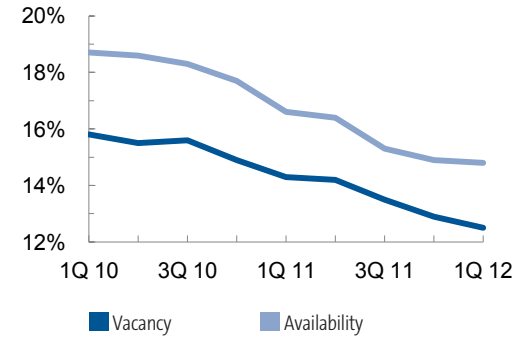
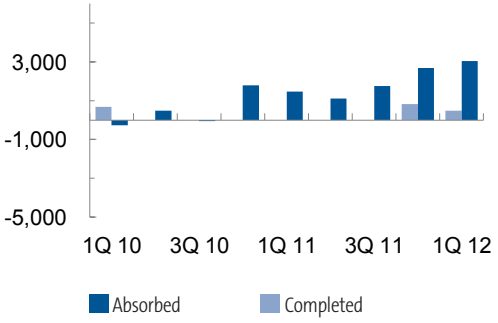
Industrial Trends Report—First Quarter 2012
Phoenix, AZ

GRUBB & ELLIS
From Insight to Results

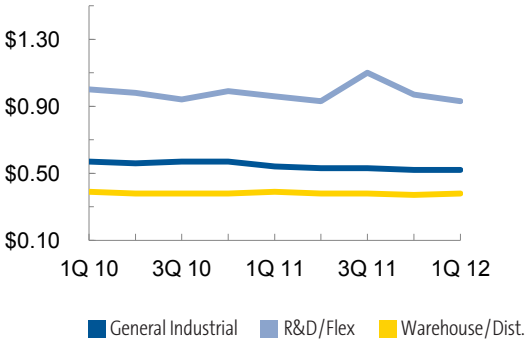
Vacancy & Availability Rates



Completions vs. Absorption
(in Thousands of SF)



Asking Rental Rates
($/SF/Mo./Triple Net)



More Absorption...

Once again vacancy in the Phoenix industrial market continued its downward trend, dropping 40 basis points from last quarter to 12.5 percent at the end of the first quarter. Occupancy growth continues with over 1.5 million square feet of newly occupied space with the warehouse/distribution sector enjoying most of these gains. Of the seventeen submarkets in the Phoenix market only six realized negative absorption. Average asking rents remain flat however some product types in select submarkets have begun to creep up as demand for distribution space continues to increase. Build-to-suit construction accounts for a majority of the projects, however the Valley of the Sun's first speculative project broke ground this quarter, an 80,000 square foot R&D/Flex building being built by Allred due to deliver in the fourth quarter of this year. There is just over 3 million square feet currently underway.

The Phoenix industrial market is well on its way out of its slump, yet there still hasn't been a lot of activity from the ancillary services for home builders and construction, the back bone of the industrial market. These users typically fill a lot of the smaller industrial spaces, giving the market the depth to sustain improvement. In the next three quarters look for this to change as home builders are ramping up, buying land and getting prepared to start building again. A lot of this will hinge on the upcoming elections as businesses as well as consumers hurry up and wait for the unknown economic consequences that come with a new election.

The economy in Arizona has continued to improve, evidenced by the falling unemployment rate which is currently at 8.7 percent. Median home prices in the state have gone up but post varying performances depending on specific geographies. Housing has become scarcer and developers are positioned to start building in the near future to meet the demand. Retail sales are up 5.3 percent from one year ago and are approaching early 2008 levels, indicating continued warehouse space demand growth.

KEY TRANSACTIONS

*Infinity Trading	MiTek Industries, Inc.	Movie Center SA DE CV	Ultimate Consignment
purchased 58,559 SF at 450 E Elliot Rd, Chandler, AZ from Wells Fargo Bank for $3.22 Million	leased 259,200 SF at 7890 W Lincoln St, Phoenix, AZ from First Industrial Realty Trust, Inc.	purchased 176,460 SF at 4633-4645 W Polk St, Phoenix, AZ from National Brands, Inc. for $4.45 Million	leased 64,008 SF at 475 E Lincoln St, Phoenix, AZ from Zeb Pearce Company

** Indicates Transaction Represented by Grubb & Ellis*

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By Submarket	Total SF	Vacant SF	Vacancy %	Available %	NET ABSORPTION Current Qtr	NET ABSORPTION Year To Date	Under Construction SF	ASKING RENT WH/Dist	ASKING RENT R&D/Flex
Black Canyon	4,678,189	602,207	12.9%	16.9%	83,876	83,876	-	$0.62	$1.18
Central Phoenix	2,669,366	166,964	6.3%	6.8%	(952)	(952)	-	$0.52	$0.77
Chandler	17,876,934	2,613,445	14.6%	16.2%	170,583	170,583	1,000,000	$0.72	$0.89
Deer Valley	13,649,001	2,179,083	16.0%	19.8%	389,440	389,440	-	$0.56	$0.94
East Mesa	4,356,460	921,800	21.2%	24.1%	282,672	282,672	1,200,000	$0.65	$0.76
Gilbert	5,129,502	865,055	16.9%	16.8%	40,070	40,070	-	$0.46	$1.00
Glendale	2,650,289	167,050	6.3%	7.6%	56,960	56,960	600,000	-	$0.70
Grand Ave	20,217,923	1,921,680	9.5%	11.5%	75,695	75,695	-	$0.25	$0.39
N Glendale	3,168,339	895,047	28.2%	26.1%	(38,295)	(38,295)	-	$0.46	-
Pinal	3,596,114	242,929	6.8%	8.1%	(70,192)	(70,192)	-	$0.29	-
Scottsdale	4,515,512	473,656	10.5%	15.0%	(82,518)	(82,518)	-	$0.78	$1.22
Scottsdale Airpark	7,285,596	1,147,118	15.7%	16.7%	69,056	69,056	-	$0.82	$1.09
Sky Harbor Airport	44,885,088	5,359,609	11.9%	12.8%	244,974	244,974	235,000	$0.39	$0.84
Southwest Phoenix	61,992,686	8,196,099	13.2%	16.0%	81,946	81,946	-	$0.33	$0.92
Tempe	41,426,733	4,330,989	10.5%	14.5%	(60,706)	(60,706)	-	$0.42	$1.05
West Central Phoenix	27,589,559	3,025,343	11.0%	13.0%	321,413	321,413	-	$0.34	$0.39
West Mesa	7,336,146	1,053,857	14.4%	15.7%	(13,455)	(13,455)	-	$0.64	$0.67
Totals	**273,023,437**	**34,161,931**	**12.5%**	**14.8%**	**1,550,567**	**1,550,567**	**3,035,000**	**$0.38**	**$0.93**

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INDUSTRIAL TERMS AND DEFINITIONS

Total SF: Industrial inventory includes all multi-tenant, single tenant and owner occupied buildings at least 10,000 square feet.

Industrial Buildings Classifications: Industrial buildings are categorized as warehouse/distribution, general industrial, R&D/flex and incubator based on their physical characteristics including percent office build-out, clear height, typical bay depth, typical suite size, type of loading and typical uses.

Vacancy and Availability: The vacancy rate is the amount of physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country, and dollars per square foot per month in areas of California and selected other markets. Industrial rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis. The asking rent for each building in the market is weighed by the amount of available space in the building.

** Grubb & Ellis statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*

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