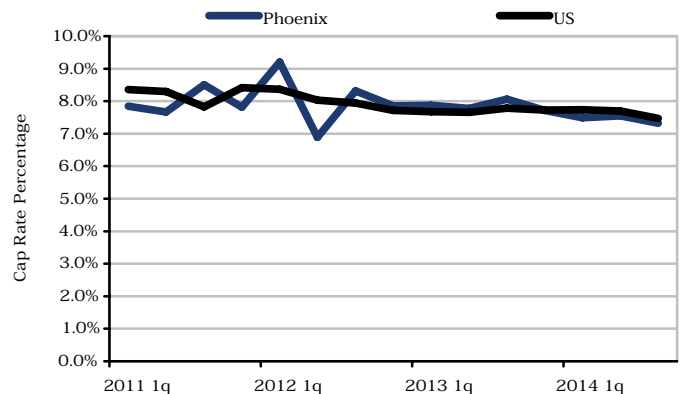
Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## U.S. Cap Rate Comparison

Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

## Select Top Sales

Based on Sales from October 2013 Through December 2014

## 1. 2 DataCenters



## Phoenix

Price: **\$125,000,000**  
 Price/SF: **\$191.47**  
 Cap Rate: **N/A**  
 RBA: **652,856**  
 Date: **8/27/2014**  
 Year Built: **2005**  
 Buyer: **Carter Validus Mission Critical REIT, Inc.**  
 Seller: **IO Capital, LLC**

## 2. 405 W Geneva Dr



## Tempe

Price: **\$29,000,000**  
 Price/SF: **\$166.03**  
 Cap Rate: **7.25%**  
 RBA: **174,664**  
 Date: **5/9/2014**  
 Year Built: **1998**  
 Buyer: **Cohen Asset Management, Inc.**  
 Seller: **EverWest Real Estate Partners, LLC**

## 3. Logistics 75



## Phoenix

Price: **\$27,970,000**  
 Price/SF: **\$40.99**  
 Cap Rate: **N/A**  
 RBA: **682,291**  
 Date: **6/13/2014**  
 Year Built: **2010**  
 Buyer: **LBA Realty**  
 Seller: **Buzz Oates Enterprises**

## 4. 10 S 48th Ave



## Phoenix

Price: **\$27,319,378**  
 Price/SF: **\$59.77**  
 Cap Rate: **N/A**  
 RBA: **457,052**  
 Date: **12/22/2014**  
 Year Built: **1980**  
 Buyer: **ColFin Industriail Holdings, llc**  
 Seller: **Cobalt Capital Partners, LP**

## 5. Roosevelt Center



## Tempe

Price: **\$26,449,349**  
 Price/SF: **\$74.43**  
 Cap Rate: **N/A**  
 RBA: **355,371**  
 Date: **10/15/2014**  
 Year Built: **1982**  
 Buyer: **DCT Industrial Trust**  
 Seller: **Deutsche Asset & Wealth Management**

## 6. Mack Arrowhead Industrial Park



## Peoria

Price: **\$18,275,000**  
 Price/SF: **\$82.95**  
 Cap Rate: **N/A**  
 RBA: **220,324**  
 Date: **11/14/2014**  
 Year Built: **2008**  
 Buyer: **First Industrial Realty Trust, Inc.**  
 Seller: **The Mack Company**

## 7. Tempe Distribution Center



## Tempe

Price: **\$12,452,956**  
 Price/SF: **\$88.75**  
 Cap Rate: **5.5%**  
 RBA: **140,315**  
 Date: **10/17/2014**  
 Year Built: **1987**  
 Buyer: **Industrial Property Trust**  
 Seller: **American Realty Advisors**

## 8. 3302 W Earll Dr



## Phoenix

Price: **\$9,719,108**  
 Price/SF: **\$236.73**  
 Cap Rate: **N/A**  
 RBA: **41,056**  
 Date: **12/15/2014**  
 Year Built: **1973**  
 Buyer: **Angelo, Gordon & Co.**  
 Seller: **DS Waters of America, Inc.**

## 9. Eastpoint Business Center - Phase I



## Chandler

Price: **\$6,500,000**  
 Price/SF: **\$84.17**  
 Cap Rate: **7.1%**  
 RBA: **77,225**  
 Date: **10/3/2014**  
 Year Built: **1997**  
 Buyer: **AICI LLC**  
 Seller: **Dalfen America Corp.**

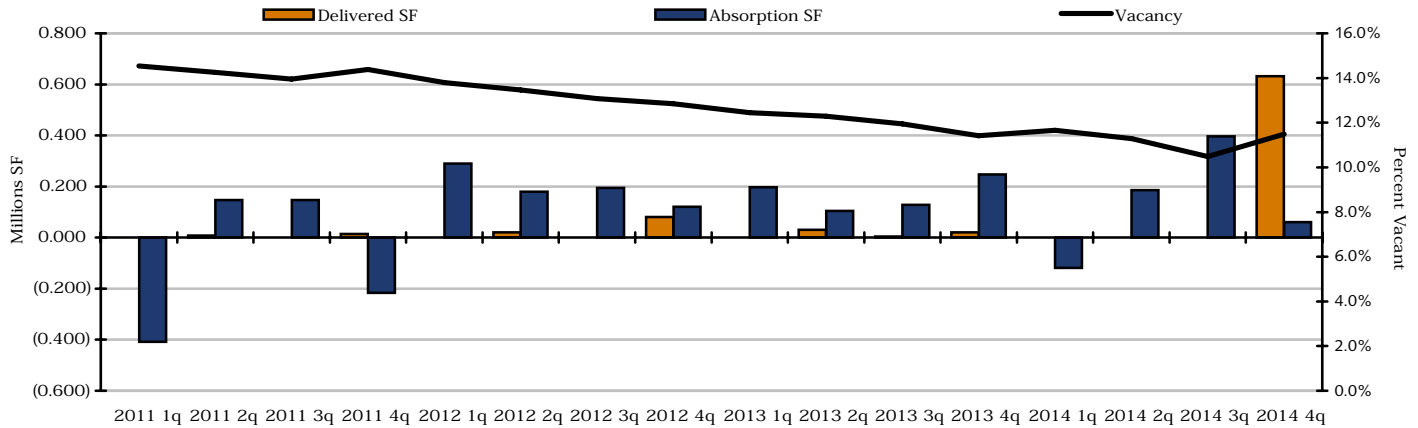
# Phoenix Industrial Market



## Airport Market MARKET HIGHLIGHTS - Flex & Warehouse

### Deliveries, Absorption & Vacancy

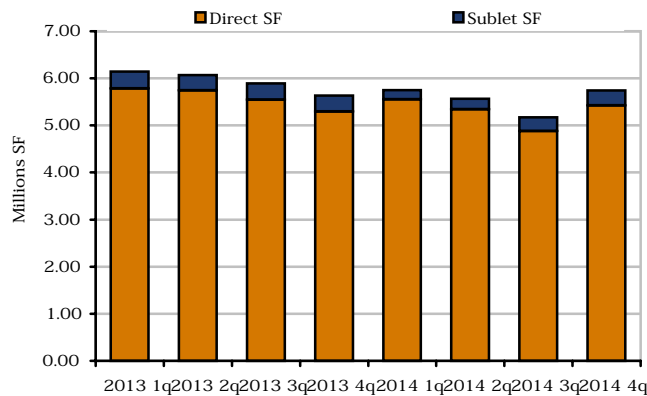
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

### Vacant Space

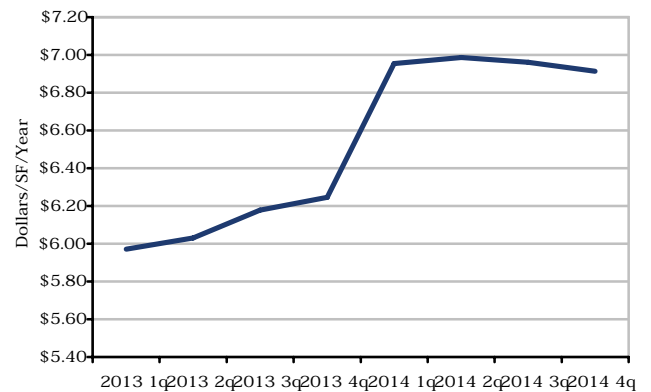
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

### Quoted Rental Rates

### Historical Analysis, Flex and Warehouse



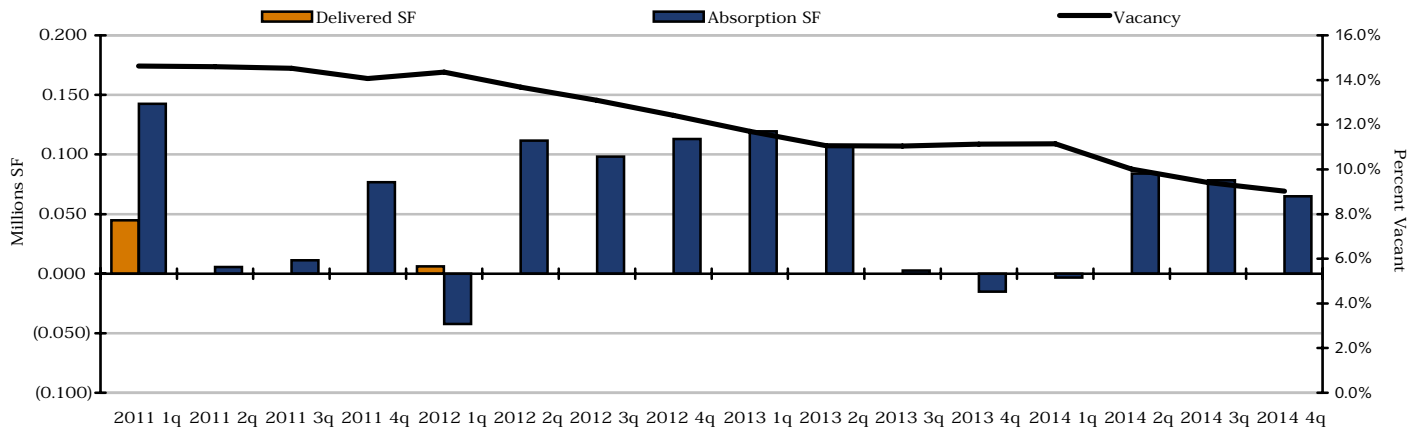
Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 4q	2,036	49,950,815	5,741,825	11.5%	60,978	4	632,671	3	249,719	\$6.91
2014 3q	2,032	49,318,144	5,170,132	10.5%	396,567	0	0	5	695,551	\$6.96
2014 2q	2,032	49,318,144	5,566,699	11.3%	185,778	0	0	4	667,538	\$6.99
2014 1q	2,032	49,318,144	5,752,477	11.7%	(119,163)	0	0	0	0	\$6.95
2013 4q	2,032	49,318,144	5,633,314	11.4%	247,626	1	21,000	0	0	\$6.25
2013 3q	2,032	49,332,144	5,894,940	11.9%	128,313	1	4,600	1	21,000	\$6.18
2013 2q	2,033	49,375,273	6,066,382	12.3%	104,185	1	30,000	2	25,600	\$6.03
2013 1q	2,032	49,345,273	6,140,567	12.4%	197,121	0	0	2	34,600	\$5.97
2012 4q	2,032	49,345,273	6,337,688	12.8%	120,555	1	80,000	1	30,000	\$5.96
2012 3q	2,035	49,338,323	6,451,293	13.1%	195,254	0	0	1	80,000	\$6.07
2012 2q	2,035	49,338,323	6,646,547	13.5%	179,094	1	20,000	1	80,000	\$6.07
2012 1q	2,034	49,318,323	6,805,641	13.8%	290,351	0	0	2	100,000	\$5.98
2011 4q	2,034	49,318,323	7,095,992	14.4%	(216,035)	2	13,964	1	20,000	\$5.78
2011 3q	2,033	49,318,923	6,880,557	14.0%	146,589	0	0	3	33,964	\$5.84
2011 2q	2,033	49,318,923	7,027,146	14.2%	147,174	1	7,500	3	33,964	\$5.99
2011 1q	2,032	49,311,423	7,166,820	14.5%	(408,435)	0	0	1	7,500	\$6.07

Source: CoStar Property®

## Deliveries, Absorption &amp; Vacancy

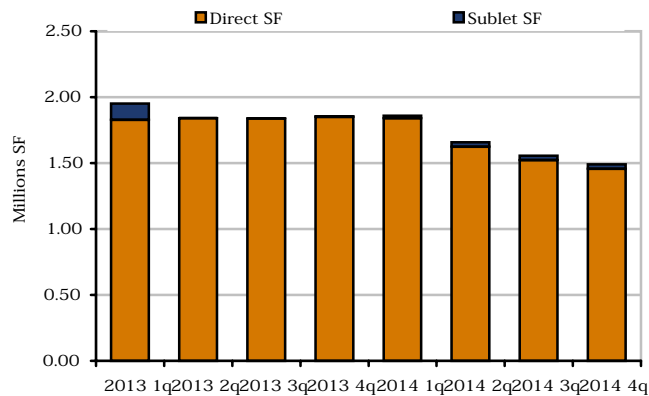
## Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Vacant Space

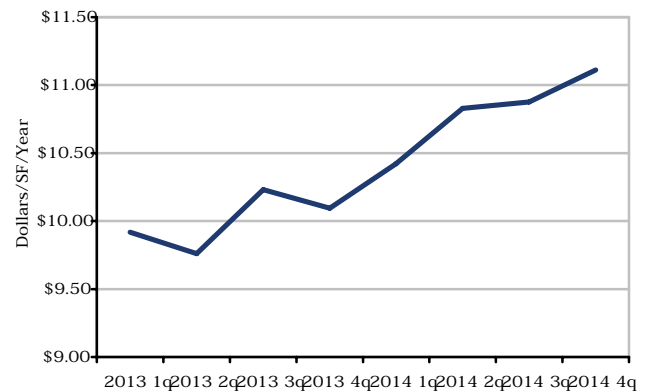
## Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Quoted Rental Rates

## Historical Analysis, Flex and Warehouse



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 4q	832	16,531,493	1,491,238	9.0%	64,875	0	0	0	0	\$11.11
2014 3q	832	16,531,493	1,556,113	9.4%	78,361	0	0	0	0	\$10.88
2014 2q	833	16,554,046	1,657,027	10.0%	84,075	0	0	0	0	\$10.83
2014 1q	834	16,671,915	1,858,971	11.2%	(3,446)	0	0	0	0	\$10.42
2013 4q	834	16,671,915	1,855,525	11.1%	(15,231)	0	0	0	0	\$10.09
2013 3q	834	16,671,915	1,840,294	11.0%	2,719	0	0	0	0	\$10.23
2013 2q	834	16,671,915	1,843,013	11.1%	107,289	0	0	0	0	\$9.76
2013 1q	834	16,671,915	1,950,302	11.7%	119,491	0	0	0	0	\$9.92
2012 4q	834	16,671,915	2,069,793	12.4%	112,900	0	0	0	0	\$9.67
2012 3q	834	16,671,915	2,182,693	13.1%	98,162	0	0	0	0	\$9.50
2012 2q	834	16,671,915	2,280,855	13.7%	111,744	0	0	0	0	\$9.43
2012 1q	834	16,671,915	2,392,599	14.4%	(42,241)	1	6,000	0	0	\$9.46
2011 4q	833	16,665,915	2,344,358	14.1%	76,833	0	0	1	6,000	\$9.57
2011 3q	833	16,665,915	2,421,191	14.5%	11,203	0	0	1	6,000	\$9.66
2011 2q	833	16,665,915	2,432,394	14.6%	5,417	0	0	0	0	\$9.34
2011 1q	833	16,665,915	2,437,811	14.6%	142,402	2	44,850	0	0	\$9.88

Source: CoStar Property®

# Phoenix Industrial Market

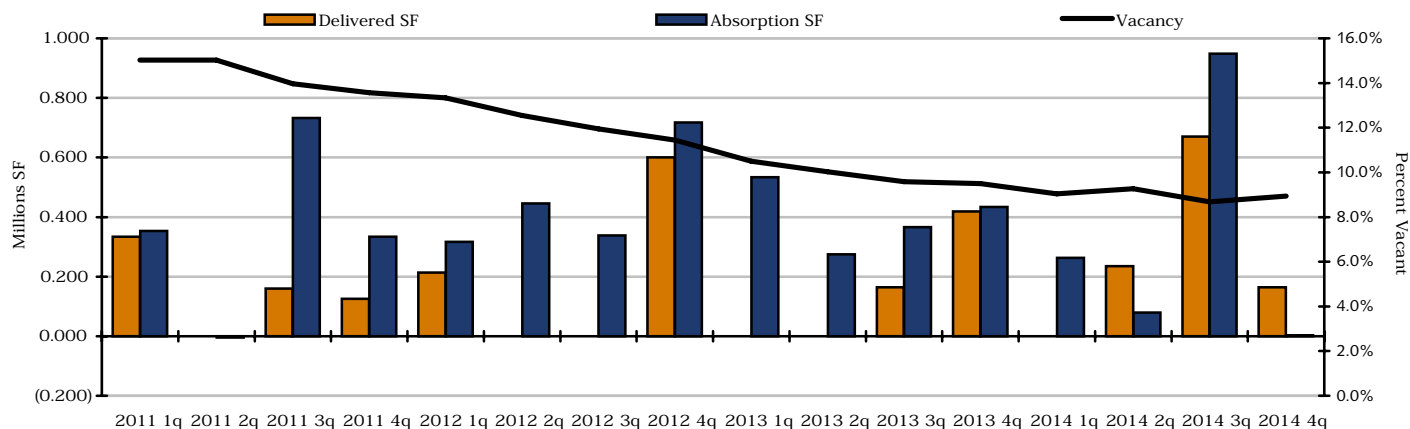


## Northwest Market

### MARKET HIGHLIGHTS - Flex & Warehouse

## Deliveries, Absorption & Vacancy

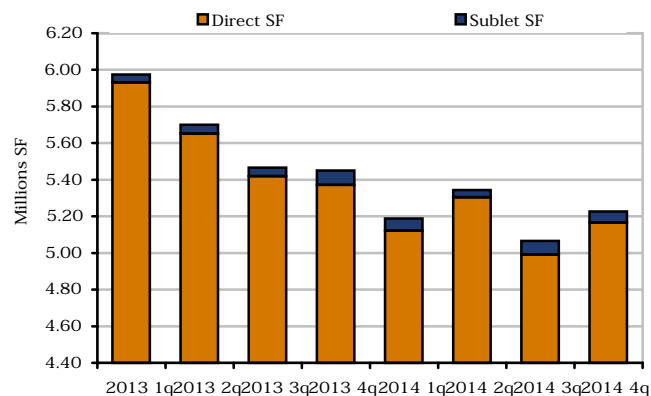
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Vacant Space

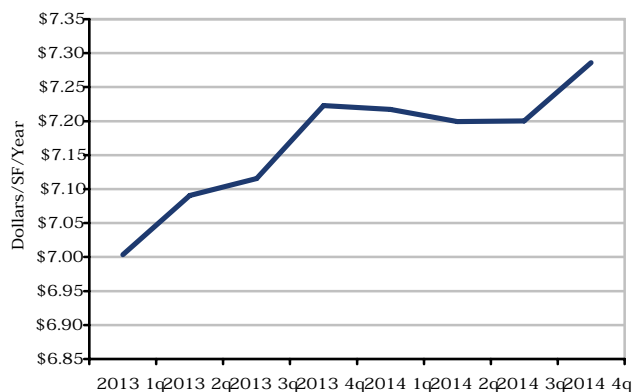
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Quoted Rental Rates

### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

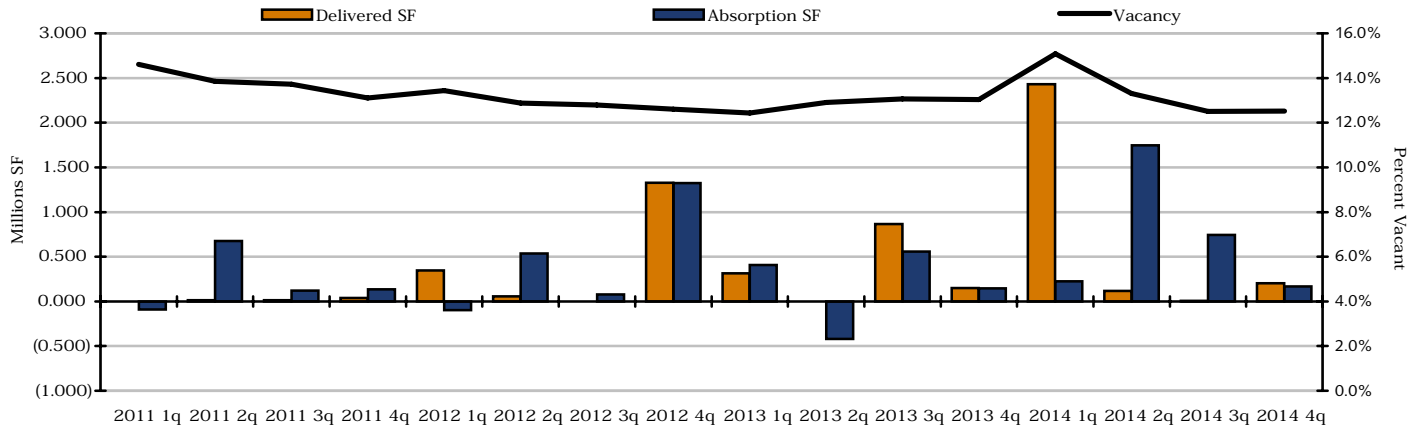
Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 4q	2,530	58,495,743	5,227,271	8.9%	3,200	6	164,313	5	381,410	\$7.29
2014 3q	2,524	58,331,430	5,066,158	8.7%	948,160	6	670,185	8	325,253	\$7.20
2014 2q	2,518	57,661,245	5,344,133	9.3%	79,121	6	234,718	12	834,498	\$7.20
2014 1q	2,512	57,426,527	5,188,536	9.0%	262,500	0	0	14	339,908	\$7.22
2013 4q	2,512	57,426,527	5,451,036	9.5%	434,297	1	418,651	7	250,518	\$7.22
2013 3q	2,511	57,007,876	5,466,682	9.6%	365,880	1	164,000	2	434,451	\$7.12
2013 2q	2,512	56,875,126	5,699,812	10.0%	274,563	0	0	3	598,451	\$7.09
2013 1q	2,512	56,875,126	5,974,375	10.5%	533,456	0	0	3	598,451	\$7.00
2012 4q	2,512	56,875,126	6,507,831	11.4%	717,353	1	600,000	1	164,000	\$6.79
2012 3q	2,513	56,383,306	6,733,364	11.9%	338,516	0	0	1	600,000	\$6.69
2012 2q	2,513	56,383,306	7,071,880	12.5%	445,203	0	0	1	600,000	\$6.68
2012 1q	2,513	56,383,306	7,517,083	13.3%	316,728	2	214,103	1	600,000	\$6.63
2011 4q	2,511	56,169,203	7,619,708	13.6%	334,355	2	126,000	2	214,103	\$6.55
2011 3q	2,509	56,043,203	7,828,063	14.0%	732,312	1	160,000	4	340,103	\$6.54
2011 2q	2,508	55,883,203	8,400,375	15.0%	(4,244)	0	0	4	480,262	\$6.26
2011 1q	2,508	55,883,203	8,396,131	15.0%	353,589	3	334,000	3	286,000	\$6.30

Source: CoStar Property®



## Deliveries, Absorption & Vacancy

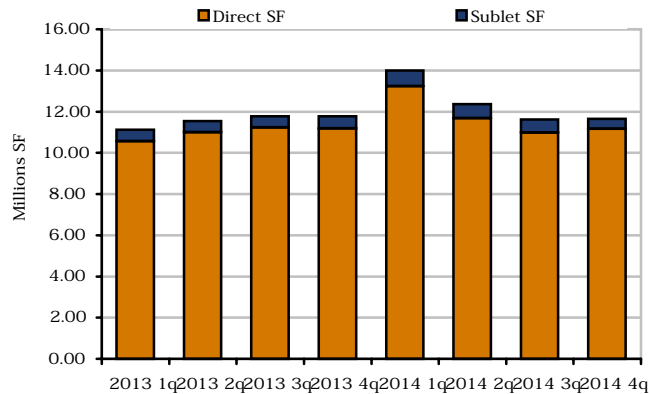
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Vacant Space

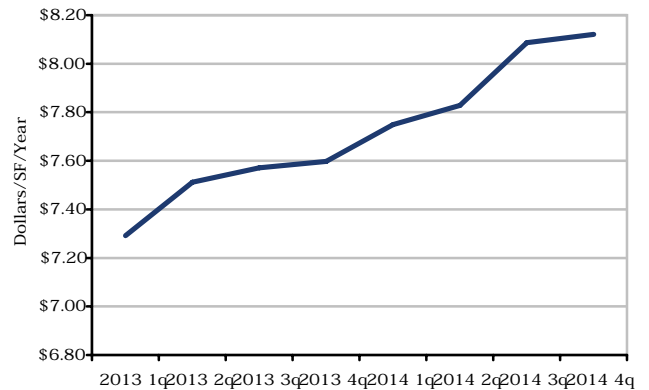
### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Quoted Rental Rates

### Historical Analysis, Flex and Warehouse



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 4q	3,198	93,100,829	11,656,315	12.5%	167,931	3	201,701	12	1,098,612	\$8.12
2014 3q	3,195	92,899,128	11,622,545	12.5%	742,984	1	7,473	9	898,521	\$8.09
2014 2q	3,194	92,891,655	12,358,056	13.3%	1,747,149	2	115,990	10	905,994	\$7.83
2014 1q	3,192	92,775,665	13,989,215	15.1%	223,125	2	2,430,757	3	123,463	\$7.75
2013 4q	3,190	90,344,908	11,781,583	13.0%	144,473	3	149,051	3	2,438,230	\$7.60
2013 3q	3,187	90,195,857	11,777,005	13.1%	559,035	5	864,725	6	2,587,281	\$7.57
2013 2q	3,183	89,399,110	11,539,293	12.9%	(419,641)	0	0	10	3,444,533	\$7.51
2013 1q	3,183	89,399,110	11,119,652	12.4%	405,806	2	315,992	8	3,421,733	\$7.29
2012 4q	3,182	89,102,798	11,229,146	12.6%	1,324,963	1	1,328,075	7	2,968,449	\$7.24
2012 3q	3,181	87,774,723	11,226,034	12.8%	78,680	0	0	7	4,138,524	\$7.23
2012 2q	3,181	87,774,723	11,304,714	12.9%	535,490	3	57,320	5	3,695,532	\$7.24
2012 1q	3,178	87,717,403	11,782,884	13.4%	(96,841)	2	345,446	7	3,622,852	\$7.01
2011 4q	3,178	87,499,297	11,467,937	13.1%	135,161	1	40,000	9	3,968,298	\$7.01
2011 3q	3,178	87,971,297	12,075,098	13.7%	121,788	1	12,835	9	3,998,452	\$7.15
2011 2q	3,177	87,958,462	12,184,051	13.9%	676,226	1	12,000	8	1,842,806	\$7.26
2011 1q	3,176	87,946,462	12,848,277	14.6%	(89,144)	0	0	6	181,285	\$7.41

Source: CoStar Property®

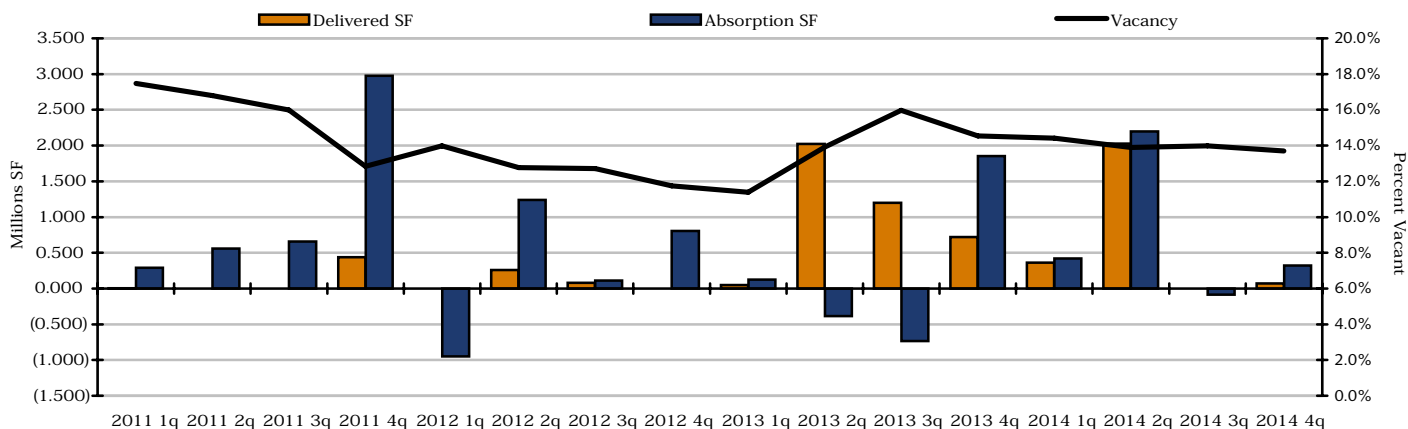
# Phoenix Industrial Market

Southwest Market

MARKET HIGHLIGHTS - Flex & Warehouse

## Deliveries, Absorption & Vacancy

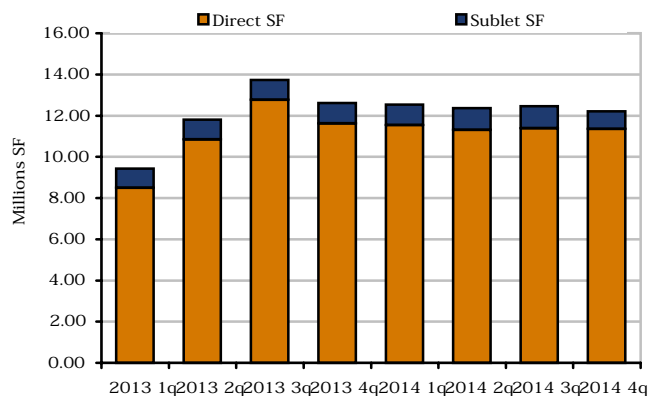
Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Vacant Space

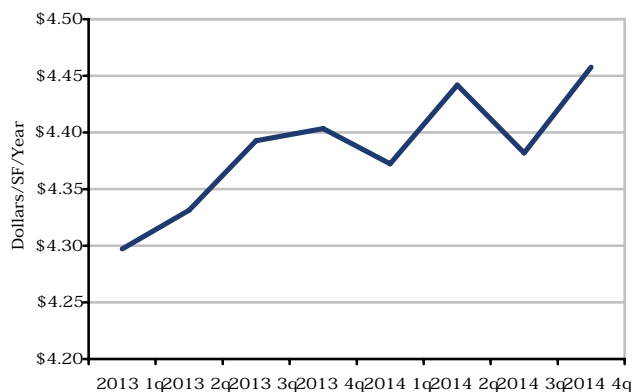
Historical Analysis, Flex and Warehouse



Source: CoStar Property®

## Quoted Rental Rates

Historical Analysis, Flex and Warehouse



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2014 4q	1,345	89,157,035	12,206,306	13.7%	322,388	1	70,536	5	2,256,943	\$4.46
2014 3q	1,344	89,086,499	12,458,158	14.0%	(86,039)	0	0	4	1,480,864	\$4.38
2014 2q	1,344	89,086,499	12,372,119	13.9%	2,199,224	4	2,028,513	3	914,956	\$4.44
2014 1q	1,340	87,057,986	12,542,830	14.4%	418,376	1	360,000	7	2,943,469	\$4.37
2013 4q	1,340	86,703,386	12,606,606	14.5%	1,852,573	2	720,575	6	2,548,513	\$4.40
2013 3q	1,338	85,982,811	13,738,604	16.0%	(736,136)	1	1,200,000	7	3,109,088	\$4.39
2013 2q	1,337	84,782,811	11,802,468	13.9%	(387,083)	5	2,021,304	6	3,517,809	\$4.33
2013 1q	1,333	82,793,127	9,425,701	11.4%	125,683	1	48,883	9	4,301,879	\$4.30
2012 4q	1,333	82,989,575	9,747,832	11.7%	804,601	0	0	6	2,676,587	\$4.29
2012 3q	1,333	82,989,575	10,552,433	12.7%	110,892	1	80,000	2	72,883	\$4.12
2012 2q	1,332	82,909,575	10,583,325	12.8%	1,237,601	1	259,200	1	80,000	\$4.08
2012 1q	1,331	82,650,375	11,561,726	14.0%	(947,962)	0	0	2	339,200	\$4.08
2011 4q	1,331	82,650,375	10,613,764	12.8%	2,974,369	2	437,167	0	0	\$4.06
2011 3q	1,329	82,213,208	13,150,966	16.0%	657,005	0	0	2	437,167	\$4.01
2011 2q	1,329	82,213,208	13,807,971	16.8%	557,119	0	0	2	437,167	\$4.07
2011 1q	1,329	82,213,208	14,365,090	17.5%	292,320	1	4,000	1	32,494	\$4.08

Source: CoStar Property®