



NAI Horizon

2nd Quarter

2020

Office
Market Report

Q2 2020

OFFICE MARKET METRO PHOENIX

Phoenix Market Snapshot

OFFICE MARKET SHOWING SIGNS OF STRAIN

Forecasting the future of the office market right now involves a considerable amount of speculative thought and dialogue, especially with Arizona becoming the state with the highest per capital cases of Covid-19 in mid-July. It is highly unlikely that Governor Ducey will shut down the Arizona economy again, but some businesses may be closed by government decree, some business operators may elect to close again, and some businesses will cease to exist. Unless and until there are known therapeutic treatments for the virus and a reliable supply of a vaccine, business environments will suffer everywhere and not just in the Valley of the Sun.

Yet here is what we know, and based on two leading indicators, it is likely that the market will be heading south for the balance of the year.

Sublease space spiked dramatically in the second quarter, nearly doubling from 693,331 square feet at the end of the first quarter to 1,236,178 square feet at mid-year. In every downward cycle for office markets in the past 30 years, the first data point to flash red on the screen is sublease space. It's a function of businesses closing, downsizing or merging, or simply laying people off and needing a smaller footprint.

The bigger underlying threat to office occupancy, however, is rolling leases. We are already hearing that some of the Phoenix-area's largest office occupiers are indicating they will let leases expire in the next 12-18 months. If that is not a significant threat to a balanced office market, then this is (and this is also the second leading indicator of where the market may be heading): a lot of inventory is coming to the market this year and next. At the end of the second quarter there was 3,128,105 square feet of rentable office space under construction. Unless net absorption returns to pre-2020 and even better, pre-2019 levels, expect a sizeable increase in vacancy rates.

The challenging part of forecasting the office market is the great unknown of returning to the office to work. Large companies in the region have already announced that their employees can work from home or remotely for the balance of the year. Some have sent people back to the office but not their entire staffs. There is even a headline quote from one of the business journals (a sister paper to the Phoenix Business Journal and like the PBJ, owned by American Cities Business Journals) that reads: "A lot of people are afraid to come back to the office." And as we note in the retail market report this quarter, a lot of companies – large and small, are reluctant to send employees back to their offices under pressure from HR and legal departments, as well as their genuine concern for their people, customers and clients.

How companies occupy offices in the future and how much space they need per employee is likely undergoing a transition and right now, everyone is trying to figure out what that looks like.

Regarding rent collections by office investors and landlords, indications by NAI Horizon relationships with landlords and owners of multiple-property portfolios are that collections are running in the 90%+ range which is fairly healthy and normal. However, it is unknown if much of the recent tenant rental payments were sourced by the government's Paycheck Protection Policy (PPP) program. According to a recent 12 News story, 11,327 Arizona businesses received PPP loans for \$150,000 or more and nearly 70,000 businesses in the state received less than \$50,000 each. More than a dozen businesses with operations in Arizona received the most stimulus money – between \$5 million and \$10 million.

2ND QUARTER DATA - DEVELOPMENT & ABSORPTION

Net absorption was positive 51,938 square feet on 377 completed, direct-deal transactions, including completed subleases, 408 leases were transacted in the second quarter, down from the first quarter total of

Q2 2020

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Phoenix Market Snapshot 2ND QUARTER DATA - DEVELOPMENT & ABSORPTION CONT.

630 deals and nearly 50 percent off the pace from a year ago, when 821 direct and sublease deals were signed in the second quarter of 2019.

Thirteen buildings were delivered in the second quarter this year, adding 504,202 square feet of office inventory which now totals over 193 million square feet of office space in Metro Phoenix. Thirty-one office buildings were under construction at mid-year which are expected to add nearly 4 million square feet of commercial office product.

VACANCY & RENTAL RATES

The vacancy rate increased nominally in the second quarter, to 12.2 percent – from 12.0 percent at the end of the first quarter – exactly where vacancy was a year ago -- mid-year 2019. Most of the vacancy increase was the result of new product being delivered during the quarter coupled with modest absorption.

Sublease space increased by 0.6 percent of available vacant space at the end of June from 0.4 percent at the end of March. One year ago sublease space accounted for 0.5 percent of total vacancy. However, the amount of vacant sublet space on the market spiked substantially during the quarter and almost doubled, from 693,331 square feet at the end of the first quarter to 1,236,178 square feet at mid-year. The total available sublease space on the market now stands at 2,572,788 square feet, compared to 1,884,491 square feet at the end of the first quarter. From a historical perspective, the 10-year average amount of available sublease space is 1,123,175 square feet (monthly), which puts the second quarter figure this year at over double the amount of available sublease space historically.

Overall gross office rents held steady, even increasing to \$27.53 per-square-foot on average, which is up from \$27.12 at the end of the first quarter this year. One year ago office rents averaged \$25.48 per foot.

We suspect that office rents may have peaked and as new inventory comes to market and office leases expire, landlords will compete to retain and attract tenants and their strongest tool in their tool kits will be rental rates – and the ability to discount them.

LARGEST LEASE & SALE TRANSACTIONS

The largest lease deals in the second quarter were a 62,771-square-foot sublease on W. Peoria Ave. in Phoenix for \$21-per-foot plus electric (asking, tenant not disclosed) in a Class B building, a 59,802-square-foot direct deal on N. 25th Dr. in Phoenix (rent and tenant not disclosed) in a Class C building and a 44,248-square-foot direct lease to Morgan Stanley in a Class B building on E. Rio Salado Parkway in Tempe with an asking rent of \$38 a foot, full service. The investment advisory company took space on the 4th floor of a 170,680-square-foot building owned by The Boyer Company.

The largest sales in the quarter included a 2015-built Class A building on E. Elliott Road in Tempe that traded for \$430 per foot, or \$64.5 million for the 150,000-square-foot asset. An investment company out of Falls Church, VA bought it from Northwood Investors LLC. The second biggest sale was a \$43.5 million investment (at \$309 per foot) for a 140,756-square-foot building on N. Scottsdale Road in Scottsdale that is also a Class A asset. That was a 1031 Exchange deal with Des Moines, IA-based Principal Financial Group Inc. as the seller and AREA Exchange Asset III LLC as the buyer. The third largest sale transaction, also in Scottsdale (on E. Hartford Dr.), featured a 104,956-square-foot Class A office building that sold for \$30 million, or \$286 per foot, and was also a 1031 Exchange. The seller in that deal was Roxi Parkview LLC while the buyer was AHST 111 LLC. It sold at a 6.64% CAP Rate and was the only transaction of the three in which the CAP Rate was released.

Q2 2020

OFFICE MARKET METRO PHOENIX

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Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
CLASS A	56,074,279 SF	7,613,970 SF	13.6%	447,242 SF	185,647 SF	2,466,132 SF	\$31.33/SF, FS
CLASS B	110,523,416 SF	14,380,661 SF	13.0%	(285,879) SF	318,555 SF	661,973 SF	\$21.97/SF, FS
CLASS C	25,706,143 SF	1,558,334 SF	6.1%	(110,440) SF	-	-	\$16.45/SF, FS
TOTAL	192,303,838 SF	23,552,965 SF	12.2%	50,923 SF	504,202 SF	3,128,105 SF	\$25.05/SF, FS
Q1 2020	192,294,591 SF	23,132,488 SF	12.0%	(72,075) SF	942,060 SF	3,473,055 SF	\$24.85/SF, FS
Q4 2019	191,314,187 SF	22,008,702 SF	11.5%	1,443,867 SF	1,029,624 SF	3,522,063 SF	\$24.17/SF, FS

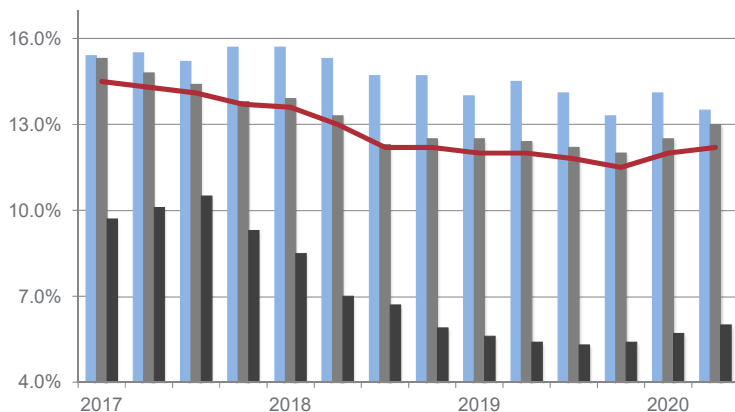
Significant Lease Transactions

Address	Tenant	Size	Class	Type
2133 W Peoria Ave	Lexington Law	62,771 SF	B	Move In
9440 N 25th Dr	N/A	59,802 SF	C	Move In
2100 E Rio Salado Pkwy	Morgan Stanley	44,248 SF	B	Move In
1001 N Central Ave	N/A	28,232 SF	B	Move In
1750 E Northrop Blvd	Dignity Health	28,136 SF	B	Move In

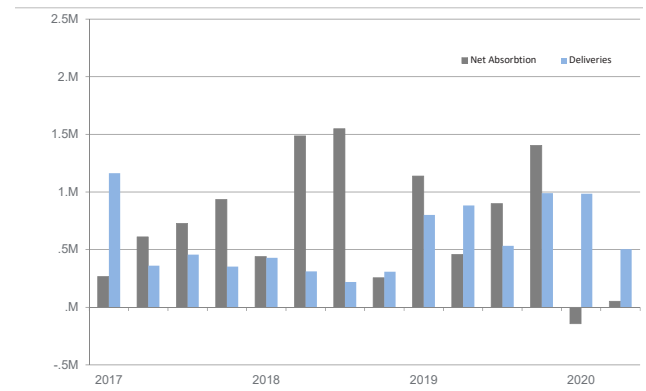
Significant Sale Transactions

Address	Date	Size	Class	Price
Northern Trust	6/30/2020	150,000 SF	A	\$64,500,000 (\$430.00/SF)
Wells Fargo Gainey Center	6/15/2020	140,756 SF	A	\$43,500,000 (\$309.05/SF)
Cush Plaza Scottsdale	4/29/2020	104,956 SF	A	\$30,025,000 (\$286.07/SF)
Mesquite Corporate Center	5/15/2020	79,537 SF	A	\$19,471,000 (\$244.80/SF)

Office Vacancy Rates



Absorption & Deliveries



Q2 2020

OFFICE MARKET METRO PHOENIX

Submarket Snapshot

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)
44th Street Corridor											
Class A	1,715,041	265,349	-	265,349	15.5%	-	15.5%	(25,701)	-	-	\$28.45
Class B	1,896,918	168,957	2,587	171,544	8.9%	0.1%	9.0%	(22,679)	-	-	\$24.31
Class C	524,501	25,351	-	25,351	4.8%	-	4.8%	(650)	-	-	\$16.97
Total	4,136,460	459,657	2,587	462,244	11.1%	0.1%	11.2%	(49,030)	-	-	\$26.37
Airport Area											
Class A	1,618,935	167,716	-	167,716	10.4%	-	10.4%	9,449	-	-	\$23.40
Class B	7,401,216	1,156,261	107,439	1,263,700	15.6%	1.5%	17.1%	39,099	-	50,366	\$16.96
Class C	1,052,264	24,844	-	24,844	2.4%	-	2.4%	2,374	-	-	\$11.92
Total	10,072,415	1,348,821	107,439	1,456,260	13.4%	1.1%	14.5%	50,922	-	50,366	\$17.73
Arrowhead											
Class A	258,175	55,170	-	55,170	21.4%	-	21.4%	(640)	-	-	\$26.69
Class B	3,655,061	372,670	10,035	382,705	10.2%	0.3%	10.5%	(10,301)	26,393	128,000	\$22.95
Class C	486,196	52,888	3,366	56,254	10.9%	0.7%	11.6%	(8,900)	-	-	\$16.78
Total	4,399,432	480,728	13,401	494,129	10.9%	0.3%	11.2%	(19,841)	26,393	128,000	\$22.58
Camelback Corridor											
Class A	5,113,656	905,050	62,060	967,110	17.7%	1.2%	18.9%	(12,814)	-	-	\$38.55
Class B	3,907,843	533,912	43,524	577,436	13.7%	1.1%	14.8%	54,665	65,000	-	\$28.16
Class C	610,209	21,504	-	21,504	3.5%	-	3.5%	4,215	-	-	\$24.52
Total	9,631,708	1,460,466	105,584	1,566,050	15.2%	1.1%	16.3%	46,066	-	-	\$34.40
Central Scottsdale											
Class A	2,806,842	299,365	16,623	315,988	10.7%	0.6%	11.3%	26,043	-	210,000	\$32.76
Class B	5,765,978	595,404	15,553	610,957	10.3%	0.3%	10.6%	(32,958)	-	190,000	\$25.63
Class C	394,841	4,819	-	4,819	1.2%	-	1.2%	15,882	-	-	\$21.01
Total	8,967,661	899,588	32,176	931,764	10.0%	0.4%	10.4%	8,967	-	400,000	\$28.63
Chandler											
Class A	4,459,365	621,869	3,737	625,606	13.9%	0.1%	14.0%	305,619	-	120,000	\$25.24
Class B	7,998,573	868,867	16,733	885,600	10.9%	0.2%	11.1%	56,953	-	-	\$23.54
Class C	397,210	37,127	-	37,127	9.3%	-	9.3%	(5,829)	-	-	\$16.29
Total	12,855,148	1,527,863	20,470	1,548,333	11.9%	0.2%	12.0%	356,743	-	120,000	\$24.16
Deer Valley/Airport											
Class A	4,646,120	478,489	152,514	631,003	10.3%	3.3%	13.6%	(163,380)	-	144,000	\$21.39
Class B	9,191,901	1,338,646	101,104	1,439,750	14.6%	1.1%	15.7%	(129,956)	-	-	\$20.10
Class C	318,811	16,008	-	16,008	5.0%	-	5.0%	(1,141)	-	-	\$15.78
Total	14,156,832	1,833,143	253,618	2,086,761	12.9%	1.8%	14.7%	(294,477)	-	144,000	\$20.49
Downtown											
Class A	5,820,896	800,298	110,935	911,233	13.7%	1.9%	15.7%	(56,796)	-	227,113	\$32.90
Class B	4,027,626	436,667	9,053	445,720	10.8%	0.2%	11.1%	(6,832)	-	-	\$26.73
Class C	1,404,219	83,882	-	83,882	6.0%	-	6.0%	-	-	-	\$22.96
Total	11,252,741	1,320,847	119,988	1,440,835	11.7%	1.1%	12.8%	(63,628)	-	227,113	\$30.57
Gateway Airport/Loop 202											
Class A	208,734	70,254	-	70,254	33.7%	-	33.7%	21,485	58,647	-	\$25.90
Class B	2,573,836	191,540	-	191,540	7.4%	-	7.4%	(1,960)	-	55,413	\$23.55
Class C	82,256	-	-	-	-	-	-	-	-	-	-
Total	2,864,826	261,794	-	261,794	9.1%	-	9.1%	19,525	58,647	55,413	\$23.97
Glendale											
Class A	673,561	81,791	2,096	83,887	12.1%	0.3%	12.5%	127,000	127,000	68,000	\$28.63
Class B	2,395,669	111,948	34,682	146,630	4.7%	1.4%	6.1%	-25,402	-	16,000	\$21.45
Class C	624,268	56,949	-	56,949	9.1%	-	9.1%	1,975	-	-	\$12.83
Total	3,693,498	250,688	36,778	287,466	6.8%	1.0%	7.8%	103,573	127,000	84,000	\$22.89
Loop 303/Surprise											
Class A	479,971	-	-	-	-	-	-	-	-	-	-
Class B	1,993,518	292,163	10,174	302,337	14.7%	0.5%	15.2%	18,850	51,982	-	\$22.37
Class C	140,126	-	-	-	-	-	-	1,351	-	-	-
Total	2,613,615	292,163	10,174	302,337	11.2%	-	11.6%	20,201	51,982	-	\$22.37
Mesa Downtown											
Class B	803,716	68,723	-	68,723	8.6%	-	8.6%	-	-	-	\$17.15
Class C	715,244	48,408	-	48,408	6.8%	-	6.8%	(736)	-	-	\$12.90
Total	1,518,960	117,131	-	117,131	7.7%	-	7.7%	(736)	-	-	\$17.65
Mesa East											
Class B	2,884,711	171,475	4,395	175,870	5.9%	0.2%	6.1%	24,447	-	-	\$16.75
Class C	1,213,279	69,959	-	69,959	5.8%	-	5.8%	11,984	-	-	\$13.00
Total	4,097,990	241,434	4,395	245,829	5.9%	0.1%	6.0%	36,431	-	-	\$15.75
Midtown											
Class A	5,203,025	942,207	19,532	961,739	18.1%	0.4%	18.5%	29,686	-	-	\$25.90
Class B	6,263,899	1,158,282	4,628	1,162,910	18.5%	0.1%	18.6%	46,861	-	-	\$22.63
Class C	1,692,561	163,223	-	163,223	9.6%	-	9.6%	(14,485)	-	-	\$17.39
Total	13,159,485	2,263,712	24,160	2,287,872	17.2%	0.2%	17.4%	62,062	-	-	\$23.87
Midtown/Central Phoenix											
Class B	3,236,700	269,379	30,009	299,388	8.3%	0.9%	9.2%	(39,453)	-	-	\$19.40
Class C	2,916,992	93,425	3,040	96,465	3.2%	0.1%	3.3%	23,890	-	-	\$17.20
Total	6,153,692	362,804	33,049	395,853	5.9%	0.5%	6.4%	(15,563)	-	-	\$18.61
N Phoenix/Cave Creek											
Class B	101,105	-	-	-	-	-	-	-	-	-	\$16.15
Total	101,105	-	-	-	-	-	-	-	-	-	\$16.15
N Scottsdale / Carefree											
Class B	1,733,947	218,359	3,110	221,469	12.6%	0.2%	12.8%	2,117	-	-	\$22.95
Class C	212,407	25,829	-	25,829	12.2%	-	12.2%	-	-	-	\$13.05
Total	1,946,354	244,188	-	244,188	12.5%	-	12.5%	2,117	-	-	\$22.12
North I-17											
Class B	744,053	134,370	-	134,370	18.1%	-	18.1%	(1,092)	-	-	\$19.39
Class C	24,762	-	-	-	-	-	-	-	-	-	-
Total	768,815	134,370	-	134,370	17.5%	-	17.5%	(1,092)	-	-	\.39

Q2 2020

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Submarket Snapshot

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)
Northwest Phoenix											
Class A	1,358,827	376,203	-	376,203	27.7%	-	27.7%	(65,889)	-	-	\$24.81
Class B	5,677,750	1,282,120	104,259	1,386,379	22.6%	1.8%	24.4%	(18,945)	-	4,532	\$18.18
Class C	3,834,715	321,634	2,690	324,324	8.4%	-	8.5%	(55,114)	-	-	\$12.93
Total	10,871,292	1,979,957	106,949	2,086,906	18.2%	1.0%	19.2%	(139,948)	-	4,532	\$19.09
Paradise Valley											
Class A	1,736,237	142,424	16,548	158,972	8.2%	1.0%	9.2%	10,323	-	-	\$28.80
Class B	2,695,870	280,133	10,471	290,604	10.4%	0.4%	10.8%	1,745	-	-	\$22.18
Class C	604,447	61,270	-	61,270	10.1%	-	10.1%	(33,498)	-	-	\$15.50
Total	5,036,554	483,827	27,019	510,846	9.6%	0.5%	10.1%	(21,430)	-	-	\$24.24
Piestewa Peak Corridor											
Class A	412,800	68,148	-	68,148	16.5%	-	16.5%	-	-	-	\$23.49
Class B	2,398,989	361,657	3,713	365,370	15.1%	0.2%	15.2%	(24,848)	-	-	\$23.83
Class C	646,178	22,630	1,410	24,040	3.5%	0.2%	3.7%	655	-	-	\$19.43
Total	3,457,967	452,435	5,123	457,558	13.1%	0.1%	13.2%	(24,193)	-	-	\$23.53
Pinal County											
Class B	1,104,791	105,866	-	105,866	9.6%	-	9.6%	(501)	-	-	\$15.66
Class C	598,527	30,350	-	30,350	5.1%	-	5.1%	2,961	-	-	\$13.36
Total	1,703,318	136,216	-	136,216	8.0%	-	8.0%	2,460	-	-	\$15.34
Scottsdale Airpark											
Class A	6,624,623	944,136	38,926	983,062	14.3%	0.6%	14.8%	(20,273)	-	785,000	\$32.82
Class B	6,421,437	565,433	51,669	617,102	8.8%	0.8%	9.6%	(20,349)	-	15,449	\$25.29
Class C	231,275	14,430	-	14,430	6.2%	-	6.2%	(2,727)	-	-	\$13.69
Total	13,277,335	1,523,999	90,595	1,614,594	11.5%	0.7%	12.2%	(43,349)	-	800,449	\$29.57
Scottsdale South											
Class A	2,943,435	238,069	10,445	248,514	8.1%	0.4%	8.4%	(22,579)	-	245,000	\$36.30
Class B	3,193,635	354,520	55,629	410,149	11.1%	1.74%	12.8%	(28,706)	-	65,000	\$30.34
Class C	1,523,630	92,942	16,871	109,813	6.1%	1.1%	7.2%	(17,696)	-	-	\$20.52
Total	7,660,700	685,531	82,945	768,476	8.9%	1.1%	10.0%	(68,981)	-	310,000	\$31.52
South Tempe / Ahwatukee											
Class A	920,643	94,298	-	94,298	10.2%	-	10.2%	3,724	-	117,394	\$31.13
Class B	6,693,347	925,536	14,894	940,430	13.8%	0.2%	14.1%	(58,830)	-	-	\$18.65
Class C	452,755	17,533	-	17,533	3.9%	-	3.9%	(17,533)	-	-	\$12.00
Total	8,066,745	1,037,367	14,894	1,052,261	12.9%	0.2%	13.0%	(72,639)	-	117,394	\$20.13
Southwest Phoenix											
Class A	749,164	135,836	-	135,836	18.1%	-	18.1%	3,994	-	-	\$28.00
Class B	1,720,857	91,366	-	91,366	5.3%	-	5.3%	500	-	50,157	\$18.12
Class C	2,351,097	11,790	-	11,790	0.5%	-	0.5%	880	-	-	\$11.45
Total	4,821,118	238,992	-	238,992	5.0%	-	5.0%	5,374	-	50,157	\$22.70
Superstition Corridor											
Class A	571,010	68,338	-	68,338	12.0%	-	12.0%	13,669	-	-	\$26.37
Class B	5,269,773	521,305	18,439	539,744	9.9%	0.3%	10.2%	(60,247)	4,500	-	\$18.73
Class C	799,733	120,619	2,041	122,660	15.1%	0.3%	15.3%	(20,366)	-	-	\$21.94
Total	6,640,516	710,262	20,480	730,742	10.7%	0.3%	11.0%	(66,944)	-	-	\$19.92
Tempe											
Class A	7,704,384	322,054	92,487	414,541	4.2%	1.2%	5.4%	265,974	-	549,625	\$41.88
Class B	6,529,604	971,262	11,299	982,561	14.9%	0.2%	15.0%	(99,906)	170,680	70,000	\$23.15
Class C	1,629,325	101,986	3,399	105,385	6.3%	0.2%	6.5%	2,068	-	-	\$18.77
Total	15,863,313	1,395,302	107,185	1,502,487	8.8%	0.7%	9.5%	168,136	170,680	619,625	\$30.82
West I-10											
Class A	48,835	9,351	1,652	11,003	19.1%	3.4%	22.5%	(1,652)	-	-	\$27.00
Class B	2,241,093	158,034	12,407	170,441	7.1%	0.6%	7.6%	51,849	-	17,056	\$26.21
Class C	224,315	6,117	-	6,117	2.7%	-	2.7%	-	-	-	\$14.35
Total	2,514,243	173,502	14,059	187,561	6.9%	0.6%	7.5%	50,197	-	17,056	\$23.08
Totals											
Class A	56,074,279	7,086,415	527,555	7,613,970	12.6%	0.9%	13.6%	447,242	185,647	2,466,132	\$31.33
Class B	110,523,416	13,704,855	675,806	14,380,661	12.4%	0.6%	13.0%	-285,879	318,555	661,973	\$21.97
Class C	25,706,143	1,525,517	32,817	1,558,334	5.9%	0.1%	6.1%	(110,440)	-	-	\$16.45

Q2 2020

OFFICE MARKET METRO PHOENIX

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

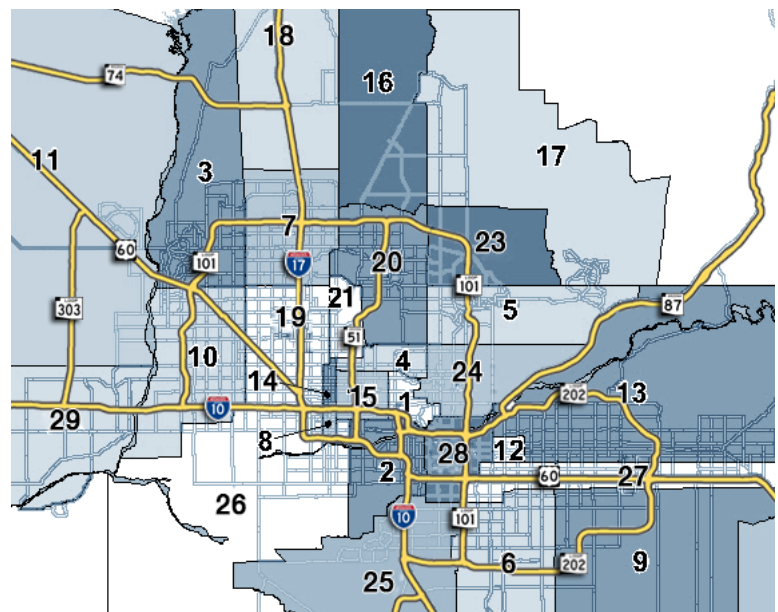
The status of a building that is in the process of being developed, assembled, built or constructed. A building is considered to be under construction after it has begun construction and until it receives a certificate of occupancy.

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
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

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NAI Horizon knows commercial real estate. With over 27 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 36 other countries, with more than 375 offices and more than 6,000 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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2nd Quarter

2020

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