

Phoenix, Arizona

3rd Quarter 2015

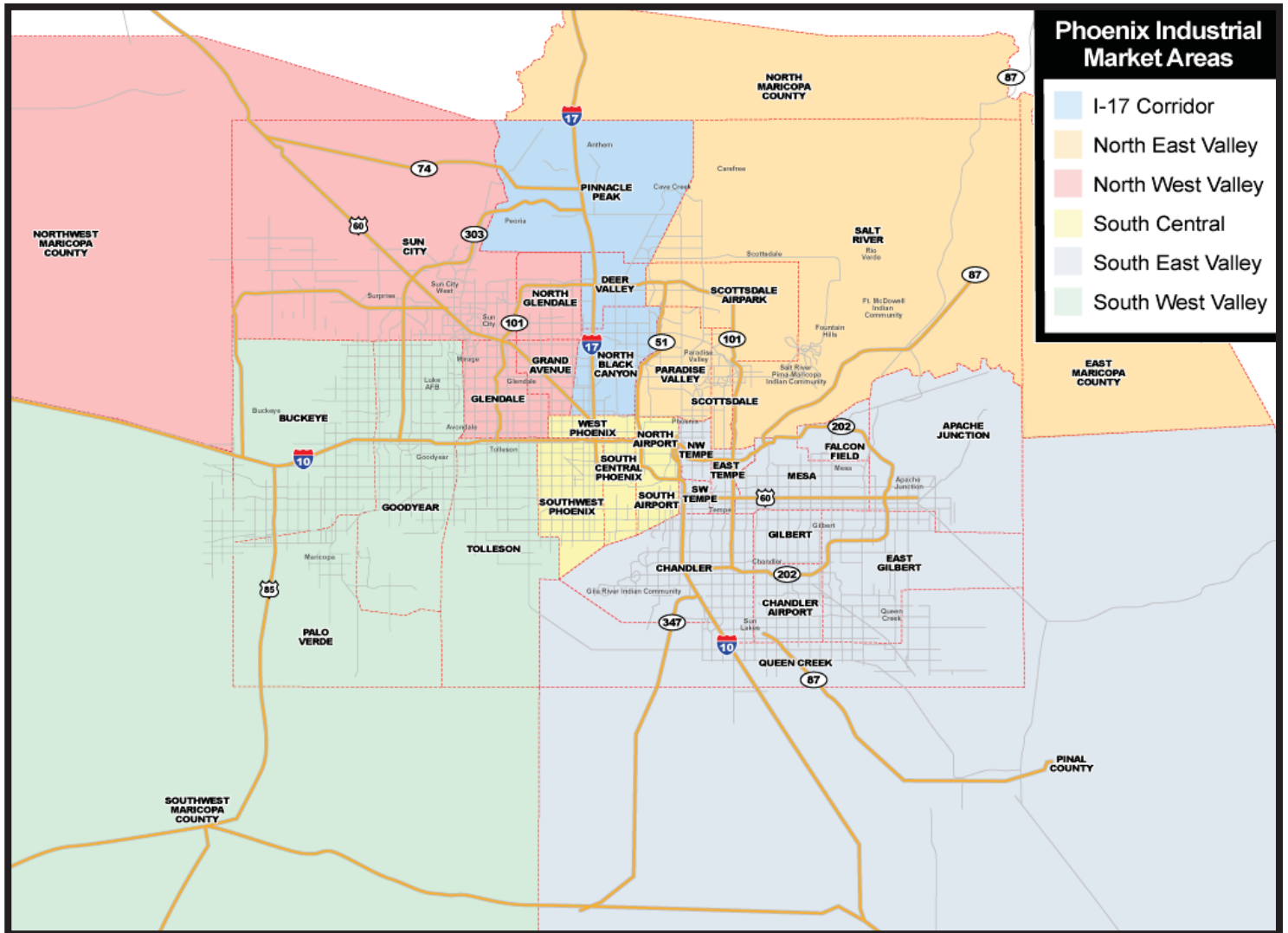
Industrial Market Trends

Xceligent[®]

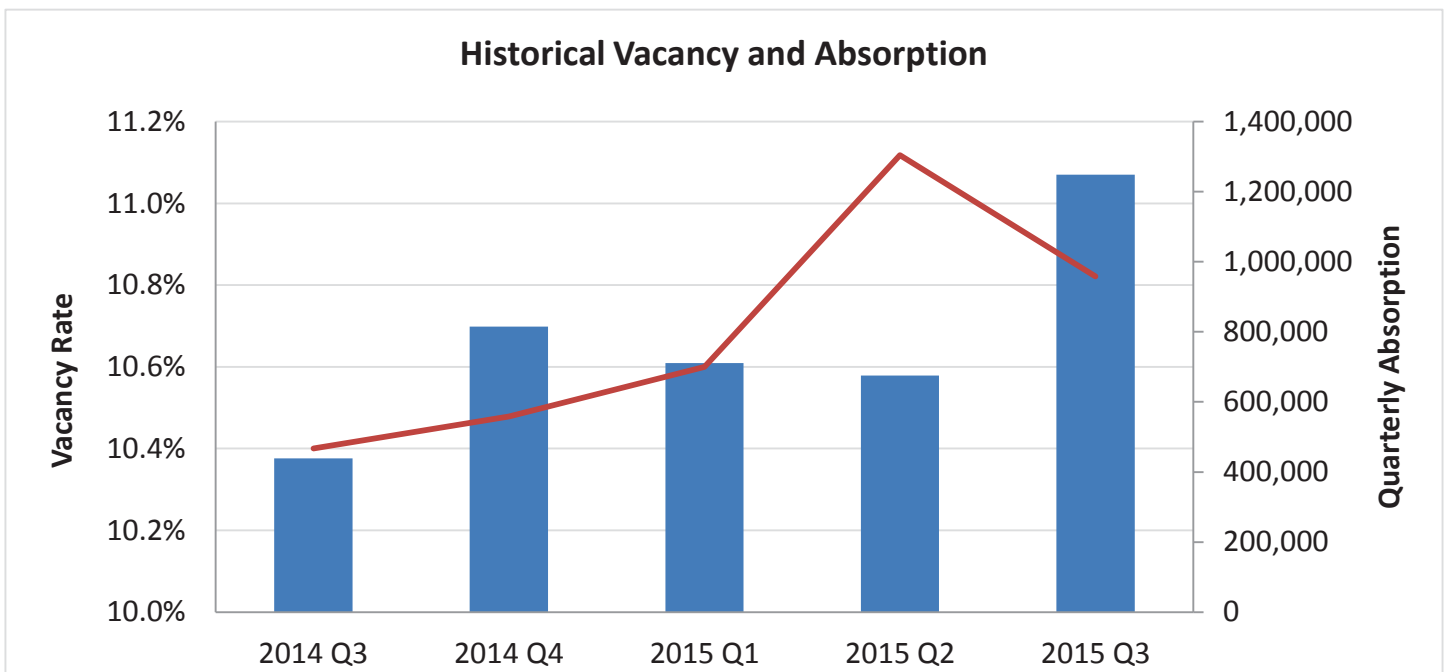
COMMERCIAL REAL ESTATE INFORMATION

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Inventory	The total square feet of all existing single tenant, multi tenant and owner occupied industrial properties greater than 10,000 SF.
Total Available SF	All of the available leasable space within a building, whether it is occupied or vacant, for direct lease or sublease space. Space can be available but not vacant, for example, if the landlord, or his agent, is marketing space that will be coming available at a future date because a tenant is planning to move.
Total Vacant SF	The total of all of the vacant square footage within a building, including both direct and sublease space. Whether the tenant is paying rent or not, the space is considered vacant only if it is unoccupied.
Direct Vacant SF	The total of the vacant square footage in a building that is being marketed by an agent representing the landlord.
Sublease SF	Space that is offered for lease by a current tenant, or his agent, within a property.
Net Absorption	The net change in physically occupied space from quarter to quarter, expressed in square feet.



- The Phoenix Metro saw 1.2 million square feet absorbed and a reduction in vacancy from 11.1% last quarter to 10.8% in the third quarter.
- The third quarter's healthy absorption was led in large part by Tuesday Morning's new distribution center in Southwest Phoenix.
- While all markets showed positive absorption, the South Central market saw 71% of the gain in absorption this quarter.
- In the past year, average NNN asking rates in the SE Valley market have increased \$.05, from \$0.64 to \$0.69.



Market Overview by Property Type

	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Qtrly Net Absorption (SF)	YTD Net Absorption (SF)
Flex/R&D	1,603	42,505,622	7,535,833	5,944,395	14.0%	5,628,597	13.2%	464,954	229,821	(157,066)
Light Industrial	2,828	65,813,327	6,062,573	4,809,694	7.3%	4,773,149	7.3%	107,261	283,926	463,644
Manufacturing	873	55,914,327	7,368,925	6,015,503	10.8%	5,970,071	10.7%	888,788	(125,477)	110,161
Warehouse - Distribution	1,133	132,844,673	17,460,198	15,379,028	11.6%	15,157,734	11.4%	520,871	859,962	2,181,073
Grand Total	6,437	297,077,949	38,427,529	32,148,620	10.8%	31,529,551	10.6%	1,981,874	1,248,232	2,597,812

Overview by Property Submarket



	# of Bldgs	Inventory (SF)	Total Available (SF)	Total Vacant (SF)	Total Vacancy Rate (%)	Direct Vacant (SF)	Direct Vacancy Rate (%)	Available Sublease (SF)	Qtrly Net Absorption (SF)	YTD Net Absorption (SF)
I-17 Corridor	698	22,029,676	2,603,619	2,860,118	12.98%	2,853,346	12.95%	25,083	69,661	69,896
Flex/R&D	204	5,379,565	1,111,538	962,325	17.89%	955,553	17.76%	13,338	41,002	(71,274)
Light Industrial	297	6,222,344	647,227	532,686	8.56%	532,686	8.56%	0	41,271	36,450
Manufacturing	116	3,923,018	248,247	758,149	19.33%	758,149	19.33%	0	(17,750)	(30,612)
Warehouse - Dist	81	6,504,749	596,607	606,958	9.33%	606,958	9.33%	11,745	5,138	135,332
NE Valley	460	12,554,752	1,769,438	1,305,845	10.40%	1,240,046	9.88%	78,360	25,829	168,832
Flex/R&D	286	6,398,379	1,165,453	804,888	12.58%	739,089	11.55%	78,360	21,750	7,028
Light Industrial	111	2,093,982	206,971	142,299	6.80%	142,299	6.80%	0	12,910	23,519
Manufacturing	32	2,492,007	160,374	135,951	5.46%	135,951	5.46%	0	0	14,347
Warehouse - Dist	31	1,570,384	236,640	222,707	14.18%	222,707	14.18%	0	(8,831)	123,938
NW Valley	414	18,055,154	1,628,457	1,274,359	7.06%	1,264,119	7.00%	50,240	54,486	182,597
Flex/R&D	92	2,439,377	357,811	269,121	11.03%	262,721	10.77%	6,400	15,325	66,638
Light Industrial	208	5,220,796	415,570	362,303	6.94%	362,303	6.94%	0	17,705	110,073
Manufacturing	51	2,767,454	247,018	238,848	8.63%	238,848	8.63%	0	2,053	(89,057)
Warehouse - Dist	63	7,627,527	608,058	404,087	5.30%	400,247	5.25%	43,840	19,403	94,943
SE Valley	2,164	92,643,184	10,089,552	8,244,652	8.90%	8,018,621	8.66%	561,205	153,627	590,093
Flex/R&D	700	19,264,861	3,275,813	2,576,062	13.37%	2,381,588	12.36%	246,984	53,949	(197,818)
Light Industrial	810	18,773,825	1,513,339	1,134,340	6.04%	1,122,583	5.98%	57,873	96,017	287,691
Manufacturing	279	23,602,179	1,651,954	1,184,818	5.02%	1,184,818	5.02%	217,000	(102,347)	118,347
Warehouse - Dist	375	31,002,319	3,648,446	3,349,432	10.80%	3,329,632	10.74%	39,348	106,008	381,873
South Central	2,363	106,057,941	15,228,699	12,728,385	12.00%	12,500,310	11.79%	519,542	884,099	1,274,402
Flex/R&D	275	7,588,737	1,470,572	1,197,744	15.78%	1,155,391	15.23%	119,872	108,903	39,465
Light Industrial	1,297	30,831,444	2,949,946	2,324,951	7.54%	2,300,163	7.46%	49,388	166,787	24,134
Manufacturing	341	16,695,003	3,154,958	2,689,420	16.11%	2,643,988	15.84%	72,932	(7,433)	91,070
Warehouse - Dist	450	50,942,757	7,653,223	6,516,270	12.79%	6,400,768	12.56%	277,350	615,842	1,119,733
SW Valley	338	45,737,242	7,107,764	5,735,261	12.54%	5,653,109	12.36%	747,444	60,530	311,992
Flex/R&D	46	1,434,703	154,646	134,255	9.36%	134,255	9.36%	0	(11,108)	(1,105)
Light Industrial	105	2,670,936	329,520	313,115	11.72%	313,115	11.72%	0	(50,764)	(18,223)
Manufacturing	54	6,434,666	1,906,374	1,008,317	15.67%	1,008,317	15.67%	598,856	0	6,066
Warehouse - Dist	133	35,196,937	4,717,224	4,279,574	12.16%	4,197,422	11.93%	148,588	122,402	325,254
Grand Total	6,437	297,077,949	38,427,529	32,148,620	10.82%	31,529,551	10.61%	1,981,874	1,248,232	2,597,812

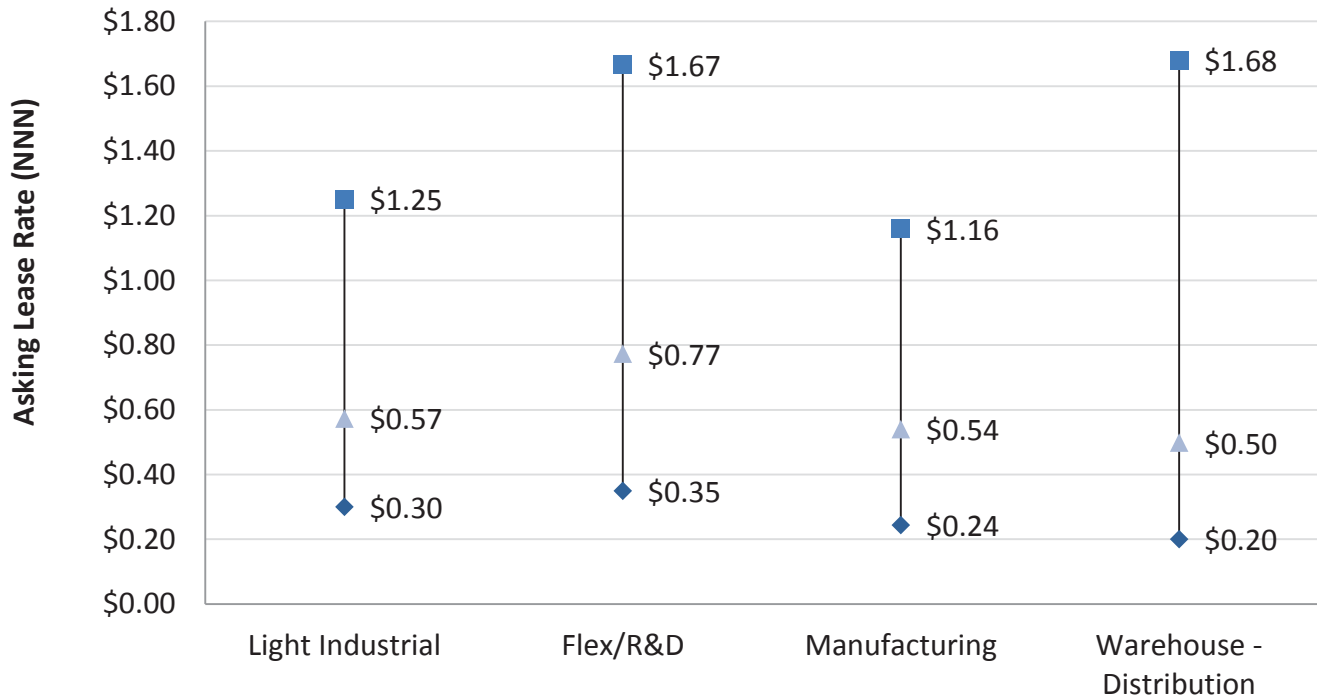
Historical Snapshot



	Direct Vacancy Rate %					Asking Direct Lease Rate (NNN)				
	2014 Q3	2014 Q4	2015 Q1	2015 Q2	2015 Q3	2014 Q2	2014 Q3	2014 Q4	2015 Q1	2015 Q2
I-17 Corridor	11.21%	11.70%	12.21%	13.23%	12.95%	\$0.71	\$0.72	\$0.70	\$0.74	\$0.75
Flex/R&D	14.51%	16.08%	18.27%	18.45%	17.76%	\$0.79	\$0.82	\$0.79	\$0.86	\$0.84
Light Industrial	9.30%	8.57%	9.25%	9.19%	8.56%	\$0.63	\$0.60	\$0.60	\$0.63	\$0.68
Manufacturing	18.23%	18.62%	18.40%	18.87%	19.33%	\$0.79	\$0.79	\$0.58	\$0.68	\$0.65
Warehouse - Dist	5.87%	6.62%	5.97%	9.40%	9.33%	\$0.63	\$0.63	\$0.63	\$0.62	\$0.63
NE Valley	12.12%	11.68%	11.34%	10.11%	9.88%	\$0.90	\$0.87	\$0.90	\$0.90	\$0.90
Flex/R&D	13.47%	12.34%	12.15%	11.91%	11.55%	\$0.97	\$0.96	\$0.96	\$0.96	\$0.95
Light Industrial	8.05%	8.59%	8.16%	7.53%	6.80%	\$0.80	\$0.82	\$0.82	\$0.86	\$0.89
Manufacturing	5.94%	6.03%	5.46%	5.46%	5.46%	\$0.71	\$0.69	\$0.70	\$0.62	\$0.68
Warehouse - Dist	21.81%	22.07%	21.57%	13.62%	14.18%	\$0.73	\$0.71	\$0.75	\$0.77	\$0.70
NW Valley	8.12%	7.86%	8.18%	7.27%	7.00%	\$0.56	\$0.53	\$0.56	\$0.56	\$0.59
Flex/R&D	13.55%	13.76%	12.55%	11.14%	10.77%	\$0.59	\$0.55	\$0.56	\$0.56	\$0.61
Light Industrial	7.83%	8.39%	8.48%	7.28%	6.94%	\$0.59	\$0.63	\$0.62	\$0.61	\$0.63
Manufacturing	6.68%	5.41%	8.56%	8.70%	8.63%	\$0.50	\$0.47	\$0.52	\$0.52	\$0.52
Warehouse - Dist	7.02%	6.49%	6.45%	5.50%	5.25%	\$0.50	\$0.41	\$0.53	\$0.54	\$0.56
SE Valley	8.85%	8.72%	8.46%	8.95%	8.66%	\$0.64	\$0.66	\$0.67	\$0.68	\$0.69
Flex/R&D	11.99%	11.35%	11.94%	12.64%	12.36%	\$0.72	\$0.73	\$0.74	\$0.76	\$0.78
Light Industrial	7.18%	7.55%	7.15%	6.52%	5.98%	\$0.59	\$0.61	\$0.60	\$0.60	\$0.60
Manufacturing	6.44%	6.04%	6.03%	6.08%	5.02%	\$0.63	\$0.65	\$0.64	\$0.68	\$0.65
Warehouse - Dist	9.78%	9.87%	8.95%	10.32%	10.74%	\$0.58	\$0.59	\$0.61	\$0.61	\$0.62
South Central	11.50%	11.29%	11.48%	12.48%	11.79%	\$0.49	\$0.49	\$0.49	\$0.50	\$0.50
Flex/R&D	14.78%	14.07%	14.03%	16.47%	15.23%	\$0.72	\$0.73	\$0.76	\$0.75	\$0.74
Light Industrial	7.01%	6.45%	6.90%	7.55%	7.46%	\$0.49	\$0.45	\$0.47	\$0.48	\$0.47
Manufacturing	16.72%	16.37%	16.45%	15.79%	15.84%	\$0.44	\$0.44	\$0.44	\$0.45	\$0.45
Warehouse - Dist	12.01%	12.12%	12.21%	13.78%	12.56%	\$0.42	\$0.41	\$0.41	\$0.42	\$0.43
SW Valley	10.22%	11.37%	12.37%	12.51%	12.36%	\$0.41	\$0.39	\$0.41	\$0.42	\$0.43
Flex/R&D	10.99%	9.54%	9.38%	8.58%	9.36%	\$0.40	\$0.41	\$0.43	\$0.43	\$0.44
Light Industrial	11.79%	11.31%	10.92%	9.82%	11.72%	\$0.44	\$0.45	\$0.45	\$0.45	\$0.48
Manufacturing	5.56%	5.53%	15.76%	15.67%	15.67%	\$0.36	\$0.36	\$0.36	\$0.38	\$0.39
Warehouse - Dist	10.85%	12.41%	11.98%	12.30%	11.93%	\$0.40	\$0.37	\$0.39	\$0.41	\$0.42
Grand Total	10.28%	10.33%	10.52%	11.03%	10.61%	\$0.60	\$0.59	\$0.60	\$0.62	\$0.62

Lease Rates

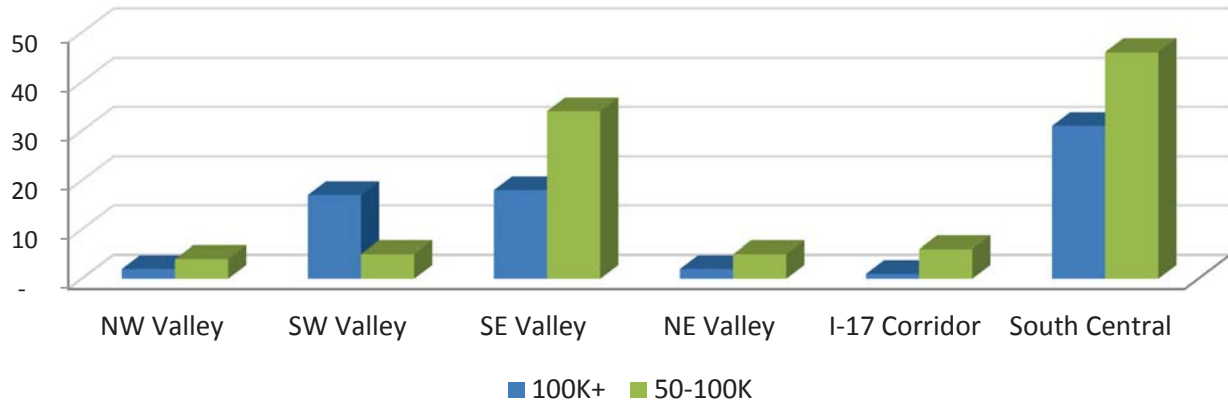
Asking Lease Rate Range by Type (NNN)



Largest Changes in Occupancy

Property Name	SF Occupied or Vacated	Company Name	Submarket	Type
Liberty Logistics Center I	593,600	Tuesday Morning	Southwest Phoenix	Warehouse - Dist
5240 W Buckeye Rd	60,901	Express Furniture Rental	Southwest Phoenix	Warehouse - Dist
Colonial Center at Southbank Bldg 4	40,204	Superior Stone & Cabinet	North Airport	Warehouse - Dist
1045 S Edward Dr	38,560	HercuTech	Northwest Tempe	Light Industrial
Loop 101 & I-10 Commerceplex Phase I Bldg 3	37,332	Trane Air Conditioning	Tolleson	Warehouse - Dist
Papago Technology Center	33,795	Ipro Tech	Northwest Tempe	Flex/R&D
San Tan Tech Center	33,048	Arvato Digital Services	Chandler	Manufacturing
6875 W Galveston St	(24,924)	Omni Duct Systems	Chandler	Manufacturing
Price Road Industrial Park	(43,549)	Stiffers Surplus	Chandler	Manufacturing
600 S 80th Ave	(50,625)	Arctic Glacier	Tolleson	Light Industrial
Nexus @ ASU Research Park	(59,606)	Wells Fargo	Chandler	Flex/R&D
Papago Industrial Park	(76,950)	FST Logistics	Southwest Phoenix	Warehouse - Dist
Southpark Business Center	(78,540)	Bid On Fusion	Chandler	Manufacturing
105 S 41st Ave	(80,615)	Warren Industries	Southwest Phoenix	Warehouse - Dist

Largest Blocks of Available Space



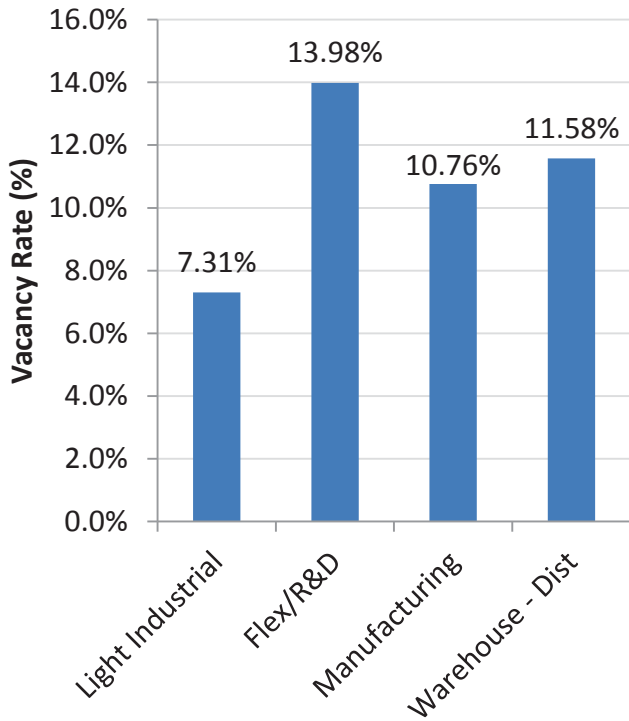
Available Space Historical Comparisons

Quarter	100K+	50-100K	25-50K
2014 Q3	60	92	193
2014 Q4	65	93	177
2015 Q1	63	94	174
2015 Q2	69	98	184
2015 Q3	71	100	176

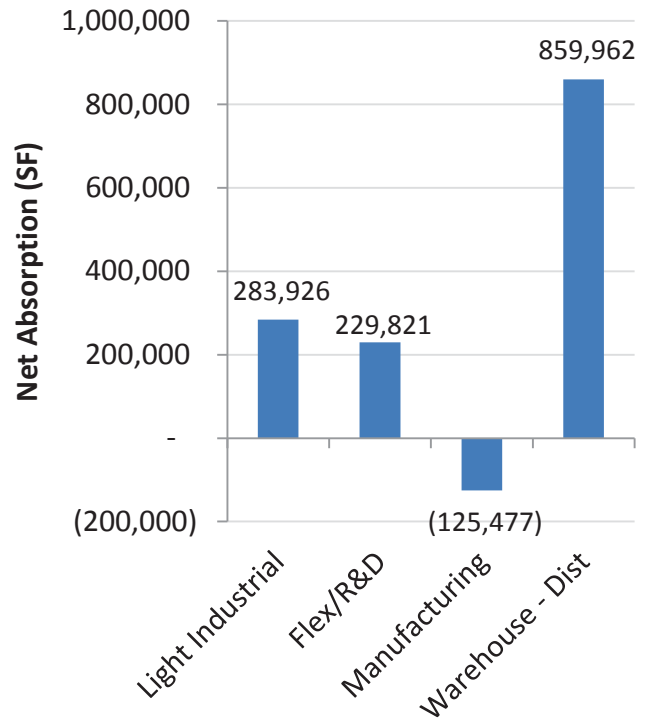
Notable Transactions

Property Name	SF Leased or Sold	Company Name	Submarket	Type	Lease/ Sale
Prologis Park Riverside Bldg 2	365,000 (occupy Q4)	Stitch Fix	Southwest Phoenix	Warehouse -- Dist	Lease
Westside Business Park	76,630	Medline	South Central Phoenix	Warehouse -- Dist	Lease
Pinnacle 7 in Deer Valley	56,826 (occupy Q4)	Diamatrix	Deer Valley	Warehouse -- Dist	Lease
1045 S Edward Dr	38,560	HercuTech	Northwest Tempe	Light Industrial	Lease
Park Ladera Bldg B	37,162	Somerset Capital	Deer Valley	Warehouse -- Dist	Lease
Diablo Technology Park	333,986	Muller Company	Southwest Tempe	Warehouse -- Dist	Sale
4550 W Watkins St	313,600	Cohen Asset Management	Southwest Phoenix	Warehouse -- Dist	Sale
200 S 49th Ave	114,871	Evergreen Property Co.	Southwest Phoenix	Warehouse -- Dist	Sale
Freeport Center	108,044	Bixby Land Company	Southwest Phoenix	Warehouse -- Dist	Sale
6615 W Boston St	96,000	TPG Real Estate	Chandler	Manufacturing	Sale

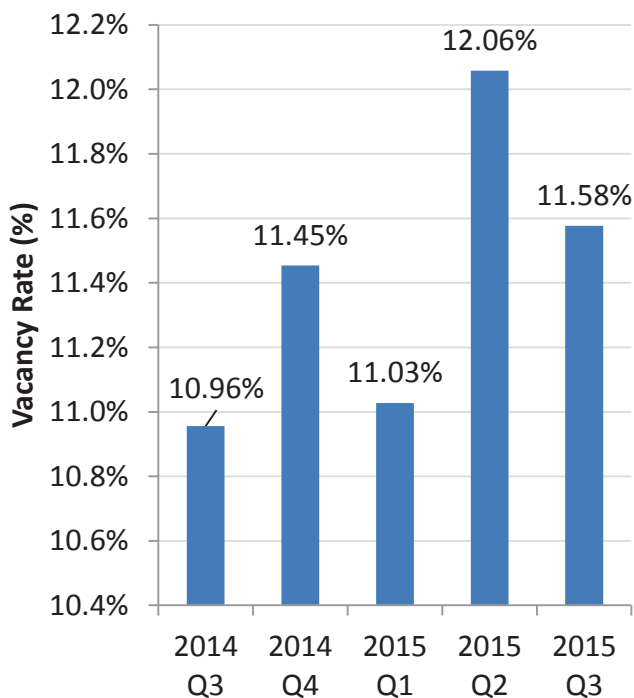
Vacancy Rate by Type



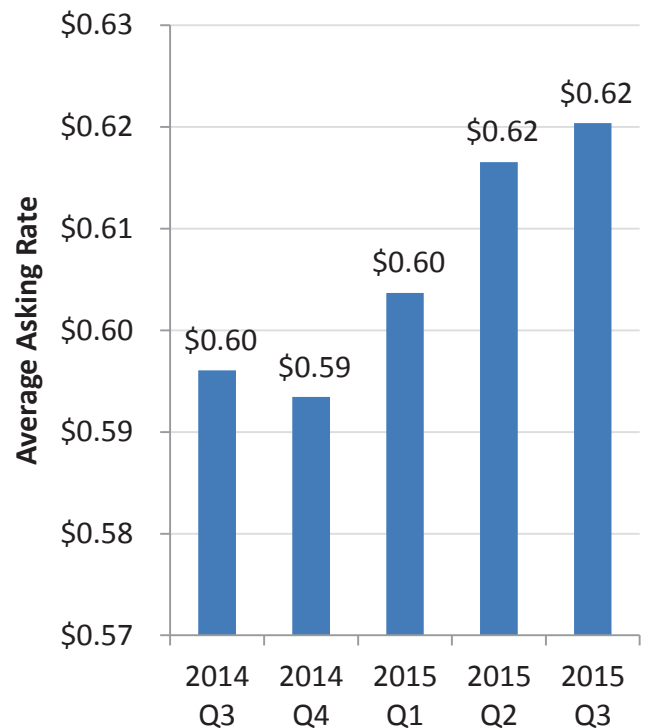
Net Absorption by Type



Warehouse/Distribution Vacancy by Quarter



Average NNN Asking Rates



This information has been obtained from sources believed reliable. While we do not doubt its accuracy, we have not verified it and make no guarantee, warranty or representation about it. It is your responsibility to independently confirm its accuracy. **For more information, please contact :**

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