

1Q: Off and Running

Key Takeaways

- Greater Phoenix, fresh off a banner 2018, saw continued growth in the first quarter. During the 12-month period ending in February, preliminary estimates show that employers added nearly 64,300 net new jobs, an increase of 3.1 percent which places Greater Phoenix #2 in overall job growth for the country.
- According to the BLS (Bureau of Labor Statistics), over the year, nonfarm employment rose in 25 of the 51 metropolitan areas (with a 2010 Census population of 1 million or more), while employment was essentially unchanged in 26 areas. The largest over-the-year percentage increases in employment in these large metropolitan areas occurred in Orlando-Kissimmee-Sanford, FL (+3.9 percent), Phoenix-Mesa-Scottsdale, AZ (+3.1 percent), and Nashville-Davidson--Murfreesboro--Franklin, TN (+3.0 percent).
- Overall the Greater Phoenix office market had a strong first quarter, net absorption increased to approximately 850,000 which was the second highest first quarter reading in the last seven years. Employers continue to add workers at a very active pace, fueling tenant demand for office space and fueling new development.
- Despite increased deliveries, tenant move-ins still outpaced new construction which drove vacancy down to 13.6 percent, 160 basis points (bps) lower than one year ago. Continued vacancy declines are supporting rent growth with asking rents ending the first quarter at \$25.63 per square foot, up nearly 5 percent from one year ago.
- Investment sales volume increased 19 percent to \$387 million across 48 transactions. The median price per SF remained flat at \$147 with cap rates at 7.1 percent.

Greater Phoenix Office Market

The Greater Phoenix office market had a strong performance in the first quarter, in fact, with nearly 850K square feet of net absorption was the highest first quarter showing in nearly a decade

Market Indicators Relative to prior period	Market Q1 2019	Market Q1 2018
Vacancy	↓	↓
Net Absorption	↑	↑
Construction	↑	↑
Rental Rate	↑	↑

Fourth 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	13.6%	13.7%	14.7%
Change from 1Q 2018 (bps)	-230	-150	-190
Net Absorption (thousands SF)	847	797	39
New Construction (thousands SF)	944	669	274
Under Construction (thousands SF)	2,299	1,837	462
Asking Rents Per Square Foot Per Year	\$25.63	\$29.52	\$23.58
Change from 1Q 2018	5.0%	1.9%	3.1%

and considerably higher than fourth quarter's 77,000. Of the more notable moves in the first quarter were Northern Trust's continued Tempe-based regional headquarters expansion at Discovery Business Campus, Freedom Financials' move-in, also in Tempe, at RIO2100, Allstate Insurance moving into One Chandler Corporate Center and Deloitte moving into Nationwide Realty Investor-owned, The Commons at Rivulon.

During the 12-month period ending in February, employers have added more than 64,300 net new jobs which is still above the 5-Year Moving Average of 59,800. For the first two months of 2019 job growth has averaged 3.1 percent, nearly double the national average, while adding a little over 11,000 jobs. Gains were primarily in the Construction (up 9.93 percent YoY), Education and Health

Services (up 4.69 percent YoY) and Manufacturing (up 4.12 percent YoY) sectors. Office using employment, while off its 2016 highs, is still averaging a little over 2 percent growth or 20 bps above the national average.

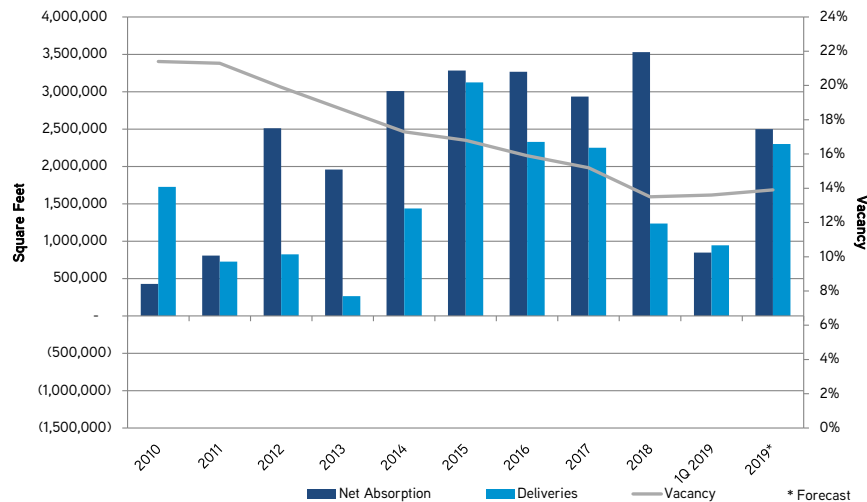
Office property's sales volume increased 19 percent (YoY) to \$387 million during the first quarter, with the number of transactions increasing 60 percent on yearly basis to 48. Median price during the first quarter was \$147. Cap rates have continued to remain low, even as interest rates have pushed higher. Cap rates have averaged in the high-6 percent to low-7 percent range for much of 2018 and continuing into 2019, 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
1665 W Alamed Dr., Tempe	Airport Area	2/20	\$71,500,000	236,188	\$303	B
3003 N Central Ave., Phoenix	Midtown	3/14	\$42,340,000	457,893	\$92	A
2020 N Central Ave., Phoenix	Midtown	3/7	\$23,888,888	247,645	\$96	A

OFFICE LEASE ACTIVITY					
Building Name/Address	Submarket	Lease Type	Tenant	Size SF	Class
Allred Park Place South-Bldg 16/1700 S Price Rd., Chandler	Chandler	Direct/New	Voya Financial	151,359	A
The Watermark Phase 1/410 N Scottsdale Rd., Tempe	Tempe	Direct/New	WeWork	68,968	A
Papago Gateway Center/350 W Washington St., Tempe	Tempe	Direct/New	Caris	38,640	A

Historical Absorption, Deliveries and Vacancy Rates



Vacancy:

- > Vacancy in the Greater Phoenix office market continued to decline in the first quarter with the rate retreating to 13.6 percent. Vacancy is down 30 bps over-the-quarter and 160 over-the-year. This marked the eighth consecutive quarter where the local vacancy rate has declined.
- > Vacancy improvements are being recorded across all property classes illustrating the continued robustness of the local office market. Class A vacancy rates, currently 13.7 percent, have improved by 150 bps over-the-year, even as more than 1 million square feet of new space has been delivered. Additionally, vacancy in Class B buildings has dropped by 190 bps year-over-year to its current 14.7 percent.
- > The Tempe submarket continues to have the lowest vacancy rate in the Greater Phoenix market which at 6.8 percent was 410 bps below the Deer Valley Airport submarket, which came in second, with a 10.9 percent vacancy rate. Rounding off the top 5 in lowest vacancy was the South Tempe/Ahwatukee submarket (11.3 percent), 44th Street Corridor submarket (11.4 percent) and Scottsdale Central submarket (12.5 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 fourth quarter 2018, first quarter absorption registered a significant increase to approximately 850,000 which was the second highest first quarter reading in the last seven years, only lower than first quarter 2018's 1.3 million.
- > The Tempe and Chandler submarkets were home to the largest leases. Of the more notable leases which occurred during the first quarter was Voya Financial's 151,359 square foot lease at Allred Park Place in Chandler. The property is set to house 1,000+ new Voya workers. Additionally, WeWork, fresh off it's 54,000 square foot lease at The Camelback Esplanade in late 2018, leased nearly 70,000 square feet at Tempe's The Watermark.
- > **Forecast:** Net absorption is forecast to total approximately 2.5 million square feet in 2019 based off the first quarter absorption amount. Net absorption has averaged 3.1 million square feet per year since 2014.

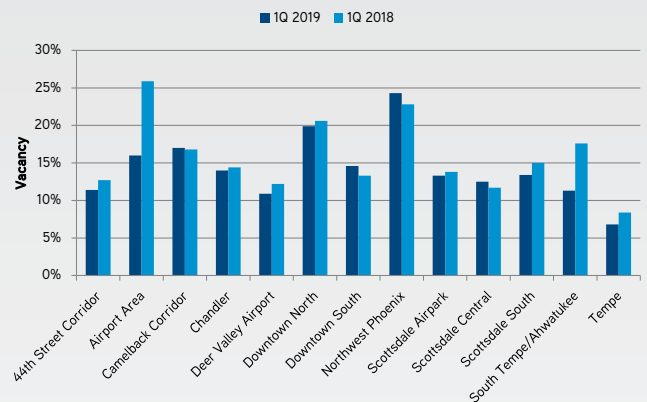
Rental Rates:

- > Asking rents pushed higher in the first quarter, advancing 3.3 percent over-the-quarter and nearly 5 percent over-the-year to its current \$25.63 per square foot. Rent growth has been averaging 3.2 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

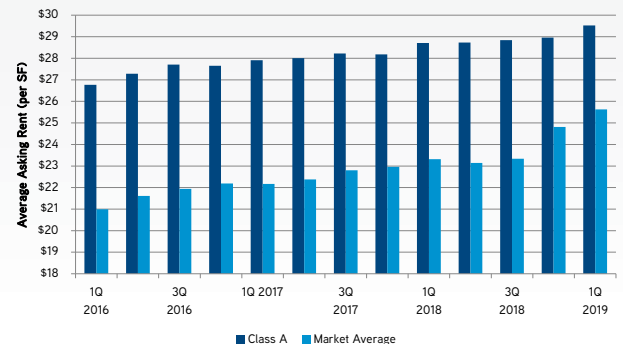
Vacancy by Property Class



Vacancy Among Major Submarkets



Asking Rent Trends



Rental Rates (continued):

at the end of last year, increased 1.9 percent over-the-year to \$29.52 per square foot, while the overall market has increased 4.95 percent. Class B buildings also registered a healthy increase rising 3.1 percent, from first quarter 2018, to its current \$23.56.

- **Forecast:** Asking rents in the Greater Phoenix office market are expected to rise during 2019 albeit at more moderated rates.

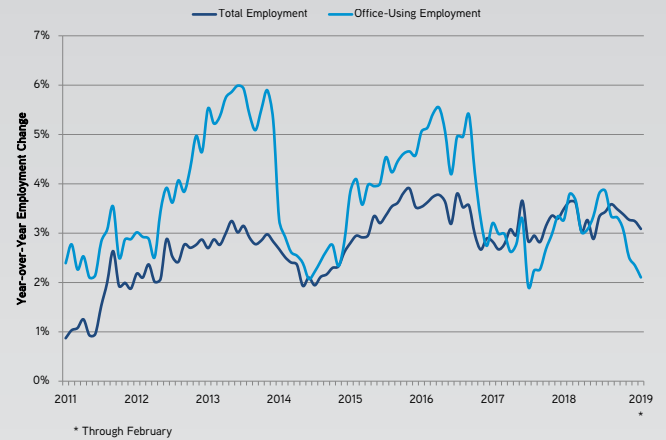
Construction:

- Deliveries increased during the first quarter to approximately 944,000 square feet of new space coming online. While deliveries have been declining in recent quarters, the pipeline is still robust with a little under 2.3 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 are leading the way with more than 961,000 and 748,000 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 continued to increase throughout 2018 and into 2019, ending the quarter with approximately 2.28 million square feet under construction. This trend is expected to continue into 2019 as more projects are expected to break ground in the coming months.

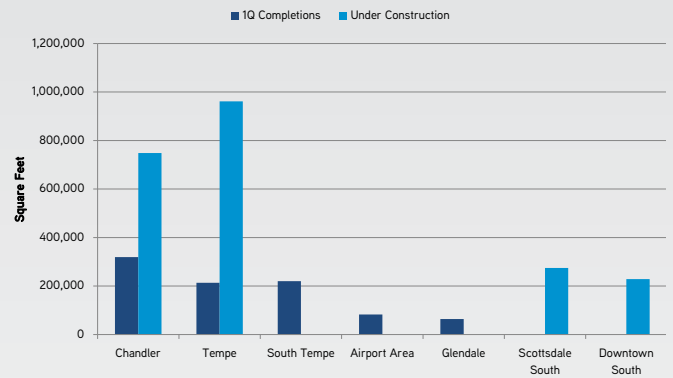
Investment Trends:

- Both the number of office building transactions increased 60 percent to 48 total transactions, from first quarter 2018's 30 transactions, and sales volume increased 19 percent to \$387 million. The median sales price in the first quarter was \$147 per square foot, basically the same over-the-year.
- While interest rates crept higher throughout much of 2018, cap rates have remained low. The average cap rate in transactions that closed during the first quarter was 7.1 nearly 30 bps above 2018's 6.8 amount.

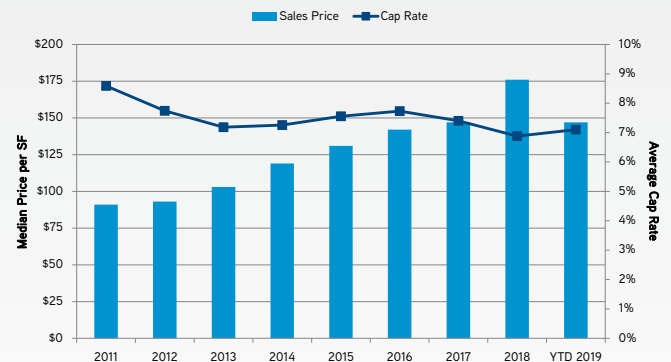
Employment Overview



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	Q1-19	Q1-18	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (F\$)
CENTRAL BUSINESS DISTRICT															
Downtown North															
A	16	5,047,230	1,034,456	20.5%	15,525	0.3%	1,049,981	20.8%	23.2%	100,143	100,143	-	-	-	\$25.80
B	92	6,140,350	1,250,585	20.4%	18,717	0.3%	1,269,302	20.7%	19.7%	(155,051)	(155,051)	-	-	-	\$21.77
C	41	871,806	76,004	8.7%	-	0.0%	76,004	8.7%	11.5%	1,487	1,487	-	-	-	\$16.15
Total	149	12,059,386	2,361,045	19.6%	34,242	0.3%	2,395,287	19.9%	20.6%	(53,421)	(53,421)	-	-	-	\$23.34
Downtown South															
A	12	5,234,885	749,493	14.3%	71,231	1.4%	820,724	15.7%	15.5%	(100,761)	(100,761)	-	-	228,402	\$31.11
B	31	2,299,618	309,792	13.5%	18,420	0.8%	328,212	14.3%	10.1%	(37,685)	(37,685)	-	-	-	\$28.36
C	22	921,381	83,993	9.1%	-	0.0%	83,993	9.1%	9.1%	21,253	21,253	-	-	-	\$28.77
Total	65	8,455,884	1,143,278	13.5%	89,651	1.1%	1,232,929	14.6%	13.3%	(117,193)	(117,193)	-	-	228,402	\$30.36
SUBURBAN															
44th St. Corridor															
A	14	1,819,062	254,245	14.0%	-	0.0%	254,245	14.0%	15.9%	(21,619)	(21,619)	-	-	-	\$27.68
B	37	1,679,760	161,635	9.6%	2,586	0.2%	164,221	9.8%	10.5%	23,119	23,119	-	-	-	\$25.19
C	13	288,108	14,142	4.9%	-	0.0%	14,142	4.9%	5.3%	1,700	1,700	-	-	-	\$14.53
Total	64	3,786,930	430,022	11.4%	2,586	0.1%	432,608	11.4%	12.7%	3,200	3,200	-	-	-	\$26.43
Airport Area															
A	12	1,581,407	324,258	20.5%	35,349	2.2%	359,607	22.7%	20.8%	12,142	12,142	-	-	-	\$26.42
B	96	6,851,666	961,117	14.0%	141,808	2.1%	1,102,925	16.1%	25.4%	241,409	241,409	82,951	82,951	-	\$22.79
C	15	889,286	26,404	3.0%	-	0.0%	26,404	3.0%	5.4%	10,315	10,315	-	-	-	\$14.21
Total	123	9,322,359	1,311,779	14.1%	177,157	1.9%	1,488,936	16.0%	25.9%	263,866	263,866	82,951	82,951	-	\$23.68
Arrowhead															
A	3	232,774	56,296	24.2%	-	0.0%	56,296	24.2%	33.6%	-	-	-	-	-	\$28.35
B	102	2,462,464	331,841	13.5%	9,773	0.4%	341,614	13.9%	11.2%	(36,166)	(36,166)	22,700	22,700	-	\$26.05
C	12	241,783	41,187	17.0%	-	0.0%	41,187	17.0%	19.6%	5,948	5,948	-	-	-	\$21.44
Total	117	2,937,021	429,324	14.6%	9,773	0.3%	439,097	15.0%	13.7%	(30,218)	(30,218)	22,700	22,700	-	\$25.81
Camelback Corridor															
A	27	4,934,329	862,491	17.5%	46,634	0.9%	909,125	18.4%	18.9%	123,818	123,818	-	-	-	\$35.77
B	77	3,219,777	483,597	15.0%	30,190	0.9%	513,787	16.0%	16.0%	(14,277)	(14,277)	-	-	-	\$25.18
C	20	841,296	103,772	12.3%	-	0.0%	103,772	12.3%	7.5%	(760)	(760)	-	-	-	\$24.90
Total	124	8,995,402	1,449,860	16.1%	76,824	0.9%	1,526,684	17.0%	16.8%	108,781	108,781	-	-	-	\$31.34
Chandler															
A	27	3,286,007	401,669	12.2%	-	0.0%	401,669	12.2%	8.8%	216,951	216,951	319,224	319,224	537,721	\$29.90
B	150	6,171,827	912,295	14.8%	13,801	0.2%	926,096	15.0%	17.0%	27,887	27,887	-	-	211,000	\$24.65
C	13	202,883	22,239	11.0%	-	0.0%	22,239	11.0%	13.1%	1,306	1,306	-	-	-	\$14.98
Total	190	9,660,717	1,336,203	13.8%	13,801	0.1%	1,350,004	14.0%	14.4%	246,144	246,144	319,224	319,224	748,721	\$26.32
Deer Valley Airport															
A	27	4,455,733	159,343	3.6%	5,624	0.1%	164,967	3.7%	6.0%	(8,328)	(8,328)	-	-	-	\$25.48
B	109	6,584,633	1,027,171	15.6%	8,017	0.0%	1,035,188	15.7%	16.5%	(14,066)	(14,066)	-	-	-	\$23.88
C	8	120,921	11,312	9.4%	-	0.0%	11,312	9.4%	3.4%	(134)	(134)	-	-	-	\$17.54
Total	144	11,161,287	1,197,826	10.7%	13,641	0.1%	1,211,467	10.9%	12.2%	(22,528)	(22,528)	-	-	-	\$24.44
Gateway Airport/Loop 202															
A	2	79,054	-	0.0%	7,000	8.9%	7,000	8.9%	23.0%	2,284	2,284	-	-	-	\$28.74
B	45	1,178,162	115,317	9.8%	39,228	3.3%	154,545	13.1%	11.8%	(9,480)	(9,480)	-	-	-	\$25.09
C	2	33,232	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$16.80
Total	49	1,290,448	115,317	8.9%	46,228	3.6%	161,545	12.5%	12.1%	(7,196)	(7,196)	-	-	-	\$25.07

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	Q1-19	Q1-18	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
SUBURBAN															
Glendale															
A	7	610,561	85,618	14.0%	-	0.0%	85,618	14.0%	11.0%	(25,250)	(25,250)	-	-	-	\$27.84
B	39	1,981,766	234,759	11.8%	25,848	1.3%	260,607	13.2%	13.8%	32,533	32,533	64,152	64,152	-	\$26.77
C	12	349,904	50,957	14.6%	-	0.0%	50,957	14.6%	15.2%	2,340	2,340	-	-	-	\$21.03
Total	58	2,942,231	371,334	12.6%	25,848	0.9%	397,182	13.5%	13.4%	9,623	9,623	64,152	64,152	-	\$26.93
Loop 303/Surprise															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	45	1,338,528	160,945	12.0%	5,357	0.4%	166,302	12.4%	15.7%	7,586	7,586	-	-	-	\$24.47
C	3	47,010	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
Total	48	1,385,538	160,945	11.6%	5,357	0.4%	166,302	12.0%	15.7%	7,586	7,586	-	-	-	\$24.47
Mesa Downtown															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	19	686,791	51,246	7.5%	-	0.0%	51,246	7.5%	4.7%	(26,322)	(26,322)	-	-	-	\$19.81
C	15	237,830	7,672	3.2%	-	0.0%	7,672	3.2%	2.8%	2,000	2,000	-	-	-	\$14.28
Total	34	924,621	58,918	6.4%	-	0.0%	58,918	6.4%	4.2%	(24,322)	(24,322)	-	-	-	\$18.81
Mesa East															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	46	1,388,437	90,929	6.5%	-	0.0%	90,929	6.5%	6.2%	(11,909)	(11,909)	-	-	-	\$19.55
C	31	641,440	58,385	9.1%	-	0.0%	58,385	9.1%	8.4%	(32,197)	(32,197)	-	-	-	\$16.00
Total	77	2,029,877	149,314	7.4%	-	0.0%	149,314	7.4%	7.4%	(44,106)	(44,106)	-	-	-	\$18.41
Midtown/Central Phoenix															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	83	2,926,626	352,676	12.1%	2,365	0.3%	355,041	12.1%	12.7%	(11,139)	(11,139)	-	-	-	\$21.10
C	53	1,883,935	59,680	3.2%	-	0.0%	59,680	3.2%	7.2%	(12,999)	(12,999)	-	-	-	\$19.11
Total	136	4,810,561	412,356	8.6%	2,365	0.0%	414,721	8.6%	10.5%	(24,138)	(24,138)	-	-	-	\$20.84
Northwest Phoenix															
A	10	1,294,905	402,386	31.1%	-	0.0%	402,386	31.1%	30.2%	(1,143)	(1,143)	-	-	-	\$23.14
B	126	5,228,024	1,445,029	27.6%	48,780	0.9%	1,493,809	28.6%	24.8%	(206,594)	(206,594)	-	-	37,500	\$18.48
C	101	2,175,805	205,680	9.5%	13,835	0.6%	219,515	10.1%	13.4%	19,604	19,604	-	-	-	\$15.95
Total	237	8,698,734	2,053,095	23.6%	62,615	0.7%	2,115,710	24.3%	22.8%	(188,133)	(188,133)	-	-	37,500	\$19.40
Paradise Valley															
A	15	1,436,237	234,641	16.3%	10,106	0.7%	244,747	17.0%	15.1%	44,910	44,910	-	-	-	\$28.27
B	64	2,011,612	212,204	10.5%	4,276	0.2%	216,480	10.8%	11.9%	(1,695)	(1,695)	-	-	-	\$22.50
C	19	290,493	43,054	14.8%	-	0.0%	43,054	14.8%	15.6%	133	133	-	-	-	\$18.82
Total	98	3,738,342	489,899	13.1%	14,382	0.4%	504,281	13.5%	13.4%	43,348	43,348	-	-	-	\$25.17
Piestewa Peak Corridor															
A	4	603,219	91,418	15.2%	5,613	0.9%	97,031	16.1%	22.4%	(4,101)	(4,101)	-	-	-	\$26.33
B	45	2,207,056	403,209	18.3%	9,244	0.4%	412,453	18.7%	22.1%	12,892	12,892	-	-	-	\$23.51
C	20	309,307	16,722	5.4%	-	0.0%	16,722	5.4%	3.3%	10,270	10,270	-	-	-	\$21.34
Total	69	3,119,582	511,349	16.4%	14,857	0.5%	526,206	16.9%	20.3%	19,061	19,061	-	-	-	\$23.95
Scottsdale Airpark															
A	59	6,690,489	969,947	14.5%	169,459	2.5%	1,139,406	17.0%	17.0%	(12,597)	(12,597)	-	-	-	\$31.02
B	196	5,572,173	490,239	8.8%	29,127	0.5%	519,366	9.3%	10.1%	(6,309)	(6,309)	-	-	48,514	\$26.70
C	11	210,551	6,142	2.9%	-	0.0%	6,142	2.9%	4.8%	(1,121)	(1,121)	-	-	-	\$12.38
Total	266	12,473,213	1,466,328	11.8%	198,586	1.6%	1,664,914	13.3%	13.8%	(20,027)	(20,027)	-	-	48,514	\$29.43

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	Q1-19	Q1-18	CURRENT PERIOD	YTD	CURRENT PERIOD	YTD	SF	RATE (FS)
SUBURBAN															
Scottsdale Central															
A	28	2,657,445	235,183	8.8%	30,092	1.1%	265,275	10.0%	11.8%	(4,973)	(4,973)	-	-	-	\$28.18
B	135	4,856,014	646,403	13.3%	30,991	0.6%	677,394	13.9%	11.9%	8,277	8,277	21,657	21,657	-	\$25.18
C	9	127,978	14,253	11.1%	-	0.0%	14,253	11.1%	2.5%	293	293	-	-	-	\$20.26
Total	172	7,641,437	895,839	11.7%	61,083	0.8%	956,922	12.5%	11.7%	3,597	3,597	21,657	21,657	-	\$26.31
Scottsdale South															
A	17	2,369,453	247,397	10.4%	46,944	2.0%	294,341	12.4%	14.4%	(1,380)	(1,380)	-	-	274,338	\$32.94
B	76	2,785,509	416,052	14.9%	10,810	0.4%	426,862	15.3%	16.8%	1,260	1,260	-	-	-	\$29.72
C	31	529,695	39,108	7.4%	-	0.0%	39,108	7.4%	7.8%	(23,230)	(23,230)	-	-	-	\$21.52
Total	124	5,684,657	702,557	12.4%	57,754	1.0%	760,311	13.4%	15.0%	(23,350)	(23,350)	-	-	274,338	\$30.53
South Tempe/Ahwatukee															
A	9	1,105,643	13,371	1.2%	-	0.0%	13,371	1.2%	1.7%	316,257	316,257	200,000	200,000	-	\$30.99
B	125	5,631,274	740,438	13.1%	39,678	0.7%	780,116	13.9%	17.1%	43,637	43,637	20,000	20,000	-	\$23.26
C	10	356,389	6,359	1.8%	-	0.0%	6,359	1.8%	42.5%	(6,359)	(6,359)	-	-	-	\$20.36
Total	144	7,093,306	760,168	10.7%	39,678	0.6%	799,846	11.3%	17.6%	353,535	353,535	220,000	220,000	-	\$23.47
Southwest Phoenix															
A	4	611,821	141,670	23.2%	-	0.0%	141,670	23.2%	23.2%	-	-	-	-	-	\$28.87
B	26	1,072,884	86,684	8.1%	-	0.0%	86,684	8.1%	7.1%	6,263	6,263	-	-	-	\$25.85
C	32	1,953,920	17,670	0.9%	-	0.0%	17,670	0.9%	11.6%	10,581	10,581	-	-	-	\$26.32
Total	62	3,638,625	246,024	6.8%	-	0.0%	246,024	6.8%	13.4%	16,844	16,844	-	-	-	\$27.34
Superstition Corridor															
A	5	669,151	102,796	15.4%	2,308	0.3%	105,104	15.7%	22.6%	(18,079)	(18,079)	-	-	-	\$24.86
B	123	3,684,111	298,727	8.1%	14,868	0.4%	313,595	8.5%	8.3%	42,299	42,299	-	-	-	\$20.34
C	23	418,376	44,304	10.6%	-	0.0%	44,304	10.6%	5.4%	(29)	(29)	-	-	-	\$15.92
Total	151	4,771,638	445,827	9.3%	17,176	0.4%	463,003	9.7%	10.1%	24,191	24,191	-	-	-	\$21.25
Tempe															
A	31	6,341,296	188,954	3.0%	4,612	0.1%	193,566	3.1%	2.9%	179,225	179,225	150,000	150,000	796,628	\$35.48
B	116	5,564,061	615,119	11.1%	3,333	0.1%	618,452	11.1%	14.4%	126,373	126,373	63,500	63,500	165,000	\$24.47
C	38	876,111	50,289	5.7%	3,399	0.4%	53,688	6.1%	7.8%	(893)	(893)	-	-	-	\$19.80
Total	185	12,781,468	854,362	6.7%	11,344	0.1%	865,706	6.8%	8.4%	304,705	304,705	213,500	213,500	961,628	\$27.76
West I-10															
A	0	-	-	0.0%	-	0.0%	-	0.0%	0.0%	-	-	-	-	-	\$-
B	51	1,841,946	237,068	12.9%	5,907	0.3%	242,975	13.2%	12.4%	(3,146)	(3,146)	-	-	-	\$25.14
C	13	230,361	11,131	4.8%	-	0.0%	11,131	4.8%	22.4%	283	283	-	-	-	\$21.86
Total	64	2,072,307	248,199	12.0%	5,907	0.3%	254,106	12.3%	13.6%	(2,863)	(2,863)	-	-	-	\$25.00
GRAND TOTAL															
A	329	51,060,701	6,555,632	12.8%	450,497	0.9%	7,006,129	13.7%	15.2%	797,499	797,499	669,224	669,224	1,837,089	\$29.52
B	2,054	85,365,069	12,035,077	14.1%	513,124	0.6%	12,548,201	14.7%	16.6%	39,696	39,696	274,960	274,960	462,014	\$23.58
C	567	15,049,801	1,010,459	6.7%	17,234	0.1%	1,027,693	6.8%	13.7%	9,791	9,791	0	0	0	\$19.17
Total	2,950	151,475,571	19,601,168	12.9%	980,855	1.0%	20,582,023	13.6%	15.9%	846,986	846,986	944,184	944,184	2,299,103	\$25.63
QUARTERLY TOTALS															
2019 1Q	2,950	151,475,571	19,601,168	12.9%	980,855	1.0%	20,582,023	13.6%	15.9%	846,986	846,986	944,184	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%	13.9%	77,404	3,528,664	354,917	1,236,173	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%	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	15.1%	15.1%	695,948	-	321,174	-	2,802,690	\$24.66
2018 1Q	2,898	147,111,636	21,022,807	14.3%	1,349,476	0.9%	22,372,283	15.2%	15.2%	1,306,125	-35%	394,604	-	1,720,861	\$24.42

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 remains bright as local businesses continue to expand and new companies continue to bring operations to the Valley. According to GPEC's (Greater Phoenix Economic Council) YTD FY2019 Overview, they have assisted in bringing 31 companies to the Valley which added 6,524 new jobs to the region with an average wage of \$55,728.

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 2.2 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.

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 their current 2.5 percent. In a sign of a more dovish Federal Reserve moving forward, Stephen Moore, President Trump's recent pick to serve on the Fed, called for an immediate 50 bps decrease in interest rates to counter both tariffs and growing financial instability, particularly from slowing growth in China and Europe.

The net result, markets remained robust for most of the first 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.

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