



Phoenix, Arizona

Tenant's Guide ▪ North American Markets ▪ Fourth Quarter 2011

Overview

The Phoenix office market ended the fourth quarter of 2011 with a vacancy rate of 21.1%. Phoenix had a positive absorption of 882,680 square feet in the fourth quarter of 2011. Phoenix will remain a tenant's market with high vacancy levels and low asking rents.

Market Trends

- Net absorption for the market was a positive 882,680 SF.
- Vacancy rates have decreased slightly to 21.1%.
- Average rental rates for all office space continued to decline with average rates decreasing \$0.32 to \$20.63.
- Four buildings were delivered to the market in the fourth quarter of 2011 totaling 327,037 SF.
- Overall office square footage inventory is 155,844,833 SF.

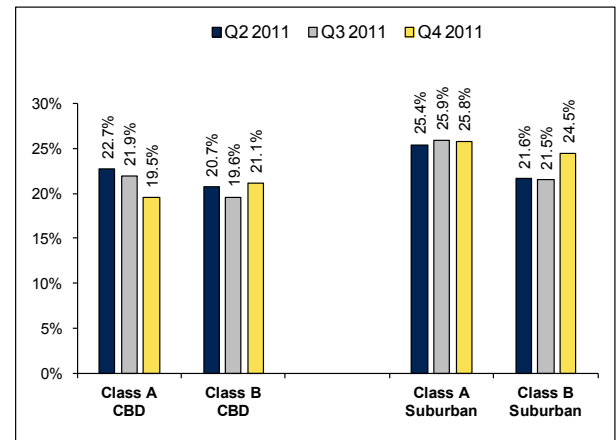
Tenant's Perspective

Landlords in the Phoenix market continue to lower the average quoted rates and offer concessions, allowing new tenants to take advantage of market conditions. Landlords are providing compelling concessions to existing tenants looking for flexible lease terms to hedge against uncertain economic factors. 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 or areas rather than be restricted to certain geographic parameters.

Major Transactions

Tenant/Buyer	Size	Type	Lease/Sale
Apollo Group	599,664	Office	Lease
Home Depot	400,000	Industrial	Lease
Western Container	283,358	Industrial	Lease
i/o Data Centers	221,116	Industrial	Lease
Schoeller Arca Sys.	153,969	Industrial	Lease
Fennemore Craig	121,000	Office	Lease
Greenberg Traurig	78,286	Office	Lease
Bechtel Corporation	72,494	Office	Lease
AT Security Services	66,635	Office	Lease
Ports America	64,827	Office	Lease

Vacancy Rate



Average Rental Rates

CBD	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$23.20	\$23.18	\$23.11
Class B Office	\$19.49	\$19.37	\$19.61
Suburban	Q2 2011	Q3 2011	Q4 2011
Class A Office	\$24.25	\$24.35	\$24.11
Class B Office	\$20.30	\$20.18	\$19.97