November
2022

OFFICE MARKET
UPDATE

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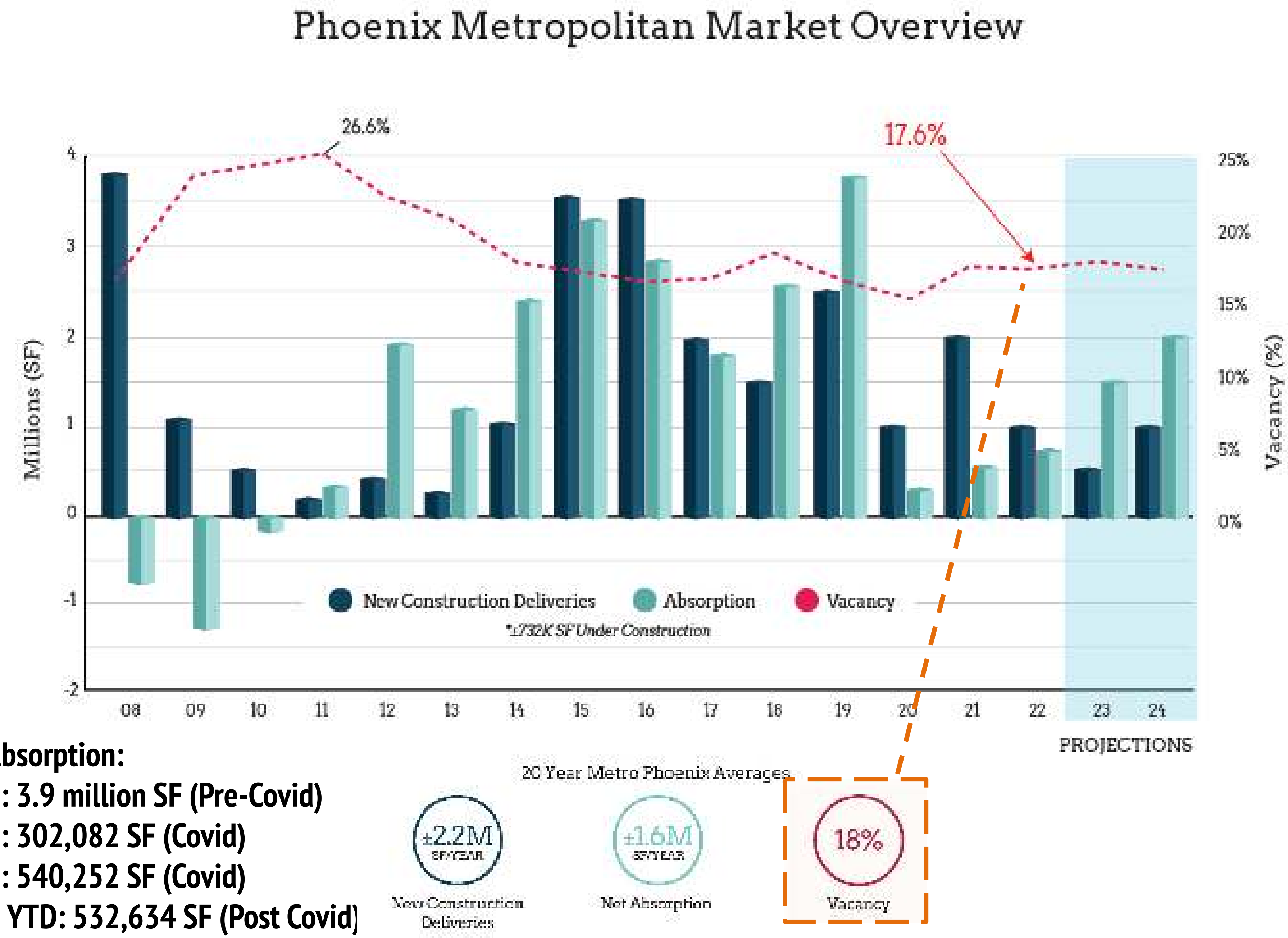
PHOENIX METRO MARKET OVERVIEW



Net Absorption:

2019: 3.9 million SF (Pre-Covid)

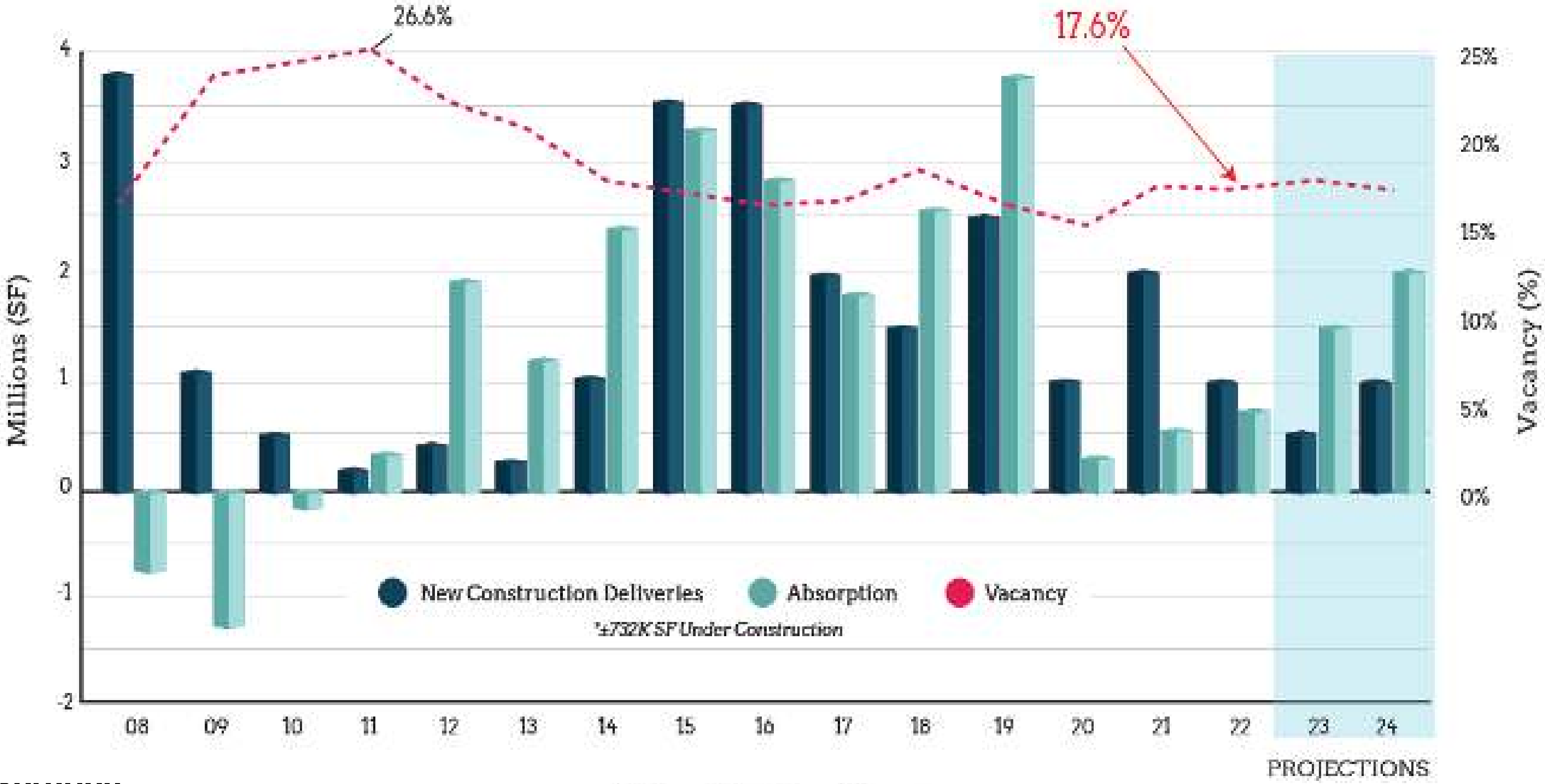
2020: 302,082 SF (Covid)

2021: 540,252 SF (Covid)

2022 YTD: 532,634 SF (Post Covid)

PHOENIX METRO MARKET OVERVIEW

Phoenix Metropolitan Market Overview



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20 Year Metro Phoenix Averages

±2.2M SF/YEAR
New Construction Deliveries

±1.6M SF/YEAR
Net Absorption

18%
Vacancy

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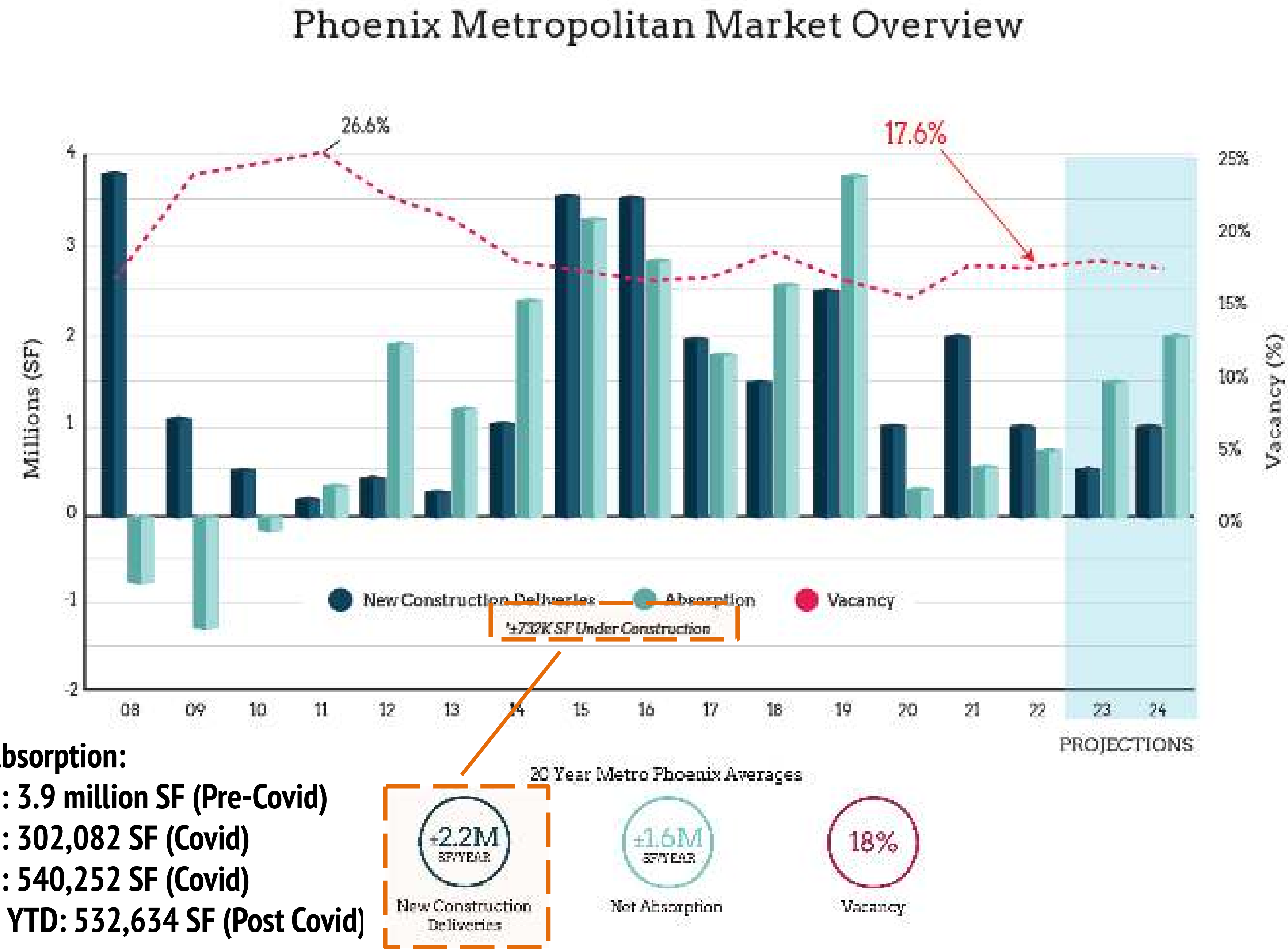

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2020 VS. 2021 vs. 2022 ABSORPTION

Submarket	Total Absorption 2020 (SF)	Total Absorption 2021 (SF)	Total Absorption 2022 YTD (SF)
Metro Phoenix	302,082	540,252	532,634
Camelback	(81,064)	(114,530)	245,377
Midtown	(108,194)	(128,294)	9,708
Downtown	(93,945)	16,862	264,713
Scottsdale Airpark	(145,013)	607,710	254,675
Central Scottsdale	(71,105)	(42,803)	(31,925)
South Scottsdale	(80,850)	(115, 447)	(116,920)
Tempe	483,182	63,576	(70,557)
SE Valley	431,810	281,660	(58,691)
Deer Valley	(221,489)	58,004	(43,740)

VACANCY RATES

Submarket	Vacancy 2020 (%)	Vacancy 2021 (%)	Vacancy 2022 YTD (%)
Metro Phoenix	17.3%	19.4%	17.6%
Camelback	20.2%	22.0%	18.3%
Midtown	24.4%	26.1%	24.6%
Downtown	19.7%	24.9%	19.0%
Scottsdale Airpark	15.0%	15.5%	12.7%
Central Scottsdale	13.5%	18.3%	15.2%
South Scottsdale	11.3%	15.6%	20.0%
Tempe	13.5%	18.0%	16.7%
SE Valley	15.5%	21.6%	17.3%
Deer Valley	25.1%	26.4%	22.9%

2019-2022 LEASING

Office users coming back want:

1. Experience
2. Collaboration
3. Growth Potential
4. Ready to Occupy Space

RECENT TRANSACTIONS

PRE-COVID (2019 / Q1 2020)

Trans. Date Occ. Date	Company	Address Property Name	Size (SF)	Lease Term Rate Structure	Eff. Rate Free Rent	Comments
8/1/2019 12/1/2019	Quicken Loans	1 N Central Ave One North Central	56,782	107 Months $30.00 w/ $0.75 PSF increases	$32.11 2 months free	• TIs $49.00/SF • Expansion of existing tenant into entire 13th & 14th floors
12/2/2019 4/1/2019	Brown and Caldwell	2 N Central Ave One Renaissance Square	23,638	81 Months $29.00 w/ $0.75 PSF increases	$31.72/SF	• TIs $0.00/SF • Expansion of existing tenant
2/1/2020 2/1/2020	PNC	2801 E Camelback Rd Camelback Collective	10,460	92 Months $42 w/ $1.00 PSF increases	$41.70/SF 7 months free	• TIs $60.00/SF
2/15/2020 12/1/2020	CVO	2390 E Camelback Rd Biltmore Center I	25,216	156 Months $42.00 w/ $1.00 PSF increases	$40.62/SF 12 months free	• TIs $60.00/SF

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RECENT TRANSACTIONS

POST-COVID (Q2 2020 / Present)

Trans. Date Occ. Date	Company	Address Property Name	Size (SF)	Lease Term Rate Structure	Eff. Rate Free Rent	Comments
2/1/2021 11/1/2021	GreenbergTraurig	2375 E Camelback Rd 24th at Camelback I	38,000	144 Months $42.00 w/ $1.00 PSF increases	**$42.50/SF** 14 months free	• **TIs $100.00/SF** • First 14 months free
5/1/2021 12/1/2021	Vestar	2415 E Camelback Rd Esplanade III	12,033	132 Months $42.27 w/ $1.00 PSF increases	**$38.79/SF** 12 months free	• **TIs $90.00/SF** • Relocation from Esplanade I
8/27/2021 12/1/2021	Fundamental Income	2425 E Camelback Rd Camelback Esplanade I	10,030	92 Months $39.50 w/ $0.75 PSF increases	**$38.12/SF** 7 months free	• **TIs $75.00/SF** • Relocation and Expansion from Suite 700 within the same building
9/7/2021 1/1/2022	stewart	3131 E Camelback Rd 3131 Camelback	33,254	120 Months $39.00 w/ $1.00 PSF increases	**$39.33/SF** 12 months free	• **Turnkey TIs (Est. $80.00/SF)** • Relocation and 24 months of half rent

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8/27/2021 12/1/2021	FUNDAMENTAL INCOME	2425 E Camelback Rd Camelback Esplanade I	10,030	92 Months $39.50 w/ $0.75 PSF increases	**$38.12/SF** 7 months free	▪ TIs $75.00/SF ▪ Relocation and Expansion from Suite 700 within the same building
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KEY LEASING TAKEAWAYS

1. Q3 2022 broke a 3-quarter positive absorption streak.
2. Rapid increase tenant improvement allowances and costs.
3. Surprisingly, rents are going up! Strong downward pressure on rents has not arrived…yet.
4. Small users competing in the market and active.
5. Medium users showing more signs of life.
6. Large users still extremely nervous.
7. 2022 tenants want new office space, and they want it nice.

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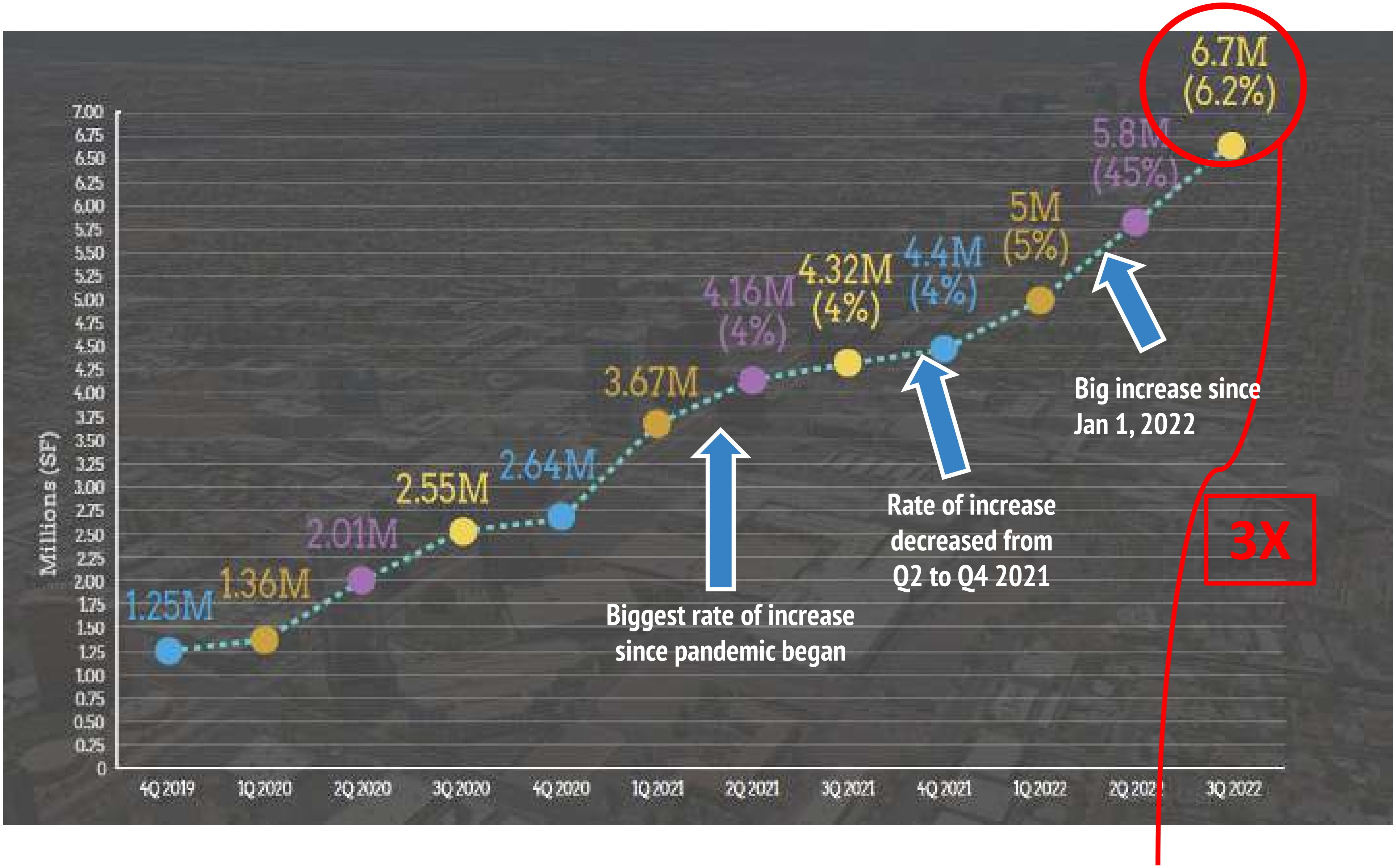
SUBLEASE UPDATE

METRO PHOENIX SUBLEASE INVENTORY

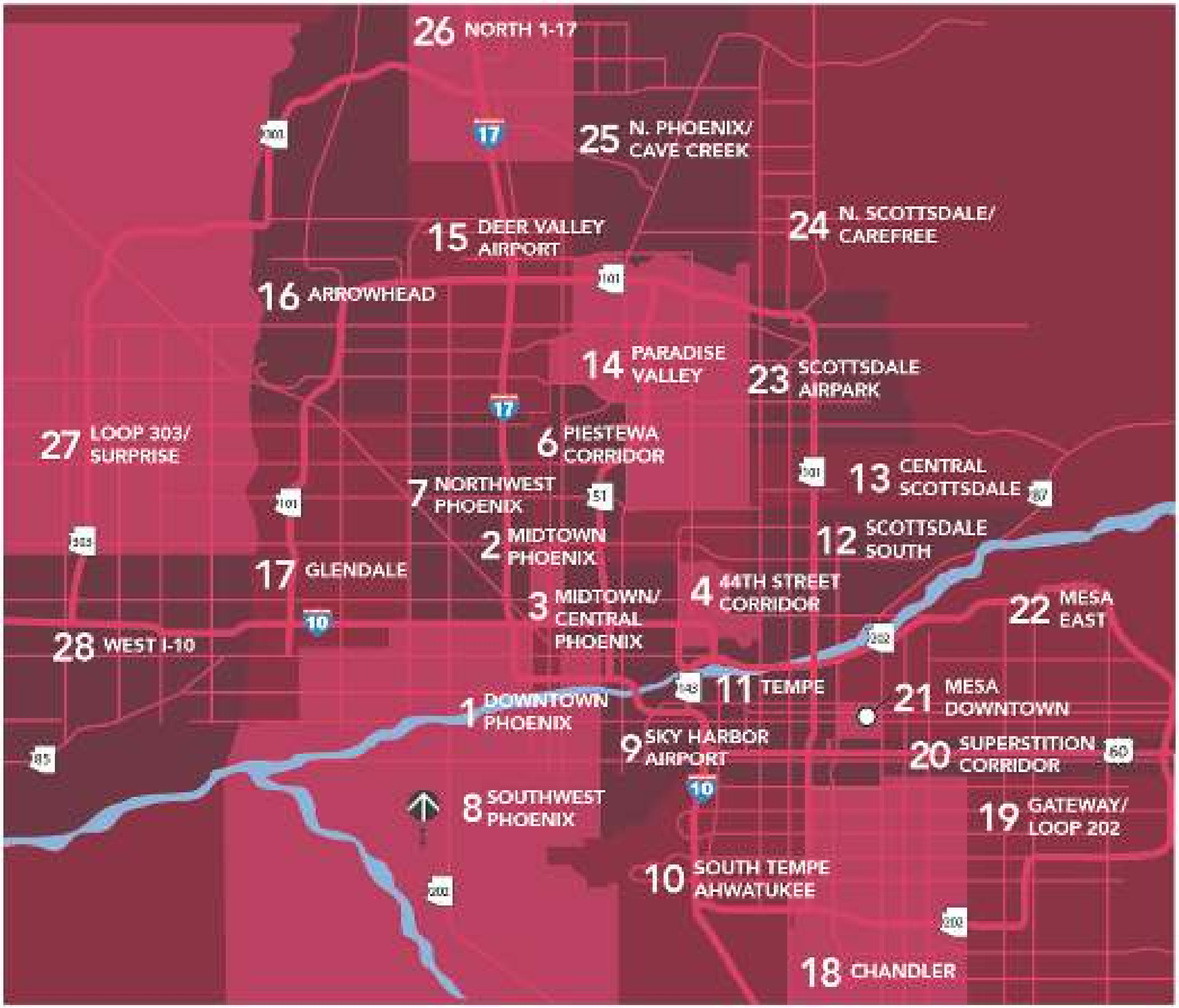


2016-2020 average annual total available sublease space was 2,067,533 SF

CLASS A SUBLEASE BREAKDOWN

Space Size	Number of Options
100k+ SF	10
50k – 100k SF	53
25k – 50k SF	72
10k – 25k SF	44
Under 10k SF	98

SUBLEASE MAP



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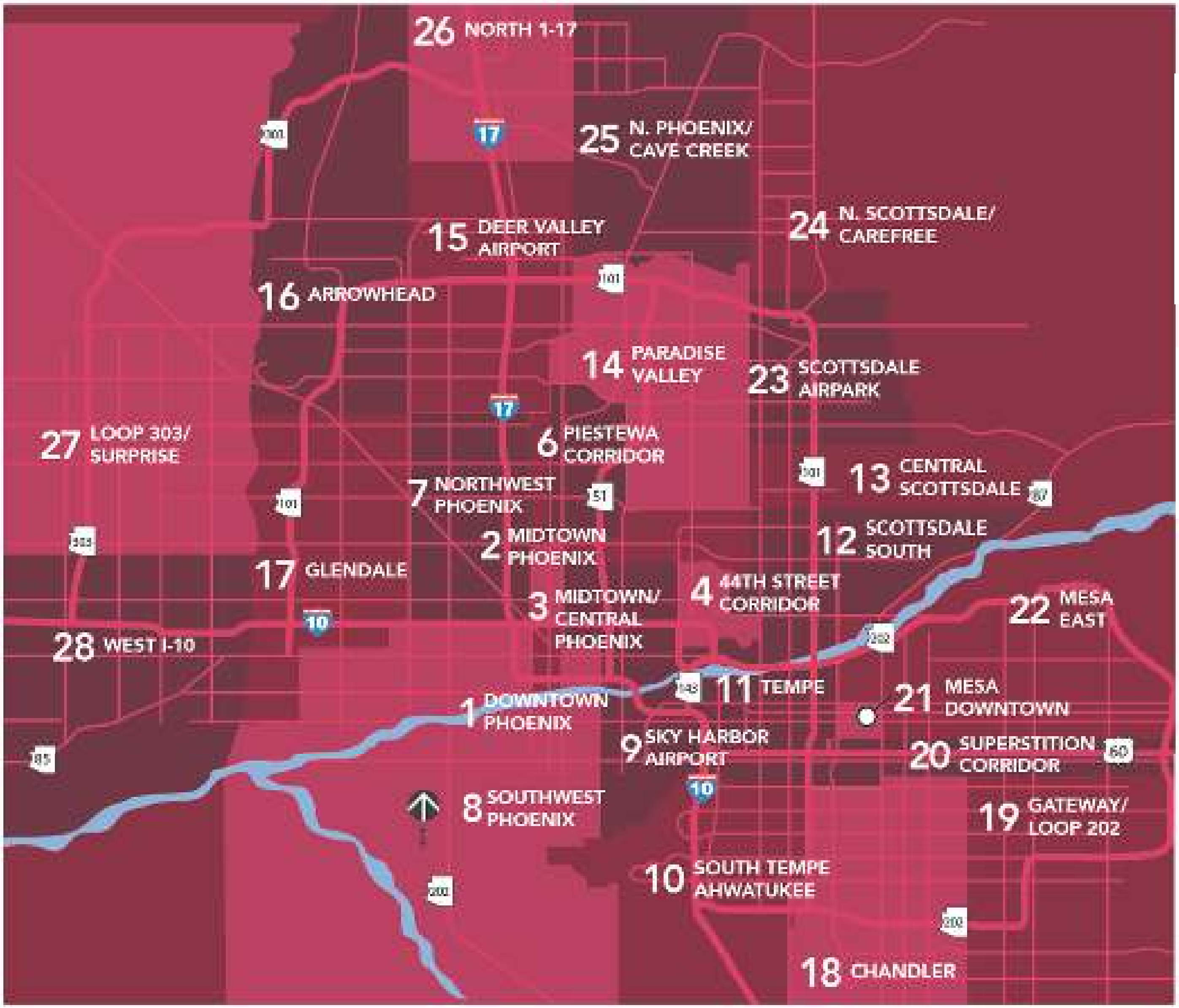
SUBLEASE MAP



Deer Valley Airport
717,377 SF

Sky Harbor Airport
746,935 SF

Scottsdale Airpark
589,192 SF

S. Scottsdale
144,529 SF

Tempe
1,583,197 SF

Chandler
1,115,529 SF

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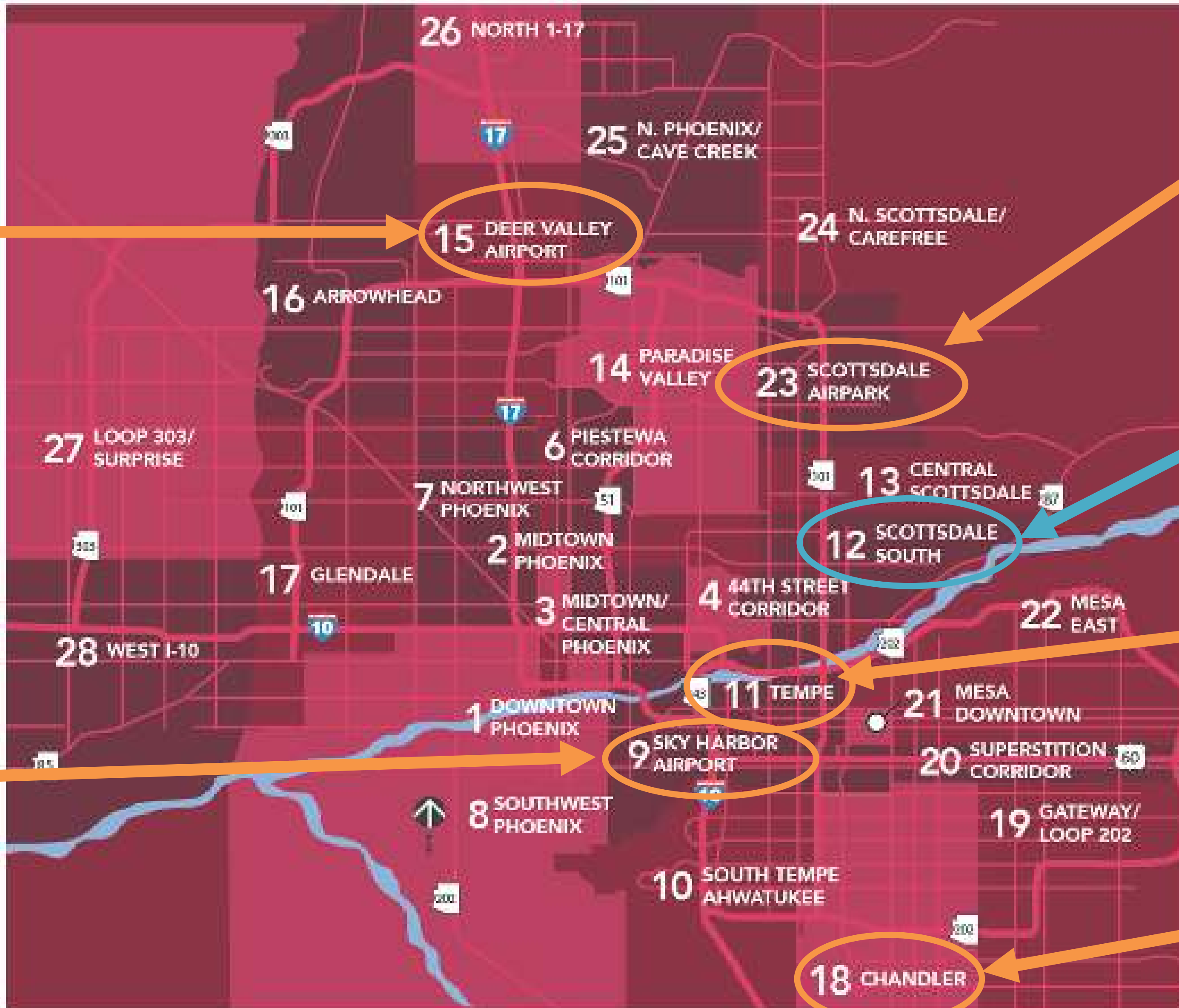

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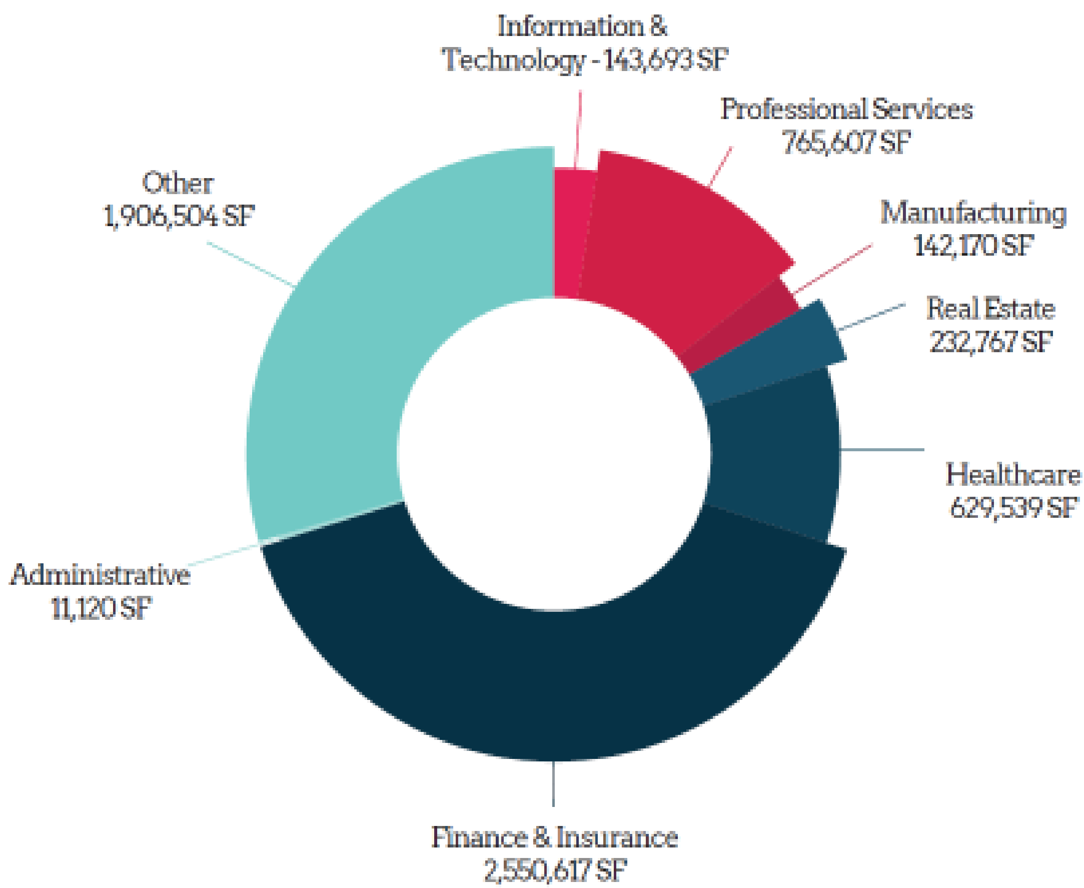
SUBLEASE BY INDUSTRY

10K+ SF Sublease Spaces by SIC Category (SF)



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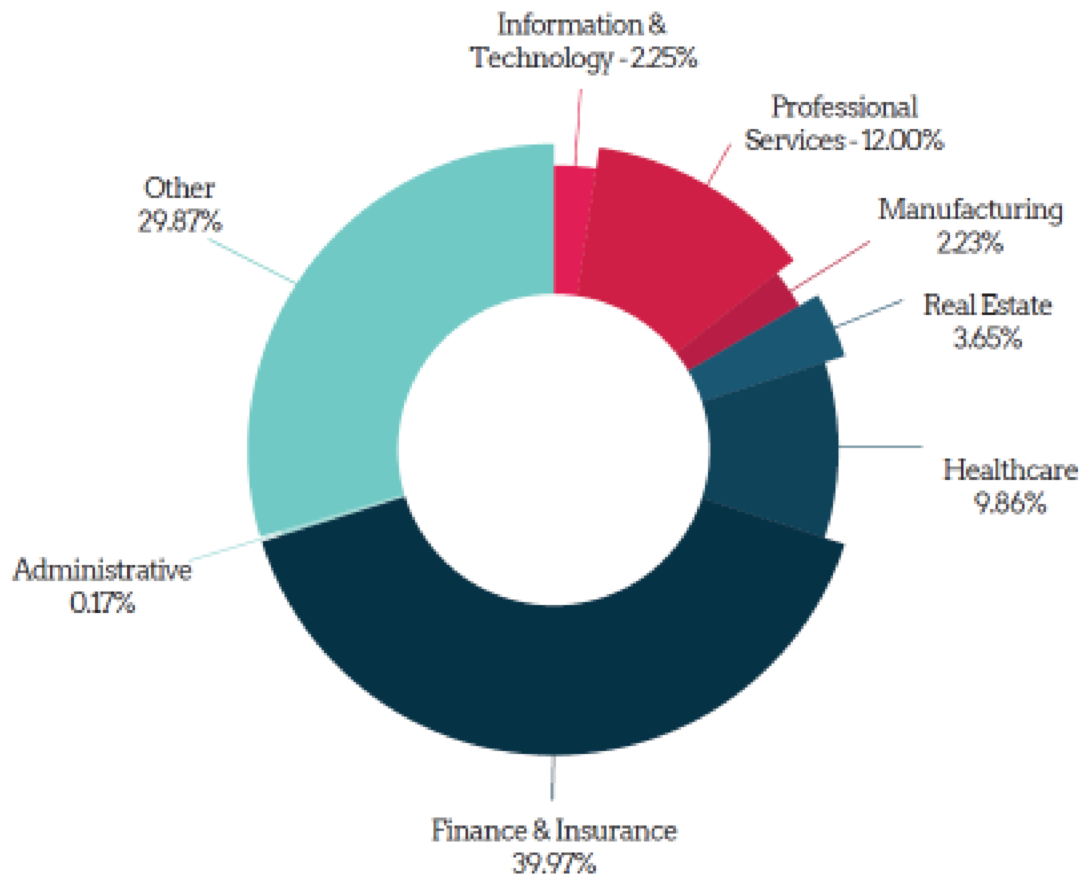
SUBLEASE BY INDUSTRY

10K+ SF Sublease Spaces by SIC Category (%)



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NEW PRODUCT UPDATE

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BRAND NEW DELIVERIES

Scottsdale Entrada

Asking Rate: $41.00/SF
Available: 237,825 SF
Largest Contiguous: 89,000 SF
Delivered: June 2022
Signed first deal with Northwestern Mutual for 5K SF

100 Mil

Asking Rate: $52.00/SF
Available: 17,213 SF
Largest Contiguous: 17,213 SF
Delivered: April 2022
LiveRamp and Deloitte are both trying to sublease a full floor

The Beam

Asking Rate: $44.00/SF
Available: 183,526 SF
Largest Contiguous: 183,526 SF
Delivered: August 2022
Broke ground in May 2021.
Good activity.

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CURRENTLY UNDER CONSTRUCTION

Rio Yards

Asking Rate: TBD
Available: 150,000 SF
Largest Contiguous: 150,000 SF
Delivered: Q1 2023
Broke Ground. Hunting for Single Tenant Users.

The Arbor

Asking Rate: $50.00-$55.00/SF
Available: 25,149 SF
Largest Contiguous: 9,030 SF
Delivered: Q4 2022
George Oliver is renovating and expanding this project.

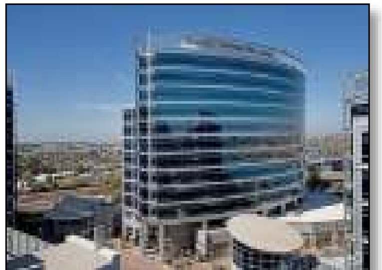
New product is growing, and there is little more planned to follow.

PREMIER EXISTING BUILDINGS

The Watermark

Occupancy: 100%
Asking Rate: $45.00/SF
SF Available: 0 SF
Largest Contiguous: 0 SF

Hayden Ferry Lakeside I-III



Occupancy: 91.9%
Asking Rate: $48.50/SF
SF Available: 61,965 SF
Largest Contiguous: 26,042 SF

Rio 2100 I-V

Occupancy: 70.6%
Asking Rate: $36.00-$38.00/SF
SF Available: 52,907 SF
Largest Contiguous: 44,141 SF

Union Phase I

Occupancy: 0%
Asking Rate: $38.00/SF
SF Available: 238,349 SF
Largest Contiguous: 238,349 SF

I.D.E.A. Phase I

Occupancy: 97.4%
Asking Rate: $39.00/SF
SF Available: 4,841 SF
Largest Contiguous: 4,841 SF

Tempe Gateway

Occupancy: 87.5%
Asking Rate: $45.00/SF
SF Available: 74,354 SF
Largest Contiguous: 51,059 SF
Renovating Common Areas and Amenity Spaces

777 Tower (Novus)

Occupancy: 82.3%
Asking Rate: $43.50/SF
SF Available: 30,000 SF
Largest Contiguous: 30,000 SF

999 Playa del Norte

Occupancy: 0%
Asking Rate: $43.50/SF
SF Available: 93,125 SF
Largest Contiguous: 93,125 SF

POTENTIAL FUTURE TRENDS

- The Sandstorm continues but gaining visibility.
- TI pricing putting a squeeze on deals – both on cost and timing.
- Tenants coming back to their offices. We estimate 50-60% occupancy around Metro Phoenix.
- Sublease inventory keeps growing – at nearly 7 million SF now.
- Some tenants will not renew leases (e.g., Yelp, LogMeIn, Houzz), and will work from home.
- Tenants will/are now demanding deep discounts from 2019 .
- Short term extensions continue.
- The office becomes more experiential.

KEY TAKEAWAYS

- Absorption will stay anemic as groups right size.
- New construction is slowing.
- Quality sublease opportunities continue to rise.
- Construction pricing & labor shortages main drivers.
- Flight to quality is real!
- Rates will continue to rise.

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