

JLL Q4 Office Report: State Farm Campus Continues to Affect Market

☒ *Marina Heights sale expected to further boost investor interest in Class A trophy assets*

PHOENIX, Arizona – In a Phoenix office market already experiencing its fourth consecutive year of annual absorption gains, landmark deals like the recent five-building Marina Heights – State Farm campus in downtown Tempe are expected to have an additional top-down impact, spurring even more interest in local Class A and Trophy office assets, according to the Q4 2017 JLL Phoenix Office Market Insight report.

“The State Farm campus and downtown Tempe area are a nice welcome to Phoenix as you fly into Sky Harbor International Airport,” said JLL Senior Managing Director Dennis Desmond. “The fact that State Farm chose to build this campus off Tempe Town Lake solidifies the area as a central business district of Tempe and further solidifies that market as an economic force in Metro Phoenix.”

“The sale is an equally strong testament to the robust investment interest that Metro Phoenix is seeing from institutional buyers,” added JLL Senior Vice President Tivon Moffitt. “We expect this sale will spur even more interest from institutional buyers, which will create more opportunities for Arizona-based capital firms to invest in significant trophy assets valley-wide, as was the case with State Farm.”

The five-building, 2.0-million-square-foot Marina Heights project serves as a regional hub for State Farm. It was sold in December 2017 for \$928 million, making it the largest office sale in Arizona history and positioning Tempe as the

most in-demand office submarket this cycle.

According to the JLL Q4 2017 Phoenix Office Market report, Tempe has enjoyed more than 27 percent of all office absorption since the start of Phoenix's four-year positive absorption streak, in which the Valley has recorded annual absorption gains totaling 2.0-million-square- feet or more.

This is the longest streak of its kind in the Phoenix office market, and although the pace of growth is slowing, JLL data indicates that the Valley has not yet peaked. The volume of tenants still in the market – currently encompassing 62 active requirements representing 3.5 million square feet of space – suggest there is still room to grow, even if users must get creative with the options currently available.

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