

Phoenix 3Q15 Industrial Snapshot



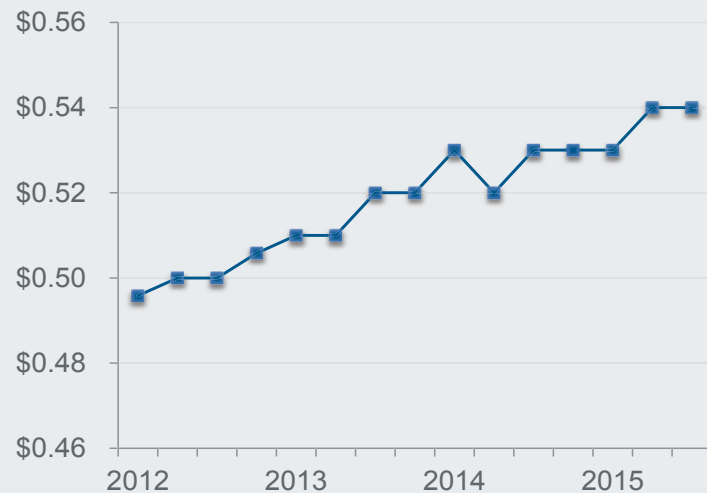
The industrial sector has seen robust gains in the third quarter, showing increasing activity and yielding momentum from a stable second quarter. Vacancy rates have continued to decrease in Q3, finishing the quarter at a respectable 12% down from 12.4% in Q2. 2015 has seen the market stabilize in a positive direction, with forward-looking vacancy and delivery numbers almost mirroring each other from Q1 to Q3. This stability combined with high net absorption and other market barometers denoting positive in Q3, indicates the sector is headed to close out the year with numbers and velocity akin to pre-recession.

Construction is showing healthy increases, with rising confidence in the Phoenix economy 2015 continues to indicate healthy future growth in the sector, with RBA under construction coming in at over 2 million SF for the 3rd straight quarter. Built to suit construction in particular has seen a solid rise in Q3, with tenants under 75,000/SF increasingly finding product in that size range dwindling and not to their needs. This scarcity, has proved that the market has cycled through existing product and is ready for increased deliveries and growth.

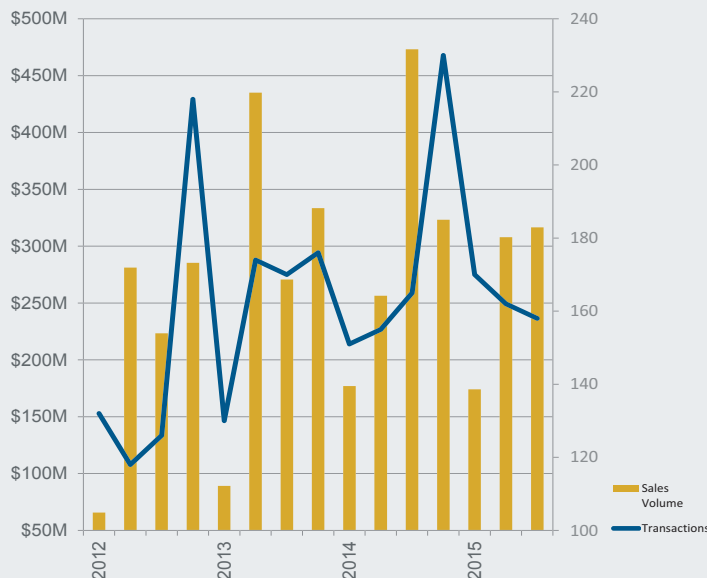
Overall rental rates have remained flat at 0.54\$/per month from the previous quarter. While this statistic might make the market look dormant, the complete opposite is true. Brokers are finding it increasing difficult to gain the same tenant concessions of the last few years, these concessions have made the market appear docile as lesser concessions have been negotiated into leases in lieu of rent increases. But with increasing competition, this negation power has been thwarted and we should finally see rental rates reflect the gains we have seen in the sector. Undervalued submarkets like the Southwest Valley and Sky Harbor have already seen this change, witnessing sizeable increases in rental rates in Q3.

The largest sale Transaction this quarter was the 4550 W Watkins St, Phoenix, a 313,600 Distribution building in the southwest valley submarket. The most significant lease was the Capitol Commerce Center, a 552,330 SF distribution center at 7037 W Van Buren St, Phoenix for Menlo Logistics.

Average Rental Rates



Sales Volume



Economic Trends

↑ Consumer Price Index
Up 0.2% over last 12 months

↓ 30-Year Fixed Mortgage
3.65% National Average, down from 4.1% in July

↓ Phoenix Metro Unemployment
Arizona, 08/15- 5.8% down from 6.1% in July

Industrial Market Trends

↓ Vacancy Rate

↑ Net Absorption

↔ Average Asking Rates

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Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
Distribution	63,206,638 SF	8,680,589 SF	13.7%	324,925 SF	1,615,191 SF	1,615,191 SF	\$0.40 FSG
Manufacturing	58,498,406 SF	7,723,918 SF	13.2%	226,645 SF		54,200 SF	\$0.47 FSG
Warehouse	137,613,526 SF	12,701,342 SF	9.2%	695,569 SF	624,026 SF	517,206 SF	\$0.52 FSG
Flex	33,186,875 SF	5,879,743 SF	17.7%	45,268 SF	23,200 SF	422,000 SF	\$0.98 FSG
TOTAL	292,505,445 SF	34,985,592 SF	12.0%	1,728,119 SF	972,151 SF	2,608,597 SF	\$0.54 FSG
Q2 2015	292,074,414 SF	36,282,680 SF	12.4%	500,069 SF	1,609,719 SF	2,138,694 SF	\$0.54 FSG

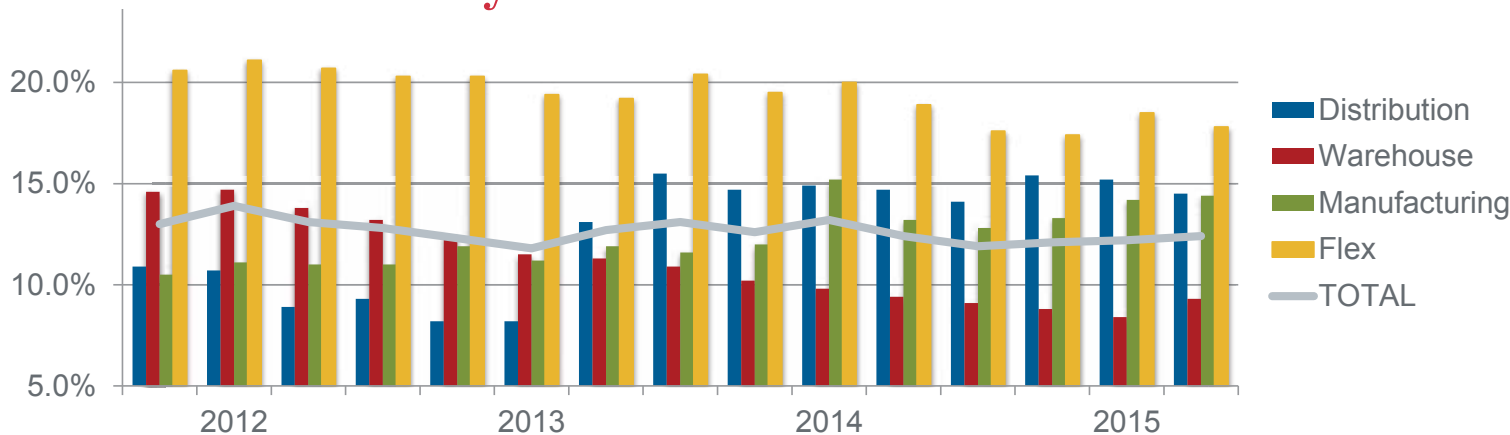
Significant Lease Transactions

Property	Address	Tenant	Size	Building Type	Type
Capitol Commerce Center	7037 W Van Buren St, Phoenix	Menlo Logistics	552,330 SF	Distribution	Move In
ProLogis Park Riverside	5555 W Lower Buckeye Rd, Phoenix	Stitch Fix	365,110 SF	Distribution	Move In
	4550 W Watkins St, Phoenix	OMCO Solar Inc	131,840 SF	Distribution	Move In

Significant Sale Transactions

Property	Address	Sale Date	Size	Building Type	Price
	4550 W Watkins St, Phoenix	7/21/2015	313,600 SF	Distribution	\$20.3M
	5125 E Madison, Phoenix	9/21/2015	352,415 SF	Manufacturing	\$14.7M
	464 E Chilton Dr, Chandler	10/2/2015	104,352 SF	Manufacturing	\$9.4M

Industrial Vacancy Rates



The Industrial Market is a compilation that includes distribution, warehouse, manufacturing 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 3Q15 Industrial

3Q15
Industrial

▼ Down from Q2 2015
▲ Up from Q2 2015
— No change from Q2 2015

Submarket	RBA (SF)	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Avg. Rental Rate (NNN)
Sky Harbor	47,548,763 ▲	5,147,325 ▲	10.8% —	133,428 ▲	177,770 ▼	680,205 ▲	\$0.60 ▲
Northeast Valley	15,211,654 ▲	1,410,806 ▼	9.3% ▼	70,896 ▲	23,200 ▲	—	\$0.89 ▼
Northwest Valley	55,089,299 ▼	4,891,275 ▼	8.9% ▼	206,016 ▲	220,831 ▲	493,884 ▲	\$0.62 ▼
Southeast Valley	87,918,185 ▲	10,663,817 ▼	12.1% ▼	468,364 ▼	263,350 ▲	644,984 ▼	\$0.63 ▼
Southwest Valley	86,704,974 ▲	12,861,169 ▼	14.8% ▼	860,615 ▲	287,000 ▼	789,524 ▲	\$0.37 ▲
Overall Total 3Q15	292,472,875 ▲	34,974,392 ▼	12.0% ▼	1,739,319 ▲	972,151 ▼	2,608,597 ▲	\$0.54 ▲
Overall Total 2Q15	292,041,844 ▲	36,282,680 ▲	12.4% ▲	500,069 ▼	1,609,719 ▼	2,138,694 ▼	\$0.54 ▼
Overall Total 1Q15	290,674,957 ▲	35,415,862 ▲	12.2% ▲	1,549,239 ▲	2,078,404 ▲	2,741,070 ▼	\$0.54 ▲
Overall Total 4Q14	288,622,835 ▲	34,912,979 ▲	12.1% ▲	135,295 ▼	1,119,221 ▲	4,394,889 ▲	\$0.53 ▼
Overall Total 3Q14	287,787,875 ▲	34,213,314 ▲	11.9% ▲	1,923,610 ▼	687,163 ▼	3,620,785 ▲	\$0.54 ▲



INDUSTRIAL SUBMARKETS

- 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
- Northeast Valley**
Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River
- Southwest Valley**
Goodyear, SW N of Buckeye Rd, SW S of Buckeye Rd, Tolleson
- Sky Harbor**
North Airport, S Airport N of Roeser, S Airport S of Roeser, SC N of Salt River, SC S of Salt River
- Southeast Valley**
Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe E, Tempe NW, Tempe SW