

2Q: Great Expectations

Key Takeaways

- › Not only does Greater Phoenix continue to lead the country in job creation, it also remains #1 for population growth (three years running). During the 12-month period ending in May, preliminary estimates show that employers added 66,500 net new jobs, an increase of 3.2 percent which places Greater Phoenix #1 in overall job growth for the country.
- › According to the BLS (Bureau of Labor Statistics), over-the-year nonfarm employment rose in 29 of the 51 metropolitan areas with a 2010 Census population of 1 million or more, while employment was essentially unchanged in 22 areas. The largest over-the-year percentage increases in employment in these large metropolitan areas occurred in Phoenix-Mesa-Scottsdale, AZ (+3.2 percent), Orlando-Kissimmee-Sanford, FL (+3.1 percent), and Dallas-Fort Worth-Arlington, TX, and Las Vegas-Henderson-Paradise, NV (+2.9 percent each).
- › Overall the Greater Phoenix office market performed well during the second quarter, net absorption remained positive with a little over 96,000 square feet absorbed. Employers continue to add workers at a very active pace, fueling tenant demand for office space and fueling new development.
- › Despite delivering over 1.4 million square feet through the first half of the year, tenant move-ins still outpaced new construction which drove vacancy down to 13.3 percent, 30 basis points (bps) lower than 1Q and 260 bps lower over-the-year. Continued vacancy declines are supporting rent growth with asking rents ending the first quarter at \$25.77 per square foot, up 4.5 percent from one year ago.
- › Investment sales volume increased over-the-quarter by 10 percent to \$424 million across 49 transactions. The median price per SF spiked to \$172 with cap rates resting at 7.5 percent.

Market Indicators Relative to prior period	Market 2Q 2019	Market 2Q 2018
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 (2Q 2019)	13.3%	14.6%	13.6%
Change from 2Q 2018 (bps)	-260	-60	-300
Net Absorption (thousands SF)	96	(95)	147
New Construction (thousands SF)	428	428	-
Under Construction (thousands SF)	2,460	1,927	533
Asking Rents	\$25.77	\$29.87	\$23.74
2Q 2018 Rents	\$24.66	\$28.91	\$22.72
Change from 2Q 2018	4.5%	3.3%	4.5%

Greater Phoenix Office Market

While net absorption slowed to approximately 96,000 square feet in the second quarter, it is still above 4Q 2018's 77,000 and 3Q 2017's 40,000 amounts and marks the 29th consecutive quarter of positive net absorption.

Over-the-quarter, employers have added more than 66,500 net new jobs which is above the 5-Year Moving Average of approximately 60,000. For the first half of 2019 job growth has averaged 3.1 percent, nearly double the national average. Gains were primarily in the Construction (up 12.4 percent YoY),

Manufacturing (up 6.01 percent YoY) and Education and Health Services (up 5.34 percent YoY) sectors. Office using employment, while off its 2016 highs, is still averaging a little over 2 percent growth or 70 bps above the national average.

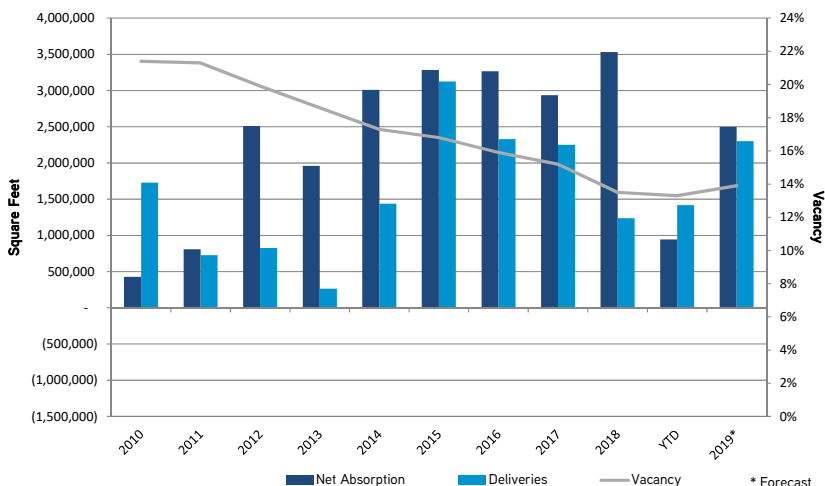
Median price per SF during the first quarter was \$172. Cap rates have continued to remain low and have averaged in the high-6 percent to low-7 percent range for much of the last three years with the first half of 2019 continuing the same trend, reflecting the elevated investor interest in quality office assets.

Recent Transactions in the Market

OFFICE SALE ACTIVITY						
Property Address	Submarket	Sale Date	Sale Price	Size SF	Sale Price SF	Class
1150 W Washington St, Tempe	Tempe	6/21	\$52,400,000	214,303	\$245	A
615 S River Dr, Tempe	Tempe	6/21	\$46,000,000	185,000	\$249	B
2850 E Camelback Rd, Phoenix	Camelback Corridor	5/21	\$27,602,261	136,540	\$202	B

OFFICE LEASE ACTIVITY						
Building Name/Address	Submarket	Lease Type	Tenant	Size SF	Class	
Block 23/101 E Washington St, Phoenix	Downtown South	Direct / New	WeWork	90,576	A	
Thistle Landing/4809 E Thistle Landing Dr, Phoenix	South Tempe/ Ahwatukee	Direct / New	TransPerfect	71,006	B	
SkySong 5/1465 N Scottsdale Rd, Scottsdale	Scottsdale South	Direct / New	Arizona State University (ASU)	50,000	A	

Historical Absorption, Deliveries and Vacancy Rates



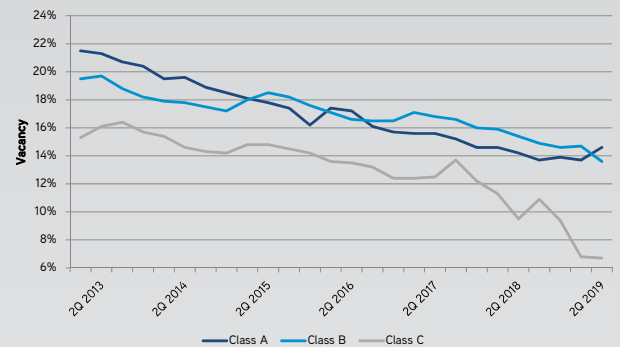
Vacancy:

- > Vacancy in the Greater Phoenix office market continued to decline in the second quarter with the rate retreating to 13.3 percent, down 30 bps over-the-quarter and 260 bps over-the-year. This marked the ninth consecutive quarter where the local vacancy rate has declined.
- > Over-the-year, vacancy improvements are being recorded across all property classes illustrating the continued robustness of the local office market. Class A vacancy rates, currently 14.6 percent, have improved by 60 bps over-the-year, even as more than 1.7 million square feet of new space has been delivered. Additionally, vacancy in Class B buildings has dropped substantially by 300 bps year-over-year to its current 13.6 percent.
- > The Tempe submarket continues to have the lowest vacancy rate in the Greater Phoenix market which at 6.1 percent was 60 bps below the Southwest Phoenix submarket, which came in second, with a 6.7 percent vacancy rate. Rounding off the top 5 in lowest vacancy was the Superstition Corridor submarket (7.7 percent), Midtown/Central Phoenix submarket (9.1 percent) and Deer Valley submarket (11.1 percent). The Airport Area submarket saw the most dramatic decrease in vacancy down 770 bps to 17.2 percent.
- > **Forecast:** Vacancy in Greater Phoenix is forecast to creep higher in 2019 as some spec development projects come online with vacant space. The caveat emptor, if continued absorption rates hold then office vacancy, while forecasted to increase by year end, could continue to decrease.

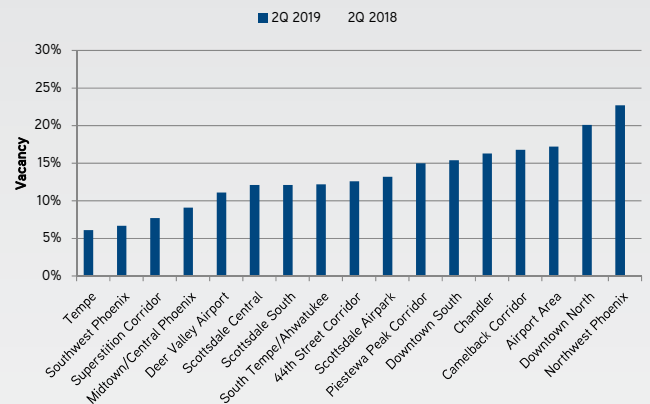
Absorption and Leasing Activity:

- > While net absorption cooled in the second quarter, total first half absorption of approximately 1 million square feet is in line with the five-year moving average of 1.17 million.
- > Downtown, South Tempe/Ahwatukee and Scottsdale South submarkets were home to the largest leases. Of the more notable leases which occurred during the second quarter was WeWork's 90,576 square foot lease at Block 23 in Downtown Phoenix. WeWork inked the deal fresh off it's 54,000 square foot lease at The Camelback Esplanade in late 2018 and nearly 70,000 square feet at Tempe's The Watermark. Also of note was ASU's 50,000 square foot lease of SkySong Innovation Center 5 who will join both Limelight Networks (25,000 square feet) and Berkadia (21,535 square feet) when it completes construction later this year.
- > **Forecast:** Net absorption is forecast to total approximately 2.5 million square feet in 2019 based off the first half absorption rates. Net absorption has averaged 3.1 million square feet per year since 2014.

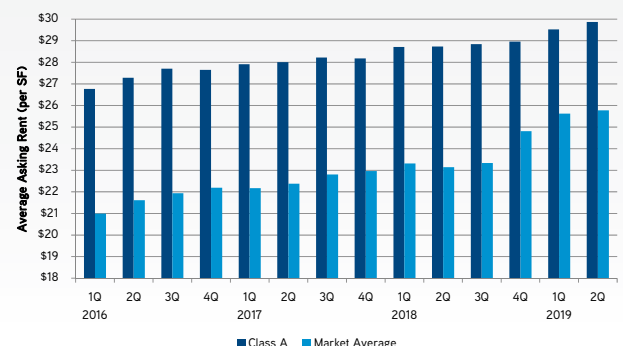
Vacancy by Property Class



Vacancy Among Major Submarkets



Asking Rent Trends



Rental Rates:

- Asking rents pushed higher in the first quarter, advancing 0.6 percent over-the-quarter and 4.5 percent over-the-year to its current \$25.77 per square foot. Rent growth has been averaging 3.6 percent during the previous four quarters, after averaging more than 5 percent from 2014 to 2017.
- Asking rents in Class A buildings, which moderated to 0.9 percent at the end of last year, increased 4 percent over-the-year to \$29.87 per square foot, while the overall market has increased a robust 11.4 percent. Class B buildings also registered a healthy increase rising 4 percent, from second quarter 2018, to its current \$23.74.
- Forecast:** Asking rents in the Greater Phoenix office market are expected to rise during 2019 albeit at more moderated rates.

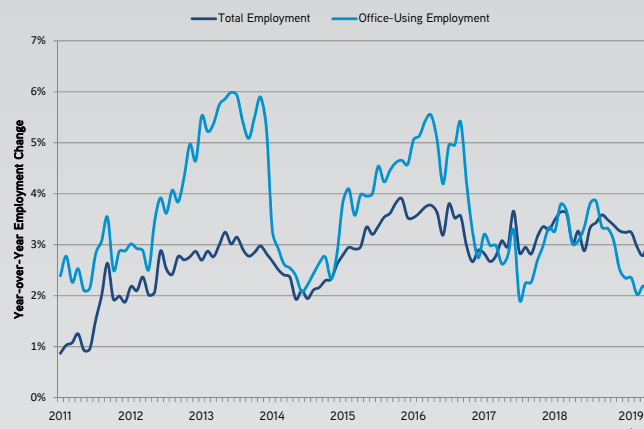
Construction:

- Over-the-quarter, deliveries decreased in the second quarter to 427,749 square feet of new space coming online. While deliveries have generally declined from 2016-18 highs, the pipeline is still robust with a little under 2.5 million square feet of office space currently under construction which is in line with the 5 year under construction average of 2.24 million square feet.
- Both the Tempe and Chandler submarkets continue to lead the way with more than 1.1 million and 489,000 square feet of space currently under construction respectively. In fact, developers have brought more than 3.6 million and 2.6 million square feet of office space to the Tempe and Chandler submarkets during the past five years.
- Forecast:** Office construction continues to increase in 2019, ending the quarter with approximately 2.5 million square feet under construction. This trend is expected to continue as more projects are expected to break ground in the coming months fueled by increasing rents and sustained tenant demand.

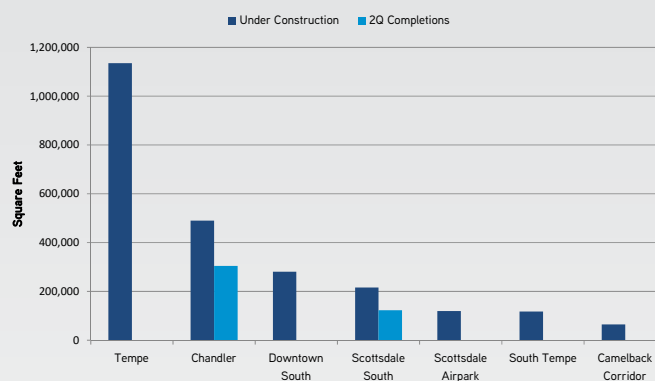
Investment Trends:

- While the number of office building transactions increased 31 percent to 97 total transactions, as compared to first half 2018's 74 transactions, sales volume decreased 9 percent to \$811 million. The median sales price in the second quarter was \$172 per square foot, up 17 percent over-the-quarter, but below 2018's second quarter high of \$204.
- While interest rates crept higher throughout much of 2018 that has effectively halted in the first half of 2019. The average cap rate in transactions that closed during the second quarter was 7.5, 40 bps above first quarter's 7.1 amount.

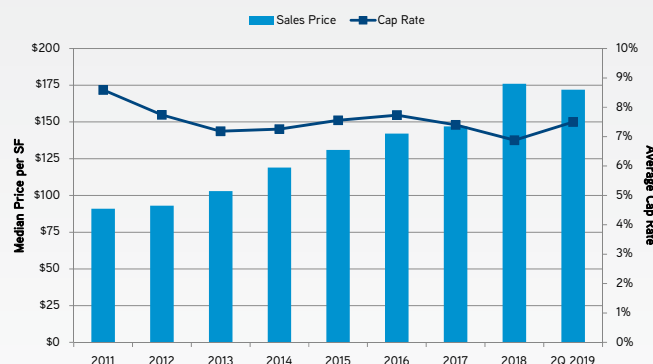
Employment Overview



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	2Q-19	2Q-18	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (F\$)
CENTRAL BUSINESS DISTRICT															
Downtown North															
A	15	4,844,108	1,044,334	21.6%	15,525	0.3%	1,059,859	20.8%	23.6%	(9,878)	90,265	-	-	-	\$25.84
B	92	6,140,350	1,213,684	19.8%	18,717	0.3%	1,232,401	20.7%	20.0%	713	(154,338)	-	-	-	\$23.18
C	44	953,212	113,065	11.9%	-	0.0%	113,065	8.7%	16.4%	3,327	4,814	-	-	-	\$17.67
Total	151	11,937,670	2,371,083	19.9%	34,242	0.3%	2,405,325	20.1%	21.2%	(5,838)	(59,259)	-	-	-	\$23.98
Downtown South															
A	12	5,234,885	711,589	13.6%	90,568	1.7%	802,157	15.3%	13.9%	18,567	(82,194)	-	-	280,399	\$30.99
B	31	2,316,560	394,180	17.0%	18,420	0.8%	412,600	17.8%	8.4%	(56,724)	(94,409)	-	-	-	\$28.94
C	21	906,613	84,818	9.4%	-	0.0%	84,818	9.4%	10.5%	(825)	20,428	-	-	-	\$28.23
Total	64	8,458,058	1,190,587	14.1%	108,988	1.3%	1,299,575	15.4%	12.0%	(38,982)	(156,175)	-	-	280,399	\$30.36
SUBURBAN															
44th St. Corridor															
A	14	1,834,062	266,834	14.5%	3,167	0.2%	270,001	14.7%	15.1%	(15,756)	(37,375)	-	-	-	\$27.34
B	38	1,703,114	186,198	10.9%	6,268	0.4%	192,466	11.3%	9.1%	(28,245)	(5,126)	-	-	-	\$26.04
C	13	288,108	19,906	6.9%	-	0.0%	19,906	6.9%	4.9%	(5,764)	(4,064)	-	-	-	\$14.88
Total	65	3,825,284	472,938	12.4%	9,435	0.2%	482,373	12.6%	11.7%	(49,765)	(46,565)	-	-	-	\$26.48
Airport Area															
A	12	1,581,601	351,545	22.2%	17,552	1.1%	369,097	23.3%	32.7%	(27,287)	(15,145)	-	-	-	\$26.73
B	96	7,097,429	1,098,877	15.5%	145,771	2.1%	1,244,648	17.5%	25.8%	(59,712)	181,697	-	82,951	-	\$21.81
C	15	889,286	26,404	3.0%	8,841	1.0%	35,245	4.0%	3.6%	(8,841)	1,474	-	-	-	\$16.67
Total	123	9,568,316	1,476,826	15.4%	172,164	1.8%	1,648,990	17.2%	24.9%	(95,840)	168,026	-	82,951	-	\$22.83
Arrowhead															
A	3	232,774	55,920	24.0%	-	0.0%	55,920	24.0%	24.2%	376	376	-	-	-	\$28.34
B	101	2,450,241	292,678	11.9%	3,677	0.2%	296,355	12.1%	12.0%	19,143	(17,023)	-	22,700	-	\$26.45
C	12	241,783	41,480	17.2%	-	0.0%	41,480	17.2%	19.8%	(293)	5,655	-	-	-	\$20.51
Total	116	2,924,798	390,078	13.3%	3,677	0.1%	393,755	13.5%	13.6%	19,226	(10,992)	-	22,700	-	\$26.05
Camelback Corridor															
A	27	4,934,329	908,306	18.4%	60,921	1.2%	969,227	19.6%	16.9%	(71,835)	51,983	-	-	65,000	\$36.95
B	77	3,251,145	416,185	12.8%	29,223	0.9%	445,408	13.7%	13.1%	(13,799)	(28,076)	-	-	-	\$25.78
C	20	841,296	99,330	11.8%	-	0.0%	99,330	11.8%	9.9%	(6,755)	(7,515)	-	-	-	\$24.85
Total	124	9,026,770	1,423,821	15.8%	90,144	1.0%	1,513,965	16.8%	14.9%	(92,389)	16,392	-	-	65,000	\$32.19
Chandler															
A	29	3,580,350	801,071	22.4%	68,667	1.9%	869,738	24.3%	15.3%	(144,561)	72,930	304,729	623,953	278,508	\$29.89
B	150	6,172,102	729,628	11.8%	8,663	0.1%	738,291	12.0%	14.2%	69,817	97,704	-	-	211,000	\$24.78
C	13	202,883	19,177	9.5%	-	0.0%	19,177	9.5%	13.1%	3,062	4,368	-	-	-	\$15.11
Total	192	9,955,335	1,549,876	15.6%	77,330	0.8%	1,627,206	16.3%	14.4%	(71,682)	175,002	304,729	623,953	489,508	\$26.65
Deer Valley Airport															
A	27	4,456,040	141,409	3.2%	-	0.0%	141,409	3.2%	2.3%	23,558	15,230	-	-	-	\$25.57
B	109	6,585,361	1,080,735	16.4%	8,017	0.0%	1,088,752	16.5%	16.2%	(24,870)	(38,936)	-	-	-	\$23.95
C	8	120,921	12,578	10.4%	-	0.0%	12,578	10.4%	5.4%	(1,266)	(1,400)	-	-	-	\$19.14
Total	144	11,162,322	1,234,722	11.1%	8,017	0.1%	1,242,739	11.1%	10.6%	(2,578)	(25,106)	-	-	-	\$24.51
Gateway Airport/Loop 202															
A	2	79,055	-	0.0%	-	0.0%	-	0.0%	14.8%	7,000	9,284	-	-	-	\$28.74
B	45	1,189,082	123,274	10.4%	13,149	1.1%	136,423	11.5%	10.8%	(13,575)	(23,055)	-	-	-	\$25.89
C	2	33,232	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$16.80
Total	49	1,301,369	123,274	9.5%	13,149	1.0%	136,423	10.5%	10.7%	(6,575)	(13,771)	-	-	-	\$25.97

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	2Q-19	2Q-18	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
SUBURBAN															
Glendale															
A	6	546,561	87,346	16.0%	-	0.0%	87,346	16.0%	10.7%	(1,728)	(26,978)	-	-	-	\$28.38
B	39	1,981,728	220,567	11.1%	25,848	1.3%	246,415	12.4%	12.1%	14,154	46,687	-	64,152	-	\$26.58
C	13	366,624	47,857	13.1%	-	0.0%	47,857	13.1%	14.5%	3,100	5,440	-	-	-	\$17.16
Total	58	2,894,913	355,770	12.3%	25,848	0.9%	381,618	13.2%	12.5%	15,526	25,149	-	64,152	-	\$26.37
Loop 303/Surprise															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	36,000	\$-
B	44	1,327,333	145,924	11.0%	8,330	0.6%	154,254	11.6%	17.5%	12,048	19,634	-	-	-	\$25.38
C	3	47,010	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
Total	47	1,374,343	145,924	10.6%	8,330	0.6%	154,254	11.2%	16.9%	12,048	19,634	-	-	36,000	\$25.38
Mesa Downtown															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	19	689,205	55,689	8.1%	-	0.0%	55,689	8.1%	5.1%	(4,443)	(30,765)	-	-	-	\$19.77
C	15	237,830	8,093	3.4%	-	0.0%	8,093	3.4%	4.1%	(421)	1,579	-	-	-	\$12.64
Total	34	927,035	63,782	6.9%	-	0.0%	63,782	6.9%	4.8%	(4,864)	(29,186)	-	-	-	\$18.81
Mesa East															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	47	1,356,873	88,896	6.6%	-	0.0%	88,896	6.6%	6.4%	3,046	(8,862)	-	-	-	\$19.60
C	31	641,440	41,535	6.5%	-	0.0%	41,535	6.5%	7.8%	16,850	(15,347)	-	-	-	\$16.17
Total	78	1,998,313	130,431	6.5%	-	0.0%	130,431	6.5%	6.8%	19,896	(24,209)	-	-	-	\$18.51
Midtown/Central Phoenix															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	82	2,880,776	347,677	12.1%	-	0.0%	347,677	12.1%	14.0%	(7,872)	(19,011)	-	-	-	\$21.09
C	53	1,879,050	86,261	4.6%	-	0.0%	86,261	4.6%	5.2%	(16,036)	(29,035)	-	-	-	\$19.66
Total	135	4,759,826	433,938	9.1%	-	0.0%	433,938	9.1%	10.5%	(23,908)	(48,046)	-	-	-	\$20.86
Northwest Phoenix															
A	10	1,294,905	391,275	30.2%	-	0.0%	391,275	30.2%	28.1%	11,111	9,968	-	-	-	\$23.09
B	127	5,208,371	1,340,424	25.7%	43,426	0.8%	1,383,850	26.6%	24.6%	35,997	(170,597)	-	-	-	\$18.64
C	98	2,142,462	189,306	8.8%	-	0.0%	189,306	8.8%	9.6%	24,209	43,813	-	-	-	\$16.38
Total	235	8,645,738	1,921,005	22.2%	43,426	0.5%	1,964,431	22.7%	21.4%	71,317	(116,816)	-	-	-	\$19.31
Paradise Valley															
A	15	1,436,237	205,281	14.3%	11,545	0.8%	216,826	15.1%	16.7%	27,921	72,831	-	-	-	\$28.25
B	64	5,011,552	244,012	4.9%	3,676	0.1%	247,688	4.9%	10.2%	(31,208)	(32,903)	-	-	-	\$22.94
C	19	290,493	46,007	15.8%	-	0.0%	46,007	15.8%	16.7%	(2,953)	(2,820)	-	-	-	\$18.09
Total	98	6,738,282	495,300	7.4%	15,221	0.2%	510,521	7.6%	13.2%	(6,240)	37,108	-	-	-	\$25.25
Piestewa Peak Corridor															
A	4	603,219	93,545	15.5%	5,613	0.9%	99,158	16.4%	14.7%	(2,127)	(6,228)	-	-	-	\$26.59
B	45	2,205,528	360,805	16.4%	6,021	0.3%	366,826	16.6%	20.8%	12,245	25,137	-	-	-	\$23.11
C	21	319,307	3,415	1.1%	-	0.0%	3,415	1.1%	3.7%	20,307	30,577	-	-	-	\$22.37
Total	70	3,128,054	457,765	14.6%	11,634	0.4%	469,399	15.0%	17.9%	30,425	49,486	-	-	-	\$23.67
Scottsdale Airpark															
A	58	6,574,489	1,036,883	15.8%	54,598	0.8%	1,091,481	16.6%	16.4%	8,011	(4,586)	-	-	32,054	\$31.35
B	194	5,653,764	495,928	8.8%	50,978	0.9%	546,906	9.7%	9.5%	6,273	(36)	-	-	87,963	\$26.43
C	11	210,551	5,282	2.5%	-	0.0%	5,282	2.5%	3.9%	860	(261)	-	-	-	\$12.08
Total	263	12,438,804	1,538,093	12.4%	105,576	0.8%	1,643,669	13.2%	13.1%	15,144	(4,883)	-	-	120,017	\$29.33

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	2Q-19	2Q-18	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
SUBURBAN															
Scottsdale Central															
A	28	2,657,445	240,173	9.0%	67,728	2.5%	307,901	11.6%	15.0%	(42,626)	(47,599)	-	-	-	\$29.30
B	135	4,831,618	567,265	11.7%	36,669	0.8%	603,934	12.5%	10.7%	62,670	70,947	-	21,657	-	\$25.85
C	8	116,077	10,735	9.2%	-	0.0%	10,735	9.2%	2.4%	(2,082)	(1,789)	-	-	-	\$19.63
Total	171	7,605,140	818,173	10.8%	104,397	1.4%	922,570	12.1%	12.1%	17,962	21,559	-	21,657	-	\$27.32
Scottsdale South															
A	18	2,492,473	265,418	10.6%	31,161	1.3%	296,579	11.9%	15.3%	120,782	119,402	123,020	123,020	151,318	\$32.49
B	75	2,759,704	365,525	13.2%	12,109	0.4%	377,634	13.7%	16.1%	49,228	50,488	-	-	65,000	\$29.94
C	31	529,695	28,138	5.3%	-	0.0%	28,138	5.3%	6.1%	425	(22,805)	-	-	-	\$21.16
Total	124	5,781,872	659,081	11.4%	43,270	0.7%	702,351	12.1%	14.8%	170,435	147,085	123,020	123,020	216,318	\$30.69
South Tempe/Ahwatukee															
A	8	973,791	13,371	1.4%	-	0.0%	13,371	1.4%	2.0%	0	316,257	-	200,000	117,394	\$32.20
B	124	5,731,404	801,785	14.0%	44,055	0.8%	845,840	14.8%	14.5%	(65,724)	(22,087)	-	20,000	-	\$23.20
C	10	356,389	-	0.0%	-	0.0%	-	0.0%	5.2%	6,359	0	-	-	-	\$20.36
Total	142	7,061,584	815,156	11.5%	44,055	0.6%	859,211	12.2%	12.8%	(59,365)	294,170	-	220,000	117,394	\$23.49
Southwest Phoenix															
A	4	611,821	141,670	23.2%	-	0.0%	141,670	23.2%	23.2%	0	0	-	-	-	\$28.87
B	27	1,087,152	86,684	8.0%	-	0.0%	86,684	8.0%	7.2%	1,700	7,963	-	-	-	\$25.85
C	32	1,953,920	16,170	0.8%	-	0.0%	16,170	0.8%	4.8%	1,500	12,081	-	-	-	\$27.50
Total	63	3,652,893	244,524	6.7%	-	0.0%	244,524	6.7%	8.6%	3,200	20,044	-	-	-	\$27.51
Superstition Corridor															
A	5	669,151	90,766	13.6%	2,308	0.3%	93,074	13.9%	17.5%	12,030	(6,049)	-	-	-	\$24.87
B	123	3,684,111	235,994	6.4%	7,942	0.2%	243,936	6.6%	9.4%	69,659	111,958	-	-	-	\$19.76
C	23	418,376	28,807	6.9%	-	0.0%	28,807	6.9%	6.9%	15,497	15,468	-	-	-	\$15.88
Total	151	4,771,638	355,567	7.5%	10,250	0.2%	365,817	7.7%	10.4%	97,186	121,377	-	-	-	\$20.87
Tempe															
A	31	6,412,061	199,000	3.1%	2,764	0.0%	201,764	3.1%	4.2%	(8,180)	171,045	-	150,000	966,128	\$35.73
B	118	5,521,933	511,121	9.3%	3,074	0.1%	514,195	9.3%	12.4%	86,677	213,050	-	63,500	169,000	\$24.29
C	36	839,351	57,257	6.8%	3,399	0.4%	60,656	7.2%	7.1%	(6,968)	(7,861)	-	-	-	\$18.96
Total	185	12,773,345	767,378	6.0%	9,237	0.1%	776,615	6.1%	8.0%	71,529	376,234	-	213,500	1,135,128	\$27.39
West I-10															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	51	1,851,508	205,720	11.1%	-	0.0%	205,720	11.1%	12.3%	10,037	6,891	-	45,000	-	\$27.12
C	13	230,364	10,995	4.8%	-	0.0%	10,995	4.8%	22.6%	136	419	-	-	-	\$20.85
Total	64	2,081,872	216,715	10.4%	-	0.0%	216,715	10.4%	13.5%	10,173	7,310	-	45,000	-	\$26.64
GRAND TOTAL															
A	328	51,049,357	7,045,736	13.8%	432,117	0.8%	7,477,853	14.6%	15.2%	(94,622)	703,417	427,749	1,096,973	1,926,801	\$29.87
B	2,053	88,687,944	11,609,455	13.1%	494,033	0.6%	12,103,488	13.6%	16.6%	147,235	186,932	0	319,960	532,963	\$23.74
C	565	15,056,273	996,616	6.6%	12,240	0.1%	1,008,856	6.7%	13.7%	43,428	53,219	0	0	0	\$19.27
Total	2,946	154,793,574	19,651,807	12.7%	938,390	1.0%	20,590,197	13.3%	15.9%	96,041	943,568	427,749	1,416,933	2,459,764	\$25.77
QUARTERLY TOTALS															
2019 2Q	2,946	154,793,574	19,651,807	12.7%	938,390	1.0%	20,590,197	13.3%	15.9%	96,041	943,568	427,749	1,416,933	2,459,764	\$25.77
2019 1Q	2,950	151,475,571	19,601,168	12.9%	980,855	1.0%	20,582,023	13.6%		846,986		944,184		2,299,103	\$25.63
2018 4Q	2,958	149,004,507	19,288,226	12.9%	1,410,982	1.0%	20,699,208	13.9%		77,404		354,917		3,423,327	\$24.81
2018 3Q	2,905	147,783,179	19,657,059	13.3%	1,768,245	1.2%	21,425,304	14.5%		1,115,230	-	350,369	-	2,963,278	\$24.71
2018 2Q	2,901	147,432,810	20,463,937	13.9%	1,727,873	1.2%	22,191,810	15.9%		695,948		321,174		2,802,690	\$24.66

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.

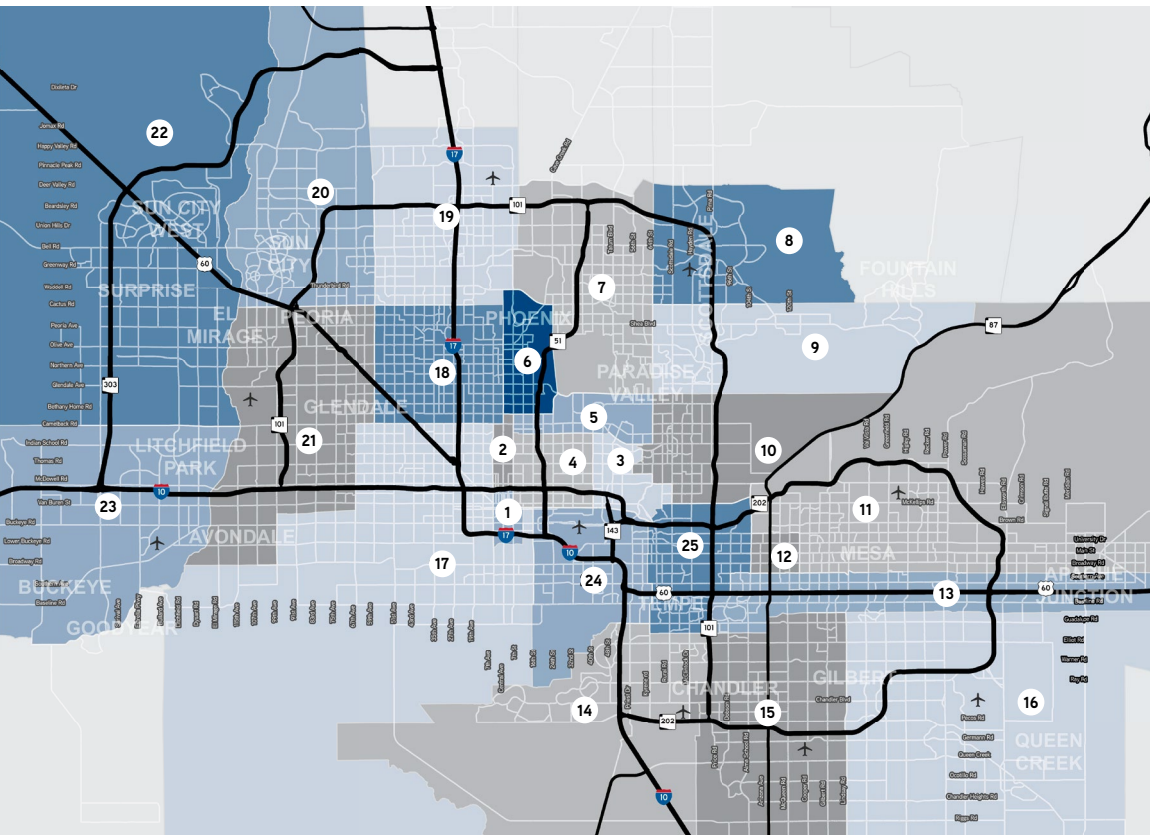
Outlook:

The outlook for the Greater Phoenix office market continues to remain bright in both the mid-to-near-term as local businesses continue to expand and new companies continue to bring operations to the Valley. Strong job growth is supporting demand for office space, and with the overall vacancy rate tightening, new development is gaining momentum. Projects totaling more than 2.4 million are under way and development of new projects, or additional phases of current projects, will likely enter the development pipeline in the coming quarters.

On a macro level, in January, as a result of substantial market volatility at the end of 2018, not only did Chairman Powell reverse course on Fed balance sheet reductions, he, as well as other Fed governors, decided to stop ongoing interest rate increases leaving

rates at 2.5 percent. In July, Powell et al reiterated their dovish stance by including the possibility of rate cuts in the near term, this sent stocks soaring, both Nasdaq and S&P 500 hit all-time highs with 2Y Treasury yields losing (8.5) bps.

The net result, markets remained robust for most of the second quarter and the drag on real estate prices many were expecting, as a result of rising rates, has not materialized. With a more dovish Fed, and more talk of QE 4 (Quantitative Easing), expect elevated demand for commercial real estate assets to continue, especially as yields continue to plummet (particularly across fixed income instruments a la Treasury notes) and as investor need for cash flowing vehicles, due in large part to changing demographics, continues to rise.



1. Downtown South
2. Downtown North
3. 44th St. Corridor
4. Midtown/Central Phoenix
5. Camelback Corridor
6. Piestewa Peak Corridor
7. Paradise Valley
8. Scottsdale AirPark
9. Central Scottsdale
10. Scottsdale South
11. Mesa East
12. Mesa Downtown
13. Superstition Corridor
14. South Tempe/Ahwatukee
15. Chandler
16. Gateway Airport/Loop 202
17. Southwest Phoenix
18. Northwest Phoenix
19. Deer Valley/Airport
20. Arrowhead
21. Glendale
22. Loop 303/Surprise
23. West 1-10
24. Airport Area
25. Tempe

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