

Metro Phoenix Q3 2016

INDUSTRIAL SNAPSHOT

VACANCY

- The vacancy rate for the Phoenix industrial sector ended Q3 2016 at 10.7%.
- While the vacancy rate has remained flat for the last year, it has impressively done so while absorbing nearly 4.5 MSF of new space in the market in 2016.

ASKING RENTAL RATES

- The average rate has begun to steadily increase after several stagnant quarters. At the close of Q3, the average rental rate was \$0.57/SF, up from \$0.54/SF a year prior.
- At the close of Q3 2016, the Northeast Valley submarket posted the highest average rate at \$0.93/SF, while the Southwest Valley submarket had the lowest rate at \$0.37/SF.

NET ABSORPTION

- The third quarter of 2016 had a strong showing of net absorption at 1 MSF.
- In the past four quarters, 6.2 MSF has been absorbed in the Phoenix Industrial Market. This is up from 4.2 MSF in the preceding four quarters.
- Warehouse properties totalled 510,067 SF absorbed, the largest absorption by property type, followed by manufacturing space with 393,713 square feet absorbed.

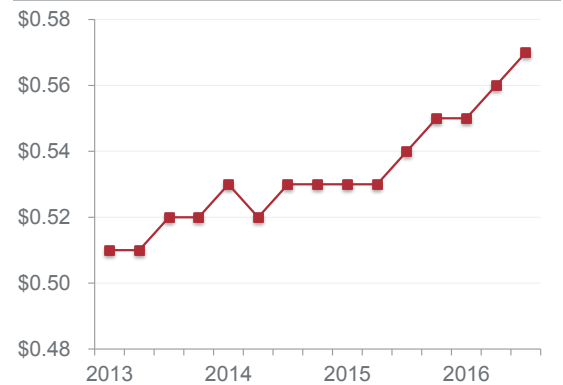
CONSTRUCTION

- More than 2 MSF of new property was under construction at the end of Q3 2016.
- Deliveries continue to remain strong in 2016 with at least 1 MSF being delivered each quarter.
- The Southwest Valley submarket alone saw almost 1 MSF of new space come to market.
- The Sky Harbor submarket will continue to see a resurgence with nearly 1 MSF under construction to inject into the market.

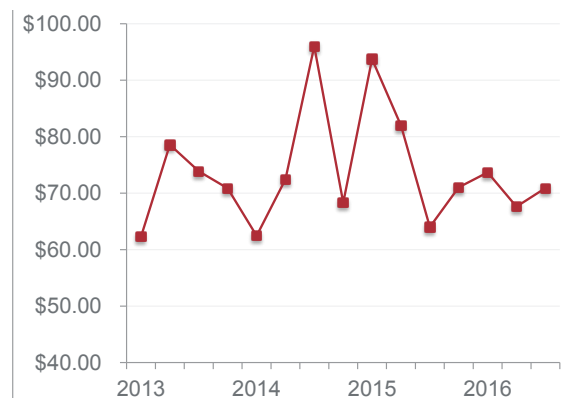
OUTLOOK

- Rental rates are expected to continue to tick upwards into 2017 as vacancies decline and inventory improves with continued deliveries.

Rental Rates Average Asking/SF



Sale Prices Average/SF



Economic Trends

▲ Consumer Price Index
Up 1.1% over last 12 months, nat'l

▼ 30-Year Fixed Mortgage (National)
Down from June-3.57%, Sep 3.46%

▼ Phoenix Metro Unemployment
Down from 5.3% end of Q2, Aug- 5%

Industrial Market Trends

▬ Vacancy Rate
Flat from 2Q16 to 3Q16, at 10.7%

▲ Net Absorption
Up to 1.1M SF from 400K SF in 2Q16

▲ Average Asking Rates
Up to \$0.57/SF from \$0.56/SF in 2Q16

Metro Phoenix Snapshot

Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
Distribution	65,566,417 SF	9,477,121 SF	14.5%	238,882 SF	1,175,600 SF	831,858 SF	\$0.44/SF
Manufacturing	58,770,012 SF	6,313,572 SF	10.7%	393,713 SF	41,252 SF	-	\$0.46/SF
Warehouse	139,230,656 SF	11,288,950 SF	8.1%	510,067 SF	147,480 SF	923,855 SF	\$0.54/SF
Flex	32,922,034 SF	4,569,286 SF	13.9%	(43,255) SF	177,000 SF	275,634 SF	\$1.04/SF
TOTAL	296,489,119 SF	31,648,929 SF	10.7%	1,099,407 SF	1,541,332 SF	2,031,347 SF	\$0.57/SF

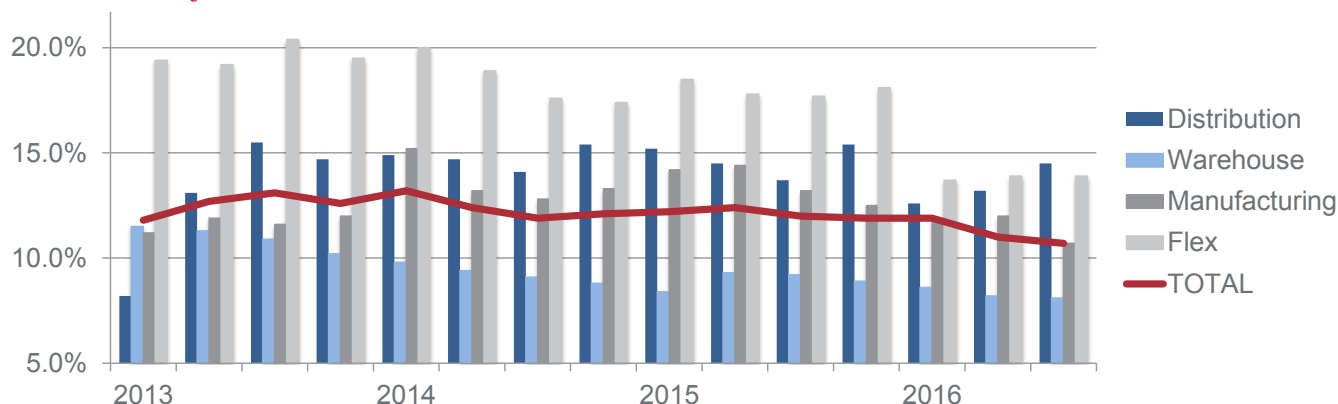
Significant Lease Transactions

	Address	Tenant	Size	Building Type	Type
91st Ave Property	670 S 91st Ave, Tolleson	States Logistics	417,600 SF	Distribution	Move In
10 West Logistics Center	6200 W Van Buren St, Phoenix	OHL	295,695 SF	Warehouse	Move In
Honeywell Airplane Campus	3001 E Air Ln, Phoenix	-	285,198 SF	Manufacturing	Move In

Significant Sale Transactions

	Address	Date	Size	Building Type	Price	Price/SF
Buckeye Logistics Center	6835 W Buckeye Rd, Phoenix	07/20/2016	1,009,351 SF	Distribution	\$74.75M	\$74.06
Home Depot Distribution	9081 W Washington St, Tolleson	08/11/2016	466,418 SF	Distribution	\$48M	\$102.91
Capitol Commerce Center	7037 W Van Buren St, Phoenix	07/08/2016	552,330 SF	Distribution	\$32.8M	\$59.44

Industrial Vacancy Rates

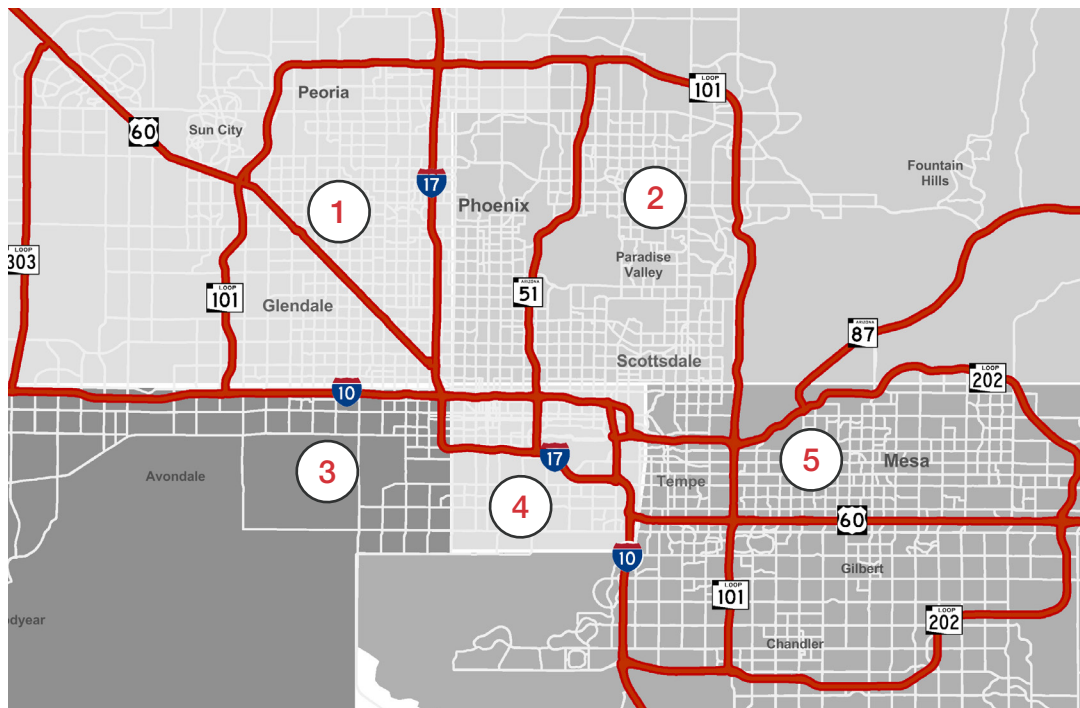


The Industrial Market is a compilation that includes distribution, warehouse, manufacturing and flex buildings. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI Horizon. NAI Horizon makes no warranties or representations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

Submarket Snapshot

▼ Down from previous quarter
▲ Up from previous quarter
— No change from previous quarter

Submarket	RBA (SF)	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Avg. Rental Rate
Sky Harbor	47,902,412 ▲	5,319,167 ▲	11.1% ▲	(50,834) ▲	188,732 ▲	917,599 ▲	\$0.65 ▲
Northeast Valley	14,887,815 —	972,821 ▼	6.5% ▼	54,629 ▲	- ▲	- —	\$0.93 —
Northwest Valley	89,119,820 ▲	10,569,744 ▲	11.9% ▲	95,500 ▼	516,615 ▼	405,600 ▼	\$0.68 ▲
Southeast Valley	89,231,635 ▲	10,322,190 ▼	11.6% ▼	359,369 ▲	402,600 ▼	334,743 ▼	\$0.69 ▲
Southwest Valley	88,425,383 ▼	11,686,083 ▲	13.2% ▲	482,801 ▲	950,000 ▲	222,910 ▼	\$0.37 ▲
Overall Total 3Q16	296,489,119 ▲	31,648,929 ▲	10.7% —	1,099,407 ▲	1,541,332 ▲	2,031,347 ▼	\$0.57 ▲
Overall Total 2Q16	295,265,424 ▲	31,524,641 ▼	10.7% —	400,171 ▼	1,042,031 ▼	3,007,432 ▲	\$0.56 ▲
Overall Total 1Q16	295,004,376 ▲	31,663,764 ▲	10.7% ▲	996,328 ▼	1,994,383 ▲	2,800,618 ▼	\$0.55 ▲
Overall Total 4Q15	293,295,590 ▲	30,951,306 ▼	10.6% ▼	3,725,648 ▲	670,127 ▼	3,534,032 ▲	\$0.55 ▲
Overall Total 3Q15	292,805,381 ▲	34,186,745 ▲	11.7% ▼	1,630,059 ▲	971,977 ▼	2,789,321 ▲	\$0.54 ▲



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