

Phoenix, Arizona

Tenant's Guide ■ North American Markets ■ Second Quarter 2010

Overview

The Phoenix market has experienced a continued trend towards the tenant carrying the advantage into the 2nd quarter of 2010. Vacancy rates are increasing, albeit at a slower rate than 2009. Rental rates are declining as new ownership groups undercut already low rental rates. These new landlords are aggressively pursuing tenants of all sizes. The new ownership is attempting to find a balance that will not overextend their competitive rents past the recovery movement

Market Trends

- Net absorption for the market was a negative 98,708 SF.
- Vacancy rates have increased to 21.8% compared to the previous quarter.
- Sublease vacancy space has decreased from the previous quarter to 1,110,444 SF.
- Average rental rates for all office space decreased from the previous quarter to \$22.48/SF.
- Six buildings were delivered to the market in the 2nd quarter of 2010 compared to seven in the previous quarter.
- The overall office square footage inventory was 154,394,344 SF.

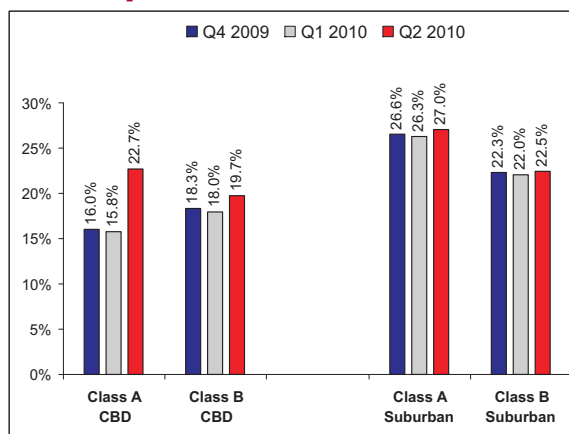
Tenant's Perspective

The Phoenix market continues to allow for opportunities for tenants due to the reduced rental rates by new ownership, favorable lease terms, and increase tenant improvement dollars. New landlords are providing compelling concessions to existing tenants looking for flexible lease terms to hedge against uncertain economic factors. From the tenant's perspective, the current low-cost, direct lease opportunities are often more attractive than available sublease space.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Philosophy, Inc.	216,845	Industrial	Lease
Grand Canyon Univ.	103,671	Office	Lease
Food Source Int'l, LLC	73,733	Industrial	Lease
EDMC	46,846	Industrial	Lease
Deerfield Moving & Storage	43,647	Industrial	Lease
Apex Block	42,444	Industrial	Lease
Grand Canyon Univ.	41,664	Industrial	Lease
Paragon Science Academy	30,715	Office	Lease
Yelp	28,574	Office	Lease
Credit Management LP	23,781	Office	Lease

Vacancy Rate



Average Rental Rates

	Q4 2009	Q1 2010	Q2 2010
CBD			
Class A Office	\$28.31	\$27.61	\$27.82
Class B Office	\$20.36	\$20.02	\$19.69
Suburban			
Class A Office	\$26.85	\$25.18	\$25.44
Class B Office	\$21.90	\$21.12	\$21.30

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