

Mid-Year  
**2014**  
Office  
Market Report



## PHOENIX, ARIZONA The Market

“The Phoenix commercial real estate market is continuing to recover quarter over quarter albeit slowly but surely.

**This increase in activity is touching every product sector;**

Office, Retail, Industrial and Investment. While vacancy rates continue to decline, some pricing has increased, and absorption has been positive, with submarkets in the valley in all products showing increased activity.

The Phoenix market seems to be more confident than the actual economy might dictate, but Phoenix is drawing positive attention nationally in many areas and consumer confidence is following.

**Most agree that 2014 is a good foundation for 2015, which will be the year when RECOVERY will be spelled with capital letters.”**

-Thad Seligman  
President/CEO  
NAI Horizon

With over 9 million SF of office space planned in the East Valley, **the once undeveloped submarket is taking over**, comprising nearly half off all office projects in the Phoenix Metro pipeline.



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Boasting a young, highly educated workforce, coupled with the quality of life to draw in and attract that demographic, the East Valley is rapidly increasing office space to meet the demands of companies looking to expand or relocate to the Valley of the Sun.

Companies that are looking for high end, synergistic campus-like properties are finding their needs met in cities like Gilbert, Chandler, and Mesa. Examples such as Rivulon, located at the corner of Gilbert Rd and the 202 Loop and slated for approximately 3 million square feet of Class A office, 500,000 square feet of retail, 250 hotel rooms, and the potential for 500 residential units, offer a holistic, sustainable view of their site, allowing top STEM companies to recruit the workforce they need. Isagenix, a health-product company with a presence in at least 10 countries, was recently announced as the first major tenant, moving their headquarters to Rivulon.

Other examples include Continuum, a ±186 acre state-of-the-art business and technology campus in Chandler, Discovery Business Campus, a ±136 acre master planned business park in Tempe, and Chandler 202, developed by the Kieckhefer Company, a 140,000 SF, three story, Class A spec office building at the Loop 101 and Frye Rd which just broke ground this quarter.

With these campus style business parks, the East Valley is bringing the California tech company feel to the Valley, and bringing the big name companies along with it. Infusionsoft, InSys Therapeutics, Reputation.com, GoDaddy, Orbital Sciences, Lockheed Martin, and Heliae are just a few of the big name STEM companies that are raising the bar for the office market in the Valley. As these planned projects come to maturity in the next few years, the landscape of the East Valley will continue to see exciting changes.

Pictured on cover:

**FOR LEASE**

4201 N 24th Street  
Phoenix, AZ 85016

Contact Laurel Lewis or Tom Bean

## Q2 Office Market Trends



Vacancy  
Rate



Net  
Absorption



Average  
Asking Rates

# Phoenix 2Q14 Office Snapshot

2Q14  
Office

## Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
CLASS A	41,198,939 SF	7,547,615 SF	18.3%	57,365 SF	100,622 SF	1,470,001 SF	\$24.07 FSG
CLASS B	82,519,341 SF	15,745,037 SF	19.1%	70,460 SF	-	533,135 SF	\$19.79 FSG
CLASS C	12,238,316 SF	2,035,405 SF	16.6%	98,984 SF	-	-	\$15.30 FSG
<b>TOTAL</b>	<b>135,956,596 SF</b>	<b>25,328,057 SF</b>	<b>18.6%</b>	<b>226,809 SF</b>	<b>100,622 SF</b>	<b>2,003,136 SF</b>	<b>\$20.82 FSG</b>
Q1 2014	135,895,246 SF	25,496,931 SF	18.8%	811,642 SF	117,710 SF	1,829,690 SF	\$20.61 FSG
Q4 2013	136,275,824 SF	26,689,151 SF	19.6%	534,571 SF	-	932,400 SF	\$20.18 FSG

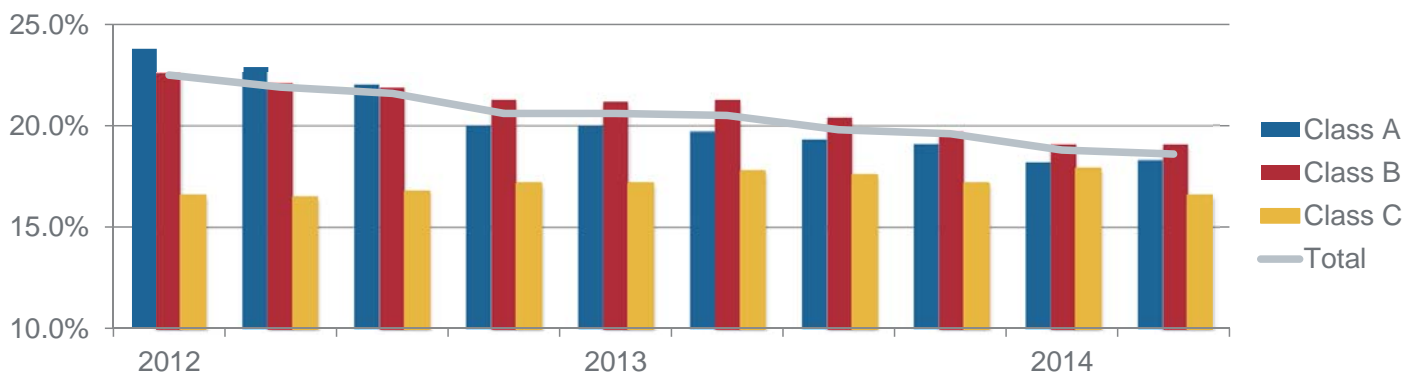
## Significant Lease Transactions

Property	Address	Tenant	Size	Class	Type
ASU Research Park	2150 E Warner Rd, Tempe	Amkor	110,000 SF	B	Move In
The Offices on High Street	5455 E High St, Phoenix	Sprouts	77,391	A	Move In
Black Canyon Tower	10851 N Black Canyon Hwy, Phoenix	Homesite	33,373 SF	A	Move-In

## Significant Sale Transactions

Property	Address	Buyer	Sale Date	Size	Class	Price
Crosspoint at Beardsley	20022 N 32st Ave, Phoenix	Griffin Capital	05/22/2014	337,439 SF	A	\$51M
92 Mountain West	10001 N 92nd St, Scottsdale	Equus Capital Partners	06/5/2014	223,131 SF	B	\$44.2M
Camelback Arboleda	1661 E Camelback, Phoenix	EBF & Associates	04/3/2014	178,792 SF	B	\$24.9M

## Office Vacancy Rates



The Office Market is a compilation that includes Class A, Class B, and Class C buildings with at least 10,000 SF of space. Medical office buildings are included. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI Horizon. NAI Horizon makes no warranties or representations as to the completeness or accuracy thereof. NAI Horizon makes no guarantee about projections, opinions, assumptions or estimates. Occasionally corrected or updated information becomes available for both current and historical data thereby invalidating specific comparison to previously issued reports.

# Market Numbers

Mid-Year  
2014

## Vacancy

- Decreased to 18.6% from 18.8% in Q1 2014
- Class A properties reported a vacancy rate of 18.3%
- Class B properties reported the highest vacancy rate in the Valley at 19.1%
- Class C properties reported the lowest vacancy rate in the Valley at 16.6%

## Rental Rates

- Rates continued to increase in the second quarter of 2014 to \$20.82 for the Phoenix Metro Office Market
- In Q2 of 2013, rental rates sat at \$20.35
- Class A Space boasted an average rental rate of \$24.07


## New Construction

- Ending Q2 2014, there were 2,003,136 SF of new office buildings under construction.
- Just 100,622 SF of office space was delivered in Q2 2014

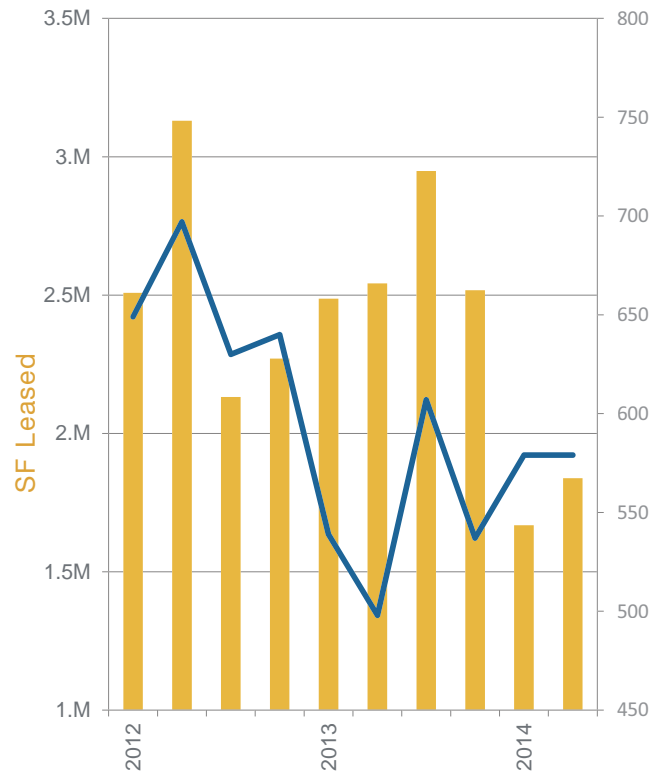
## Net Absorption

- In Q2 2014, 226,809 SF were absorbed in the Phoenix Metro Office Market
- For comparison, in the same quarter last year net absorption was -71,016 SF, and last quarter, Q1 2014, net absorption posted an impressive 811,642 SF

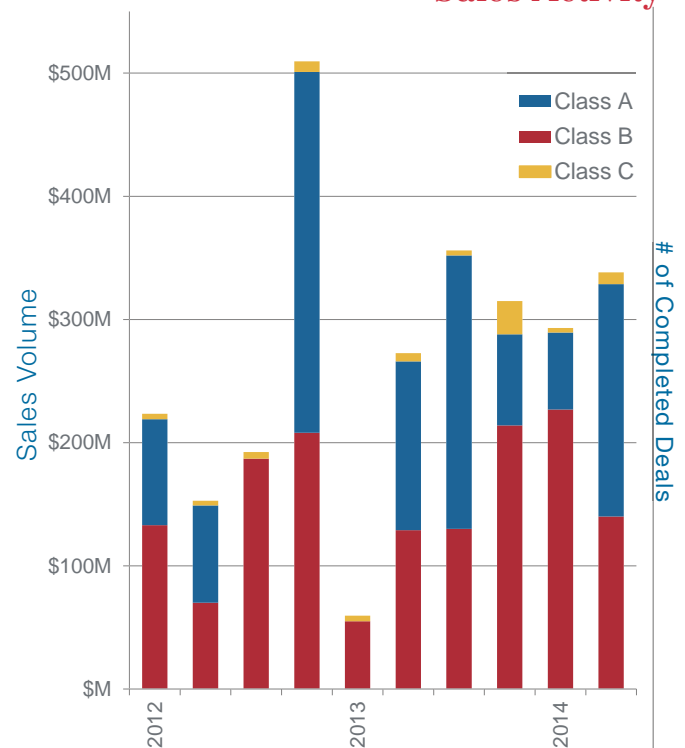
## Economic Trends

- 
**Consumer Price Index**  
Up 2.1% over last 12 months
- 
**30-Year Fixed Mortgage**  
4.00% National Average, down from 4.23% 1Q14
- 
**Phoenix Metro Unemployment**  
Arizona, 05/14- 6.8% down from 7.3% 1Q14

## Leasing Activity



## Sales Activity





## 1012 S Stapley Dr

Mesa, AZ 85204

Sale Price: **\$445,000**

Size: 3,408 SF

Sold: April 2014



## 4515 S McClintock

Tempe, AZ 85282

Landlord Rep

Size: 3,333 SF, Suite 211

Leased: April 2014



## Clocktower Corporate Center

7776 S Pointe Parkway, Tempe, AZ 85044

Tenant Rep for Landmark Collections

Size: 5,079 SF

Leased: April 2014



## 2520 W Ray Rd

2420 W Ray Rd, Phoenix

Sale Price: **\$381,030**

Size: 2,330 SF

Sold: May 2014



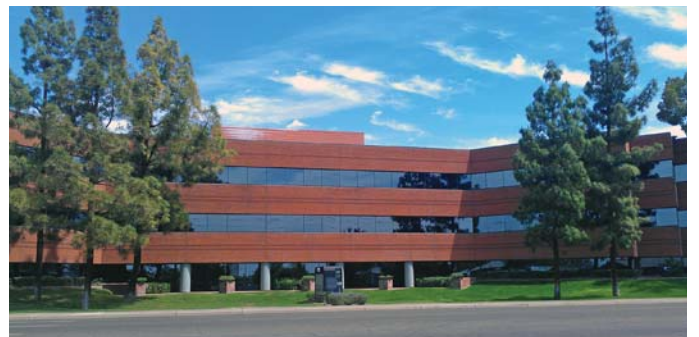
## 221 E Indianola Ave

Phoenix, AZ 85012

Sale Price: **\$825,000**

Size: 14,000 SF

Sold: May 2014



## 4201 N 24th St

4201 N 24th St, Phoenix, AZ 85016

Landlord Rep

Size: 3,451 SF, Suite 200B

Leased: April 2014

# PHOENIX SUBMARKETS

Type	Total RBA	Direct Vacant SF	Sublet Vacant SF	Total Vacant SF	Direct Vacant %	Sublet Vacant %	Total Vacant %	Total Net Absorption	RBA Delivered	RBA Under Const.	Average Rental Rate (FS)
<b>44th Street Corridor</b>											
Class A	3,004,607	346,333	0	346,333	11.50%	0.00%	11.50%	(21,294)	-	-	\$23.01
Class B	2,053,713	333,068	4,824	337,892	16.20%	0.20%	16.50%	28,108	-	-	\$19.94
Class C	627,624	67,602	-	67,602	10.80%	0.00%	10.80%	11,202	-	-	\$15.97
<b>Total</b>	<b>5,685,944</b>	<b>747,003</b>	<b>4,824</b>	<b>751,827</b>	<b>13.1%</b>	<b>0.1%</b>	<b>13.2%</b>	<b>18,016</b>	-	-	<b>\$21.10</b>
<b>Airport Area</b>											
Class A	1,422,978	238,499	91,145	329,644	16.80%	6.40%	23.20%	(19,857)	-	160,000	\$23.64
Class B	8,016,818	1,131,540	15,577	1,147,117	14.10%	0.20%	14.30%	(37,830)	-	-	\$19.07
Class C	437,672	86,932	-	86,932	19.90%	0.00%	19.90%	13,891	-	-	\$14.85
<b>Total</b>	<b>9,877,468</b>	<b>1,456,971</b>	<b>106,722</b>	<b>1,563,693</b>	<b>14.8%</b>	<b>1.1%</b>	<b>15.8%</b>	<b>(43,796)</b>	-	<b>160,000</b>	<b>\$19.90</b>
<b>Arrowhead</b>											
Class A	80,849	-	-	-	-	-	-	-	-	-	-
Class B	2,182,830	406,191	3,718	409,909	18.60%	0.20%	18.80%	45,264	-	25,000	\$22.36
Class C	252,314	66,449	-	66,449	26.30%	0.00%	26.30%	315	-	-	\$18.53
<b>Total</b>	<b>2,515,993</b>	<b>472,640</b>	<b>3,718</b>	<b>476,358</b>	<b>18.8%</b>	<b>0.1%</b>	<b>18.9%</b>	<b>45,579</b>	-	<b>25,000</b>	<b>\$21.90</b>
<b>Camelback Corridor</b>											
Class A	4,570,458	1,084,011	35,089	1,119,100	23.70%	0.80%	24.50%	21,752	-	-	\$27.49
Class B	3,782,695	805,834	7,395	813,229	21.30%	0.20%	21.50%	19,182	-	-	\$20.04
Class C	411,386	77,912	-	77,912	18.90%	0.00%	18.90%	9,218	-	-	\$15.17
<b>Total</b>	<b>8,764,539</b>	<b>1,967,757</b>	<b>42,484</b>	<b>2,010,241</b>	<b>22.50%</b>	<b>0.50%</b>	<b>22.90%</b>	<b>50,152</b>	-	-	<b>\$24.00</b>
<b>Central Scottsdale</b>											
Class A	2,314,275	410,725	2,295	413,020	17.70%	0.10%	17.80%	34,838	-	-	\$23.51
Class B	4,782,639	785,440	10,929	796,369	16.40%	0.20%	16.70%	27,650	-	-	\$21.00
Class C	135,834	11,706	-	11,706	8.60%	0.00%	8.60%	463	-	-	\$21.68
<b>Total</b>	<b>7,232,748</b>	<b>1,207,871</b>	<b>13,224</b>	<b>1,221,095</b>	<b>16.7%</b>	<b>0.2%</b>	<b>16.9%</b>	<b>62,951</b>	-	-	<b>\$21.83</b>
<b>Chandler</b>											
Class A	1,515,181	169,489	21,520	191,009	11.20%	1.40%	12.60%	34,945	100,622	-	\$26.44
Class B	4,331,493	729,548	23,317	752,865	16.80%	0.50%	17.40%	7,966	-	331,135	\$21.31
Class C	203,943	35,922	-	35,922	17.60%	0.00%	17.60%	(13,553)	-	-	\$18.09
<b>Total</b>	<b>6,050,617</b>	<b>934,959</b>	<b>44,837</b>	<b>979,796</b>	<b>15.5%</b>	<b>0.7%</b>	<b>16.2%</b>	<b>29,358</b>	<b>100,622</b>	<b>331,135</b>	<b>\$22.21</b>
<b>Deer Valley/Airport</b>											
Class A	3,389,529	246,248	24,781	271,029	7.30%	0.70%	8.00%	2,695	-	-	\$21.07
Class B	6,622,544	1,544,202	106,120	1,650,322	23.30%	1.60%	24.90%	(32,464)	-	-	\$20.31
Class C	202,923	61,994	-	61,994	30.60%	0.00%	30.60%	(2,706)	-	-	\$19.52
<b>Total</b>	<b>10,214,996</b>	<b>1,852,444</b>	<b>130,901</b>	<b>1,983,345</b>	<b>18.1%</b>	<b>1.3%</b>	<b>19.4%</b>	<b>(32,475)</b>	-	-	<b>\$20.43</b>
<b>Downtown</b>											
Class A	5,066,513	714,063	51,576	765,639	14.10%	1.00%	15.10%	(94,466)	-	-	\$26.05
Class B	3,157,944	398,027	-	398,027	12.60%	0.00%	12.60%	27,778	-	-	\$22.80
Class C	735,495	165,628	-	165,628	22.50%	0.00%	22.50%	-	-	-	\$17.19
<b>Total</b>	<b>8,959,952</b>	<b>1,277,718</b>	<b>51,576</b>	<b>1,329,294</b>	<b>14.3%</b>	<b>0.6%</b>	<b>14.8%</b>	<b>(66,688)</b>	-	-	<b>\$24.48</b>
<b>Gateway Airport/Loop 202</b>											
Class A	46,732	4,971	-	4,971	10.60%	0.00%	10.60%	-	-	-	\$31.45
Class B	1,062,762	296,811	-	296,811	27.90%	0.00%	27.90%	6,690	-	-	\$23.07
Class C	33,232	3,080	-	3,080	9.30%	0.00%	9.30%	1,082	-	-	\$16.80
<b>Total</b>	<b>1,142,726</b>	<b>304,862</b>	-	<b>304,862</b>	<b>26.7%</b>	<b>0.0%</b>	<b>26.7%</b>	<b>7,772</b>	-	-	<b>\$23.12</b>
<b>Glendale</b>											
Class A	522,494	105,863	-	105,863	20.30%	0.00%	20.30%	933	-	-	\$26.40
Class B	1,384,827	419,512	5,476	424,988	30.30%	0.40%	30.70%	5,324	-	-	\$22.60
Class C	424,158	37,096	-	37,096	8.70%	0.00%	8.70%	-	-	-	\$12.42
<b>Total</b>	<b>2,331,479</b>	<b>562,471</b>	<b>5,476</b>	<b>567,947</b>	<b>24.1%</b>	<b>0.2%</b>	<b>24.4%</b>	<b>6,257</b>	-	-	<b>\$23.16</b>
<b>Loop 303/ Surprise</b>											
Class B	1,215,418	290,301	-	290,301	23.90%	0.00%	23.90%	(1,057)	-	-	\$23.10
Class C	148,014	-	-	-	0.00%	0.00%	0.00%	-	-	-	-
<b>Total</b>	<b>1,363,432</b>	<b>290,301</b>	-	<b>290,301</b>	<b>21.3%</b>	<b>0.0%</b>	<b>21.3%</b>	<b>(1,057)</b>	-	-	<b>\$23.10</b>
<b>Mesa Downtown</b>											
Class B	686,163	52,456	-	52,456	7.60%	0.00%	7.60%	-	-	-	\$16.43
Class C	252,854	77,730	-	77,730	30.70%	0.00%	30.70%	(8,891)	-	-	\$12.16
<b>Total</b>	<b>939,017</b>	<b>130,186</b>	-	<b>130,186</b>	<b>13.9%</b>	<b>0.0%</b>	<b>13.9%</b>	<b>(8,891)</b>	-	-	<b>\$14.11</b>
<b>Mesa East</b>											
Class B	1,265,336	141,074	-	141,074	11.10%	0.00%	11.10%	2,953	-	-	\$17.26
Class C	606,805	141,636	-	141,636	23.30%	0.00%	23.30%	(4,547)	-	-	\$15.08
<b>Total</b>	<b>1,872,141</b>	<b>282,710</b>	-	<b>282,710</b>	<b>15.1%</b>	<b>0.0%</b>	<b>15.1%</b>	<b>(1,594)</b>	-	-	<b>\$16.16</b>
<b>Midtown</b>											
Class A	4,576,335	1,291,723	98,539	1,390,262	28.20%	2.20%	30.40%	64,007	-	-	\$21.21
Class B	6,556,493	1,452,876	4,407	1,457,283	22.20%	0.10%	22.20%	(1,133)	-	-	\$18.28
Class C	1,029,464	113,064	0	113,064	11.00%	0.00%	11.00%	3,812	-	-	\$14.72
<b>Total</b>	<b>12,162,292</b>	<b>2,857,663</b>	<b>102,946</b>	<b>2,960,609</b>	<b>23.5%</b>	<b>0.8%</b>	<b>24.3%</b>	<b>66,686</b>	-	-	<b>\$19.62</b>

# PHOENIX SUBMARKETS

Type	Total RBA	Direct Vacant SF	Sublet Vacant SF	Total Vacant SF	Direct Vacant %	Sublet Vacant %	Total Vacant %	Total Net Absorption	RBA Delivered	RBA Under Const.	Average Rental Rate (FS)
<b>Midtown/Central Phoenix</b>											
Class B	2,865,304	424,232	144	424,376	14.80%	0.00%	14.80%	17,462	-	-	\$18.20
Class C	997,049	175,337	-	175,337	17.60%	0.00%	17.60%	14,144	-	-	\$13.90
<b>Total</b>	<b>3,862,353</b>	<b>599,569</b>	<b>144</b>	<b>599,713</b>	<b>15.5%</b>	<b>0.0%</b>	<b>15.5%</b>	<b>31,606</b>	-	-	<b>\$17.21</b>
<b>N Phoenix/Cave Creek</b>											
Class B	68,926	24,698	0	24,698	35.80%	0.00%	35.80%	4,765	-	-	\$21.19
<b>Total</b>	<b>68,926</b>	<b>24,698</b>	<b>0</b>	<b>24,698</b>	<b>35.80%</b>	<b>0.00%</b>	<b>35.80%</b>	<b>4,765</b>	-	-	<b>\$21.19</b>
<b>N Scottsdale / Carefree</b>											
Class B	1,044,494	488,143	6,425	494,568	46.70%	0.60%	47.40%	(2,579)	-	-	\$21.76
Class C	92,532	15,701	-	15,701	17.00%	0.00%	17.00%	-	-	-	\$17.90
<b>Total</b>	<b>1,137,026</b>	<b>503,844</b>	<b>6,425</b>	<b>510,269</b>	<b>44.3%</b>	<b>0.6%</b>	<b>44.9%</b>	<b>(2,579)</b>	-	-	<b>\$21.62</b>
<b>North I-17</b>											
Class B	461,818	128,494	-	128,494	27.80%	0.00%	27.80%	(5,556)	-	-	\$21.59
<b>Total</b>	<b>461,818</b>	<b>128,494</b>	<b>-</b>	<b>128,494</b>	<b>27.8%</b>	<b>0.0%</b>	<b>27.8%</b>	<b>(5,556)</b>	-	-	<b>\$21.59</b>
<b>Northwest Phoenix</b>											
Class A	1,318,830	216,284	-	216,284	16.40%	0.00%	16.40%	35,116	-	-	\$19.93
Class B	4,916,265	1,538,118	5,922	1,544,040	31.30%	0.10%	31.40%	(75,591)	-	-	\$15.96
Class C	2,025,419	380,126	1,717	381,843	18.80%	0.10%	18.90%	(29,788)	-	-	\$12.63
<b>Total</b>	<b>8,260,514</b>	<b>2,134,528</b>	<b>7,639</b>	<b>2,142,167</b>	<b>25.8%</b>	<b>0.1%</b>	<b>25.9%</b>	<b>(70,263)</b>	-	-	<b>\$15.78</b>
<b>Paradise Valley</b>											
Class A	1,469,110	394,970	18,429	413,399	26.90%	1.30%	28.10%	(12,591)	-	-	\$24.03
Class B	1,912,642	345,063	0	345,063	18.00%	0.00%	18.00%	14,142	-	-	\$20.89
Class C	371,412	72,907	0	72,907	19.60%	0.00%	19.60%	(4,393)	-	-	\$15.67
<b>Total</b>	<b>3,753,164</b>	<b>812,940</b>	<b>18,429</b>	<b>831,369</b>	<b>21.7%</b>	<b>0.5%</b>	<b>22.2%</b>	<b>(2,842)</b>	-	-	<b>\$22.11</b>
<b>Piestewa Peak Corridor</b>											
Class A	409,394	24,863	484	25,347	6.10%	0.10%	6.20%	65	-	-	\$24.12
Class B	2,178,768	516,384	12,108	528,492	23.70%	0.60%	24.30%	(16,843)	-	-	\$17.99
Class C	353,798	42,018	-	42,018	11.90%	0.00%	11.90%	(11,666)	-	-	\$14.75
<b>Total</b>	<b>2,941,960</b>	<b>583,265</b>	<b>12,592</b>	<b>595,857</b>	<b>19.8%</b>	<b>0.4%</b>	<b>20.3%</b>	<b>(28,444)</b>	-	-	<b>\$18.27</b>
<b>Pinal County</b>											
Class B	537,404	65,049	-	65,049	12.10%	0.00%	12.10%	(1,590)	-	-	\$19.88
Class C	175,567	15,224	-	15,224	8.70%	0.00%	8.70%	-	-	-	\$11.40
<b>Total</b>	<b>712,971</b>	<b>80,273</b>	<b>-</b>	<b>80,273</b>	<b>11.3%</b>	<b>0.0%</b>	<b>11.3%</b>	<b>(1,590)</b>	-	-	<b>\$19.57</b>
<b>Scottsdale Airpark</b>											
Class A	6,218,913	1,172,489	33,526	1,206,015	18.90%	0.50%	19.40%	(28,047)	-	-	\$25.04
Class B	5,275,709	803,681	8,957	812,638	15.20%	0.20%	15.40%	50,167	-	-	\$21.36
Class C	202,043	37,321	5,500	42,821	18.50%	2.70%	21.20%	612	-	-	\$12.73
<b>Total</b>	<b>11,696,665</b>	<b>2,013,491</b>	<b>47,983</b>	<b>2,061,474</b>	<b>17.2%</b>	<b>0.4%</b>	<b>17.6%</b>	<b>22,732</b>	-	-	<b>\$23.62</b>
<b>Scottsdale South</b>											
Class A	1,623,896	144,985	30,703	175,688	8.90%	1.90%	10.80%	30,100	-	145,000	\$24.58
Class B	2,791,365	457,273	24,515	481,788	16.40%	0.90%	17.30%	(60,164)	-	-	\$21.41
Class C	578,460	92,083	2,000	94,083	15.90%	0.30%	16.30%	(4,595)	-	-	\$18.82
<b>Total</b>	<b>4,993,721</b>	<b>694,341</b>	<b>57,218</b>	<b>751,559</b>	<b>13.9%</b>	<b>1.1%</b>	<b>15.1%</b>	<b>(34,659)</b>	-	<b>145,000</b>	<b>\$22.28</b>
<b>South Tempe / Ahwatukee</b>											
Class A	476,322	32,350	-	32,350	6.80%	0.00%	6.80%	2,864	-	150,001	\$25.14
Class B	4,514,295	660,191	17,227	677,418	14.60%	0.40%	15.00%	531	-	177,000	\$20.72
Class C	380,322	36,511	-	36,511	9.60%	0.00%	9.60%	138,124	-	-	\$20.52
<b>Total</b>	<b>5,370,939</b>	<b>729,052</b>	<b>17,227</b>	<b>746,279</b>	<b>13.6%</b>	<b>0.3%</b>	<b>13.9%</b>	<b>141,519</b>	-	<b>327,001</b>	<b>\$20.83</b>
<b>Southwest Phoenix</b>											
Class A	704,495	194,499	-	194,499	27.60%	0.00%	27.60%	-	-	-	\$21.00
Class B	1,034,667	49,653	-	49,653	4.80%	0.00%	4.80%	5,709	-	-	\$19.74
Class C	409,251	35,259	23,707	58,966	8.60%	5.80%	14.40%	-	-	-	\$12.51
<b>Total</b>	<b>2,148,413</b>	<b>279,411</b>	<b>23,707</b>	<b>303,118</b>	<b>13.0%</b>	<b>1.1%</b>	<b>14.1%</b>	<b>5,709</b>	-	-	<b>\$18.99</b>
<b>Superstition Corridor</b>											
Class A	670,140	212,218	14,228	226,446	31.70%	2.10%	33.80%	1,015	-	-	\$20.04
Class B	3,498,607	672,053	7,465	679,518	19.20%	0.20%	19.40%	2,679	-	-	\$17.45
Class C	424,876	48,883	0	48,883	11.50%	0.00%	11.50%	-	-	-	\$17.87
<b>Total</b>	<b>4,593,623</b>	<b>933,154</b>	<b>21,693</b>	<b>954,847</b>	<b>20.3%</b>	<b>0.5%</b>	<b>20.8%</b>	<b>3,694</b>	-	-	<b>\$18.05</b>
<b>Tempe</b>											
Class A	1,797,888	120,717	0	120,717	6.70%	0.00%	6.70%	5,290	-	1,015,000	\$24.83
Class B	3,036,025	342,554	3,280	345,834	11.30%	0.10%	11.40%	35,546	-	-	\$19.26
Class C	552,015	95,313	0	95,313	17.30%	0.00%	17.30%	(17,571)	-	-	\$15.26
<b>Total</b>	<b>5,385,928</b>	<b>558,584</b>	<b>3,280</b>	<b>561,864</b>	<b>10.4%</b>	<b>0.1%</b>	<b>10.4%</b>	<b>23,265</b>	-	<b>1,015,000</b>	<b>\$20.12</b>
<b>West I-10</b>											
Class B	1,240,384	152,871	9,307	162,178	12.30%	0.80%	13.10%	1,530	-	-	\$22.85
Class C	214,847	21,634	-	21,634	10.10%	0.00%	10.10%	5,652	-	-	\$12.46
<b>Total</b>	<b>1,455,231</b>	<b>174,505</b>	<b>9,307</b>	<b>183,812</b>	<b>12.0%</b>	<b>0.6%</b>	<b>12.6%</b>	<b>7,182</b>	-	-	<b>\$21.36</b>

## Class A

A classification used to describe buildings that generally qualify as extremely desirable, investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market.

## Class B

A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties.

## Class C

A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market.

## Deliveries

Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certificate of occupancy must have been issued for the property.

## Full Service Gross (FSG) Rental Rate

Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

## Leasing Activity

The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

## Net Absorption

The net change in occupied space over a given period of time. Unless otherwise noted, Net Absorption includes direct and sublease space.

## Rentable Building Area (RBA)

The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

## Submarkets

Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type.

## Under Construction

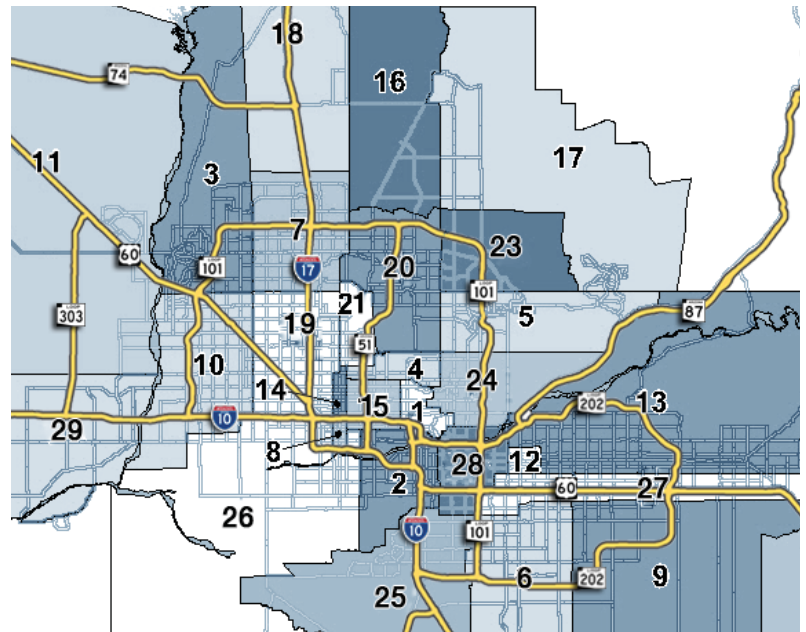
The status of a building that is in the process of being developed, assembled, built or constructed. A building is considered to be under construction after it has begun construction and until it receives a certificate of occupancy.

## Vacancy Rate

A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory space. Under construction space generally is not included in vacancy calculations.

## Vacant Space

Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available.



## PHOENIX OFFICE SUBMARKETS

- |                             |                            |
|-----------------------------|----------------------------|
| 1. 44th St Corridor         | 16. N Phoenix/Cave Creek   |
| 2. Airport Area             | 17. N Scottsdale/Carefree  |
| 3. Arrowhead                | 18. North I-17             |
| 4. Camelback Corridor       | 19. Northwest Phoenix      |
| 5. Central Scottsdale       | 20. Paradise Valley        |
| 6. Chandler                 | 21. Piestewa Peak Corridor |
| 7. Deer Valley/Airport      | 22. Pinal County           |
| 8. Downtown                 | 23. Scottsdale Airpark     |
| 9. Gateway Airport/Loop 202 | 24. Scottsdale South       |
| 10. Glendale                | 25. South Tempe            |
| 11. Loop 303/Surprise       | 26. Southwest Phoenix      |
| 12. Mesa Downtown           | 27. Superstition Corridor  |
| 13. Mesa East               | 28. Tempe                  |
| 14. Midtown                 | 29. West I-10              |
| 15. Midtown/Central Phoenix |                            |



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NAI Horizon knows commercial real estate. With over 25 years in the Valley, NAI Horizon's extensive market insight allows us to match client needs with the right solutions. NAI Global member firms span the U.S. and 54 other countries, with more than 375 offices and more than 6,700 local market experts on the ground. Supported by the central resources of the NAI Global organization, member firms deliver market-leading services locally, and combine their in-market strengths to form a powerful bond of insights and execution for clients with multi-market challenges.

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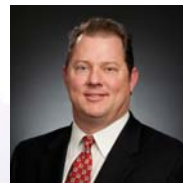
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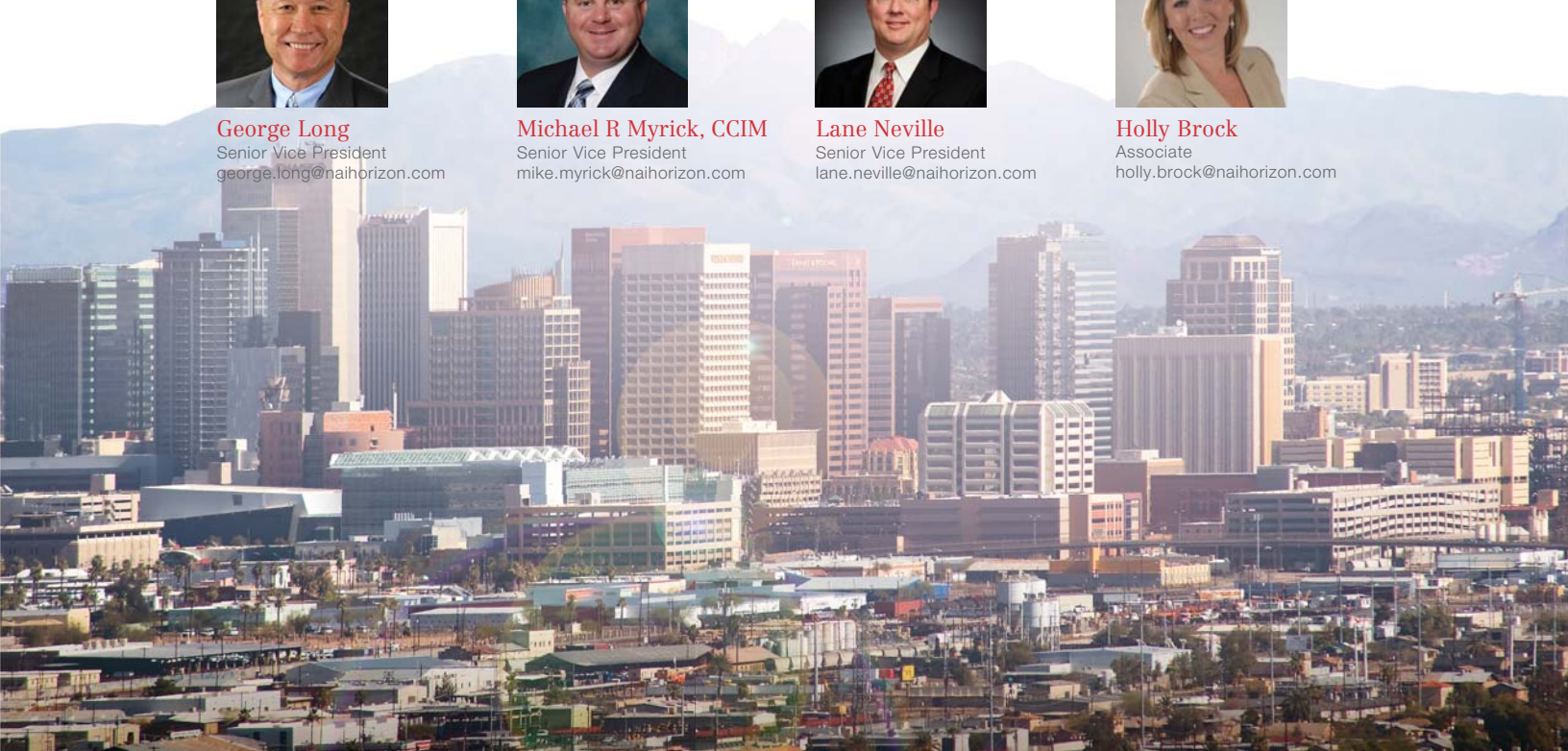
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# Mid-Year 2014 Office Market Report

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