



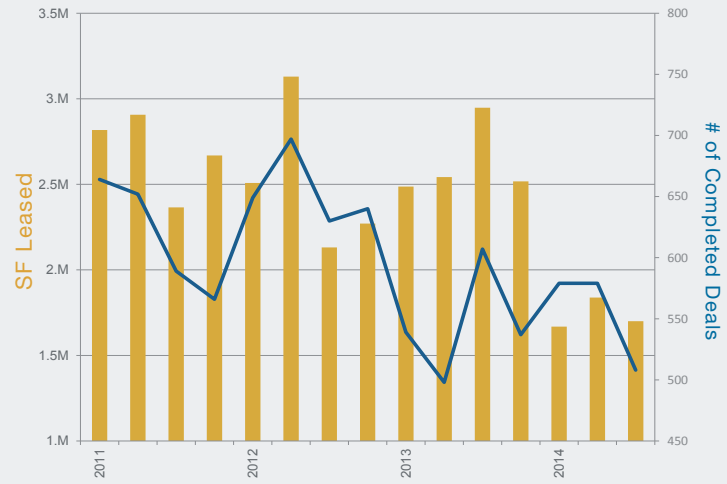
Phoenix 3Q14 Office Snapshot

As the Metro Phoenix office sector approaches year end, market indicators continue to show slow but steady improvements. With vacancy rates continuing to decline and rental rates steadily increasing, 2014 has lived up to the predictions as a year of positive transition. With 599,262 SF delivered this quarter, the largest total delivery since the beginning of 2012, and over 2.4 million SF still under construction, the positivity continues as the sector ramps up for a busy 2015.

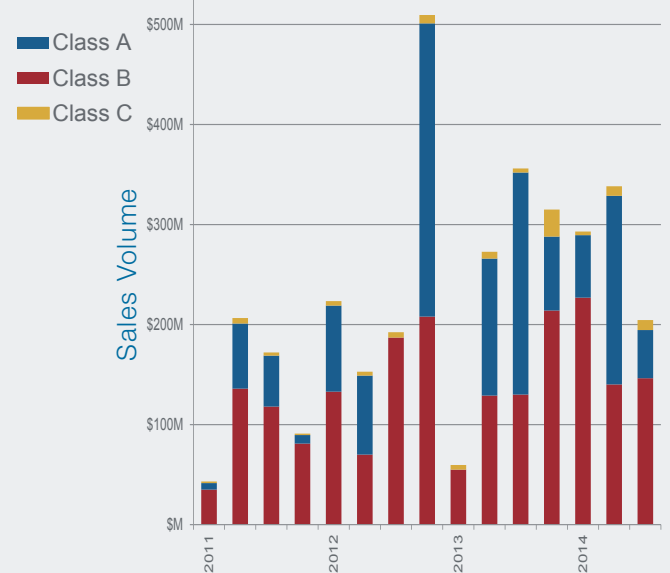
Vacancy rates continue to slowly decline. The third quarter posted an overall vacancy rate of 18.5%, down from the 18.8% seen in the first half of 2014, and making considerable strides compared to the same quarter last year when the vacancy rate was over 20%. Class B properties continue to carry the highest vacancy rate at 19.2%, while Class C space holds the lowest vacancy rate at 16.4%. Class C space has seen the largest decrease among the classes in the last year, coming down from 18.6% in Q3 of 2013.

Rental rates have also continued to improve. The average rental rate for the third quarter of 2014 was \$21.14, up from Q3 2013 when the rate was \$20.35. While still not as high as the average rates seen in 2007/2008, when rates hovered around \$25, this marks the highest rate seen since 2010. Rental rates can be expected to increase as vacancy rates also continue to improve.

Leasing Activity



Sales Activity



Economic Trends

↑ Consumer Price Index
Up 1.7% over last 12 months

↑ 30-Year Fixed Mortgage
4.33% National Average, up from 4.25% 1Q13

↓ Phoenix Metro Unemployment
Arizona, 8/14 6.3% down from 7.4% 08/13

Q3 Office Market Trends

↓ Vacancy Rate

↑ Net Absorption

↑ Average Asking Rates

NAI Horizon

Phoenix 3Q14

Office Snapshot

3Q14
Office

Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
CLASS A	41,697,965 SF	7,411,485 SF	17.8%	541,005 SF	295,001 SF	2,091,296 SF	\$24.69 FSG
CLASS B	82,910,699 SF	15,921,996 SF	19.2%	167,339 SF	304,261 SF	399,681 SF	\$19.93 FSG
CLASS C	12,233,332 SF	2,001,037 SF	16.4%	44,472 SF	-	-	\$15.08 FSG
TOTAL	136,841,996 SF	25,334,518 SF	18.5%	752,816 SF	599,262 SF	2,490,977 SF	\$21.14 FSG
Q2 2014	135,902,007 SF	25,488,072 SF	18.8%	121,001 SF	100,622 SF	2,541,431 SF	\$20.82 FSG
Q1 2014	135,844,072 SF	25,551,138 SF	18.8%	837,824 SF	117,710 SF	1,871,951 SF	\$20.60 FSG

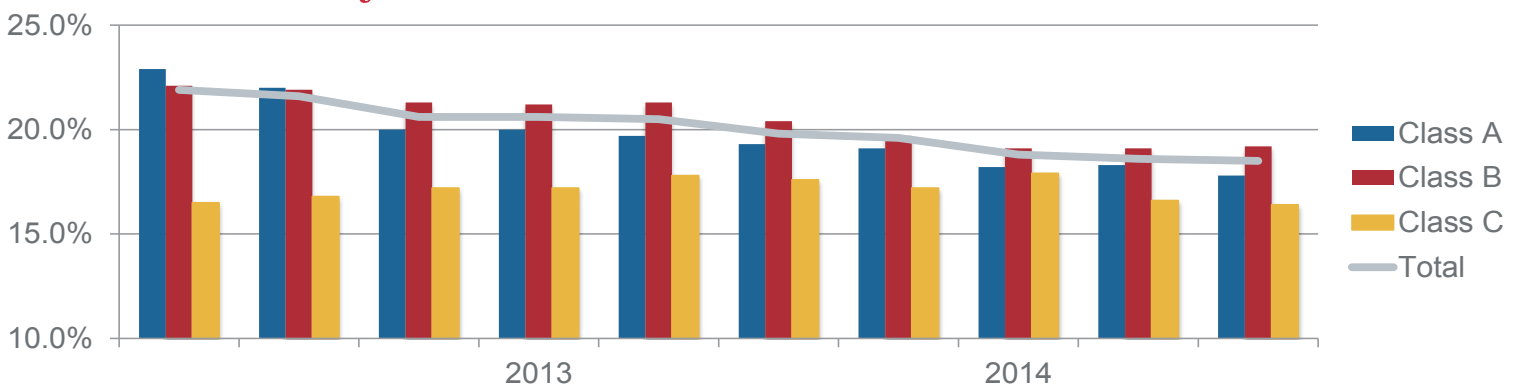
Significant Lease Transactions

Property	Address	Tenant	Size	Class	Type
Waypoint	1150 N Alma School Rd, Mesa	American Traffic Solutions	110,000 SF	B	Move In
Fountainhead Business Park	1601 W Fountainhead Pkwy, Tempe	Concentrix Corporation	101,803 SF	A	Move In
CityNorth	5455 E High St, Phoenix	Sprouts Farmers Market	77,391 SF	A	Move In

Significant Sale Transactions

Property	Address	Buyer	Sale Date	Size	Class	Price
USCIS	1330 S 16th St, Phoenix	Washington Alliance Capital	09/11/2014	53,314 SF	A	\$17.6M
Chandler Corporate Center I	585 N Juniper Dr, Chandler	Palisades Capital Realty	07/01/2014	67,561 SF	B	\$13.9M
NAU North Valley Campus	15451 N 28th Ave, Phoenix	GPI Properties Trust	09/10/2014	66,743 SF	B	\$13.0M

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.

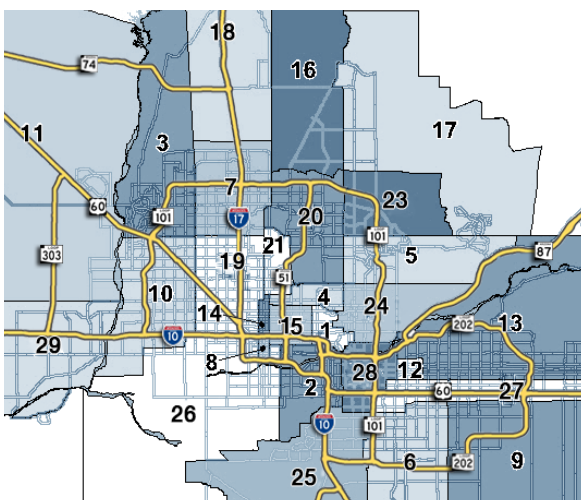
Phoenix 3Q14 Office Submarkets

3Q14 Office

▼ Down from Q2 2014
▲ Up from Q2 2014
— No change from Q2 2014

Submarket	RBA (SF)	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Avg. Rental Rate (FS)
44th Street Corridor	5,687,122 ▼	722,352 ▼	12.6% ▼	29,475 ▲	-	-	\$21.92 ▲
Airport Area	9,892,807 —	1,590,332 ▲	16.1% ▲	(12,007) ▼	-	310,094 ▲	\$20.01 ▲
Arrowhead	2,540,913 ▲	482,328 ▲	19.0% ▲	19,030 ▲	25,000 ▲	-	\$21.65 ▼
Camelback Corridor	8,768,265 —	1,979,378 ▼	22.6% ▼	30,863 ▲	-	-	\$24.05 ▲
Central Scottsdale	7,263,864 —	1,091,197 ▼	15.0% ▼	129,898 ▲	-	-	\$22.02 ▲
Chandler	6,219,402 ▲	911,241 ▼	14.7% ▼	224,192 ▲	170,000 ▲	699,681 ▲	\$22.41 ▲
Deer Valley/Airport	10,212,336 ▲	1,880,646 ▼	18.4% ▼	84,362 ▲	-	-	\$21.07 ▲
Downtown	8,970,053 —	1,352,307 ▲	15.1% ▲	(6,145) ▲	-	-	\$24.86 ▲
Gateway Airport/Loop 202	1,142,726 —	274,255 ▼	24.0% ▼	30,607 ▲	-	-	\$23.39 ▲
Glendale	2,329,232 —	594,782 ▲	25.5% ▲	(26,835) ▼	-	-	\$23.20 ▲
Loop 303/ Surprise	1,363,432 —	284,397 ▼	20.9% ▼	5,904 ▲	-	-	\$23.14 ▼
Mesa Downtown	939,017 —	125,117 ▼	13.3% ▼	5,069 ▲	-	-	\$14.36 ▲
Mesa East	1,871,998 —	284,210 ▲	15.2% ▲	(1,500) ▲	-	-	\$16.04 ▼
Midtown	11,976,995 —	3,018,484 ▲	25.2% ▲	(38,108) ▼	-	-	\$19.75 ▲
Midtown/Central Phoenix	3,847,011 —	594,240 ▼	15.4% ▼	31,848 ▲	-	-	\$17.63 ▲
N Phoenix/Cave Creek	68,926 —	24,251 ▼	35.2% ▼	447 ▼	-	-	\$22.02 ▼
N Scottsdale / Carefree	1,137,026 —	525,960 ▲	46.3% ▲	(15,691) ▼	-	-	\$21.49 ▼
North I-17	461,818 —	127,969 ▼	27.7% ▼	525 ▲	-	-	\$21.61 ▲
Northwest Phoenix	7,018,852 ▲	1,944,988 ▲	27.7% ▲	(98,962) ▼	-	-	\$16.25 ▲
Paradise Valley	3,742,981 —	803,303 ▼	19.2% ▼	35,536 ▲	-	-	\$22.74 ▲
Piestewa Peak Corridor	2,953,960 ▲	568,046 ▼	19.3% ▼	27,811 ▲	-	-	\$18.23 ▼
Pinal County	716,970 —	84,494 ▲	11.8% ▲	(4,221) ▼	-	-	\$19.76 ▲
Scottsdale Airpark	11,697,608 —	2,044,090 ▼	17.5% ▼	27,349 ▲	-	-	\$23.91 ▲
Scottsdale South	5,085,477 ▲	742,738 ▼	14.6% ▼	178,908 ▲	145,000 ▲	-	\$22.70 ▲
South Tempe / Ahwatukee	5,658,843 ▲	731,978 ▼	12.9% ▼	284,951 ▲	259,262 ▲	110,000 ▼	\$20.80 ▲
Southwest Phoenix	2,201,727 ▲	303,690 ▲	13.8% ▼	(572) ▼	-	-	\$18.80 ▼
Superstition Corridor	4,593,623 —	920,426 ▼	20.0% ▼	79,068 ▲	-	-	\$18.20 ▲
Tempe	5,581,715 ▲	789,240 ▲	14.1% ▲	(227,376) ▼	-	1,279,235 ▲	\$23.99 ▲
West I-10	1,455,231 —	190,886 ▲	13.1% ▲	(7,074) ▼	-	-	\$21.59 ▲

Phoenix Office Submarkets



- 44th St Corridor
- Airport Area
- Arrowhead
- Camelback Corridor
- Central Scottsdale
- Chandler
- Deer Valley/Airport
- Downtown
- Gateway Airport/Loop 202
- Glendale
- Loop 303/ Surprise
- Mesa Downtown
- Mesa East
- Midtown
- Midtown/Central Phoenix
- N Phoenix/Cave Creek
- N Scottsdale/Carefree
- North I-17
- Northwest Phoenix
- Paradise Valley
- Piestewa Peak Corridor
- Pinal County
- Scottsdale Airpark
- Scottsdale South
- South Tempe
- Southwest Phoenix
- Superstition Corridor
- Tempe
- West I-10