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2017 PHOENIX | OFFICE REPORT

The Grand Phase I

LINCOLN
PROPERTY
COMPANY

It is with great pleasure that we present to you Lincoln Property Company's 2017 Third Quarter Report. This report is intended to provide a comprehensive review of the overall status of the Phoenix Office Market and discuss the events that have impacted our office over the last three months. Our office report reflects the most recent market data averaged from across the market's major brokerage houses.

The Phoenix Office market has continued its record breaking performance through the conclusion of the Third Quarter with a few major highlights:

- The Phoenix Office Market has now seen 17 straight quarters of positive absorption.
- Metro Phoenix unemployment rate is 4.3%
- Third quarter asking rates averaged \$24.85 increasing from last quarter.
- Tempe and the Camelback Corridor continue to dominate Class A office space now commanding rents north of \$40.00.
- With year to date net absorption out pacing construction the demand for space, particularly Class A space, has never been so apparent.

An influx of major corporations such as Amazon, MUFG, and Bank of the West is one of the key factors driving this demand for additional office space in Phoenix. With a booming population now exceeding 4.5 million people and an affordable cost of living compared to other western markets, it is safe to say that the future looks bright for the Phoenix Office Market.

As market activity continues to increase we look forward to the commencement of the Fourth Quarter. We hope that you find our Third Quarter report to be interesting and informative.

DAVID R. KRUMWIEDE
EXECUTIVE VICE PRESIDENT

JOHN H. ORSAK
DIRECTOR OF REAL ESTATE

JUSTIN M. ARNITZ
ASSOCIATE

MARKET FUNDAMENTALS

ANNUAL COMPARISON



VACANCY

17.62%

RENTAL RATES

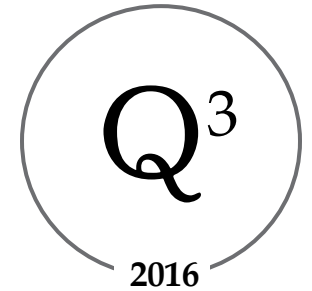
\$24.85

SF UNDER CONSTRUCTION

1.6 M

YTD NET ABSORPTION

1.7 M



VACANCY

17.67%

RENTAL RATES

\$23.79

SF UNDER CONSTRUCTION

1.8 M

YTD NET ABSORPTION

2.5 M

LEASING & SALES ACTIVITY



The Grand Phase I

With summer vacations coming to an end, school back in session, and the Fall weather finally arriving, Third Quarter leasing and sale activity was strong. Asking rates maintained a positive trajectory increasing quarter over quarter to \$24.85. The amount of vacant space on the market was 17.62% representing a decrease of 25 basis points from the historical eight quarter average.

The Phoenix Office Market has continued to see a trend of companies relocating to the Phoenix market and with Phoenix’s business friendly environment, amenity rich submarkets, and premier access to a skilled labor pool it is no surprise why.

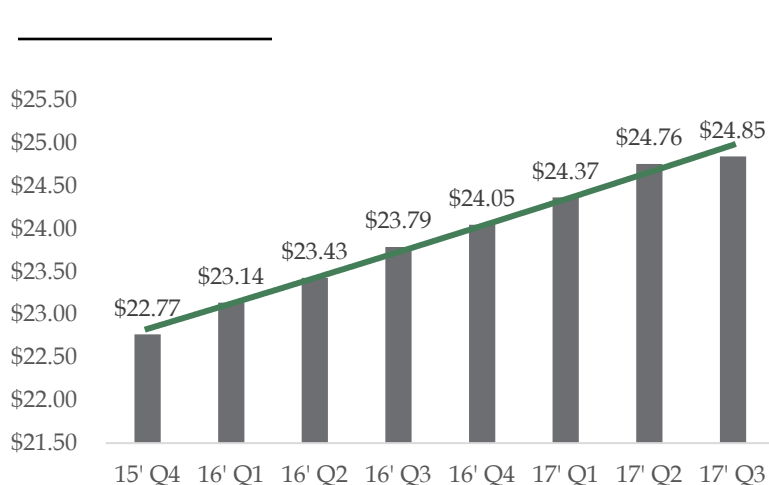
LARGEST LEASES

- Bank of the West (168,510 SF) Tempe – Fountainhead Plaza
- Liberty Mutual (130,488 SF) Chandler – Mach One
- Uber Technologies (111,970 SF) Phoenix – Collier Center
- Well Fargo (80,846 SF) Chandler – Continuum
- Walgreens (66,756 SF) Chandler – 225 S Price

LARGEST SALES

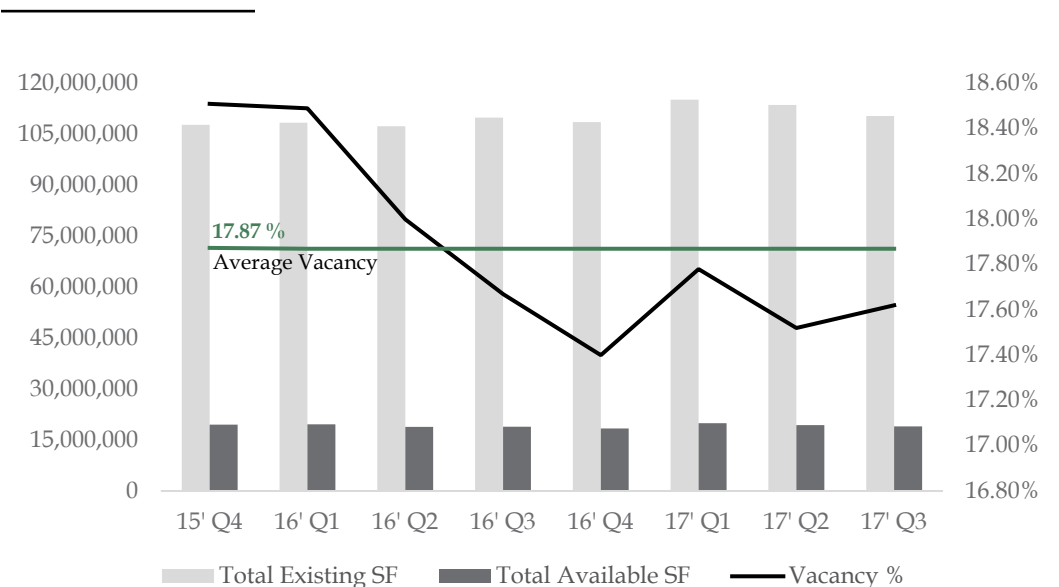
- City Center (Scottsdale) 642,803 SF / \$201
Buyer: Harbert Management Group / Seller: Wayzata Partners
- Seville Professional Center (Scottsdale) 91,942 SF / \$244 SF
Buyer: EverWest Real Estate Partners / Seller: JB Matteson
- Perimeter Parkview (Scottsdale) 106,000 SF / \$195
Buyer: The Roxborough Group / Seller: Troon Mgmt Group

PHOENIX ASKING RATES



8 quarter trend

PHOENIX VACANCY



8 quarter trend

CONSTRUCTION

ACTIVITY

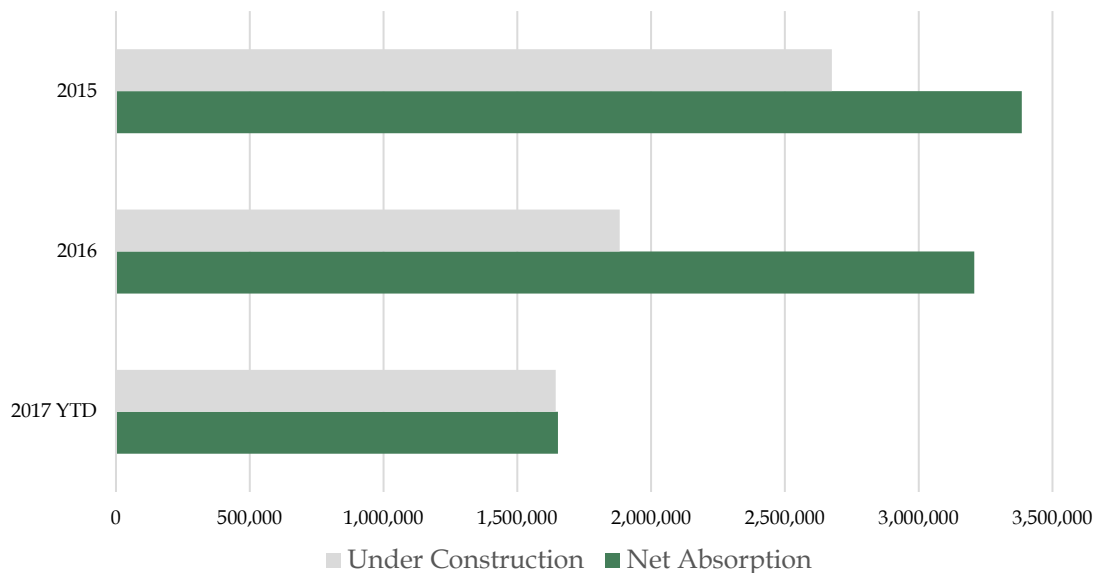


Waypoint 3 - American Traffic Solutions

The demand for office space continues to grow as more users choose to relocate to the Phoenix Market. With a 13% vacancy for Class A product, there is a clear need for quality office space. Additionally, the lack of available space has led to an increase in pre-leasing activity with major tenants such as SAP and Stantec.

Deliveries in the Third Quarter were lower than previous quarters this year with only 87,182 SF of space completed. Net absorption this quarter was positive 357,159 SF and is on pace to surpass under construction numbers for the third year in a row.

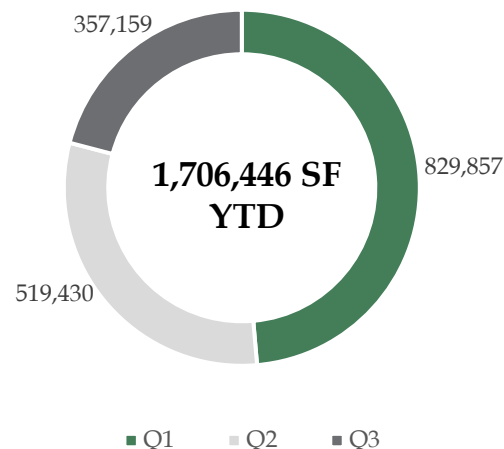
NET ABSORPTION VS UNDER CONSTRUCTION



UNDER CONSTRUCTION

- Rio 2100 - (300,000 SF) Tempe
→ Freedom Financial / Pre - Lease
- Chandler Viridian - (246,000 SF) Chandler
→ Stantec / Pre - Lease
- The Quad Q - (25,092 SF) Phoenix
→ PCA Skin Holdings & Remarkable Health / Pre- Lease
- Chaparral Commerce Center - (271,000 SF) Scottsdale
→ McKesson / BTS

2017 YTD NET ABSORPTION



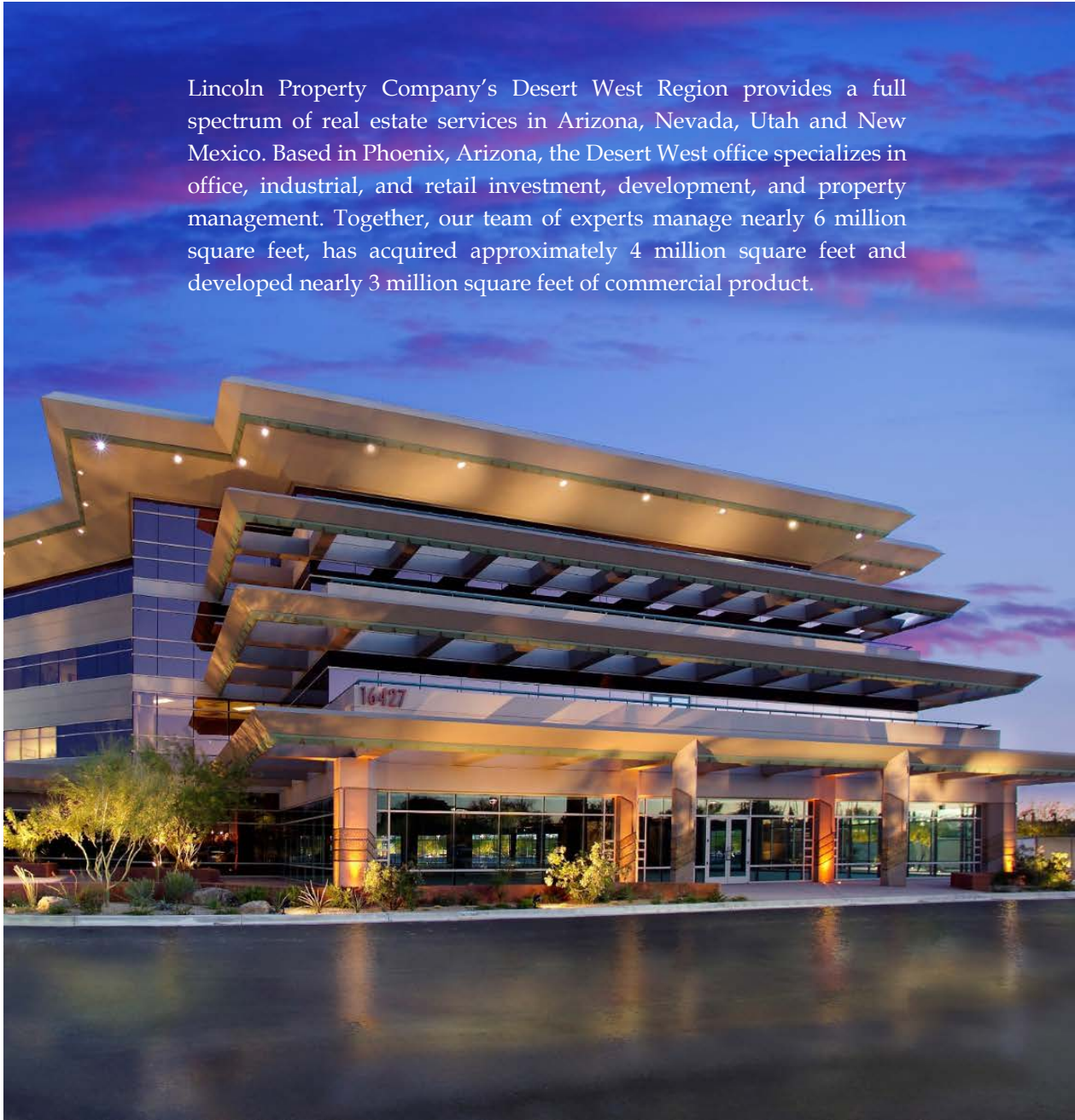
THIRD QUARTER DATA

DATA SOURCE	TOTAL EXISTING SF	TOTAL AVAILABLE SF	VACANCY %	NET ABSORPTION Q3
CBRE	115,289,420	17,428,556	15.12%	852,964
Costar	172,964,725	25,891,334	15.00%	190,666
Cushman & Wakefield	102,286,636	17,639,804	17.20%	280,011
JLL	86,231,330	16,901,341	19.60%	175,508
Lee & Associates	99,067,032	19,679,311	19.60%	216,037
NGKF	86,708,485	16,648,029	19.20%	427,769
LPC Average	110,424,605	19,031,396	17.62%	357,159

DATA SOURCE	UNDER CONSTRUCTION	COMPLETED Q3	COMPLETED YTD	ASKING RATES
CBRE	2,081,047	152,856	1,708,909	\$25.19
Costar	1,504,676	58,023	1,636,342	\$24.09
Cushman & Wakefield	1,292,123	0	1,116,000	\$24.62
JLL	1,475,812	312,214	1,901,320	\$25.30
Lee & Associates	2,089,096	0	1,714,891	\$24.71
NGKF	1,419,613	0	1,439,257	\$25.18
LPC Average	1,643,728	87,182	1,586,120	\$24.85

Lincoln Property Company reflects market data averaged from across the market's major brokerage houses.

Lincoln Property Company's Desert West Region provides a full spectrum of real estate services in Arizona, Nevada, Utah and New Mexico. Based in Phoenix, Arizona, the Desert West office specializes in office, industrial, and retail investment, development, and property management. Together, our team of experts manage nearly 6 million square feet, has acquired approximately 4 million square feet and developed nearly 3 million square feet of commercial product.



LET'S TALK

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