# Metro Phoenix Q1 2016
# OFFICE SNAPSHOT

## VACANCY

- The office vacancy rate for the Phoenix Metro market remained at 17.5% as it was at the end of 2015. While stagnant to start off 2016, this rate is down from the 18.5% vacant seen at the beginning of 2015.
- Class A and Class C vacancy rates continue to level out; both product types recorded a 16.4% vacancy in the first quarter of 2016.
- Class B space posted the highest vacancy rate at 18.4%.

## ASKING RENTAL RATES

- The average rental rate increased significantly this quarter, up to $22.86/SF from $22.44/SF at the end of 2015.
- Over the last 4 quarters, the average rental rate has increased 6%. In the first quarter of 2015 the average rate sat at $21.53/SF.
- The Camelback Corridor brought in the highest average office rental rates at $28.25/SF.
- Class A space averaged a $27.18/SF rental rate while Class B space averaged $21.28/SF.

## NET ABSORPTION

- While net absorption fell in the first quarter of 2016 from the end of 2015, it remained positive at 631,070 SF.
- Class B space saw the largest square footage absorbed at 482,616 SF.
- The Tempe, Superstition Corridor and Northwest Phoenix Submarkets made up the vast majority of space absorbing a total of 620,292 SF.

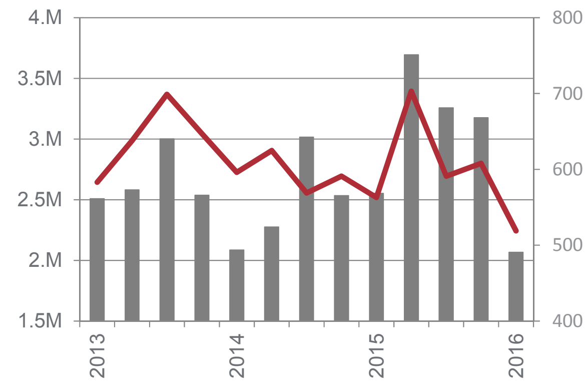
## CONSTRUCTION

- Over 1.9M square feet of new development was under construction at the end of the first quarter of 2016.
- 973,754 SF of new space was delivered to the market in the first three months of the year.

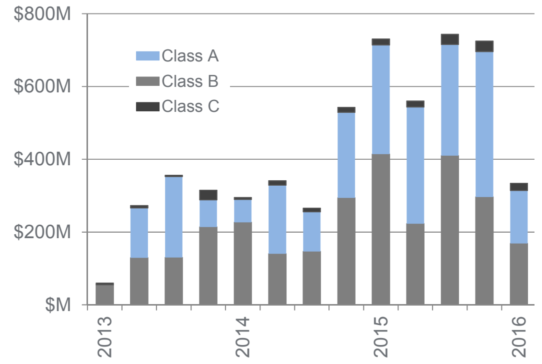
## ACTIVITY

- After an impressive 2015, sales activity dipped slightly this quarter. Sales volume totaled $333M in the first quarter of 2016, down from $724M sold in the final quarter of 2015.
- The average sale price per SF began the year at $133, down from $186 in the same quarter last year.
- Leasing activity dipped slightly this quarter with 2.07M SF leased, down from 3.1M SF in the final quarter of 2015.

## Leasing Activity




## Sales Activity




## Economic Trends

**Consumer Price Index**
Up 1.0% over last 12 months, nat'l

**30-Year Fixed Mortgage**
Down from Jan-3.97%, now 3.59%

**Phoenix Metro Unemployment**
Down from 4.7% end of 2015, now 4.6%

## Office Market Trends

**Vacancy Rate**
Flat from 4Q15 to 1Q16, at 17.5%

**Net Absorption**
Down from 2M SF in 4Q15 to 631K SF

**Average Asking Rates**
Up from 4Q15 to $22.86 in 1Q16

# NAI Horizon

# Metro Phoenix Snapshot

1Q16 Office

## Market Overview

| | Total RBA | Vacant SF | Vacant % | Net Absorption | RBA Delivered | RBA Under Construction | Average Rental Rate |
|---|---|---|---|---|---|---|---|
| CLASS A | 45,554,906 SF | 7,482,936 SF | 16.4% | 76,253 SF | 830,000 SF | 1,631,047 SF | $27.18/SF |
| CLASS B | 85,100,178 SF | 15,548,359 SF | 18.3% | 482,616 SF | 143,754 SF | 341,314 SF | $21.28/SF |
| CLASS C | 12,265,271 SF | 2,015,738 SF | 16.4% | 72,201 SF | - | - | $15.59/SF |
| TOTAL | 142,920,355 SF | 25,047,033 SF | 17.5% | 631,070 SF | 973,754 SF | 1,972,361 SF | $22.86/SF |
| Q4 2015 | 142,052,712 SF | 24,810,460 SF | 17.5% | 2,086,617 SF | 1,542,326 SF | 2,486,946 SF | $22.44/SF |
| Q1 2015 | 139,469,255 SF | 25,648,183 SF | 18.4% | -193,991 SF | 323,761 SF | 4,419,363 SF | $21.53/SF |

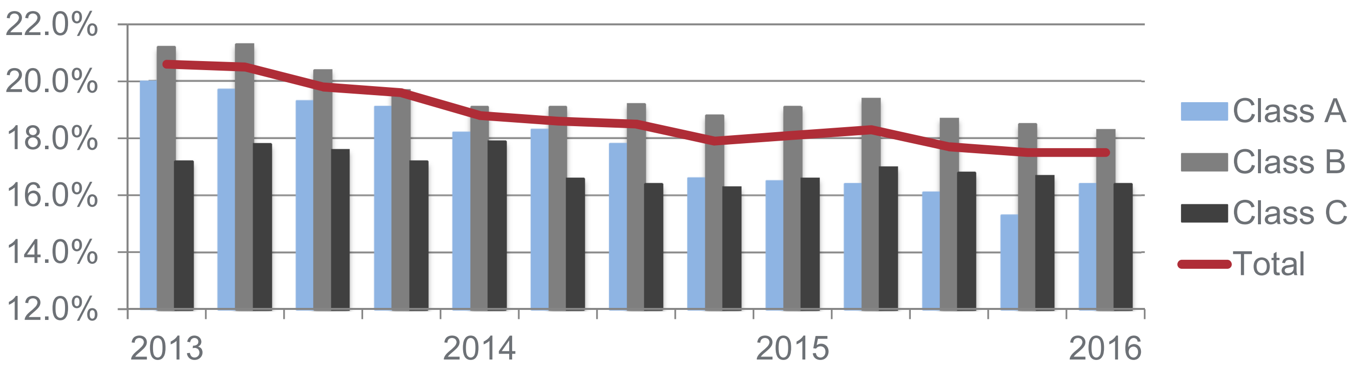
## Significant Lease Transactions

| | Address | Tenant | Size | Class | Type |
|---|---|---|---|---|---|
| Four Gateway | 444 N 44th St, Phoenix | CVS Health | 138,240 SF | A | Move In |
| The Circuit | 615 S River Dr, Tempe | Oscar | 94,026 SF | B | Move In |
| 1144 W Washington | 1144 W Washington St, Tempe | Towers Watson | 91,000 SF | B | Move In |

## Significant Sale Transactions

| | Address | Date | Size | Class | Price |
|---|---|---|---|---|---|
| Raintree Corporate Center | 15111 & 15333 N Pima Rd, Scottsdale | 01/04/2016 | 299,075 SF | A | $51.9M |
| Gainey Center II | 8501 N Scottsdale Rd, Scottsdale | 03/04/2016 | 146,770 SF | A | $35.2M |
| Riverview Point | 1138 & 1146 N Alma School Rd | 02/16/2016 | 166,264 SF | A | $34.3M |

## Office Vacancy Rates

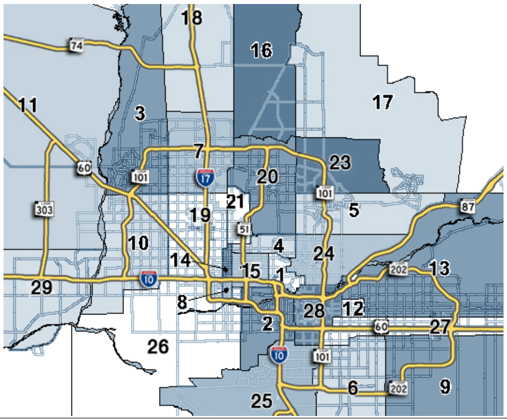


# Submarket Snapshot

▼ Down from previous quarter
▲ Up from previous quarter
— No change from previous quarter

## 1Q16 Office

| Submarket | RBA (SF) | Vacant SF | Vacant % | Net Absorption | RBA Delivered | RBA Under Construction | Avg. Rental Rate |
|---|---|---|---|---|---|---|---|
| 44th Street Corridor | 3,672,610 — | 453,791 ▲ | 13.4% ▲ | (38,298) ▼ | - — | 25,200 — | $23.35 ▲ |
| Airport Area | 10,189,775 ▼ | 1,910,412 ▼ | 18.4% ▼ | 34,903 ▼ | - ▼ | - — | $22.91 ▲ |
| Arrowhead | 2,685,150 ▲ | 388,149 ▼ | 14.5% ▼ | 72,951 ▲ | 60,000 ▲ | - ▼ | $23.07 ▲ |
| Camelback Corridor | 8,914,457 — | 1,802,926 ▲ | 20.2% — | (6,026) ▲ | - — | - — | $28.25 ▲ |
| Central Scottsdale | 7,293,268 — | 1,109,808 ▼ | 15.2% ▼ | 16,272 ▼ | - — | - — | $22.87 — |
| Chandler | 7,928,996 ▲ | 1,704,595 ▲ | 21.5% ▲ | (34,755) ▼ | 233,859 ▼ | 80,114 ▼ | $24.09 ▼ |
| Deer Valley/Airport | 10,864,136 — | 1,857,001 ▲ | 17.1% ▲ | (9,338) ▼ | - — | 149,209 — | $22.53 ▲ |
| Downtown | 9,033,288 — | 1,226,964 ▼ | 13.6% ▼ | 19,393 ▼ | - — | - — | $25.71 ▲ |
| Gateway Airport/Loop 202 | 1,241,641 — | 218,749 ▼ | 17.6% ▼ | 8,640 ▼ | - — | - — | $24.47 ▲ |
| Glendale | 2,435,130 ▲ | 540,888 ▲ | 22.2% ▼ | 48,076 ▲ | 59,895 ▲ | 86,000 ▼ | $23.45 ▲ |
| Loop 303/Surprise | 1,410,298 — | 246,991 ▲ | 17.5% ▲ | (1,473) ▼ | - — | - — | $23.83 ▲ |
| Mesa Downtown | 941,257 — | 84,051 ▼ | 8.9% ▼ | 17,886 ▲ | - — | - — | $16.23 ▲ |
| Mesa East | 1,914,022 — | 245,522 ▼ | 12.5% ▼ | 13,703 ▲ | - — | - — | $17.79 ▼ |
| Midtown | 12,168,441 ▼ | 2,563,752 ▼ | 21.1% ▼ | 40,910 ▼ | - — | - — | $21.18 ▲ |
| Midtown/Central Phoenix | 3,820,720 — | 496,182 ▼ | 13.0% ▼ | 17,056 ▼ | - — | - — | $18.02 ▼ |
| N Phoenix/Cave Creek | 68,926 — | 14,012 ▼ | 20.3% ▼ | 8,171 ▲ | - — | - — | $20.68 ▼ |
| N Scottsdale / Carefree | 1,114,717 — | 452,041 ▲ | 40.6% ▲ | (6,148) ▲ | - — | - — | $21.86 ▲ |
| North I-17 | 482,318 — | 126,876 ▲ | 26.3% ▲ | (559) ▼ | - — | - — | $22.74 ▲ |
| Northwest Phoenix | 8,216,399 — | 1,936,923 ▼ | 23.6% ▼ | 139,557 ▼ | - — | - — | $17.34 ▼ |
| Paradise Valley | 3,768,785 — | 636,699 ▼ | 16.9% ▼ | 32,474 ▲ | - — | - — | $22.67 ▲ |
| Piestewa Peak Corridor | 2,943,990 — | 553,228 ▼ | 18.8% ▼ | 12,958 ▼ | - — | - — | $18.87 ▲ |
| Pinal County | 726,733 — | 81,551 ▲ | 11.2% ▲ | (960) ▼ | - — | - — | $18.98 ▼ |
| Scottsdale Airpark | 11,958,427 — | 2,013,400 ▲ | 16.8% ▲ | (39,385) ▼ | - — | 39,783 — | $25.78 ▲ |
| Scottsdale South | 5,229,258 — | 647,103 ▲ | 12.4% ▼ | (96,819) ▼ | - — | 145,000 — | $25.71 ▼ |
| South Tempe / Ahwatukee | 6,197,298 — | 998,319 ▲ | 16.1% ▲ | (92,629) ▼ | - ▼ | - — | $21.64 ▲ |
| Southwest Phoenix | 2,251,789 — | 320,270 ▼ | 14.2% ▼ | 1,539 ▼ | - — | - — | $20.33 ▼ |
| Superstition Corridor | 4,708,886 — | 872,959 ▼ | 18.5% ▼ | 185,537 ▲ | - — | - — | $19.60 ▲ |
| Tempe | 9,417,713 ▲ | 1,345,277 ▲ | 14.3% ▲ | 295,198 ▼ | 620,000 ▼ | 1,447,055 ▼ | $25.34 ▼ |
| West I-10 | 1,324,927 — | 160,296 ▲ | 12.1% ▲ | (7,764) ▼ | - — | - — | $23.87 ▲ |



## 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