



Net Absorption Improves

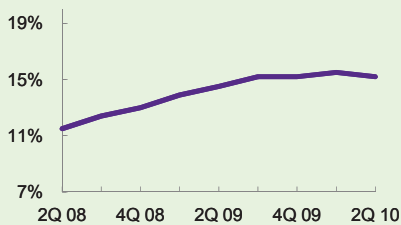
The second quarter experienced an increase in demand as the overall net absorption total was 1,360,315 square feet, the largest increase in 10 quarters. The second quarter offset the decline from the previous quarter, leaving the industrial market with positive net absorption of 788,474 square feet year-to-date. The combination of improving economic conditions and reduced occupancy costs seems to be influencing tenant activity.

Two of the last 10 quarters have posted positive net absorption, with the 4th quarter of 2009 posting the only other gain. Of the 17 submarkets, 11 showed improvement in terms of occupancy in the second quarter; the Southwest submarket posted the largest gain in net absorption of 947,148 square feet for the second quarter and 886,844 square feet year-to-date. The overall vacancy rate declined for the first time in over four years, albeit slightly, declining 30 basis points to 15.2 percent. Vacancy rates should begin to stabilize and slowly decline as construction of new speculative buildings has stopped in metro Phoenix. Asking rental rates will continue to soften, but at a slower pace,

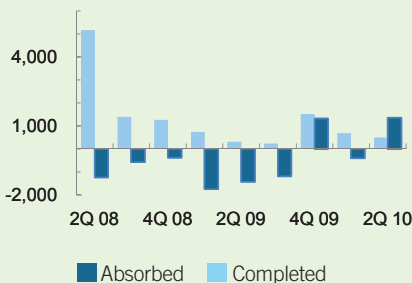
falling to their lowest level within the next year. Tenants in the market have an abundance of space to choose from at bargain pricing. In fact, asking rental rates have declined to 2004 levels, allowing tenants who are renewing or expanding to dramatically reduce their occupancy costs. It is apparent that it will be a tenant controlled market through this year.

The Phoenix industrial market has seen increased activity from food and beverage companies and renewable energy companies as they look to expand in metro Phoenix. Many renewable energy companies have relocated or are expected to relocate to Arizona due to the Renewable Energy Tax Incentive Program. This new industry is expected to bring high paying jobs and absorb some of the excess supply of industrial space in metro Phoenix. Expect to see improving net absorption statistics throughout the year as these companies begin to materialize. In addition, many economic indicators are improving and job growth is expected to slowly improve in 2010 and 2011. These positive signs should bring some relief to the Phoenix industrial market as glimpses of a recovery start to take hold.

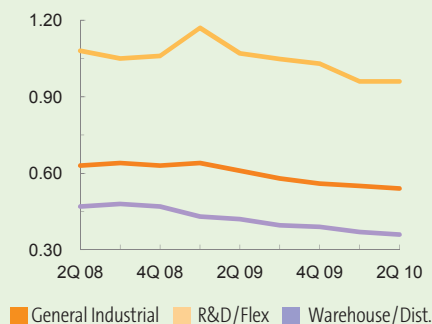
Vacancy Rate
Quarterly



Completions vs. Absorption
Quarterly (in Thousands of SF)

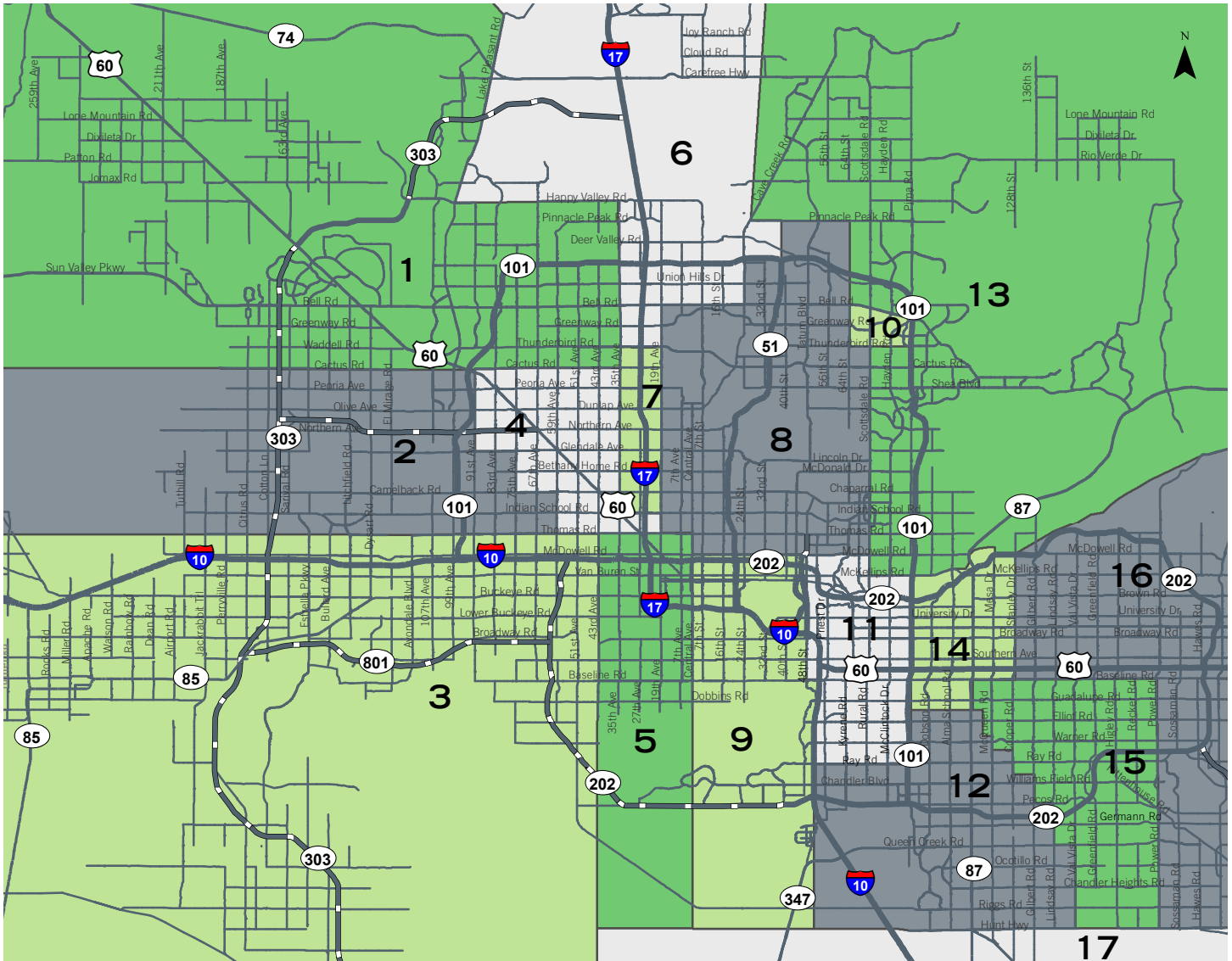


Asking Rental Rates
Quarterly (\$/SF/Yr./Triple Net)



FORECAST

- Net absorption is expected to be positive in 2010 and 2011.
- Expect asking rental rates to decline at a slower pace, falling to their lowest level within the next year.
- Vacancy rates are likely to peak in 2010



- 1 North Glendale
- 2 Glendale
- 3 Southwest Phoenix
- 4 Grand Avenue
- 5 West Central Phoenix
- 6 Deer Valley

- 7 Black Canyon
- 8 Central Phoenix
- 9 Sky Harbor Airport
- 10 Scottsdale Airpark
- 11 Tempe
- 12 Chandler

- 13 Scottsdale
- 14 West Mesa
- 15 Gilbert
- 16 East Mesa
- 17 Pinal

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By Submarket	Total SF	Vacant SF	Total Vacancy %	Net Absorption Current	Net Absorption Year To Date	Under Construction	Weighted Avg. Asking Rent
Black Canyon							
General Industrial	2,075,643	217,757	10.5%	4,500	2,636		\$0.45
Incubator	1,381,523	282,977	20.5%	12,372	(29,162)		\$0.50
R&D/Flex	595,581	158,834	26.7%	(41,600)	(97,251)		\$1.20
Warehouse/Distribution	704,826	26,324	3.7%	-	1,074		\$0.65
Central Phoenix							
General Industrial	1,840,013	220,201	12.0%	760	9,025		\$0.69
Incubator	159,539	29,710	18.6%	-	(4,180)		\$0.56
R&D/Flex	129,220	27,433	21.2%	(8,888)	(7,159)		\$0.76
Warehouse/Distribution	664,059	39,864	6.0%	-	26,769		\$0.56
Chandler							
General Industrial	10,760,789	1,490,623	13.9%	(60,649)	(16,701)		\$0.74
Incubator	1,365,582	242,861	17.8%	(5,358)	(11,339)		\$0.47
R&D/Flex	2,528,835	673,479	26.6%	49,803	53,804		\$1.04
Warehouse/Distribution	4,814,659	748,856	15.6%	(1,331)	35,721		\$0.65
Deer Valley							
General Industrial	6,869,694	682,790	9.9%	21,557	(21,199)		\$0.54
Incubator	1,630,542	241,668	14.8%	37,020	54,492		\$0.57
R&D/Flex	3,377,265	1,233,068	36.5%	(22,019)	(629,481)		\$0.98
Warehouse/Distribution	1,541,295	79,253	5.1%	4,700	81,139		\$0.58
East Mesa							
General Industrial	1,848,276	668,397	36.2%	-	52,182		\$0.64
Incubator	228,064	25,362	11.1%	4,385	(6,523)		\$0.73
R&D/Flex	747,423	157,534	21.1%	(33,791)	(57,066)		\$0.80
Warehouse/Distribution	1,206,172	285,492	23.7%	(1,991)	4,481		\$0.63
Gilbert							
General Industrial	1,559,248	266,585	17.1%	19,430	80,826		\$0.72
Incubator	1,278,914	174,044	13.6%	32,681	60,129		\$0.48
R&D/Flex	354,025	-	0.0%	-	-		-
Warehouse/Distribution	1,923,692	214,649	11.2%	9,003	62,114		\$0.44
Glendale							
General Industrial	406,651	117,404	28.9%	4,392	9,404		\$0.77
Incubator	186,837	41,560	22.2%	-	(16,470)		\$0.57
R&D/Flex	294,000	79,159	26.9%	21,065	21,296		\$0.87
Warehouse/Distribution	1,745,669	447,006	25.6%	76,356	76,356		\$0.29
Grand Ave							
General Industrial	7,714,693	688,586	8.9%	3,530	16,318		\$0.28
Incubator	2,888,091	342,096	11.8%	22,226	48,763		\$0.33
R&D/Flex	14,460	-	0.0%	3,000	3,000		-
Warehouse/Distribution	9,482,253	986,452	10.4%	(1,860)	(67,296)		\$0.21
North Glendale							
General Industrial	2,101,953	866,368	41.2%	35,359	67,745		\$0.60
Incubator	216,630	25,806	11.9%	5,835	5,355		\$0.76
R&D/Flex	74,924	-	0.0%	-	-		-
Warehouse/Distribution	466,587	145,545	31.2%	15,700	12,994		\$0.39
Scottsdale Airport							
General Industrial	1,819,969	335,932	18.5%	(22,241)	(13,325)		\$0.75
Incubator	3,267,913	584,653	17.9%	13,276	5,617		\$0.86
R&D/Flex	995,450	110,296	11.1%	(6,656)	12,488		\$1.04
Warehouse/Distribution	1,313,665	194,926	14.8%	(33,006)	(25,988)		\$0.96
Scottsdale							
General Industrial	2,412,516	147,021	6.1%	(4,259)	76,473		\$0.85
Incubator	634,860	112,234	17.7%	19,406	13,879		\$0.93
R&D/Flex	1,136,021	203,516	17.9%	(9,408)	(59,506)		\$0.77
Warehouse/Distribution	359,851	59,397	16.5%	15,506	31,402		\$0.85
Sky Harbor Airport							
General Industrial	18,097,728	1,638,252	9.1%	81,077	(26,120)	105,292	\$0.42
Incubator	4,164,541	577,759	13.9%	53,944	63,137		\$0.47
R&D/Flex	6,402,635	1,035,935	16.2%	4,354	126,865		\$0.90
Warehouse/Distribution	15,848,693	1,861,881	11.7%	(95,357)	(289,061)		\$0.38
Southwest Phoenix							
General Industrial	9,845,168	1,807,958	18.4%	24,474	(24,415)	285,950	\$0.41
Incubator	1,731,283	192,576	11.1%	(40,623)	(73,457)		\$0.35
R&D/Flex	266,966	194,087	72.7%	-	-		\$1.07
Warehouse/Distribution	49,438,483	11,678,546	23.6%	963,297	984,716		\$0.33
Tempe							
General Industrial	14,705,303	1,179,893	8.0%	123,927	132,875		\$0.59
Incubator	7,526,091	1,251,060	16.6%	(41,919)	(35,789)		\$0.51
R&D/Flex	6,773,685	819,475	12.1%	52,245	(64,021)		\$0.97
Warehouse/Distribution	12,114,165	1,168,394	9.6%	(2,414)	113,653		\$0.43
West Central Phoenix							
General Industrial	12,121,099	825,949	6.8%	7,254	88,019		\$0.37
Incubator	2,088,305	317,776	15.2%	20,249	(17,965)		\$0.22
R&D/Flex	82,183	-	0.0%	-	-		-
Warehouse/Distribution	13,178,480	1,212,602	9.2%	(24,255)	(111,351)		\$0.30
West Mesa							
General Industrial	2,549,725	465,621	18.3%	(48,094)	(46,546)		\$0.63
Incubator	2,026,215	349,943	17.3%	35,573	54,212		\$0.47
R&D/Flex	119,135	57,929	48.6%	5,627	1,022		\$0.67
Warehouse/Distribution	2,715,366	592,652	21.8%	65,011	43,404		\$0.46

By Submarket	Total SF	Vacant SF	Total Vacant %	Net Absorption		Under Construction SF	Asking Rent	
				Current	Year to Date		WH/Dist	R&D/Flex
Black Canyon	4,757,573	685,892	14.4%	(24,728)	(122,703)		\$0.65	\$1.20
Central Phoenix	2,792,831	317,208	11.4%	(8,128)	24,455		\$0.56	\$0.76
Chandler	19,469,865	3,155,819	16.2%	(17,535)	61,485		\$0.65	\$1.04
Deer Valley	13,418,796	2,236,779	16.7%	41,258	(515,049)		\$0.58	\$0.98
East Mesa	4,029,935	1,136,785	28.2%	(31,397)	(6,926)		\$0.63	\$0.80
Gilbert	5,115,879	655,278	12.8%	61,114	203,069		\$0.44	-
Glendale	2,633,157	685,129	26.0%	101,813	90,586		\$0.29	\$0.87
Grand Ave	20,099,497	2,017,134	10.0%	26,896	785		\$0.21	-
North Glendale	2,860,094	1,037,719	36.3%	56,894	86,094		\$0.39	-
Pinal	3,494,904	469,019	13.4%	(2,860)	6,460		\$0.32	-
Scottsdale Airpark	7,396,997	1,225,807	16.6%	(48,627)	(21,208)		\$0.96	\$1.04
Scottsdale	4,543,248	522,168	11.5%	21,245	62,248		\$0.85	\$0.77
Sky Harbor Airport	44,513,597	5,113,827	11.5%	44,018	(125,179)	105,292	\$0.38	\$0.90
Southwest Phoenix	61,281,900	13,873,167	22.6%	947,148	886,844	285,950	\$0.33	\$1.07
Tempe	41,119,244	4,418,822	10.7%	131,839	146,718		\$0.43	\$0.97
West Central Phoenix	27,470,067	2,356,327	8.6%	3,248	(41,297)		\$0.30	-
West Mesa	7,410,441	1,466,145	19.8%	58,117	52,092		\$0.46	\$0.67
Totals	272,408,025	41,373,025	15.2%	1,360,315	788,474	391,242	\$0.36	\$0.96

By Property Type								Asking Rent
General Industrial	97,722,238	11,749,116	12.0%	188,157	395,057	391,242		\$0.54
Incubator	30,834,500	4,817,485	15.6%	169,067	109,299			\$0.52
R&D/Flex	23,891,808	4,750,745	19.9%	13,732	(696,009)			\$0.96
Warehouse/Distribution	119,959,479	20,055,679	16.7%	989,359	980,127			\$0.36
Totals	272,408,025	41,373,025	15.2%	1,360,315	788,474	391,242		\$0.50

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Industrial Terms And Definitions

Inventory: 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.

** Cassidy Turley BRE Commercial statistics are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*