

CoStar Office Statistics

Third Quarter 2017

Phoenix Office Market



CoStarTM
The knowledge market

Table of Contents

| | |
|--|-----------|
| Table of Contents | A |
| Methodology | B |
| Terms & Definitions | C |
| Market Highlights & Overview | 1 |
| CoStar Markets & Submarkets | 4 |
| Inventory & Development Analysis | 5 |
| Inventory & Development Analysis | |
| Select Top Deliveries | |
| Select Top Under Construction Properties | |
| Figures at a Glance | 9 |
| Figures at a Glance by Class & Market | |
| Figures at a Glance by Class & Submarket | |
| Figures at a Glance Grouped by CBD vs Suburban | |
| Historical Figures at a Glance | |
| Leasing Activity Analysis | 16 |
| Select Top Lease Transactions | |
| Sales Activity Analysis | 18 |
| Sales Activity Analysis | |
| Select Top Sales Transactions | |
| Analysis of Individual CoStar Submarket Clusters | 20 |
| Airport Area Market | |
| Central Corridor Market | |
| East Phoenix Market | |
| East Valley Market | |
| North Phoenix Market | |
| Northwest Phoenix Market | |
| Scottsdale Market | |
| West Phoenix Market | |

Methodology

The CoStar Office Statistics, unless specifically stated otherwise, calculates office statistics using CoStar Group's entire database of existing and under construction office buildings in each metropolitan area. Included are office, office condominium, office loft, office medical, all classes and all sizes, and both multi-tenant and single-tenant buildings, including owner-occupied buildings. CoStar Group's global database includes approximately 95.6 billion square feet of coverage in 4.4 million properties. All rental rates reported in the CoStar Office Report have been converted to a Full Service equivalent rental rate.

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CoStar Group, Inc.

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Terms & Definitions

Availability Rate: The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

Available Space: The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

Build-to-Suit: A term describing a particular property, developed specifically for a certain tenant to occupy, with structural features, systems, or improvement work designed specifically for the needs of that tenant. A build-to-suit can be leased or owned by the tenant. In a leased build-to-suit, a tenant will usually have a long term lease on the space.

Buyer: The individual, group, company, or entity that has purchased a commercial real estate asset.

Cap Rate: Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

CBD: Abbreviation for Central Business District. (See also: Central Business District)

Central Business District: The designations of Central Business District (CBD) and Suburban refer to a particular geographic area within a metropolitan statistical area (MSA) describing the level of real estate development found there. The CBD is characterized by a high density, well organized core within the largest city of a given MSA.

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. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

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. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

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. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

Construction Starts: Buildings that began construction during a specific period of time. (See also: Deliveries)

Contiguous Blocks of Space: Space within a building that is, or is able to be joined together into a single contiguous space.

Deliveries: Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certi-

cate of occupancy must have been issued for the property.

Delivery Date: The date a building completes construction and receives a certificate of occupancy.

Developer: The company, entity or individual that transforms raw land to improved property by use of labor, capital and entrepreneurial efforts.

Direct Space: Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

Existing Inventory: The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

Flex Building: A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

Full Service Rental Rate: Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

Gross Absorption: The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing Activity, which is the sum of all space leased over a certain period of time. Unless otherwise noted Gross Absorption includes direct and sublease space.

Growth in Inventory: The change in size of the existing square footage in a given area over a given period of time, generally due to the construction of new buildings.

Industrial Building: A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

Landlord Rep: (Landlord Representative) In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the owner/landlord is referred to as the Landlord Rep.

Leased Space: All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

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.

Market: Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets)

Multi-Tenant: Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different

tenant needs. (See also: Tenancy).

Net Absorption: The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

Net Rental Rate: A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

New Space: Sometimes called first generation space, refers to space that has never been occupied and/or leased by a tenant.

Occupied Space: Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

Office Building: A type of commercial building used exclusively or primarily for office use (business), as opposed to manufacturing, warehousing, or other uses. Office buildings may sometimes have other associated uses within part of the building, i.e., retail sales, financial, or restaurant, usually on the ground floor.

Owner: The company, entity, or individual that holds title on a given building or property.

Planned/Proposed: The status of a building that has been announced for future development but not yet started construction.

Preleased Space: The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

Price/SF: Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

Property Manager: The company and/or person responsible for the day-to-day operations of a building, such as cleaning, trash removal, etc. The property manager also makes sure that the various systems within the building, such as the elevators, HVAC, and electrical systems, are functioning properly.

Quoted Rental Rate: The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.

RBA: Abbreviation for Rentable Building Area. (See also: Rentable Building Area)

Region: Core areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

Relet Space: Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

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.

Rental Rates: The annual costs of occupancy for a particular space quoted on a per square foot basis.

Sales Price: The total dollar amount paid for a particular property at a particular point in time.

Sales Volume: The sum of sales prices for a given group of buildings in a given time period.

Seller: The individual, group, company, or entity that sells a particular commercial real estate asset.

SF: Abbreviation for Square Feet.

Single-Tenant: Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy)

Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

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. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

Suburban: The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD. (See also: CBD)

Tenancy: A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

Tenant Rep: Tenant Rep stands for Tenant Representative. In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the tenant is referred to as a Tenant Rep.

Time On Market: A measure of how long a currently available space has been marketed for lease, regardless of whether it is vacant or occupied.

Under Construction: Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building under construction, the site must have a concrete foundation in place. Abbreviated UC.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. 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. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

Weighted Average Rental Rate: Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

Year Built: The year in which a building completed construction and was issued a certificate of occupancy.

YTD: Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

Phoenix Office Market



Overview

Phoenix's Vacancy Decreases to 15.0%

Net Absorption Positive 139,652 SF in the Quarter

The Phoenix Office market ended the third quarter 2017 with a vacancy rate of 15.0%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 139,652 square feet in the third quarter. Vacant sublease space decreased in the quarter, ending the quarter at 1,353,620 square feet. Rental rates ended the third quarter at \$24.09, an increase over the previous quarter. A total of four buildings delivered to the market in the quarter totaling 37,408 square feet, with 1,504,676 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Phoenix office market was positive 139,652 square feet in the third quarter 2017. That compares to positive 594,437 square feet in the second quarter 2017, positive 824,987 square feet in the first quarter 2017, and positive 615,662 square feet in the fourth quarter 2016.

The Class-A office market recorded net absorption of positive 215,024 square feet in the third quarter 2017, compared to positive 103,858 square feet in the second quarter 2017, positive 898,231 in the first quarter 2017, and positive 461,750 in the fourth quarter 2016.

The Class-B office market recorded net absorption of positive 69,514 square feet in the third quarter 2017, compared to positive 461,210 square feet in the second quarter 2017, positive 58,484 in the first quarter 2017, and positive 55,157 in the fourth quarter 2016.

The Class-C office market recorded net absorption of negative (144,886) square feet in the third quarter 2017 compared to positive 29,369 square feet in the second quarter 2017, negative (131,728) in the first quarter 2017, and positive 98,755 in the fourth quarter 2016.

Net absorption for Phoenix's central business district was negative (12,350) square feet in the third quarter 2017. That compares to positive 66,528 square feet in the second quarter 2017, negative (99,136) in the first quarter 2017, and negative (64,560) in the fourth quarter 2016.

Net absorption for the suburban markets was positive 152,002 square feet in the third quarter 2017. That compares to positive 527,909 square feet in second quarter 2017, positive 924,123 in the first quarter 2017, and positive 680,222 in the fourth quarter 2016.

Vacancy

The office vacancy rate in the Phoenix market area decreased to 15.0% at the end of the third quarter 2017. The vacancy rate was 15.1% at the end of the second quarter 2017, 15.2% at the end of the first quarter 2017, and 15.3% at the end of the fourth quarter 2016.

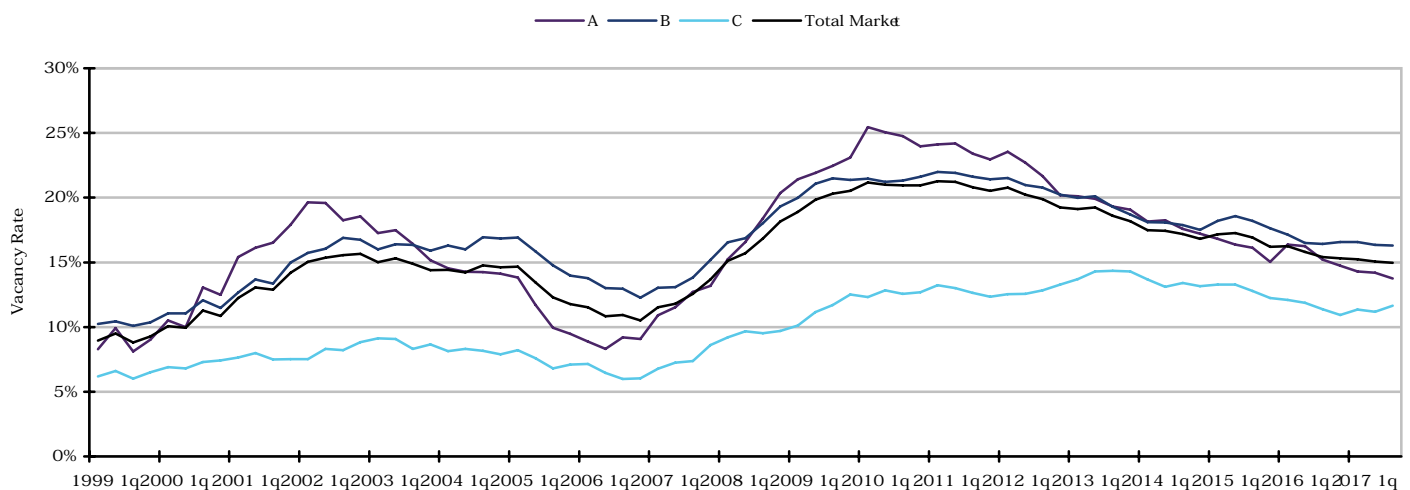
Class-A projects reported a vacancy rate of 13.8% at the end of the third quarter 2017, 14.2% at the end of the second quarter 2017, 14.3% at the end of the first quarter 2017, and 14.7% at the end of the fourth quarter 2016.

Class-B projects reported a vacancy rate of 16.3% at the end of the third quarter 2017, 16.3% at the end of the second quarter 2017, 16.6% at the end of the first quarter 2017, and 16.6% at the end of the fourth quarter 2016.

Class-C projects reported a vacancy rate of 11.6% at the end of the third quarter 2017, 11.2% at the end of second quarter 2017, 11.3% at the end of the first quarter 2017, and 10.9% at the end of the fourth quarter 2016.

The overall vacancy rate in Phoenix's central business district at the end of the third quarter 2017 decreased to 17.5%. The vacancy rate was 17.6% at the end of the second quarter

Vacancy Rates by Class 1999-2017



Source: CoStar Property®

2017, 18.0% at the end of the first quarter 2017, and 17.7% at the end of the fourth quarter 2016.

The vacancy rate in the suburban markets changed to 14.6% in the third quarter 2017. The vacancy rate was 14.6% at the end of the second quarter 2017, 14.8% at the end of the first quarter 2017, and 14.9% at the end of the fourth quarter 2016.

Largest Lease Signings

The largest lease signings occurring in 2017 included: the 300,000-square-foot lease signed by Freedom Financial at 2100 E Rio Salado Pky - RIO 2100 in the East Valley market; the 173,055-square-foot deal signed by MUFG Union Bank at 1101 W Washington St - The Grand at Papago Park Center - Phase I in the East Valley market; and the 163,607-square-foot lease signed by Consumer Cellular at 17500 N Black Canyon Hwy in the Northwest Phoenix market.

Sublease Vacancy

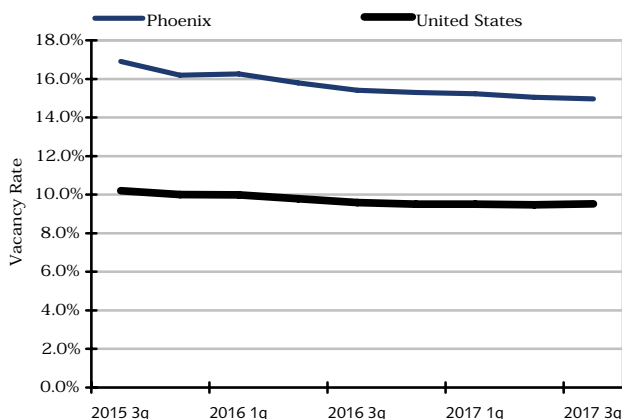
The amount of vacant sublease space in the Phoenix market decreased to 1,353,620 square feet by the end of the third quarter 2017, from 1,373,195 square feet at the end of the second quarter 2017. There was 1,249,513 square feet vacant at the end of the first quarter 2017 and 1,261,368 square feet at the end of the fourth quarter 2016.

Phoenix's Class-A projects reported vacant sublease space of 394,170 square feet at the end of third quarter 2017, up from the 392,972 square feet reported at the end of the second quarter 2017. There were 493,523 square feet of sublease space vacant at the end of the first quarter 2017, and 436,298 square feet at the end of the fourth quarter 2016.

Class-B projects reported vacant sublease space of 927,458 square feet at the end of the third quarter 2017, down from the 949,236 square feet reported at the end of the second quarter 2017. At the end of the first quarter 2017 there were 735,693 square feet, and at the end of the fourth quarter 2016 there were 808,182 square feet vacant.

U.S. Vacancy Comparison

Past 9 Quarters



Source: CoStar Property®

Class-C projects reported increased vacant sublease space from the second quarter 2017 to the third quarter 2017. Sublease vacancy went from 30,987 square feet to 31,992 square feet during that time. There was 20,297 square feet at the end of the first quarter 2017, and 16,888 square feet at the end of the fourth quarter 2016.

Sublease vacancy in Phoenix's central business district stood at 138,475 square feet at the end of the third quarter 2017. It was 115,295 square feet at the end of the second quarter 2017, 169,008 square feet at the end of the first quarter 2017, and 174,293 square feet at the end of the fourth quarter 2016.

Sublease vacancy in the suburban markets ended the third quarter 2017 at 1,215,145 square feet. At the end of the second quarter 2017 sublease vacancy was 1,257,900 square feet, was 1,080,505 square feet at the end of the first quarter 2017, and was 1,087,075 square feet at the end of the fourth quarter 2016.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$24.09 per square foot per year at the end of the third quarter 2017 in the Phoenix market area. This represented a 1.1% increase in quoted rental rates from the end of the second quarter 2017, when rents were reported at \$23.83 per square foot.

The average quoted rate within the Class-A sector was \$28.85 at the end of the third quarter 2017, while Class-B rates stood at \$22.58, and Class-C rates at \$17.16. At the end of the second quarter 2017, Class-A rates were \$28.39 per square foot, Class-B rates were \$22.39, and Class-C rates were \$16.72.

The average quoted asking rental rate in Phoenix's CBD was \$24.30 at the end of the third quarter 2017, and \$24.06 in the suburban markets. In the second quarter 2017, quoted rates were \$24.03 in the CBD and \$23.80 in the suburbs.

Deliveries and Construction

During the third quarter 2017, four buildings totaling 37,408 square feet were completed in the Phoenix market area. This compares to 10 buildings totaling 360,905 square feet that were completed in the second quarter 2017, nine buildings totaling 1,238,029 square feet completed in the first quarter 2017, and 534,663 square feet in 10 buildings completed in the fourth quarter 2016.

There were 1,504,676 square feet of office space under construction at the end of the third quarter 2017.

Some of the notable 2017 deliveries include: 600 E Rio Salado Pky - State Farm - Bldg E, a 443,000-square-foot facility that delivered in first quarter 2017 and is now 99% occupied, and 2701 E Ryan Rd - The HUB Chandler, a 293,785-square-foot building that delivered in first quarter 2017 and is now 0% occupied.

The largest projects underway at the end of third quarter 2017 were 410 N Scottsdale Rd - The Watermark, a 273,306-

Phoenix Office Market



Overview

square-foot building with 0% of its space pre-leased, and 1870 W Rio Salado Pky - Liberty Center at Rio Salado, a 235,000-square-foot facility that is 100% pre-leased.

Inventory

Total office inventory in the Phoenix market area amounted to 172,964,725 square feet in 8,286 buildings as of the end of the third quarter 2017. The Class-A office sector consisted of 48,914,108 square feet in 305 projects. There were 4,595 Class-B buildings totaling 101,172,327 square feet, and the Class-C sector consisted of 22,878,290 square feet in 3,386 buildings. Within the Office market there were 813 owner-occupied buildings accounting for 17,280,156 square feet of office space.

Sales Activity

Tallying office building sales of 15,000 square feet or larger, Phoenix office sales figures rose during the second quarter 2017 in terms of dollar volume compared to the first quarter of 2017.

In the second quarter, 27 office transactions closed with a total volume of \$430,280,500. The 27 buildings totaled 2,400,402 square feet and the average price per square foot equated to \$179.25 per square foot. That compares to 34 transactions totaling \$387,745,897 in the first quarter 2017. The total square footage in the first quarter was 2,547,533 square feet for an average price per square foot of \$152.20.

Total office building sales activity in 2017 was up compared to 2016. In the first six months of 2017, the market saw 61 office sales transactions with a total volume of \$818,026,397. The price per square foot averaged \$165.33. In the same first six months of 2016, the market posted 68 transactions with a total volume of \$656,529,678. The price per square foot averaged \$150.06.

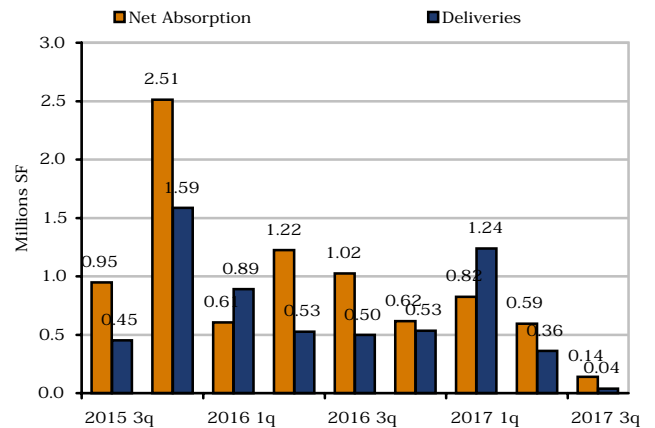
Cap rates have been lower in 2017, averaging 7.70% compared to the same period in 2016 when they averaged 7.71%.

One of the largest transactions that has occurred within the last four quarters in the Phoenix market is the sale of Galleria Corporate Centre in Scottsdale. This 538,074-square-foot, two-building office park sold for \$142,500,000, or \$264.83 per square foot. The property sold on 3/7/2017.

Reports compiled by: Adam Jarrett, CoStar Senior Research Manager.

Absorption & Deliveries

Past 9 Quarters



Source: CoStar Property®

CoStar Submarket Clusters & Submarkets

In analyzing metropolitan areas, CoStar has developed geographic designations to help group properties together, called Markets, Submarket Clusters and Submarkets. Markets are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Markets are then divided into Submarket Clusters, which are core areas within a metropolitan area that are known to be competitive with each other in terms of attracting and keeping tenants. Markets are then further subdivided into smaller units called Submarkets, which serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted competitive set, or peer group.

| Submarket Clusters | Submarkets |
|--------------------|---|
| Airport Area | Airport Area South Tempe/Ahwatukee |
| Central Corridor | Downtown* Midtown* |
| East Phoenix | 44th Street Corridor Camelback Corridor Midtown*/Central Phoenix |
| East Valley | Chandler Gateway Airport/Loop 202 Mesa Downtown* Mesa East Superstition Corridor Tempe |
| North Phoenix | N Phoenix/Cave Creek Paradise Valley Piestewa Peak Corridor |
| Northwest Phoenix | Arrowhead Deer Valley/Airport North I-17 Northwest Phoenix |
| Scottsdale | Central Scottsdale N Scottsdale/Carefree Scottsdale Airpark Scottsdale South |
| West Phoenix | Glendale Loop 303/Surprise Southwest Phoenix West I-10 |

* Submarkets comprising the CBD. For statistics reference the CBD vs Suburban Figures at a Glance Page.

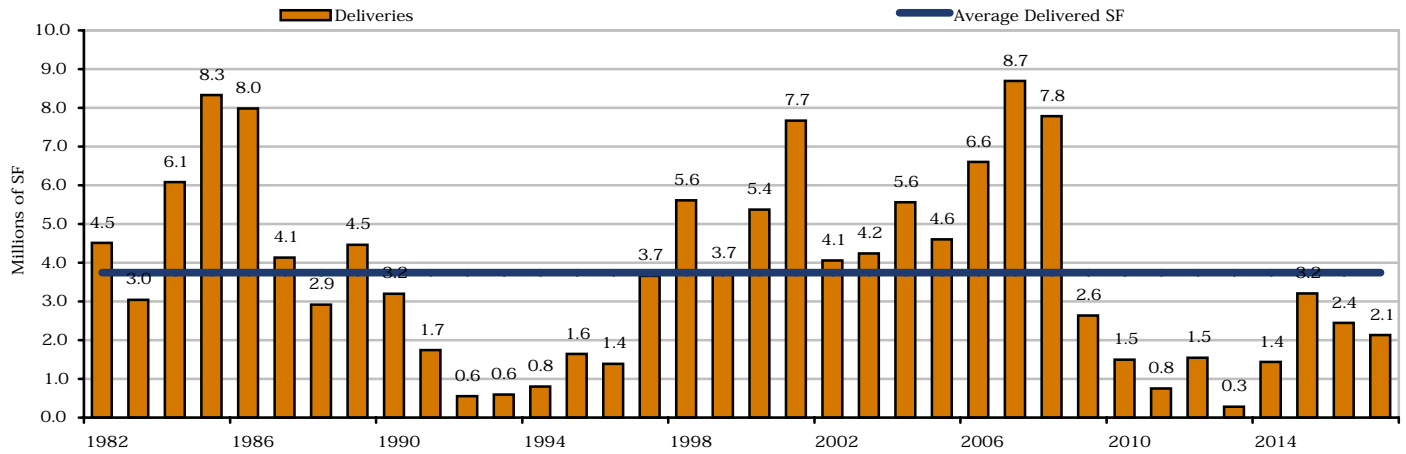
Phoenix Office Market



Inventory & development

Historical Deliveries

1982 - 2017



Source: CoStar Property® * Future deliveries based on current under construction buildings.

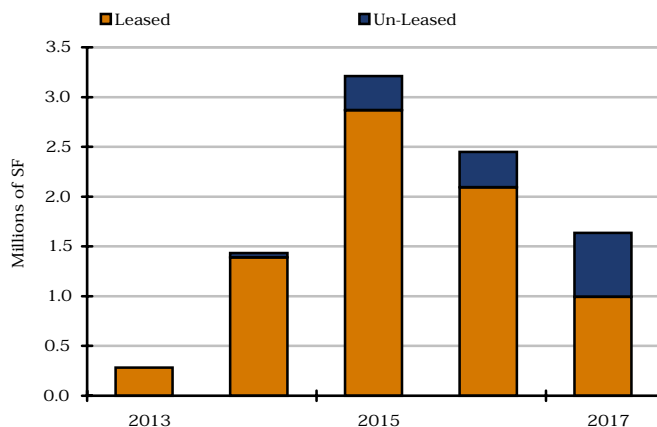
CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

| Market | Under Construction Inventory | | | | Average Bldg Size | |
|-------------------|------------------------------|------------------|----------------|--------------|-------------------|---------------|
| | # Bldgs | Total RBA | Preleased SF | Preleased % | All Existing | U/C |
| East Valley | 8 | 631,785 | 179,969 | 28.5% | 16,409 | 78,973 |
| Scottsdale | 2 | 271,000 | 271,000 | 100.0% | 20,653 | 135,500 |
| Airport Area | 1 | 235,000 | 235,000 | 100.0% | 35,667 | 235,000 |
| West Phoenix | 2 | 169,000 | 55,000 | 32.5% | 15,994 | 84,500 |
| East Phoenix | 1 | 118,090 | 0 | 0.0% | 21,144 | 118,090 |
| Central Corridor | 2 | 51,486 | 51,486 | 100.0% | 42,312 | 25,743 |
| North Phoenix | 2 | 20,565 | 20,565 | 100.0% | 17,248 | 10,282 |
| Northwest Phoenix | 2 | 7,750 | 3,000 | 38.7% | 17,871 | 3,875 |
| Totals | 20 | 1,504,676 | 816,020 | 54.2% | 20,874 | 75,234 |

Source: CoStar Property®

Recent Deliveries

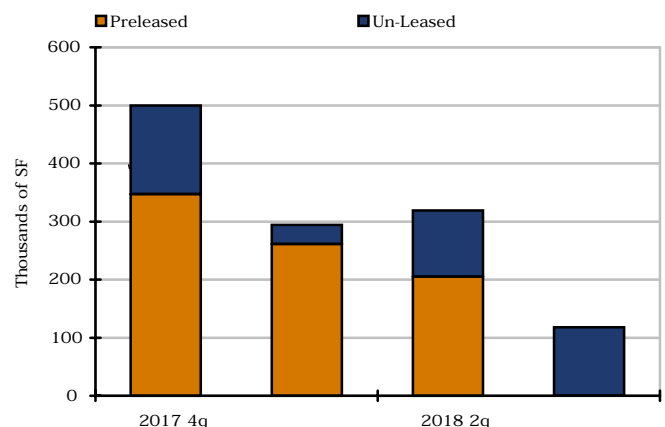
Leased & Un-Leased SF in Deliveries Since 2013



Source: CoStar Property®

Future Deliveries

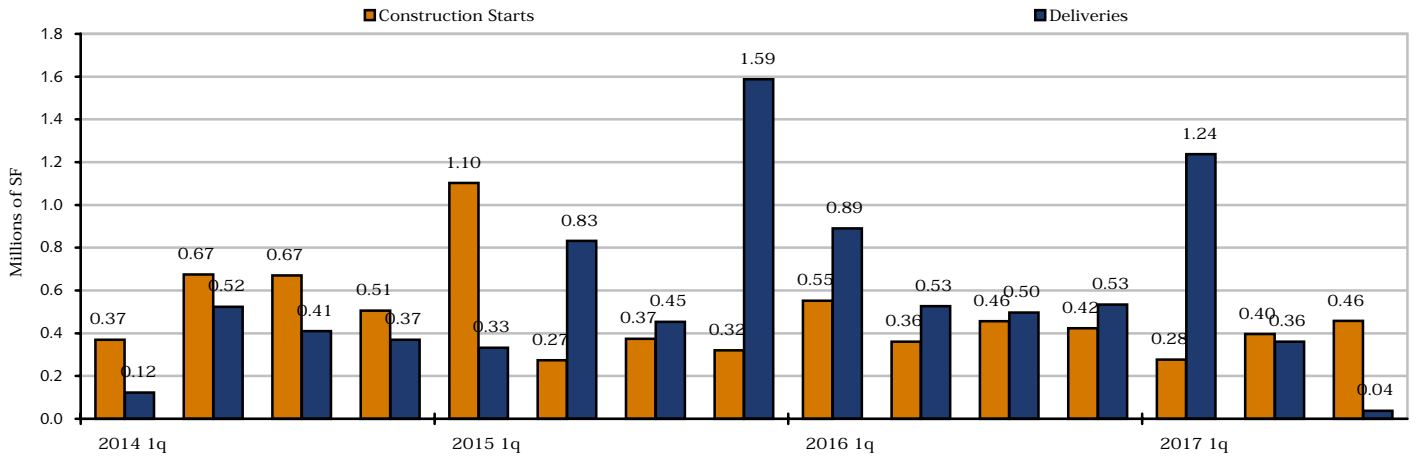
Preleased & Un-Leased SF in Properties Scheduled to Deliver



Source: CoStar Property®

Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

RECENT DELIVERIES BY PROJECT SIZE Breakdown of Year-to-Date Development Based on RBA of Project

| Building Size | # Bldgs | RBA | SF Leased | % Leased | Avg Rate | Single-Tenant | Multi-Tenant |
|-------------------------|---------|---------|-----------|----------|----------|---------------|--------------|
| < 50,000 SF | 15 | 133,971 | 83,422 | 62.3% | \$25.32 | 27,114 | 106,857 |
| 50,000 SF - 99,999 SF | 2 | 149,889 | 60,000 | 40.0% | \$26.29 | 60,000 | 89,889 |
| 100,000 SF - 249,999 SF | 4 | 615,697 | 412,105 | 66.9% | \$30.79 | 150,000 | 465,697 |
| 250,000 SF - 499,999 SF | 2 | 736,785 | 438,570 | 59.5% | \$26.01 | 443,000 | 293,785 |
| >= 500,000 SF | 0 | 0 | 0 | 0.0% | \$0.00 | 0 | 0 |

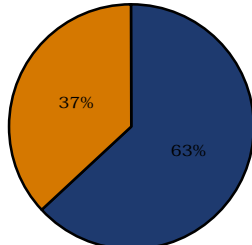
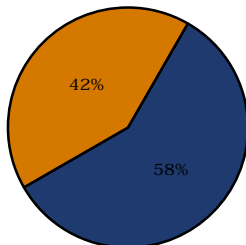
Source: CoStar Property®

Recent Development by Tenancy

Based on RBA Developed for Single & Multi Tenant Use

2017 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

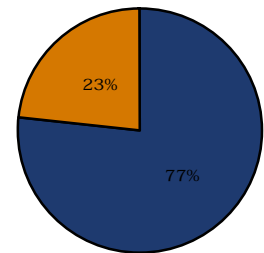
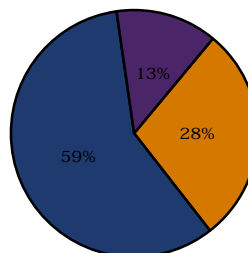
Source: CoStar Property®

Existing Inventory Comparison

Based on Total RBA

By Class

By Space Type



■ Class A ■ Class B ■ Class C

■ Multi ■ Single

Source: CoStar Property®

Phoenix Office Market



Inventory & development

Select Year-to-Date Deliveries

Based on Project Square Footage

- | | | |
|--|---|---|
| <p>1. 600 E Rio Salado Pky - State Farm</p> <hr/> <p>Submarket: East Valley RBA: 443,000 # Floors: 17 Class: A Occupied: 99% Quoted Rate: Negotiable Grnd Brk Date: First Quarter 2015 Deliv Date: First Quarter 2017 Leasing Co: Sunbelt Holdings Developer: Ryan Companies US, Inc. Architect: DAVIS</p> | <p>2. 2701 E Ryan Rd - The HUB Chandler</p> <hr/> <p>Submarket: East Valley RBA: 293,785 # Floors: 2 Class: B Occupied: 0% Quoted Rate: \$26.01 Grnd Brk Date: Third Quarter 2016 Deliv Date: First Quarter 2017 Leasing Co: CBRE Developer: Clarius Partners LLC Architect: RSP Architects</p> | <p>3. The Grand at Papago Park Center - Phase I</p> <hr/> <p>Submarket: East Valley RBA: 213,055 # Floors: 4 Class: A Occupied: 100% Quoted Rate: \$34.00 Grnd Brk Date: First Quarter 2016 Deliv Date: First Quarter 2017 Leasing Co: CBRE Developer: Lincoln Property Company Architect: HKS, Inc.</p> |
| <p>4. 1130 N Alma School Rd - Waypoint 4</p> <hr/> <p>Submarket: East Valley RBA: 152,540 # Floors: 3 Class: B Occupied: 0% Quoted Rate: \$28.00 Grnd Brk Date: First Quarter 2016 Deliv Date: Second Quarter 2017 Leasing Co: Cushman & Wakefield Developer: Lincoln Property Company Architect: DAVIS</p> | <p>5. 24000 N Farmers Way - Farmers Insurance</p> <hr/> <p>Submarket: Northwest Phoenix RBA: 150,000 # Floors: 3 Class: A Occupied: 100% Quoted Rate: N/A Grnd Brk Date: Second Quarter 2016 Deliv Date: First Quarter 2017 Leasing Co: CBRE Developer: Ryan Companies US, Inc. Architect: Butler Design Group</p> | <p>6. 2120 E Rio Salado Pky - RIO 2100</p> <hr/> <p>Submarket: East Valley RBA: 100,102 # Floors: 2 Class: B Occupied: 49% Quoted Rate: \$29.50 Grnd Brk Date: Second Quarter 2016 Deliv Date: First Quarter 2017 Leasing Co: CBRE Developer: The Boyer Company Architect: Butler Design Group</p> |
| <p>7. 4039 E Raymond St - Allred 40</p> <hr/> <p>Submarket: Airport Area RBA: 89,889 # Floors: 2 Class: B Occupied: 0% Quoted Rate: \$26.29 Grnd Brk Date: Third Quarter 2016 Deliv Date: Second Quarter 2017 Leasing Co: Cushman & Wakefield Developer: Douglas Allred Company Architect: Balmer Architectural</p> | <p>8. 100 S McQueen Rd - Orbital</p> <hr/> <p>Submarket: East Valley RBA: 60,000 # Floors: 1 Class: A Occupied: 100% Quoted Rate: N/A Grnd Brk Date: Third Quarter 2016 Deliv Date: Second Quarter 2017 Leasing Co: CBRE Developer: SunCap Property Group Architect: Balmer Architectural</p> | <p>9. 2301 S Stearman Dr</p> <hr/> <p>Submarket: East Valley RBA: 20,214 # Floors: 2 Class: B Occupied: 100% Quoted Rate: N/A Grnd Brk Date: Fourth Quarter 2016 Deliv Date: Second Quarter 2017 Leasing Co: Cushman & Wakefield Developer: N/A Architect: N/A</p> |
| <p>10. Westgate Healthcare Campus - Bldg A</p> <hr/> <p>Submarket: West Phoenix RBA: 16,000 # Floors: 1 Class: B Occupied: 100% Quoted Rate: \$30.86 Grnd Brk Date: Second Quarter 2016 Deliv Date: First Quarter 2017 Leasing Co: Newmark Knight Frank Developer: 101 W Healthcare LLC Architect: Butler Design Group</p> | <p>11. 15800 N Litchfield Rd</p> <hr/> <p>Submarket: West Phoenix RBA: 15,000 # Floors: 1 Class: B Occupied: 100% Quoted Rate: N/A Grnd Brk Date: Fourth Quarter 2016 Deliv Date: Third Quarter 2017 Leasing Co: Ensemble Real Estate Developer: N/A Architect: N/A</p> | <p>12. 1410 W Iliot Rd - Tierra Office Park</p> <hr/> <p>Submarket: East Valley RBA: 11,470 # Floors: 1 Class: B Occupied: 0% Quoted Rate: \$23.86 Grnd Brk Date: First Quarter 2016 Deliv Date: Second Quarter 2017 Leasing Co: Colliers International Developer: PFG Construction, Inc. Architect: GLO Architects</p> |
| <p>13. 15800 N Litchfield Rd</p> <hr/> <p>Submarket: West Phoenix RBA: 11,200 # Floors: 1 Class: B Occupied: 0% Quoted Rate: Negotiable Grnd Brk Date: Fourth Quarter 2016 Deliv Date: Third Quarter 2017 Leasing Co: Ensemble Real Estate Developer: N/A Architect: N/A</p> | <p>14. 8765 W Kelton Ln - Arrowhead Business Park</p> <hr/> <p>Submarket: Northwest Phoenix RBA: 10,500 # Floors: 1 Class: B Occupied: 0% Quoted Rate: \$25.36 Grnd Brk Date: Second Quarter 2016 Deliv Date: First Quarter 2017 Leasing Co: TriVest International, Inc. Developer: TriVest International, Inc. Architect: Patrick Hayes Architecture</p> | <p>15. 11250 N Tatum Blvd - Cholla Estates</p> <hr/> <p>Submarket: North Phoenix RBA: 9,230 # Floors: 1 Class: B Occupied: 0% Quoted Rate: \$25.00 Grnd Brk Date: Second Quarter 2016 Deliv Date: Second Quarter 2017 Leasing Co: LevRose Real Estate Developer: Arizona Design Limited Architect: Arizona Design Limited</p> |



Phoenix Office Market

Inventory & development

Select Top Under Construction Properties

Based on Project Square Footage

- | | | |
|---|--|--|
| <p>1. 410 N Scottsdale Rd - The Watermark</p> <p>Submarket: East Valley RBA: 273,306 # Floors: 15 Class: A Preleased: 1% Quoted Rate: \$36.79 Grnd Brk Date: Third Quarter 2017 Deliv Date: Fourth Quarter 2018 Leasing Co: Cushman & Wakefield Developer: Fenix Development, Inc. Architect: N/A</p> | <p>2. Liberty Center at Rio Salado</p> <p>Submarket: Airport Area RBA: 235,000 # Floors: 3 Class: A Preleased: 100% Quoted Rate: \$26.99 Grnd Brk Date: Fourth Quarter 2016 Deliv Date: First Quarter 2018 Leasing Co: CBRE Developer: Liberty Property Trust Architect: RSP Architects</p> | <p>3. 2100 E Rio Salado Pky - RIO 2100</p> <p>Submarket: East Valley RBA: 150,000 # Floors: 4 Class: A Preleased: 100% Quoted Rate: N/A Grnd Brk Date: Second Quarter 2017 Deliv Date: Second Quarter 2018 Leasing Co: CBRE Developer: The Boyer Company Architect: Butler Design Group</p> |
| <p>4. Chaparral Commerce Center - Bldg A</p> <p>Submarket: Scottsdale RBA: 135,500 # Floors: 3 Class: A Preleased: 100% Quoted Rate: N/A Grnd Brk Date: Fourth Quarter 2016 Deliv Date: Fourth Quarter 2017 Leasing Co: Cushman & Wakefield Developer: Ryan Companies US, Inc. Architect: N/A</p> | <p>5. Chaparral Commerce Center - Bldg B</p> <p>Submarket: Scottsdale RBA: 135,500 # Floors: 3 Class: A Preleased: 100% Quoted Rate: N/A Grnd Brk Date: First Quarter 2017 Deliv Date: Fourth Quarter 2017 Leasing Co: Cushman & Wakefield Developer: Ryan Companies US, Inc. Architect: N/A</p> | <p>6. 9305 W Thomas Rd</p> <p>Submarket: West Phoenix RBA: 125,000 # Floors: 4 Class: B Preleased: 44% Quoted Rate: \$31.01 Grnd Brk Date: Third Quarter 2017 Deliv Date: Second Quarter 2018 Leasing Co: The Plaza Companies Developer: The Plaza Companies Architect: Butler Design Group</p> |
| <p>7. 2801 E Camelback Rd - Camelback Collective</p> <p>Submarket: East Phoenix RBA: 118,090 # Floors: 4 Class: A Preleased: 0% Quoted Rate: \$42.00 Grnd Brk Date: Second Quarter 2017 Deliv Date: Third Quarter 2018 Leasing Co: CBRE Developer: LaPour Partners Architect: N/A</p> | <p>8. 111 E Rivulon Boulevard</p> <p>Submarket: East Valley RBA: 60,000 # Floors: 2 Class: A Preleased: 0% Quoted Rate: \$29.50 Grnd Brk Date: Second Quarter 2017 Deliv Date: Fourth Quarter 2017 Leasing Co: Lee & Associates Developer: N/A Architect: N/A</p> | <p>9. 161 E Rivulon Boulevard</p> <p>Submarket: East Valley RBA: 60,000 # Floors: 2 Class: A Preleased: 0% Quoted Rate: \$29.50 Grnd Brk Date: Second Quarter 2017 Deliv Date: Fourth Quarter 2017 Leasing Co: Lee & Associates Developer: Nationwide Realty Investors Architect: N/A</p> |
| <p>10. 51st & Baseline - Laveen Medical Plaza Site</p> <p>Submarket: West Phoenix RBA: 44,000 # Floors: 2 Class: B Preleased: 0% Quoted Rate: \$31.36 Grnd Brk Date: Third Quarter 2017 Deliv Date: Second Quarter 2018 Leasing Co: The Plaza Companies Developer: N/A Architect: N/A</p> | <p>11. 3367 S Mercy Rd</p> <p>Submarket: East Valley RBA: 43,231 # Floors: 2 Class: A Preleased: 63% Quoted Rate: \$30.36 Grnd Brk Date: First Quarter 2017 Deliv Date: Fourth Quarter 2017 Leasing Co: Kidder Mathews Developer: Irgens Partners Architect: Devenney Group Ltd.</p> | <p>12. 101 N Arizona Ave - Overstreet</p> <p>Submarket: East Valley RBA: 33,310 # Floors: 2 Class: A Preleased: 0% Quoted Rate: \$28.00 Grnd Brk Date: First Quarter 2017 Deliv Date: First Quarter 2018 Leasing Co: Cushman & Wakefield Developer: LGE Design Build Architect: LGE Design Build</p> |
| <p>13. 411 S 1st St</p> <p>Submarket: Central Corridor RBA: 26,174 # Floors: 1 Class: B Preleased: 100% Quoted Rate: \$28.36 Grnd Brk Date: First Quarter 2017 Deliv Date: First Quarter 2018 Leasing Co: CBRE Developer: Empire Commercial Dev. Architect: N/A</p> | <p>14. 2005 N Central Ave - AZ Attorney General</p> <p>Submarket: Central Corridor RBA: 25,312 # Floors: 3 Class: B Preleased: 100% Quoted Rate: N/A Grnd Brk Date: First Quarter 2017 Deliv Date: Fourth Quarter 2017 Leasing Co: Wilco Strategic Partners Developer: Wilco Strategic Partners Architect: N/A</p> | <p>15. 16251 N Cave Creek Rd - Noah Palomino Clinic</p> <p>Submarket: North Phoenix RBA: 16,165 # Floors: 1 Class: B Preleased: 100% Quoted Rate: N/A Grnd Brk Date: Third Quarter 2017 Deliv Date: Fourth Quarter 2017 Leasing Co: STORE Capital Corporation Developer: N/A Architect: N/A</p> |

Phoenix Office Market



Figures at a Glance

Class A Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|-------------------|--------------------|-------------------|------------------|------------------|--------------|--------------------|----------------|------------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| Airport Area | 21 | 2,808,774 | 448,374 | 448,374 | 16.0% | 189,606 | 0 | 235,000 | \$26.56 |
| Central Corridor | 26 | 9,666,310 | 1,740,636 | 1,859,500 | 19.2% | (51,689) | 0 | 0 | \$27.23 |
| East Phoenix | 39 | 6,506,813 | 1,168,961 | 1,260,275 | 19.4% | 42,639 | 0 | 118,090 | \$32.80 |
| East Valley | 53 | 9,200,904 | 798,055 | 826,668 | 9.0% | 665,507 | 716,055 | 619,847 | \$30.88 |
| North Phoenix | 17 | 1,819,638 | 222,938 | 257,357 | 14.1% | 22,827 | 0 | 0 | \$27.82 |
| Northwest Phoenix | 36 | 5,502,548 | 506,009 | 513,483 | 9.3% | 225,001 | 150,000 | 0 | \$23.97 |
| Scottsdale | 101 | 11,403,918 | 1,246,882 | 1,360,368 | 11.9% | 136,674 | 0 | 271,000 | \$29.01 |
| West Phoenix | 12 | 2,005,203 | 202,017 | 202,017 | 10.1% | (13,452) | 0 | 0 | \$26.42 |
| Totals | 305 | 48,914,108 | 6,333,872 | 6,728,042 | 13.8% | 1,217,113 | 866,055 | 1,243,937 | \$28.85 |

Source: CoStar Property®

Class B Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|-------------------|--------------------|--------------------|-------------------|-------------------|--------------|--------------------|----------------|----------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| Airport Area | 408 | 14,568,878 | 2,344,512 | 2,952,499 | 20.3% | (192,051) | 89,889 | 0 | \$22.90 |
| Central Corridor | 188 | 10,774,304 | 1,897,300 | 1,909,398 | 17.7% | 25,002 | 0 | 51,486 | \$22.29 |
| East Phoenix | 288 | 8,383,088 | 1,240,744 | 1,260,860 | 15.0% | (41,179) | 0 | 0 | \$22.25 |
| East Valley | 1,391 | 22,155,997 | 2,883,556 | 2,996,404 | 13.5% | 741,318 | 608,068 | 11,938 | \$22.45 |
| North Phoenix | 245 | 4,988,923 | 789,162 | 803,569 | 16.1% | (21,505) | 9,230 | 20,565 | \$20.91 |
| Northwest Phoenix | 779 | 17,264,150 | 3,550,781 | 3,570,349 | 20.7% | (102,766) | 18,400 | 7,750 | \$20.78 |
| Scottsdale | 903 | 16,392,056 | 2,041,315 | 2,150,856 | 13.1% | 83,461 | 2,500 | 0 | \$25.02 |
| West Phoenix | 393 | 6,644,931 | 826,059 | 856,952 | 12.9% | 96,928 | 42,200 | 169,000 | \$24.24 |
| Totals | 4,595 | 101,172,327 | 15,573,429 | 16,500,887 | 16.3% | 589,208 | 770,287 | 260,739 | \$22.58 |

Source: CoStar Property®

Class C Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|-------------------|--------------------|-------------------|------------------|------------------|--------------|--------------------|----------------|----------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| Airport Area | 91 | 1,169,024 | 204,824 | 204,824 | 17.5% | (106,217) | 0 | 0 | \$23.56 |
| Central Corridor | 339 | 2,957,835 | 324,450 | 331,963 | 11.2% | (18,271) | 0 | 0 | \$17.84 |
| East Phoenix | 531 | 3,251,556 | 227,045 | 236,045 | 7.3% | (12,004) | 0 | 0 | \$16.22 |
| East Valley | 762 | 4,841,061 | 546,057 | 549,457 | 11.3% | 1,573 | 0 | 0 | \$16.07 |
| North Phoenix | 214 | 1,401,259 | 137,341 | 137,641 | 9.8% | (30,772) | 0 | 0 | \$18.45 |
| Northwest Phoenix | 730 | 4,843,697 | 701,296 | 701,948 | 14.5% | (7,069) | 0 | 0 | \$14.88 |
| Scottsdale | 461 | 2,460,014 | 225,858 | 236,985 | 9.6% | (14,818) | 0 | 0 | \$21.54 |
| West Phoenix | 258 | 1,953,844 | 263,542 | 263,542 | 13.5% | (59,667) | 0 | 0 | \$16.06 |
| Totals | 3,386 | 22,878,290 | 2,630,413 | 2,662,405 | 11.6% | (247,245) | 0 | 0 | \$17.16 |

Source: CoStar Property®

Total Office Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|-------------------|--------------------|--------------------|-------------------|-------------------|--------------|--------------------|------------------|------------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| Airport Area | 520 | 18,546,676 | 2,997,710 | 3,605,697 | 19.4% | (108,662) | 89,889 | 235,000 | \$23.56 |
| Central Corridor | 553 | 23,398,449 | 3,962,386 | 4,100,861 | 17.5% | (44,958) | 0 | 51,486 | \$24.30 |
| East Phoenix | 858 | 18,141,457 | 2,636,750 | 2,757,180 | 15.2% | (10,544) | 0 | 118,090 | \$26.82 |
| East Valley | 2,206 | 36,197,962 | 4,227,668 | 4,372,529 | 12.1% | 1,408,398 | 1,324,123 | 631,785 | \$24.01 |
| North Phoenix | 476 | 8,209,820 | 1,149,441 | 1,198,567 | 14.6% | (29,450) | 9,230 | 20,565 | \$22.70 |
| Northwest Phoenix | 1,545 | 27,610,395 | 4,758,086 | 4,785,780 | 17.3% | 115,166 | 168,400 | 7,750 | \$20.62 |
| Scottsdale | 1,465 | 30,255,988 | 3,514,055 | 3,748,209 | 12.4% | 205,317 | 2,500 | 271,000 | \$26.71 |
| West Phoenix | 663 | 10,603,978 | 1,291,618 | 1,322,511 | 12.5% | 23,809 | 42,200 | 169,000 | \$22.66 |
| Totals | 8,286 | 172,964,725 | 24,537,714 | 25,891,334 | 15.0% | 1,559,076 | 1,636,342 | 1,504,676 | \$24.09 |

Source: CoStar Property®



Phoenix Office Market

Figures at a Glance

Class A Submarket Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|-----------------------|--------------------|-------------------|------------------|------------------|--------------|--------------------|----------------|------------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| 44th Street Corridor | 13 | 1,716,218 | 322,077 | 324,177 | 18.9% | 6,751 | 0 | 0 | \$26.79 |
| Airport Area | 15 | 2,032,740 | 434,405 | 434,405 | 21.4% | 183,082 | 0 | 235,000 | \$26.55 |
| Arrowhead | 2 | 187,352 | 35,515 | 35,515 | 19.0% | (35,515) | 0 | 0 | \$27.89 |
| Camelback Corridor | 26 | 4,790,595 | 846,884 | 936,098 | 19.5% | 35,888 | 0 | 118,090 | \$34.71 |
| Central Scottsdale | 28 | 2,668,211 | 132,369 | 171,424 | 6.4% | 151,888 | 0 | 0 | \$26.83 |
| Chandler | 21 | 2,673,744 | 263,832 | 263,832 | 9.9% | 172,666 | 60,000 | 153,310 | \$27.65 |
| Deer Valley/Airport | 24 | 4,022,066 | 220,884 | 228,358 | 5.7% | 226,863 | 150,000 | 0 | \$26.29 |
| Downtown | 12 | 5,090,401 | 718,341 | 816,103 | 16.0% | (54,365) | 0 | 0 | \$30.41 |
| Gateway Airport/Loop. | 1 | 46,732 | 4,808 | 4,808 | 10.3% | 7,586 | 0 | 43,231 | \$29.66 |
| Glendale | 5 | 521,061 | 60,347 | 60,347 | 11.6% | (22,153) | 0 | 0 | \$27.21 |
| Loop 303/Surprise | 1 | 390,436 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| Mesa Downtown | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| Mesa East | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| Midtown | 14 | 4,575,909 | 1,022,295 | 1,043,397 | 22.8% | 2,676 | 0 | 0 | \$24.77 |
| Midtown/Central Phoe. | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| N Phoenix/Cave Creek | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| N Scottsdale/Carefre. | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| North I-17 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| Northwest Phoenix | 10 | 1,293,130 | 249,610 | 249,610 | 19.3% | 33,653 | 0 | 0 | \$22.54 |
| Paradise Valley | 14 | 1,410,268 | 209,162 | 223,392 | 15.8% | 21,831 | 0 | 0 | \$27.86 |
| Piestewa Peak Corrid. | 3 | 409,370 | 13,776 | 33,965 | 8.3% | 996 | 0 | 0 | \$27.56 |
| Scottsdale Airpark | 57 | 6,603,943 | 772,478 | 789,683 | 12.0% | 70,703 | 0 | 0 | \$28.96 |
| Scottsdale South | 16 | 2,131,764 | 342,035 | 399,261 | 18.7% | (85,917) | 0 | 271,000 | \$31.53 |
| South Tempe/Ahwatuke. | 6 | 776,034 | 13,969 | 13,969 | 1.8% | 6,524 | 0 | 0 | \$26.99 |
| Southwest Phoenix | 6 | 1,093,706 | 141,670 | 141,670 | 13.0% | 8,701 | 0 | 0 | \$26.00 |
| Superstition Corrido. | 5 | 664,589 | 168,687 | 170,165 | 25.6% | (23,767) | 0 | 0 | \$23.33 |
| Tempe | 26 | 5,815,839 | 360,728 | 387,863 | 6.7% | 509,022 | 656,055 | 423,306 | \$34.46 |
| West I-10 | 0 | 0 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| Totals | 305 | 48,914,108 | 6,333,872 | 6,728,042 | 13.8% | 1,217,113 | 866,055 | 1,243,937 | \$28.85 |

Source: CoStar Property®

Phoenix Office Market



Figures at a Glance

Class B Submarket Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|-----------------------|--------------------|--------------------|-------------------|-------------------|--------------|--------------------|----------------|----------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| 44th Street Corridor | 53 | 1,676,039 | 265,540 | 269,410 | 16.1% | (66,216) | 0 | 0 | \$23.62 |
| Airport Area | 155 | 8,484,024 | 1,452,437 | 2,043,286 | 24.1% | (169,506) | 89,889 | 0 | \$22.83 |
| Arrowhead | 298 | 3,521,195 | 400,101 | 415,109 | 11.8% | 4,684 | 16,000 | 7,750 | \$24.16 |
| Camelback Corridor | 104 | 3,590,690 | 608,936 | 622,817 | 17.3% | (4,326) | 0 | 0 | \$24.08 |
| Central Scottsdale | 284 | 5,629,603 | 707,504 | 725,296 | 12.9% | 62,620 | 0 | 0 | \$23.71 |
| Chandler | 390 | 7,204,317 | 1,209,860 | 1,265,027 | 17.6% | 392,253 | 340,264 | 11,938 | \$23.51 |
| Deer Valley/Airport | 207 | 7,567,263 | 1,527,864 | 1,529,402 | 20.2% | (70,254) | 0 | 0 | \$22.50 |
| Downtown | 65 | 4,125,629 | 391,415 | 391,415 | 9.5% | 67,535 | 0 | 26,174 | \$28.82 |
| Gateway Airport/Loop. | 260 | 2,467,113 | 268,207 | 279,506 | 11.3% | 58,794 | 15,162 | 0 | \$24.45 |
| Glendale | 102 | 1,990,686 | 375,937 | 393,889 | 19.8% | 60,655 | 16,000 | 125,000 | \$24.44 |
| Loop 303/ Surprise | 129 | 1,821,405 | 279,595 | 287,029 | 15.8% | 33,952 | 26,200 | 0 | \$23.36 |
| Mesa Downtown | 32 | 730,228 | 26,794 | 26,794 | 3.7% | 5,795 | 0 | 0 | \$15.33 |
| Mesa East | 218 | 2,209,940 | 176,188 | 182,148 | 8.2% | 20,226 | 0 | 0 | \$17.99 |
| Midtown | 123 | 6,648,675 | 1,505,885 | 1,517,983 | 22.8% | (42,533) | 0 | 25,312 | \$20.46 |
| Midtown/Central Phoe. | 131 | 3,116,359 | 366,268 | 368,633 | 11.8% | 29,363 | 0 | 0 | \$19.52 |
| N Phoenix/Cave Creek | 11 | 99,621 | 8,835 | 8,835 | 8.9% | 4,788 | 0 | 4,400 | \$19.51 |
| N Scottsdale/Carefre. | 156 | 1,636,159 | 337,989 | 337,989 | 20.7% | 33,814 | 2,500 | 0 | \$20.73 |
| North I-17 | 56 | 743,990 | 137,679 | 140,451 | 18.9% | (5,137) | 0 | 0 | \$24.36 |
| Northwest Phoenix | 218 | 5,431,702 | 1,485,137 | 1,485,387 | 27.3% | (32,059) | 2,400 | 0 | \$18.10 |
| Paradise Valley | 154 | 2,544,205 | 309,604 | 320,336 | 12.6% | (43,147) | 9,230 | 16,165 | \$21.18 |
| Piestewa Peak Corrid. | 80 | 2,345,097 | 470,723 | 474,398 | 20.2% | 16,854 | 0 | 0 | \$20.81 |
| Scottsdale Airpark | 307 | 6,075,232 | 559,210 | 640,800 | 10.5% | 14,251 | 0 | 0 | \$24.14 |
| Scottsdale South | 156 | 3,051,062 | 436,612 | 446,771 | 14.6% | (27,224) | 0 | 0 | \$28.68 |
| South Tempe/Ahwatuke. | 253 | 6,084,854 | 892,075 | 909,213 | 14.9% | (22,545) | 0 | 0 | \$23.04 |
| Southwest Phoenix | 54 | 1,248,852 | 41,161 | 41,161 | 3.3% | (3,136) | 0 | 44,000 | \$27.50 |
| Superstition Corrido. | 333 | 4,852,806 | 509,573 | 523,712 | 10.8% | 196,234 | 0 | 0 | \$19.39 |
| Tempe | 158 | 4,691,593 | 692,934 | 719,217 | 15.3% | 68,016 | 252,642 | 0 | \$24.52 |
| West I-10 | 108 | 1,583,988 | 129,366 | 134,873 | 8.5% | 5,457 | 0 | 0 | \$23.80 |
| Totals | 4,595 | 101,172,327 | 15,573,429 | 16,500,887 | 16.3% | 589,208 | 770,287 | 260,739 | \$22.58 |

Source: CoStar Property®



Phoenix Office Market

Figures at a Glance

Class C Submarket Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|-----------------------|--------------------|-------------------|------------------|------------------|--------------|--------------------|----------------|----------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| 44th Street Corridor | 77 | 556,473 | 28,815 | 28,815 | 5.2% | (325) | 0 | 0 | \$13.79 |
| Airport Area | 56 | 672,732 | 45,140 | 45,140 | 6.7% | 15,918 | 0 | 0 | \$19.38 |
| Arrowhead | 71 | 530,435 | 108,878 | 108,878 | 20.5% | (5,826) | 0 | 0 | \$19.35 |
| Camelback Corridor | 92 | 668,870 | 32,116 | 32,116 | 4.8% | (3,776) | 0 | 0 | \$19.02 |
| Central Scottsdale | 75 | 419,682 | 10,964 | 17,048 | 4.1% | (13,076) | 0 | 0 | \$16.51 |
| Chandler | 77 | 466,311 | 52,284 | 52,284 | 11.2% | (10,414) | 0 | 0 | \$18.87 |
| Deer Valley/Airport | 51 | 366,072 | 32,633 | 32,633 | 8.9% | 3,943 | 0 | 0 | \$15.72 |
| Downtown | 96 | 1,279,885 | 182,524 | 190,037 | 14.8% | (31,101) | 0 | 0 | \$27.34 |
| Gateway Airport/Loop. | 16 | 72,307 | 3,490 | 3,490 | 4.8% | 984 | 0 | 0 | \$21.20 |
| Glendale | 81 | 616,920 | 56,372 | 56,372 | 9.1% | 7,671 | 0 | 0 | \$15.04 |
| Loop 303/Surprise | 21 | 160,974 | 10,467 | 10,467 | 6.5% | (5,529) | 0 | 0 | \$15.08 |
| Mesa Downtown | 176 | 761,385 | 84,209 | 85,309 | 11.2% | 17,660 | 0 | 0 | \$13.25 |
| Mesa East | 207 | 1,293,525 | 154,865 | 154,865 | 12.0% | 3,579 | 0 | 0 | \$15.80 |
| Midtown | 243 | 1,677,950 | 141,926 | 141,926 | 8.5% | 12,830 | 0 | 0 | \$15.86 |
| Midtown/Central Phoe. | 362 | 2,026,213 | 166,114 | 175,114 | 8.6% | (7,903) | 0 | 0 | \$16.16 |
| N Phoenix/Cave Creek | 5 | 20,037 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| N Scottsdale/Carefre. | 37 | 235,655 | 31,003 | 31,003 | 13.2% | (4,802) | 0 | 0 | \$18.03 |
| North I-17 | 1 | 2,310 | 0 | 0 | 0.0% | 0 | 0 | 0 | \$0.00 |
| Northwest Phoenix | 607 | 3,944,880 | 559,785 | 560,437 | 14.2% | (5,186) | 0 | 0 | \$13.53 |
| Paradise Valley | 92 | 682,576 | 92,180 | 92,180 | 13.5% | (16,075) | 0 | 0 | \$17.39 |
| Piestewa Peak Corrid. | 117 | 698,646 | 45,161 | 45,461 | 6.5% | (14,697) | 0 | 0 | \$20.26 |
| Scottsdale Airpark | 18 | 191,873 | 11,885 | 11,885 | 6.2% | 5,585 | 0 | 0 | \$17.09 |
| Scottsdale South | 331 | 1,612,804 | 172,006 | 177,049 | 11.0% | (2,525) | 0 | 0 | \$22.81 |
| South Tempe/Ahwatuke | 35 | 496,292 | 159,684 | 159,684 | 32.2% | (122,135) | 0 | 0 | \$24.69 |
| Southwest Phoenix | 117 | 812,659 | 101,520 | 101,520 | 12.5% | (8,936) | 0 | 0 | \$15.99 |
| Superstition Corrido. | 74 | 663,791 | 88,558 | 88,558 | 13.3% | (5,188) | 0 | 0 | \$13.07 |
| Tempe | 212 | 1,583,742 | 162,651 | 164,951 | 10.4% | (5,048) | 0 | 0 | \$17.61 |
| West I-10 | 39 | 363,291 | 95,183 | 95,183 | 26.2% | (52,873) | 0 | 0 | \$16.52 |
| Totals | 3,386 | 22,878,290 | 2,630,413 | 2,662,405 | 11.6% | (247,245) | 0 | 0 | \$17.16 |

Source: CoStar Property®

Phoenix Office Market



Figures at a Glance

Total Office Submarket Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|-----------------------|--------------------|--------------------|-------------------|-------------------|--------------|--------------------|------------------|------------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| 44th Street Corridor | 143 | 3,948,730 | 616,432 | 622,402 | 15.8% | (59,790) | 0 | 0 | \$24.86 |
| Airport Area | 226 | 11,189,496 | 1,931,982 | 2,522,831 | 22.5% | 29,494 | 89,889 | 235,000 | \$23.67 |
| Arrowhead | 371 | 4,238,982 | 544,494 | 559,502 | 13.2% | (36,657) | 16,000 | 7,750 | \$23.42 |
| Camelback Corridor | 222 | 9,050,155 | 1,487,936 | 1,591,031 | 17.6% | 27,786 | 0 | 118,090 | \$30.82 |
| Central Scottsdale | 387 | 8,717,496 | 850,837 | 913,768 | 10.5% | 201,432 | 0 | 0 | \$24.91 |
| Chandler | 488 | 10,344,372 | 1,525,976 | 1,581,143 | 15.3% | 554,505 | 400,264 | 165,248 | \$24.35 |
| Deer Valley/Airport | 282 | 11,955,401 | 1,781,381 | 1,790,393 | 15.0% | 160,552 | 150,000 | 0 | \$23.16 |
| Downtown | 173 | 10,495,915 | 1,292,280 | 1,397,555 | 13.3% | (17,931) | 0 | 26,174 | \$29.78 |
| Gateway Airport/Loop. | 277 | 2,586,152 | 276,505 | 287,804 | 11.1% | 67,364 | 15,162 | 43,231 | \$24.70 |
| Glendale | 188 | 3,128,667 | 492,656 | 510,608 | 16.3% | 46,173 | 16,000 | 125,000 | \$24.18 |
| Loop 303/Surprise | 151 | 2,372,815 | 290,062 | 297,496 | 12.5% | 28,423 | 26,200 | 0 | \$22.87 |
| Mesa Downtown | 208 | 1,491,613 | 111,003 | 112,103 | 7.5% | 23,455 | 0 | 0 | \$13.95 |
| Mesa East | 425 | 3,503,465 | 331,053 | 337,013 | 9.6% | 23,805 | 0 | 0 | \$16.98 |
| Midtown | 380 | 12,902,534 | 2,670,106 | 2,703,306 | 21.0% | (27,027) | 0 | 25,312 | \$21.78 |
| Midtown/Central Phoe. | 493 | 5,142,572 | 532,382 | 543,747 | 10.6% | 21,460 | 0 | 0 | \$18.69 |
| N Phoenix/Cave Creek | 16 | 119,658 | 8,835 | 8,835 | 7.4% | 4,788 | 0 | 4,400 | \$19.51 |
| N Scottsdale/Carefre. | 193 | 1,871,814 | 368,992 | 368,992 | 19.7% | 29,012 | 2,500 | 0 | \$20.44 |
| North I-17 | 57 | 746,300 | 137,679 | 140,451 | 18.8% | (5,137) | 0 | 0 | \$24.36 |
| Northwest Phoenix | 835 | 10,669,712 | 2,294,532 | 2,295,434 | 21.5% | (3,592) | 2,400 | 0 | \$18.26 |
| Paradise Valley | 260 | 4,637,049 | 610,946 | 635,908 | 13.7% | (37,391) | 9,230 | 16,165 | \$23.98 |
| Piestewa Peak Corrid. | 200 | 3,453,113 | 529,660 | 553,824 | 16.0% | 3,153 | 0 | 0 | \$21.39 |
| Scottsdale Airpark | 382 | 12,871,048 | 1,343,573 | 1,442,368 | 11.2% | 90,539 | 0 | 0 | \$26.97 |
| Scottsdale South | 503 | 6,795,630 | 950,653 | 1,023,081 | 15.1% | (115,666) | 0 | 271,000 | \$28.97 |
| South Tempe/Ahwatuke. | 294 | 7,357,180 | 1,065,728 | 1,082,866 | 14.7% | (138,156) | 0 | 0 | \$23.32 |
| Southwest Phoenix | 177 | 3,155,217 | 284,351 | 284,351 | 9.0% | (3,371) | 0 | 44,000 | \$22.46 |
| Superstition Corrido. | 412 | 6,181,186 | 766,818 | 782,435 | 12.7% | 167,279 | 0 | 0 | \$19.73 |
| Tempe | 396 | 12,091,174 | 1,216,313 | 1,272,031 | 10.5% | 571,990 | 908,697 | 423,306 | \$28.50 |
| West I-10 | 147 | 1,947,279 | 224,549 | 230,056 | 11.8% | (47,416) | 0 | 0 | \$20.34 |
| Totals | 8,286 | 172,964,725 | 24,537,714 | 25,891,334 | 15.0% | 1,559,076 | 1,636,342 | 1,504,676 | \$24.09 |

Source: CoStar Property®



Phoenix Office Market

Figures at a Glance

Class A Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|---------------|--------------------|-------------------|------------------|------------------|--------------|--------------------|----------------|------------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| CBD | 26 | 9,666,310 | 1,740,636 | 1,859,500 | 19.2% | (51,689) | 0 | 0 | \$27.23 |
| Suburban | 279 | 39,247,798 | 4,593,236 | 4,868,542 | 12.4% | 1,268,802 | 866,055 | 1,243,937 | \$29.24 |
| Totals | 305 | 48,914,108 | 6,333,872 | 6,728,042 | 13.8% | 1,217,113 | 866,055 | 1,243,937 | \$28.85 |

Source: CoStar Property®

Class B Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|---------------|--------------------|--------------------|-------------------|-------------------|--------------|--------------------|----------------|----------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| CBD | 188 | 10,774,304 | 1,897,300 | 1,909,398 | 17.7% | 25,002 | 0 | 51,486 | \$22.29 |
| Suburban | 4,407 | 90,398,023 | 13,676,129 | 14,591,489 | 16.1% | 564,206 | 770,287 | 209,253 | \$22.61 |
| Totals | 4,595 | 101,172,327 | 15,573,429 | 16,500,887 | 16.3% | 589,208 | 770,287 | 260,739 | \$22.58 |

Source: CoStar Property®

Class C Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|---------------|--------------------|-------------------|------------------|------------------|--------------|--------------------|----------------|----------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| CBD | 339 | 2,957,835 | 324,450 | 331,963 | 11.2% | (18,271) | 0 | 0 | \$17.84 |
| Suburban | 3,047 | 19,920,455 | 2,305,963 | 2,330,442 | 11.7% | (228,974) | 0 | 0 | \$17.10 |
| Totals | 3,386 | 22,878,290 | 2,630,413 | 2,662,405 | 11.6% | (247,245) | 0 | 0 | \$17.16 |

Source: CoStar Property®

Class A & B Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|---------------|--------------------|--------------------|-------------------|-------------------|--------------|--------------------|------------------|------------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| CBD | 214 | 20,440,614 | 3,637,936 | 3,768,898 | 18.4% | (26,687) | 0 | 51,486 | \$24.65 |
| Suburban | 4,686 | 129,645,821 | 18,269,365 | 19,460,031 | 15.0% | 1,833,008 | 1,636,342 | 1,453,190 | \$24.73 |
| Totals | 4,900 | 150,086,435 | 21,907,301 | 23,228,929 | 15.5% | 1,806,321 | 1,636,342 | 1,504,676 | \$24.72 |

Source: CoStar Property®

Total Office Market Statistics

Third Quarter 2017

| Market | Existing Inventory | | Vacancy | | | YTD Net Absorption | YTD Deliveries | Under Const SF | Quoted Rates |
|---------------|--------------------|--------------------|-------------------|-------------------|--------------|--------------------|------------------|------------------|----------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | | | |
| CBD | 553 | 23,398,449 | 3,962,386 | 4,100,861 | 17.5% | (44,958) | 0 | 51,486 | \$24.30 |
| Suburban | 7,733 | 149,566,276 | 20,575,328 | 21,790,473 | 14.6% | 1,604,034 | 1,636,342 | 1,453,190 | \$24.06 |
| Totals | 8,286 | 172,964,725 | 24,537,714 | 25,891,334 | 15.0% | 1,559,076 | 1,636,342 | 1,504,676 | \$24.09 |

Source: CoStar Property®

Phoenix Office Market



Figures at a Glance

Class A Market Statistics

Third Quarter 2017

| Period | Existing Inventory | | Vacancy | | | Net Absorption | Deliveries | | UC Inventory | | Quoted Rates |
|---------|--------------------|------------|-----------|------------|-------|----------------|------------|-----------|--------------|-----------|--------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | # Blds | Total RBA | # Blds | Total RBA | |
| 2017 3q | 305 | 48,914,108 | 6,333,872 | 6,728,042 | 13.8% | 215,024 | 0 | 0 | 10 | 1,243,937 | \$28.85 |
| 2017 2q | 305 | 48,914,108 | 6,550,094 | 6,943,066 | 14.2% | 103,858 | 1 | 60,000 | 9 | 970,631 | \$28.39 |
| 2017 1q | 304 | 48,854,108 | 6,493,401 | 6,986,924 | 14.3% | 898,231 | 3 | 806,055 | 6 | 642,541 | \$28.23 |
| 2016 4q | 301 | 48,048,053 | 6,642,802 | 7,079,100 | 14.7% | 461,750 | 2 | 280,663 | 6 | 1,236,555 | \$27.96 |
| 2016 3q | 299 | 47,767,390 | 6,759,440 | 7,260,187 | 15.2% | 806,751 | 1 | 370,000 | 6 | 1,146,718 | \$28.04 |
| 2016 2q | 298 | 47,397,390 | 7,198,610 | 7,696,938 | 16.2% | 453,663 | 3 | 460,750 | 6 | 1,456,718 | \$27.63 |
| 2016 1q | 295 | 46,936,640 | 7,251,309 | 7,689,851 | 16.4% | 73,011 | 3 | 824,477 | 8 | 1,767,468 | \$27.10 |
| 2015 | 292 | 46,112,163 | 6,598,218 | 6,938,385 | 15.0% | 2,661,297 | 12 | 2,012,950 | 10 | 2,378,890 | \$26.57 |
| 2014 | 280 | 44,099,213 | 7,207,389 | 7,586,732 | 17.2% | 1,553,865 | 6 | 901,986 | 11 | 2,911,008 | \$24.84 |
| 2013 | 274 | 43,197,227 | 7,819,613 | 8,238,611 | 19.1% | 643,264 | 2 | 208,270 | 10 | 2,537,986 | \$23.64 |
| 2012 | 272 | 42,988,957 | 8,233,556 | 8,673,605 | 20.2% | 1,268,967 | 1 | 92,102 | 3 | 268,270 | \$23.14 |
| 2011 | 271 | 42,896,855 | 9,129,761 | 9,850,470 | 23.0% | 903,829 | 3 | 626,991 | 1 | 60,000 | \$23.31 |
| 2010 | 268 | 42,269,864 | 9,369,856 | 10,127,308 | 24.0% | 631,981 | 5 | 1,293,223 | 4 | 686,991 | \$24.23 |
| 2009 | 263 | 40,976,641 | 8,899,220 | 9,466,066 | 23.1% | 152,549 | 14 | 1,607,661 | 6 | 1,703,271 | \$26.67 |
| 2008 | 249 | 39,368,980 | 7,313,390 | 8,010,954 | 20.3% | (183,960) | 29 | 2,999,604 | 17 | 2,733,652 | \$29.62 |
| 2007 | 219 | 36,336,044 | 4,372,427 | 4,794,058 | 13.2% | 1,372,016 | 23 | 2,664,258 | 31 | 4,062,896 | \$30.00 |

Source: CoStar Property®

Class B Market Statistics

Third Quarter 2017

| Period | Existing Inventory | | Vacancy | | | Net Absorption | Deliveries | | UC Inventory | | Quoted Rates |
|---------|--------------------|-------------|------------|------------|-------|----------------|------------|-----------|--------------|-----------|--------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | # Blds | Total RBA | # Blds | Total RBA | |
| 2017 3q | 4,595 | 101,172,327 | 15,573,429 | 16,500,887 | 16.3% | 69,514 | 4 | 37,408 | 10 | 260,739 | \$22.58 |
| 2017 2q | 4,591 | 101,134,919 | 15,583,757 | 16,532,993 | 16.3% | 461,210 | 9 | 300,905 | 11 | 112,982 | \$22.39 |
| 2017 1q | 4,583 | 100,852,014 | 15,975,605 | 16,711,298 | 16.6% | 58,484 | 6 | 431,974 | 18 | 405,502 | \$22.11 |
| 2016 4q | 4,584 | 100,779,536 | 15,889,122 | 16,697,304 | 16.6% | 55,157 | 8 | 254,000 | 20 | 772,882 | \$21.96 |
| 2016 3q | 4,577 | 100,537,800 | 15,952,363 | 16,510,725 | 16.4% | 164,758 | 7 | 127,426 | 24 | 974,381 | \$21.69 |
| 2016 2q | 4,571 | 100,422,685 | 16,040,557 | 16,560,368 | 16.5% | 717,060 | 9 | 65,612 | 26 | 705,869 | \$21.32 |
| 2016 1q | 4,562 | 100,357,073 | 16,720,691 | 17,211,816 | 17.2% | 500,750 | 2 | 65,165 | 22 | 561,278 | \$20.97 |
| 2015 | 4,561 | 100,326,945 | 17,228,209 | 17,682,438 | 17.6% | 823,263 | 23 | 1,192,199 | 14 | 286,886 | \$20.61 |
| 2014 | 4,541 | 99,188,712 | 16,959,616 | 17,367,468 | 17.5% | 1,186,441 | 12 | 524,682 | 15 | 889,791 | \$19.84 |
| 2013 | 4,538 | 99,172,581 | 18,172,682 | 18,537,778 | 18.7% | 1,360,868 | 4 | 37,197 | 9 | 469,938 | \$18.99 |
| 2012 | 4,543 | 99,369,768 | 19,532,673 | 20,095,833 | 20.2% | 2,252,156 | 14 | 1,345,736 | 3 | 144,322 | \$18.77 |
| 2011 | 4,529 | 98,022,297 | 20,617,916 | 21,000,518 | 21.4% | 259,407 | 6 | 87,128 | 11 | 1,182,119 | \$19.29 |
| 2010 | 4,523 | 97,940,349 | 20,771,912 | 21,177,977 | 21.6% | (99,949) | 9 | 144,242 | 6 | 964,734 | \$20.16 |
| 2009 | 4,511 | 97,744,244 | 20,217,007 | 20,881,923 | 21.4% | (1,351,007) | 39 | 935,002 | 9 | 802,836 | \$21.17 |
| 2008 | 4,470 | 96,935,796 | 17,834,799 | 18,722,468 | 19.3% | (96,949) | 208 | 4,118,834 | 35 | 925,810 | \$23.47 |
| 2007 | 4,232 | 92,320,663 | 13,336,662 | 14,010,386 | 15.2% | 2,057,315 | 343 | 4,837,472 | 214 | 4,305,085 | \$24.02 |

Source: CoStar Property®

Total Office Market Statistics

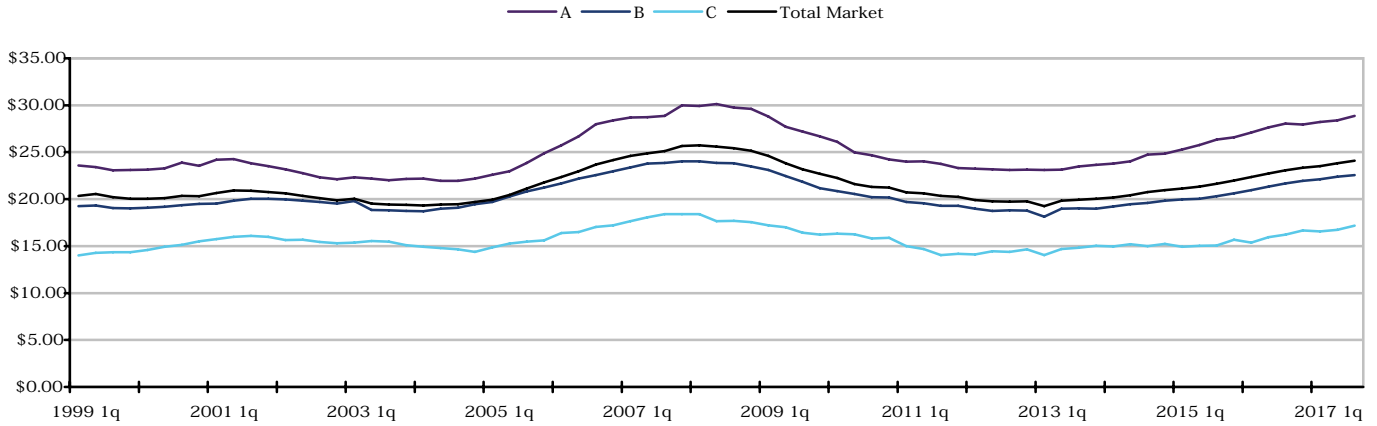
Third Quarter 2017

| Period | Existing Inventory | | Vacancy | | | Net Absorption | Deliveries | | UC Inventory | | Quoted Rates |
|---------|--------------------|-------------|------------|------------|-------|----------------|------------|-----------|--------------|-----------|--------------|
| | # Blds | Total RBA | Direct SF | Total SF | Vac % | | # Blds | Total RBA | # Blds | Total RBA | |
| 2017 3q | 8,286 | 172,964,725 | 24,537,714 | 25,891,334 | 15.0% | 139,652 | 4 | 37,408 | 20 | 1,504,676 | \$24.09 |
| 2017 2q | 8,284 | 172,974,391 | 24,667,457 | 26,040,652 | 15.1% | 594,437 | 10 | 360,905 | 20 | 1,083,613 | \$23.83 |
| 2017 1q | 8,276 | 172,639,748 | 25,050,933 | 26,300,446 | 15.2% | 824,987 | 9 | 1,238,029 | 24 | 1,048,043 | \$23.53 |
| 2016 4q | 8,275 | 171,801,215 | 25,025,532 | 26,286,900 | 15.3% | 615,662 | 10 | 534,663 | 26 | 2,009,437 | \$23.35 |
| 2016 3q | 8,268 | 171,284,316 | 25,307,636 | 26,385,663 | 15.4% | 1,024,189 | 8 | 497,426 | 30 | 2,121,099 | \$23.06 |
| 2016 2q | 8,264 | 170,865,918 | 25,955,655 | 26,991,454 | 15.8% | 1,223,883 | 12 | 526,362 | 32 | 2,162,587 | \$22.73 |
| 2016 1q | 8,252 | 170,339,556 | 26,740,636 | 27,688,975 | 16.3% | 606,275 | 5 | 889,642 | 30 | 2,328,746 | \$22.36 |
| 2015 | 8,248 | 169,484,951 | 26,637,874 | 27,440,645 | 16.2% | 3,612,223 | 35 | 3,205,149 | 24 | 2,665,776 | \$21.97 |
| 2014 | 8,229 | 166,433,411 | 27,202,756 | 28,001,328 | 16.8% | 2,845,664 | 18 | 1,426,668 | 26 | 3,800,799 | \$20.95 |
| 2013 | 8,229 | 165,696,439 | 29,297,458 | 30,110,020 | 18.2% | 1,687,571 | 6 | 245,467 | 19 | 3,007,924 | \$20.04 |
| 2012 | 8,239 | 165,777,299 | 30,847,972 | 31,878,451 | 19.2% | 3,210,044 | 15 | 1,437,838 | 6 | 412,592 | \$19.76 |
| 2011 | 8,237 | 164,442,406 | 32,635,115 | 33,753,602 | 20.5% | 1,233,958 | 9 | 714,119 | 12 | 1,242,119 | \$20.23 |
| 2010 | 8,230 | 163,746,062 | 33,106,830 | 34,291,216 | 20.9% | 486,010 | 15 | 1,441,265 | 10 | 1,651,725 | \$21.22 |
| 2009 | 8,213 | 162,260,990 | 32,002,238 | 33,292,154 | 20.5% | (1,841,010) | 53 | 2,542,663 | 16 | 2,509,907 | \$22.68 |
| 2008 | 8,160 | 159,824,643 | 27,387,167 | 29,014,797 | 18.2% | (622,172) | 238 | 7,134,502 | 55 | 3,702,548 | \$25.14 |
| 2007 | 7,896 | 152,269,922 | 19,716,314 | 20,837,904 | 13.7% | 2,834,305 | 367 | 7,504,603 | 248 | 8,404,408 | \$25.67 |

Source: CoStar Property®

Historical Rental Rates

Based on Full-Service Equivalent Rental Rates



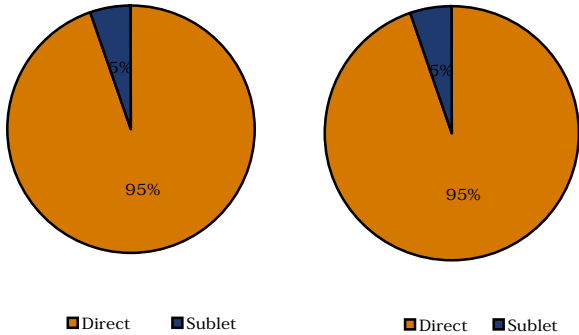
Source: CoStar Property®

Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Phoenix

United States



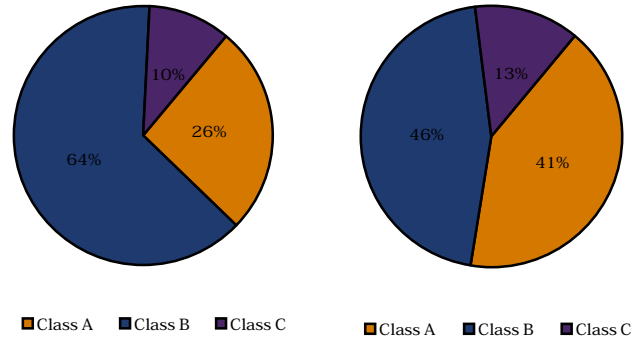
Source: CoStar Property®

Vacancy by Class

Percent of All Vacant Space by Class

Phoenix

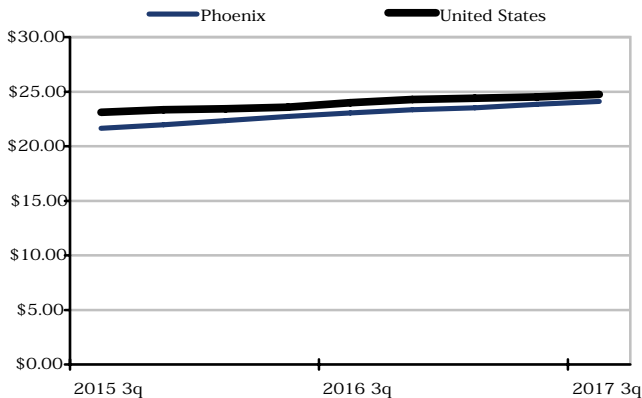
United States



Source: CoStar Property®

U.S. Rental Rate Comparison

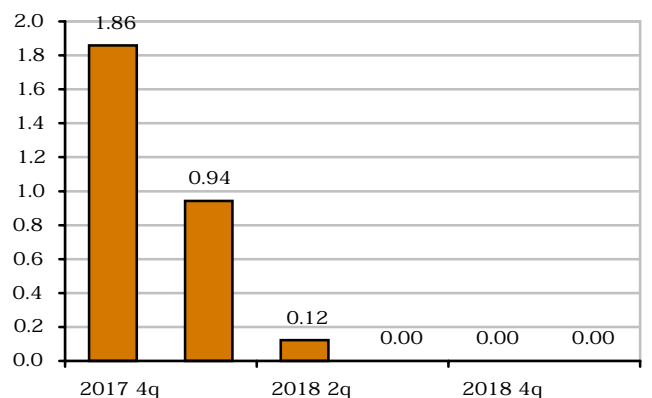
Based on Full-Service Equivalent Rental Rates



Source: CoStar Property®

Future Space Available

Space Scheduled to be Available for Occupancy*



* Includes Under Construction Spaces

Source: CoStar Property®

Phoenix Office Market



Leasing Activity

Select Top Office Leases Based on Leased Square Footage For Deals Signed in 2017

| Building | Submarket | SF | Qtr | Tenant Name | Tenant Rep Company | Landlord Rep Company | |
|----------|--------------------------|------------------------|---------|-------------|---------------------------------|----------------------------------|---------------------|
| 1 | 2100 E Rio Salado Pky | Tempe | 300,000 | 2nd | Freedom Financial | JLL | CBRE |
| 2 | 1101 W Washington St | Tempe | 173,055 | 3rd | MUFG Union Bank | CBRE | CBRE |
| 3 | 17500 N Black Canyon Hwy | Deer Valley/Airport | 163,607 | 3rd | Consumer Cellular | Lee & Associates | CBRE |
| 4 | 1 N Central Ave | Downtown | 149,273 | 2nd | Quicken Loans, Inc. | Newmark Knight Frank | CBRE |
| 5 | 4000 N Central Ave* | Midtown | 147,983 | 2nd | Department of Economic Security | Direct Deal | JLL |
| 6 | 2501 S Price Rd | Chandler | 81,896 | 3rd | Wells Fargo | CBRE | Cushman & Wakefield |
| 7 | 1500 N Priest Dr | Tempe | 71,618 | 1st | Endurance International Group | JLL | Cushman & Wakefield |
| 8 | 2225 S Price Rd | Chandler | 66,756 | 1st | Walgreens Call Center | JLL | JLL |
| 9 | 100 S McQueen Rd | Chandler | 60,000 | 1st | Orbital ATK | N/A | CBRE |
| 10 | 3111 W Frye Rd | Chandler | 55,000 | 3rd | Stantec | JLL | CBRE |
| 11 | 19820 N 7th Ave | Deer Valley/Airport | 52,097 | 1st | NPL | N/A | CBRE |
| 12 | 2411 W Peoria Ave | Northwest Phoenix | 51,411 | 2nd | CSAA Insurance | N/A | Transwestern |
| 13 | 2299 W Obispo Ave | Chandler | 51,401 | 1st | GoDaddy.com, Inc. | N/A | Cushman & Wakefield |
| 14 | 2120 E Rio Salado Pky | Tempe | 49,505 | 3rd | Varsity Tutors | JLL | CBRE |
| 15 | 201 E Washington St | Downtown | 42,866 | 3rd | Uber Technologies Inc. | N/A | CBRE |
| 16 | 2 N Central Ave | Downtown | 39,000 | 2nd | Upgrade, Inc. | JLL | Lee & Associates |
| 17 | 1355 N Scottsdale Rd | Scottsdale South | 36,503 | 2nd | Web.com Group, Inc. | N/A | Lee & Associates |
| 18 | 1225 W Washington St* | Tempe | 35,369 | 2nd | Nationwide Credit | N/A | Cushman & Wakefield |
| 19 | 625 S 5th St* | Downtown | 34,582 | 1st | WebPT | Direct Deal | Direct Deal |
| 20 | 16404 N Black Canyon Hwy | Deer Valley/Airport | 34,536 | 1st | Paychex, Inc. | The Acclaim Group LLC | JLL |
| 21 | 8667-8701 E Hartford Dr | Scottsdale Airpark | 28,952 | 2nd | SiteLock | N/A | Cushman & Wakefield |
| 22 | 3636 N Central Ave* | Midtown | 28,500 | 3rd | U.S. Army Corps of Engineers | Tucson Realty; Carpenter/Robbins | Cushman & Wakefield |
| 23 | 9165 E Del Camino | Central Scottsdale | 28,313 | 3rd | Nationwide Mutual Insurance | Lee & Associates | Lee & Associates |
| 24 | 8667-8701 E Hartford Dr | Scottsdale Airpark | 27,990 | 3rd | North Central University | N/A | Cushman & Wakefield |
| 25 | 4141 N Scottsdale Rd | Scottsdale South | 27,323 | 3rd | Benchmark Electronics | JLL | Cushman & Wakefield |
| 26 | 2525 E Camelback Rd | Camelback Corridor | 27,289 | 2nd | Alliance Residential LLC | N/A | CBRE |
| 27 | 411 S 1st St | Downtown | 26,174 | 2nd | Scientific Technologies Corp. | Keyser | CBRE |
| 28 | 7600 N 15th St* | Piestewa Peak Corridor | 26,090 | 3rd | Multi-Systems, Inc. | CBRE | Cushman & Wakefield |
| 29 | 9165 E Del Camino | Central Scottsdale | 26,025 | 2nd | Nationwide Mutual Insurance | N/A | Lee & Associates |
| 30 | 645 E Missouri Ave | Midtown | 25,625 | 3rd | LaneTerraever | Lee & Associates | CBRE |
| 31 | 301 W Warner Rd | South Tempe/Ahwatukee | 25,190 | 2nd | CEC Educational Services | N/A | Cushman & Wakefield |
| 32 | 2035 W 4th St | Airport Area | 25,000 | 3rd | CR Bard | CBRE | JLL |
| 33 | 2195 W Chandler Blvd | Chandler | 24,983 | 1st | RUI Management Services | N/A | Lee & Associates |
| 34 | 4343 N Scottsdale Rd | Scottsdale South | 24,398 | 1st | Indeed | N/A | JLL |
| 35 | 40 N Central Ave | Downtown | 24,233 | 2nd | Cantor Law Group | JLL | Lee & Associates |
| 36 | 1 N Central Ave | Downtown | 22,294 | 3rd | Arizona Summit Law School | Newmark Knight Frank | CBRE |
| 37 | 2101 W Peoria Ave | Northwest Phoenix | 21,589 | 3rd | Convergent Outsourcing | N/A | CBRE |
| 38 | 20 E Thomas Rd | Midtown | 21,339 | 2nd | Open Door Labs | Colliers International | CBRE |
| 39 | 3033 N 44th St | 44th Street Corridor | 20,166 | 3rd | Ortho Arizona | N/A | Cushman & Wakefield |
| 40 | 1850 N Central Ave | Midtown | 19,777 | 1st | BMO Harris Bank | CBRE | JLL |

Source: CoStar Property®

* Renewal

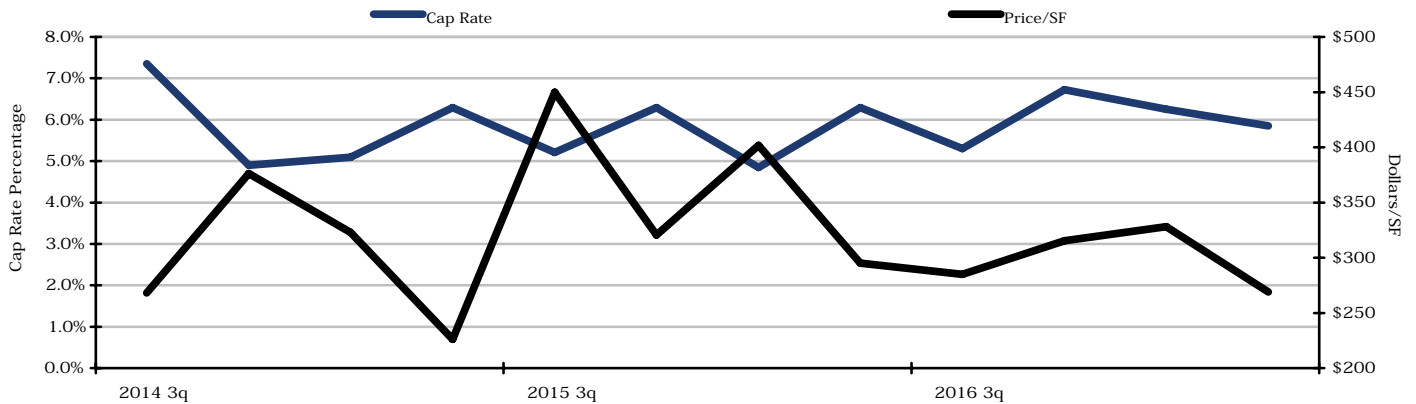


Phoenix Office Market

Sales Activity

The Optimist Sales Index

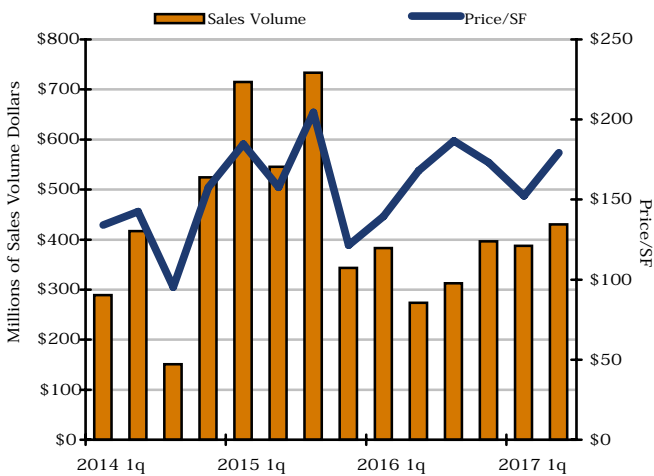
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



Source: CoStar COMPS®

Sales Volume & Price

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

Sales Analysis by Building Size

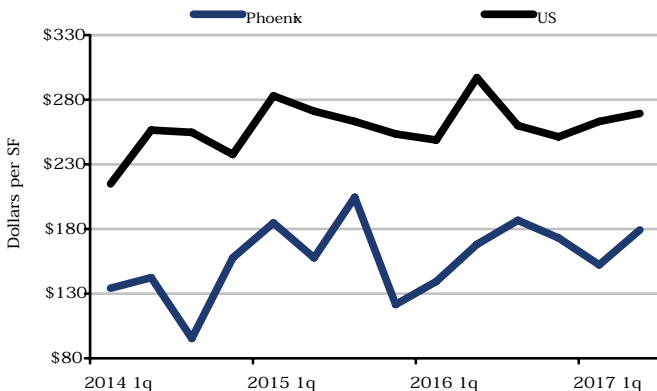
Based on Office Building Sales From July 2016 - June 2017

| Bldg Size | # | RBA | \$ Volume | Price/SF | Cap Rate |
|--------------|-----|-----------|---------------|-----------|----------|
| < 50,000 SF | 244 | 2,915,603 | \$436,467,814 | \$ 149.70 | 7.30% |
| 50K-249K SF | 46 | 4,583,279 | \$816,034,396 | \$ 178.05 | 7.63% |
| 250K-499K SF | 7 | 2,006,631 | \$340,770,000 | \$ 169.82 | 7.59% |
| >500K SF | 1 | 538,074 | \$142,500,000 | \$ 264.83 | - |

Source: CoStar COMPS®

U.S. Price/SF Comparison

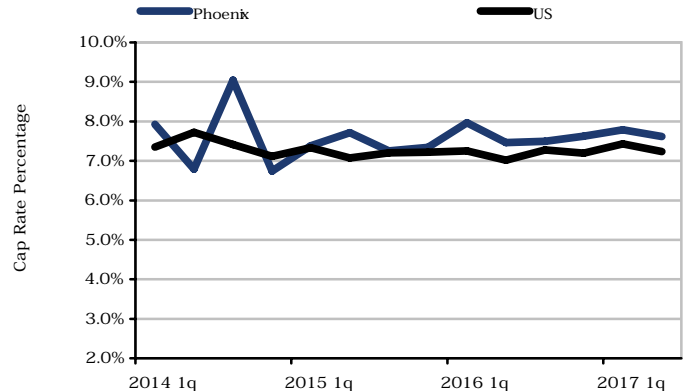
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

U.S. Cap Rate Comparison

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

Phoenix Office Market



Sales Activity

Select Top Sales

Based on Sales from July 2016 Through September 2017

1. Galleria Corporate Centre



Scottsdale

Price: **\$142,500,000**
 Price/SF: **\$264.83**
 Cap Rate: **N/A**
 RBA: **538,074**
 Date: **3/7/2017**
 Year Built: **1991**
 Buyer: **Jasper Ridge Partners**
 Seller: **Oaktree Capital Management LP**

2. 3131-3133 Camelback



Phoenix

Price: **\$81,750,000**
 Price/SF: **\$276.74**
 Cap Rate: **5.5%**
 RBA: **295,401**
 Date: **6/15/2017**
 Year Built: **1999**
 Buyer: **Goldman Sachs & Co.**
 Seller: **Illinois Teachers' Retirement**

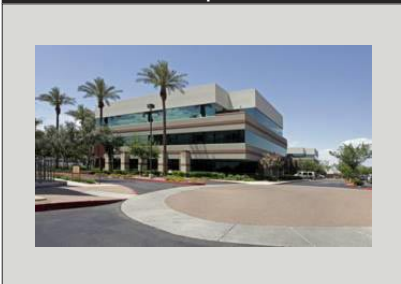
3. Camelback Commons - North



Phoenix

Price: **\$66,400,000**
 Price/SF: **\$205.95**
 Cap Rate: **N/A**
 RBA: **322,406**
 Date: **6/26/2017**
 Year Built: **1986**
 Buyer: **Regent Properties, Inc.**
 Seller: **McCarthy Cook & Co.**

4. SanTan Corporate Center



Chandler

Price: **\$58,500,000**
 Price/SF: **\$219.49**
 Cap Rate: **6.77%**
 RBA: **266,531**
 Date: **12/15/2016**
 Year Built: **2000**
 Buyer: **City Office REIT, Inc.**
 Seller: **Columbia Property Trust**

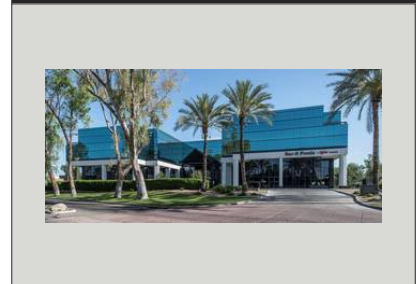
5. 3200 N Central



Phoenix

Price: **\$49,000,000**
 Price/SF: **\$142.05**
 Cap Rate: **N/A**
 RBA: **344,958**
 Date: **11/3/2016**
 Year Built: **1984**
 Buyer: **Bridge Investment Group**
 Seller: **EverWest Real Estate Partners**

6. 5090 N 40th St



Phoenix

Price: **\$42,600,000**
 Price/SF: **\$242.27**
 Cap Rate: **7.1%**
 RBA: **175,835**
 Date: **11/30/2016**
 Year Built: **1988**
 Buyer: **City Office REIT, Inc.**
 Seller: **JP Morgan Asset/Lowe Enterprises**

7. Four Gateway



Phoenix

Price: **\$40,400,000**
 Price/SF: **\$292.25**
 Cap Rate: **N/A**
 RBA: **138,240**
 Date: **9/8/2016**
 Year Built: **1998**
 Buyer: **Crown Realty & Dev., Inc.**
 Seller: **VanTrust Real Estate LLC**

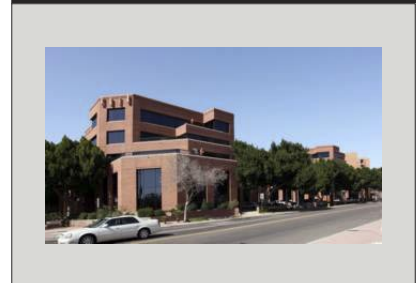
8. Discount Tire Headquarters



Scottsdale

Price: **\$40,180,000**
 Price/SF: **\$255.00**
 Cap Rate: **N/A**
 RBA: **157,566**
 Date: **5/18/2017**
 Year Built: **2002**
 Buyer: **Discount Tire**
 Seller: **Holualoa Companies**

9. 7272 Old Town



Scottsdale

Price: **\$40,050,000**
 Price/SF: **\$258.78**
 Cap Rate: **N/A**
 RBA: **154,764**
 Date: **8/12/2016**
 Year Built: **1989**
 Buyer: **Goldman Sachs & Co.**
 Seller: **JP Morgan Asset/Lowe Enterprises**



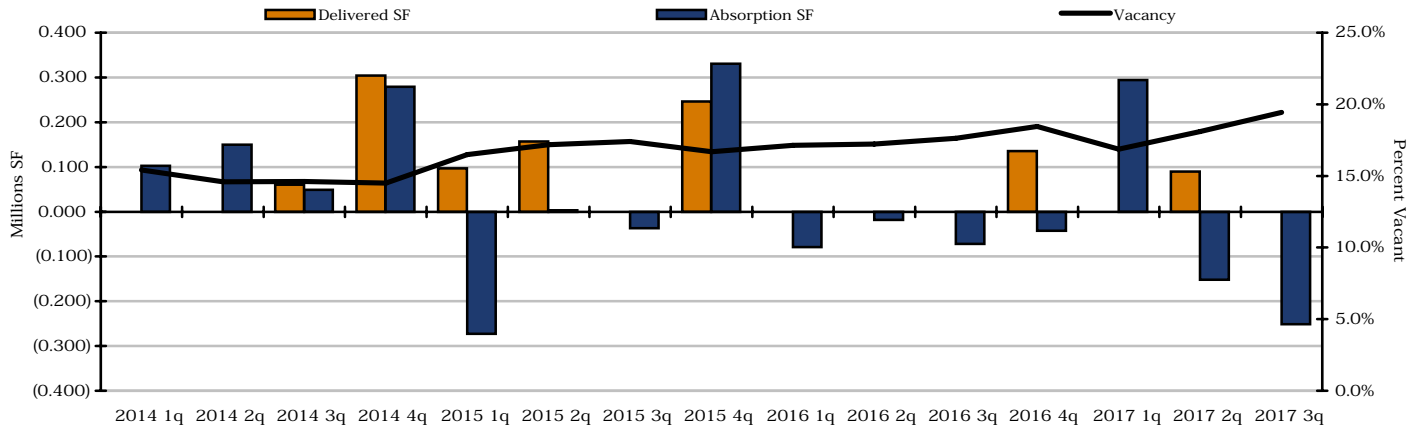
Phoenix Office Market

Airport Area Market

Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

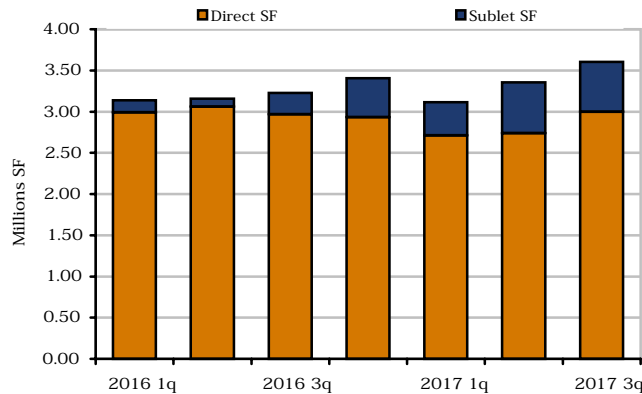
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

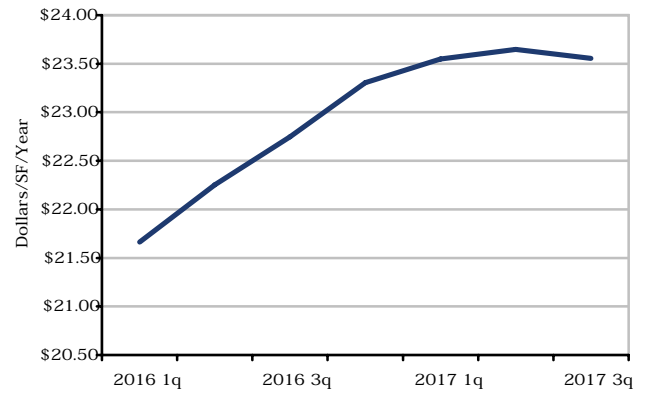
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|------------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2017 3q | 520 | 18,546,676 | 3,605,697 | 19.4% | (251,051) | 0 | 0 | 1 | 235,000 | \$23.56 |
| 2017 2q | 520 | 18,546,676 | 3,354,646 | 18.1% | (151,702) | 1 | 89,889 | 1 | 235,000 | \$23.65 |
| 2017 1q | 519 | 18,456,787 | 3,113,055 | 16.9% | 294,091 | 0 | 0 | 2 | 324,889 | \$23.55 |
| 2016 4q | 519 | 18,456,787 | 3,407,146 | 18.5% | (42,551) | 1 | 135,663 | 2 | 324,889 | \$23.31 |
| 2016 3q | 518 | 18,321,124 | 3,228,932 | 17.6% | (71,819) | 0 | 0 | 2 | 225,552 | \$22.75 |
| 2016 2q | 518 | 18,321,124 | 3,157,113 | 17.2% | (18,534) | 0 | 0 | 1 | 135,663 | \$22.25 |
| 2016 1q | 518 | 18,321,124 | 3,138,579 | 17.1% | (79,013) | 0 | 0 | 1 | 135,663 | \$21.66 |
| 2015 4q | 518 | 18,321,124 | 3,059,566 | 16.7% | 330,309 | 2 | 246,000 | 1 | 135,663 | \$20.88 |
| 2015 3q | 516 | 18,075,124 | 3,143,875 | 17.4% | (36,984) | 0 | 0 | 2 | 246,000 | \$20.32 |
| 2015 2q | 516 | 18,075,124 | 3,106,891 | 17.2% | 3,195 | 1 | 156,583 | 2 | 246,000 | \$19.88 |
| 2015 1q | 515 | 17,918,541 | 2,953,503 | 16.5% | (272,401) | 1 | 96,649 | 2 | 252,583 | \$19.96 |
| 2014 4q | 514 | 17,821,892 | 2,584,453 | 14.5% | 279,291 | 2 | 304,082 | 2 | 253,232 | \$19.39 |
| 2014 3q | 512 | 17,517,810 | 2,559,662 | 14.6% | 49,198 | 1 | 60,116 | 4 | 557,314 | \$18.90 |
| 2014 2q | 511 | 17,457,694 | 2,548,744 | 14.6% | 150,038 | 0 | 0 | 4 | 460,847 | \$18.97 |
| 2014 1q | 510 | 17,450,084 | 2,691,172 | 15.4% | 102,765 | 0 | 0 | 4 | 371,808 | \$18.05 |
| 2013 4q | 511 | 17,495,115 | 2,838,968 | 16.2% | 47,208 | 0 | 0 | 4 | 371,808 | \$18.05 |

Source: CoStar Property®

Phoenix Office Market

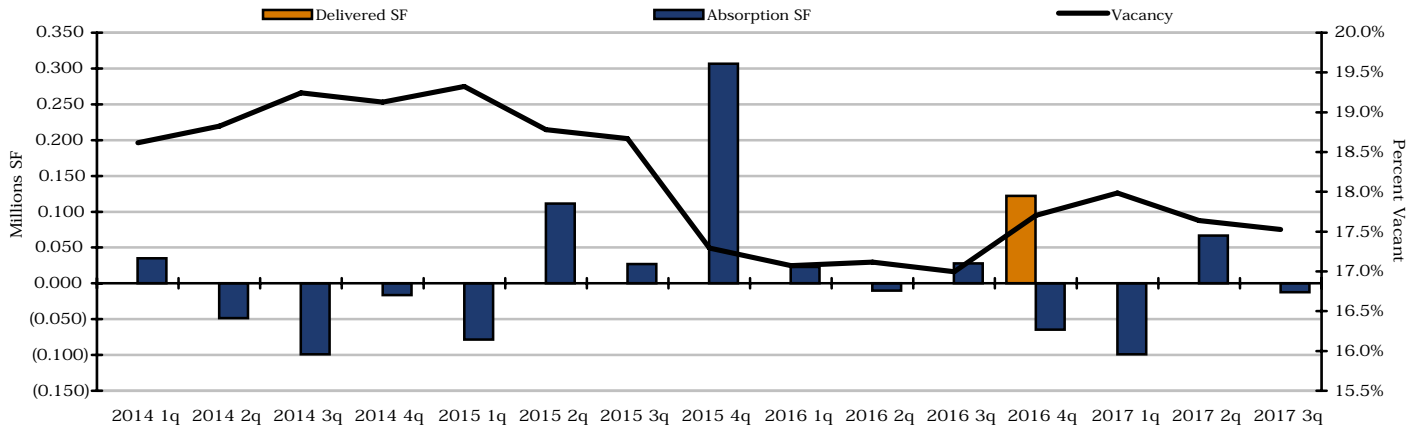


Central Corridor Market

Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

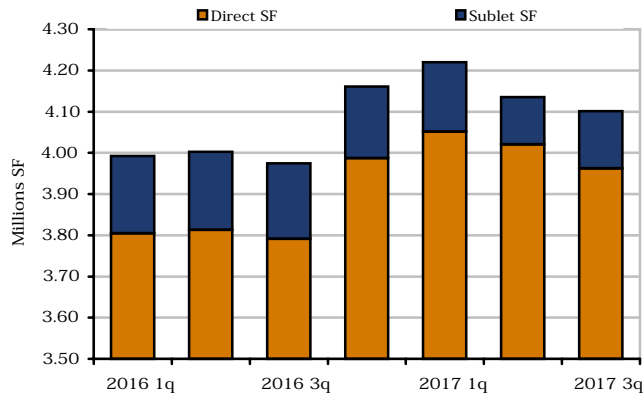
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

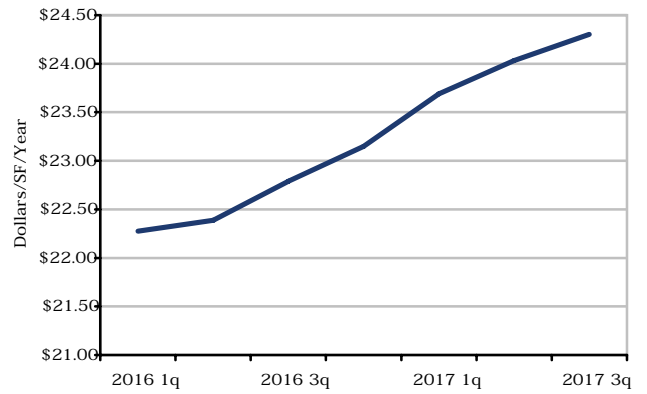
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|------------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2017 3q | 553 | 23,398,449 | 4,100,861 | 17.5% | (12,350) | 0 | 0 | 2 | 51,486 | \$24.30 |
| 2017 2q | 555 | 23,445,523 | 4,135,585 | 17.6% | 66,528 | 0 | 0 | 2 | 51,486 | \$24.03 |
| 2017 1q | 556 | 23,463,523 | 4,220,113 | 18.0% | (99,136) | 0 | 0 | 2 | 51,486 | \$23.69 |
| 2016 4q | 557 | 23,503,523 | 4,160,977 | 17.7% | (64,560) | 1 | 122,220 | 0 | 0 | \$23.15 |
| 2016 3q | 556 | 23,381,303 | 3,974,197 | 17.0% | 27,977 | 0 | 0 | 1 | 122,220 | \$22.79 |
| 2016 2q | 556 | 23,381,303 | 4,002,174 | 17.1% | (10,076) | 0 | 0 | 1 | 122,220 | \$22.39 |
| 2016 1q | 556 | 23,381,303 | 3,992,098 | 17.1% | 22,835 | 0 | 0 | 1 | 122,220 | \$22.28 |
| 2015 4q | 557 | 23,416,340 | 4,049,970 | 17.3% | 306,738 | 0 | 0 | 1 | 122,220 | \$22.21 |
| 2015 3q | 564 | 23,434,244 | 4,374,612 | 18.7% | 27,144 | 0 | 0 | 1 | 122,220 | \$21.78 |
| 2015 2q | 564 | 23,434,244 | 4,401,756 | 18.8% | 111,562 | 0 | 0 | 0 | 0 | \$21.70 |
| 2015 1q | 565 | 23,453,558 | 4,532,632 | 19.3% | (78,324) | 0 | 0 | 0 | 0 | \$21.11 |
| 2014 4q | 566 | 23,492,926 | 4,493,676 | 19.1% | (16,402) | 0 | 0 | 0 | 0 | \$21.03 |
| 2014 3q | 567 | 23,547,287 | 4,531,635 | 19.2% | (99,101) | 0 | 0 | 0 | 0 | \$21.09 |
| 2014 2q | 567 | 23,547,287 | 4,432,534 | 18.8% | (48,573) | 0 | 0 | 0 | 0 | \$20.93 |
| 2014 1q | 567 | 23,547,287 | 4,383,961 | 18.6% | 34,909 | 0 | 0 | 0 | 0 | \$20.78 |
| 2013 4q | 570 | 23,657,097 | 4,528,680 | 19.1% | 5,775 | 0 | 0 | 0 | 0 | \$20.64 |

Source: CoStar Property®



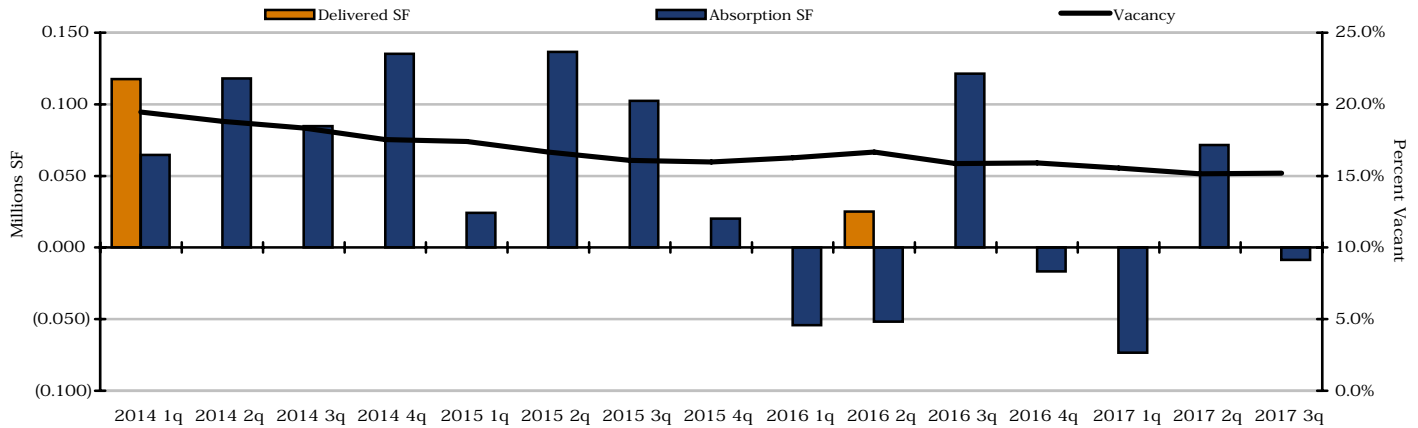
Phoenix Office Market

East Phoenix Market

Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

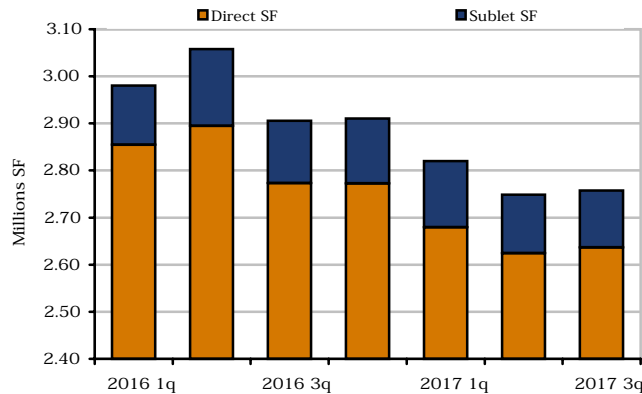
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

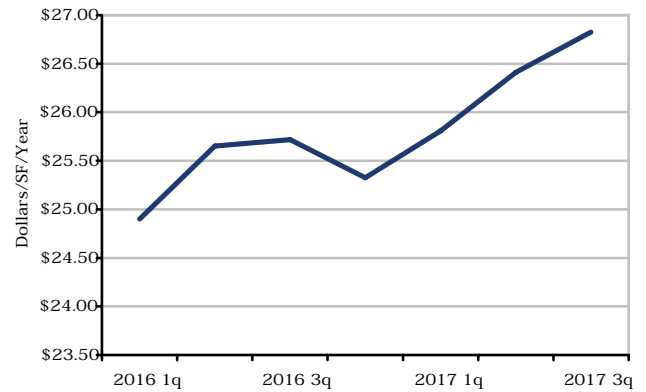
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|------------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2017 3q | 858 | 18,141,457 | 2,757,180 | 15.2% | (8,598) | 0 | 0 | 1 | 118,090 | \$26.82 |
| 2017 2q | 858 | 18,141,457 | 2,748,582 | 15.2% | 71,539 | 0 | 0 | 1 | 118,090 | \$26.41 |
| 2017 1q | 858 | 18,141,457 | 2,820,121 | 15.5% | (73,485) | 0 | 0 | 0 | 0 | \$25.81 |
| 2016 4q | 863 | 18,304,981 | 2,910,160 | 15.9% | (16,645) | 0 | 0 | 0 | 0 | \$25.33 |
| 2016 3q | 864 | 18,317,245 | 2,905,779 | 15.9% | 121,350 | 0 | 0 | 0 | 0 | \$25.72 |
| 2016 2q | 866 | 18,347,846 | 3,057,730 | 16.7% | (51,812) | 1 | 25,200 | 0 | 0 | \$25.65 |
| 2016 1q | 865 | 18,322,646 | 2,980,718 | 16.3% | (54,310) | 0 | 0 | 1 | 25,200 | \$24.90 |
| 2015 4q | 865 | 18,322,646 | 2,926,408 | 16.0% | 20,301 | 0 | 0 | 1 | 25,200 | \$24.43 |
| 2015 3q | 865 | 18,322,646 | 2,946,709 | 16.1% | 102,466 | 0 | 0 | 1 | 25,200 | \$23.89 |
| 2015 2q | 866 | 18,328,906 | 3,055,435 | 16.7% | 136,552 | 0 | 0 | 0 | 0 | \$22.97 |
| 2015 1q | 866 | 18,328,906 | 3,191,987 | 17.4% | 24,316 | 0 | 0 | 0 | 0 | \$22.50 |
| 2014 4q | 866 | 18,328,906 | 3,216,303 | 17.5% | 135,341 | 0 | 0 | 0 | 0 | \$22.19 |
| 2014 3q | 868 | 18,341,624 | 3,364,362 | 18.3% | 84,854 | 0 | 0 | 0 | 0 | \$21.79 |
| 2014 2q | 868 | 18,341,624 | 3,449,216 | 18.8% | 117,973 | 0 | 0 | 0 | 0 | \$21.66 |
| 2014 1q | 869 | 18,344,207 | 3,569,772 | 19.5% | 64,596 | 1 | 117,710 | 0 | 0 | \$21.53 |
| 2013 4q | 871 | 18,297,940 | 3,588,101 | 19.6% | (16,481) | 0 | 0 | 1 | 117,710 | \$21.17 |

Source: CoStar Property®

Phoenix Office Market

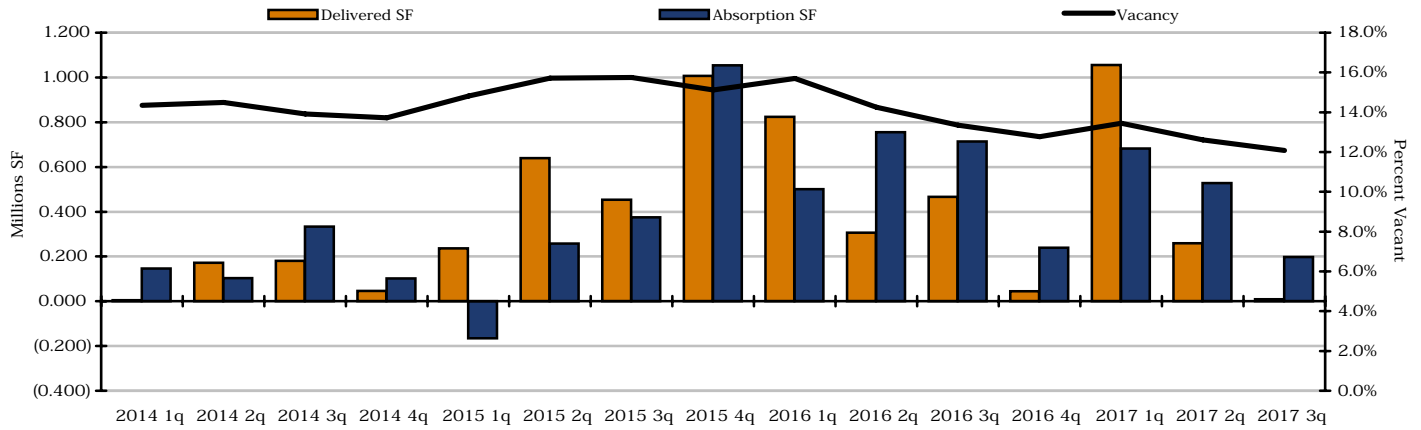


East Valley Market

Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

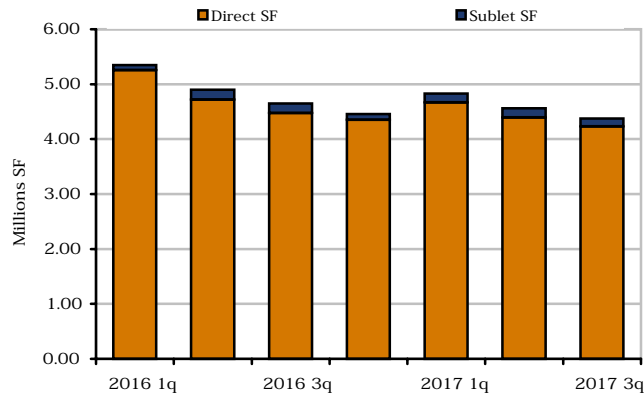
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

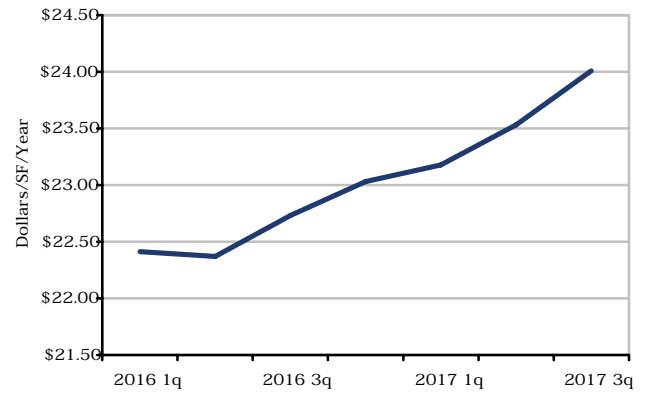
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|------------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2017 3q | 2,206 | 36,197,962 | 4,372,529 | 12.1% | 197,942 | 1 | 8,708 | 8 | 631,785 | \$24.01 |
| 2017 2q | 2,205 | 36,189,254 | 4,561,763 | 12.6% | 527,814 | 7 | 259,386 | 8 | 367,187 | \$23.53 |
| 2017 1q | 2,198 | 35,929,868 | 4,830,191 | 13.4% | 682,642 | 5 | 1,056,029 | 11 | 351,188 | \$23.18 |
| 2016 4q | 2,193 | 34,873,839 | 4,456,804 | 12.8% | 238,917 | 5 | 44,780 | 13 | 1,321,968 | \$23.03 |
| 2016 3q | 2,188 | 34,829,059 | 4,650,941 | 13.4% | 713,993 | 5 | 466,892 | 16 | 1,340,447 | \$22.73 |
| 2016 2q | 2,183 | 34,362,167 | 4,898,042 | 14.3% | 755,918 | 8 | 306,076 | 17 | 1,443,690 | \$22.37 |
| 2016 1q | 2,175 | 34,056,091 | 5,347,884 | 15.7% | 501,136 | 3 | 824,477 | 20 | 1,616,977 | \$22.41 |
| 2015 4q | 2,172 | 33,231,614 | 5,024,543 | 15.1% | 1,054,408 | 7 | 1,006,752 | 13 | 1,950,842 | \$21.56 |
| 2015 3q | 2,166 | 32,230,516 | 5,077,853 | 15.8% | 374,893 | 9 | 453,097 | 16 | 2,932,007 | \$21.43 |
| 2015 2q | 2,156 | 31,772,369 | 4,994,599 | 15.7% | 257,829 | 4 | 640,117 | 25 | 3,382,070 | \$21.77 |
| 2015 1q | 2,152 | 31,132,252 | 4,612,311 | 14.8% | (165,702) | 4 | 235,628 | 25 | 3,996,427 | \$21.66 |
| 2014 4q | 2,149 | 30,927,724 | 4,242,081 | 13.7% | 102,519 | 2 | 45,500 | 22 | 3,356,378 | \$21.28 |
| 2014 3q | 2,147 | 30,882,224 | 4,299,100 | 13.9% | 332,850 | 3 | 180,280 | 14 | 2,896,560 | \$20.87 |
| 2014 2q | 2,144 | 30,701,944 | 4,451,670 | 14.5% | 102,841 | 2 | 171,881 | 14 | 2,754,915 | \$20.03 |
| 2014 1q | 2,142 | 30,530,063 | 4,382,630 | 14.4% | 146,769 | 1 | 4,963 | 12 | 2,366,161 | \$19.67 |
| 2013 4q | 2,142 | 30,621,100 | 4,620,436 | 15.1% | 162,531 | 0 | 0 | 11 | 2,021,124 | \$19.35 |

Source: CoStar Property®



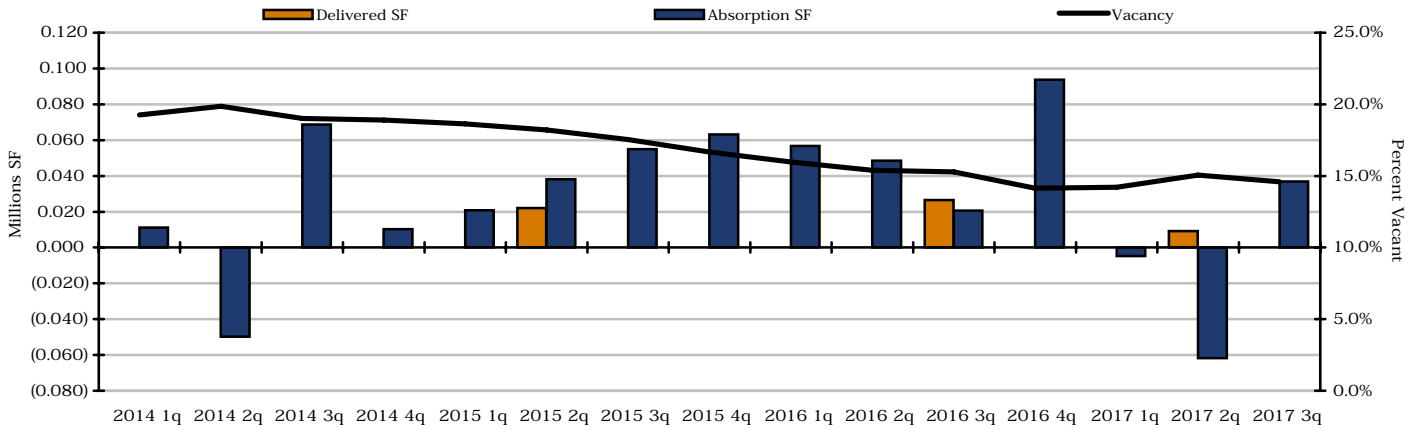
Phoenix Office Market

North Phoenix Market

Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

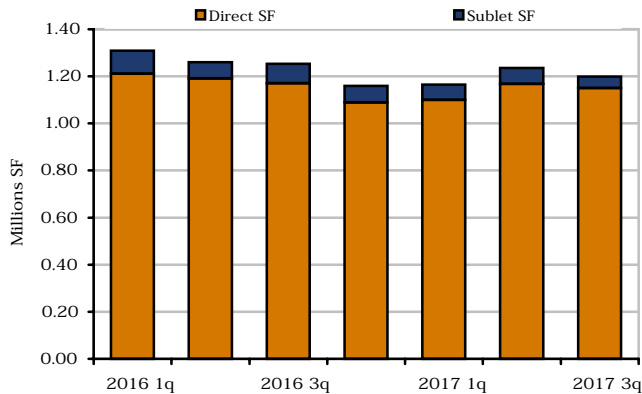
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

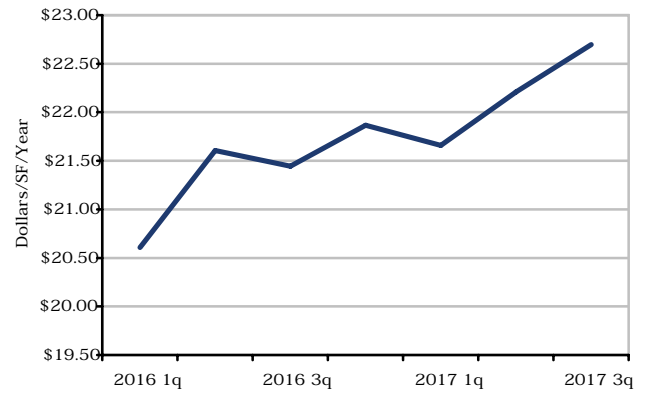
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|-----------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2017 3q | 476 | 8,209,820 | 1,198,567 | 14.6% | 36,966 | 0 | 0 | 2 | 20,565 | \$22.70 |
| 2017 2q | 476 | 8,209,820 | 1,235,533 | 15.0% | (61,692) | 1 | 9,230 | 1 | 4,400 | \$22.21 |
| 2017 1q | 475 | 8,200,590 | 1,164,611 | 14.2% | (4,724) | 0 | 0 | 2 | 13,630 | \$21.66 |
| 2016 4q | 475 | 8,200,590 | 1,159,887 | 14.1% | 93,690 | 0 | 0 | 1 | 9,230 | \$21.87 |
| 2016 3q | 475 | 8,200,590 | 1,253,577 | 15.3% | 20,608 | 2 | 26,600 | 1 | 9,230 | \$21.44 |
| 2016 2q | 474 | 8,186,301 | 1,259,896 | 15.4% | 48,586 | 0 | 0 | 3 | 35,830 | \$21.60 |
| 2016 1q | 474 | 8,186,301 | 1,308,482 | 16.0% | 56,809 | 0 | 0 | 2 | 26,600 | \$20.61 |
| 2015 4q | 474 | 8,186,301 | 1,365,291 | 16.7% | 63,156 | 0 | 0 | 2 | 26,600 | \$20.45 |
| 2015 3q | 475 | 8,195,939 | 1,438,085 | 17.5% | 54,912 | 0 | 0 | 1 | 13,000 | \$20.38 |
| 2015 2q | 475 | 8,195,939 | 1,492,997 | 18.2% | 38,080 | 1 | 22,000 | 0 | 0 | \$20.33 |
| 2015 1q | 475 | 8,191,987 | 1,527,125 | 18.6% | 20,878 | 0 | 0 | 1 | 22,000 | \$20.48 |
| 2014 4q | 475 | 8,191,987 | 1,548,003 | 18.9% | 10,207 | 0 | 0 | 1 | 22,000 | \$20.80 |
| 2014 3q | 475 | 8,191,987 | 1,558,210 | 19.0% | 68,695 | 0 | 0 | 1 | 22,000 | \$20.49 |
| 2014 2q | 475 | 8,191,987 | 1,626,905 | 19.9% | (49,862) | 0 | 0 | 0 | 0 | \$20.18 |
| 2014 1q | 475 | 8,191,987 | 1,577,043 | 19.3% | 11,225 | 0 | 0 | 0 | 0 | \$19.67 |
| 2013 4q | 476 | 8,206,995 | 1,603,276 | 19.5% | 26,649 | 1 | 5,200 | 0 | 0 | \$19.62 |

Source: CoStar Property®

Phoenix Office Market

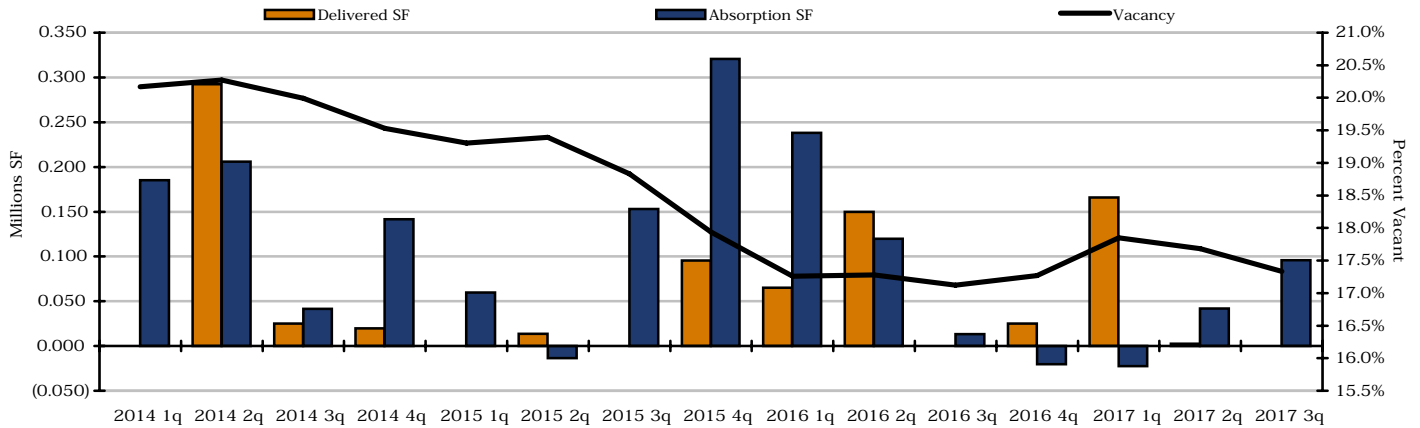


Northwest Phoenix Market

Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

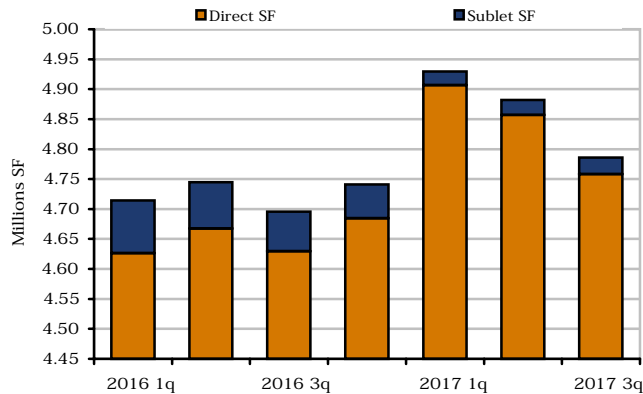
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

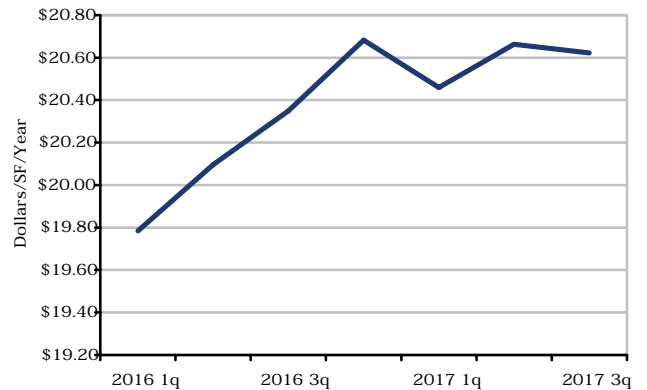
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|------------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2017 3q | 1,545 | 27,610,395 | 4,785,780 | 17.3% | 95,964 | 0 | 0 | 2 | 7,750 | \$20.62 |
| 2017 2q | 1,545 | 27,610,395 | 4,881,744 | 17.7% | 41,811 | 1 | 2,400 | 2 | 7,750 | \$20.66 |
| 2017 1q | 1,545 | 27,616,257 | 4,929,417 | 17.8% | (22,609) | 3 | 166,000 | 2 | 7,150 | \$20.46 |
| 2016 4q | 1,542 | 27,450,257 | 4,740,808 | 17.3% | (20,418) | 1 | 25,000 | 5 | 173,150 | \$20.68 |
| 2016 3q | 1,541 | 27,425,257 | 4,695,390 | 17.1% | 13,130 | 0 | 0 | 6 | 198,150 | \$20.35 |
| 2016 2q | 1,542 | 27,461,373 | 4,744,636 | 17.3% | 119,786 | 1 | 150,000 | 5 | 195,750 | \$20.10 |
| 2016 1q | 1,541 | 27,311,373 | 4,714,422 | 17.3% | 238,112 | 2 | 65,165 | 1 | 150,000 | \$19.78 |
| 2015 4q | 1,539 | 27,246,208 | 4,887,369 | 17.9% | 320,767 | 3 | 95,499 | 3 | 215,165 | \$19.64 |
| 2015 3q | 1,536 | 27,150,709 | 5,112,637 | 18.8% | 152,868 | 0 | 0 | 6 | 310,664 | \$19.38 |
| 2015 2q | 1,536 | 27,150,709 | 5,265,505 | 19.4% | (13,674) | 1 | 13,635 | 4 | 140,164 | \$18.98 |
| 2015 1q | 1,535 | 27,137,074 | 5,238,196 | 19.3% | 59,730 | 0 | 0 | 2 | 60,577 | \$18.49 |
| 2014 4q | 1,536 | 27,139,891 | 5,300,743 | 19.5% | 141,447 | 2 | 19,854 | 0 | 0 | \$18.52 |
| 2014 3q | 1,534 | 27,120,037 | 5,422,336 | 20.0% | 41,477 | 1 | 25,000 | 2 | 19,854 | \$18.36 |
| 2014 2q | 1,534 | 27,162,271 | 5,506,047 | 20.3% | 205,937 | 1 | 292,282 | 3 | 44,854 | \$18.11 |
| 2014 1q | 1,533 | 26,869,989 | 5,419,702 | 20.2% | 185,347 | 0 | 0 | 3 | 312,136 | \$18.30 |
| 2013 4q | 1,533 | 26,869,989 | 5,605,049 | 20.9% | 176,369 | 0 | 0 | 1 | 292,282 | \$18.40 |

Source: CoStar Property®



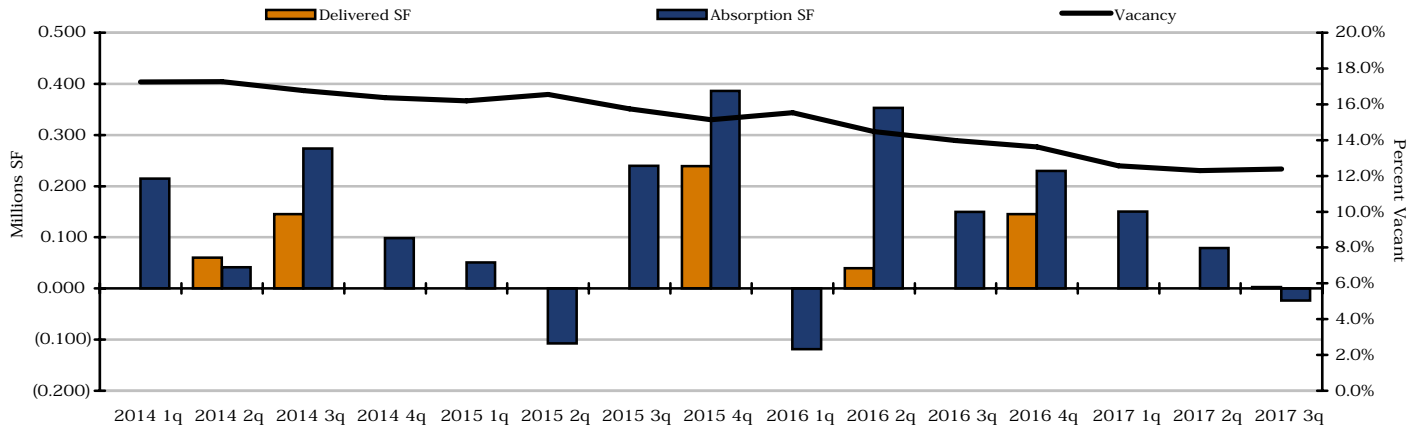
Phoenix Office Market

Scottsdale Market

Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

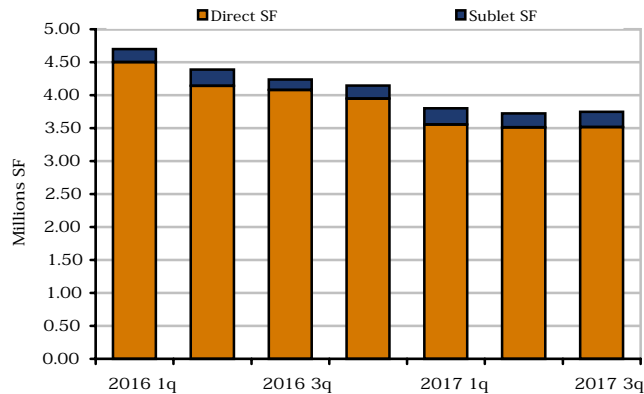
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

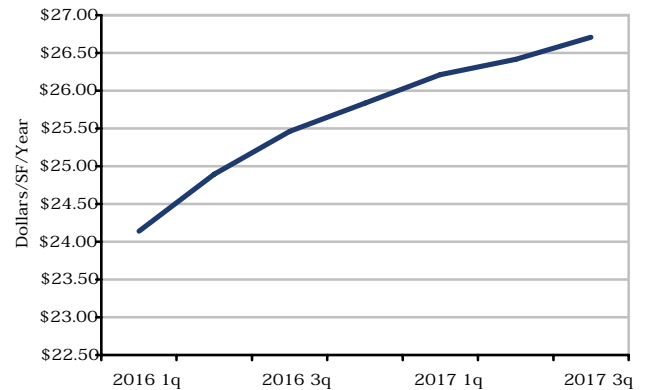
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|------------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2017 3q | 1,465 | 30,255,988 | 3,748,209 | 12.4% | (23,789) | 1 | 2,500 | 2 | 271,000 | \$26.71 |
| 2017 2q | 1,464 | 30,253,488 | 3,721,920 | 12.3% | 79,018 | 0 | 0 | 3 | 273,500 | \$26.42 |
| 2017 1q | 1,464 | 30,253,488 | 3,800,938 | 12.6% | 150,088 | 0 | 0 | 3 | 273,500 | \$26.21 |
| 2016 4q | 1,466 | 30,449,460 | 4,146,998 | 13.6% | 229,512 | 1 | 145,000 | 2 | 138,000 | \$25.83 |
| 2016 3q | 1,467 | 30,309,960 | 4,237,010 | 14.0% | 149,664 | 0 | 0 | 2 | 147,500 | \$25.46 |
| 2016 2q | 1,467 | 30,309,960 | 4,386,674 | 14.5% | 352,993 | 1 | 39,750 | 2 | 147,500 | \$24.89 |
| 2016 1q | 1,466 | 30,270,210 | 4,699,917 | 15.5% | (118,529) | 0 | 0 | 2 | 184,750 | \$24.14 |
| 2015 4q | 1,466 | 30,270,210 | 4,581,388 | 15.1% | 385,907 | 2 | 239,189 | 2 | 184,750 | \$24.04 |
| 2015 3q | 1,464 | 30,031,021 | 4,728,106 | 15.7% | 239,788 | 0 | 0 | 3 | 278,939 | \$23.73 |
| 2015 2q | 1,464 | 30,031,021 | 4,967,894 | 16.5% | (107,123) | 0 | 0 | 2 | 239,189 | \$23.19 |
| 2015 1q | 1,464 | 30,031,021 | 4,860,771 | 16.2% | 50,607 | 0 | 0 | 2 | 239,189 | \$23.08 |
| 2014 4q | 1,466 | 30,039,577 | 4,919,934 | 16.4% | 98,440 | 0 | 0 | 1 | 169,189 | \$22.98 |
| 2014 3q | 1,468 | 30,058,760 | 5,037,557 | 16.8% | 273,539 | 1 | 145,000 | 1 | 169,189 | \$22.88 |
| 2014 2q | 1,467 | 29,913,760 | 5,166,096 | 17.3% | 41,167 | 1 | 60,000 | 1 | 145,000 | \$22.35 |
| 2014 1q | 1,466 | 29,853,760 | 5,147,263 | 17.2% | 215,008 | 0 | 0 | 2 | 205,000 | \$22.09 |
| 2013 4q | 1,469 | 30,057,695 | 5,566,206 | 18.5% | 21,336 | 0 | 0 | 2 | 205,000 | \$21.93 |

Source: CoStar Property®

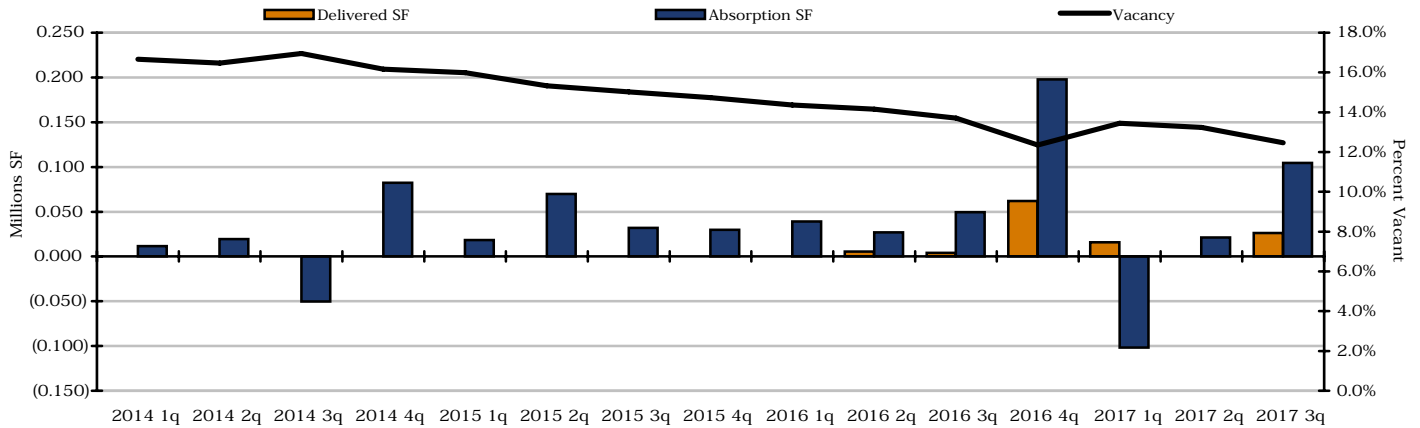
Phoenix Office Market



West Phoenix Market Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

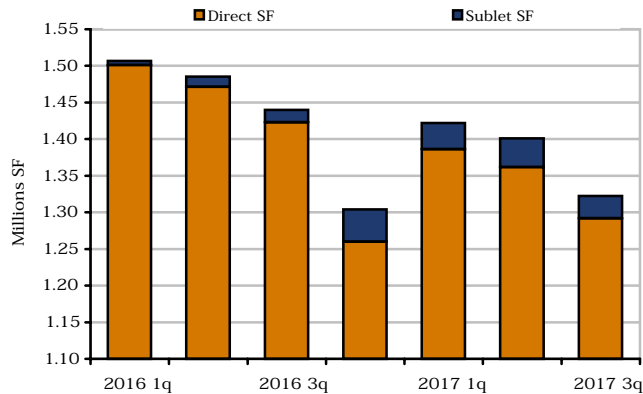
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

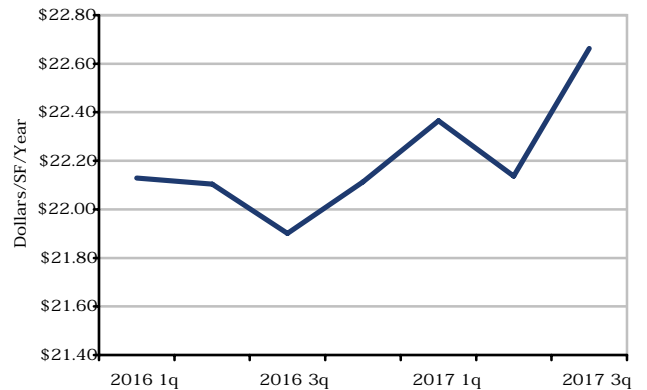
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

| Period | Existing Inventory | | Vacancy | | Net Absorption | Delivered Inventory | | UC Inventory | | Quoted Rates |
|---------|--------------------|------------|-----------|-----------|----------------|---------------------|-----------|--------------|-----------|--------------|
| | # Bldgs | Total RBA | Vacant SF | Vacancy % | | # Bldgs | Total RBA | # Bldgs | Total RBA | |
| 2017 3q | 663 | 10,603,978 | 1,322,511 | 12.5% | 104,568 | 2 | 26,200 | 2 | 169,000 | \$22.66 |
| 2017 2q | 661 | 10,577,778 | 1,400,879 | 13.2% | 21,121 | 0 | 0 | 2 | 26,200 | \$22.14 |
| 2017 1q | 661 | 10,577,778 | 1,422,000 | 13.4% | (101,880) | 1 | 16,000 | 2 | 26,200 | \$22.36 |
| 2016 4q | 660 | 10,561,778 | 1,304,120 | 12.3% | 197,717 | 1 | 62,000 | 3 | 42,200 | \$22.11 |
| 2016 3q | 659 | 10,499,778 | 1,439,837 | 13.7% | 49,286 | 1 | 3,934 | 2 | 78,000 | \$21.90 |
| 2016 2q | 658 | 10,495,844 | 1,485,189 | 14.2% | 27,022 | 1 | 5,336 | 3 | 81,934 | \$22.10 |
| 2016 1q | 657 | 10,490,508 | 1,506,875 | 14.4% | 39,235 | 0 | 0 | 2 | 67,336 | \$22.13 |
| 2015 4q | 657 | 10,490,508 | 1,546,110 | 14.7% | 29,831 | 0 | 0 | 1 | 5,336 | \$21.89 |
| 2015 3q | 657 | 10,490,508 | 1,575,941 | 15.0% | 31,886 | 0 | 0 | 1 | 5,336 | \$22.05 |
| 2015 2q | 657 | 10,490,508 | 1,607,827 | 15.3% | 69,796 | 0 | 0 | 1 | 5,336 | \$21.83 |
| 2015 1q | 657 | 10,490,508 | 1,677,623 | 16.0% | 18,512 | 0 | 0 | 0 | 0 | \$21.98 |
| 2014 4q | 657 | 10,490,508 | 1,696,135 | 16.2% | 82,482 | 0 | 0 | 0 | 0 | \$21.83 |
| 2014 3q | 657 | 10,490,508 | 1,778,617 | 17.0% | (50,159) | 0 | 0 | 0 | 0 | \$22.07 |
| 2014 2q | 657 | 10,490,508 | 1,728,458 | 16.5% | 19,359 | 0 | 0 | 0 | 0 | \$21.79 |
| 2014 1q | 657 | 10,490,508 | 1,747,817 | 16.7% | 11,487 | 0 | 0 | 0 | 0 | \$21.77 |
| 2013 4q | 657 | 10,490,508 | 1,759,304 | 16.8% | 179,536 | 0 | 0 | 0 | 0 | \$21.65 |

Source: CoStar Property®