Phoenix 1Q15
Office Snapshot

1Q15
Office

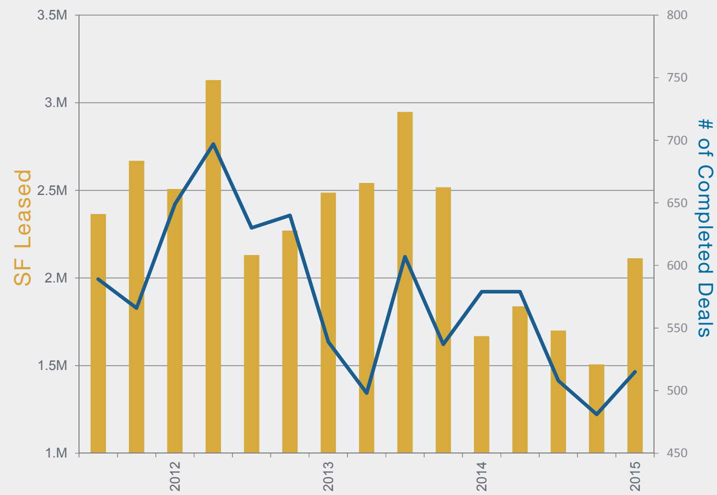
As 2015 gets underway, the office sector continues to see the results of a strengthening economy. Rental rates and new construction are on the rise showing positive signs of growth. Phoenix Metro continues to shine in the West and Mountain regions, beating out San Francisco, Salt Lake City, Denver and Portland in deal rankings according to Site Selection magazine. Nationally, Phoenix is being recognized by tenants as a place to be, and will continue to court new companies as the economy grows.

Rental rates continue to rise in the Phoenix office sector. In Q1 of 2015, average rental rates came in at $21.53, up significantly from just a year ago when rental rates averaged $20.60. Hotspots throughout the valley are experiencing dramatic increases; Tempe started off 2015 with average rental rates of $25.20, an increase of over $5.00 from Q1 2014, and the Chandler submarket at $23.24 has seen close to $2.00 more than the beginning of 2014. These pockets of growth are indicative of the resurgence quality office space is seeing in the right locations, and will eventually affect the areas surrounding them.

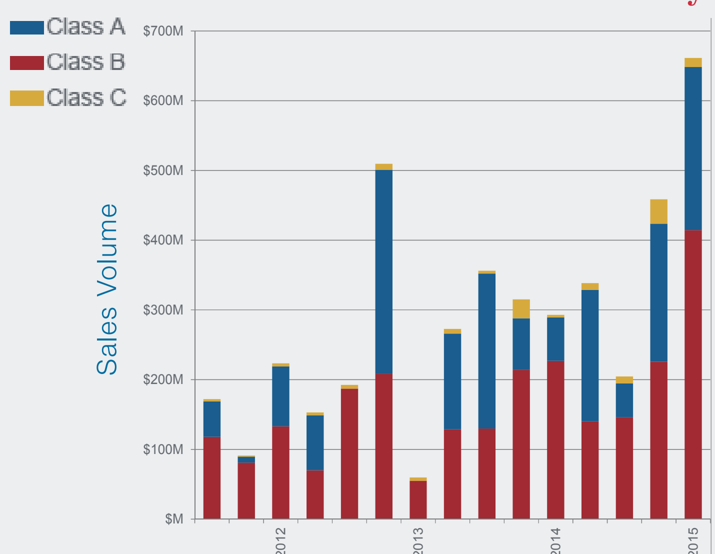
Vacancy rates remained stable in the first quarter of 2015, continuing to hover around 18% overall. Through the last two years of market correction, Class A and C space have seen a gradual leveling off of vacancy rates, both holding a vacancy rate around 16.5%. Class B space continues to remain the highest, coming in at 19.1%.

Sales volume also tells the story of a strong beginning to 2015; office sales totaled over $650 million, the highest seen in the sector since the end of 2007. Class B office space comprised over two-thirds of that total with over $400 million.

Leasing Activity



Sales Activity



Economic Trends

Consumer Price Index
Up 0.8% over last 12 months

30-Year Fixed Mortgage
3.7% National Average, down from 4.41% 1Q14

Phoenix Metro Unemployment
Arizona, 01/15- 5.8% down from 7.3% 01/14

Q1 Office Market Trends

Vacancy Rate

Net Absoprtion

Average Asking Rates

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Office

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Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
CLASS A	43,170,193 SF	7,102,916 SF	16.5%	151,463 SF	-	3,640,418 SF	$25.37 FSG
CLASS B	83,483,171 SF	15,981,836 SF	19.1%	30,101 SF	390,020 SF	545,000 SF	$20.27 FSG
CLASS C	12,244,918 SF	2,036,443 SF	16.6%	1,766 SF	-	-	$15.15 FSG
TOTAL	138,898,282 SF	25,121,195 SF	18.1%	183,330 SF	390,020 SF	4,185,418 SF	$21.53 FSG
Q4 2014	138,527,576 SF	24,933,819 SF	18.0%	921,495 SF	365,182 SF	3,519,767 SF	$21.32 FSG
Q1 2014	137,264,343 SF	25,748,067 SF	18.8%	847,301SF	117,710 SF	2,278,420 SF	$20.60 FSG

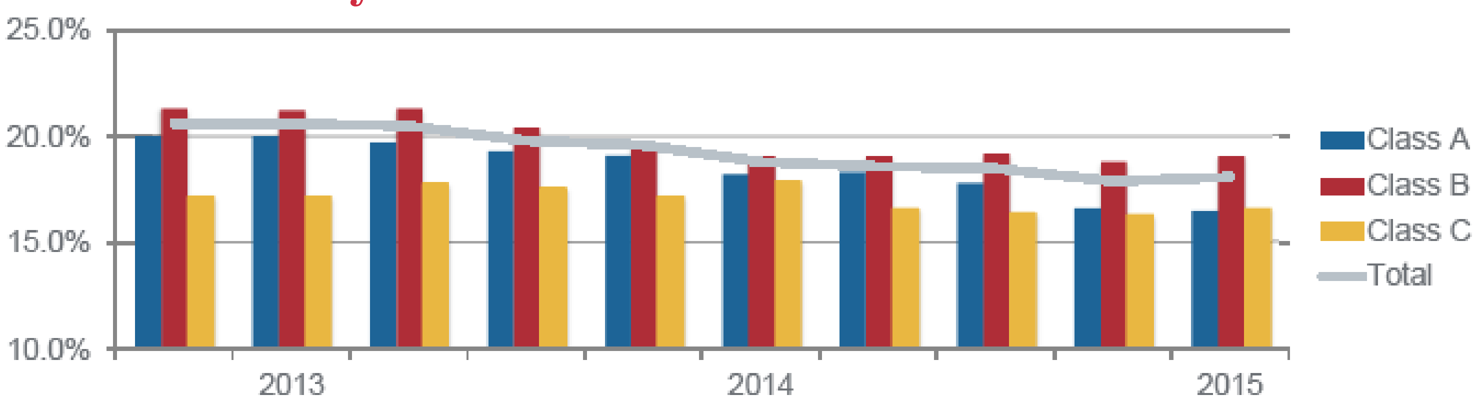
Significant Lease Transactions

Property	Address	Tenant	Size	Class	Type
Phoenix Corporate Center	3003 N Central Ave, Phoenix	State of Arizona - DCS	112,323 SF	B	Move In
Tempe Commerce Center	7333 S Hardy Dr, Tempe	RightSourceRX	98,052 SF	B	Renewal
Liberty Center	1720 W Rio Salado Pky, Tempe	DriveTime	96,000 SF	A	Move In

Significant Sale Transactions

Property	Address	Buyer	Sale Date	Size	Class	Price
Camelback Esplanade III	2415 E Camelback, Phoenix	Crow Holdings Capital	03/11/2015	218,266 SF	A	$74.3M
Kierland II	16260 N 71st St, Scottsdale	LBA Realty	01/06/2015	237,875 SF	B	$49.2M
Camelback Square	6991 E Camelback, Phoenix	Velocis Partners	02/17/2015	174,917 SF	B	$42.4M

Office Vacancy Rates

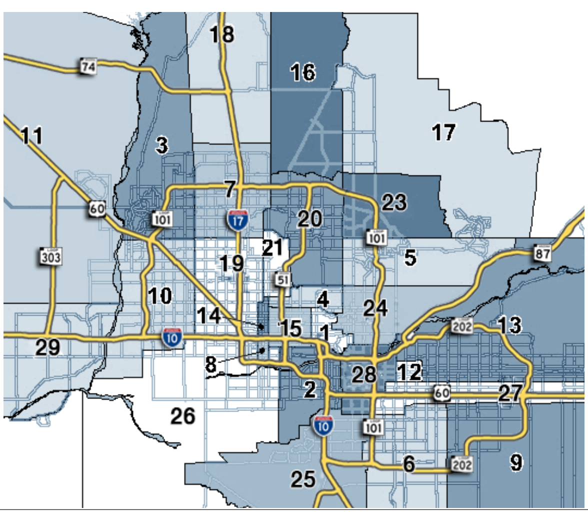


The Office Market is a compilation that includes Class A, Class B, and Class C buildings with at least 10,000 SF of space. Medical office buildings are included. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI 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 1Q15
Office Submarkets

▼ Down from Q4 2014
▲ Up from Q4 2014
— No change from Q4 2014

Submarket	RBA (SF)	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Avg. Rental Rate (FS)
44th Street Corridor	5,699,857 —	669,043 —	11.7% ▼	59,426 ▲	-	-	$22.58 ▲
Airport Area	10,313,016 —	1,749,134 —	21.4% ▲	(42,786) ▼	-	252,027 ▲	$20.88 ▲
Arrowhead	2,555,112 ▲	463,280 ▼	18.1% ▼	(12,318) ▼	-	-	$22.05 ▲
Camelback Corridor	8,755,706 ▼	1,884,221 ▼	21.5% ▼	(971) ▼	-	-	$24.90 ▲
Central Scottsdale	7,264,018 —	1,181,061 ▲	16.3% ▲	(26,527) ▲	-	70,000 ▲	$22.67 ▲
Chandler	6,532,236 ▲	1,124,141 ▲	17.2% ▲	(46,143) ▼	293,371 ▼	1,092,802 ▼	$23.24 ▲
Deer Valley/Airport	10,747,237 —	1,836,424 ▼	17.1% ▼	73,439 ▲	-	46,971 ▲	$20.84 ▼
Downtown	9,583,802 ▼	1,329,850 ▼	13.9% ▼	22,603 ▲	-	-	$24.40 ▼
Gateway Airport/Loop 202	1,157,462 —	262,087 ▼	22.6% ▼	6,603 ▲	-	-	$23.94 ▲
Glendale	2,330,046 —	572,455 ▼	24.6% ▼	17,271 ▲	-	55,294 ▲	$23.34 ▼
Loop 303/Surprise	1,403,366 —	266,202 ▲	19.0% —	(95) ▼	-	-	$23.11 ▼
Mesa Downtown	950,113 —	114,626 ▼	12.1% ▼	25,933 ▲	-	-	$13.73 ▼
Mesa East	1,903,077 —	272,957 ▼	14.3% ▼	1,857 ▼	-	-	$16.81 ▼
Midtown	12,008,699 —	3,038,124 ▲	25.3% ▲	(64,093) ▼	-	-	$20.04 ▲
Midtown/Central Phoenix	3,786,137 —	608,335 ▲	16.1% ▲	(7,169) ▼	-	-	$17.34 ▼
N Phoenix/Cave Creek	68,926 —	20,557 ▼	29.8% ▼	3,694 ▲	-	-	$22.08 ▲
N Scottsdale / Carefree	1,126,741 —	501,047 ▼	44.5% ▼	1,287 ▼	-	-	$21.44 ▲
North I-17	461,818 —	129,164 ▲	28.0% ▲	(1,487) ▼	-	-	$21.43 ▲
Northwest Phoenix	8,150,886 —	2,126,869 ▼	26.1% ▼	32,183 ▼	-	-	$16.15 ▲
Paradise Valley	3,761,827 —	744,904 ▼	19.8% ▼	45,414 ▼	-	-	$22.71 ▼
Piestewa Peak Corridor	2,958,344 —	594,110 ▼	20.1% —	646 ▲	-	-	$18.30 ▲
Pinal County	710,733 —	72,252 ▼	10.2% ▼	13,748 ▲	-	-	$19.56 —
Scottsdale Airpark	11,839,626 —	1,959,227 ▼	16.5% ▼	60,708 ▼	-	169,189 —	$24.61 ▲
Scottsdale South	5,095,466 ▼	604,977 ▲	11.9% ▲	(23,746) ▼	-	26,900 —	$22.88 ▲
South Tempe / Ahwatukee	5,658,173 ▲	734,919 ▲	13.0% ▲	81,707 ▼	96,649 ▼	- ▼	$21.26 ▲
Southwest Phoenix	2,201,727 —	301,509 —	13.7% —	- ▼	-	-	$19.59 ▲
Superstition Corridor	4,591,312 —	1,001,920 ▲	21.8% ▲	(44,435) ▼	-	100,000 ▲	$18.70 ▲
Tempe	5,598,681 —	765,846 ▼	13.7% ▲	(2,992) ▼	-	2,372,235 ▲	$25.20 ▲
West I-10	1,487,668 —	174,880 ▼	11.8% ▼	9,573 ▼	-	-	$21.69 ▲



Phoenix Office Submarkets

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