OFFICE
MARKET REPORT

Q2 2020

LEE & ASSOCIATES
COMMERCIAL REAL ESTATE SERVICES

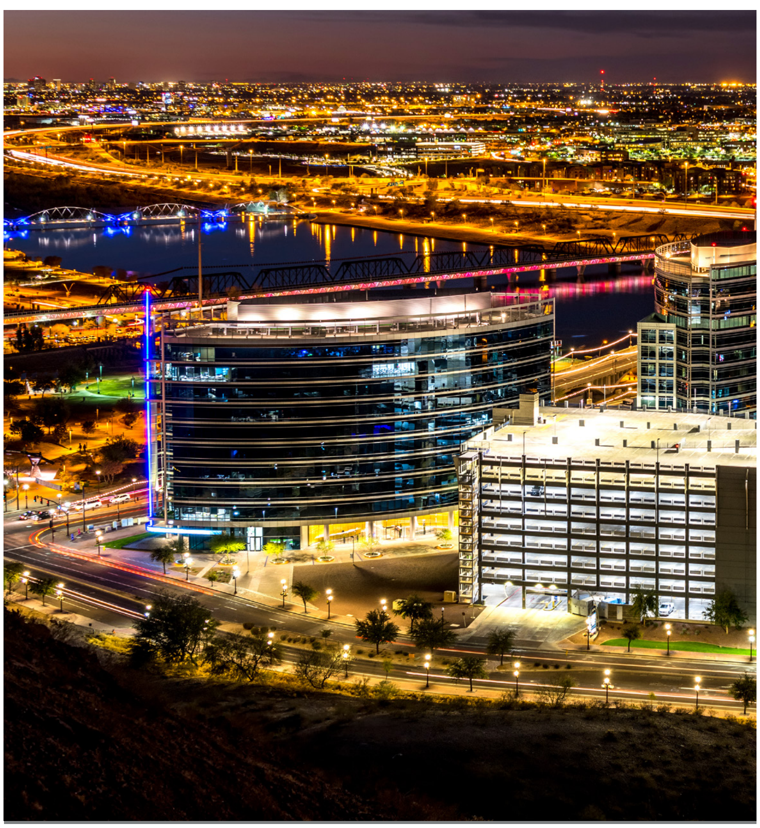
PHOENIX, ARIZONA

OFFICE LEASING SLOW BUT NOT STOPPED

Despite the ongoing pandemic, the Phoenix office market showed signs of resiliency with nearly 600,000 square feet of positive net absorption in the quarter. Sublease inventory did see a significant increase as more companies reassess their future office space needs. Strong market fundamentals keep Phoenix moving in a positive direction as we wait to see the full impact of COVID-19.

With strong absorption in Q2 the overall vacancy dropped to 15.8%, down 40 basis points from Q1. The positive trend can be attributed to the lack of new deliveries in the quarter with only 40,000 SF completed. Asking rates remained flat with an increase of only $.04/SF from Q1.

Construction activity remained nearly unfazed with Nationwide's Cavasson leading the way. The 460,000 SF Class A building in Scottsdale will be 100% occupied by Nationwide Insurance. Choice Hotels at Cavasson located within the same development broke ground in Q2. The 150,000 SF building located along the Loop 101 freeway in Scottsdale will be fully occupied by Choice Hotels. Other notable projects include 100 Mill in Tempe and The Union in Mesa, both scheduled for delivery early next year. Of the 2.6 million square feet under construction nearly half is pre-leased, built-to-suit or owner occupied.
The top sale of the quarter was the Wells Fargo Gainey Center located in



TOTAL VACANCY
15.8%
VS. 16.2% IN Q1

Q2 NET ABSORPTION
599,629 SF
VS. 251,884 SF IN Q1

AVERAGE ASKING RENTS
$25.78 PSF
VS. $25.74 PSF IN Q1

UNDER CONSTRUCTION
2,607,295
VS. 2,557,295 IN Q1

SUBLEASE SPACE
2,011,145 SF
VS. 1,364,662 IN Q1

Scottsdale which sold for $43,500,000 ($309.05/SF). The 141,047 square foot building was purchased by Ascent Real Estate Advisors and sold by Principal Real Estate Investors. The second largest sale of the quarter was the Perimeter Parkview Corporate Center. Rainbow Investment Company out of San Diego paid $30,025,000 ($286.07/SF) for the class A building, also located in Scottsdale.

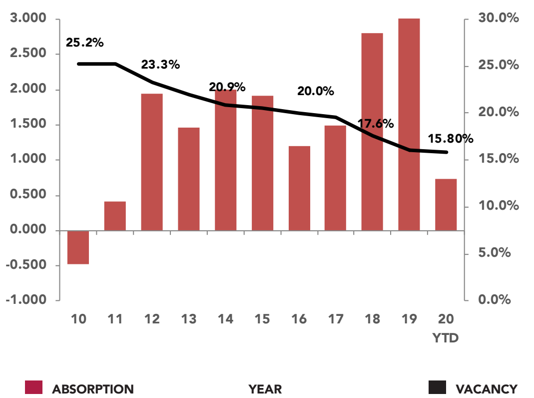
Office sales volume for the quarter was $287M, up 9% from Q1. The average price per square was $182/SF, down from $215/SF. The number of sale transactions fell 20% to 67, compared to 83 in quarter one

The Phoenix market remains a top destination for large national corporations like Northrup Grumman, DoorDash, Nationwide Insurance, Choice Hotels and Harkins Theatres. These companies look to take advantage of our talented workforce, low cost of living and favorable business environment.

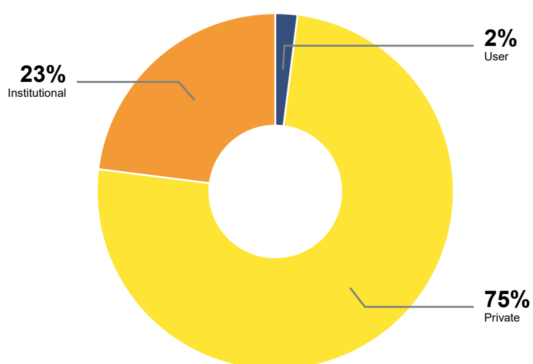
SALES BY THE NUMBERS: Q2 2020

NO. OF TRANSACTIONS	TOTAL SALES	AVERAGE PSF	AVERAGE CAP RATE
67	**$287M**	**$195.71**	**7.7%**
Q1 2020: 83	Q1 2020: $270M	Q1 2020: $157.62	Q1 2020: 8%

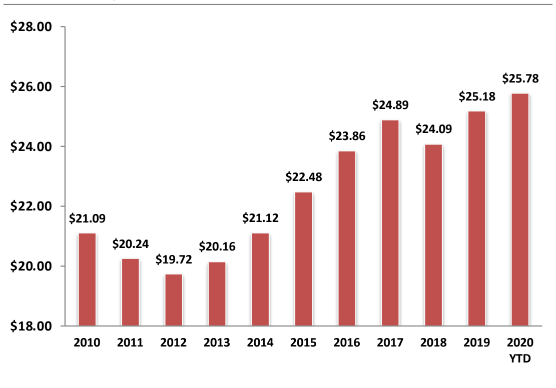
ABSORPTION/VACANCY
2010 - 2020 YTD



BUYER TYPE
Q2 2020 SALES

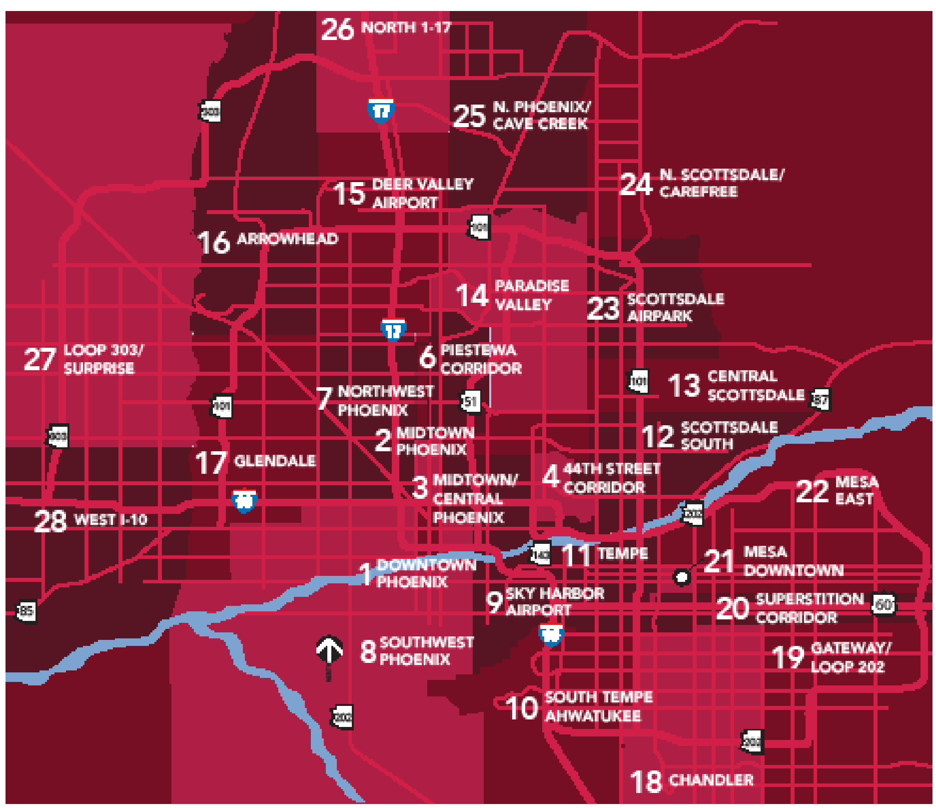


RENTAL RATES
PER MONTH, 2010 - 2020 YTD



HISTORICAL QUARTERLY BREAKDOWN

2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Vacancy Rate	15.8%	16.2%	16.1%	16.1%
Availability Rate	19.3%	19.3%	19.2%	20.0%
Asking Lease Rate	$25.78	$25.74	$25.18	$25.03
Leased SF	877,004 SF	1,624,332 SF	1,777,136 SF	1,536,502 SF
Sold SF	1,312,843 SF	4,525,081 SF	4,525,081 SF	3,500,621 SF
Net Absorption	477,056 SF	310,280 SF	1,192,386 SF	978,399 SF



BUILDING CLASS	INVENTORY TOTAL	VACANCY RATE						NET ABSORPTION		SUBLEASE AVAILABLE			UNDER CONSTRUCTION	ASKING FS RENTS
		DIRECT		SUBLEASE		TOTAL								
		SF	PERCENT	SF	PERCENT	SF	PERCENT	Q2 2020	YTD 2020	VACANT SF	TOTAL SF	PERCENT		
Class A	44,686,878	6,158,350	13.8%	525,459	1.2%	6,683,809	15.0%	537,158	815,779	525,459	1,231,105	2.8%	2,362,480	$30.96
Class B	54,629,664	9,756,786	17.9%	426,648	0.8%	10,183,434	18.6%	90,154	74,767	426,648	775,162	1.4%	244,815	$22.56
Class C	5,608,023	665,909	11.9%	4,878	0.1%	670,787	12.0%	(27,683)	(39,033)	4,878	4,878	0.1%	-	$15.86
Totals	104,924,565	16,581,045	15.8%	956,985	0.9%	17,538,030	16.6%	599,629	851,513	956,985	2,011,145	1.9%	2,607,295	$25.78

OFFICE SUBMARKET	INVENTORY TOTAL	VACANCY RATE						NET ABSORPTION		SUBLEASE AVAILABLE			UNDER CONSTRUCTION	ASKING FS RENTS
		DIRECT		SUBLEASE		TOTAL								
		SF	PERCENT	SF	PERCENT	SF	PERCENT	Q2 2020	YTD 2020	VACANT SF	TOTAL SF	PERCENT		
Downtown Phoenix	6,786,163	1,198,228	17.7%	115,615	1.7%	1,313,843	19.4%	(61,473)	(59,633)	115,615	188,527	2.8%	227,113	$30.72
Midtown Phoenix	9,623,366	2,147,984	22.3%	24,160	0.3%	2,172,144	22.6%	67,346	81,044	24,160	181,234	1.9%	-	$24.12
Midtown/Central Phoenix	1,912,718	148,537	7.8%	1,970	0.1%	150,507	7.9%	(11,230)	25,228	1,970	3,445	0.2%	-	$19.68
44th St. Corridor	2,697,204	378,380	14.0%	2,587	0.1%	380,967	14.1%	(54,215)	(47,797)	2,587	110,900	4.1%	-	$27.24
Camelback Corridor	7,513,784	1,299,847	17.3%	95,656	1.3%	1,395,503	18.4%	40,777	42,924	95,656	150,041	2.0%	65,000	$34.68
Piestewa Corridor	2,135,764	358,564	16.8%	3,713	0.2%	362,277	17.0%	(20,061)	(32,407)	3,713	9,200	0.4%	-	$24.72
Northwest Phoenix	6,183,229	1,438,331	23.3%	98,366	1.6%	1,536,697	24.9%	(63,408)	(88,893)	98,366	35,595	0.6%	-	$20.04
Southwest Phoenix	1,318,196	215,348	16.3%	-	0.0%	215,428	16.3%	3,994	3,994	-	-	0.0%	-	$23.64
Sky Harbor Airport	6,958,251	1,205,913	17.3%	107,439	1.5%	1,313,352	18.9%	55,789	114,804	107,439	107,439	1.5%	-	$17.76
S. Tempe/Ahwatukee	5,408,453	895,192	16.6%	1,894	0.0%	897,086	16.6%	(55,421)	(20,515)	1,894	20,551	0.4%	-	$19.08
Tempe	9,259,739	1,113,773	12.0%	105,162	1.1%	1,218,935	13.2%	155,691	353,936	105,162	324,477	3.5%	669,991	$30.96
Scottsdale South	5,484,336	520,262	9.5%	65,074	1.2%	585,336	10.7%	(45,053)	(12,804)	65,074	134,653	2.5%	65,000	$33.00
Central Scottsdale	5,335,129	682,067	12.8%	28,314	0.5%	710,381	13.3%	(1,864)	(67,745)	28,314	43,223	0.8%	400,000	$28.44
Paradise Valley	2,047,917	212,202	10.4%	16,548	0.8%	228,750	8.9%	(11,712)	(31,873)	16,548	59,818	2.9%	-	$27.36
Deer Valley Airport	5,724,872	1,265,089	22.1%	172,307	3.0%	1,437,396	25.1%	67,730	11,600	172,307	272,529	4.8%	150,000	$19.32
Arrowhead	1,080,389	129,505	12.0%	-	0.0%	129,505	12.0%	11,634	60,908	-	-	0.0%	-	$24.72
Glendale	1,689,288	115,917	6.9%	32,800	1.9%	148,717	8.8%	100,066	72,034	32,800	32,800	0.0%	-	$21.12
Chandler	7,712,230	1,334,928	17.3%	4,337	0.1%	1,339,265	17.4%	364,228	332,499	4,337	62,237	0.8%	237,394	$25.12
Gateway/Loop 202	491,273	71,210	14.5%	-	0.0%	71,210	14.5%	(1,873)	40,401	-	-	0.0%	-	$24.84
Superstition Corridor	2,658,840	284,419	10.7%	7,310	0.3%	291,729	11.0%	(19,845)	(35,808)	7,310	20,097	0.3%	-	$19.32
Mesa Downtown	670,995	72,596	10.8%	-	0.0%	72,596	10.8%	2,341	6,172	-	-	0.0%	-	$21.48
Mesa East	960,526	69,039	7.2%	-	0.0%	69,039	7.2%	864	(6,101)	-	9,755	1.0%	238,348	$21.60
Scottsdale Airpark	8,864,233	1,049,213	11.8%	69,271	0.8%	1,118,484	12.6%	(29,990)	(8,800)	69,271	240,162	2.7%	800,449	$29.28
N. Scottsdale/Carefree	651,451	127,434	19.6%	2,810	0.4%	130,244	20.0%	7,288	456	2,810	2,810	0.4%	24,000	$24.84
N. Phoenix/Cave Creek	13,607	-	0.0%	-	0.0%	-	0.0%	-	-	-	-	0.0%	-	$12.00
North I-17	300,019	72,602	24.2%	-	0.0%	72,602	24.8%	-	1,666	-	-	0.0%	-	$23.64
Loop 303/Surprise	428,246	52,991	12.4%	-	0.0%	52,911	12.4%	23,230	20,850	-	-	0.0%	-	$23.40
West I-10	1,014,347	121,474	12.0%	1,652	0.2%	123,126	12.1%	74,796	95,373	1,652	1,652	0.2%	-	$23.52
TOTALS	104,924,565	16,581,045	15.8%	956,985	0.9%	17,538,030	16.6%	599,629	851,513	956,985	2,011,145	1.9%	2,877,295	$25.78

* When inaccurate or newly updated information is discovered, it is incorporated into current reporting which may negate comparison to previously published market reports. Net absorption is calculated by the net change in physically occupied space between the current period and the previous period based on our competitive building inventory.

Q2 2020 TOP OFFICE LEASES

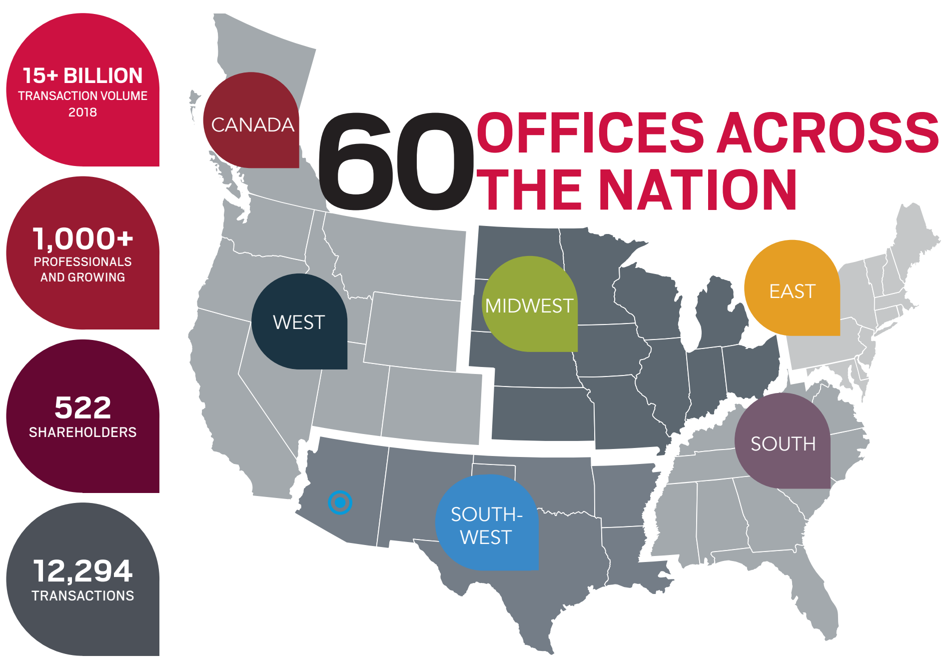
Tenant Name	Property Name	Address	Class	Submarket	SF	Lease
Maximus, Inc.	Black Canyon Commerce Park	2133 W Peoria Ave.	B	Northwest Phoenix	62,771	Subease
District Medical Group	Park Central	3110 N Central Ave.	B	Midtown	56,544	Renewal
Morgan Stanley	Rio 2001	2100 E Rio Salado Pky.	B	Tempe	44,248	New
Ticketmaster	Skysong Innovation Center 2	1375 N Scottsdael Rd.	A	South Scottsdale	36,380	Renewal
Arizona College of Nursing	Corporate Parkway North	16404 N Black Canyon	B	Deer Valley Airport	27,608	New

Q2 2020 TOP OFFICE SALES

Property Address	Buyer	Seller	Class	Sales Price	SF	PSF
Wells Fargo Gainey Center	Ascent Real Estat Advisors	Principal Finacial Group,Inc	A	$43,500,000	140,756	$309.05
Perimeter Parkview Corporate	Rainbow Investment Co.	Roxi Parkview LLC	A	$30,300,000	104,956	$286.07
Mesquite Corporate Center	Providence Real Estate Group	Waitt Company	A	$19,470,000	79,537	$244.80
92 Mountainview	Exeter Property Group	Equus Capital Partners, Ltd.	A	$19,200,000	116,200	$165.23
Element at Kierland	Providence Real Estate Group	Montana Avenue Capital	B	$17,300,000	57,662	$300.02

ABOUT LEE & ASSOCIATES

Lee & Associates Arizona has specialized in providing exceptional brokerage services to the industrial, office, retail, multifamily, investment and land sectors of the Phoenix, Arizona commercial real estate market. The Phoenix office was established in 1991 and is now recognized as one of the most successful brokerage firms in Arizona. Every principal broker is an owner of the Phoenix office, which means each broker is personally driven to support the success of the company by delivering excellent results for their clients. Each of the North American offices, along with our European partnership with London-based Gerald Eve, has a strong local ownership combined with a powerful international platform from the Lee & Associates network.



The Phoenix Office Market Report compiles relevant market data by using a third-party database for the proprietary analysis of specific office properties above 10,000 SF in the Phoenix Metropolitan Area.

Market report analysis by:
Lee & Associates Arizona

LEE & ASSOCIATES
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Cavasson

One Hundred Mill

Playa Del Norte

Under Construction

Building Name	Class	Building Address	Type	Submarket	Total SF	Leased SF	Delivery
Nationwide Cavasson	A	NWC Loop 101 & Hayden Road	O/O	Scottsdale Airpark	460,000	460,000	Q4 2020
One Hundred Mill	A	100 S. Mill Avenue	Spec	Tempe	287,000	126,854	Q4 2021
Union	A	NEC Riverview Auto Drive	Spec	Mesa East	238,348	19,067	Q1 2021
Wexford	A	850 N. 5th Street	Spec	Downtown	227,113	123,549	Q4 2020
The Edge	A	NWC 90th St & Loop 101	Spec	Central Scottsdale	210,000	0	Q1 2021
Axis Raintree	A	SWC E. Raintree Dr & N. 87th Street	Spec	Scottsdale Airpark	175,000	0	Q4 2020
Novus Innovation Center	A	777 S. Novus Place	Spec	Tempe	169,500	133,905	Q2 2020
Norterra West - Phase II	A	25800 N. Norterra Parkway	Spec	Deer Valley	150,000	137,100	Q2 2021
Choice Hotels at Cavasson	A	NWC 101 Loop	Spec	Scottsdale Airpark	150,000	150000	Q3 2021
Northrop	A	S. McQueen Road	Spec	Chandler	120,000	60,000	Q1 2021
One Chandler Corporate Center II	A	4100 W. Chandler Boulevard	Spec	Chandler	117,394	0	Q3 2020
Nextiva	A	SWC Via de Ventura & Dobson Road	Spec	Central Scottsdale	100,000	50,000	Q3 2020
Playa Del Norte	A	999 E. Playa Del Norte	Spec	Tempe	93,125	0	Q2 2021
Sierra Bloom	B	SE Loop 101 & 90th Street	Spec	Central Scottsdale	90,000	0	Q4 2020
Donor Network	A	2010 W. RIo Salado Parkway	O/O	Tempe	70,000	70,000	Q2 2020
Harking HQ	B	SW Loop 101 & McDonald Drive	BTS	South Scottsdale	65,000	65,000	Q2 2020
Helios Eduation Foundation	A	4747 N. 32nd Street	O/O	Camelback Corridor	65,000	65,000	Q2 2020
The Hub	B	2626 S. Hardy Drive	Spec	Tempe	50,366	18,972	Q2 2020
10475 E. Pinnacle Peak Pky.	B	10475 E. Pinnacle Peak Parkway	Spec	North Scottsdale/ Carefree	24,000	24,000	Q3 2020
DC Ranch Commerce Center	B	9112 E. Verde Grove View	Spec	Scottsdale Airpark	15,449	0	Q2 2020
				Total	2,877,295	1,293,447	

Deliveries

Building Name	Class	Building Address	Type	Submarket	Total SF	Leased SF	Delivery
The Collab	A	325 N Ash Street	Spec	Chandler	40,000	800	Q2 2020
					40,000	800	

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