

Net Absorption Spikes as Job Growth Continues

Key Takeaways

- › The Greater Phoenix office market had a strong second quarter. Net absorption totaled more than 1.1 million square feet during the quarter, and net absorption year to date is up more than 60 percent from the first half of 2017.
- › Vacancy dipped below 15 percent, ending the second quarter at just 14.7 percent. The rate is now 140 basis points lower than one year ago.
- › Rents continue to rise, albeit at a more modest pace than in recent years. Asking rents ended the second quarter at \$24.69 per square foot, 2.8 percent higher than one year ago.
- › Investment activity accelerated, the median price rose and cap rates inched lower during the second quarter. To this point in 2018, improving property fundamentals are outweighing any drag on the investment market from rising interest rates.

Greater Phoenix Office Market

The Greater Phoenix office market strengthened during the second quarter, fueled by continued tenant demand for space. Net absorption totaled more than 1 million square feet during the quarter, a figure that has been matched only a few times in the past several years. Tenant demand is being driven by a steady pace of hiring, including continued gains in office-using sectors. Employment in Greater Phoenix is coming from both businesses entering the market, as well as existing companies expanding established operations.

The ongoing tenant demand in the marketplace is driving the local vacancy rate lower, but the pace of rent growth has leveled off in recent quarters. Average asking rents are up less than 3 percent from one year ago, even as the vacancy rate has dipped to its lowest level in more than a decade. The slowing pace of rental

Market Indicators Relative to prior period	Market Q2 2018	Market Q2 2017
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↓	↓
Rental Rate	↑	↑

Second Quarter Employment Trends*

Total Nonfarm Phoenix Metro	↓	↑
Office-Using Phoenix Metro	↑	↑
Total Nonfarm United States	↓	↑
Office-Using United States	↑	↑

*Source: Bureau of Labor Statistics

Summary Statistics	Phoenix Market	Phoenix Class A	Phoenix Class B
Vacancy Rate	14.7%	14.4%	15.7%
Change from 2Q 2017 (bps)	-140	-80	-160
Net Absorption (thousands SF)	1,112	352	527
New Construction (thousands SF)	220	150	70
Under Construction (thousands SF)	2,963	2,427	536
Asking Rents Per Square Foot Per Year	\$24.69	\$28.89	\$22.69
Change from 2Q 2017	2.8%	2.7%	2.1%

growth is not likely to persist given the strong demand in the market. Overall rental rates could receive a boost from the delivery of new spec projects in the coming quarters. The average asking rent in spec buildings that are currently under way is about 20 percent higher than the average asking rent on existing Class A buildings.

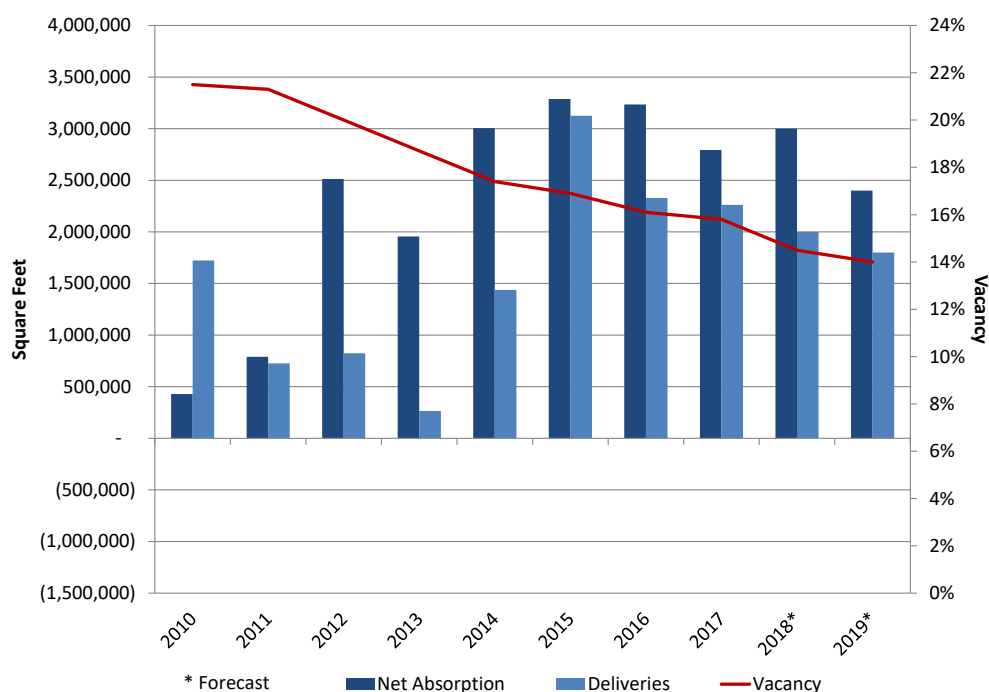
Sales of office buildings have been quite active thus far in 2018, as investors are responding to the improving market conditions. Transaction counts for the first half of 2018 are up about 10 percent from the first half of last year and up more than 15 percent from the average levels over the past five years. Prices are also generally trending higher, while cap rates are averaging approximately 7 percent.

Recent Transactions in the Market

OFFICE SALE ACTIVITY						
Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
2375 E Camelback Rd., Phoenix	Camelback Corridor	6/14	\$100,000,000	302,209	\$331	A
5601 & 5701 N Pima Rd., Scottsdale	Scottsdale South	4/10	\$67,000,000	271,085	\$247	A
2225 S Price Rd., Chandler	Chandler	4/12	\$16,700,000	66,756	\$250	B

OFFICE LEASE ACTIVITY					
Building Name/Address	Submarket	Lease Type	Tenant	Size SF	Class
The Commons at Rivulon	Chandler	New Construction	Deloitte	102,434	A
The Alameda/1665 W Alameda Dr., Tempe	Airport Area	Move In	Lennar Homes	90,000	B
Two Gateway/432 N 44th St., Phoenix	44th Street Corridor	Move In	CareFirst Health	81,306	A

Historical Absorption, Deliveries and Vacancy Rates



Vacancy:

- > The vacancy rate in the Greater Phoenix office market recorded a sharp decline in the second quarter, dipping below 15 percent to 14.7 percent. The rate is now down 140 basis points from one year ago, and at its lowest point since the end of 2007.
- > The recent improvement in the overall market has been fueled by vacancy declines in the Class B segment of the market, which accounts for more than half of the total inventory. Vacancy in Class B buildings fell 40 basis points in the second quarter to 15.7 percent, and the rate is down 160 basis points year over year.
- > The vacancy rate in the Chandler submarket has recorded some of the greatest quarterly volatility in recent quarters, with the submarket being the site of new spec developments and some large leasing activity. The vacancy rate as of the second quarter of this year is 15.7 percent, down more than 500 basis points from a peak in early 2017.
- > **Forecast:** Vacancy in Greater Phoenix is forecast to end the year at approximately 14.4 percent, 90 basis points lower than at the end of 2017. This would mark the eighth consecutive year of vacancy improvement in the market.

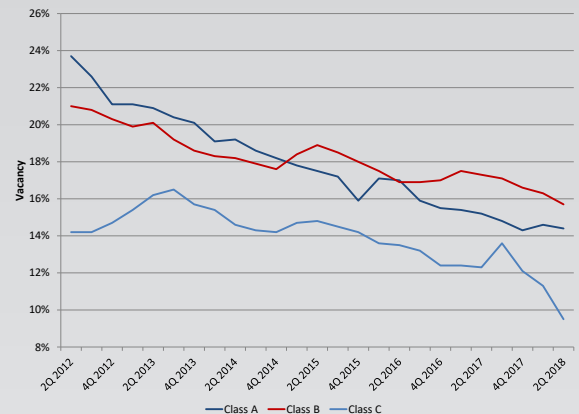
Absorption and Leasing Activity:

- > Net absorption topped 1.1 million square feet during the second quarter, bringing the year-to-date total to more than 1.9 million square feet. Net absorption in the first half of this year is up more than 60 percent from the same period in 2017.
- > The second quarter was the first time since the third quarter of 2016 that net absorption had topped 1 million square feet in a single quarter. During the past five years of steady tenant expansion, there have been only three quarters where net absorption exceeded 1 million square feet. The quarterly average in that time has been approximately 725,000 square feet.
- > The Tempe submarket continues to attract tenants, even as the local vacancy rate has dipped into the single digits. Net absorption in the Tempe submarket totaled approximately 180,000 square feet during the second quarter, and year to date, tenants have moved into a net of more than 540,000 square feet.
- > **Forecast:** Fueled by continued job creation across a wide range of sectors, net absorption of office space is forecast to total approximately 3 million square feet in 2018, matching the annual average figure from the past four years.

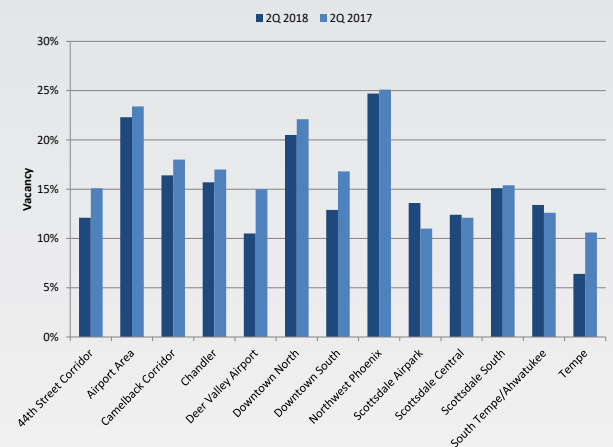
Rental Rates:

- > While net absorption has been strong and vacancy is tightening, rent growth has leveled off in recent quarters. Current asking rents are \$24.69 per square foot, up 2.8 percent in the past 12 months. Rent growth averaged nearly 5 percent per year from 2014-2017.

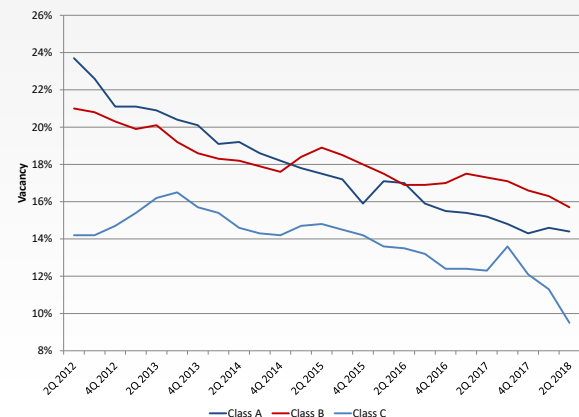
Vacancy by Property Class



Vacancy Among Major Submarkets



Asking Rent Trends



Rental Rates (continued):

- › Rent growth in the Class A and Class B segments has averaged in the low-to mid-2 percent range during the past year, while the strongest increases have occurred in Class C properties. Asking rents in Class C buildings have increased by nearly 7 percent year over year as total space availability in the market has fallen.
- › Rents in the Camelback Corridor continue to post some of the strongest gains in Greater Phoenix. The average asking rent in the Camelback Corridor has increased by 5.2 percent in the past year to \$30.71 per square foot. Class A asking rents in the submarket are up to nearly \$35 per square foot.
- › **Forecast:** Asking rents in the Greater Phoenix office market will continue on an upward trajectory through the remainder of the year. Rent growth for the full year should total approximately 3.5 percent to 4.0 percent, which would put the figure above \$25 per square foot by year end.

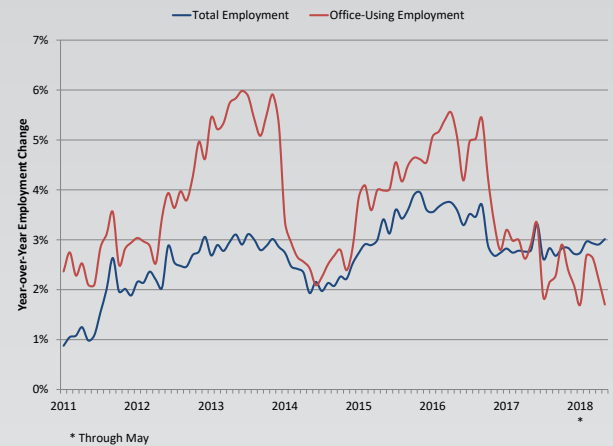
Construction:

- › Projects totaling 220,000 square feet came online during the second quarter, bringing the total for the first half of 2018 to approximately 600,000 square feet. This represents a steep decline from last year, when nearly 1.5 million square feet of space was delivered in the first half of the year.
- › Construction activity has slowed in recent quarters. Projects totaling less than 1.4 million square feet were delivered during the past 12 months, compared to nearly 2.5 million square feet in the preceding 12-month period.
- › The recent slowing in construction will be a short-term lull rather than a long-term trend. More than 2.9 million square feet of office space is currently under construction.
- › **Forecast:** After about 2.3 million square feet of space was delivered in 2017, completions are forecast to total approximately 2 million square feet this year.

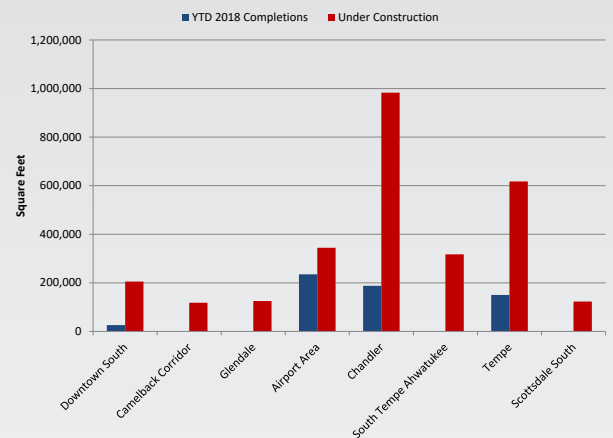
Investment Trends:

- › Sales of office buildings spiked during the second quarter, with activity rising by more than 40 percent from the first quarter figure. The area of the market where the increase in activity was most dramatic was in buildings that sold between \$10 million and \$25 million; transaction activity in this size range more than tripled from the first quarter to the second quarter.
- › Sales prices rose as activity accelerated. The median price spiked to \$195 per square foot during the second quarter, bringing the figure for the first half of the year to \$166 per square foot.
- › Cap rates averaged approximately 6.9 percent during the second quarter, a tick under the average during the first three months of the year. Thus far in 2018, the average cap rate is a bit over 7 percent, with most properties trading with cap rates in the mid- to high-6 percent to mid-7 percent range.

Employment Overview



Construction Trends by Submarket



Investment Trends



Office Market

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONSTR	AVG. RENT
CLASS	BLDGs.	TOTAL INVENTORY SF	SF	RATE	SF	RATE	SF	Q1-18	Q1-17	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (F\$)
CENTRAL BUSINESS DISTRICT															
Downtown North															
A	15	4,675,120	962,212	20.6%	14,499	0.3%	976,711	20.9%	22.6%	39,602	65,045	-	-		\$25.52
B	87	6,255,777	1,314,781	21.0%	24,133	0.4%	1,338,914	21.4%	23.1%	15,471	129,954	-	-	-	\$20.45
C	42	906,078	110,415	12.2%	2,380	0.3%	112,795	12.4%	12.6%	(12,391)	(23,843)	-	-		\$16.24
Total	144	11,836,975	2,387,408	20.2%	41,012	0.3%	2,428,420	20.5%	22.1%	42,682	171,156	-	-	-	\$22.36
Downtown South															
A	12	5,238,153	627,232	12.0%	137,062	2.6%	764,294	14.6%	20.2%	81,567	202,323	-	-	205,000	\$30.79
B	29	2,294,610	207,101	9.0%	4,373	0.2%	211,474	9.2%	10.9%	38,535	48,023	-	26,174	-	\$27.26
C	23	914,135	115,303	12.6%	-	0.0%	115,303	12.6%	12.3%	(25,081)	(26,268)	-	-		\$29.05
Total	64	8,446,898	949,636	11.2%	141,435	1.7%	1,091,071	12.9%	16.8%	95,021	224,078	-	26,174	205,000	\$29.77
SUBURBAN															
44th St. Corridor															
A	13	1,716,218	272,840	15.9%	1,700	0.1%	274,540	16.0%	21.0%	12,541	28,073	-	-	-	\$27.27
B	37	1,635,788	154,905	9.5%	-	0.0%	154,905	9.5%	10.9%	23,213	92,617	-	-	-	\$25.58
C	14	306,591	14,248	4.6%	-	0.0%	14,248	4.6%	5.0%	1,012	214	-	-	-	\$13.82
Total	64	3,658,597	441,993	12.1%	1,700	0.1%	443,693	12.1%	15.1%	36,766	120,904	-	-	-	\$26.36
Airport Area															
A	16	2,265,942	440,792	19.5%	17,797	0.8%	458,589	20.2%	21.3%	(19,402)	199,982	-	235,000	183,560	\$26.22
B	139	8,686,858	1,630,623	18.8%	544,136	6.3%	2,174,759	25.0%	26.4%	95,386	98,106	-	-	160,910	\$22.54
C	21	1,023,555	35,153	3.4%	-	0.0%	35,153	3.4%	2.3%	24,956	21,908	-	-	-	\$15.03
Total	176	11,976,355	2,106,568	17.6%	561,933	4.7%	2,668,501	22.3%	23.4%	100,940	319,996	-	235,000	344,470	\$22.97
Arrowhead															
A	3	232,774	56,296	24.2%	-	0.0%	56,296	24.2%	33.6%	21,868	21,774	-	-	-	\$27.61
B	100	2,430,161	288,250	11.9%	4,706	0.2%	292,956	12.1%	10.5%	(16,239)	1,918	-	-	12,350	\$26.19
C	12	241,783	47,979	19.8%	-	0.0%	47,979	19.8%	26.5%	(631)	12,130	-	-	-	\$20.26
Total	115	2,904,718	392,525	13.5%	4,706	0.2%	397,231	13.7%	13.7%	4,998	35,822	-	-	12,350	\$25.77
Camelback Corridor															
A	26	4,812,163	781,651	16.2%	84,151	1.7%	865,802	18.0%	20.0%	41,783	(128,636)	-	-	118,500	\$34.69
B	77	3,242,104	464,508	14.3%	32,128	1.0%	496,636	15.3%	17.5%	19,318	27,283	-	-	-	\$24.30
C	19	799,374	90,593	11.3%	-	0.0%	90,593	11.3%	7.7%	(30,380)	(37,940)	-	-	-	\$19.40
Total	122	8,853,641	1,336,752	15.1%	116,279	1.3%	1,453,031	16.4%	18.0%	30,721	(139,293)	-	-	118,500	\$30.71
Chandler															
A	24	2,861,912	336,531	11.8%	100,622	3.5%	437,153	15.3%	10.6%	(68,794)	17,147	-	187,987	862,946	\$27.09
B	143	5,867,938	929,165	15.8%	20,056	0.3%	949,221	16.2%	20.0%	108,284	180,439	70,000	-	120,000	\$23.88
C	14	242,656	26,622	11.0%	-	0.0%	26,622	11.0%	14.4%	(139)	6,539	-	-	-	\$19.40
Total	181	8,972,506	1,292,318	14.4%	120,678	1.3%	1,412,996	15.7%	17.0%	39,351	204,125	70,000	187,987	982,946	\$24.53
Deer Valley Airport															
A	25	4,194,379	78,372	1.9%	3,870	0.1%	82,242	2.0%	8.5%	144,434	306,251	-	-	-	\$25.56
B	108	6,852,530	1,082,585	15.8%	-	0.0%	1,082,585	15.8%	19.1%	113,720	233,244	-	-		\$23.01
C	8	120,921	6,474	5.4%	-	0.0%	6,474	5.4%	4.2%	(2,345)	(2,655)	-	-	-	\$18.48
Total	141	11,167,830	1,167,431	10.5%	3,870	0.1%	1,171,301	10.5%	15.0%	255,809	536,840	-	-	-	\$24.17
Gateway Airport/Loop 202															
A	1	43,354	9,450	21.8%	-	0.0%	9,450	21.8%	0.0%	6,483	6,483	-	-	-	\$30.86
B	47	1,269,650	120,504	9.5%	9,577	0.8%	130,081	10.2%	15.1%	11,531	24,833	-	-	49,600	\$25.57
C	2	33,232	-	0.0%	-	0.0%	-	0.0%	7.1%	-	-	-	-	-	\$16.80
Total	50	1,346,236	129,954	9.7%	9,577	0.7%	139,531	10.4%	14.9%	18,014	31,316	-	-	49,600	\$25.93

Office Market

		EXISTING PROPERTIES		DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY		NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONSTR. AVG. RENT	
CLASS	BLDGs.	TOTAL INVENTORY SF	SF	RATE	SF	RATE	SF	Q2-18	Q2-17	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
SUBURBAN															
Glendale															
A	6	585,061	54,177	9.3%	3,499	0.6%	57,676	9.9%	13.7%	8,267	2,671	-	-	-	\$24.84
B	35	1,764,020	314,427	17.8%	17,106	1.0%	331,533	18.8%	25.8%	31,459	47,333	-	-	125,000	\$23.54
C	13	366,889	53,297	14.5%	-	0.0%	53,297	14.5%	11.1%	-	(4,031)	-	-	-	\$19.66
Total	54	2,715,970	421,901	15.5%	20,605	0.8%	442,506	16.3%	21.4%	39,726	45,973	-	-	125,000	\$24.35
Loop 303/Surprise															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	43	1,302,580	235,056	18.0%	-	0.0%	235,056	18.0%	16.9%	(23,648)	(16,830)	-	-	-	\$24.75
C	4	57,399	3,299	5.7%	-	0.0%	3,299	5.7%	9.9%	-	-	-	-	-	\$19.50
Total	47	1,359,979	238,355	17.5%	-	0.0%	238,355	17.5%	16.6%	(23,648)	(16,830)	-	-	-	\$24.67
Mesa Downtown															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	19	685,258	34,899	5.1%	-	0.0%	34,899	5.1%	2.3%	(2,485)	(16,712)	-	-	-	\$15.99
C	16	254,308	9,672	3.8%	-	0.0%	9,672	3.8%	14.2%	13,471	14,725	-	-	-	\$11.78
Total	35	939,566	44,571	4.7%	-	0.0%	44,571	4.7%	5.5%	10,986	(1,987)	-	-	-	\$14.80
Mesa East															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	45	1,376,994	93,719	6.8%	-	0.0%	93,719	6.8%	8.6%	(8,568)	(14,049)	-	-	-	\$19.35
C	31	642,117	48,922	7.6%	-	0.0%	48,922	7.6%	14.2%	3,695	20,596	-	-	-	\$16.37
Total	76	2,019,111	142,641	7.1%	-	0.0%	142,641	7.1%	10.3%	(4,873)	6,547	-	-	-	\$17.76
Midtown/Central Phoenix															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	80	2,869,234	394,067	13.7%	7,921	0.3%	401,988	14.0%	13.0%	(34,202)	(36,063)	-	-	-	\$20.33
C	53	967,701	43,964	4.5%	-	0.0%	43,964	4.5%	11.7%	23,737	65,838	-	-	-	\$17.56
Total	133	3,836,935	438,031	11.4%	7,921	0.2%	445,952	11.6%	12.6%	(10,465)	29,775	-	-	-	\$19.90
Northwest Phoenix															
A	10	1,293,130	349,165	27.0%	14,725	1.1%	363,890	28.1%	24.6%	27,128	(76,888)	-	-	-	\$22.92
B	124	5,164,172	1,502,774	29.1%	13,165	0.3%	1,515,939	29.4%	29.0%	(61,280)	(166,812)	-	-	-	\$17.71
C	99	2,065,015	226,735	11.0%	-	0.0%	226,735	11.0%	15.6%	61,982	89,112	-	-	-	\$13.31
Total	233	8,522,317	2,078,674	24.4%	27,890	0.3%	2,106,564	24.7%	25.1%	27,830	(154,588)	-	-	-	\$18.55
Paradise Valley															
A	14	1,410,268	194,865	13.8%	45,000	3.2%	239,865	17.0%	18.5%	(26,881)	(10,605)	-	-	-	\$28.36
B	63	1,998,992	198,575	9.9%	2,104	0.1%	200,679	10.0%	12.1%	34,943	58,775	-	-	-	\$22.56
C	19	286,678	48,431	16.9%	-	0.0%	48,431	16.9%	20.5%	(3,144)	3,676	-	-	-	\$18.74
Total	96	3,695,938	441,871	12.0%	47,104	1.3%	488,975	13.3%	15.2%	4,918	51,846	-	-	-	\$25.79
Piestewa Peak Corridor															
A	3	412,800	63,736	15.4%	-	0.0%	63,736	15.4%	9.5%	36,985	(14,462)	-	-	-	\$26.50
B	43	2,168,804	434,650	20.0%	42,508	2.0%	477,158	22.0%	17.6%	7,941	(149,993)	-	-	-	\$20.62
C	21	333,550	12,427	3.7%	-	0.0%	12,427	3.7%	4.9%	7,091	5,768	-	-	-	\$20.58
Total	67	2,915,154	510,813	17.5%	42,508	1.5%	553,321	19.0%	15.0%	52,017	(158,687)	-	-	-	\$20.67
Scottsdale Airpark															
A	58	6,622,351	804,163	12.1%	362,238	5.5%	1,166,401	17.6%	12.2%	20,356	1,828	-	-	-	\$29.92
B	194	5,522,125	471,836	8.5%	30,923	0.6%	502,759	9.1%	9.7%	55,819	(5,778)	-	-	36,735	\$24.17
C	11	199,960	8,252	4.1%	-	0.0%	8,252	4.1%	4.5%	1,757	537	-	-	-	\$16.08
Total	263	12,344,436	1,284,251	10.4%	393,161	3.2%	1,677,412	13.6%	11.0%	77,932	(3,413)	-	-	36,735	\$27.81

Office Market

EXISTING PROPERTIES			DIRECT VACANCY		SUBLEASE VACANCY		TOTAL VACANCY			NET ABSORPTION - SF		NEW SUPPLY - SF		UNDER CONSTR. AVG. RENT	
CLASS BLDGS.	TOTAL INVENTORY SF		SF	RATE	SF	RATE	SF	Q2-18	Q2 -17	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (F\$)
SUBURBAN															
Scottsdale Central															
A	30	2,841,174	349,476	12.3%	123,202	4.3%	472,678	16.6%	8.8%	(124,508)	(148,263)	-	-	-	\$27.39
B	126	4,452,212	427,662	9.6%	15,092	0.3%	442,754	9.9%	14.5%	19,217	51,543	-	-	21,000	\$24.04
C	10	138,138	2,753	2.0%	-	0.0%	2,753	2.0%	0.4%	470	6,070	-	-	-	\$16.87
Total	166	7,431,524	779,891	10.5%	138,294	1.9%	918,185	12.4%	12.1%	(104,821)	(90,650)	-	-	21,000	\$25.71
Scottsdale South															
A	18	2,412,922	316,287	13.1%	46,942	1.9%	363,229	15.1%	17.0%	(19,758)	(43,244)	-	-	123,020	\$32.38
B	75	2,718,301	442,822	16.3%	-	0.0%	442,822	16.3%	13.9%	24,747	(15,304)	-	-	-	\$30.01
C	33	556,944	49,863	9.0%	500	0.1%	50,363	9.0%	16.1%	5,362	3,917	-	-	-	\$21.52
Total	126	5,688,167	808,972	14.2%	47,442	0.9%	856,414	15.1%	15.4%	10,351	(54,631)	-	-	123,020	\$30.52
South Tempe/Ahwatukee															
A	6	776,034	12,123	1.6%	-	0.0%	12,123	1.6%	2.0%	200	(4,294)	-	-	317,176	\$28.56
B	124	5,574,891	819,379	14.7%	50,995	0.9%	870,374	15.6%	14.4%	82,321	56,185	-	-	-	\$22.37
C	10	355,751	18,414	5.2%	-	0.0%	18,414	5.2%	6.2%	133,058	133,058	-	-	-	\$19.44
Total	140	6,706,676	849,916	12.7%	50,995	0.7%	900,911	13.4%	12.6%	215,579	184,949	-	-	317,176	\$23.43
Southwest Phoenix															
A	5	665,135	141,670	21.3%	-	0.0%	141,670	21.3%	22.3%	-	6,800	-	-	-	\$28.87
B	24	987,467	72,842	7.4%	-	0.0%	72,842	7.4%	3.4%	-	-	-	-	-	\$27.18
C	19	453,439	20,058	4.4%	-	0.0%	20,058	4.4%	13.5%	34,682	34,682	-	-	-	\$18.78
Total	48	2,106,041	234,570	11.1%	-	0.0%	234,570	11.1%	11.5%	34,682	41,482	-	-	-	\$25.16
Superstition Corridor															
A	5	669,151	115,945	17.3%	1,478	0.2%	117,423	17.5%	24.4%	33,643	40,778	-	-	-	\$23.33
B	123	3,685,715	346,585	9.4%	1,497	0.1%	348,082	9.4%	11.8%	(41,234)	(41,613)	-	-	-	\$19.74
C	24	437,052	28,817	6.6%	-	0.0%	28,817	6.6%	11.5%	(6,102)	(4,109)	-	-	-	\$14.18
Total	152	4,791,918	491,347	10.2%	2,975	0.1%	494,322	10.3%	13.6%	(13,693)	(4,944)	-	-	-	\$20.50
Tempe															
A	27	5,923,241	201,671	3.4%	2,542	0.0%	204,213	3.4%	6.8%	136,834	284,954	150,000	150,000	617,481	\$34.48
B	98	4,737,335	460,136	9.7%	6,918	0.1%	467,054	9.9%	14.9%	41,472	240,265	-	-	-	\$23.40
C	33	812,077	63,368	7.8%	-	0.0%	63,368	7.8%	12.4%	2,002	14,861	-	-	-	\$18.10
Total	158	11,472,653	725,175	6.3%	9,460	0.1%	734,635	6.4%	10.6%	180,308	540,080	150,000	150,000	617,481	\$28.41
West I-10															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	44	1,617,739	114,061	7.1%	5,717	0.3%	119,778	7.4%	9.5%	(8,299)	5,879	-	-	10,000	\$25.65
C	13	263,433	107,756	40.9%	-	0.0%	107,756	40.9%	40.7%	(800)	(1,038)	-	-	-	\$20.52
Total	57	1,881,172	221,817	11.8%	5,717	0.3%	227,534	12.1%	15.0%	(9,099)	4,841	-	-	10,000	\$22.99
GRAND TOTAL															
A	317	49,651,282	6,168,654	12.4%	959,327	1.9%	7,127,981	14.4%	15.2%	352,348	757,717	150,000	572,987	2,427,683	\$28.89
B	2,027	85,161,255	12,555,912	14.7%	833,055	1.0%	13,388,967	15.7%	17.3%	527,422	833,243	70,000	26,174	535,595	\$22.69
C	564	12,778,776	1,192,815	9.3%	2,880	0.0%	1,195,695	9.4%	12.3%	232,262	333,747	0	0	0	\$18.00
Total	2,908	147,591,313	19,917,381	13.5%	1,795,262	1.1%	21,712,643	14.7%	16.1%	1,112,032	1,924,707	220,000	599,161	2,963,278	\$24.69
QUARTERLY TOTALS															
2018 2Q	2,908	147,591,313	19,917,381	13.5%	1,795,262	1.1%	21,712,643	14.7%		1,112,032	1,924,707	220,000	599,161	2,963,278	\$24.69
2018 1Q	2,907	147,414,770	20,653,364	14.0%	1,727,549	1.2%	22,380,913	15.2%		756,424	-	379,161	-	2,802,690	\$24.65
2017 4Q	2,904	147,093,596	21,182,705	14.4%	1,349,152	0.9%	22,531,857	15.3%		953,909		394,604		1,720,861	\$24.41
2017 3Q	2,899	146,698,992	22,082,504	15.1%	1,291,319	0.9%	23,373,823	15.9%		502,016		385,726		1,518,092	\$24.17
2017 2Q	2,897	146,313,266	22,167,552	15.2%	1,322,561	0.9%	23,490,113	16.1%		570,784		334,294		1,061,268	\$24.01

As new, corrected or updated information is obtained, it is incorporated in both current and historical data, which may invalidate comparison to previously issued reports.

Outlook:

The momentum built in the Greater Phoenix office market during the second quarter is likely to carry over into the second half of this year. Healthy levels of net absorption should allow the local vacancy rate to remain near its current ranges, even as new spec projects are delivered in the market. More than 800,000 square feet of spec construction is slated to come online during the second half of this year, and 2018 is expected to be one of the most active for spec deliveries in the past decade.

During the second quarter, there were a handful of prominent corporate announcements that should bolster local job growth and tenant demand in the coming quarters. Accounting and consulting firm Deloitte announced plans to open an operations center in

Gilbert, a move that could result in as many as 2,500 jobs in the area. Additionally, Nationwide Insurance announced plans to build a regional headquarters in Scottsdale that would ultimately have 2,200-3,000 workers.

The outlook for the investment market has not changed considerably over the past few quarters. To this point in the cycle, interest rate increases have been absorbed without corresponding upticks in cap rates and prices have continued to push higher. Looking ahead, the prevailing market themes are likely to persist, but there could be some upward pressure on cap rates if interest rates continue to inch higher.

FOR MORE INFORMATION

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