

A Steady Start to 2016

Key Takeaways

- > The Greater Phoenix office market improved somewhat to start 2016. The vacancy rate ticked lower and net absorption was positive, but the pace of improvement was slower than in the second half of last year.
- > The outlook for 2016 is for continued improvement. The primary driver of the strengthening market conditions will be employment growth, with employers forecast to add approximately 70,000 new jobs this year.
- > Asking rents continue to trend higher. Rents have risen by more than 5 percent in the past 12 months, and should increase at a similar pace through 2016. Current market rents are up more than 15 percent since bottoming a few years ago.
- > Investment activity slowed from the end of last year to the beginning of 2016, but sales in the first quarter of 2016 are ahead of last year's pace. The median price in the first quarter was down from the 2015 median, while cap rates have been steady.

Greater Phoenix Office Market

After activity surged to close 2015, the Greater Phoenix office market started 2016 in a calmer manner. Net absorption was positive, but lighter than in recent quarters. The total number of lease transactions was similar to recent quarters, but the pace slowed in leases of 50,000 square feet and greater. There was still strong activity in leases up to 20,000 square feet.

One factor that is supporting the Greater Phoenix office market is the growth in the local economy. Employers added more than 70,000 new jobs in 2015—the strongest calendar year of growth since 2005—and similar gains are forecast for 2016 and 2017. Additions have been particularly strong in office-using segments of the economy. There were 25,000 office-using jobs created in 2015, representing annual growth of more than 4.5 percent. Phoenix

Market Indicators Relative to prior period	Market Q1 2016	Market Q1 2015
Vacancy	↓	↑
Net Absorption	↓	↓
Construction	↓	↓
Rental Rate	↑	↑

First 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	17.2%	16.0%	17.9%
Change from 1Q 2015 (bps)	-110	-100	-120
Net Absorption (thousands SF)	404	(145)	467
New Construction (thousands SF)	330	210	120
Under Construction (thousands SF)	2,450	2,251	199
Asking Rents Per Square Foot Per Year	\$22.68	\$27.02	\$21.13
Change from 1Q 2015	5.3%	6.4%	5.1%

Greater Phoenix Office Market (continued)

continues to attract financial and professional jobs, and existing businesses are expanding, which will support tenant demand for office space.

Investment activity slowed in the first quarter, after a flurry of building sales in the final months of 2015. This is a fairly common

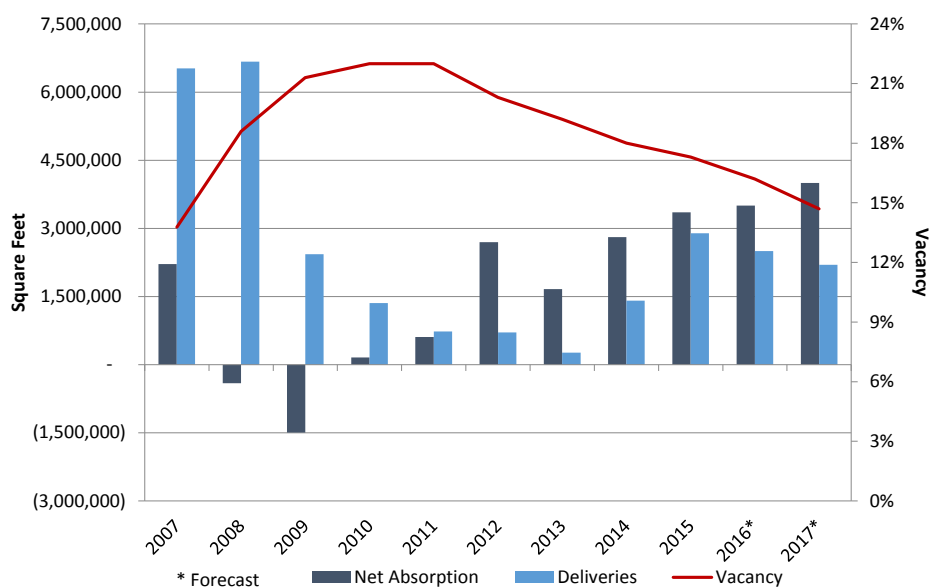
occurrence where activity is typically concentrated in the fourth quarter and drops off in the first few months of the subsequent years. Despite the recent slowdown, transaction velocity should be strong in 2016, as fundamentals are healthy and year-to-date sales are ahead of the 2015 pace.

Recent Transactions in the Market

OFFICE SALE ACTIVITY						
Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
501 N 44th St., Phoenix	44th Street Corridor	2/1	\$17,000,000	102,251	\$166	A
1515 W 14th St., Tempe	Airport Area	2/3	\$16,500,000	228,000	\$72	B
827 W Grove Ave., Mesa	Superstition Corridor	3/18	\$14,000,000	69,561	\$201	B
17207 N Perimeter Dr., Scottsdale	Scottsdale Airpark	3/7	\$13,000,000	60,000	\$217	A

OFFICE LEASE ACTIVITY						
Building Name/Address	Submarket	Lease Type	Tenant	Size SF	Class	
13610 N Black Canyon Fwy., Phoenix	Deer Valley Airport	Move in	HealthPort Technologies	55,000	B	
16430 N Scottsdale Rd., Scottsdale	Scottsdale Airpark	Move in	Carlisle Companies	45,919	A	
2525 W Frye Rd., Chandler	Chandler	Move in	Cardinal Financial	45,315	B	

Historical Absorption, Deliveries and Vacancy Rates



Vacancy:

- > Vacancy in the Greater Phoenix office market inched lower in the first quarter, falling 10 basis points to 17.2 percent. During the past 12 months, the vacancy rate has fallen 110 basis points, with much of the improvement recorded in the second half of 2015.
- > Vacancy is trending lower throughout the Phoenix metro area. Year over year, the vacancy rate has improved in 22 of the 25 submarkets in Greater Phoenix. In the few areas where vacancy has ticked higher, deliveries of new spec space have generally been the cause.
- > Many of the harder-hit suburban Class B properties that account for a significant share of the market inventory are beginning to improve. While vacancies remain elevated, the Class B vacancy rate in Northwest Phoenix has improved by 460 basis points in the past year. Class B vacancy in the neighboring Deer Valley Airport submarket has fallen by 180 basis points in the past 12 months.
- > **Forecast:** Vacancy is expected to continue to improve in 2016. The rate is forecast to decline 110 basis points this year to 16.2 percent. This would mark the sixth straight year of vacancy improvement in the local office market.

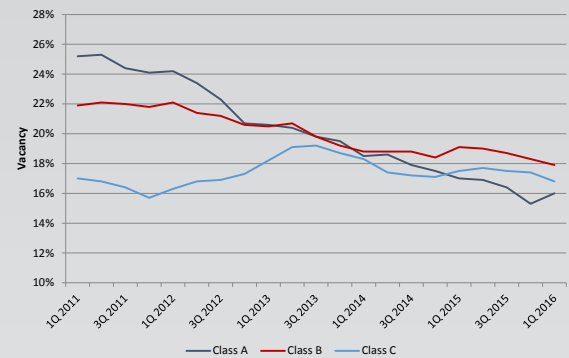
Absorption and Leasing Activity:

- > After surging to close 2015, net absorption slowed in the first three months of this year. Net absorption in the first quarter totaled approximately 404,000 square feet. This marked the lightest period of net absorption since the first quarter of 2015.
- > The Downtown North submarket continued to be an active area for tenant move-ins. Net absorption in Downtown North has been positive in each of the past four quarters, during which time tenants have moved into more than 520,000 square feet of space. Net absorption in the submarket topped 83,000 square feet during the first quarter.
- > Leasing activity slowed somewhat in the first quarter, particularly in the larger spaces. Activity in the small- to mid-sized spaces was similar to recent quarters.
- > **Forecast:** Net absorption in Greater Phoenix this year is forecast to total 3.5 million square feet, similar to the 2015 total. Employment growth is forecast to be strong in 2016, fueling tenant demand for office space.

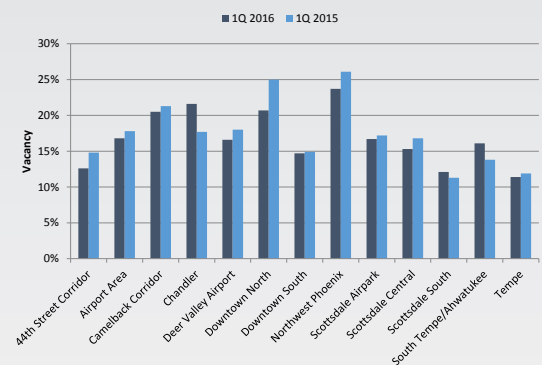
Rental Rates:

- > Asking rents continued to push higher in the first quarter, gaining 1.3 percent in the first three months of the year. During the past 12 months, average asking rents in Greater Phoenix have advanced 5.3 percent to \$22.68 per square foot. Since bottoming in early 2013, average asking rents have increased by more than 15 percent.
- > Class A asking rents are on the rise. Average asking rents have increased 6.4 percent in the past 12 months to \$27.02 per square foot. The last time asking rents in the Class A segment were this high was late-2009. The all-time peak for average Class A asking rents was approximately \$30 per square foot.

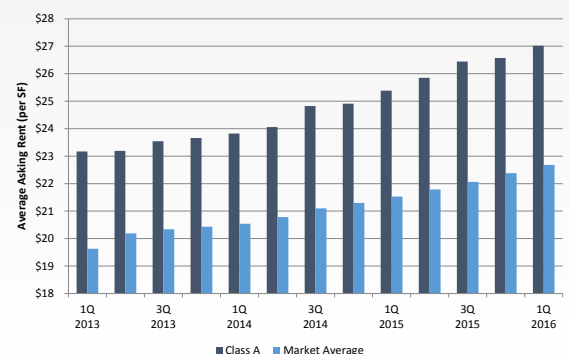
Vacancy by Property Class



Vacancy Among Major Submarkets



Asking Rent Trends



Rental Rates (continued):

- Driven by strong gains in the Class A segment, asking rents in the Camelback Corridor submarket have spiked by more than 12 percent in the past year to \$28.20 per square foot. Average asking rents in the submarket topped \$32 per square foot before the recession.
- Forecast:** Rents will continue to rise as vacancy tightens and employers add workers. Asking rents are forecast to increase by approximately 5.5 percent in 2016. Rents have advanced in each of the past three calendar years.

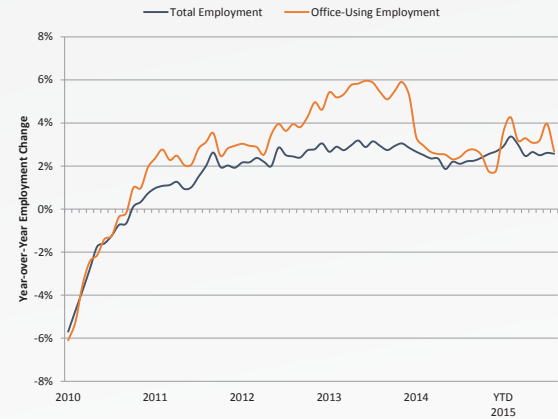
Construction:

- Projects totaling approximately 330,000 square feet came online in the first quarter, down from the more than 1.5 million square feet of space that was delivered in the previous quarter. During the past 12 months, developers have completed nearly 2.9 million square feet, an increase of more than 75 percent from the preceding 12-month period.
- Developers have approximately 2.5 million square feet of new projects currently under construction. More than 1.8 million square feet of this total is build-to-suit construction, and nearly 650,000 square feet is spec development.
- More than 1.2 million square feet of build-to-suit space for State Farm will be delivered in Tempe in 2016, a figure that represents approximately half of the total forecast office construction in the metro area this year. Over the past 12 months, a mix of spec and build-to-suit construction in Tempe has totaled nearly 750,000 square feet.
- Forecast:** Projects totaling approximately 2.5 million square feet are forecast to be completed this year, down from nearly 2.9 million square feet in 2015. Despite the slowdown from last year's levels, the forecast for this year is higher than the recent trend. From 2010-2014, completions averaged less than 900,000 square feet per year.

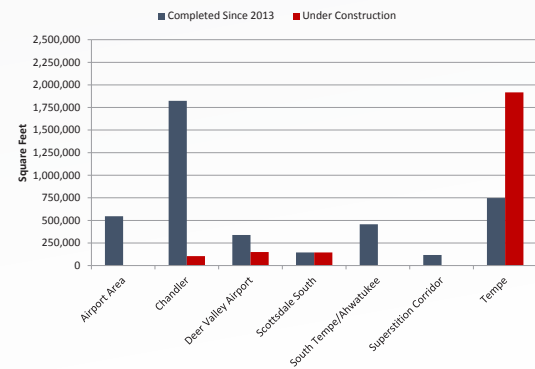
Investment Trends:

- After a spike to close 2015, sales of office buildings slowed by approximately 20 percent in the first quarter. Sales activity is ahead of last year's pace, however. The number of buildings sold in the first quarter of 2016 was up 8 percent from the same period in 2015.
- The median price in first-quarter transactions was \$119 per square foot, compared to a median price of \$130 per square foot in 2015. Prices are higher in sales of larger buildings; the median price in building sales of 100,000 square feet and greater was \$152 per square foot.
- Cap rates have been steady to start 2016, averaging 7.5 percent in the first quarter. In 2015, when cap rates exhibited some volatility based on expectations that the Federal Reserve would raise interest rates. To this point in 2016, interest rates have fallen, allowing cap rates to remain in their current ranges.

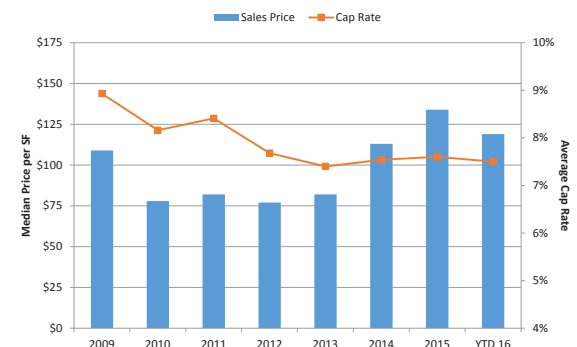
Employment Overview



Construction Trends by Submarket



Investment Trends



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	Q4-15	Q4-14	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (F\$)
CENTRAL BUSINESS DISTRICT															
Downtown North															
A	14	4,583,107	1,022,352	22.3%	21,315	0.5%	1,043,667	22.8%	29.7%	25,120	25,120	-	-	-	\$23.26
B	91	6,539,114	1,300,227	19.9%	40,603	0.6%	1,340,830	20.5%	23.6%	59,895	59,895	-	-	-	\$19.79
C	47	1,069,728	134,884	12.9%	1,292	0.1%	136,176	13.0%	13.3%	(1,026)	(1,026)	-	-	-	\$15.33
Total	152	12,191,949	2,457,463	20.2%	63,210	0.5%	2,520,673	20.7%	25.0%	83,989	83,989	-	-	-	\$21.02
Downtown South															
A	11	4,891,088	678,239	13.9%	121,316	2.5%	799,555	16.3%	16.8%	13,479	13,479	-	-	-	\$27.26
B	24	2,385,640	262,538	11.0%	-	0.0%	262,538	11.0%	11.0%	4,314	4,314	-	-	-	\$23.62
C	22	751,596	121,909	16.2%	-	0.0%	121,909	16.2%	15.3%	-	-	-	-	-	\$20.02
Total	57	8,028,324	1,062,686	13.2%	121,316	1.5%	1,184,002	14.7%	14.9%	17,793	17,793	-	-	-	\$25.87
SUBURBAN															
44th St. Corridor															
A	13	1,713,509	219,612	12.8%	-	0.0%	219,612	12.8%	13.9%	(23,160)	(23,160)	-	-	-	\$26.14
B	36	1,612,251	197,899	12.3%	-	0.0%	197,899	12.3%	13.9%	9,411	9,411	-	-	25,200	\$18.41
C	15	346,850	21,067	6.1%	23,535	6.8%	44,602	6.1%	6.3%	5,427	5,427	-	-	-	\$15.05
Total	64	3,672,610	438,578	11.9%	23,535	0.6%	462,113	12.6%	14.8%	(8,322)	(8,322)	-	-	25,200	\$23.33
Airport Area															
A	12	1,677,407	262,518	15.7%	-	0.0%	262,518	15.7%	20.9%	(17,128)	(17,128)	-	-	-	\$25.83
B	122	7,766,869	1,326,183	17.1%	38,566	0.5%	1,364,749	17.6%	17.6%	50,344	50,344	-	-	-	\$22.35
C	21	523,672	51,503	9.8%	-	0.0%	51,503	9.8%	12.6%	5,329	5,329	-	-	-	\$15.10
Total	155	9,967,948	1,640,204	16.5%	38,566	0.4%	1,678,770	16.8%	17.8%	38,545	38,545	-	-	-	\$22.73
Arrowhead															
A	1	80,849	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$26.88
B	92	2,311,930	329,642	14.3%	8,577	0.4%	338,219	14.6%	17.5%	69,303	69,303	60,000	60,000	-	\$23.56
C	14	264,314	49,930	18.9%	-	0.0%	49,930	18.9%	25.3%	(752)	(752)	-	-	-	\$19.97
Total	107	2,657,093	379,572	14.3%	8,577	0.3%	388,149	14.6%	17.8%	68,551	68,551	60,000	60,000	-	\$23.07
Camelback Corridor															
A	25	4,601,816	930,576	20.2%	59,506	1.3%	990,082	21.5%	21.6%	(32,928)	(32,928)	-	-	-	\$32.19
B	84	3,775,315	711,603	18.8%	20,058	0.5%	731,661	19.4%	21.4%	13,095	13,095	-	-	-	\$21.97
C	22	384,726	74,460	19.4%	-	0.0%	74,460	19.4%	16.0%	1,154	1,154	-	-	-	\$15.64
Total	131	8,761,857	1,716,639	19.6%	79,564	0.9%	1,796,203	20.5%	21.3%	(18,679)	(18,679)	-	-	-	\$28.20
Chandler															
A	19	2,514,733	481,535	19.1%	-	0.0%	481,535	19.1%	6.8%	(34,539)	(34,539)	210,000	210,000	-	\$28.13
B	128	4,983,915	1,126,883	22.6%	22,029	0.4%	1,148,912	23.1%	21.6%	(3,860)	(3,860)	-	-	103,973	\$22.60
C	12	204,291	31,958	15.6%	-	0.0%	31,958	15.6%	16.7%	(92)	(92)	-	-	-	\$17.20
Total	159	7,702,939	1,640,376	21.3%	22,029	0.3%	1,662,405	21.6%	17.7%	(38,491)	(38,491)	210,000	210,000	103,973	\$24.18
Deer Valley Airport															
A	22	3,722,067	186,713	5.0%	14,898	0.4%	201,611	5.4%	5.6%	(7,929)	(7,929)	-	-	149,209	\$25.26
B	106	6,918,553	1,555,279	22.5%	32,262	0.5%	1,587,541	22.9%	24.7%	3,229	3,229	-	-	-	\$21.59
C	11	223,516	66,065	29.6%	145	0.1%	66,210	29.6%	25.2%	(2,999)	(2,999)	-	-	-	\$21.45
Total	139	10,864,136	1,808,057	16.3%	47,305	0.3%	1,855,362	16.6%	18.0%	(7,699)	(7,699)	-	-	149,209	\$22.10
Gateway Airport/Loop 202															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	43	1,126,677	190,882	16.9%	4,219	0.4%	195,101	17.3%	21.1%	8,640	8,640	-	-	-	\$24.29
C	2	33,232	4,231	12.7%	-	0.0%	4,231	12.7%	9.3%	-	-	-	-	-	\$19.20
Total	45	1,159,909	195,113	16.8%	4,219	0.4%	199,332	17.2%	20.8%	8,640	8,640	-	-	-	\$24.19

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	Q4-15	Q4-14	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
SUBURBAN															
Glendale															
A	5	521,061	71,043	13.6%	-	0.0%	71,043	13.6%	12.2%	2,315	2,315	-	-	-	\$28.00
B	31	1,486,911	428,646	28.8%	-	0.0%	428,646	28.8%	32.8%	45,761	45,761	59,895	59,895	70,000	\$22.05
C	14	424,158	41,199	9.7%	-	0.0%	41,199	9.7%	9.5%	-	-	-	-	-	\$15.71
Total	50	2,432,130	540,888	22.2%	-	0.0%	540,888	22.2%	24.1%	48,076	48,076	59,895	59,895	70,000	\$23.17
Loop 303/ Surprise															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	41	1,289,299	245,105	19.0%	-	0.0%	245,105	19.0%	20.6%	(1,473)	(1,473)	-	-	-	\$23.85
C	4	57,399	1,886	3.3%	-	0.0%	1,886	3.3%	0.0%	-	-	-	-	-	\$21.00
Total	45	1,346,698	246,991	18.3%	-	0.0%	246,991	18.3%	19.8%	(1,473)	(1,473)	-	-	-	\$23.83
Mesa Downtown															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	19	675,900	29,881	4.4%	-	0.0%	29,881	4.4%	5.3%	720	720	-	-	-	\$16.44
C	17	265,357	54,170	20.4%	-	0.0%	54,170	20.4%	29.7%	17,166	17,166	-	-	-	\$13.38
Total	36	941,257	84,051	8.9%	-	0.0%	84,051	8.9%	12.2%	17,886	17,886	-	-	-	\$14.69
Mesa East															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	41	1,265,778	120,374	9.5%	-	0.0%	120,374	9.5%	10.6%	2,248	2,248	-	-	-	\$19.28
C	30	648,244	118,273	18.2%	6,875	1.1%	125,148	19.3%	21.4%	11,455	11,455	-	-	-	\$16.38
Total	71	1,914,022	238,647	12.5%	6,875	0.4%	245,522	12.8%	14.3%	13,703	13,703	-	-	-	\$17.79
Midtown/Central Phoenix															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	79	2,855,346	300,746	10.5%	26,538	0.9%	327,284	11.5%	14.5%	16,916	16,916	-	-	-	\$19.93
C	52	947,929	171,912	18.1%	-	0.0%	171,912	18.1%	22.7%	(2,874)	(2,874)	-	-	-	\$12.87
Total	131	3,803,275	472,658	12.4%	26,538	0.7%	499,196	13.1%	16.6%	14,042	14,042	-	-	-	\$17.98
Northwest Phoenix															
A	10	1,299,261	142,390	11.0%	-	0.0%	142,390	11.0%	12.7%	22,088	22,088	-	-	-	\$21.91
B	116	4,935,172	1,305,654	26.5%	1,969	0.1%	1,307,623	26.5%	31.1%	111,810	111,810	-	-	-	\$17.46
C	97	1,969,979	489,521	24.8%	2,942	0.1%	492,463	25.0%	22.5%	106	106	-	-	-	\$12.86
Total	223	8,204,412	1,937,565	23.6%	4,911	0.1%	1,942,476	23.7%	26.1%	134,004	134,004	-	-	-	\$17.28
Paradise Valley															
A	14	1,531,604	244,372	16.0%	56,864	3.7%	301,236	19.7%	26.8%	8,134	8,134	-	-	-	\$25.95
B	55	1,859,314	254,587	13.7%	13,586	0.7%	268,173	14.4%	14.0%	23,946	23,946	-	-	-	\$20.47
C	23	371,412	63,895	17.2%	-	0.0%	63,895	17.2%	19.7%	3,789	3,789	-	-	-	\$15.30
Total	92	3,762,330	562,854	15.0%	70,450	1.8%	633,304	16.8%	19.7%	35,869	35,869	-	-	-	\$22.62
Piestewa Peak Corridor															
A	3	409,370	16,136	3.9%	484	0.1%	16,620	4.1%	3.1%	34	34	-	-	-	\$24.51
B	45	2,185,907	513,095	23.5%	8,691	0.4%	521,786	23.9%	24.9%	11,700	11,700	-	-	-	\$18.73
C	22	348,713	17,465	5.0%	-	0.0%	17,465	5.0%	10.0%	(1,419)	(1,419)	-	-	-	\$18.00
Total	70	2,943,990	546,696	18.6%	9,175	0.3%	555,871	18.9%	20.1%	10,315	10,315	-	-	-	\$18.87
Scottsdale Airpark															
A	56	6,549,779	1,261,182	19.3%	61,957	0.9%	1,323,139	20.2%	19.4%	(35,861)	(35,861)	-	-	39,750	\$27.58
B	193	5,261,688	655,418	12.5%	2,258	0.1%	657,676	12.5%	14.6%	(6,271)	(6,271)	-	-	-	\$22.48
C	9	146,960	15,770	10.7%	-	0.0%	15,770	10.7%	17.6%	1,025	1,025	-	-	-	\$13.22
Total	258	11,958,427	1,932,370	16.2%	64,215	0.5%	1,996,585	16.7%	17.2%	(41,107)	(41,107)	-	-	39,750	\$25.71

Office Market

EXISTING PROPERTIES		DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONSTR. AVG. RENT		
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SUBURBAN															
Scottsdale Central															
A	23	2,386,023	334,674	14.0%	24,246	1.0%	358,920	15.0%	17.1%	14,755	14,755	-	-	-	\$25.06
B	132	4,782,507	732,426	15.3%	18,880	0.4%	751,306	15.7%	16.9%	(9,029)	(9,029)	-	-	-	\$22.06
C	9	124,738	7,248	5.8%	-	0.0%	7,248	5.8%	7.7%	2,880	2,880	-	-	-	\$22.62
Total	164	7,293,268	1,074,348	14.7%	43,126	0.6%	1,117,474	15.3%	16.8%	8,606	8,606	-	-	-	\$22.97
Scottsdale South															
A	15	1,987,459	157,714	7.9%	30,730	1.5%	188,444	9.5%	9.3%	(59,878)	(59,878)	-	-	145,000	\$29.16
B	75	2,595,542	289,455	11.2%	39,218	1.5%	328,673	12.7%	11.9%	(41,345)	(41,345)	-	-	-	\$23.95
C	36	646,257	118,192	18.3%	-	0.0%	118,192	18.3%	14.7%	16,198	16,198	-	-	-	\$17.80
Total	126	5,229,258	565,361	10.8%	69,948	1.3%	635,309	12.1%	11.3%	(85,025)	(85,025)	-	-	-	\$25.10
South Tempe/Ahwatukee															
A	6	776,323	98,225	12.7%	-	0.0%	98,225	12.7%	12.7%	5,205	5,205	-	-	-	\$24.99
B	113	5,040,653	819,109	16.3%	44,903	0.9%	864,012	17.1%	17.1%	(89,794)	(89,794)	-	-	-	\$21.56
C	11	380,322	36,082	9.5%	-	0.0%	36,082	9.5%	9.5%	(8,040)	(8,040)	-	-	-	\$21.21
Total	130	6,197,298	953,416	15.4%	44,903	0.7%	998,319	16.1%	13.8%	(92,629)	(92,629)	-	-	-	\$21.63
Southwest Phoenix															
A	3	288,087	194,499	67.5%	-	0.0%	194,499	67.5%	67.5%	-	-	-	-	-	\$23.00
B	22	845,418	45,210	5.3%	-	0.0%	45,210	5.3%	5.5%	1,539	1,539	-	-	-	\$20.10
C	17	410,505	80,561	19.6%	-	0.0%	80,561	19.6%	20.8%	-	-	-	-	-	\$13.55
Total	42	1,544,010	320,270	20.7%	-	0.0%	320,270	20.7%	21.1%	1,539	1,539	-	-	-	\$20.33
Superstition Corridor															
A	5	670,140	173,211	25.8%	-	0.0%	173,211	25.8%	38.6%	5,278	5,278	-	-	-	\$23.25
B	122	3,639,998	577,649	15.9%	46,204	1.3%	623,853	17.1%	21.4%	180,516	180,516	-	-	-	\$19.12
C	23	414,524	74,750	18.0%	-	0.0%	74,750	18.0%	16.7%	888	888	-	-	-	\$15.25
Total	150	4,724,662	825,610	17.5%	46,204	1.0%	871,814	18.5%	23.5%	186,682	186,682	-	-	-	\$19.61
Tempe															
A	21	3,893,364	186,138	4.8%	-	0.0%	186,138	4.8%	4.3%	(30,011)	(30,011)	-	-	1,917,055	\$29.04
B	94	4,061,457	730,972	18.0%	-	0.0%	730,972	18.0%	17.7%	12,115	12,115	-	-	-	\$22.50
C	35	842,892	86,566	10.3%	-	0.0%	86,566	10.3%	13.9%	34,695	34,695	-	-	-	\$17.40
Total	150	8,797,713	1,003,676	11.4%	-	0.0%	1,003,676	11.4%	11.9%	16,799	16,799	-	-	1,917,055	\$24.23
West I-10															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	40	1,185,876	126,022	10.6%	5,717	0.5%	131,739	10.3%	11.8%	(6,659)	(6,659)	-	-	-	\$21.95
C	8	139,051	28,557	20.5%	-	0.0%	28,557	19.7%	30.2%	(1,105)	(1,105)	-	-	-	\$12.10
Total	48	1,324,927	154,579	11.7%	5,717	0.4%	160,296	12.1%	12.7%	(7,764)	(7,764)	-	-	-	\$20.82
GRAND TOTAL															
A	278	44,097,047	6,661,129	15.1%	391,316	0.9%	7,052,445	16.0%	17.0%	(145,026)	(145,026)	210,000	210,000	2,251,014	\$27.02
B	1,944	81,387,030	14,175,485	17.4%	374,278	0.5%	14,549,763	17.9%	19.1%	467,071	467,071	119,895	119,895	199,173	\$21.13
C	573	11,940,365	1,962,054	16.4%	34,789	0.3%	1,996,843	16.7%	17.5%	81,805	81,805	0	0	0	\$15.50
Total	2,795	137,424,442	22,798,668	16.6%	800,383	0.6%	23,599,051	17.2%	18.3%	403,850	403,850	329,895	329,895	2,450,187	\$22.68
QUARTERLY TOTALS															
2016 1Q	2,795	137,424,442	22,798,668	16.6%	800,383	0.6%	23,599,051	17.2%	18.3%	403,850	403,850	329,895	329,895	2,450,187	\$22.68
2015 4Q	2,791	137,071,039	23,006,454	16.8%	666,552	0.5%	23,673,006	17.3%	17.3%	2,053,368	2,053,368	1,521,826	1,521,826	2,673,729	\$22.38
2015 3Q	2,780	135,549,213	23,596,071	17.4%	635,612	0.5%	24,231,683	17.9%	17.9%	813,275	813,275	420,250	420,250	3,149,124	\$22.06
2015 2Q	2,776	135,128,963	23,833,286	17.6%	791,422	0.6%	24,624,708	18.2%	18.2%	677,572	677,572	625,335	625,335	2,976,395	\$21.79
2015 1Q	2,771	134,503,628	23,833,924	17.7%	843,021	0.6%	24,676,945	18.3%	18.3%	635,511	635,511	323,761	323,761	2,541,896	\$21.53

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:

The Greater Phoenix office market got off to a steady start to 2016, and momentum should build as the local economy gathers steam. Employers are expected to be quite active adding to payrolls in 2016, with broad growth across nearly all industries. In recent years, expansion has been strongest in white-collar employment sectors, a trend that should continue in the year ahead. Another source of employment growth will be increased activity in the housing market. New home sales spiked in the second half of last year, and permitting for single-family units is expected to surge by more than 40 percent in 2016. A continued rise in new home construction will spill over to several segments of the local economy.

The investment outlook for the office market brightened in the first quarter. Building sales are ahead of the 2015 pace, property fundamentals are improving and interest rates have declined. The low-interest rate environment is an unexpected benefit to the local investment market. The prevailing opinion was that interest rates would slowly trend higher as the Federal Reserve took steps to keep the economy from overheating. While the Fed did raise short-term rates at the end of 2015, market conditions have driven rates lower in the first few months of this year. This has kept cap rates for office properties from pushing higher, which could have slowed sales velocity. As long as interest rates remain near their current levels, investment activity should continue at a healthy pace.

FOR MORE INFORMATION

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