

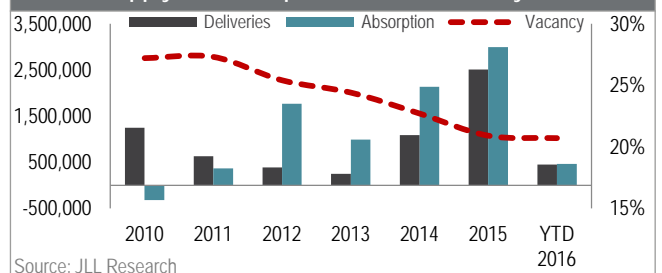


## Strong market fundamentals as 2016 begins

### Steady absorption with continued Phoenix growth

The Phoenix metro area office market picked up where it left off at the end of last year. Built on a stable economic foundation of strong job growth and calculated construction, new office space is being absorbed almost as fast as it is being delivered. In the first quarter of 2016, a healthy 423,748 square feet of office space was absorbed in Phoenix, a 48.5 percent increase from one year prior. The total vacancy rate in the Valley has decreased 720 basis points from a peak of 28.1 percent set in the second quarter of 2011 to a low 20.9 percent at the end of the first quarter. Overall vacancy is expected to decline in 2016 as office-using employers continue to expand and relocate to the Valley.

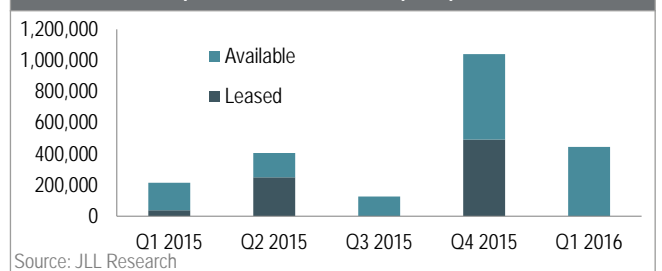
Net new supply, net absorption and total vacancy



### Construction continues as developers assess market

In the first quarter of 2016, 445,000 square feet of vacant speculative office space was delivered in Metro Phoenix, a 57 percent decline from just over 1.0 million square feet of speculative space completed in the previous quarter. The total vacancy rate remained unchanged at 20.9 percent, with nearly 424,000 square feet of total absorption reducing the impact of new vacant space added to the market. More than 2.3 million square feet of office space (including 589,530 square feet of speculative space) is currently under construction in Greater Phoenix with an impressive 75 percent of it preleased.

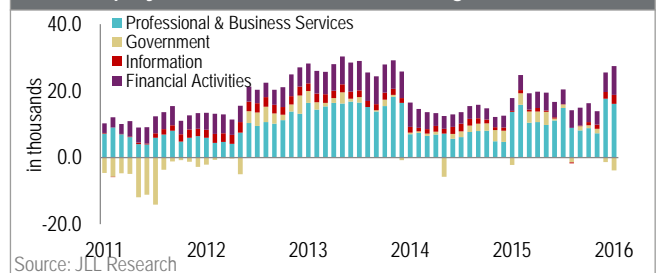
Metro Phoenix speculative deliveries per quarter



### Office employment sectors driving Phoenix forward

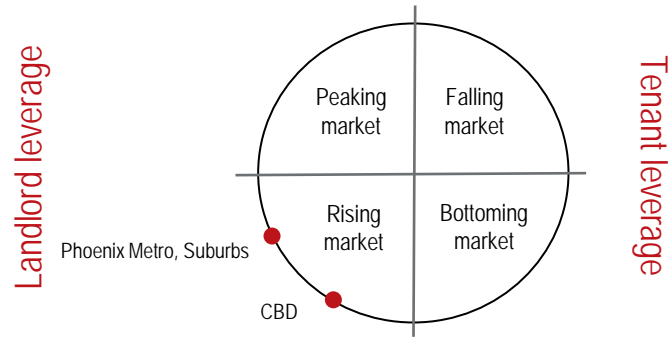
Phoenix has experienced a much more diverse recovery during this economic growth cycle, steadily adding a healthy balance of jobs in contrast to previous cycles when the Valley would be flooded with construction employment. Office-using employment sectors continue to experience strong growth over the past year, recording an annualized net gain of 23,500 jobs (3.1 percent) across the MSA. Office employment gains are translating into greater absorption of office space in some of the Valley's premier submarkets. Year-over-year employment gains were led by the Professional & Business Services, adding 16,100 jobs (5.1 percent) and Financial Activities gaining 8,600 jobs (5.3%).

Office employment trends (12-month change)



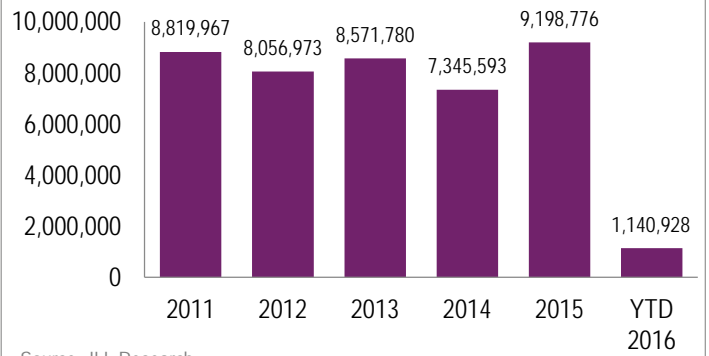
82,688,661 Total inventory (s.f.)	423,748 Q1 2016 net absorption (s.f.)	\$23.75 Direct average asking rent	2,367,644 Total under construction (s.f.)
20.9% Total vacancy	48.5% Absorption increase over Q1 2015	\$27.59 Class A average asking rent	75% Under construction preleased

### Current conditions – submarket



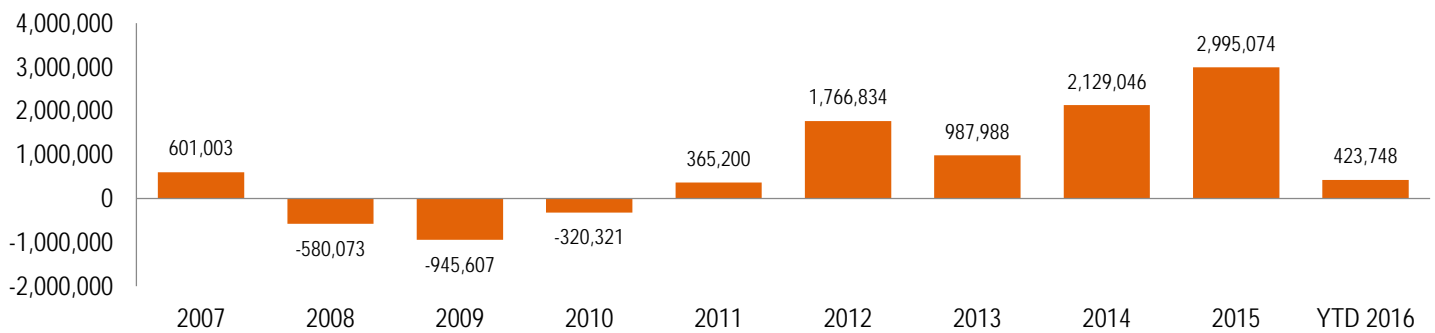
Source: JLL Research

### Historical leasing activity (s.f.)



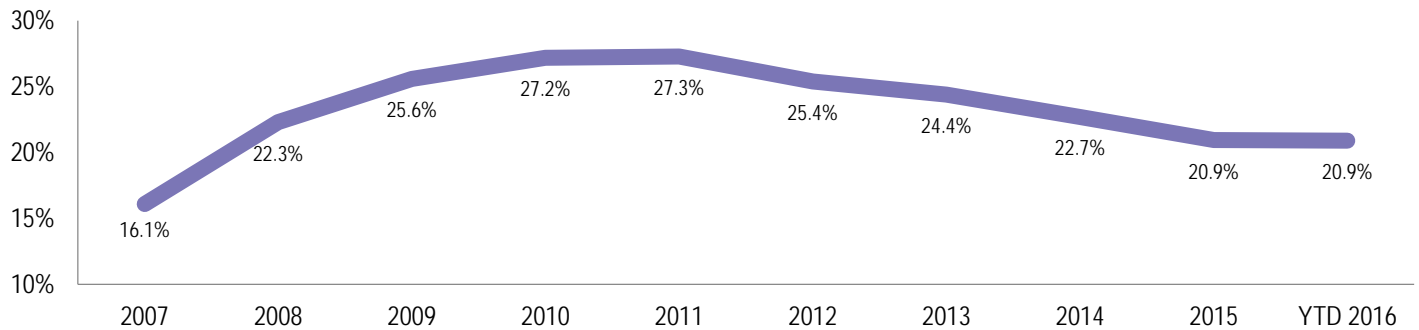
Source: JLL Research

### Total net absorption (s.f.)



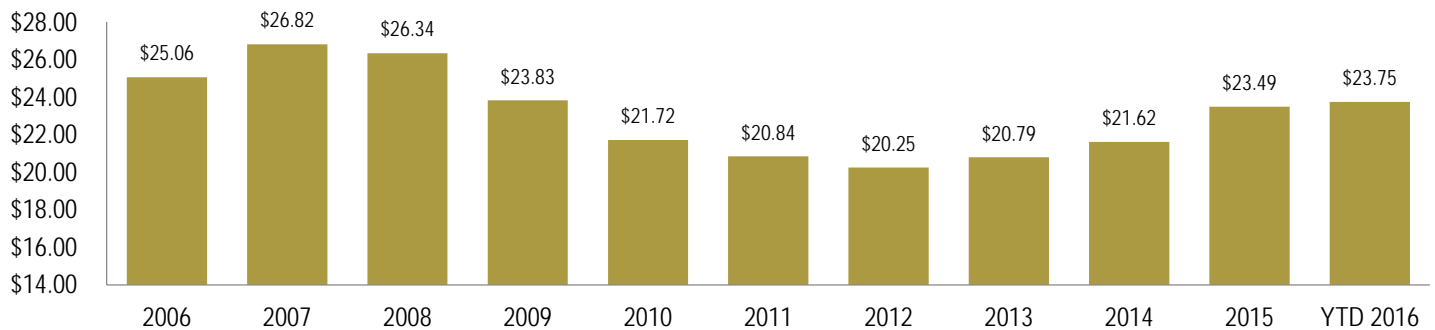
Source: JLL Research

### Total vacancy rate (%)



Source: JLL Research

### Direct average asking rent (\$ p.s.f.)



Source: JLL Research