

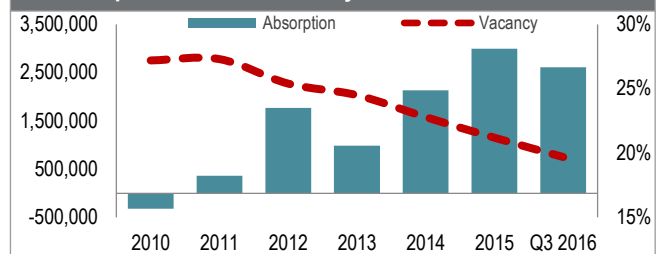


## Vacancy dips below 20 percent, lowest since 2008

### Office vacancy reaches 8-year low

Total vacancy in Metro Phoenix decreased to 19.7 percent in the third quarter of 2016, down 240 basis points from one year prior and down 840 basis points from the recessionary peak of 28.1 percent set in 2011. This marks the first time since the recession that the vacancy rate has been under 20 percent, signaling continued improvement in the Phoenix office market. Total positive net absorption has surpassed 2.6 million square feet through September and is projected to exceed 3.0 million square feet for the year. At its current pace, this would be the highest level of absorption since 2005 when 4.0 million square feet of space was absorbed.

### Net absorption and total vacancy

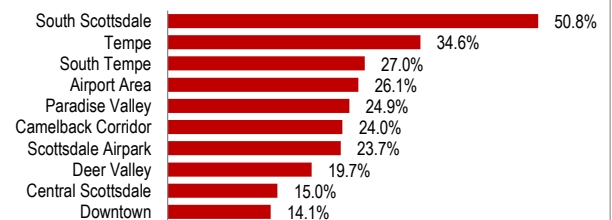


Source: JLL Research

### Largest rent growth in South Scottsdale

The South Scottsdale submarket recorded the largest percentage gain in average asking rent rates in Metro Phoenix over the past five years. Asking rents in South Scottsdale have increased 50.8 percent, rising from \$20.73 per square foot, full service gross) in 2011 to \$31.26 in the third quarter of 2016. The Tempe submarket ranked second with average asking rates growing from \$21.63 to \$29.12, or 34.6 percent, over the same time period. Located in Downtown Tempe, Hayden Ferry Lakeside currently has the highest asking rent in the entire Valley at \$45.00 per square foot.

### Average asking rent growth (2011 – Q3 2016)

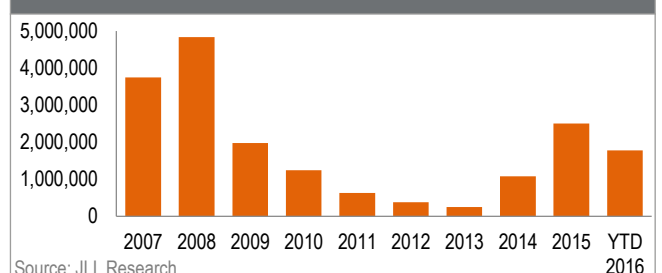


Source: JLL Research

### Phoenix office deliveries to surpass 2.0 million square feet

Nearly 1.8 million square feet of office space has been delivered in Metro Phoenix through the third quarter of 2016 and is projected to reach 2.3 million square feet by the end of the year. In 2015, more than 2.5 million square feet of new office space was delivered in the Valley, the highest total since 2008 when over 4.8 million square feet was constructed. Even with nearly 5.4 million square feet of new office space delivered since 2014, the overall vacancy rate in the Valley has decreased 390 basis points. Strong job growth combined with expansions and relocations in the Phoenix office market should allow for further improvement in this current economic growth cycle.

### New office deliveries



Source: JLL Research

84,035,044

Total inventory (s.f.)

1,123,129

Q3 2016 net absorption (s.f.)

\$24.22

Direct average asking rent

1,692,140

Total under construction (s.f.)

19.7%

Total vacancy

2,611,611

YTD net absorption (s.f.)

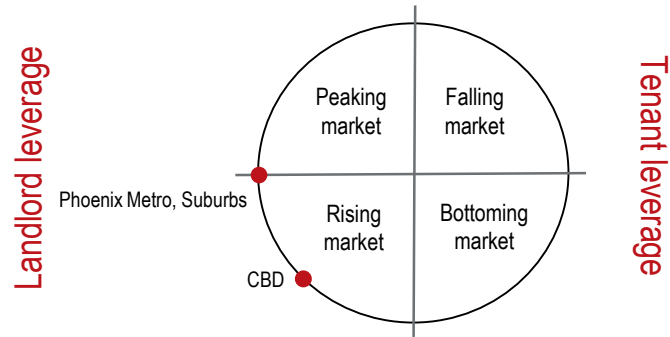
3.1%

12-month rent growth

37%

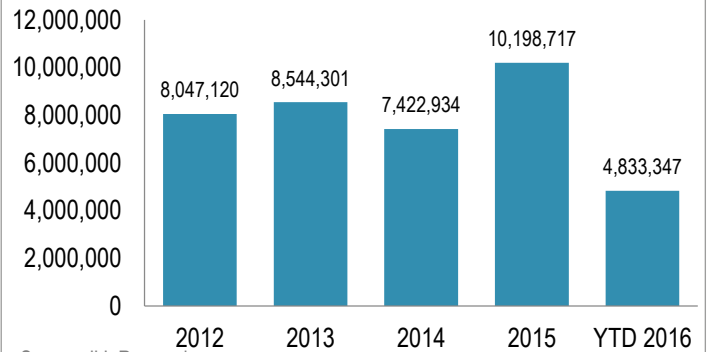
Under construction preleased

### Current conditions – submarket



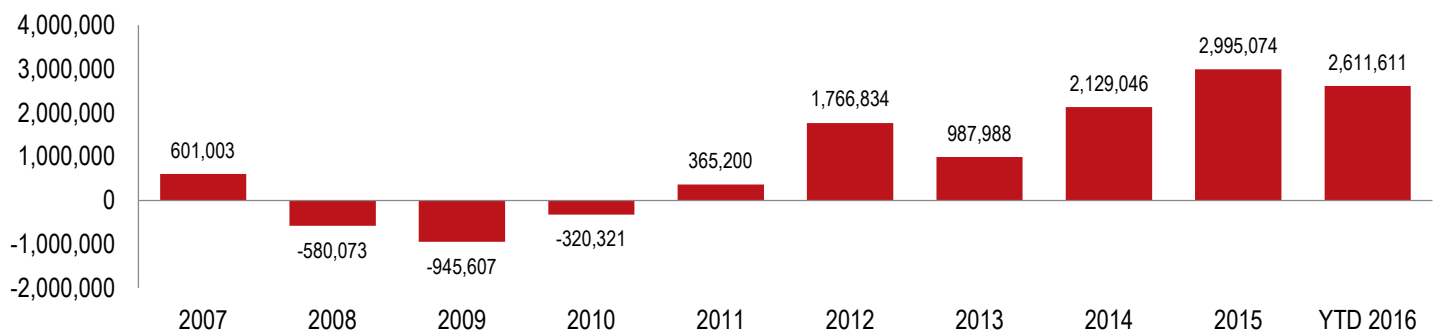
Source: JLL Research

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



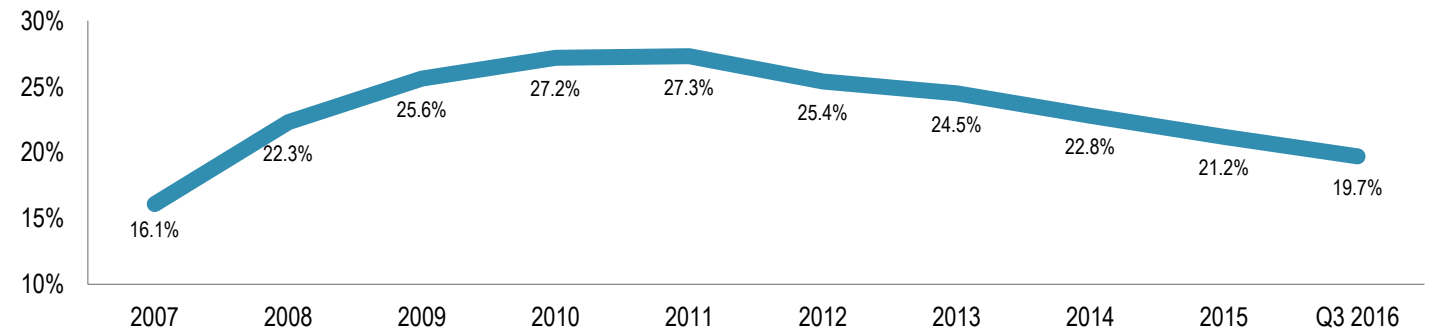
Source: JLL Research

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



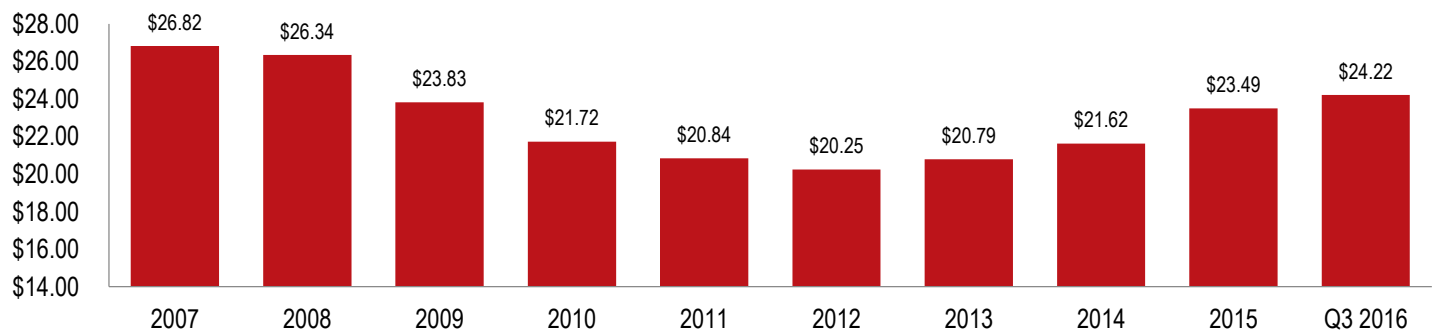
Source: JLL Research

### Total vacancy rate (%)



Source: JLL Research

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



Source: JLL Research