

LINCOLN PROPERTY COMPANY



Phoenix Q2: 2017 Office Market Report

Lincoln Property Company's quarterly reports average data collected from across the market's major brokerage houses.

OFFICE MARKET REPORT PHOENIX, ARIZONA Q2 2017



With the first half of 2017 coming to a close, the Greater Phoenix Office Market continued its positive trend through the second quarter. Vacancy rates have continued to decline as rental rates have maintained a positive trend rising to \$24.76/SF. **Net absorption in 2017 has reached historic highs with over 1.3M SF of occupancy gains.** Market fundamentals in Phoenix look strong with a growing workforce and an influx of high tech and financial institutions.

 **Vacancy:** 17.52%

 **Rental Rates:** \$24.76

2017 Net Absorption YTD: 1,337,865

Construction Activity Q2:

Construction activity continues to maintain strong momentum in an effort to keep pace with absorption. During the second quarter, several major projects have commenced including Chaparral Commerce Center and Block 23 at Cityscape. The rise in construction, particularly Class A construction, is a promising indicator that the Phoenix market will continue its healthy growth rate as demand for space increases.

Completed Q2 2017:

- The Alameda – Renovation (235,000) Tempe
- Allred 40 – New Construction (89,889) Phoenix
- Orbital – New Construction (60,000) Phoenix

Under Construction:

- Freedom Financial – BTS – (300,000 SF) Tempe
- Block 23 at Cityscape (206,250) Phoenix
- Chaparral Commerce Center – (100,000) Scottsdale

Largest Leases:

- **Financial Institution (170,404 SF) Tempe – The Grand at Papago Park Center**
- Freedom Financial (300,00 SF) Tempe – Rio 2100
- Quicken Loans (149,273 SF) Phoenix - One North Central
- Synchrony Financial (128,296 SF) Phoenix – One Compass Center

Largest Sales:

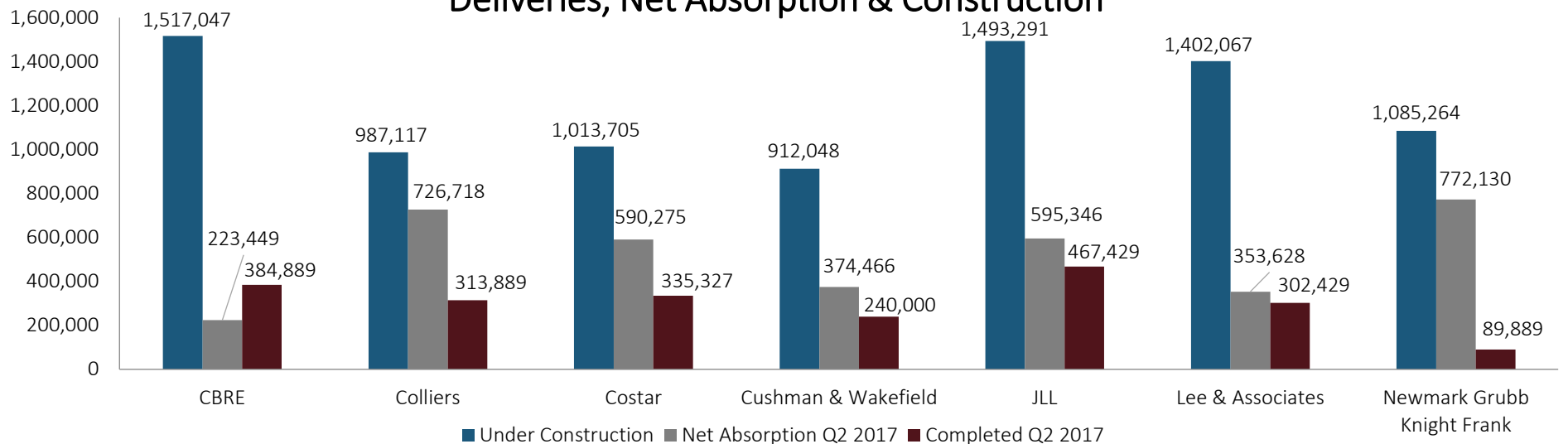
- **3131-3133 (Phoenix) 295,401 SF / \$81,750,000 / \$277 SF**
Buyer: Goldman Sachs & Co. / Seller: Illinois Teacher's Retirement
- Discount Tire Headquarters (Scottsdale) 157,566 SF / \$40,180,000 / **\$255 SF**
Buyer: Discount Tire / Seller: Holualoa Companies
- Camelback Commons North (Phoenix) 322,406 SF / \$66,400,000 / **\$206 SF**
Buyer: Regent Properties, Inc. / Seller: McCarthy Cook & Co.
- 111 W Monroe (Phoenix) 255,556 SF / \$29,820,000 / **\$117 SF**
Buyer: GEM Realty Properties / Seller: Rialto Capital Management

| Data Source | Total Existing SF | Total Available SF | Vacancy % | Net Absorption Q2 |
|----------------------|--------------------|--------------------|---------------|-------------------|
| CBRE | 115,148,898 | 18,219,862 | 15.82% | 223,449 |
| Colliers | 144,275,348 | 23,310,132 | 16.20% | 726,718 |
| Costar | 172,707,655 | 25,920,860 | 15.00% | 590,275 |
| Cushman & Wakefield | 102,400,557 | 18,013,309 | 17.60% | 374,466 |
| JLL | 86,284,584 | 16,911,779 | 19.60% | 595,346 |
| Lee & Associates | 88,078,030 | 16,554,941 | 18.80% | 353,628 |
| Newmark Grubb Knight | 86,932,958 | 17,038,860 | 19.60% | 772,130 |
| LPC Averages | 113,689,719 | 19,424,249 | 17.52% | 519,430 |

The Lincoln Property Company Q2 2017 Phoenix Office Report reflects market data averaged from across the market's major brokerage houses.

| Data Source | Net Absorption YTD | Under Construction | Completed Q2 | Completed YTD | Average Rental Rate |
|----------------------|--------------------|--------------------|----------------|------------------|---------------------|
| CBRE | 1,128,784 | 1,517,047 | 384,889 | 1,556,053 | \$ 25.01 |
| Colliers | 1,526,547 | 987,117 | 313,889 | 1,540,311 | \$ 24.07 |
| Costar | 1,368,410 | 1,013,705 | 335,327 | 1,578,319 | \$ 23.86 |
| Cushman & Wakefield | 996,033 | 912,048 | 240,000 | 1,116,000 | \$ 25.11 |
| JLL | 1,522,142 | 1,493,291 | 467,429 | 1,589,106 | \$ 25.21 |
| Lee & Associates | 1,215,290 | 1,402,067 | 302,429 | 1,714,891 | \$ 24.86 |
| Newmark Grubb Knight | 1,607,847 | 1,085,264 | 89,889 | 1,439,257 | \$ 25.19 |
| LPC Averages | 1,337,865 | 1,201,506 | 304,836 | 1,504,848 | \$ 24.76 |

Deliveries, Net Absorption & Construction



LINCOLN PROPERTY COMPANY

For more information please contact:

David R. Krumwiede

Executive Vice President

602.912.8877

dkrumwiede@lpc.com

John H. Orsak

Director of Real Estate

602.912.8879

jorsak@lpc.com

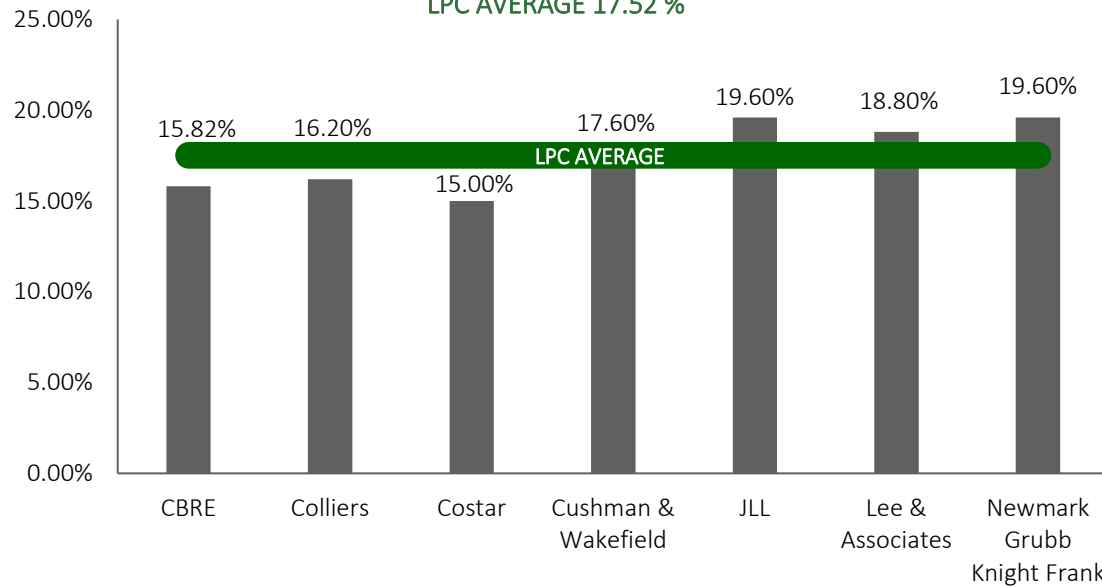
Justin M. Arnitz

Associate

602.912.8876

jarnitz@lpc.com

Vacancy % LPC AVERAGE 17.52 %



Total Available SF LPC AVERAGE 19,424,249

