Tenant's GUIDE

Phoenix, Arizona

FIRST QUARTER 2007

OVERVIEW

The Phoenix market begins 2007 with a strong start. Rental rates continue to climb in both the Central Business District as well as the outlying suburbs. New construction on office projects, commencing in the first quarter of 2007, is at a ten year high with 1,955,513 sf of new space. In addition, the Phoenix market delivers 664,413 sf of office space to the market. For the first time since the beginning of 2005, vacancy rates are increasing.

Overall rental rates climb to an average of $24.51 per square foot, a 3% increase from the fourth quarter 2006 rental rates. Net absorption rates increase to slightly less than 1%. The office market ended the first quarter of 2007 with a vacancy rate of a little over 12.50%, 150 basis points above the forth quarter of 2006 postings.

MARKET TRENDS

- In the first quarter new construction delivered 664,413 square feet of office space; this is a 40% decrease from 2006's fourth quarter.
- Rental rates continue to increase in office and industrial markets.
- Office vacancy rates rose, across the board, in all submarkets.
- Class B office rents in the CBD had the largest increase up 3% from the fourth quarter with an average of $20.77 per square foot.
- Overall office square footage rose to 128,626,315; up 2% from the fourth quarter total of 125,679,470.
- Overall industrial square footage rose to 255,286,972; this is up 1% from the fourth quarter total of 252,248,809.

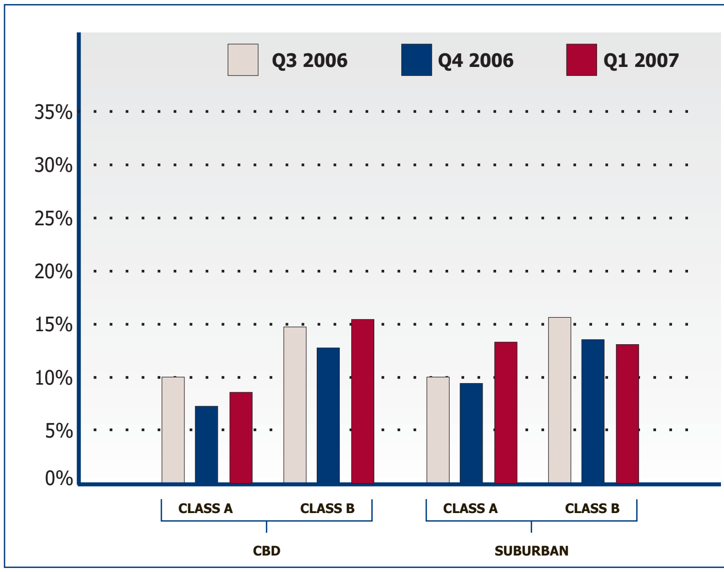
TENANT'S PERSPECTIVE

Continued expansion in the construction and real estate industry has had a great contribution to the overall economy and population in Phoenix. In the first quarter new construction projects continued to increase despite an undulating interest rates and questionable national economy. Business has continued to move their operations to Phoenix due to an attractive economy, employment and housing prices. Tenants can continue to expect higher rental rates in the second quarter of 2007 if deliverables do not catch up with the mounting demand.

Major Transactions First Quarter 2007

Tenant	Size	Type	Lease/Sale
TIAA	232,617	Office	Sale
International Capital Partners	175,225	Office	Sale
The Kroger Co.	151,305	Industrial	Lease
NSD Holdings LLC	95,653	Office	Sale
Quality Cabinets	78,406	Industrial	Lease
United Plastics	45,000	Industrial	Lease
NAU	40,000	Office	Lease
Maricopa County	37,710	Office	Lease
T-Mobile	36,903	Office	Lease
Health Dialog Services	28,000	Office	Lease

Vacancy Rate



Average Rental Rates

	Q3 2006	Q4 2006	Q1 2007
CBD			
Class A Office	$24.32	$24.98	$25.13
Class B Office	$19.97	$20.16	$20.77
Suburban			
Class A Office	$27.92	$28.25	$28.00
Class B Office	$23.69	$24.08	$24.14

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