

GREATER PHOENIX | OFFICE

2Q 2015



Accelerating success.

After a Steady First Half, Some Volatility Ahead

Key Takeaways

- Office vacancy in Greater Phoenix has begun to level off after improving at a fairly steady pace from 2012-2014.
- Development of new office space is on the rise and total new construction in 2015 total will reach the highest point in Greater Phoenix since 2008.
- Tenant demand for office space remains healthy, fueled by continued gains in the local employment market. Employers are forecast to add approximately 50,000 jobs in 2015, including approximately 15,000 office-using positions
- Rents are on the rise. Asking rents have increased for the past two-plus years and are forecast to continue to tick higher in the coming quarters.
- Investment activity is outpacing 2014 levels and prices are pushing higher. The median price per square foot thus far in 2015 is up 20 percent compared to last year.

Greater Phoenix Office Market

The Greater Phoenix office market recorded steady performance in the second quarter, with an uptick in net absorption, stable vacancy and ongoing rent increases. While the first half of 2015 has served as a continuation of the trends that prevailed in the market throughout much of last year, the coming quarters will deliver greater volatility, as new projects are completed and vacated spaces come online to be backfilled.

For the past few years, the Greater Phoenix office market has recovered while supply growth has been minimal. That trend is in the process of reversing, as several spec and build-to-suit projects are in the development pipeline and slated to come online over the next 24 months. Nearly all of the buildings under construction are located in high-demand areas such as Chandler and Tempe, but there will

Market Indicators Relative to prior period	Market Q2 2015	Market Q2 2014
Vacancy	↔	⬇
Net Absorption	⬆	⬇
Construction	⬇	⬆
Rental Rate	⬆	⬆
Second Quarter Employment Trends*		
Total Nonfarm Phoenix Metro	⬇	⬆
Office-Using Phoenix Metro	⬆	⬆
Total Nonfarm United States	⬆	⬆
Office-Using United States	⬆	⬆

*Source: Bureau of Labor Statistics

Summary Statistics	Phoenix Market	Phoenix Class A	Phoenix Class B
Vacancy Rate	17.9%	16.4%	18.9%
Change from 2Q 2014 (bps)	-80	-200	-20
Net Absorption (thousands SF)	531	334	215
New Construction (thousands SF)		205	140
Under Construction (millions SF)	4.4	3.8	0.6
Asking Rents Per Square Foot Per Year	\$21.51	\$25.36	\$20.19
Change from 2Q 2014	3.7%	5.4%	2.4%

Greater Phoenix Office Market (continued)

likely be short-term vacancy rises in these areas and surrounding submarkets as the new buildings come online.

While changes are under way on the supply side, tenant demand for space has been fairly steady, with positive net absorption having been recorded in each of the past 13 quarters. This demand is being driven

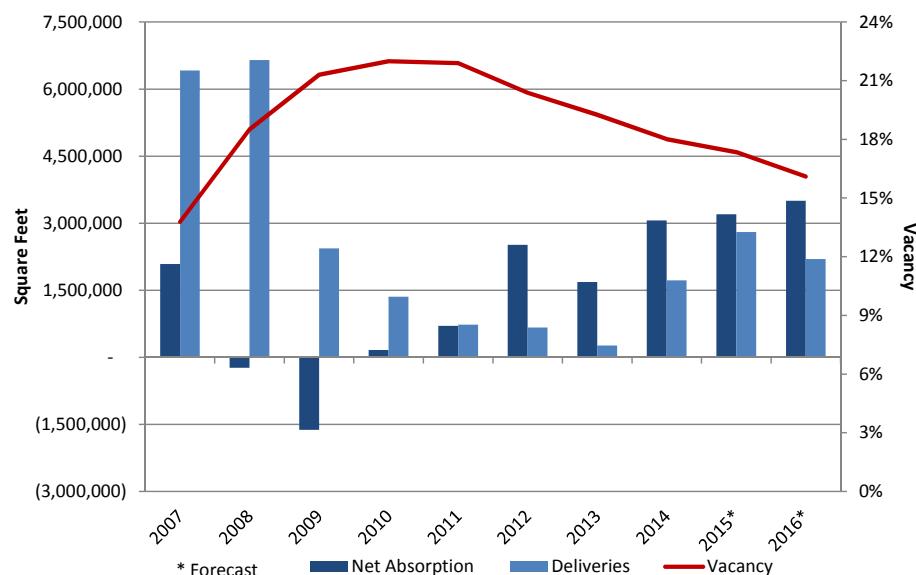
by a growing local labor market, which has expanded by an average of 50,000 jobs per year since 2012. Similar gains were forecast for this year, but recent layoff announcements from some of the state's largest employers such as Intel, PetSmart and University of Phoenix could drag on net job growth totals.

Recent Transactions in the Market

OFFICE SALE ACTIVITY						
Property Address	Submarket	Sale Date	Sale Price	Size Sq. Ft.	Sale Price Sq. Ft.	Class
1 N Central Ave., Phoenix	Downtown South	6/19	\$93,750,000	410,053	\$229	A
410, 426, & 432 N 44th St., Phoenix	44th Street Corridor	6/17	\$75,700,000	437,603	\$173	A
3200 E Camelback Rd., Phoenix	Camelback Corridor	4/17	\$58,000,000	259,730	\$223	A
444 N 44th St., Phoenix	44th Street Corridor	4/17	\$22,927,000	138,240	\$166	A
16001 N 28th Ave., Phoenix	Deer Valley Airport	4/16	\$16,850,000	106,397	\$158	B

OFFICE LEASE ACTIVITY						
Building Name/Address	Submarket	Lease Type	Tenant	Size Sq. Ft.	Class	
Phoenix Plaza/2901 N Central Ave	Downtown North	Move in	Banner Health	140,048	A	
Phoenix Plaza/2929 N Central Ave	Downtown North	Move in	Banner Health	121,219	A	
Allred Park Place Central/1450 S Spectrum Blvd	Chandler	Move in	Infusionsoft	100,622	A	
Black Canyon Commerce Park/2133 W Peoria Ave	Northwest Phoenix	Move in	Progrexion	62,771	B	
Mesa Financial Plaza/1201 S Alma School Rd	Superstition Corridor	Move in	AZ Department of Child Safety	46,401	A	

Historical Absorption, Deliveries and Vacancy Rates



Vacancy:

- › Vacancy in the Greater Phoenix office market ended the second quarter at 17.9 percent. The rate has been largely unchanged over the past three quarters, with tenant demand for space not significantly outpacing the delivery of new space.
- › Year over year, office vacancy in Greater Phoenix has improved by 80 basis points, and the current rate is 260 basis points lower than two years ago.
- › The Class A segment of the office market is recording the most significant vacancy improvement. Class A vacancy ended the second quarter at 16.4 percent, down from 18.4 percent one year ago. The Class A vacancy rate peaked in early 2010 at more than 26 percent.
- › **Forecast:** Vacancy in the Greater Phoenix office market is forecast to continue to improve in the second half of 2015, with the rate likely to dip below 17.5 percent by year end. This will mark a more modest pace of improvement than has been recorded in recent years, due in large part to a surge in new supply.

Absorption and Leasing Activity:

- › Net absorption accelerated in the second quarter, topping 530,000 square feet after totaling less than 140,000 square feet in the first three months of the year. During the past 12 months, tenants have moved into a net of nearly 2.2 million square feet.
- › The Chandler submarket posted some of the strongest net absorption totals for the second quarter, due in part to the delivery of a 205,000-square foot building fully occupied by Wells Fargo at the company's Chandler campus.
- › The Northwest Phoenix submarket, which has the highest vacancy rate of any submarket in Greater Phoenix, recorded negative net absorption of nearly 110,000 square feet during the second quarter. There have been a few large leases signed in the submarket thus far in 2015, however, which could boost net absorption in the second half of the year.
- › **Forecast:** Net absorption in Greater Phoenix will receive a boost beginning in the second half of this year as State Farm's regional headquarters in Tempe begins to come online. Net absorption is forecast to top 3 million square feet in 2015, up slightly from the 2014 total.

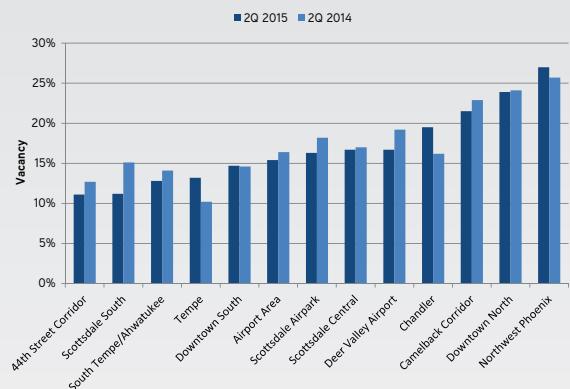
Rental Rates:

- › Asking rents continued to trend higher during the past three months, ticking up 1.1 percent from the first quarter to \$21.51 per square foot. This marked the ninth consecutive quarter of rising asking rents in Greater Phoenix.
- › Year over year, average asking rents in Greater Phoenix have increased 3.7 percent. Since bottoming at less than \$20 per square foot in early 2013, metrowide asking rents have jumped nearly 10 percent.

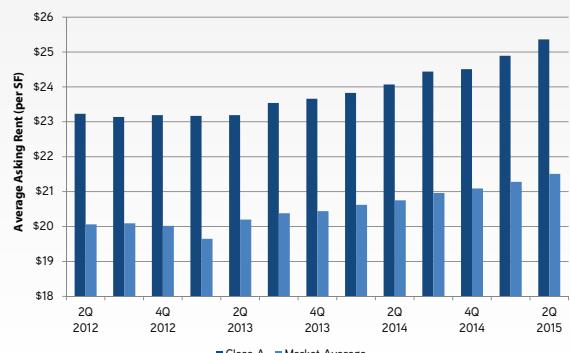
Vacancy by Property Class



Vacancy Among Major Submarkets



Asking Rent Trends



Rental Rates (continued):

- The strongest asking rent increases are being recorded in the Valley's top buildings. Class A asking rents have increased 5.4 percent in the past 12 months, reaching \$25.36 per square foot in the second quarter. Asking rents for Class B and Class C buildings have ticked up 2.4 percent and 1.2 percent, respectively, over the past year.
- Forecast:** Rental rates should continue to creep higher in the coming months. For the year, asking rents are forecast to increase approximately 4.5 percent in 2015, topping \$22 per square foot.

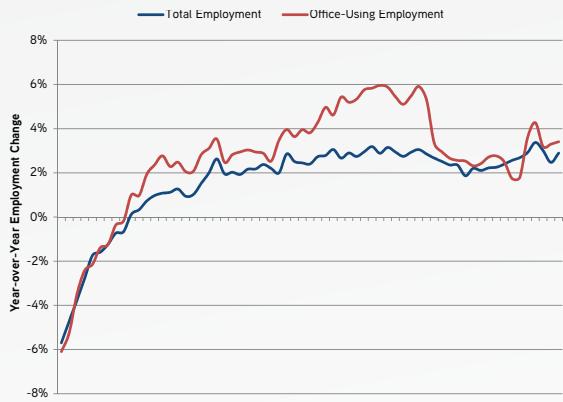
Construction:

- Construction is ramping up in Greater Phoenix following a lull in recent years. More than 1.6 million square feet of new space has come online in the past year, compared to 882,000 square feet of deliveries in the year-earlier period.
- Projects totaling approximately 4.5 million square feet are currently under construction, including nearly 1.5 million square feet of spec space.
- New construction is currently concentrated in just a few submarkets. Tempe leads the way with the 2.1-million square foot State Farm regional headquarters, which will be delivered in phases beginning in the second half of this year. In addition, nearly 950,000 square feet of space is under way in the Chandler submarket.
- Forecast:** With projects totaling 2.8 million square feet expected to deliver, 2015 will be the most active year for new construction in Greater Phoenix since 2008.

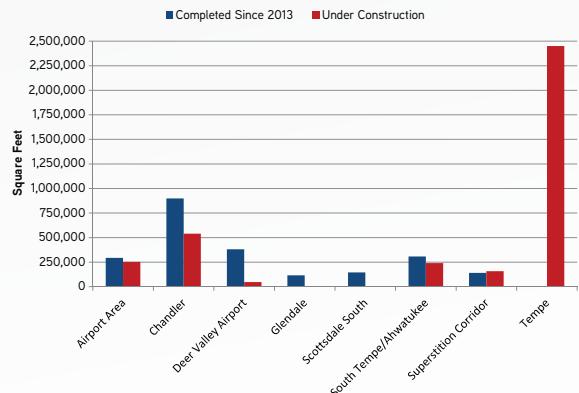
Investment Trends:

- Sales of office buildings dipped approximately 5 percent from the first quarter to the second quarter. The greatest decline in activity was recorded in larger transactions. Sales of properties in deals of \$25 million or more declined by more than 50 percent from the first quarter to the second quarter. Despite the recent dip, transaction activity in the first half of 2015 is 20 percent higher than during the first half of last year.
- Sales prices are pushing higher in response to improving property fundamentals. The median price in transactions closed during the second quarter was \$152 per square foot, up from \$111 per square foot in the first quarter. Year to date, the median price is \$136 per square foot, compared to \$113 per square foot in 2014.
- Cap rates have averaged approximately 7.8 percent thus far in 2015, compared to 7.5 percent in 2014. While a potential uptick in interest rates is a bit of a concern, the ongoing rebound in property fundamentals is forecast to persist, and should keep cap rates near current ranges.

Employment Overview



Construction Trends by Submarket



Investment Trends



Office Market

Market Summary - Office															
EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONSTR	Avg. RENT
CLASS	BLDGs	TOTAL INVENTORY SF	SF	RATE	SF	RATE	SF	Q1-15	Q1-14	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
CENTRAL BUSINESS DISTRICT															
Downtown North															
A	14	4,576,133	1,379,112	30.1%	26,614	0.6%	1,405,726	30.7%	29.7%	(44,081)	(66,453)	-	-	\$22.54	
B	92	6,569,209	1,380,238	21.0%	9,413	0.1%	1,389,651	21.2%	22.3%	139,383	107,668	-	-	\$18.87	
C	47	1,047,117	114,140	10.9%	-	0.0%	114,140	10.9%	10.8%	(4,809)	(14,815)	-	-	\$15.64	
Total	153	12,192,459	2,873,490	23.6%	36,027	0.3%	2,909,517	23.9%	24.1%	90,493	26,400	-	-	\$20.68	
Downtown South															
A	11	4,891,088	710,682	14.5%	60,376	1.2%	771,058	15.8%	15.6%	(15,086)	(28,310)	-	-	\$26.33	
B	24	2,374,563	268,095	11.3%	-	0.0%	268,095	11.3%	10.8%	(6,717)	9,510	-	-	\$21.42	
C	24	865,964	153,852	17.8%	-	0.0%	153,852	17.8%	19.1%	16,925	36,525	-	-	\$18.04	
Total	59	8,131,615	1,132,629	13.9%	60,376	0.7%	1,193,005	14.7%	14.6%	(4,878)	17,725	-	-	\$24.63	
SUBURBAN															
44th St. Corridor															
A	19	3,004,946	237,169	7.9%	332	0.1%	237,501	7.9%	11.5%	37,004	79,954	-	-	\$25.78	
B	43	2,067,910	304,202	14.7%	39,742	14.7%	343,944	14.7%	15.8%	257	2,148	-	-	\$20.89	
C	19	631,700	51,737	8.2%	-	0.0%	51,737	8.2%	8.4%	(1,400)	(1,278)	-	-	\$15.94	
Total	81	5,704,556	593,108	10.4%	40,074	0.7%	633,182	11.1%	12.7%	35,861	80,824	-	-	\$23.43	
Airport Area															
A	11	1,582,966	298,929	18.9%	-	0.0%	298,929	18.9%	24.1%	20,292	18,180	-	-	252,027 \$24.08	
B	123	7,847,814	1,105,244	14.1%	52,620	0.7%	1,157,864	14.8%	14.9%	54,505	100,666	-	-	\$19.67	
C	19	437,672	64,226	14.7%	-	0.0%	64,226	14.7%	19.9%	1,867	5,532	-	-	\$14.26	
Total	153	9,868,452	1,468,399	14.9%	52,620	0.5%	1,521,019	15.4%	16.4%	76,664	124,378	-	-	252,027 \$20.18	
Arrowhead															
A	1	80,849	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$-	
B	90	2,236,503	367,841	16.4%	10,148	0.5%	377,989	16.9%	18.6%	18,341	2,568	-	-	\$22.41	
C	13	252,314	65,804	26.1%	-	0.0%	65,804	26.1%	26.3%	1,146	4,601	-	-	\$19.18	
Total	104	2,569,666	433,645	16.9%	10,148	0.4%	443,793	17.3%	18.8%	19,487	7,169	-	-	\$21.99	
Camelback Corridor															
A	25	4,591,692	993,095	21.6%	47,103	1.0%	1,040,198	22.7%	24.7%	(35,617)	3,634	-	-	\$29.78	
B	85	3,638,503	731,775	20.1%	27,568	0.8%	759,343	20.9%	21.1%	37,198	(2,526)	-	-	\$20.36	
C	21	363,219	46,236	12.7%	-	0.0%	46,236	12.7%	18.3%	10,151	9,653	-	-	\$15.60	
Total	131	8,593,414	1,771,106	20.6%	74,671	0.9%	1,845,777	21.5%	22.9%	11,732	10,761	-	-	\$25.30	
Chandler															
A	14	1,824,733	102,684	5.6%	9,312	0.5%	111,996	6.1%	7.4%	202,938	205,097	205,000	205,000	771,712 \$29.47	
B	123	4,814,083	1,166,509	24.2%	20,944	0.4%	1,187,453	24.7%	19.4%	(74,305)	(197,793)	-	334,247	182,700 \$22.12	
C	12	203,943	32,673	16.0%	-	0.0%	32,673	16.0%	17.6%	1,521	(552)	-	-	\$17.10	
Total	149	6,842,759	1,301,866	19.0%	30,256	0.4%	1,332,122	19.5%	16.2%	130,154	6,752	205,000	539,247	954,412 \$22.92	
Deer Valley Airport															
A	21	3,762,833	192,026	5.1%	-	0.0%	192,026	5.1%	6.7%	13,558	76,979	-	-	\$22.06	
B	104	6,745,166	1,519,389	22.5%	31,000	0.5%	1,550,389	23.0%	25.8%	110,703	64,004	-	-	46,942 \$21.09	
C	11	223,516	49,692	22.2%	290	0.1%	49,982	22.4%	28.6%	6,416	8,233	-	-	\$14.16	
Total	136	10,731,515	1,761,107	16.4%	31,290	0.3%	1,792,397	16.7%	19.2%	130,677	149,216	-	-	46,942 \$21.00	
Gateway Airport/Loop 202															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	\$-	
B	42	1,053,508	244,993	23.3%	2,120	0.2%	247,113	20.2%	28.8%	(7,618)	6,503	-	-	\$24.83	
C	2	33,232	3,080	9.3%	-	0.0%	3,080	9.3%	12.5%	-	-	-	-	\$16.80	
Total	44	1,086,740	248,073	22.8%	2,120	0.2%	250,193	23.0%	27.2%	(7,618)	6,503	-	-	\$24.73	

Office Market

EXISTING PROPERTIES		DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY		NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONSTR AVG. RENT			
CLASS	BLDGs	TOTAL INVENTORY SF	SF	RATE	SF	RATE	SF	Q1-15	Q1-14	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
SUBURBAN															
Glendale															
A	5	521,061	65,464	12.6%	-	0.0%	65,464	12.6%	20.3%	(1,874)	9,841	-	-	-	\$26.85
B	29	1,438,508	477,373	33.2%	-	0.0%	477,373	33.2%	32.1%	51,393	55,415	-	-	55,295	\$23.24
C	14	424,158	42,299	10.0%	-	0.0%	42,299	10.0%	8.7%	(2,200)	(2,720)	-	-	-	\$12.91
Total	48	2,383,727	585,136	24.5%	-	0.0%	585,136	24.5%	25.0%	47,319	62,536	-	-	55,295	\$23.31
Loop 303/Surprise															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	41	1,293,421	257,302	19.9%	3,740	0.3%	261,042	20.2%	22.4%	5,160	5,065	-	-	-	\$23.32
C	4	57,399	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
Total	45	1,350,820	257,302	19.7%	3,740	0.3%	261,042	19.3%	21.5%	5,160	5,065	-	-	-	\$23.32
Mesa Downtown															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	19	675,900	27,845	4.1%	-	0.0%	27,845	4.1%	7.8%	8,033	33,763	-	-	-	\$16.92
C	17	265,357	79,822	30.1%	-	0.0%	79,822	30.1%	30.8%	(1,074)	(871)	-	-	-	\$11.78
Total	36	941,257	107,667	11.4%	-	0.0%	107,667	11.4%	14.3%	6,959	32,892	-	-	-	\$13.40
Mesa East															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	41	1,265,193	123,862	9.8%	-	0.0%	123,862	9.8%	11.2%	10,231	13,926	-	-	-	\$18.24
C	29	637,884	150,609	23.6%	-	0.0%	150,609	23.6%	22.2%	(11,745)	(13,583)	-	-	-	\$16.28
Total	70	1,903,077	274,471	14.4%	-	0.0%	274,471	14.4%	14.9%	(1,514)	343	-	-	-	\$17.18
Midtown/Central Phoenix															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	80	2,858,527	387,636	13.6%	24,624	0.9%	412,260	14.4%	15.4%	(2,918)	4,596	-	-	-	\$18.24
C	51	934,319	173,163	18.5%	-	0.0%	173,163	18.5%	21.8%	36,629	(2,678)	-	-	-	\$13.86
Total	131	3,792,846	560,799	14.8%	24,624	0.0%	585,423	15.4%	17.0%	33,711	1,918	-	-	-	\$17.23
Northwest Phoenix															
A	10	1,319,120	172,889	13.1%	-	0.0%	172,889	13.1%	15.1%	(7,961)	(5,119)	-	-	-	\$21.95
B	111	4,838,856	1,569,594	32.4%	-	0.0%	1,569,594	32.4%	31.3%	(79,365)	(47,185)	-	-	-	\$16.70
C	96	1,952,913	445,741	22.8%	1,717	0.1%	447,458	22.9%	19.2%	(21,457)	(24,296)	-	-	-	\$14.12
Total	217	8,110,889	2,188,224	27.0%	1,717	0.1%	2,189,941	27.0%	25.7%	(108,783)	(76,600)	-	-	-	\$17.01
Paradise Valley															
A	13	1,471,736	282,007	19.2%	50,849	3.5%	332,856	22.6%	31.1%	61,558	86,101	-	-	-	\$24.94
B	56	1,919,684	296,960	15.5%	2,290	0.1%	299,250	15.6%	17.8%	(21,969)	1,018	-	-	-	\$20.59
C	23	371,412	73,175	19.7%	-	0.0%	73,175	19.7%	19.6%	34	(2,082)	-	-	-	\$15.27
Total	92	3,762,832	652,142	17.3%	53,139	1.4%	705,281	18.7%	23.2%	39,623	85,037	-	-	-	\$22.36
Piestewa Peak Corridor															
A	3	409,394	12,328	3.0%	484	0.1%	12,812	3.0%	6.2%	-	4,785	-	-	-	\$27.22
B	45	2,184,068	521,306	23.9%	28,248	1.3%	549,554	23.9%	24.2%	(4,946)	(12,203)	-	-	-	\$18.07
C	23	366,761	34,709	9.5%	-	0.0%	34,709	9.5%	11.9%	1,981	5,099	-	-	-	\$15.62
Total	71	2,960,223	568,343	19.2%	28,732	1.0%	597,075	20.2%	20.2%	(2,965)	(2,319)	-	-	-	\$18.53
Scottsdale Airpark															
A	55	6,374,621	1,150,497	18.0%	58,665	0.9%	1,209,162	19.0%	19.7%	27,582	46,782	-	-	169,189	\$26.21
B	193	5,268,945	659,308	12.5%	30,170	0.6%	689,478	13.1%	16.1%	16,625	97,188	-	-	-	\$21.51
C	10	176,211	31,519	17.9%	-	0.0%	31,519	17.9%	24.3%	(5,652)	(7,402)	-	-	-	\$11.29
Total	258	11,819,777	1,841,324	15.6%	88,835	0.8%	1,930,159	16.3%	18.2%	38,555	136,568	-	-	169,189	\$24.29

Office Market

EXISTING PROPERTIES		DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY		NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONSTR AVG. RENT			
CLASS	BLDG'S	TOTAL INVENTORY SF	SF	RATE	SF	RATE	SF	Q1-15	Q1-14	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
SUBURBAN															
Scottsdale Central															
A	22	2,316,023	373,376	16.1%	11,105	0.5%	384,481	16.6%	17.8%	(7,297)	8,222	-	-	70,000	\$25.19
B	132	4,820,705	798,589	16.6%	22,464	0.5%	821,053	17.0%	16.8%	(11,327)	(55,469)	-	-	-	\$21.54
C	9	123,420	9,610	7.8%	-	0.0%	9,610	7.8%	9.5%	-	2,096	-	-	-	\$20.77
Total	163	7,260,148	1,181,575	16.2%	33,569	0.5%	1,215,144	16.7%	17.0%	(18,624)	(45,151)	-	-	70,000	\$22.75
Scottsdale South															
A	16	2,000,493	153,627	7.7%	5,197	0.3%	158,824	7.9%	10.9%	42,717	17,630	-	-	-	\$27.38
B	75	2,582,065	277,161	10.7%	17,651	0.7%	294,812	11.4%	18.1%	15,353	11,115	-	-	-	\$21.81
C	35	634,257	130,988	20.7%	2,000	0.3%	132,988	21.0%	14.8%	(37,927)	(32,348)	-	-	-	\$18.56
Total	126	5,216,815	561,776	10.8%	24,848	0.5%	586,624	11.2%	15.1%	20,143	(3,603)	-	-	-	\$23.36
South Tempe/Ahwatukee															
A	5	626,323	32,641	5.2%	-	0.0%	32,641	5.2%	6.8%	5,836	(2,367)	-	-	240,000	\$25.31
B	109	4,648,870	630,042	13.6%	28,552	0.6%	658,594	14.2%	15.2%	(35,805)	95,627	-	96,649	-	\$20.55
C	11	380,322	29,890	7.9%	-	0.0%	29,890	7.9%	9.6%	2,241	-	-	-	-	\$20.38
Total	125	5,655,515	692,573	12.3%	28,552	0.5%	721,125	12.8%	14.1%	(27,728)	95,501	-	-	-	\$20.75
Southwest Phoenix															
A	3	288,087	194,499	67.5%	-	0.0%	194,499	67.5%	74.4%	-	-	-	-	-	\$21.00
B	22	845,418	46,749	5.5%	-	0.0%	46,749	5.5%	5.9%	-	-	-	-	-	\$18.82
C	15	363,945	60,261	16.6%	-	0.0%	60,261	16.6%	16.2%	-	-	-	-	-	\$14.52
Total	40	1,497,450	301,509	20.1%	-	0.0%	301,509	20.1%	21.6%	-	-	-	-	-	\$19.52
Superstition Corridor															
A	5	670,140	242,782	36.2%	2,763	0.4%	245,545	36.6%	40.5%	13,107	(681)	-	-	-	\$20.42
B	121	3,651,456	845,910	23.2%	44,171	1.2%	890,081	24.4%	21.0%	(6,714)	(67,282)	140,000	140,000	158,000	\$18.93
C	23	422,182	38,757	9.2%	-	0.0%	38,757	9.2%	11.3%	(6,761)	(8,935)	-	-	-	\$14.62
Total	149	4,743,778	1,127,449	23.8%	46,934	1.0%	1,174,383	24.8%	22.9%	(368)	(76,898)	140,000	140,000	158,000	\$19.05
Tempe															
A	12	1,798,501	58,512	3.3%	-	0.0%	58,512	3.3%	6.7%	21,331	38,713	-	-	2,343,235	\$27.48
B	83	3,217,218	571,584	17.8%	2,901	0.1%	574,485	17.9%	11.0%	(907)	(22,865)	-	-	108,000	\$19.75
C	32	572,985	97,937	17.1%	8,220	1.4%	106,157	18.5%	16.6%	(16,075)	(14,491)	-	-	-	\$15.06
Total	127	5,588,704	728,033	13.0%	11,121	0.2%	739,154	13.2%	10.2%	4,349	1,357	-	-	2,451,235	\$19.95
West I-10															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	42	1,231,977	121,549	9.9%	9,551	0.8%	131,100	10.6%	13.2%	345	11,307	-	-	-	\$23.00
C	8	139,051	30,971	22.3%	-	0.0%	30,971	22.3%	17.4%	12,464	11,075	-	-	-	\$13.80
Total	50	1,371,028	152,520	11.1%	9,551	0.7%	162,071	11.8%	13.6%	12,809	22,382	-	-	-	\$22.09
GRAND TOTAL															
A	265	42,110,739	6,652,319	15.8%	272,800	0.6%	6,925,119	16.4%	18.4%	334,007	492,988	205,000	205,000	3,846,163	\$25.36
B	1,925	80,088,070	14,701,056	18.4%	407,917	0.5%	15,108,973	18.9%	19.1%	214,936	216,764	140,000	570,896	550,937	\$20.19
C	568	11,881,253	2,010,891	16.9%	12,227	0.1%	2,023,118	17.0%	17.0%	(17,725)	(40,996)	0	0	0	\$15.39
Total	2,758	134,080,062	23,364,266	17.4%	692,944	0.5%	24,057,210	17.9%	18.8%	531,218	668,756	345,000	775,896	4,397,100	\$21.51
QUARTERLY TOTALS															
2015 2Q	2,758	134,080,062	23,364,266	17.4%	692,944	0.5%	24,057,210	17.9%	-	531,218	668,756	345,000	775,896	4,397,100	\$21.51
2015 1Q	2,756	133,735,062	23,190,680	17.3%	749,613	0.6%	23,940,293	17.9%	-	137,538	-	430,896	-	3,149,124	\$21.28
2014 4Q	2,750	133,328,871	23,409,203	17.6%	620,867	0.5%	24,030,070	18.0%	-	891,494	-	365,182	-	2,976,395	\$21.09
2014 3Q	2,745	132,963,689	23,874,276	18.0%	682,106	0.5%	24,556,382	18.5%	-	613,121	-	400,116	-	2,541,896	\$20.96
2014 2Q	2,741	132,563,573	24,077,151	18.2%	692,236	0.5%	24,769,387	18.7%	-	544,251	-	540,622	-	1,464,067	\$20.75

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.

Outlook:

While the Greater Phoenix office market is in its strongest position in recent years, there is also a greater degree of short-term uncertainty present than there has been in of late. Much of the uncertainty is driven by the ramping up of new development in the market, which will increase competitive pressures after several years of limited supply. In addition, some large local occupiers of office space have announced plans to trim payrolls by hundreds of positions in recent months. It remains to be seen if these cuts will

be isolated incidents affecting just a few companies, or indicative of slowing pace of growth in Greater Phoenix. While there have been some announced layoffs, the Greater Phoenix area continues to attract businesses from outside the state, which is supporting the local office market. Assuming this pace of business attraction can be sustained, tenant demand for office space should continue to expand in the quarters to come.

FOR MORE INFORMATION

Bob Mulhern

Managing Director | Greater Phoenix
+1 602 222 5038
Bob.Mulhern@colliers.com

Jim Keeley SIOR

Founding Partner | Scottsdale Office
+1 480 655 3300
Jim.Keeley@colliers.com

Pete O'Neil

Research Director | Greater Phoenix
+1 602 222 5029
Pete.ONeil@colliers.com

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Colliers International | Greater Phoenix
2390 E. Camelback Road, Suite 100
Phoenix, AZ 85016
+1 602 222 5000
colliers.com/greaterphoenix



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