NAI Horizon

Phoenix 1Q15 Industrial Snapshot

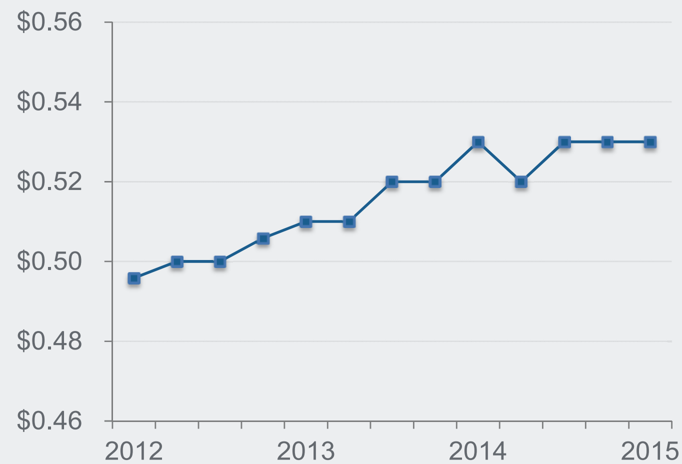
The Metro Phoenix industrial sector has started the New Year on the right foot. Rental rates continue to trend upwards and vacancy rates remain the lowest they've been since the beginning of 2008. Construction starts and deliveries also remain strong, with over 2 million SF being built and over 1.7 million SF delivered in the first quarter of 2015.

The Northwest Valley submarket remains the strongest in terms of vacancy with a rate of just 9%. The Southwest Valley submarket continues to report the highest vacancy rate at 14.8%, but also experienced the highest increase of new space, with 1.4 million SF delivered this quarter. Overall, the industrial market in Phoenix stayed close to the last two quarters with an overall vacancy rate of 12.0%, down significantly from the beginning of 2014 when the rate was 13.2%.

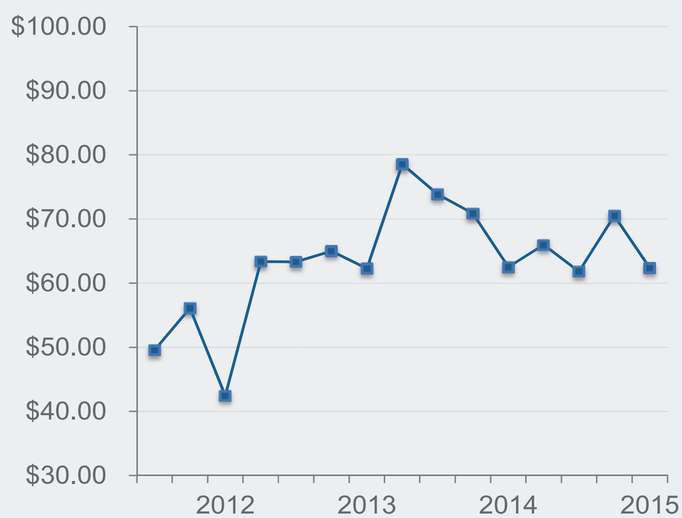
Rental rates, while not climbing dramatically in the last year, have remained steady averaging around $0.53/SF. The Northeast Valley takes the lead with average rental rates of $0.89/SF, while the Southwest Valley posted the lowest average rental rate at $0.36/SF. Leasing activity has trended in the same way, remaining consistent over the last several years. In Q1 of this year, over 2.6 million SF was leased in almost 400 transactions.

The largest sales transaction in this first quarter of 2015 was 651 N 101st Ave, Avondale, a 73,050 SF warehouse in the Tolleson Industrial submarket, for $10.2 million. The largest lease transaction was the Liberty Logistics Center I, at 563 S 63rd Ave, Phoenix, which was leased to Tuesday Morning as a new distribution center with 593,600 SF.

Average Rental Rates



Average Sale Price/SF



Economic Trends

Consumer Price Index
Up 0.8% over last 12 months

30-Year Fixed Mortgage
3.7% National Average, down from 4.41% 1Q14

Phoenix Metro Unemployment
Arizona, 01/15- 5.8% down from 7.3% 01/14

Industrial Market Trends

Vacancy Rate

Net Absoprtion

Average Asking Rates

1Q15 Industrial

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Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
Distribution	61,468,071 SF	9,303,451 SF	15.1%	563,284 SF	565,908 SF	558,501 SF	$0.4 FSG
Manufacturing	59,113,501 SF	7,856,596 SF	13.3%	334,752 SF	1,017,420 SF	54,200 SF	$0.44 FSG
Warehouse	136,971,446 SF	11,733,301 SF	8.6%	494,232 SF	168,555 SF	1,111,986 SF	$0.48 FSG
Flex	33,091,976 SF	6,104,268 SF	18.4%	(249,156) SF	-	297,000 SF	$0.99 FSG
TOTAL	290,644,994 SF	34,997,616 SF	12.0%	1,143,112 SF	1,751,883 SF	2,021,687 SF	$0.53 FSG
Q4 2014	288,934,914 SF	34,430,648 SF	11.9%	800,693 SF	1,119,221 SF	3,698,570 SF	$ 0.53 FSG

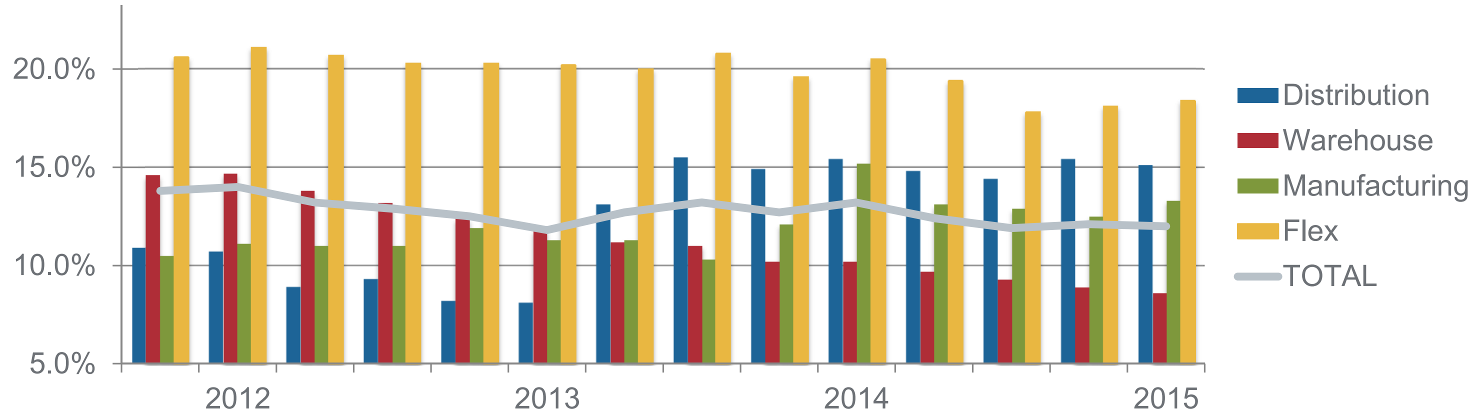
Significant Lease Transactions

Property	Address	Tenant	Size	Building Type	Type
Liberty Logistics Center I	563 S 63rd Ave, Phoenix	Tuesday Morning	593,600 SF	Distribution	Move In
Airport Building B	3000 S 24th St, Phoenix	DLS Worldwide	78,843 SF	Distribution	Move In
Reywest Industrial Park	121 S 39th Ave, Phoenix	Summit Warehouse	62,972 SF	Warehouse	Move In

Significant Sale Transactions

Property	Address	Sale Date	Size	Building Type	Price
Tolleson Industrial	651 N 101st Ave, Avondale	2/3/2015	73,050 SF	Warehouse	$10.2M
Kovach HQ	3167 W Armstrong, Chandler	1/2/2015	62,533 SF	Manufacturing	$8.1M
Washington Business Park	5330 E Washington St	1/26/2015	92,214 SF	Warehouse	$7.4M

Industrial Vacancy Rates



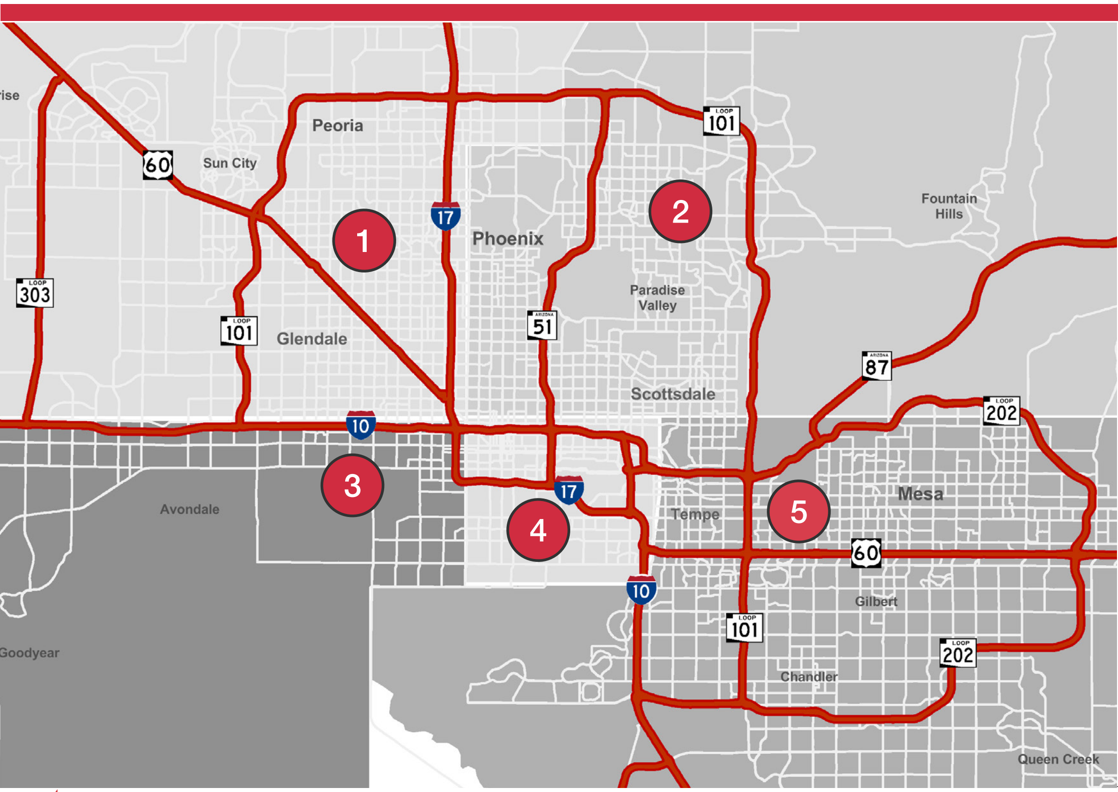
The Industrial Market is a compilation that includes distribution, warehouse, maufacturing and flex buildings. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI Horizon. NAI Horizon makes no warranties or representations 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 1Q15 Industrial

1Q15 Industrial

▼ Down from Q4 2014
▲ Up from Q4 2014
— No change from Q4 2014

Submarket	RBA (SF)	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Avg. Rental Rate (NNN)
Sky Harbor	47,030,517 ▼	5,081,529 ▼	10.8% ▼	171,936 ▼	—	490,369 —	$0.64 ▲
Northeast Valley	15,245,187 —	1,496,304 ▲	9.8% ▲	(56,062) ▼	—	—	$0.89 ▲
Northwest Valley	55,409,984 ▲	4,962,720 ▼	9.0% ▼	241,871 ▲	173,000 ▲	▼	$0.68 ▲
Southeast Valley	87,341,216 ▲	10,808,569 ▼	12.4% ▼	272,036 ▲	168,555 ▼	630,500 ▼	$0.68 ▲
Southwest Valley	85,324,073 ▲	12,627,844 ▲	14.8% ▲	513,331 ▲	1,410,328 ▲	900,818 ▼	$0.36 —
Overall Total 1Q15	290,644,994 ▲	34,997,616 ▲	12.0% ▲	1,143,112 ▲	1,751,883 ▲	2,021,687 ▼	$0.53 —
Overall Total 4Q14	288,934,914 ▲	34,430,648 ▲	11.9% —	800,693 ▼	1,119,221 ▲	3,698,570 ▲	$0.53 ▲
Overall Total 3Q14	288,059,954 ▲	34,356,381 ▼	11.9% ▼	1,945,438 ▼	687,163 ▼	3,227,364 ▲	$0.52 —
Overall Total 2Q14	287,395,344 ▲	35,637,209 ▼	12.4% ▼	3,849,817 ▲	1,847,757 ▼	3,139,606 ▲	$0.52 ▼
Overall Total 1Q14	285,665,456 —	37,757,138 —	13.2% —	713,844 —	2,790,757 —	2,938,881 —	$0.53 —



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