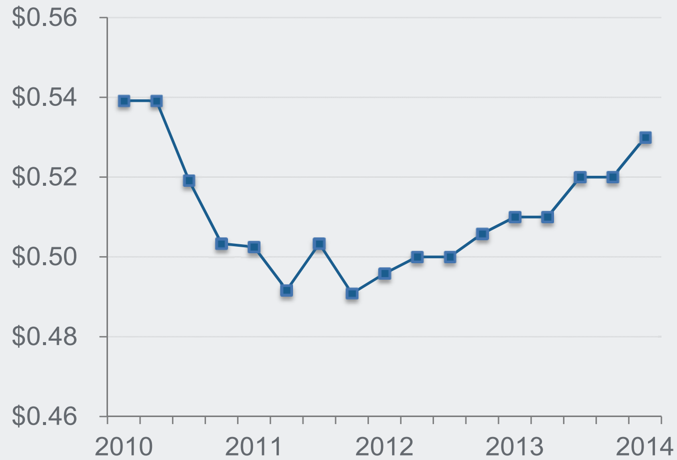
Phoenix 1Q14 Industrial Snapshot

After an impressive end to 2013, the industrial sector slowed slightly this quarter; both leasing activity and sales volume decreased. Rental rates inched upwards in Q1, continuing the long term trend of increasing rates. Despite positive first quarter absorption, vacancy rates saw a small increase in Q1. However, long-term vacancy trends continue to decline in all industrial property types, except for big box inventory.

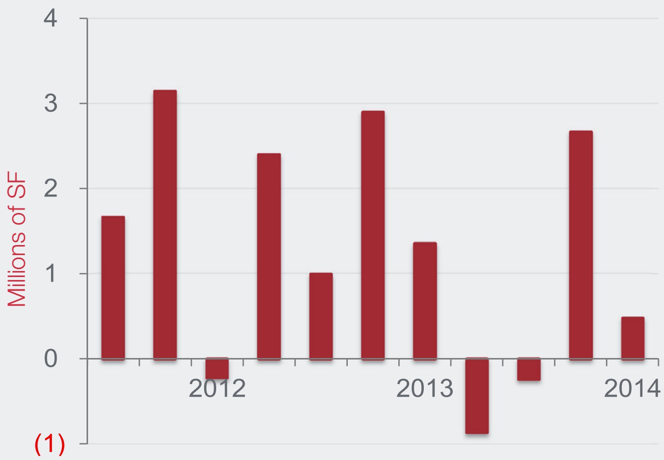
In Q4 of 2013, net absorption totalled 2,669,041 SF, making up for a slow Q2 and Q3 that posted negative numbers. 2014 was vibrant with activity in the first couple months, but fizzled into a net absorption of only 479,422 SF. This decrease was reflected in leasing activity as well; last quarter 4.3 million SF was leased in the Phoenix Metro industrial market, while just 2.2 million SF was leased in the first quarter of 2014. Sales Volume also fell this quarter, coming in at $176 million, down from the $331 million seen at the end of 2013.

Although lease transactions in the market got off to a slow start this year, long term trends remain positive. Rental rates continue to increase each quarter, with Q1 of this year posting the highest average rate since mid-2010, and have increased 4.1% since Q1 2013. Net absorption, while down from the previous quarter, remains positive. The decrease in net absorption is a result of an increase of speculative big box deliveries; just the addition of the Intel Corp's FAB 42 manufacturing facility added over 2 million SF of unoccupied space. As the industrial market continues to readjust to new deliveries and the changing economy, positive market indicators can be expected to increase.

Average Rental Rates



Net Absorption



Economic Trends

- Consumer Price Index — Up 1.1% over last 12 months
- 30-Year Fixed Mortgage — 4.27% National Average, up from 3.5% 1Q13
- Phoenix Metro Unemployment — Arizona, 01/14- 7.3% down from 8% 01/13

Industrial Market Trends

- Vacancy Rate
- Net Absorption
- Average Asking Rates

1Q14 Industrial

NAI Horizon

Phoenix 1Q14 Industrial Snapshot

Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
Distribution	57,233,277 SF	8,820,096 SF	15.4%	207,691 SF	360,000 SF	-	$0.37 FSG
Manufacturing	57,492,377 SF	8,758,087 SF	15.2%	256,526 SF	2,430,757 SF	109,540 SF	$0.46 FSG
Warehouse	135,851,568 SF	13,809,669 SF	10.2%	221,551 SF	-	1,850,880 SF	$0.46 FSG
Flex	33,741,135 SF	6,900,207 SF	20.5%	(222,449) SF	-	-	$0.93 FSG
TOTAL	284,318,357 SF	38,288,059 SF	13.5%	463,319	2,790,757 SF	1,960,420 SF	$0.53 FSG
Q4 2013	281.543.400 SF	35,976,421 SF	12.8%	2,668,041 SF	1,265,477 SF	4,591,204 SF	$ 0.52 FSG

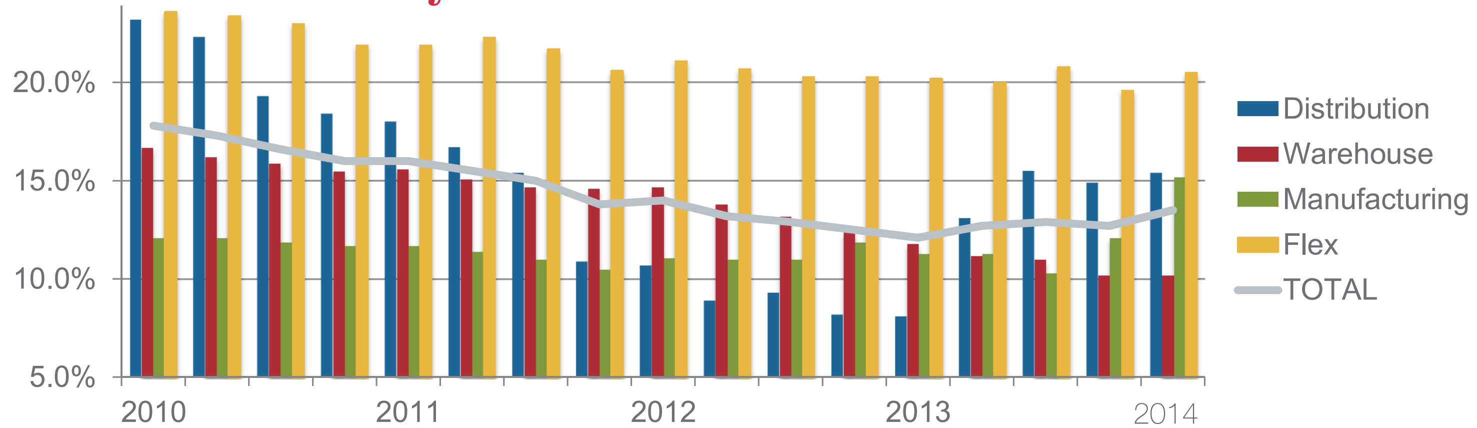
Significant Lease Transactions

Property	Address	Tenant	Size	Building Type	Type
Tempe Commerce Park	7410 S Roosevelt St, Tempe	Consumer Cellular	85,245 SF	Flex	Move In
Freeport Center	420 S 53rd Ave, Phoenix	CFA Cabinetry	63,840 SF	Warehouse	Move In
Carver Distribution Center	860 W Carver Rd, Tempe	PetClub	45,228 SF	Warehouse	Renewal

Significant Sale Transactions

Property	Address	Sale Date	Size	Building Type	Price
43rd Ave Logistics Center	1635 S 43rd Ave	2/24/2014	394,775 SF	Warehouse	$21.1M
Deer Valley/Pinnacle Peak Ind	21410 N 15th Ln	3/7/2014	57,764 SF	Warehouse	$17.7M
Buckey Rd Industrial	2225 S 43rd Ave	3/6/2014	250,796 SF	Distribution	$13.2M

Industrial Vacancy Rates

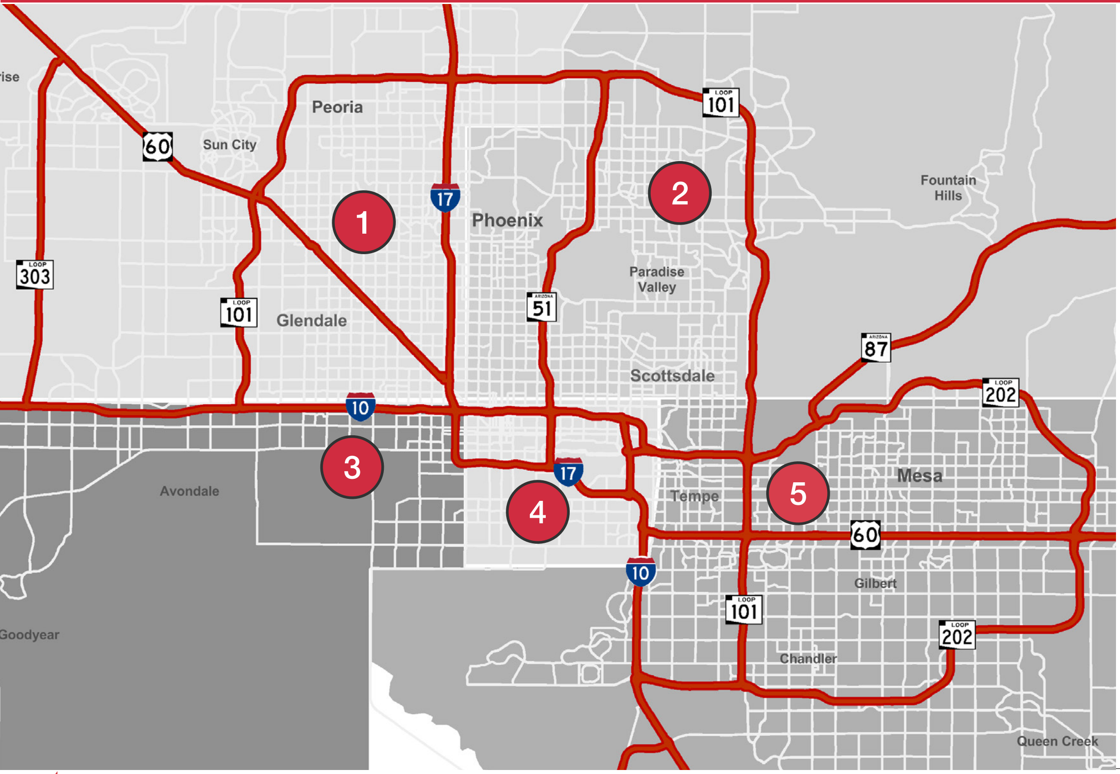


The Industrial Market is a compilation that includes distribution, warehouse, maufacturing and flex buildings. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI Horizon. NAI Horizon makes no warranties or representations as to the completeness or accuracy thereof. NAI Horizon makes no guarantee about projections, opinions, assumptions or estimates. Occasionally corrected or updated information becomes available for both current and historical data thereby invalidating specific comparison to previously issued reports.

Phoenix 1Q14
Industrial Submarkets

▼ Down from Q4 2013
▲ Up from Q4 2013
— No change from Q4 2013

Submarket	RBA (SF)	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Avg. Rental Rate (FS)
Sky Harbor	46,289,578 —	5,572,228 ▼	12.0% ▲	(213,156) ▼	—	—	$0.61 ▲
Northeast Valley	15,559,503 ▼	1,765,013 ▼	11.3% —	(13,429) ▲	—	—	$0.83 ▲
Northwest Valley	54,139,740 —	5,029,737 ▼	9.3% ▼	142,825 ▼	—	339,908 ▼	$0.66 ▲
Southeast Valley	86,185,604 ▲	13,566,564 ▲	15.7% ▲	119,671 ▼	2,430,757 ▲	123,463 ▼	$0.66 ▲
Southwest Valley	82,143,932 ▲	12,354,517 ▲	15.0% ▼	427,408 ▼	360,000 ▼	1,497,049 ▼	$0.35 ▲
Overall Total 1Q14	284,318,357 ▼	38,288,059 ▲	13.5% ▲	463,319 ▼	2,790,757 ▲	1,960,420 ▲	$0.53 ▼
Overall Total 4Q13	281,543,400 ▲	35,976,421 ▼	12.8% ▼	2,668,041 ▲	1,265,477 ▼	4,591,204 ▼	$0.52 ▲
Overall Total 3Q13	280,277,923 ▲	37,378,985 ▲	13.3% ▲	(237,891) ▲	1,600,725 ▼	5,567,206 ▼	$0.52 —
Overall Total 2Q13	279,205,988 ▲	36,069,159 ▲	12.9% ▲	(862,384) ▼	2,027,304 ▲	6,461,959 ▼	$0.51 ▲
Overall Total 1Q13	277,210,304 —	33,211,091 —	12.0% —	1,358,346 —	369,875 —	7,689,263 —	$0.50 —



INDUSTRIAL SUBMARKETS

1. **Northwest Valley**
   Deer Vly/Pinnacle Pk, Glendale, Grand Avenue, N Glendale/Sun City, North Black Canyon, W Phx N of Thomas Rd, W Phx S of Thomas Rd
2. **Northeast Valley**
   Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River
3. **Southwest Valley**
   Goodyear, SW N of Buckeye Rd, SW S of Buckeye Rd, Tolleson
4. **Sky Harbor**
   North Airport, S Airport N of Roeser, S Airport S of Roeser, SC N of Salt River, SC S of Salt River
5. **Southeast Valley**
   Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe E, Tempe NW, Tempe SW