

## Q3: And So It Goes

### Key Takeaways

- Greater Phoenix continues to remain in the Top 5 metros for job creation in the country, albeit with moderating growth. During the 12-month period ending in August, preliminary estimates show that employers added 57,800 net new jobs, an increase of 2.7 percent but below the 62,500-average increase over the first half of 2019.
- According to the BLS (Bureau of Labor Statistics), over-the-year nonfarm employment rose in 32 of the 51 metropolitan areas with a 2010 Census population of 1 million or more, while employment was essentially unchanged in 19 areas. The largest over-the-year percentage increases in employment in these large metropolitan areas occurred in Orlando-Kissimmee-Sanford, FL (+4.0 percent), Dallas-Fort Worth-Arlington, TX, and Seattle-Tacoma-Bellevue, WA (+3.1 percent each), and Houston-The Woodlands-Sugar Land, TX, and Phoenix-Mesa-Scottsdale, AZ (+2.7 percent each).
- Overall the Greater Phoenix office market had a strong third quarter; net absorption remained positive with nearly 1 million square feet absorbed. In fact, Q3 2019's reading is the second highest absorption amount since 2015 with Q3 2018 remaining the highest third quarter reading at 1.11 million square feet. Employers continue to add workers. In fact, since July 2019, a little over 14,000 new jobs have been announced which, in turn, is fueling tenant demand for office space and new development.
- Despite delivering 2.4 million square feet through the third quarter of this year, vacancy continues to remain below 14 percent after dropping 250 bps over-the-year to its current 13.4 percent amount. Continued vacancy declines are supporting rent growth with asking rents ending the first quarter at \$24.04 per square foot, up nearly 3 percent from one year ago.
- Investment sales volume increased over-the-quarter by 8 percent to \$756 million across 54 transactions and below Q3 2018's high of \$866 million. The median price per SF decreased slightly to \$168 with cap rates resting at 7.5 percent.

#### Market Indicators

Relative to prior period

Market  
Q3 2019

Market  
Q3 2018

Vacancy



Net Absorption



Construction



Rental Rate



#### Third 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 (Q3 2019)

13.4%

14.5%

13.9%

Change from Q3 2018 (bps)

-250

-50

Same

Net Absorption (thousands SF)

990

720

209

New Construction (thousands SF)

777

697

80

Under Construction (thousands SF)

2,012

1,506

507

Asking Rents

\$24.04

\$29.41

\$21.23

Q3 2018 Rents

\$23.37

\$28.88

\$20.19

Change from Q3 2018

2.9%

1.8%

5.2%

## > Greater Phoenix Office Market

As of the end of Q3, marks the 30th consecutive quarter of positive net absorption with nearly 1 million square feet absorbed. If current trends continue, absorption is expected to exceed 2.5 million square feet by the end of the year.

Over-the-year, employers added more than 57,800 new jobs which is below 2018's high of 68,700 and more in line with job growth witnessed in 2017 which averaged 60,000. Since January, monthly readings of year-over-year job growth have averaged 3 percent, nearly double the national average. In Q3, employment gains were

primarily in the Construction (up 8.7 percent YoY), Manufacturing (up 6.3 percent YoY) and Education and Health Services (up 4.3 percent YoY) sectors. Office using employment, while off its 2016 highs, has averaged 1.9 percent growth thus far in 2019.

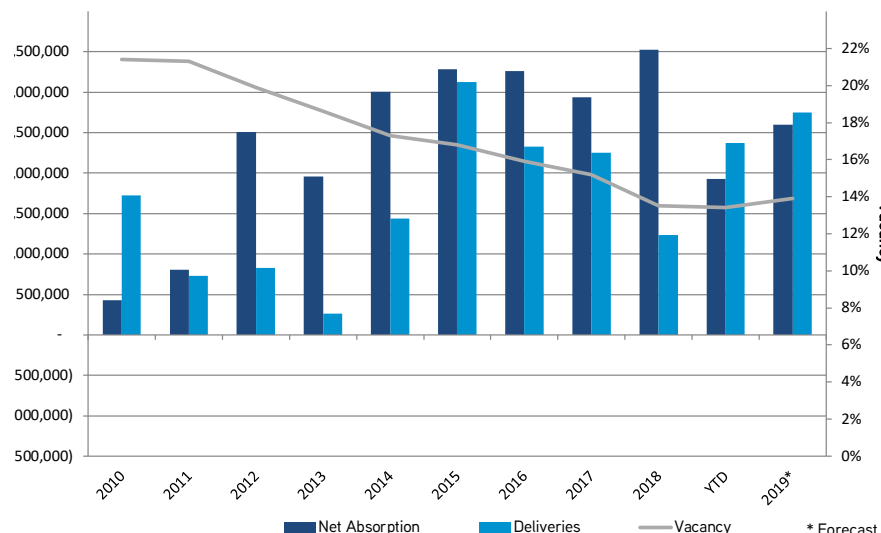
Investment activity continues to remain robust with \$756 million in sales. Median price per SF during the third quarter was \$168. Cap rates have continued to remain low and have averaged in the high-6 percent to mid-7 percent range for much of the last three years with the first three quarters of 2019 continuing the same trend and reflecting continued 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
21711 N 7th St, Phoenix	Deer Valley/Airport	7/26	\$92,250,000	210,202	\$439	B
101 N 1st Ave, Phoenix	Downtown	8/23	\$66,466,954	373,013	\$178	A
2415 E Camelback Rd, Phoenix	Camelback Corridor	7/2	\$60,250,000	218,387	\$276	A

OFFICE LEASE ACTIVITY					
Building Name/Address	Submarket	Lease Type	Tenant	Size SF	Class
The Union at Riverview/Cubs Way & Riverview Auto Dr, Mesa	Tempe	Direct / New	WageWorks	150,000	A
Rivulon/300 E Rivulon Blvd, Gilbert	Chandler	Direct / New	Deloitte	97,248	A
North Loop 101 Business Center/950 W Behrend Dr, Phoenix	Deer Valley/Airport	Direct / New	Cox Communications	31,016	B

## Historical Absorption, Deliveries and Vacancy Rates



## Vacancy:

- Over-the-year vacancy in the Greater Phoenix office market continued to decline, dropping 250 bps to 13.4 percent, but up 10 bps over-the-quarter. This marked the fifth consecutive quarter where the local vacancy rate has remained below 15 percent despite delivering nearly 3 million square feet of new space since Q3 2018.
- 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 14.5 percent, have increased 80 bps from 2018's low of 13.7 percent but Q3 marks the 8th consecutive quarter with Class A vacancy below 15 percent. Same holds true for Class B buildings which declined 100 bps over-the-year, but increased 30 bps over-the-quarter, to its current 13.9 percent.
- The Southwest Phoenix submarket overtook Tempe to have the lowest vacancy rate in the Greater Phoenix market which at 6.6 percent was 100 bps below the Tempe submarket, which came in second, with a 7.6 percent vacancy rate. Rounding off the top 5 in lowest vacancy was the Superstition Corridor submarket (7.7 percent), Midtown/Central Phoenix submarket (8.4 percent) and Deer Valley submarket (10.7 percent). The Airport Area submarket saw the most dramatic decrease in vacancy down 250 bps to 16.2 percent.
- Forecast:** Vacancy in Greater Phoenix is forecast to creep higher by the end of 2019 as more development projects come online with vacant space. In fact, deliveries are projected to reach 2.75 million, their highest point since 2015's 3.12 million square feet.

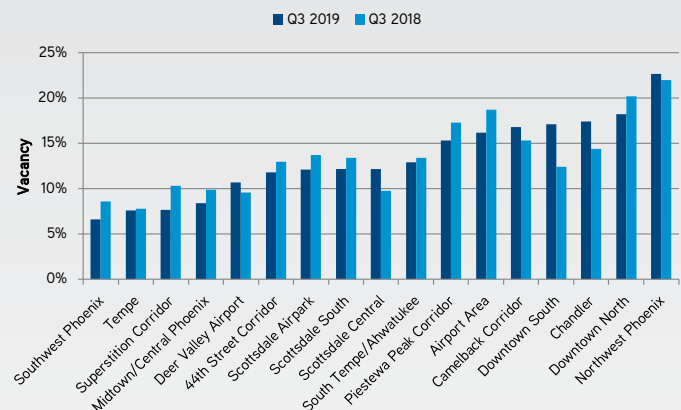
## Absorption and Leasing Activity:

- Net absorption increased in the third quarter to just shy of 1 million square feet. While net absorption has mildly decreased over the last several quarters, total absorption through Q3 of approximately 1.9 million square feet is in line with the 2 million square foot absorption average since 2014.
- Tempe, Chandler and Deer Valley/Airport submarkets were home to the largest leases. Of the more notable leases which occurred during the third quarter was WageWorks 150,000 square foot lease at the yet to begin construction, Union at Riverview office campus on the Tempe/Mesa border. Deloitte, which opened its first 100,000 SF tech center at the Commons of Rivulon at the end of 2018, expanded its presence there by nearly 100,000 SF and is expected to hire an additional 900 employees, on top of the 2,500 previously announced. Lastly, Cox Communications signed a 31,000 square foot lease at the North Loop 101 Business Center.
- Forecast:** Net absorption is forecast to total approximately 2.6 million square feet in 2019 based off current absorption trends. While continuing to remain in the positive absorption territory, it is below the 3.2 million square feet net absorption per year average since 2014.

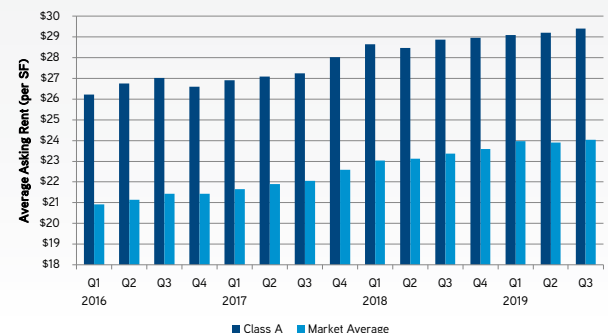
### Vacancy by Property Class



### Vacancy Among Major Submarkets



### Asking Rent Trends



## Rental Rates:

- › Asking rents pushed higher in the third quarter, advancing 0.6 percent over-the-quarter and 2.9 percent over-the-year to its current \$24.04 per square foot. Rent growth has slowed in recent quarters as more inventory comes online, after averaging 4.5+ percent from 2014 to 2018.
- › Asking rents in Class A buildings increased 1.8 percent over-the-year to \$29.41 per square foot, while the overall market has increased 2.9 percent. Class B buildings registered a healthy increase rising 5 percent, from Q3 2018, to its current \$21.23.
- › **Forecast:** Asking rents in the Greater Phoenix office market are expected to rise during 2019 albeit at more moderated rates.

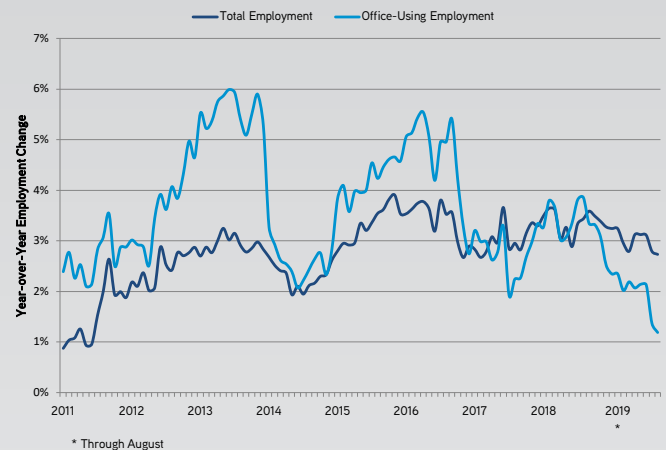
## Construction:

- › Deliveries increased in the third quarter with 776,795 square feet of new space coming online. While per quarter deliveries have generally declined since Q4 2015's high of 1.55 million, the pipeline is still robust with a little over 2 million square feet of office space currently under construction which is in line with the 5 year under construction average of 2.32 million square feet. For projects currently under construction, nearly 60 percent of all space is preleased which suggests that developers are still eschewing full speculative development.
- › Both the Tempe and Downtown South submarkets lead the way with 833,693 square feet and 507,399 square feet of space under construction respectively. Year-to-date, the Chandler submarket witnessed the most deliveries with approximately one million square feet, followed by Tempe's 559,295 square feet.
- › **Forecast:** While office construction has remained above 2 million square feet since Q2 2018, new construction starts have generally trended downward since Q4 2018's high of 3.4 million.

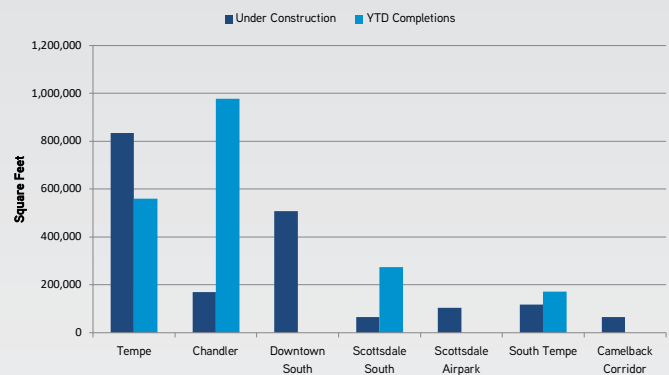
## Investment Trends:

- › Office building transactions totaled \$756 million across 54 transactions. The median sales price in the third quarter was \$168 per square foot with cap rates resting at 7.5.

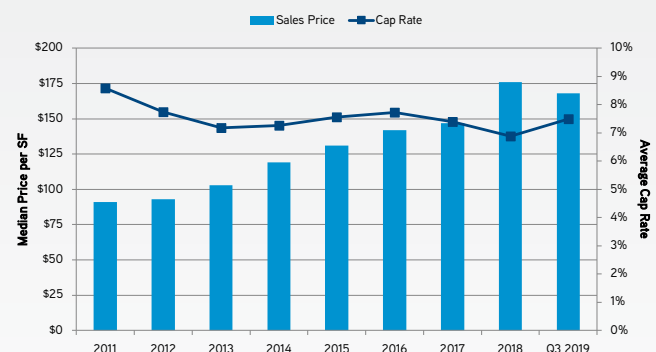
## Employment Overview



## 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	16	5,037,669	984,405	19.5%	15,525	0.3%	999,930	19.8%	23.6%	78,435	168,700	-	-	-	\$25.92
B	93	6,159,444	1,132,255	18.4%	20,605	0.3%	1,152,860	18.7%	18.7%	108,206	(46,132)	-	-	-	\$22.50
C	42	904,681	52,137	5.8%	-	0.0%	52,137	5.8%	14.7%	56,129	60,943	-	-	-	\$16.84
Total	151	12,101,794	2,168,797	17.9%	36,130	0.3%	2,204,927	18.2%	20.2%	242,770	183,511	-	-	-	\$23.76
Downtown South															
A	11	4,631,098	686,339	14.8%	91,783	2.0%	778,122	16.8%	12.9%	(23,273)	(105,467)	-	-	507,399	\$31.50
B	33	2,450,754	502,568	20.5%	18,420	0.8%	520,988	21.3%	13.4%	7,436	(86,973)	-	-	-	\$26.86
C	20	880,093	58,772	6.7%	-	0.0%	58,772	6.7%	7.1%	(474)	19,954	-	-	-	\$23.04
Total	64	7,961,945	1,247,679	15.7%	110,203	1.4%	1,357,882	17.1%	12.4%	(16,311)	(172,486)	-	-	507,399	\$29.59
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	237,262	15.0%	17,552	1.1%	254,814	16.1%	21.1%	92,640	77,495	-	-	-	\$24.99
B	103	7,244,518	1,164,111	16.1%	130,475	1.8%	1,294,586	17.9%	18.7%	11,378	193,075	-	82,951	-	\$16.37
C	15	896,569	27,434	3.1%	-	0.0%	27,434	3.1%	5.0%	(1,030)	444	-	-	-	\$12.72
Total	130	9,722,688	1,428,807	14.7%	148,027	1.5%	1,576,834	16.2%	18.7%	102,988	271,014	-	82,951	-	\$17.74
Arrowhead															
A	3	232,774	53,970	23.2%	-	0.0%	53,970	23.2%	24.2%	1,950	2,326	-	-	-	\$26.21
B	100	2,438,763	319,216	13.1%	3,677	0.2%	322,893	13.2%	11.7%	(37,165)	(54,188)	-	22,700	-	\$24.32
C	12	241,783	27,769	11.5%	-	0.0%	27,769	11.5%	22.3%	13,711	19,366	-	-	-	\$17.43
Total	115	2,913,320	400,955	13.8%	3,677	0.1%	404,632	13.9%	13.6%	(21,504)	(32,496)	-	22,700	-	\$23.84
Camelback Corridor															
A	27	4,934,450	839,276	17.0%	75,598	1.5%	914,874	18.5%	16.8%	54,353	106,336	-	-	-	\$37.10
B	76	3,190,890	468,243	14.7%	29,047	0.9%	497,290	15.6%	14.4%	(51,882)	(79,958)	-	-	65,000	\$26.26
C	20	841,296	94,909	11.3%	-	0.0%	94,909	11.3%	9.9%	4,421	(3,094)	-	-	-	\$24.15
Total	123	8,966,636	1,402,428	15.6%	104,645	1.2%	1,507,073	16.8%	15.3%	6,892	23,284	-	-	65,000	\$32.30
Chandler															
A	32	3,874,933	1,000,824	25.8%	10,929	0.3%	1,011,753	26.1%	9.1%	154,915	227,845	199,682	823,635	78,826	\$25.98
B	150	6,350,605	766,731	12.1%	8,663	0.1%	775,394	12.2%	16.5%	(11,459)	86,245	-	154,132	91,000	\$19.22
C	13	177,257	23,532	13.3%	-	0.0%	23,532	13.3%	15.2%	(3,555)	813	-	-	-	\$15.55
Total	195	10,402,795	1,791,087	17.2%	19,592	0.2%	1,810,679	17.4%	14.4%	139,901	314,903	199,682	977,767	169,826	\$26.65
Deer Valley Airport															
A	27	4,456,081	123,653	2.8%	-	0.0%	123,653	2.8%	2.4%	17,756	32,986	-	-	150,000	\$21.30
B	109	6,582,361	1,048,120	15.9%	12,152	0.0%	1,060,272	16.1%	14.8%	28,480	(10,456)	-	-	-	\$20.10
C	8	120,921	14,995	12.4%	-	0.0%	14,995	12.4%	6.9%	(2,417)	(3,817)	-	-	-	\$16.88
Total	144	11,159,363	1,186,768	10.6%	12,152	0.1%	1,198,920	10.7%	9.6%	43,819	18,713	-	-	150,000	\$20.53
Gateway Airport/Loop 202															
A	1	43,355	-	0.0%	-	0.0%	-	0.0%	0.0%	0	9,284	-	-	-	\$30.00
B	49	1,354,382	143,072	10.6%	5,164	0.4%	148,236	10.9%	9.3%	102,079	79,024	80,000	129,600	-	\$23.41
C	2	33,232	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	\$16.80
Total	52	1,430,969	143,072	10.0%	5,164	0.4%	148,236	10.4%	8.8%	102,079	88,308	80,000	129,600	-	\$23.47

## 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	91,586	16.8%	-	0.0%	91,586	16.8%	13.0%	(4,240)	(31,218)	-	-	-	\$29.56
B	40	1,992,159	207,769	10.4%	25,848	1.3%	233,617	11.7%	11.6%	12,798	59,485	-	64,152	-	\$22.41
C	13	366,624	48,691	13.3%	-	0.0%	48,691	13.3%	14.5%	(834)	4,606	-	-	-	\$12.80
Total	59	2,905,344	348,046	12.0%	25,848	0.9%	373,894	12.9%	12.2%	7,724	32,873	-	64,152	-	\$23.42
Loop 303/Surprise															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	\$-
B	45	1,342,854	167,627	12.5%	8,330	0.6%	175,957	13.1%	14.8%	(21,703)	(2,069)	-	-	-	\$22.68
C	3	47,010	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	\$-
Total	48	1,389,864	167,627	12.1%	8,330	0.6%	175,957	12.7%	14.3%	(21,703)	(2,069)	-	-	-	\$22.68
Mesa Downtown															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	\$-
B	19	689,205	59,320	8.6%	-	0.0%	59,320	8.6%	4.7%	(3,631)	(34,396)	-	-	-	\$15.34
C	15	237,724	18,450	7.8%	-	0.0%	18,450	7.8%	4.1%	(10,357)	(8,778)	-	-	-	\$13.97
Total	34	926,929	77,770	8.4%	-	0.0%	77,770	8.4%	4.5%	(13,988)	(43,174)	-	-	-	\$15.00
Mesa East															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	\$-
B	48	1,367,323	80,613	5.9%	-	0.0%	80,613	5.9%	6.0%	8,283	(579)	-	-	-	\$18.06
C	31	641,440	53,825	8.4%	-	0.0%	53,825	8.4%	5.7%	(12,290)	(27,637)	-	-	-	\$13.27
Total	79	2,008,763	134,438	6.7%	-	0.0%	134,438	6.7%	5.9%	(4,007)	(28,216)	-	-	-	\$16.61
Midtown/Central Phoenix															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	\$-
B	81	2,816,919	338,983	12.0%	-	0.0%	338,983	12.0%	13.2%	(1,370)	(20,381)	-	-	-	\$18.77
C	54	1,959,503	62,758	3.2%	-	0.0%	62,758	3.2%	5.0%	33,567	4,532	-	-	-	\$21.07
Total	135	4,776,422	401,741	8.4%	-	0.0%	401,741	8.4%	9.9%	32,197	(15,849)	-	-	-	\$19.26
Northwest Phoenix															
A	10	1,296,596	319,567	24.6%	-	0.0%	319,567	24.6%	26.6%	71,708	81,676	-	-	-	\$23.37
B	127	5,218,408	1,407,342	27.0%	36,268	0.7%	1,443,610	27.7%	24.5%	(46,541)	(217,138)	-	-	-	\$17.94
C	96	2,112,374	192,589	9.1%	-	0.0%	192,589	9.1%	12.9%	(3,283)	40,530	-	-	-	\$13.84
Total	233	8,627,378	1,919,498	22.2%	36,268	0.4%	1,955,766	22.7%	22.0%	21,884	(94,932)	-	-	-	\$18.83
Paradise Valley															
A	15	1,436,237	152,505	10.6%	11,545	0.8%	164,050	11.4%	20.1%	52,776	125,607	-	-	-	\$27.21
B	63	1,956,932	218,081	11.1%	2,104	0.1%	220,185	11.3%	11.2%	(3,372)	(36,275)	-	-	-	\$20.11
C	20	312,500	25,831	8.3%	-	0.0%	25,831	8.3%	15.5%	20,176	17,356	-	-	-	\$18.17
Total	98	3,705,669	396,417	10.7%	13,649	0.4%	410,066	11.1%	15.0%	69,580	106,688	-	-	-	\$22.90
Piestewa Peak Corridor															
A	3	412,800	69,926	16.9%	-	0.0%	69,926	16.9%	14.7%	10,726	4,498	-	-	-	\$22.88
B	47	2,234,262	374,702	16.8%	2,378	0.1%	377,080	16.9%	18.7%	(10,254)	14,883	-	-	-	\$23.53
C	19	290,573	3,415	1.2%	-	0.0%	3,415	1.2%	7.4%	0	30,577	-	-	-	\$18.84
Total	69	2,937,635	448,043	15.3%	2,378	0.1%	450,421	15.3%	17.3%	472	49,958	-	-	-	\$23.22
Scottsdale Airpark															
A	58	6,574,489	927,509	14.1%	38,626	0.6%	966,135	14.7%	18.6%	97,561	92,975	-	-	32,054	\$29.59
B	196	5,704,992	459,101	8.0%	78,425	1.4%	537,526	9.4%	8.6%	33,287	33,251	-	-	72,514	\$25.61
C	9	165,616	6,631	4.0%	-	0.0%	6,631	4.0%	4.0%	(2,361)	(2,622)	-	-	-	\$15.61
Total	263	12,445,097	1,393,241	11.2%	117,051	0.9%	1,510,292	12.1%	13.7%	128,487	123,604	-	-	104,568	\$27.95



## Office Market

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SUBURBAN															
Scottsdale Central															
A	25	2,462,639	275,745	11.2%	65,852	2.7%	341,597	13.9%	11.8%	(52,478)	(100,077)	-	-	-	\$29.79
B	138	5,031,187	541,629	10.8%	35,066	0.7%	576,695	11.5%	8.8%	34,945	105,892	-	21,657	-	\$25.27
C	8	116,077	11,881	10.2%	-	0.0%	11,881	10.2%	7.5%	(1,146)	(2,935)	-	-	-	\$19.28
Total	171	7,609,903	829,255	10.9%	100,918	1.3%	930,173	12.2%	9.8%	(18,679)	2,880	-	21,657	-	\$26.85
Scottsdale South															
A	19	2,643,791	284,537	10.8%	31,161	1.2%	315,698	11.9%	13.1%	132,199	251,601	151,318	274,338	-	\$34.30
B	75	2,759,704	360,526	13.1%	16,377	0.6%	376,903	13.7%	15.7%	731	51,219	-	-	65,000	\$29.15
C	31	529,695	32,378	6.1%	-	0.0%	32,378	6.1%	2.8%	(4,240)	(27,045)	-	-	-	\$22.50
Total	125	5,933,190	677,441	11.4%	47,538	0.8%	724,979	12.2%	13.4%	128,690	275,775	151,318	274,338	65,000	\$30.88
South Tempe/Ahwatukee															
A	8	926,504	84,397	9.1%	-	0.0%	84,397	9.1%	16.6%	(71,026)	245,231	-	152,076	117,394	\$31.47
B	126	5,827,189	812,254	13.9%	23,876	0.4%	836,130	14.3%	13.2%	28,693	6,606	-	20,000	-	\$18.20
C	10	356,389	-	0.0%	-	0.0%	-	0.0%	3.4%	0	0	-	-	-	\$12.00
Total	144	7,110,082	896,651	12.6%	23,876	0.3%	920,527	12.9%	13.0%	(42,333)	251,837	-	172,076	117,394	\$18.64
Southwest Phoenix															
A	4	611,821	141,670	23.2%	-	0.0%	141,670	23.2%	23.2%	0	0	-	-	-	\$28.87
B	26	1,072,884	86,684	8.1%	-	0.0%	86,684	8.1%	7.8%	1,700	7,963	-	-	-	\$19.24
C	32	1,953,920	11,670	0.6%	-	0.0%	11,670	0.6%	1.4%	4,500	16,581	-	-	-	\$15.07
Total	62	3,638,625	240,024	6.6%	-	0.0%	240,024	6.6%	8.6%	6,200	24,544	-	-	-	\$23.51
Superstition Corridor															
A	4	571,010	80,713	14.1%	-	0.0%	80,713	14.1%	14.7%	3,547	(2,502)	-	-	-	\$25.04
B	127	3,852,062	251,288	6.5%	13,299	0.3%	264,587	6.9%	9.8%	(8,117)	103,841	-	-	-	\$18.08
C	22	407,240	28,807	7.1%	-	0.0%	28,807	7.1%	9.1%	0	15,468	-	-	-	\$11.22
Total	153	4,830,312	360,808	7.5%	13,299	0.3%	374,107	7.7%	10.3%	(4,570)	116,807	-	-	-	\$19.78
Tempe															
A	37	7,443,763	479,042	6.4%	2,764	0.0%	481,806	6.5%	4.5%	68,053	239,098	345,795	495,795	620,333	\$38.66
B	141	6,455,336	491,420	7.6%	10,600	0.2%	502,020	7.8%	10.5%	(5,082)	207,968	-	63,500	213,360	\$20.38
C	44	1,153,250	160,296	13.9%	3,399	0.3%	163,695	14.2%	12.4%	(19,514)	(27,375)	-	-	-	\$22.90
Total	222	15,052,349	1,130,758	7.5%	16,763	0.1%	1,147,521	7.6%	7.8%	43,457	419,691	345,795	559,295	833,693	\$27.65
West I-10															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	0	0	-	-	-	\$-
B	51	1,851,508	165,843	9.0%	1,787	0.1%	167,630	9.1%	11.3%	38,090	44,981	-	45,000	-	\$22.17
C	13	230,364	4,105	1.8%	-	0.0%	4,105	1.8%	7.9%	6,890	7,309	-	-	-	\$15.54
Total	64	2,081,872	169,948	8.2%	1,787	0.1%	171,735	8.2%	10.9%	44,980	52,290	-	45,000	-	\$22.02
GRAND TOTAL															
A	331	51,434,623	7,073,341	13.8%	362,922	0.7%	7,436,263	14.5%	14.0%	701,829	1,405,246	696,795	1,745,844	1,506,006	\$29.41
B	2,102	87,764,812	11,753,586	13.4%	488,314	0.6%	12,241,900	13.9%	13.9%	208,954	394,186	80,000	626,353	506,874	\$21.23
C	565	15,264,239	979,514	6.4%	3,399	0.0%	982,913	6.4%	8.1%	79,160	132,379	0	0	0	\$17.99
Total	2,998	154,463,674	19,806,441	12.8%	854,635	1.0%	20,661,076	13.4%	15.9%	989,943	1,931,811	776,795	2,372,197	2,012,880	\$24.04
QUARTERLY TOTALS															
2019 3Q	2,998	154,463,674	19,806,441	12.8%	854,635	1.0%	20,661,076	13.4%	15.9%	989,943	1,931,811	776,795	2,372,197	2,012,880	\$24.04
2019 2Q		152,419,755	19,651,807	12.7%	938,390	1.0%	20,590,197	13.3%		96,041		427,749		2,459,764	\$23.90
2019 1Q		151,475,571	19,601,168	12.9%	980,855	1.0%	20,582,023	13.6%		845,827		944,184		2,299,103	\$23.98
2018 4Q		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	\$23.59

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.

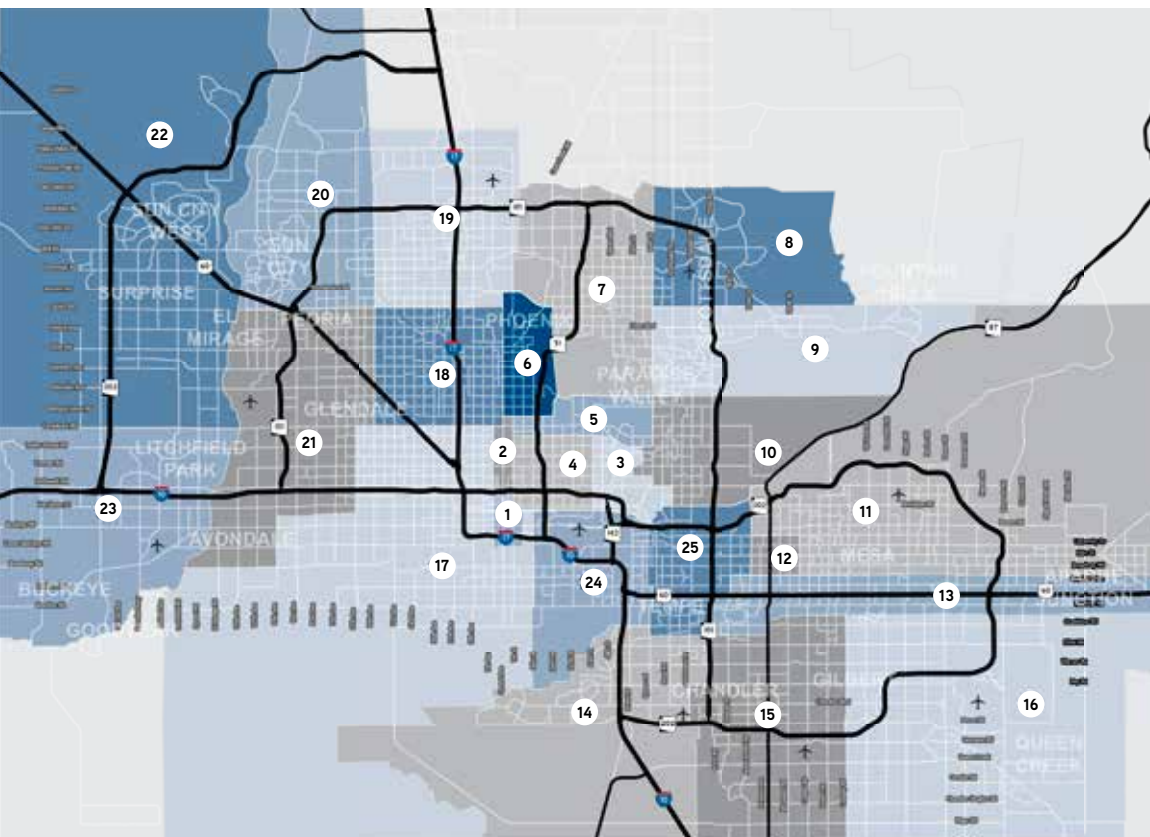
## Outlook:

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. Since July 2019, a little over 14,000 new jobs have been announced with some 40 percent concentrated in the Scottsdale/North Tempe submarket areas. While the rate of job growth has slowed, employers are continuing to add employees which supports the need for office space, and with the overall vacancy rate staying below 15 percent, new development is gaining momentum. Projects totaling a little over 2 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.

Since January, the Federal Reserve and, for that matter, central banks across the developed world turned decidedly more dovish. From reducing interest rates to the resumption of QE (Quantitative

Easing), central banks have, once again, fully reinserted themselves back into market operations. When combined with the on-going trade war, rising global tensions and mixed signal indicators all point to a weakening economic outlook, but as of now, no recession. With continued market uncertainty, all roads point to continued reductions in interest rates at the Federal Reserve level and deeper negative abroad, particularly in Europe.

The net result, real estate markets remained robust for most of the third 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, deepening negative rates in Europe, demand for commercial real estate assets should continue to increase, especially as yields plummet 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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