

Office Market Closes 2015 on an Upswing

Key Takeaways

- › Tenant demand strengthened throughout 2015, peaking in the fourth quarter. Net absorption surged in the fourth quarter, bringing the total for the year to more than 3.5 million square feet.
- › With tenant demand on the rise, construction of new space is accelerating. Developers have nearly 3 million square feet of new space currently under construction, consisting of a mix of build-to-suit and spec projects.
- › Vacancy trended lower for the fifth consecutive year, despite the additions to inventory from new construction projects. With employment growth forecast to accelerate in 2016, tenant demand for office space should drive additional vacancy declines.
- › Rental rates are on the rise, having increased at an accelerating pace in each of the past three years. The most dynamic growth has been in the Class A segment, where vacancy has tightened considerably in recent years. Further rent gains are likely in 2016.
- › The investment climate strengthened in 2015, with activity gaining momentum in the fourth quarter. Over the past year, many larger properties changed hands, pushing prices higher even as cap rates remained essentially unchanged from 2014 levels.

Greater Phoenix Office Market

The Greater Phoenix office market closed 2015 on an upswing. Tenants moved into spaces at one of the highest rates in recent years and rents continued to push higher. This past year marked an acceleration in new supply growth, with the first building in State Farm's corporate campus coming online in Tempe and two Wells Fargo buildings delivering in Chandler. In addition to these build-to-suit projects, more spec construction is under way, as developers move to meet future tenant demand for space.

One sign of the recovery in the local office market is that a greater number of submarkets are showing improvement. In the earlier stages of the recovery, almost all of the net absorption was concentrated in few submarkets such as Chandler, Tempe and

Market Indicators Relative to prior period	Market Q4 2015	Market Q4 2014
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↑	↓
Rental Rate	↑	↑

Fourth 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%	15.4%	18.2%
Change from 4Q 2014 (bps)	-90	-210	-40
Net Absorption (thousands SF)	1,941	1,477	449
New Construction (thousands SF)	1,521	1,274	247
Under Construction (millions SF)	3,880	3,337	542
Asking Rents Per Square Foot Per Year	\$22.30	\$26.56	\$20.74
Change from 4Q 2014	4.5%	6.6%	3.7%

Greater Phoenix Office Market (continued)

South Scottsdale. While these areas remain in high demand, in recent quarters, some previously hard-hit areas have shown some signs of a rebound. The Downtown North, Midtown/Central Phoenix and Northwest submarkets all recorded healthy levels of net absorption in 2015, and vacancy improved by 150 basis points or more in each of these submarkets for the year.

As the local market has strengthened, investment activity has accelerated. In 2015, total sales volume for office properties was

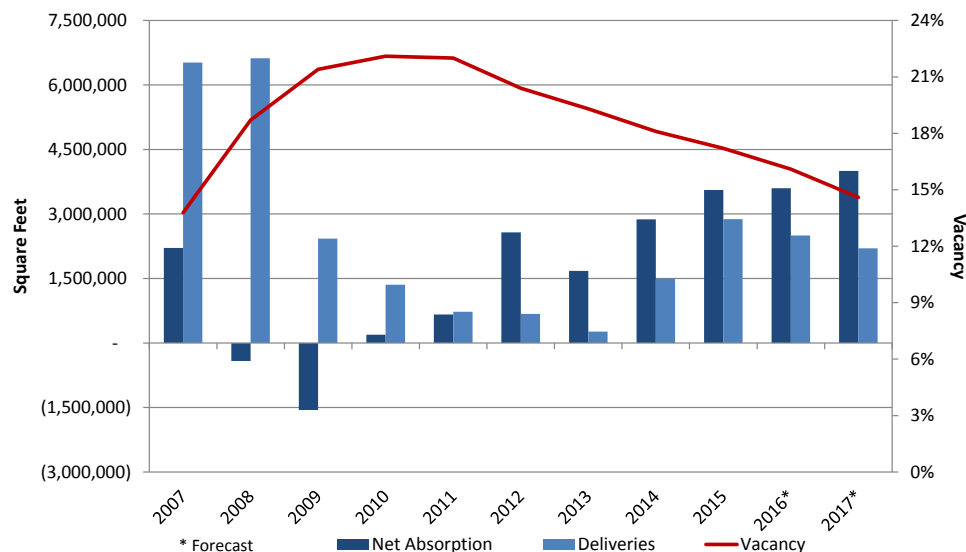
approximately \$3 billion, up more than 50 percent from the 2014 total. Several high-profile properties changed hands during the year, including the Esplanade and Arizona Center, which both sold during the fourth quarter for a combined \$405 million. Improving market sentiment and strengthening property performance are combining to push prices higher. The median price in 2015 spiked by more than 25 percent, even as interest rates rose in the final month of the year.

Recent Transactions in the Market

OFFICE SALE ACTIVITY						
Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
2425-2575 E Camelback Rd., Phoenix	Camelback Corridor	12/22	\$279,000,000	966,241	\$289	A
5353 W Bell Rd., Glendale	Deer Valley Airport	11/10	\$44,350,000	206,155	\$215	B
11 & 45 W Jefferson St., Phoenix	Downtown South	12/11	\$44,000,000	142,711	\$308	B
4835 E Cactus Rd., Phoenix	Paradise Valley	11/17	\$37,400,000	198,534	\$188	A
2902-3010 W Agua Fria Fwy., Phoenix	Deer Valley Airport	10/20	\$27,457,500	252,350	\$109	B

OFFICE LEASE ACTIVITY						
Building Name/Address	Submarket	Lease Type	Tenant	Size SF	Class	
5353 W Bell Rd., Glendale	Deer Valley Airport	Move in	AAA Arizona	206,333	B	
Centrica/1550 W Southern Ave., Mesa	Superstition Corridor	Move in	Santander Consumer USA	116,982	B	
Plumwood/8160 S Hardy Dr., Tempe	South Tempe/Ahwatukee	Move in	Cenlar FSB	65,580	B	
Warner Crossing/8260 S Hardy Dr., Tempe	South Tempe/Ahwatukee	Move in	Compass Bank	42,055	B	
Camelback Center/3900 E Camelback Rd., Phoenix	Camelback Corridor	Move in	Grand Canyon Title	36,970	A	

Historical Absorption, Deliveries and Vacancy Rates



Vacancy:

- > Vacancy in the Greater Phoenix office market trended lower in 2015, ending the year at 17.2 percent, down from 18.1 percent at the end of 2014. This marked the fifth consecutive year of vacancy improvement in the local office market.
- > Vacancy in Class A buildings continues to fall at a rapid pace. The vacancy rate in the Class A segment fell 100 basis points in the fourth quarter alone, dipping to 15.4 percent. Vacancy in the top tier improved by 210 basis points in 2015, following a 200 basis point drop in 2014.
- > One of the areas showing the greatest improvement in recent quarters has been the Downtown North submarket. Vacancy in Downtown North has fallen by 280 basis points in the past 12 months to 21.5 percent. The submarket is being repositioned as an emerging healthcare and technology hub, and these types of tenants have been fueling the improving conditions.
- > **Forecast:** Vacancy in the Greater Phoenix office market should continue to improve at a steady pace. The rate is forecast to decline by another 100 basis points in 2016, similar to the pace of improvement during the past few years.

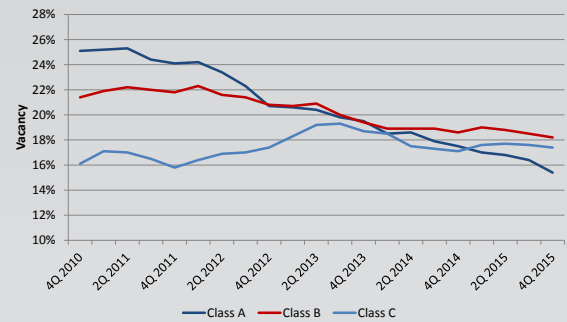
Absorption and Leasing Activity:

- > Net absorption closed the year on an upswing, topping 1.9 million square feet in the fourth quarter. This brought that total for the full year to more than 3.5 million square feet, up from approximately 2.9 million square feet in 2014. This marked the strongest single year of net absorption since 2006.
- > The Southeast Valley led the way with net absorption in 2015. The Tempe and Chandler submarkets each recorded net absorption of more than 600,000 square feet in 2015, combining to account for more than one-third of the metro total for the year. A mix of spec and build-to-suit projects are being delivered in these submarkets.
- > Leasing activity has been fairly steady over the past few years. Total square feet leased in 2015 was nearly identical to the 2014 total, and quarterly volume was consistent. The average lease size increased somewhat, in part due to a spike in larger leases in 2015.
- > **Forecast:** Net absorption in Greater Phoenix in 2016 should be comparable to the 2015 total. While hiring is expected to gain momentum in the year ahead, there are a few large scheduled move-outs that will drag on total absorption in the next few quarters.

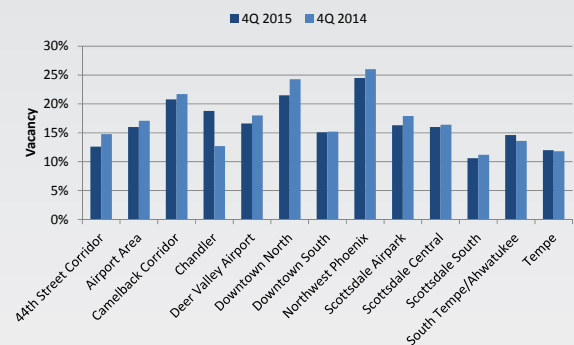
Rental Rates:

- > Asking rents continued their upward climb in the fourth quarter, reaching \$22.30 per square foot. Asking rents rose 4.5 percent in 2015, building on a 4.3 percent increase in 2014. Asking rents have advanced by at least 1 percent per quarter in six of the past seven quarters.
- > Rent growth has been strongest among the metro area's top-tier buildings. Class A asking rents rose 6.6 percent in 2015 to \$26.56 per square foot, after gaining 5.3 percent in 2014. Current Class A asking rents are still 11.5 percent lower than the pre-recession peak, suggesting that there is additional room for growth.

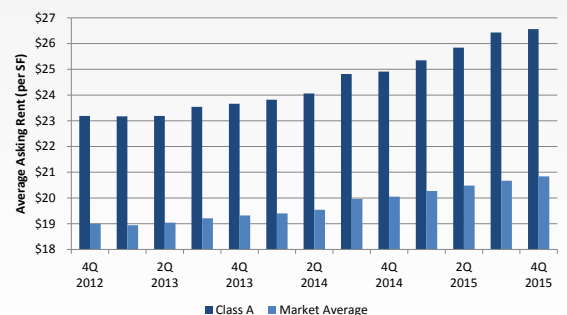
Vacancy by Property Class



Vacancy Among Major Submarkets



Asking Rent Trends



Rental Rates (continued):

- > The combination of elevated tenant demand for space and limited availability has driven rents higher in the South Scottsdale submarket. Average asking rents in the submarket rose 7.9 percent in 2015 to \$24.92 per square foot.
- > **Forecast:** With vacancies continuing to tighten and tenant demand healthy, rents will push higher in 2016. Asking rents are expected to rise between 5.5-6.0 percent in 2016.

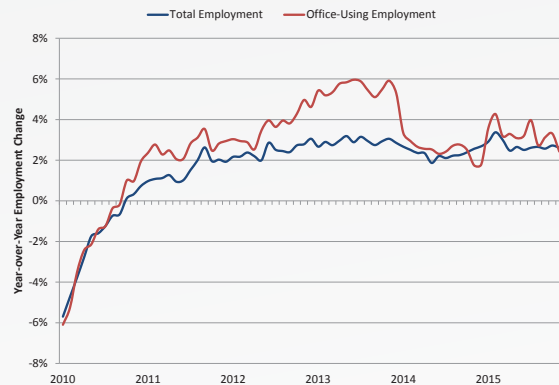
Construction:

- > Construction activity spiked in the fourth quarter, with more than 1.5 million square feet of new space coming online. For the full year, developers delivered more than 2.8 million square feet, more than the combined total from 2012-2014.
- > Developers are remaining active, with approximately 2.9 million square feet of space currently under construction. Of the space that is under way, approximately 2 million square feet is pre-leased.
- > Tempe has been leading the way on new construction projects. The first building of State Farm's 2.1-million square foot regional headquarters delivered during the fourth quarter. In addition, the 264,000-square foot Hayden Ferry Lakeside III came online in Tempe during the fourth quarter.
- > **Forecast:** New construction will slow somewhat in 2016, with developers scheduled to bring approximately 2.5 million square feet online. Projects in Tempe and Chandler will account for more than 60 percent of the total square footage to be delivered in 2016.

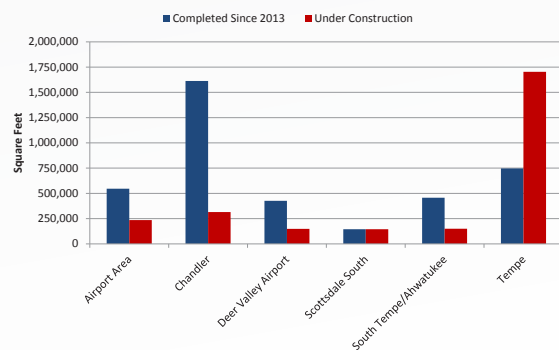
Investment Trends:

- > Sales activity surged approximately 22 percent in the fourth quarter. Sales velocity spiked in the final three months of the year after being fairly stable for much of 2015. For the full year, transaction activity was up 15 percent from 2014 levels.
- > The median price in the fourth quarter was \$115 per square foot, down from the third quarter figure. For all of 2015, however, prices rose more than 25 percent to \$127 per square foot. Prices were higher in larger transactions; the median price in building sales of \$20 million or more was \$197 per square foot, and the median price in transactions of \$50 million or more was \$241 per square foot.
- > Cap rates were largely unchanged in 2015, even at the end of the year when the Federal Reserve made it clear interest rates would be creeping higher. The average cap rate in office sales in 2015 was 7.6 percent, up approximately 20 basis points from the 2014 average. In fourth quarter transactions, the average cap rate was 7.5 percent.

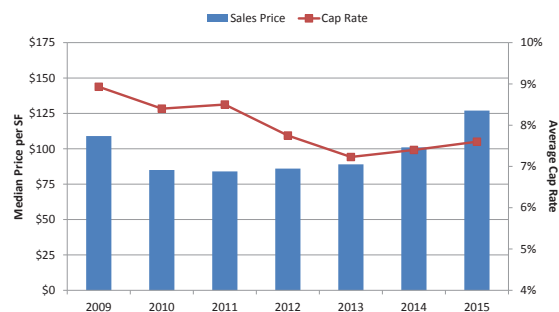
Employment Overview



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	1,045,936	22.8%	26,614	0.6%	1,072,550	23.4%	29.2%	278,244	266,723	-	-	-	\$23.07
B	92	6,581,846	1,386,796	21.1%	31,966	0.5%	1,418,762	21.6%	23.2%	(12,828)	109,022	-	-	-	\$19.55
C	47	1,051,285	135,150	12.9%	-	0.0%	135,150	12.9%	9.4%	5,091	(35,825)	-	-	-	\$15.92
Total	153	12,216,238	2,567,882	21.0%	58,580	0.5%	2,626,462	21.5%	24.3%	270,507	339,920	-	-	-	\$20.98
Downtown South															
A	11	4,891,088	714,066	14.6%	102,734	2.1%	816,800	16.7%	16.5%	53,663	(8,304)	-	-	-	\$27.39
B	24	2,368,130	266,852	11.3%	-	0.0%	266,852	11.3%	11.7%	(755)	10,753	-	-	-	\$22.38
C	22	747,596	121,909	16.3%	-	0.0%	121,909	16.3%	18.0%	(9,999)	12,685	-	-	-	\$19.36
Total	57	8,006,814	1,102,827	13.8%	102,734	1.3%	1,205,561	15.1%	15.2%	42,909	15,134	-	-	-	\$25.66
SUBURBAN															
44th St. Corridor															
A	13	1,713,560	204,486	11.9%	-	0.0%	204,486	11.9%	17.2%	372	90,788	-	-	-	\$26.02
B	36	1,612,251	207,310	12.9%	-	0.0%	207,310	12.9%	14.0%	14,062	19,138	-	-	25,200	\$18.25
C	15	346,158	26,499	7.7%	23,530	6.8%	50,029	7.7%	6.3%	(26,866)	(28,144)	-	-	-	\$15.04
Total	64	3,671,969	438,295	12.0%	23,530	0.6%	461,825	12.6%	14.8%	(12,432)	81,782	-	-	25,200	\$23.05
Airport Area															
A	12	1,677,407	245,390	14.6%	-	0.0%	245,390	14.6%	20.8%	135,250	302,940	96,000	252,583	-	\$24.34
B	119	7,549,593	1,206,749	16.0%	38,566	0.5%	1,245,315	16.5%	16.4%	(56,249)	(3,541)	-	-	235,000	\$20.42
C	20	448,672	56,292	12.5%	-	0.0%	56,292	12.5%	15.5%	4,001	13,466	-	-	-	\$15.30
Total	151	9,675,672	1,508,431	15.6%	38,566	0.4%	1,546,997	16.0%	17.1%	83,002	312,865	96,000	252,583	235,000	\$21.03
Arrowhead															
A	1	80,849	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
B	91	2,251,138	353,534	15.7%	6,607	0.3%	360,141	16.0%	17.2%	11,487	27,176	-	-	60,000	\$23.06
C	13	264,314	49,778	18.8%	-	0.0%	49,778	18.8%	26.6%	7,635	20,627	-	-	-	\$18.59
Total	105	2,596,301	403,312	15.5%	6,607	0.3%	409,919	15.8%	17.6%	19,122	47,803	-	-	60,000	\$22.41
Camelback Corridor															
A	25	4,589,562	948,172	20.7%	36,283	0.8%	984,455	21.4%	22.7%	24,985	59,377	-	-	-	\$31.75
B	84	3,613,998	731,670	20.2%	16,753	0.5%	748,423	20.7%	20.9%	(32,878)	8,394	-	-	-	\$21.81
C	21	360,414	52,298	14.5%	-	0.0%	52,298	14.5%	15.5%	(3,904)	3,591	-	-	-	\$16.18
Total	130	8,563,974	1,732,140	20.2%	53,036	0.6%	1,785,176	20.8%	21.7%	(11,797)	71,362	-	-	-	\$27.59
Chandler															
A	17	2,304,733	227,684	9.9%	9,312	0.4%	236,996	10.3%	6.9%	151,381	560,097	150,000	685,000	291,712	\$29.21
B	127	4,913,528	1,102,440	22.4%	26,212	0.5%	1,128,652	23.0%	14.7%	14,091	54,708	92,450	542,947	23,859	\$22.40
C	12	204,291	31,866	15.6%	-	0.0%	31,866	15.6%	15.7%	1,830	255	-	-	-	\$19.32
Total	156	7,422,552	1,361,990	18.3%	35,524	0.5%	1,397,514	18.8%	12.7%	167,302	615,060	242,450	1,227,947	315,571	\$23.85
Deer Valley Airport															
A	21	3,762,833	162,156	4.3%	-	0.0%	162,156	4.3%	7.1%	21,236	106,849	-	-	149,208	\$23.30
B	106	6,930,538	1,553,067	22.4%	32,551	0.5%	1,585,618	22.9%	23.7%	32,563	90,241	46,952	46,952	-	\$21.35
C	11	223,516	63,066	28.2%	145	0.1%	63,211	28.3%	26.0%	685	(4,996)	-	-	-	\$22.17
Total	138	10,916,887	1,778,289	16.3%	32,696	0.3%	1,810,985	16.6%	18.0%	54,484	192,094	46,952	46,952	149,208	\$21.63
Gateway Airport/Loop 202															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
B	43	1,124,767	201,642	17.9%	4,219	0.4%	205,861	18.3%	22.4%	21,746	46,410	-	-	-	\$24.16
C	2	33,232	4,231	12.7%	-	0.0%	4,231	12.7%	9.3%	-	(1,151)	-	-	-	\$19.20
Total	45	1,157,999	205,873	17.8%	4,219	0.4%	210,092	18.1%	22.1%	21,746	45,259	-	-	-	\$24.11

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	73,358	14.1%	-	0.0%	73,358	14.1%	14.5%	2,442	1,947	-	-	-	\$27.20
B	29	1,395,102	414,512	29.7%	-	0.0%	414,512	29.7%	33.8%	7,117	57,094	-	-	-	\$22.81
C	14	424,158	41,199	9.7%	-	0.0%	41,199	9.7%	9.3%	-	(1,620)	-	-	-	\$13.59
Total	48	2,340,321	529,069	22.6%	-	0.0%	529,069	22.6%	25.1%	9,559	57,421	-	-	-	\$22.70
Loop 303/Surprise															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
B	41	1,293,421	243,632	18.8%	-	0.0%	243,632	18.8%	20.6%	6,016	22,475	-	-	-	\$23.36
C	4	57,399	1,886	3.3%	-	0.0%	1,886	3.3%	0.0%	(1,886)	(1,886)	-	-	-	\$21.00
Total	45	1,350,820	245,518	18.2%	-	0.3%	245,518	18.2%	19.7%	4,130	20,589	-	-	-	\$23.35
Mesa Downtown															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
B	19	675,900	30,601	4.5%	-	0.0%	30,601	4.5%	9.1%	584	31,007	-	-	-	\$16.54
C	17	265,357	71,336	26.9%	-	0.0%	71,336	26.9%	29.8%	323	7,615	-	-	-	\$13.36
Total	36	941,257	101,937	10.8%	-	0.0%	101,937	10.8%	14.9%	907	38,622	-	-	-	\$14.64
Mesa East															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
B	41	1,265,778	122,622	9.7%	-	0.0%	122,622	9.7%	10.9%	(1,372)	15,166	-	-	-	\$19.28
C	30	647,884	131,148	20.2%	6,875	1.1%	138,023	21.3%	21.1%	1,064	(997)	-	-	-	\$16.86
Total	71	1,913,662	253,770	13.3%	6,875	0.0%	260,645	13.6%	14.4%	(308)	14,169	-	-	-	\$17.98
Midtown/Central Phoenix															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
B	79	2,845,038	317,662	11.2%	26,538	0.9%	344,200	12.1%	14.9%	6,512	78,312	-	-	-	\$19.24
C	52	947,929	169,038	17.8%	-	0.0%	169,038	17.8%	18.6%	11,531	7,235	-	-	-	\$14.09
Total	131	3,792,967	486,700	12.8%	26,538	0.7%	513,238	13.5%	15.8%	18,043	85,547	-	-	-	\$18.09
Northwest Phoenix															
A	10	1,319,120	164,478	12.5%	-	0.0%	164,478	12.5%	12.7%	8,332	3,292	-	-	-	\$21.78
B	112	4,886,199	1,339,875	27.4%	1,969	0.1%	1,341,844	27.5%	31.1%	130,771	179,675	-	-	-	\$17.21
C	97	1,969,683	489,627	24.9%	2,942	0.1%	492,569	25.0%	22.3%	(3,105)	(52,645)	-	-	-	\$14.13
Total	219	8,175,002	1,993,980	24.4%	4,911	0.1%	1,998,891	24.5%	26.0%	135,998	130,322	-	-	-	\$17.40
Paradise Valley															
A	14	1,531,604	244,964	16.0%	64,406	4.2%	309,370	20.2%	29.6%	18,388	143,818	-	-	-	\$25.34
B	55	1,861,652	276,243	14.8%	15,876	0.9%	292,119	15.7%	14.2%	(11,730)	(28,098)	-	-	-	\$21.24
C	23	371,412	67,721	18.2%	-	0.0%	67,721	18.2%	19.1%	4,964	3,372	-	-	-	\$15.50
Total	92	3,764,668	588,928	15.6%	80,282	2.1%	669,210	17.8%	20.9%	11,622	119,092	-	-	-	\$22.58
Piestewa Peak Corridor															
A	3	409,370	16,170	3.9%	484	0.1%	16,654	4.1%	4.3%	(5,526)	943	-	-	-	\$23.42
B	45	2,185,638	525,798	24.1%	8,691	0.4%	534,489	24.5%	24.6%	18,045	2,862	-	-	-	\$18.59
C	22	348,713	16,046	4.6%	-	0.0%	16,046	4.6%	10.9%	19,193	21,812	-	-	-	\$18.29
Total	70	2,943,721	558,014	19.0%	9,175	0.3%	567,189	19.3%	20.1%	31,712	25,617	-	-	-	\$18.76
Scottsdale Airpark															
A	56	6,549,434	1,236,304	18.9%	57,243	0.9%	1,293,547	19.8%	19.7%	76,046	130,834	169,189	169,189	-	\$27.39
B	192	5,261,817	628,542	11.9%	9,750	0.2%	638,292	12.1%	15.8%	84,952	189,920	-	-	39,750	\$22.29
C	9	147,413	16,795	11.4%	-	0.0%	16,795	11.4%	16.4%	2,289	7,322	-	-	-	\$13.33
Total	257	11,958,664	1,881,641	15.7%	66,993	0.6%	1,948,634	16.3%	17.9%	163,287	328,076	169,189	169,189	39,750	\$25.40

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															
Scottsdale Central															
A	23	2,386,023	397,128	16.6%	11,105	0.5%	408,233	17.1%	17.8%	62,242	73,815	70,000	70,000	145,000	\$25.01
B	132	4,782,345	724,287	15.1%	23,486	0.5%	747,773	15.6%	16.0%	(3,704)	17,811	-	-	-	\$21.95
C	10	1,38,921	10,128	7.3%	-	0.0%	10,128	7.3%	8.4%	(2,545)	1,578	-	-	-	\$22.72
Total	165	7,307,289	1,131,543	15.5%	34,591	0.5%	1,166,134	16.0%	16.4%	55,993	93,204	70,000	70,000	145,000	\$22.87
Scottsdale South															
A	15	1,987,459	126,297	6.4%	2,269	0.1%	128,566	6.5%	8.9%	23,793	47,888	-	-	-	\$29.63
B	75	2,595,542	284,564	11.0%	4,700	0.2%	289,264	11.1%	11.8%	(16,202)	16,663	-	-	-	\$23.16
C	35	634,257	134,390	21.2%	-	0.0%	134,390	21.2%	15.9%	(7,150)	(33,750)	-	-	-	\$18.79
Total	125	5,217,258	545,251	10.5%	6,969	0.1%	552,220	10.6%	11.2%	441	30,801	-	-	-	\$24.92
South Tempe/Ahwatukee															
A	6	776,323	103,430	13.3%	-	0.0%	103,430	13.3%	4.8%	75,000	76,844	150,000	150,000	-	\$24.51
B	113	5,026,304	727,215	14.5%	44,309	0.9%	771,524	15.3%	14.7%	1,482	48,256	-	96,649	-	\$21.19
C	11	380,322	28,042	7.4%	-	0.0%	28,042	7.4%	13.5%	663	23,318	-	-	-	\$21.26
Total	130	6,182,949	858,687	13.9%	44,309	0.7%	902,996	14.6%	13.6%	77,145	148,418	-	-	-	\$21.29
Southwest Phoenix															
A	3	288,087	194,499	67.5%	-	0.0%	194,499	67.5%	67.5%	-	-	-	-	-	\$23.00
B	22	845,418	46,749	5.5%	-	0.0%	46,749	5.5%	5.5%	-	-	-	-	-	\$20.10
C	17	410,505	80,561	19.6%	-	0.0%	80,561	19.6%	20.8%	-	-	-	-	-	\$14.26
Total	42	1,544,010	321,809	20.8%	-	0.0%	321,809	20.8%	21.1%	-	-	-	-	-	\$20.99
Superstition Corridor															
A	5	670,140	178,489	26.6%	-	0.0%	178,489	26.6%	36.5%	(3,259)	66,375	-	-	-	\$22.91
B	122	3,639,998	754,747	20.7%	46,377	1.3%	801,124	22.0%	19.7%	107,734	9,502	-	116,982	-	\$18.78
C	23	414,524	76,338	18.4%	-	0.0%	76,338	18.4%	16.2%	5,007	(9,240)	-	-	-	\$14.62
Total	150	4,724,662	1,009,574	21.4%	46,377	1.0%	1,055,951	22.3%	21.8%	109,482	66,637	-	116,982	-	\$19.25
Tempe															
A	21	3,893,364	156,127	4.0%	27,135	0.7%	183,262	4.7%	4.3%	554,556	596,741	639,235	639,235	1,704,000	\$27.26
B	94	4,066,024	751,658	18.5%	-	0.0%	751,658	18.5%	17.5%	128,045	47,834	108,000	108,000	-	\$22.15
C	35	842,669	121,302	14.4%	-	0.0%	121,302	14.4%	14.1%	2,717	(2,533)	-	-	-	\$16.64
Total	150	8,802,057	1,029,087	11.7%	27,135	0.3%	1,056,222	12.0%	11.8%	685,318	642,042	747,235	747,235	1,704,000	\$23.21
West I-10															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	-
B	41	1,209,876	115,529	9.5%	9,551	0.8%	125,080	10.3%	11.8%	73	17,327	-	-	-	\$23.46
C	8	139,051	27,452	19.7%	-	0.0%	27,452	19.7%	30.2%	3,519	14,594	-	-	-	\$12.97
Total	49	1,348,927	142,981	10.6%	9,551	0.7%	152,532	11.3%	13.7%	3,592	31,921	-	-	-	\$22.52
GRAND TOTAL															
A	275	43,935,124	6,439,134	14.7%	337,585	0.8%	6,776,719	15.4%	17.5%	1,477,145	2,520,967	1,274,424	1,966,007	2,289,920	\$26.56
B	1,934	80,781,841	14,314,296	17.7%	348,121	0.4%	14,662,417	18.2%	18.6%	449,562	1,068,107	247,402	911,530	383,809	\$20.74
C	570	11,819,675	2,024,098	17.1%	33,492	0.3%	2,057,590	17.4%	17.1%	15,057	(35,317)	0	0	0	\$16.06
Total	2,779	136,536,640	22,777,528	16.7%	719,198	0.5%	23,496,726	17.2%	18.6%	1,941,764	3,553,757	1,521,826	2,877,537	2,673,729	\$22.30
QUARTERLY TOTALS															
2015 4Q	2,779	136,536,640	22,777,528	16.7%	719,198	0.5%	23,496,726	17.2%	18.6%	1,941,764	3,553,757	1,521,826	2,877,537	2,673,729	\$22.30
2015 3Q	2,768	134,996,414	23,272,253	17.2%	649,111	0.5%	23,921,364	17.7%	18.6%	808,836	420,250	420,250	-	3,149,124	\$21.99
2015 2Q	2,764	134,576,164	23,505,029	17.5%	804,921	0.6%	24,309,950	18.1%	18.6%	739,646	-	611,700	-	2,976,395	\$21.73
2015 1Q	2,760	133,964,464	23,583,496	17.6%	854,400	0.6%	24,437,896	18.2%	18.6%	63,511	-	323,761	-	2,541,896	\$21.48
2014 4Q	2,756	133,640,703	23,477,664	17.6%	699,982	0.5%	24,177,646	18.1%	18.6%	798,197	-	365,182	-	1,464,067	\$21.34

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 strong performance of the Greater Phoenix office market in the fourth quarter sets the stage for further improvement in 2016. Preliminary forecasts call for much stronger employment growth beginning in 2016, with the local economy expected to add as many as 80,000 jobs, following growth of approximately 50,000 jobs per year since 2012. While many of these new jobs will be in sectors of the economy that indirectly impact the office market, there will be some spillover. The housing market is an example of this. Many of the jobs associated with an accelerating housing market will be in construction, but there will also be additions in white-collar fields associated with the industry, such as title, brokerage and mortgage originations.

The outlook for the local investment climate is expected to remain healthy. Property fundamentals are likely to continue to strengthen, and these gains will offset much of any potential drag from rising interest rates. All indications are that interest rate increases will occur at a measured and fairly predictable pace, allowing the market to adjust to gradual increases in the cost of financing in the year ahead.

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