



Phoenix, Arizona

Tenant's Guide ▪ North American Markets ▪ First Quarter 2012

Overview

The Phoenix Office market ended the first quarter of 2012 with a vacancy rate of 20.7%. Phoenix had a positive absorption of 620,202 square feet in the first quarter of 2012. Phoenix will remain a tenant's market for the next year with higher than normal vacancy levels and asking rents at level below their historical norm.

Market Trends

- Net absorption for the market was a positive 620,202 SF.
- Vacancy rates have decreased slightly to 20.7%.
- Average rental rates for all office space declined slightly, decreasing to \$20.47 PSF.
- One building was delivered to the market totaling 21,145 SF.
- Overall office square footage inventory was 156,647,821 SF.

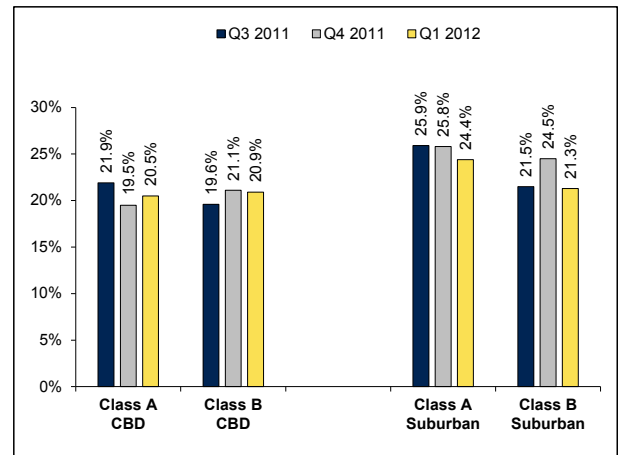
Tenant's Perspective

The Phoenix market continues to quote lower than average rates and offers landlord concessions allowing tenants (whether renewing or finding new space) to take advantage of market conditions. Landlords are providing concessions of abated rent and tenant improvement allowances in order to sway new tenants or keep existing ones. Tenants are investigating market options normally unattainable due to high occupancy costs, creating a flight to quality. Companies with strong foundations are able to move into more desirable properties and/or areas rather than be restricted to certain geographic parameters.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Cornerstone Services	337,897	Industrial	Lease
TJ Maxx	302,640	Industrial	Lease
CGB Enterprises	208,835	Industrial	Lease
Phoenix School of Law	205,130	Office	Lease
US Foods	133,225	Office	Lease
Greenberg Traurig	78,286	Office	Lease
Wolters Kluwer	73,000	Office	Lease
Stinson Morrison Hecker	39,005	Office	Lease
Kimley-Horn & Assoc.	37,490	Office	Lease
AMEC	32,270	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$23.18	\$23.11	\$22.74
Class B Office	\$19.37	\$19.61	\$19.43
Suburban	Q3 2011	Q4 2011	Q1 2012
Class A Office	\$24.35	\$24.11	\$23.52
Class B Office	\$20.18	\$19.97	\$19.80