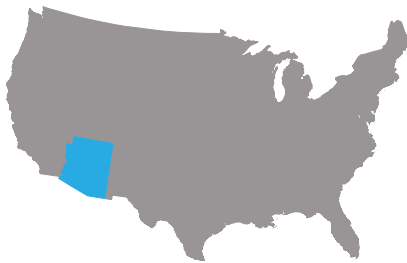


RESEARCH & FORECAST REPORT



Occupancy Improving Rapidly as Tenants Continue Expansion Plans

THE BROADER VIEW

The Greater Phoenix industrial market is well into a recovery cycle. While further improvement will be required to bring the vacancy rate closer to long-term market averages, large users are moving into or expanding in the metro area, and vacancy is tightening at an unprecedented rate due to the lack of significant new construction being delivered in recent quarters. Rents have largely stabilized, and while recent uncertainty surrounding the possibility of a double-dip recession could serve as a drag on rents in the immediate future, continued vacancy improvement will ultimately prompt rent gains and support future NOI growth.

MARKET INDICATORS

	2011 Q3	2010 Q3
VACANCY	↓	↓
NET ABSORPTION	↑	↑
CONSTRUCTION	—	↓
RENTAL RATE	↑	↓

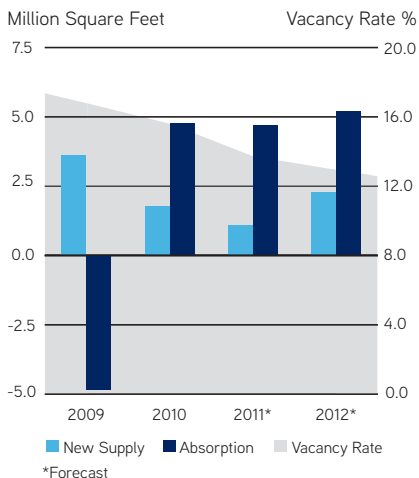
KEY MARKET INDICATORS

3Q ECONOMIC TRENDS*

PHOENIX METRO EMPLOYMENT	↑	↓
U.S. EMPLOYMENT	↓	↓

* Sources: Bureau of Labor Statistics

NEW SUPPLY, ABSORPTION & VACANCY RATES: PAST 4 YEARS

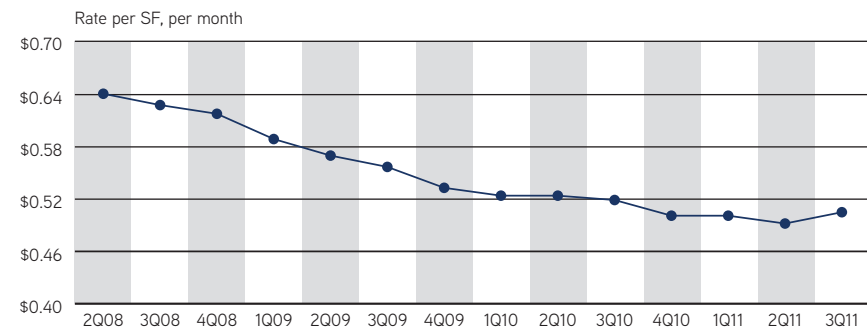


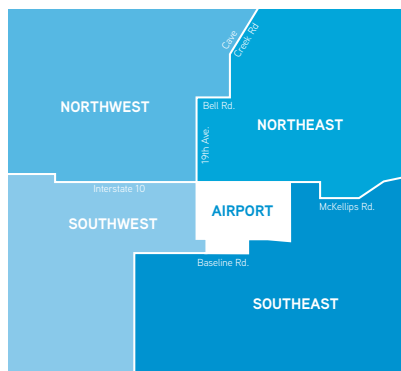
CURRENT CONDITIONS

Tenant demand for space remains robust, fueling net absorption of more than 1.6 million square feet in the third quarter. This marked the seventh consecutive period of positive net absorption; during this nearly two-year run, net absorption has totaled more than 9.3 million square feet. This trend is expected to prevail through the end of this year and into 2012, as

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OVERALL RENTAL RATES





Tenants have signed leases for more than 30 million square feet of industrial space since the beginning of 2010, driving absorption in Metro Phoenix. Leasing volume is up more than 40 percent from levels recorded during the recession. As the recovery strengthens and the economic outlook brightens, tenants are expected to continue to commit to space.

a few large move ins are scheduled for the fourth quarter and businesses appear poised to continue expansion plans next year. The Southwest Valley led the way with 797,000 square feet of net absorption in the third quarter, bringing the area’s year-to-date total to more than 1.5 million square feet. The Northwest Valley recorded net absorption of 454,000 square feet during the past three months, although the bulk of the total was the result of one major tenant move, rather than widespread improvement across the area.

For the second consecutive quarter, no new industrial space was delivered. With tenants filling previously empty space, the vacancy rate has trended down quickly, declining to 14.6 percent in the third quarter. Since peaking in early 2010, vacancy has fallen more than 3 full percentage points; the rate is now at its lowest point since the end of

2008. Further improvement is expected in 2012, although the pace of vacancy declines will slow due to the more than 3.6 million square feet of space that is currently under construction. Much of this space is heavily pre-leased, although some speculative development will likely enter the development pipeline in 2012.

The extended streak of robust tenant demand has stabilized rents at the market level. During the third quarter, average asking rents were \$0.50 per square foot, nearly identical to rates from one year earlier. While the current softness and volatility in the economy will likely prevent widespread, rapid rent growth through at least 2012, it appears that rents are poised to move off the bottom and some modest rent growth and concession tightening is likely in the coming quarters. While rents have been stable in the past few quarters,

Continued on back page

SALE & LEASE ACTIVITY

SALE ACTIVITY

PROPERTY ADDRESS	SUBMARKET	SALE DATE	SALE PRICE	SIZE SQ. FT.	SALE PRICE SQ. FT.	CLASS
9704 W Roosevelt St., Tolleson	Tolleson	8/9	\$9,950,000	302,640	\$32.88	C
2225 S 43rd Ave., Phoenix	SW S of Buckeye Road	8/2	\$9,125,000	250,796	\$36.38	B
16087 N 80th St., Scottsdale	Scottsdale Airpark	8/5	\$1,575,000	16,596	\$94.90	C

LEASE ACTIVITY

PROPERTY ADDRESS	SUBMARKET	SIGN DATE	TENANT	SIZE SQ. FT.
7200 W Buckeye Rd., Phoenix	Tolleson	8/1	Home Depot	400,000
107 S 41st Ave., Phoenix	SW N of Buckeye Road	8/23	Closed Loop Refining & Recovery	126,975
4 S 84th Ave., Tolleson	Tolleson	8/1	Durobag	121,077
1010 N 47th Ave., Phoenix	SW N of Buckeye Road	9/20	Omco Solar	118,000

INDUSTRIAL MARKET

BLDG TYPE	EXISTING PROPERTIES		DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER	AVG. RENT
	TOTAL	INVENTORY SF	SF	RATE	SF	RATE	SF	Q3-11	Q3-10	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	CONSTR. SF	RATE
AIRPORT MARKET CLUSTER: North Airport, S Airport N of Roeser, S Airport S of Roeser, SC N of Salt River, SC S of Salt River															
GI	4,910,736	648,601	13.2%	57,417	1.2%	706,018	14.4%	18.5%	35,329	24,766	-	-	-	-	\$0.34
WH	24,926,235	3,617,565	14.5%	95,438	0.4%	3,713,003	14.9%	14.7%	36,027	(101,342)	-	-	-	-	\$0.45
MF	8,375,362	837,974	10.0%	181,759	2.2%	1,019,733	12.2%	12.1%	25,856	103,186	-	-	-	-	\$0.42
SCS	1,633,461	162,515	9.9%	-	0.0%	162,515	9.9%	9.3%	(1,600)	22,200	-	-	-	-	\$0.52
FX	4,358,261	570,842	13.1%	-	0.0%	570,842	13.1%	17.4%	(5,260)	39,802	-	-	-	-	\$0.88
Total	44,204,055	5,837,497	14.0%	334,614	0.8%	6,172,111	14.0%	14.7%	90,352	88,612	-	-	-	-	\$0.46

NORTHEAST MARKET CLUSTER: Central Phoenix, Scottsdale Airpark, Scottsdale/Salt River															
GI	860,077	79,447	9.2%	122,000	14.2%	201,447	23.4%	17.7%	(4,313)	(57,029)	-	-	-	-	\$0.81
WH	5,603,946	788,918	14.1%	2,501	0.1%	791,419	14.1%	16.6%	(60,514)	111,895	-	-	-	-	\$0.64
MF	2,966,101	212,657	7.2%	-	0.0%	212,657	7.2%	6.1%	15,837	(33,419)	-	-	-	-	\$0.63
SCS	970,356	90,906	9.4%	-	0.0%	90,906	9.4%	12.2%	9,730	12,978	-	-	-	-	\$0.81
FX	5,452,185	892,880	16.4%	11,297	0.2%	904,177	16.6%	20.5%	13,272	149,044	-	17,600	-	-	\$0.87
Total	15,852,665	2,064,808	13.0%	135,798	0.9%	2,200,606	13.9%	15.8%	(25,988)	183,469	-	17,600	-	-	\$0.75

NORTHWEST MARKET CLUSTER: Deer Valley/Pinnacle Peak, Glendale, Grand Avenue, N Glendale/Sun City, North Black Canyon, North Outlying, W Phx N of Thomas, W Phx S of Thomas															
GI	4,233,899	371,070	8.8%	37,443	0.9%	408,513	9.6%	18.8%	446,894	373,146	-	-	223,000	-	\$0.43
WH	28,478,053	3,588,657	12.6%	4,800	0.1%	3,593,457	12.6%	13.2%	(21,074)	135,746	-	-	-	-	\$0.51
MF	10,222,218	1,377,901	13.5%	-	0.0%	1,377,901	13.5%	16.1%	79,365	275,780	-	226,000	268,960	-	\$0.71
SCS	2,470,699	262,360	10.6%	-	0.0%	262,360	10.6%	5.9%	(64,552)	(103,816)	-	-	-	-	\$0.63
FX	5,218,579	1,249,376	23.9%	17,600	0.3%	1,266,976	24.3%	26.7%	13,367	115,533	-	-	130,000	-	\$0.74
Total	50,623,448	6,849,364	13.6%	59,843	0.1%	6,909,207	13.6%	15.3%	454,000	796,389	-	226,000	621,960	-	\$0.60

SOUTHEAST MARKET CLUSTER: Chandler Airport, Chandler, Chandler N/Gilbert, Falcon Field/Apache Junction, Mesa, Tempe East, Tempe Northwest, Tempe Southwest															
GI	8,155,744	575,543	7.1%	-	0.0%	575,543	7.1%	10.8%	33,345	413,016	-	-	260,696	-	\$0.48
WH	35,397,766	5,546,201	15.7%	145,043	0.4%	5,691,244	16.1%	17.6%	18,050	482,158	-	-	10,446	-	\$0.50
MF	20,184,750	1,470,407	7.3%	132,600	0.7%	1,603,007	7.9%	8.9%	80,122	(4,746)	-	-	2,340,000	-	\$0.56
SCS	3,188,234	450,203	14.1%	-	0.0%	450,203	14.1%	18.0%	67,615	82,198	-	-	-	-	\$0.69
FX	13,574,611	2,648,352	19.5%	336,409	2.5%	2,984,761	22.0%	21.5%	103,335	(30,318)	-	-	-	-	\$0.95
Total	80,501,105	10,690,706	13.3%	614,052	0.8%	11,304,758	14.0%	15.4%	302,467	942,308	-	-	2,611,142	-	\$0.63

SOUTHWEST MARKET CLUSTER: Goodyear, SW N of Buckeye Road, SW S Buckeye Road, Tolleson, Southwest Outlying															
GI	29,951,577	5,391,532	18.0%	134,450	0.4%	5,525,982	18.4%	21.8%	(217,142)	520,142	-	-	32,494	-	\$0.32
WH	35,568,691	4,996,644	14.0%	83,980	0.2%	5,080,624	14.3%	15.3%	484,334	465,003	-	-	400,000	-	\$0.31
MF	10,693,858	1,779,274	16.6%	-	0.0%	1,779,274	16.6%	21.7%	504,329	684,233	-	-	-	-	\$0.34
SCS	1,337,638	77,823	5.8%	7,744	0.6%	85,567	6.4%	13.7%	0	45,693	-	-	-	-	\$0.46
FX	1,317,441	495,624	37.6%	-	0.0%	495,624	37.6%	27.8%	26,099	(167,732)	-	-	-	-	\$0.77
Total	78,869,205	12,740,897	16.2%	226,174	0.3%	12,967,071	16.4%	18.8%	797,620	1,547,339	-	-	432,494	-	\$0.33

GRAND TOTAL															
GI	48,112,033	7,066,193	14.7%	351,310	0.7%	7,417,503	15.4%	19.3%	294,113	1,274,041	-	-	516,190	-	\$0.36
WH	129,974,691	18,537,985	14.3%	331,762	0.3%	18,869,747	14.5%	15.4%	456,823	1,093,460	-	-	410,446	-	\$0.43
MF	52,442,289	5,678,213	10.8%	314,359	0.6%	5,992,572	11.4%	13.2%	705,509	1,025,034	-	226,000	2,608,960	-	\$0.50
SCS	9,600,388	1,043,807	10.9%	7,744	0.1%	1,051,551	11.0%	12.2%	11,193	59,253	-	-	-	-	\$0.63
FX	29,921,077	5,857,074	19.6%	365,306	1.2%	6,222,380	20.8%	21.8%	150,813	106,329	-	17,600	130,000	-	\$0.88
Total	270,050,478	38,183,272	14.1%	1,370,481	0.5%	39,553,753	14.6%	16.3%	1,618,451	3,558,117	-	243,600	3,665,596	-	\$0.50

QUARTERLY COMPARISON AND TOTALS															
2011 3Q	270,050,478	38,183,272	14.1%	1,370,481	0.5%	39,553,753	14.6%	16.3%	1,618,451	3,558,117	-	243,600	3,665,596	-	\$0.50
2011 2Q	269,970,741	39,845,408	14.8%	1,326,796	0.5%	41,172,204	15.3%	-	1,407,734	-	-	243,600	2,662,636	-	\$0.49
2011 1Q	269,970,741	41,283,416	15.3%	1,296,522	0.5%	42,579,938	15.8%	-	531,932	-	243,600	-	458,494	-	\$0.50
2010 4Q	269,657,141	41,206,803	15.3%	1,591,467	0.6%	42,798,270	15.9%	-	1,443,931	-	390,950	-	443,600	-	\$0.50
2010 3Q	269,266,191	42,217,415	15.7%	1,633,836	0.6%	43,851,251	16.3%	-	2,442,572	-	119,397	-	704,550	-	\$0.52

As new, corrected or updated information is obtained, it is incorporated in both current and historical data, which may invalidate comparison to previously issued reports.

GI = General Industrial WH = Warehouse MF = Manufacturing SC/S = Service Center/Showroom FX = Flex

average asking rents remain more than 22 percent lower than peak levels achieved prior to the onset of the recession.

PHOENIX INDUSTRIAL MARKET SUMMARY ≥ 10,000 SF

Transaction Activity:	-12%
Total Dollar Volume:	\$119.2 M
Total Building SF:	2,592,977
Median Price per SF:	\$49
Average Cap Rate:	7.8%

Sales of industrial properties posted a quarterly decline of approximately 12 percent during the third quarter. While vacancies are improving at the metro level, there are still a number of distressed properties filtering through the system, driving down the median price 5 percent to \$49 per square foot. While distressed and owner/user transactions continue to play a large role in the market, investment deals are still getting done. In those transactions, cap rates are averaging in the mid-7 percent to low-8 percent range.

IN THE MONTHS AHEAD

The Greater Phoenix industrial market will continue to improve through the remainder of this year and into 2012 as tenants continue to expand operations and commit



to space. Metrowide vacancy is forecast to decline to approximately 14 percent by the end of this year, and the rate will likely reach 13 percent or lower by the end of 2012. Phoenix will remain among the top markets for net absorption, particularly when measured as a percentage of inventory or available space. Net absorption for all of 2011 is expected to total 4.7 million square feet, following absorption of 4.8 million square feet last year. While healthy levels of absorption have tightened vacancy levels, rents have yet to post a notable rebound. This trend could reverse in the next few quarters, as tenants looking to expand will find fewer options, potentially allowing landlords to be more aggressive when negotiating rents and concessions.

480 offices in 61 countries on 6 continents

United States: 135
Canada: 39
Latin America: 17
Asia Pacific: 194
EMEA: 95

- \$1.6 billion in annual revenue
- 672.9 million square feet under management
- Over 10,000 professionals

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