

Year End  
**2014**  
Office  
Market Report

The East Valley has 14 buildings under construction **totaling 2,436,221 SF, making up 84%** all construction in the Phoenix Metro Area.



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Although the overall indices continue to move in a positive direction, a closer look at the individual submarkets in the Valley of the Sun show a fractured office market.

**East Valley** | The East Valley possesses the greatest momentum in new product coming to the market; 14 buildings are currently under construction totaling 2,436,221 SF, making up 84% all construction in the Phoenix Metro Area.

**Camelback Corridor** | This “Main and Main” submarket still shows over 21% vacancy overall, with Class A space at 23%. This is due largely in part to current renovations in the area, functional obsolescence of select properties, and the shift of companies finding their home in other centers of the Phoenix Metro area, such as the growing Southeast Valley

**Metro Center / Northwest Phoenix** | The Metrocenter Mall continues its rebirth with the largest Wal-Mart coming to the southern portion of the project. Retail development at the Mall and at the intersection of Peoria Avenue and the I-17 are well underway. This bodes well for office space in the area as additional

amenities will bolster the submarket, providing relief for the surrounding B class properties that have been struggling with vacancy rates close to 40%.

**Goodyear** | The Goodyear submarket experienced recent good news with the sale of Palm Valley Office Park I & II which fetched \$15.3 million or \$183.67 per square foot. The vacancy in the micro market for B class property is below equilibrium at 10.80%.

With the varying conditions of each submarket, now more than ever owners and tenants alike need the core competencies and “boots on the ground” knowledge of brokers with experience in each given micro-market. This allows owners and tenants to be accurately informed of the users in the market, true vacancies and the “basket of concessions” that should be offered or expected when making their transaction decisions.

## Q4 Office Market Trends



# Phoenix 4Q14 Office Snapshot

4Q14  
Office

## Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
CLASS A	42,491,895 SF	7,035,194 SF	16.6%	606,758 SF	304,082 SF	2,231,418 SF	\$24.92 FSG
CLASS B	83,108,271 SF	15,623,965 SF	18.8%	481,564 SF	50,716 SF	656,147 SF	\$20.13 FSG
CLASS C	12,397,595 SF	2,017,199 SF	16.3%	18,712 SF	-	-	\$15.24 FSG
<b>TOTAL</b>	<b>137,997,761 SF</b>	<b>24,676,358 SF</b>	<b>17.9%</b>	<b>1,107,034 SF</b>	<b>354,798 SF</b>	<b>2,887,565 SF</b>	<b>\$21.33 FSG</b>
Q3 2014	137,642,963 SF	25,428,594 SF	18.5%	625,091 SF	449,261 SF	2,984,351 SF	\$21.20 FSG
Q2 2014	137,193,702 SF	25,604,424 SF	18.7%	182,687 SF	160,622 SF	2,689,161 SF	\$20.83 FSG

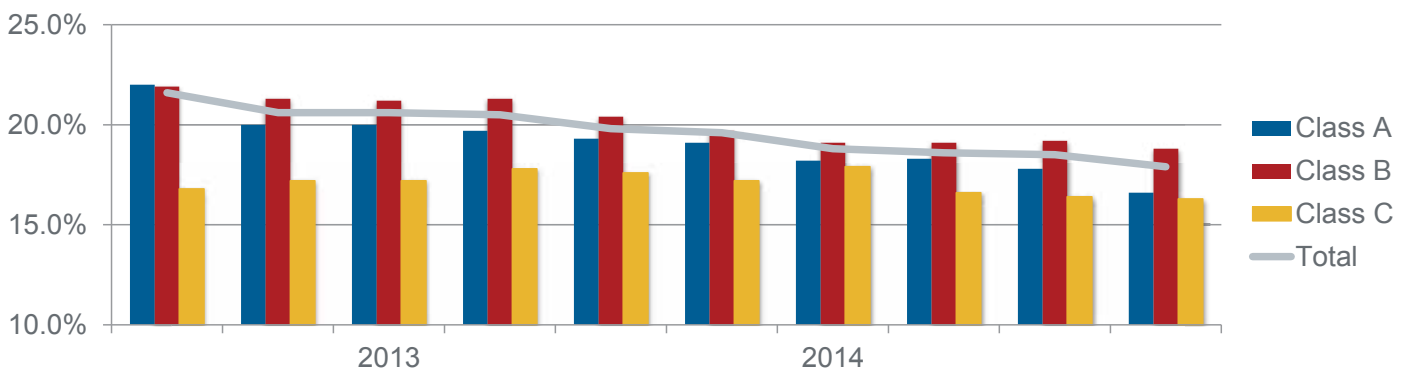
## Significant Lease Transactions

Property	Address	Tenant	Size	Class	Type
Thistle Landing	4809 E Thistle Landing Dr, Phoenix	Fisery, Inc	101,043 SF	B	Renewal
Arizona Business Park	16010 N 28th Ave, Phoenix	TriWest Healthcare	55,549 SF	B	Move In
Pima Center	9165 E Del Camino, Scottsdale	-	54,338 SF	B	Move-In

## Significant Sale Transactions

Property	Address	Buyer	Sale Date	Size	Class	Price
Freepoint-McMoRan Tower	333 N Central Ave, Phoenix	American Realty Capital	11/6/2014	249,012 SF	A	\$110M
101 N 1st Ave	101 N 1st Ave, Phoenix	ScanlanKemperBard	10/30/2014	373,013 SF	A	\$55.9M
Desert Ridge Corp Center	20860 N Tatum Blvd, Phoenix	Regent Properties, Inc	12/8/2014	137,983 SF	A	\$27M

## 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 17.9% from 18.5% in Q3 2014
- Class A properties reported a vacancy rate of 16.8%
- Class B properties reported the highest vacancy rate in the Valley at 18.8%
- Class C properties reported the lowest vacancy rate in the Valley at 16.3%

## Rental Rates

- Rates continued to increase in the final quarter of 2014 to \$21.33 for the Phoenix Metro Office Market
- In Q4 of 2013, rental rates sat at \$20.38
- Class A Space boasted an average rental rate of \$24.92

## New Construction

- Ending Q4 2014, there were 2,887,565 SF of new office buildings under construction.
- 354,798 SF of office space was delivered in Q4 2014

## Net Absorption

- In Q4 2014, 1,107,034 SF were absorbed in the Phoenix Metro Office Market. For comparison, in the same quarter last year net absorption was 532,927 SF
- Q3 2014, net absorption posted 625,091 SF

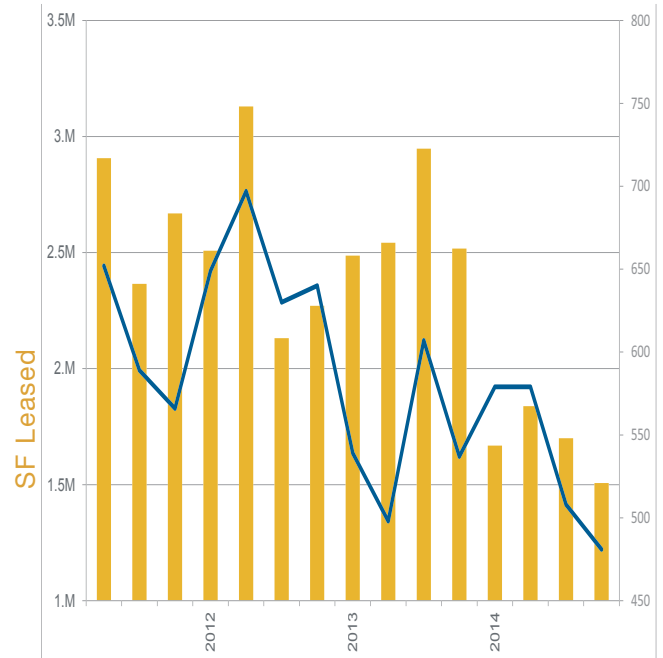
## Economic Trends

↑ Consumer Price Index  
Up 1.3% over last 12 months

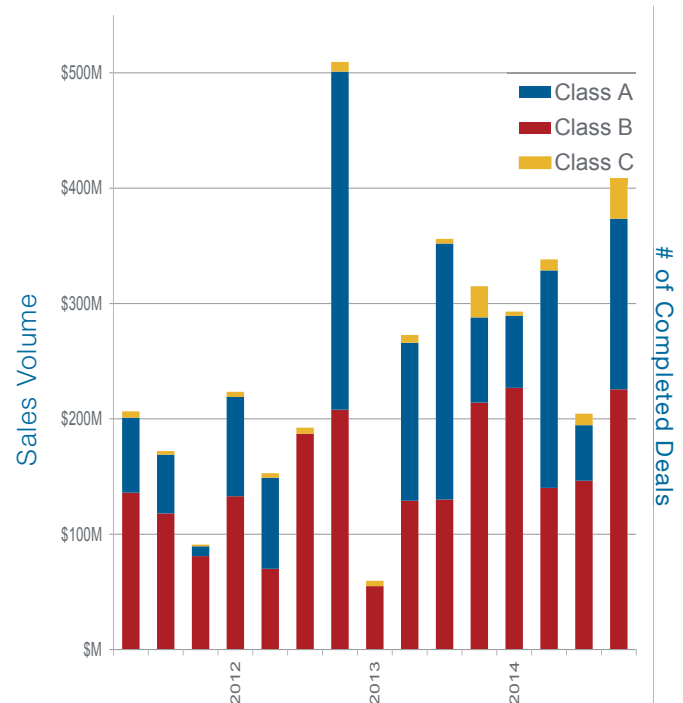
↓ 30-Year Fixed Mortgage  
3.64% National Average, down from 3.68% 3Q14

↓ Phoenix Metro Unemployment  
Arizona, 11/14- 5.9% down from 6.8% 2Q14

## Leasing Activity



## Sales Activity





## 300 W Clarendon

Phoenix, AZ 85013

Size: 7,226 SF

Leased: October 2014



## 3618 W Anthem Way

New River, AZ 85086

Size: 5,882 SF, Ste D-120

Leased: November 2014



## 10235 S 51st St

Phoenix, AZ 85044

Size: 2,800 SF, Ste 165

Leased: December 2014



## 1380 W Auto Dr

Tempe, AZ 85284

Sale Price: **\$1,356,625**

Size: 8,926 SF

Sold: October 2014



## 140 S Ash Ave

Tempe, AZ 85281

Sale Price: **\$625,000**

Size: 3,124 SF

Sold: October 2014



## Courtyards at Cobblestone

963 N McQueen, Chandler, AZ 85225

Sale Price: **\$515,000**

Size: 4,200 SF

Leased: December 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	328,285	332	328,617	10.90%	0.00%	10.90%	11,669	-	-	\$24.29
Class B	2,066,402	316,761	39,742	356,503	15.30%	1.90%	17.30%	(41,504)	-	-	\$20.65
Class C	627,755	64,922	-	64,922	10.30%	0.00%	10.30%	2,145	-	-	\$16.48
<b>Total</b>	<b>5,698,764</b>	<b>709,968</b>	<b>40,074</b>	<b>750,042</b>	<b>12.5%</b>	<b>0.7%</b>	<b>13.2%</b>	<b>(27,690)</b>	-	-	<b>\$22.29</b>
<b>Airport Area</b>											
Class A	1,577,059	313,178	3,931	317,109	19.90%	0.20%	20.10%	191,951	154,081	156,027	\$23.89
Class B	8,060,152	1,184,549	55,432	1,239,981	14.70%	0.70%	15.40%	(23,554)	-	-	\$20.02
Class C	437,672	69,758	-	69,758	15.90%	0.00%	15.90%	(518)	-	-	\$14.49
<b>Total</b>	<b>10,074,883</b>	<b>1,567,485</b>	<b>59,363</b>	<b>1,626,848</b>	<b>15.6%</b>	<b>0.6%</b>	<b>16.1%</b>	<b>167,879</b>	<b>154,081</b>	<b>156,027</b>	<b>\$20.43</b>
<b>Arrowhead</b>											
Class A	80,849	-	-	-	-	-	-	-	-	-	-
Class B	2,217,551	370,950	6,607	377,557	16.70%	0.30%	17.00%	29,803	-	-	\$22.40
Class C	252,314	70,405	-	70,405	27.90%	0.00%	27.90%	2,863	-	-	\$19.05
<b>Total</b>	<b>2,550,714</b>	<b>441,355</b>	<b>6,607</b>	<b>447,962</b>	<b>17.3%</b>	<b>0.3%</b>	<b>17.6%</b>	<b>32,666</b>	-	-	<b>\$21.95</b>
<b>Camelback Corridor</b>											
Class A	4,548,993	1,008,287	38,691	1,046,978	22.20%	0.90%	23.00%	46,220	-	-	\$28.23
Class B	3,825,727	768,380	14,468	782,848	20.10%	0.40%	20.50%	23,210	-	-	\$20.17
Class C	370,064	61,738	-	61,738	16.70%	0.00%	16.70%	(7,040)	-	-	\$15.19
<b>Total</b>	<b>8,744,784</b>	<b>1,838,405</b>	<b>53,159</b>	<b>1,891,564</b>	<b>21.0%</b>	<b>0.6%</b>	<b>21.6%</b>	<b>62,390</b>	-	-	<b>\$24.39</b>
<b>Central Scottsdale</b>											
Class A	2,316,023	231,598	11,105	242,703	10.00%	0.50%	10.50%	15,896	-	-	\$23.98
Class B	4,809,896	732,965	17,160	750,125	15.20%	0.40%	15.60%	70,767	-	-	\$21.22
Class C	135,834	11,706	-	11,706	8.60%	0.00%	8.60%	-	-	-	\$20.60
<b>Total</b>	<b>7,261,753</b>	<b>976,269</b>	<b>28,265</b>	<b>1,004,534</b>	<b>13.4%</b>	<b>0.4%</b>	<b>13.8%</b>	<b>86,663</b>	-	-	<b>\$22.04</b>
<b>Chandler</b>											
Class A	1,619,733	100,622	11,471	112,093	6.20%	0.70%	6.90%	5,000	-	626,967	\$27.87
Class B	4,420,377	652,448	23,971	676,419	14.80%	0.50%	15.30%	55,885	50,716	419,247	\$21.94
Class C	203,943	32,121	-	32,121	15.70%	0.00%	15.70%	4,364	-	-	\$16.96
<b>Total</b>	<b>6,244,053</b>	<b>785,191</b>	<b>35,442</b>	<b>820,633</b>	<b>12.6%</b>	<b>0.6%</b>	<b>13.1%</b>	<b>65,249</b>	<b>50,716</b>	<b>1,046,214</b>	<b>\$22.95</b>
<b>Deer Valley/Airport</b>											
Class A	3,389,529	269,005	0	269,005	7.90%	0.00%	7.90%	(26,398)	-	-	\$21.53
Class B	6,750,819	1,566,776	17,767	1,584,543	23.20%	0.30%	23.50%	29,120	-	-	\$20.96
Class C	191,386	56,315	-	56,315	29.40%	0.00%	29.40%	(685)	-	-	\$19.20
<b>Total</b>	<b>10,331,734</b>	<b>1,892,096</b>	<b>17,767</b>	<b>1,909,863</b>	<b>18.3%</b>	<b>0.2%</b>	<b>18.5%</b>	<b>2,037</b>	-	-	<b>\$21.04</b>
<b>Downtown</b>											
Class A	5,563,240	669,210	73,538	742,748	12.00%	1.30%	13.40%	21,612	-	-	\$26.10
Class B	3,168,045	438,642	-	438,642	13.80%	0.00%	13.80%	(15,473)	-	-	\$23.08
Class C	864,943	173,013	-	173,013	20.00%	0.00%	20.00%	(8,235)	-	-	\$17.20
<b>Total</b>	<b>9,596,228</b>	<b>1,280,865</b>	<b>73,538</b>	<b>1,354,403</b>	<b>13.3%</b>	<b>0.8%</b>	<b>14.1%</b>	<b>(2,096)</b>	-	-	<b>\$24.53</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	260,639	-	260,639	24.50%	0.00%	24.50%	5,565	-	-	\$23.45
Class C	33,232	3,080	-	3,080	9.30%	0.00%	9.30%	-	-	-	\$16.80
<b>Total</b>	<b>1,142,726</b>	<b>268,690</b>	-	<b>268,690</b>	<b>23.5%</b>	<b>0.0%</b>	<b>23.5%</b>	<b>5,565</b>	-	-	<b>\$23.53</b>
<b>Glendale</b>											
Class A	520,247	75,305	-	75,305	14.50%	0.00%	14.50%	26,461	-	-	\$26.28
Class B	1,384,827	449,916	5,476	455,392	32.50%	0.40%	32.90%	-	-	-	\$22.71
Class C	424,158	39,579	-	39,579	9.30%	0.00%	9.30%	(1,955)	-	-	\$12.91
<b>Total</b>	<b>2,329,232</b>	<b>564,800</b>	<b>5,476</b>	<b>570,276</b>	<b>24.2%</b>	<b>0.2%</b>	<b>24.5%</b>	<b>24,506</b>	-	-	<b>\$22.87</b>
<b>Loop 303/Surprise</b>											
Class B	1,215,481	266,107	-	266,107	21.90%	0.00%	21.90%	18,290	-	-	\$23.13
Class C	148,014	-	-	-	0.00%	0.00%	0.00%	-	-	-	-
<b>Total</b>	<b>1,363,495</b>	<b>266,107</b>	-	<b>266,107</b>	<b>19.5%</b>	<b>0.0%</b>	<b>19.5%</b>	<b>18,290</b>	-	-	<b>\$23.13</b>
<b>Mesa Downtown</b>											
Class B	686,163	61,608	-	61,608	9.00%	0.00%	9.00%	(7,948)	-	-	\$18.29
Class C	263,950	78,951	-	78,951	29.90%	0.00%	29.90%	(3,494)	-	-	\$11.97
<b>Total</b>	<b>950,113</b>	<b>140,559</b>	-	<b>140,559</b>	<b>14.8%</b>	<b>0.0%</b>	<b>14.8%</b>	<b>(11,442)</b>	-	-	<b>\$15.45</b>
<b>Mesa East</b>											
Class B	1,265,193	137,788	-	137,788	10.90%	0.00%	10.90%	3,616	-	-	\$18.56
Class C	637,884	137,026	-	137,026	21.50%	0.00%	21.50%	5,780	-	-	\$15.25
<b>Total</b>	<b>1,903,077</b>	<b>274,814</b>	-	<b>274,814</b>	<b>14.4%</b>	<b>0.0%</b>	<b>14.4%</b>	<b>9,396</b>	-	-	<b>\$16.89</b>
<b>Midtown</b>											
Class A	4,576,133	1,295,922	98,539	1,394,461	28.30%	2.20%	30.50%	26,889	-	-	\$21.41
Class B	6,495,448	1,473,749	7,070	1,480,819	22.70%	0.10%	22.80%	20,220	-	-	\$18.33
Class C	924,772	95,551	0	95,551	10.30%	0.00%	10.30%	7,044	-	-	\$15.45
<b>Total</b>	<b>11,996,353</b>	<b>2,865,222</b>	<b>105,609</b>	<b>2,970,831</b>	<b>23.9%</b>	<b>0.9%</b>	<b>24.8%</b>	<b>54,153</b>	-	-	<b>\$19.77</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	2,857,287	416,856	0	416,856	14.60%	0.00%	14.60%	4,934	-	-	\$18.94
Class C	999,311	184,310	-	184,310	18.40%	0.00%	18.40%	6,824	-	-	\$14.10
<b>Total</b>	<b>3,856,598</b>	<b>601,166</b>	<b>0</b>	<b>601,166</b>	<b>15.6%</b>	<b>0.0%</b>	<b>15.6%</b>	<b>11,758</b>	-	-	<b>\$17.69</b>
<b>N Phoenix/Cave Creek</b>											
Class B	68,926	24,251	0	24,251	35.20%	0.00%	35.20%	-	-	-	\$21.85
<b>Total</b>	<b>68,926</b>	<b>24,251</b>	<b>0</b>	<b>24,251</b>	<b>35.20%</b>	<b>0.00%</b>	<b>35.20%</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$21.85</b>
<b>N Scottsdale / Carefree</b>											
Class B	1,046,910	486,633	0	486,633	46.50%	0.00%	46.50%	23,626	-	-	\$21.54
Class C	92,532	15,701	-	15,701	17.00%	0.00%	17.00%	-	-	-	\$17.90
<b>Total</b>	<b>1,139,442</b>	<b>502,334</b>	<b>0</b>	<b>502,334</b>	<b>44.1%</b>	<b>0.0%</b>	<b>44.1%</b>	<b>23,626</b>	-	-	<b>\$21.41</b>
<b>North I-17</b>											
Class B	461,818	127,677	-	127,677	27.60%	0.00%	27.60%	292	-	-	\$20.91
<b>Total</b>	<b>461,818</b>	<b>127,677</b>	<b>-</b>	<b>127,677</b>	<b>27.6%</b>	<b>0.0%</b>	<b>27.6%</b>	<b>292</b>	-	-	<b>\$20.91</b>
<b>Northwest Phoenix</b>											
Class A	1,318,007	185,481	-	185,481	14.10%	0.00%	14.10%	(8,086)	-	-	\$20.03
Class B	4,913,092	1,570,409	0	1,570,409	32.00%	0.00%	32.00%	85,878	-	-	\$16.08
Class C	1,992,642	407,950	1,717	409,667	20.50%	0.10%	20.60%	13,358	-	-	\$13.29
<b>Total</b>	<b>8,223,741</b>	<b>2,163,840</b>	<b>1,717</b>	<b>2,165,557</b>	<b>26.3%</b>	<b>0.0%</b>	<b>26.3%</b>	<b>91,150</b>	-	-	<b>\$15.92</b>
<b>Paradise Valley</b>											
Class A	1,471,736	344,371	16,997	361,368	23.40%	1.20%	24.60%	45,671	-	-	\$24.82
Class B	1,918,679	300,268	0	300,268	15.60%	0.00%	15.60%	20,280	-	-	\$21.86
Class C	371,412	71,093	0	71,093	19.10%	0.00%	19.10%	(2,177)	-	-	\$15.37
<b>Total</b>	<b>3,761,827</b>	<b>715,732</b>	<b>16,997</b>	<b>732,729</b>	<b>19.0%</b>	<b>0.5%</b>	<b>19.5%</b>	<b>63,774</b>	-	-	<b>\$23.07</b>
<b>Piestewa Peak Corridor</b>											
Class A	409,394	17,113	484	17,597	4.20%	0.10%	4.30%	(1,393)	-	-	\$25.57
Class B	2,182,752	514,408	16,284	530,692	23.60%	0.70%	24.30%	(9,736)	-	-	\$17.98
Class C	366,761	39,808	-	39,808	10.90%	0.00%	10.90%	(8,922)	-	-	\$14.77
<b>Total</b>	<b>2,958,907</b>	<b>571,329</b>	<b>16,768</b>	<b>588,097</b>	<b>19.3%</b>	<b>0.6%</b>	<b>19.9%</b>	<b>(20,051)</b>	-	-	<b>\$18.26</b>
<b>Pinal County</b>											
Class B	535,166	70,776	-	70,776	13.20%	0.00%	13.20%	(1,506)	-	-	\$19.56
Class C	175,567	15,224	-	15,224	8.70%	0.00%	8.70%	-	-	-	\$11.40
<b>Total</b>	<b>710,733</b>	<b>86,000</b>	<b>-</b>	<b>86,000</b>	<b>12.1%</b>	<b>0.0%</b>	<b>12.1%</b>	<b>(1,506)</b>	-	-	<b>\$19.56</b>
<b>Scottsdale Airport</b>											
Class A	6,280,588	1,143,711	31,844	1,175,555	18.20%	0.50%	18.70%	14,388	-	169,189	\$26.25
Class B	5,343,133	776,235	25,041	801,276	14.50%	0.50%	15.00%	62,979	-	-	\$21.65
Class C	201,025	26,891	0	26,891	13.40%	0.00%	13.40%	8,810	-	-	\$12.05
<b>Total</b>	<b>11,824,746</b>	<b>1,946,837</b>	<b>56,885</b>	<b>2,003,722</b>	<b>16.5%</b>	<b>0.5%</b>	<b>16.9%</b>	<b>86,177</b>	-	<b>169,189</b>	<b>\$24.48</b>
<b>Scottsdale South</b>											
Class A	1,916,252	176,928	17,413	194,341	9.20%	0.90%	10.10%	45,577	-	-	\$25.32
Class B	2,592,992	283,782	24,951	308,733	10.90%	1.00%	11.90%	89,024	-	26,900	\$21.62
Class C	578,460	98,640	2,000	100,640	17.10%	0.30%	17.40%	(8,867)	-	-	\$18.80
<b>Total</b>	<b>5,087,704</b>	<b>559,350</b>	<b>44,364</b>	<b>603,714</b>	<b>11.0%</b>	<b>0.9%</b>	<b>11.9%</b>	<b>125,734</b>	-	<b>26,900</b>	<b>\$22.66</b>
<b>South Tempe / Ahwatukee</b>											
Class A	626,323	30,274	-	30,274	4.80%	0.00%	4.80%	152,077	150,001	-	\$26.00
Class B	4,604,024	611,325	46,247	657,572	13.30%	1.00%	14.30%	4,789	-	110,000	\$20.99
Class C	380,322	32,131	-	32,131	8.40%	0.00%	8.40%	(352)	-	-	\$20.84
<b>Total</b>	<b>5,610,669</b>	<b>673,730</b>	<b>46,247</b>	<b>719,977</b>	<b>12.0%</b>	<b>0.8%</b>	<b>12.8%</b>	<b>156,514</b>	<b>150,001</b>	<b>110,000</b>	<b>\$21.22</b>
<b>Southwest Phoenix</b>											
Class A	757,809	194,499	-	194,499	25.70%	0.00%	25.70%	-	-	-	\$21.00
Class B	1,034,667	46,749	-	46,749	4.50%	0.00%	4.50%	2,181	-	-	\$18.45
Class C	409,251	60,261	0	60,261	14.70%	0.00%	14.70%	-	-	-	\$15.72
<b>Total</b>	<b>2,201,727</b>	<b>301,509</b>	<b>0</b>	<b>301,509</b>	<b>13.7%</b>	<b>0.0%</b>	<b>13.7%</b>	<b>2,181</b>	-	-	<b>\$19.50</b>
<b>Superstition Corridor</b>											
Class A	670,140	230,636	14,228	244,864	34.40%	2.10%	36.50%	4,554	-	-	\$20.05
Class B	3,517,081	629,614	0	629,614	17.90%	0.00%	17.90%	13,482	-	100,000	\$17.93
Class C	410,952	29,822	0	29,822	7.30%	0.00%	7.30%	890	-	-	\$17.16
<b>Total</b>	<b>4,598,173</b>	<b>890,072</b>	<b>14,228</b>	<b>904,300</b>	<b>19.4%</b>	<b>0.3%</b>	<b>19.7%</b>	<b>18,926</b>	-	<b>100,000</b>	<b>\$18.40</b>
<b>Tempe</b>											
Class A	1,798,501	97,225	0	97,225	5.40%	0.00%	5.40%	34,670	-	1,279,235	\$31.35
Class B	3,231,237	569,695	4,901	574,596	17.60%	0.20%	17.80%	(9,501)	-	-	\$20.03
Class C	552,015	84,906	6,760	91,666	15.40%	1.20%	16.60%	5,684	-	-	\$15.65
<b>Total</b>	<b>5,581,753</b>	<b>751,826</b>	<b>11,661</b>	<b>763,487</b>	<b>13.5%</b>	<b>0.2%</b>	<b>13.7%</b>	<b>30,853</b>	-	<b>1,279,235</b>	<b>\$24.37</b>
<b>West I-10</b>											
Class B	1,236,755	133,100	9,307	142,407	10.80%	0.80%	11.50%	26,845	-	-	\$22.85
Class C	238,454	42,046	-	42,046	17.60%	0.00%	17.60%	3,195	-	-	\$13.56
<b>Total</b>	<b>1,475,209</b>	<b>175,146</b>	<b>9,307</b>	<b>184,453</b>	<b>11.9%</b>	<b>0.6%</b>	<b>12.5%</b>	<b>30,040</b>	-	-	<b>\$21.68</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

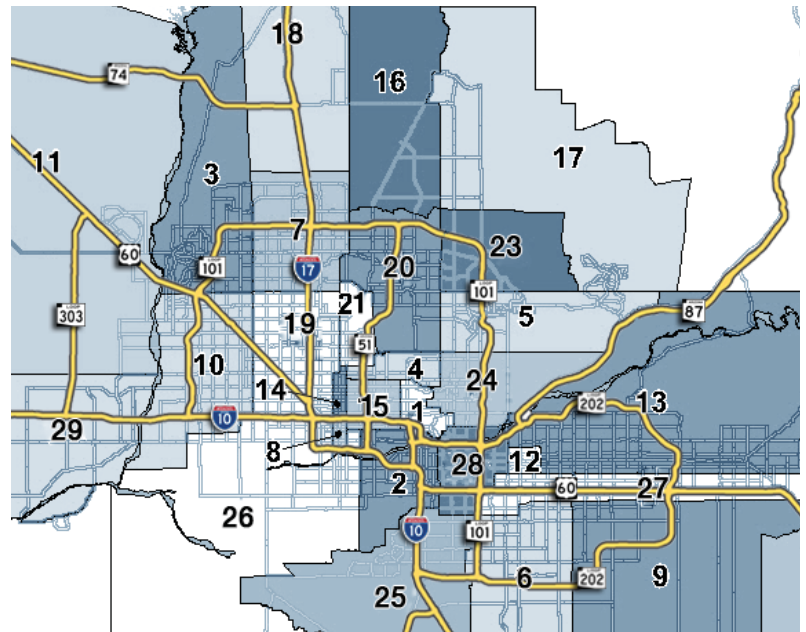
The status of a building that is in the process of being developed, assembled, built or constructed. A building is considered to be under construction after it has begun construction and until it receives a certificate of occupancy.

## 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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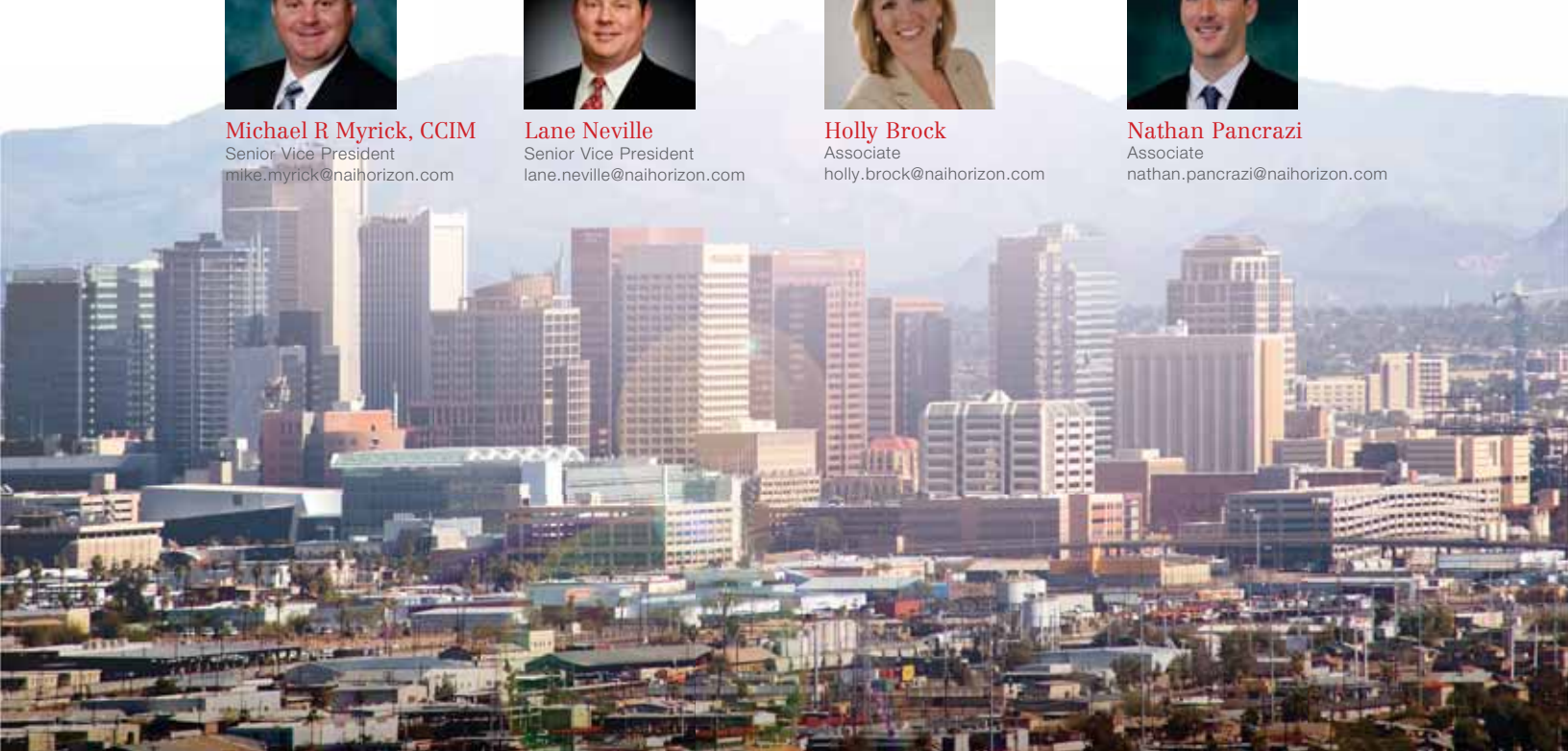
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# Year End 2014 Office Market Report

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