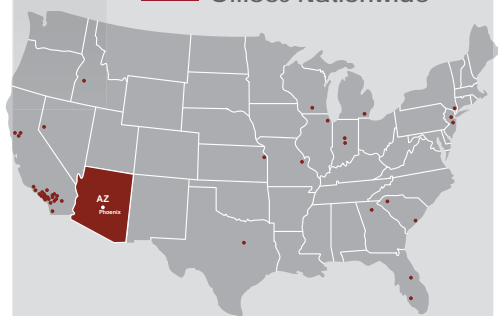




Q4 TRENDS AT A GLANCE

- **Absorption**
927,980 SF
- **Vacancy**
-140 basis points to 24.0%
- **Average Rent**
\$20.36/PSF
- **Under Construction**
68,867 SF
- **Sales Transactions**
\$508.5 million
- **Average Price PSF**
\$154.43/SF

46 Lee & Associates
Offices Nationwide



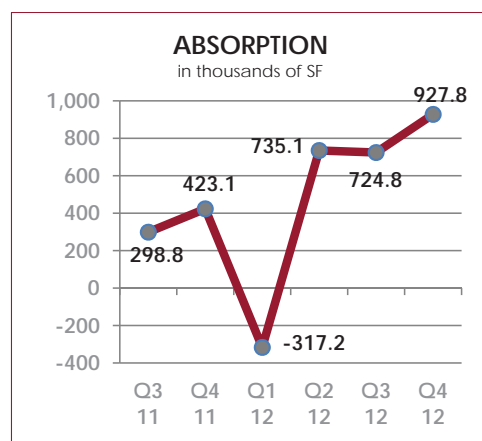
ABOUT LEE & ASSOCIATES

Founded in 1979, Lee & Associates is one of the largest commercial real estate services companies in the United States. Our seasoned shareholders and professionals offer comprehensive brokerage and advisory services. We develop customized solutions for all of your real estate needs through our market-to-market knowledge and versatility across all property types. Our unique business model of broker-ownership and extensive experience has helped us become one of the largest and most highly-regarded commercial real estate providers in Arizona and the nation.

Office Market Gains Strength, Posts Impressive Year-End Figures

After years at the bottom of the commercial real estate barrel, the Phoenix office market has improved throughout the year and ended at a new high mark that should bode well for 2013. With the economy gaining steam, office sector hiring up and net migration increases to the Valley have all added to the pace of activity in the fourth quarter. There is greater certainty regarding political and taxation issues being resolved. Companies should be more confident to predict future earnings by investing earlier in the process which will accelerate business activity. Absorption was the star this quarter as new lease and move-in activity created an optimistic environment. Sales velocity was markedly higher this quarter as investors took advantage of remaining bargains in the market.

Still, declining rental rates remain a problem. With high vacancies still affecting the overall office sector, rates will remain suppressed for some time to come. On the other hand, lessees continue to benefit from the lower rates, greater tenant improvements and term concessions. There



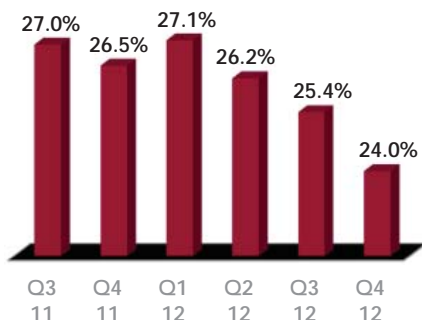
is unlikely to be rent growth soon throughout all product types outside select Class A properties.

Sales velocity was strong this quarter as investors worked feverishly to close deals. There was an uptick in the number of transactions, total sales volume and price per square foot. As investors expand their choices in the office market rather than securing just signature assets as was the case during 2009-2011, there is a growing availability of product that is proving to have outstanding investment potential.

The Fundamentals

The Phoenix office vacancy rate for the fourth quarter posted at 24.0%, a dramatic 140-basis point drop from last quarter. Net absorption rose to 927,980 SF for the quarter. This was the highest single quarter absorption since Q4 2006. Year-to-date absorption settled at 2,008,925 SF, the highest since 2007. Construction activity remains extremely low by historical standards with only one non-medical building under construction. Allred Park Place, Building 5, is a 68,867 SF Class A

VACANCY

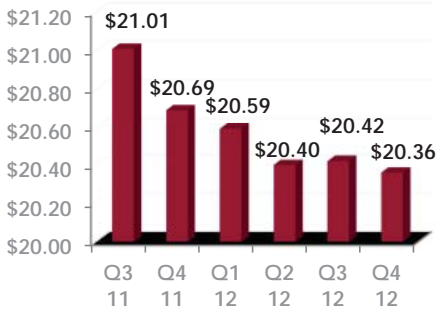


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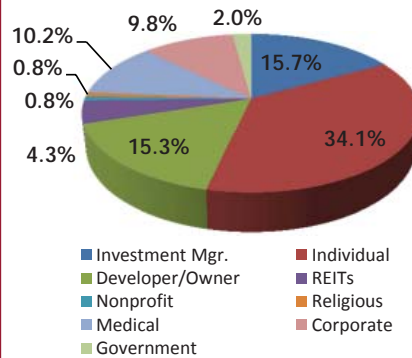
office building being constructed at 1340 S. Spectrum Blvd in Chandler. Another Allred Park Place building was the only office building delivered this quarter at 1255 S. Spectrum Blvd, in Chandler. Total SF was 92,109.

Asking rental rates dropped again to \$20.36 PSF this quarter, down \$0.06 PSF from last quarter. The number of submarkets with negative rental rate growth remained the same at eight. The highest increase was in the Arrowhead submarket with a 2.3% increase and the largest drop was in the East Phoenix submarket at -3.0%.

RENTAL RATES
Average per SF, per month



SALES BUYER TYPE



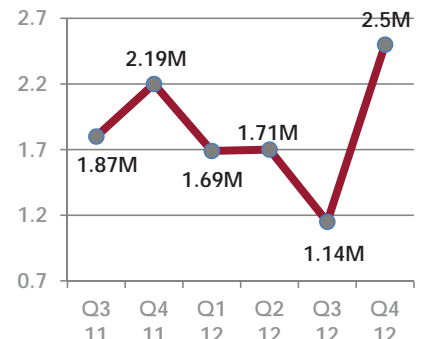
Sales activity was exceptionally strong this quarter with 110 transactions totaling \$508,510,997. Average price per square foot was \$154.43. The average cap rate was calculated at 7.44%. The largest lease transaction of the quarter was for Humana's lease of 71,217 SF of Class A space at Anchor Centre, 2231 E. Camelback Rd., in Phoenix. The largest sales transaction for the quarter was for \$81M for the 302,209 SF, Class A, 24th at Camelback, 2375 E. Camelback Rd., in Phoenix. Price per square foot was calculated at \$268.08.

Outlook

The Phoenix office market finished 2012 in a strong position. Continued rising

absorption should help to push asking rental rates up as inventories begin to shrink. The lack of construction activity will help in that process. As the U.S. economy continues to improve, political and economic uncertainty will become less of an issue as both political parties will be forced to work toward long-term solutions that provide certainty to the business community. The pace of hiring is also expected to continue to rise along with office-sector hiring, which was somewhat sluggish earlier last year. Net in-migration gains in Arizona should also add new job opportunities for office workers. After a long battering, the Valley office market is ready for its day in the sun.

LEASING ACTIVITY
millions of SF leased



Q4 2012 TOP LEASES

Property Name	Address	Tenant Name	Class	Submarket	Square Feet	Type
Anchor Centre	2231 E. Camelback Rd., Phoenix	Humana	A	Camelback	71,217	Move in
3300 Tower	3300 N. Central Ave., Phoenix	State of Arizona	A	Midtown	64,759	Move in
Crossroads of Tempe, Bldg. 1	303 W. Elliot Rd., Tempe	CSR Technologies	B	S. Tempe/Ahwatukee	26,215	Move in
7025 Building	7025 N. Scottsdale Rd., Scottsdale	Republic Services of FL	A	Central Scottsdale	21,539	Move in
Arizona Business Park	15458 N. 28th Ave., Phoenix	ECH Construction	B	Deer Valley Airport	21,156	Move in
Camelback Center	2355 E. Camelback Rd., Phoenix	Corpedia, Inc.	A	Camelback	19,181	Move in
4600 E. Washington	4600 E. Washington St., Phoenix	Corporate Office Centers	A	44th St. Corridor	15,339	Renewal
Airport Tech Center, Bldg. 2	4129 E. Van Buren St., Phoenix	Hensel Phelps	A	44th St. Corridor	13,891	Move in

Q4 2012 TOP SALES

Property Address	Buyer	Seller	Class	Sales Price	Square Feet	PSF
2375 E. Camelback Rd., Phoenix	Hines	GLL Properties Fund	A	\$81,000,000	302,209	\$268.03
222 S. Mill Ave., Tempe	Parkway Properties, Inc.	Vulcan, Inc.	A	\$66,100,000	264,000	\$250.38
3030 N. N. 3rd St., Phoenix	Lex Phoenix, LP	SCF Arizona	A	\$53,200,000	252,400	\$210.78
17600 N. Perimeter Dr., Scottsdale	Perimeter Scottsdale Properties	WDP Partners LLC	A	\$29,850,000	127,750	\$233.66
4835 E. Cactus Rd., Phoenix	Presson Corp.	LNR Partners, Inc.	A	\$26,985,000	198,501	\$135.94
3033 N. 3rd St., Phoenix	Cole Real Estate Investments	Clarius Partners, LLC	B	\$23,781,541	90,300	\$263.36
3377 S. Price Rd., Chandler	Paramount International, LLC	Gilbane Dev. Co.	B	\$19,500,000	81,183	\$234.42
8125 N. Hayden Rd., Scottsdale	Scottsdale Healthcare Corp.	Berkeley Land Co., Inc.	B	\$14,950,000	74,667	\$200.22

Submarkets	Total Inventory	Vacancy		Net Absorption		Under Construction	Building Completions		Asking FS Rate	Change from Q3
		Total SF	YTD 2012	4Q12	YTD 2012		4Q12	YTD 2012		
1. Downtown Phoenix	6,905,064	1,100,355	15.9%	(9,527)	(50,367)	-	-	-	\$24.52	0.7%
2. Midtown Phoenix	9,844,519	2,674,813	27.2%	(51,798)	(246,865)	-	-	-	\$19.67	0.0%
3. East Phoenix	1,541,973	360,343	23.4%	(4,968)	24,683	-	-	-	\$14.81	-3.0%
4. 44th St. Corridor	4,847,011	696,607	14.4%	284,760	400,697	-	-	-	\$20.67	0.1%
5. Camelback Corridor	8,011,292	2,320,298	29.0%	46,605	302,785	-	-	-	\$23.00	0.0%
6. Piestewa Corridor	2,085,334	575,016	27.6%	19,351	41,471	-	-	-	\$17.43	0.2%
7. Northwest Phoenix	5,135,534	1,341,529	26.1%	70,161	(54,453)	-	-	-	\$16.95	-1.1%
8. Southwest Phoenix	883,183	266,100	30.1%	24,297	23,701	-	-	-	\$19.45	0.0%
9. Airport Area	5,069,073	1,016,353	20.1%	16,614	(189,016)	-	-	-	\$18.50	0.0%
10. South Tempe/Ahwatukee	2,834,298	721,716	25.5%	31,251	225,332	-	-	-	\$19.96	0.7%
11. Tempe	2,493,842	475,910	19.1%	9,043	224,294	-	-	-	\$17.93	-2.7%
12. Scottsdale South	3,816,486	742,572	19.5%	65,274	89,031	-	-	-	\$21.24	0.9%
13. Central Scottsdale	4,998,325	1,106,827	22.1%	53,537	235,341	-	-	-	\$21.76	0.5%
14. Paradise Valley	2,193,342	636,514	29.0%	20,406	44,659	-	-	-	\$20.57	0.5%
15. Deer Valley Airport	3,951,473	1,276,297	32.3%	15,425	214,630	-	-	210,202	\$15.43	0.0%
16. Arrowhead	798,021	7,669	31.5%	(3,789)	3,011	-	-	-	\$20.31	2.0%
17. Glendale	1,368,672	445,612	32.6%	32,133	112,320	-	-	-	\$22.25	-0.9%
18. Chandler	2,205,015	392,254	17.8%	108,229	172,793	68,867	92,109	92,109	\$21.87	2.3%
19. Gateway Airport /Loop 202	506,864	297,634	58.7%	363	118,591	-	-	-	\$22.33	-0.3%
20. Superstition Corridor	2,110,960	663,841	31.4%	21,263	(15,591)	-	-	-	\$18.05	0.4%
21. Mesa Downtown	240,661	33,741	14.0%	-	-	-	-	114,412	\$18.05	0.0%
22. Mesa East	68,424	19,415	28.4%	(3,025)	-	-	-	-	\$15.37	-0.8%
23. Scottsdale Airpark	8,430,714	1,976,565	23.4%	153,474	245,871	-	-	-	\$22.35	0.4%
24. N. Scottsdale/Carefree	354,518	210,686	59.4%	(902)	12,735	-	-	-	\$21.08	0.4%
25. N. Phoenix/Cave Creek	13,607	5,041	37.0%	-	-	-	-	-	\$12.00	0.0%
26. North I-17	150,936	82,130	54.4%	27,573	38,820	-	-	-	\$19.42	-2.7%
27. Loop 303/Surprise	410,552	117,024	28.5%	(8,304)	(960)	-	-	-	\$22.54	1.0%
28. West I-10	585,491	95,235	16.3%	10,534	35,412	-	-	-	\$20.20	0.8%
Phoenix Metro	81,855,184	19,658,097	24.0%	927,980	2,008,925	68,867	92,109	416,723	\$20.36	-0.4%

By Building Type

Metro Class A	33,574,146	7,749,554	23.3%	632,679	941,856	68,867	92,109	302,311	\$23.20	0.3%
Metro Class B	44,849,165	11,387,925	25.6%	271,526	1,043,920	-	-	114,412	\$18.57	-0.3%
Metro Class C	3,431,873	520,618	17.6%	23,775	23,149	-	-	-	\$15.41	0.3%
Phoenix Metro	81,855,184	19,658,097	24.0%	927,980	2,008,925	68,867	92,109	416,723	\$20.36	-0.4%

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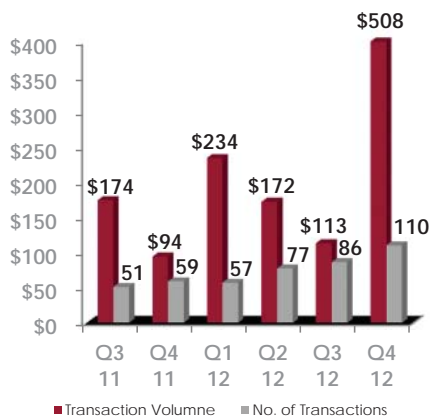
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Office Market statistics are compiled using a select criteria by Lee & Associates that encompasses a select database of over 1,200 office investment properties above 10,000 SF in the Phoenix Metropolitan Area.

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Quarterly report prepared by:
Matt DePinto, Senior Research Analyst

SALES VOLUME



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- For Sale
- Facility Specification
- Bidding & Design Build Construction
- Expansion Planning

Fair Market Value Analysis

- Valuation of Land
- Valuation of Buildings and Other Improvements

Financial Analysis of Alternatives

- Comparing Alternative Proposals
- Purchase vs. Lease Analysis
- Existing Building Search

Site Search

- Site Selection Criteria
- Development & Analysis

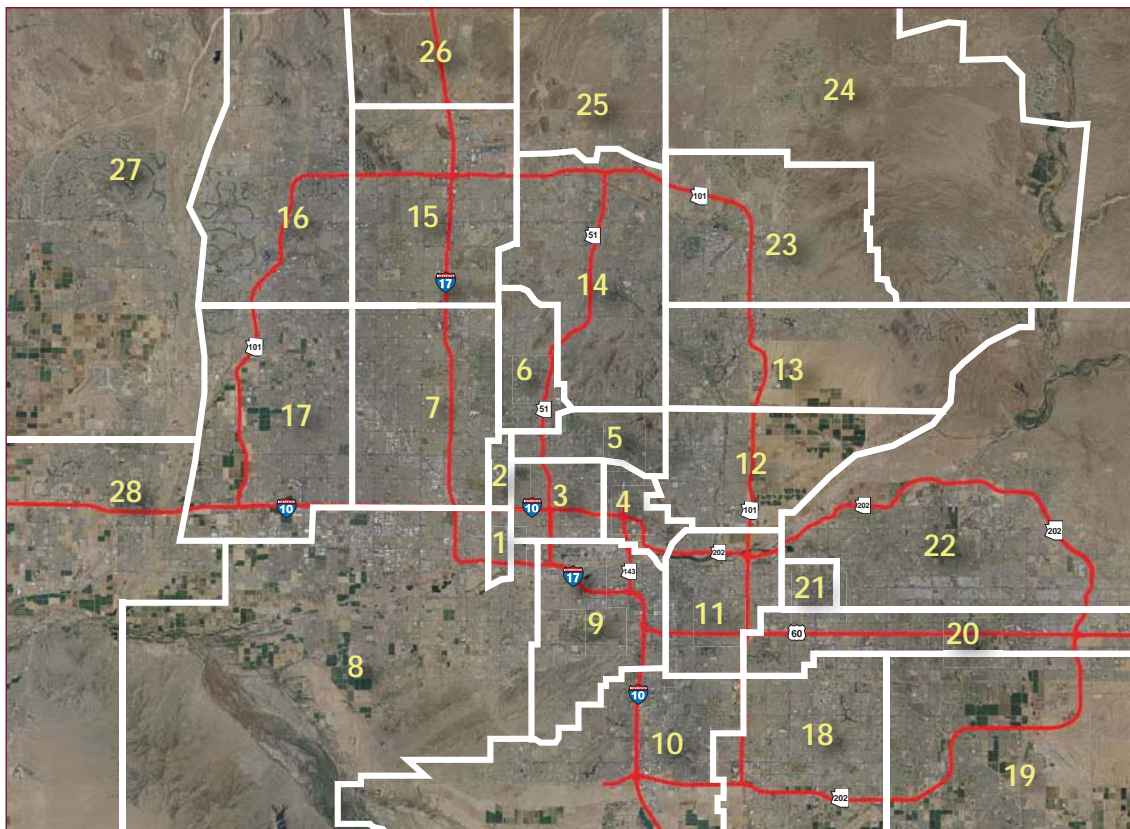
Sale-Leaseback

- Institutional Investors
- Private Investors

Disposition of Existing Buildings

- Locally & Nationally
- REO & Distressed-Asset Valuation & Sales

PHOENIX OFFICE SUBMARKET MAP



Phoenix Submarkets

1. Downtown Phoenix
2. Midtown Phoenix
3. East Phoenix
4. 44th St. Corridor
5. Camelback Corridor
6. Piestewa Corridor
7. Northwest Phoenix
8. Southwest Phoenix
9. Airport Area
10. South Tempe/Ahwatukee
11. Tempe
12. South Scottsdale
13. Central Scottsdale
14. Paradise Valley
15. Deer Valley Airport
16. Arrowhead
17. Glendale
18. Chandler
19. Gateway/Loop 202
20. Superstition Corridor
21. Mesa Downtown
22. Mesa East
23. Scottsdale Airpark
24. N. Scottsdale/Carefree
25. N. Phoenix/Cave Creek
26. North I-17
27. Loop 303/Surprise
28. West I-10

