

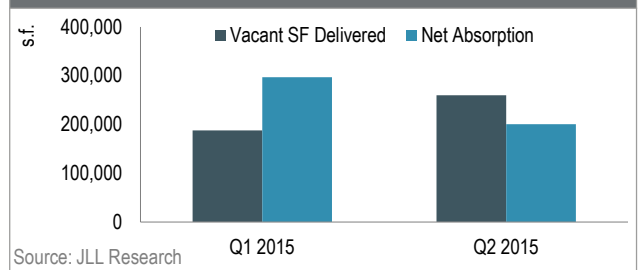


Developers easing pressure on popular submarkets

Speculative developments reducing impact of positive absorption gains

At least 13 development companies are capitalizing on the strong demand and limited supply of high-quality space in the Southeast Valley, delivering 557,957 square feet of new product in the first half of 2015. While the remainder of the properties currently under construction are 74.5 percent pre-leased, the properties that have been delivered year-to-date have been mostly speculative, adding over 448,000 square feet of vacant space to the market. These speculative deliveries have kept pace with the 498,123 square feet of year-to-date net absorption, resulting in a stagnant vacancy rate of 22.3 percent in both the first and second quarter of 2015.

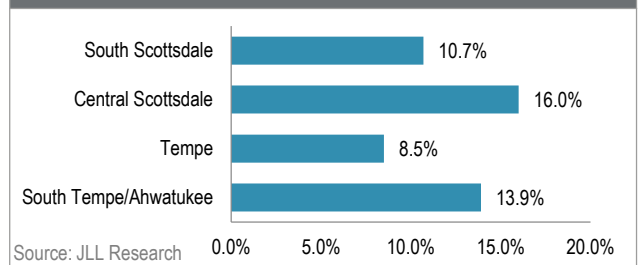
Vacant square feet delivered vs. overall net absorption (s.f.)



Strong activity along the eastern Loop 101 corridor

As the economy continues to improve, technology-focused tenants have helped popularize several submarkets along the Loop 101 highway in the Northeast and Southeast. Despite a market-wide vacancy rate of 22.3 percent, the Central Scottsdale, South Scottsdale, Tempe, and South Tempe/Ahwatukee submarkets have reached a combined vacancy rate of 13.0 percent, partly due to the expanding footprints of tech tenants. Neighboring submarkets have begun to benefit from spillover demand, as tenants turn to the Scottsdale Airpark, 44th Street Corridor and Airport Area submarkets for comparable space in nearby areas.

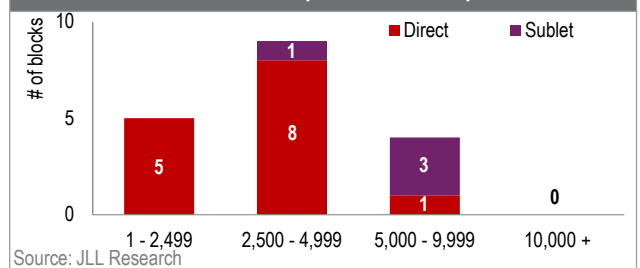
Loop 101 Corridor vacancy rates (north to south)



Tempe reaches historically low vacancy rates

The city of Tempe is rich with walkable amenities, features ample public transportation, and benefits from a young, educated workforce provided by Arizona State University. Tempe has emerged as one of the most in-demand submarkets in Phoenix, now well into its fifth consecutive year of positive absorption gains. Already boasting the lowest vacancy rate of any submarket, Tempe's overall vacancy rate fell to 8.5 percent in the second quarter, the lowest since reaching 7.5 percent in 2006. Even more impressive, Class A vacancy in Tempe has reached 2.8 percent, the lowest since 2001. With only 65,000 square feet of Class A space available, new tenants will have to look towards the 2.3 million square feet of upcoming new developments to meet their needs.

Available blocks of Class A space in the Tempe submarket



80,559,265

Total inventory (s.f.)

200,823

Q2 2015 net absorption (s.f.)

\$22.10

Direct average asking rent

3,411,901

Total under construction (s.f.)

22.3%

Total vacancy

498,123

YTD net absorption (s.f.)

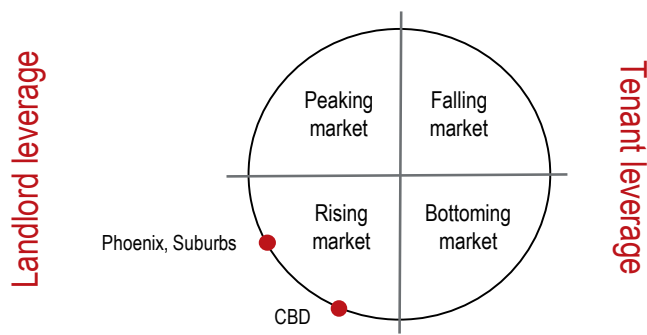
4.1%

12-month rent growth

74.5%

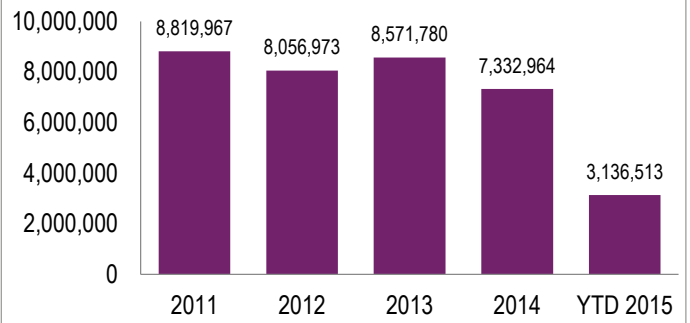
Total preleased

Current conditions – market and submarket



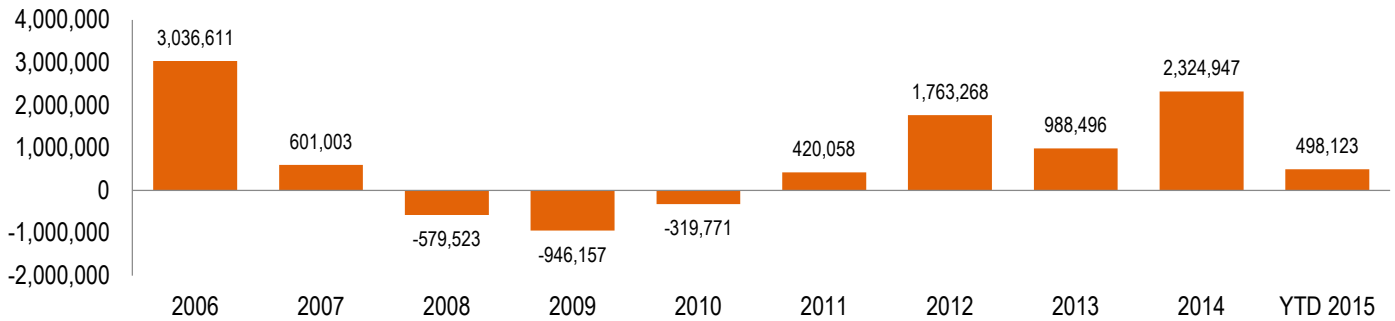
Source: JLL Research

Historical leasing activity (s.f.)



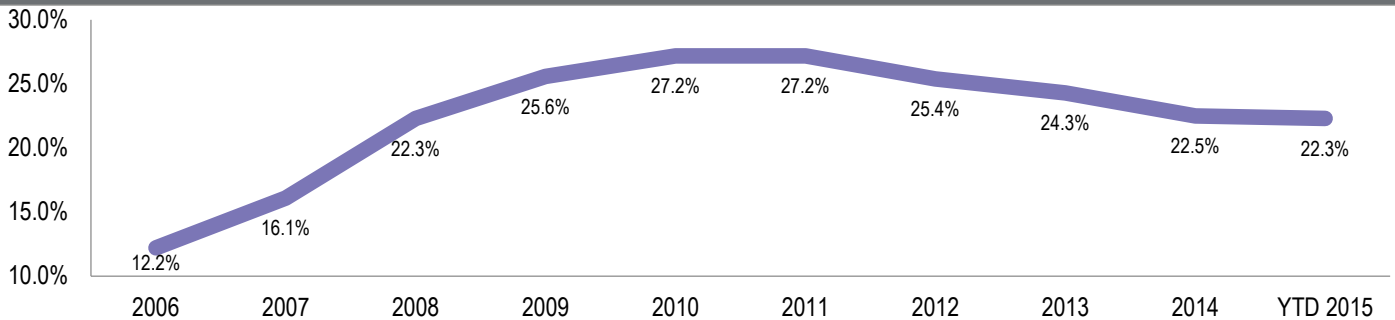
Source: JLL Research

Total net absorption (s.f.)



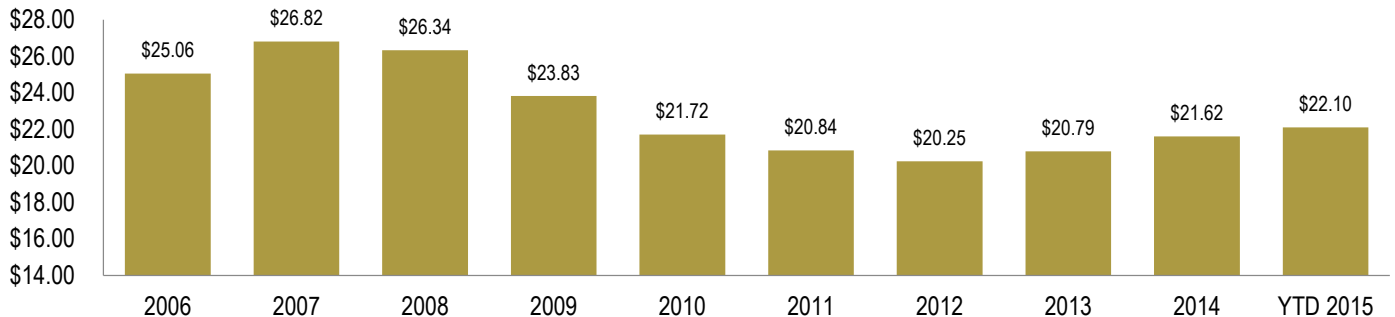
Source: JLL Research

Total vacancy rate (%)



Source: JLL Research

Direct average asking rent (\$ p.s.f.)



Source: JLL Research