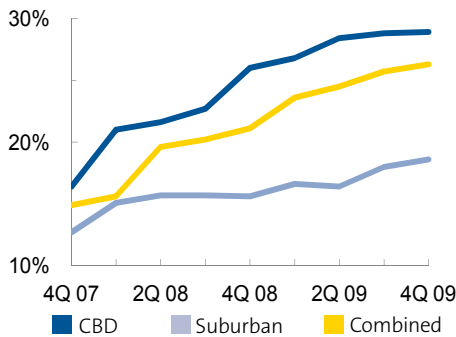
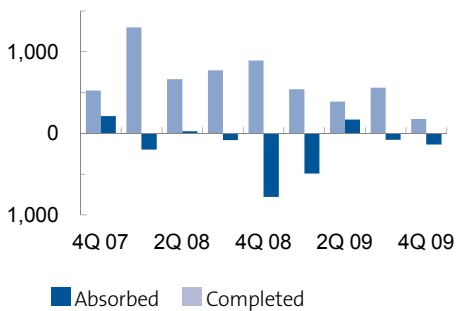


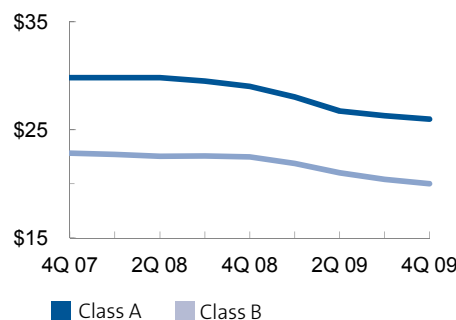
Vacancy Rate
Quarterly



Completion vs. Absorption
Quarterly (in Thousands of SF)



Asking Rental Rates
Quarterly (\$/SF/Yr. Full Service)



Negative net absorption improves from last year

The first quarter of 2009 posted an alarmingly huge loss of negative 495,000 square feet. This figure was the second largest loss of occupied space in any previous quarter, and set the tone for what could have been a disastrous year. However, the year-end total for net absorption turned out to be a significant improvement from 2008. The year-end 2008 absorption was a record breaking negative 1.07 million square feet. For 2009, the year ended with negative 610,209 square feet, which indicates the bottom of the Phoenix office market may have been reached in 2008. While the market conditions in 2009 were not positive, the improvement is crucial evidence that the worst occupancy losses may have passed. Downtown North and the Scottsdale Airpark were the two submarkets with the largest declines in occupancy; they collectively lost over 420,000 square feet in 2009. Despite the losses in occupied space, some notable vacant speculative buildings have been sold to owner/occupants, thereby reducing the speculative vacancy next year. For instance the former Dial headquarters sale in Scottsdale will remove 129,632 square feet of vacant space from the competitive inventory. The market is likely to see more owner/occupant buying in 2010 because these operations can potentially reduce occupancy costs through ownership.

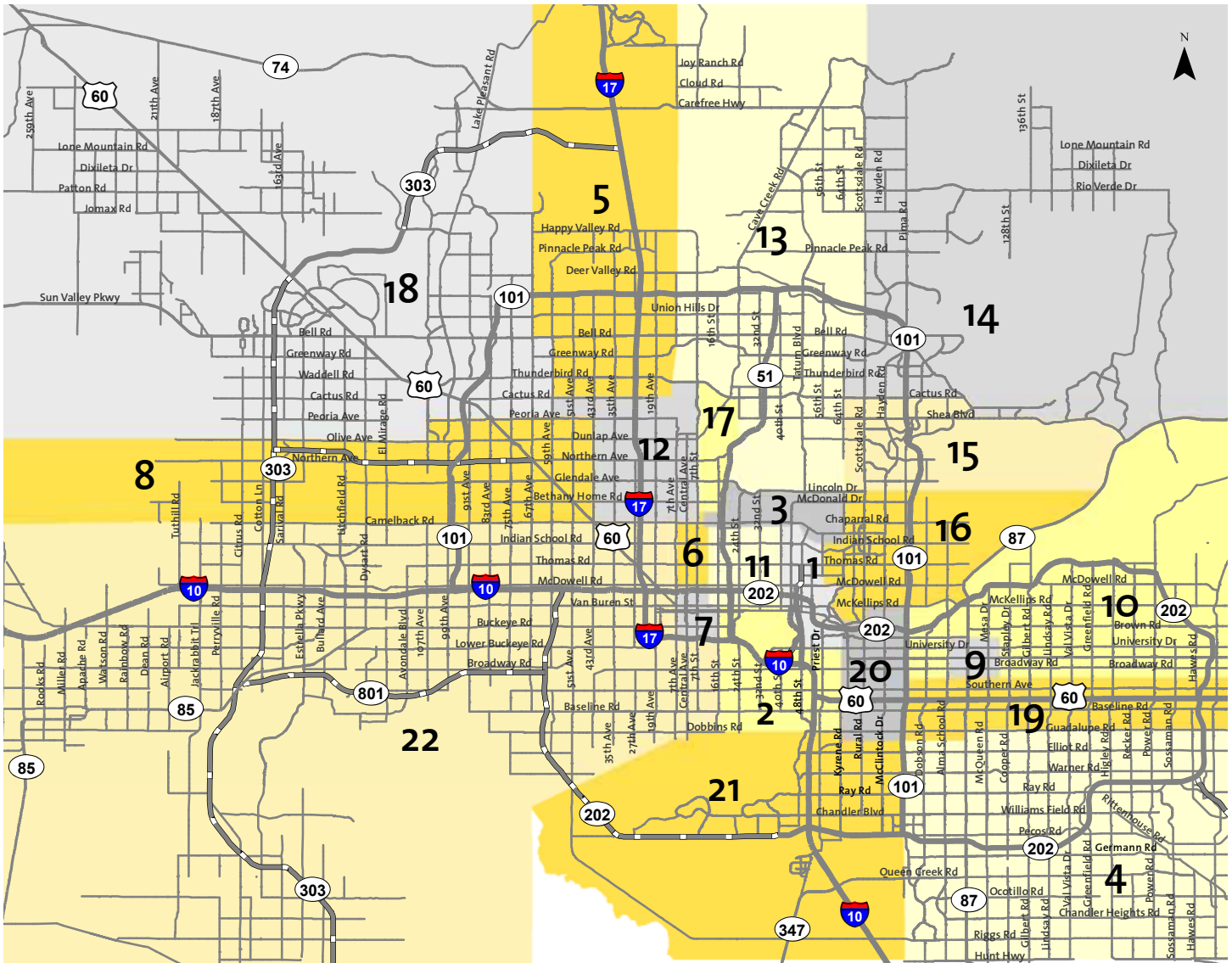
The construction boom this cycle began in 2005 and since then almost 12 million square feet has been delivered. By the end of 2010 the total will be over 13.5 million square feet. Of the new space delivered since 2005 roughly half sits vacant today. Since 2006 the vacancy rate market wide has more than doubled and the total vacant space now stands at 17.75 million square feet. Many of the tenants who are moving to new locations do so with the intent to downsize or right-size in more efficient space. In fact, there has been a considerable amount of leasing activity in 2009 through renewals and new leases; however, the net result has been an overall contraction as evidenced by the net absorption statistics. The majority of leasing activity expected in 2010 will likely be in space which is an upgrade to the tenant's prior location. Budget minded tenants are seeking the lowest cost option and more efficient floor plans especially when these options will have high quality space.

FORECAST

- Net absorption is expected to be flat next year, a significant improvement from 2009.
- Expect asking rents to continue downward as new ownership groups undercut already low rental rates.
- The remaining construction projects will complete next year, with no new substantial activity for 5-6 years.

Office Trends Report—Fourth Quarter 2009

Phoenix, AZ



- | | | |
|------------------------|-------------------------------|--------------------------|
| 1 44th Street Corridor | 9 Mesa Downtown | 17 Squaw Peak Corridor |
| 2 Airport Area | 10 Mesa East | 18 Sun City |
| 3 Camelback Corridor | 11 Midtown | 19 Superstition Corridor |
| 4 Chandler/Gilbert | 12 Northwest Phoenix | 20 Tempe |
| 5 Deer Valley/Airport | 13 North Phoenix/Desert Ridge | 21 Tempe South/Chandler |
| 6 Downtown North | 14 Scottsdale Airpark | 22 West Phoenix |
| 7 Downtown South | 15 Scottsdale North | |
| 8 Glendale | 16 Scottsdale South | |

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Office Trends Report—Fourth Quarter 2009

Phoenix, AZ

By Submarket	Total SF	Vacant SF	VACANCY %		NET ABSORPTION		Under Construction SF	WEIGHTED AVG. ASKING RENT
			Direct	Total	Current Qtr.	Year To Date		
44th Street Corridor								
Class A	2,686,037	776,457	27.8%	28.9%	(36,046)	129,586	-	\$23.56
Class B	1,226,733	330,096	26.5%	26.9%	21,453	(123,085)	-	\$21.36
Class C	81,748	16,225	19.8%	19.8%	(1,808)	(2,619)	-	\$12.22
Airport Area								
Class A	840,550	118,927	12.0%	14.1%	(6,118)	(23,560)	-	\$22.77
Class B	1,507,809	395,383	23.2%	26.2%	(20,335)	(75,746)	-	\$18.28
Class C	299,688	72,372	24.1%	24.1%	(18)	13,382	-	\$15.20
Camelback Corridor								
Class A	4,115,947	1,039,825	23.7%	25.3%	31,401	(31)	307,000	\$29.34
Class B	2,189,822	431,878	17.6%	19.7%	(26,340)	(83,514)	-	\$23.09
Class C	488,406	104,662	21.4%	21.4%	1,935	(584)	-	\$15.99
Chandler/Gilbert								
Class A	964,626	345,217	35.8%	35.8%	35,410	139,666	-	\$26.91
Class B	566,275	221,588	39.1%	39.1%	7,067	(8,209)	-	\$20.78
Deer Valley/Airport								
Class A	1,149,709	247,135	17.8%	21.5%	31,345	2,357	-	\$23.04
Class B	1,018,168	268,433	21.6%	26.4%	47,349	(18,196)	-	\$21.65
Class C	22,541	4,957	22.0%	22.0%	-	(1,278)	-	\$20.00
Downtown North								
Class A	3,486,256	692,004	17.7%	19.8%	(5,989)	(137,932)	-	\$23.30
Class B	4,775,377	1,100,775	22.5%	23.1%	(53,578)	(122,521)	-	\$19.02
Class C	804,717	120,548	15.0%	15.0%	-	11,437	-	\$15.97
Downtown South								
Class A	2,996,473	428,278	13.5%	14.3%	187	(45,526)	1,030,000	\$29.24
Class B	2,081,652	183,704	6.4%	8.8%	(13,232)	7,808	-	\$19.29
Class C	719,352	240,594	32.0%	33.4%	10,961	(41,814)	-	\$21.96
Midtown								
Class B	452,296	70,534	15.6%	15.6%	(2,601)	1,716	-	\$18.49
Class C	664,379	134,322	19.8%	20.2%	(8,959)	(30,861)	-	\$15.97
N Phoenix/Desert Ridge								
Class A	1,671,258	615,736	35.9%	36.8%	18,525	189,265	-	\$27.24
Class B	674,861	165,020	23.2%	24.5%	(16,602)	(52,931)	-	\$17.99
Class C	24,500	3,465	14.1%	14.1%	1,526	3,291	-	-
Northwest Phoenix								
Class A	1,392,858	217,570	15.1%	15.6%	158	18,075	-	\$22.86
Class B	2,600,158	842,278	31.3%	32.4%	(54,117)	(184,584)	-	\$17.63
Class C	285,493	36,345	10.6%	12.7%	(10,407)	(1,511)	-	\$13.87
Scottsdale Airpark								
Class A	4,881,347	1,828,441	29.5%	37.5%	(93,058)	(130,761)	80,000	\$25.59
Class B	1,726,821	600,406	34.6%	34.8%	(34,518)	(47,043)	-	\$21.74
Scottsdale North								
Class A	2,938,181	893,500	26.7%	30.4%	17,223	228,384	-	\$26.29
Class B	1,794,399	461,372	24.6%	25.7%	9,662	(27,227)	-	\$21.79
Class C	211,141	43,225	20.5%	20.5%	(1,277)	(3,928)	-	\$20.61
Scottsdale South								
Class A	2,057,147	508,817	22.7%	24.7%	53,753	(47,140)	-	\$23.59
Class B	930,070	204,545	21.0%	22.0%	(23,704)	(46,985)	-	\$20.50
Class C	251,215	88,512	35.2%	35.2%	(2,930)	2,410	-	\$15.69
Squaw Peak Corridor								
Class A	474,284	63,512	11.9%	13.4%	-	(2,245)	-	\$21.95
Class B	1,318,995	273,535	18.9%	20.7%	(9,441)	(13,832)	-	\$19.11
Class C	272,658	66,037	23.6%	24.2%	(4,495)	3,278	-	\$17.57
Superstition Corridor								
Class A	985,902	358,165	35.3%	36.3%	8,965	(33,305)	-	\$22.71
Class B	966,831	294,280	30.4%	30.4%	(13,668)	(15,056)	-	\$17.53
Class C	236,193	40,553	15.6%	17.2%	(2,258)	(21,176)	-	\$16.80
Tempe								
Class A	1,712,859	651,137	36.1%	38.0%	(3,051)	(27,140)	-	\$27.58
Class B	806,129	218,644	24.2%	27.1%	(9,544)	(62,096)	-	\$18.77
Class C	258,562	28,459	11.0%	11.0%	3,444	21,631	-	\$22.50
Tempe South/Chandler								
Class A	1,498,612	480,526	29.6%	32.1%	(12,807)	(18,257)	-	\$25.77
Class B	558,784	142,175	23.7%	25.4%	(7,956)	5,512	-	\$19.90
Class C	69,213	8,085	11.7%	11.7%	(8,085)	(8,085)	-	\$18.50
West Phoenix								
Class A	295,373	129,776	42.3%	43.9%	-	5,420	-	\$28.50
Class B	486,229	235,140	47.2%	48.4%	18,491	21,131	-	\$21.95
Class C	182,531	56,151	30.8%	30.8%	(541)	210	-	\$15.23

Office Trends Report—Fourth Quarter 2009

Phoenix, AZ

By Submarket	Total SF	Vacant SF	VACANCY %		NET ABSORPTION		Under Construction SF	ASKING RENT	
			Direct	Total	Current	Year To Date		Class A	Class B
Downtown North	9,066,350	1,913,327	20.0%	21.1%	(59,567)	(249,016)	-	\$23.30	\$19.02
Downtown South	5,797,477	852,576	13.2%	14.7%	(2,084)	(79,532)	1,030,000	\$29.24	\$19.29
CBD Total	14,863,827	2,765,903	17.4%	18.6%	(61,651)	(328,548)		\$26.25	\$19.04
							1,030,000		
44th Street Corridor	3,994,518	1,122,778	27.3%	28.1%	(16,401)	3,882	-	\$23.56	\$21.36
Airport Area	2,648,047	586,682	19.7%	22.2%	(26,471)	(85,924)	-	\$22.77	\$18.28
Camelback Corridor	6,794,175	1,576,365	21.6%	23.2%	6,996	(84,129)	-	\$29.34	\$23.09
Chandler/Gilbert	1,530,901	566,805	37.0%	37.0%	42,477	131,457	307,000	\$26.91	\$20.78
Deer Valley/Airport	2,190,418	520,525	19.6%	23.8%	78,694	(17,117)	-	\$23.04	\$21.65
Glendale	554,927	315,398	56.8%	56.8%	73	(692)	-	\$26.80	\$22.57
Mesa Downtown	273,666	52,757	19.3%	19.3%	576	(23,249)	-	-	\$17.68
Mesa East	294,241	201,138	68.4%	68.4%	-	4,324	-	\$25.00	\$20.00
Midtown	1,116,675	204,856	18.1%	18.3%	(11,560)	(29,145)	-	-	\$18.49
N Phoenix/Desert Ridge	2,370,619	784,221	32.1%	33.1%	3,449	139,625	-	\$27.24	\$17.99
Northwest Phoenix	4,278,509	1,096,193	24.6%	25.6%	(64,366)	(168,020)	-	\$22.86	\$17.63
Scottsdale Airpark	6,608,168	2,428,847	30.8%	36.8%	(127,576)	(177,804)	-	\$25.59	\$21.74
Scottsdale North	4,943,721	1,398,097	25.6%	28.3%	25,608	197,229	80,000	\$26.29	\$21.79
Scottsdale South	3,238,432	801,874	23.2%	24.8%	27,119	(91,715)	-	\$23.59	\$20.50
Squaw Peak Corridor	2,065,937	403,084	17.9%	19.5%	(13,936)	(12,799)	-	\$21.95	\$19.11
Sun City	843,978	279,330	31.7%	33.1%	28,121	63,627	-	\$23.35	\$26.85
Superstition Corridor	2,188,926	692,998	31.0%	31.7%	(6,961)	(69,537)	-	\$22.71	\$17.53
Tempe	2,777,550	898,240	30.3%	32.3%	(9,151)	(67,605)	-	\$27.58	\$18.77
Tempe South/Chandler	2,126,609	630,786	27.5%	29.7%	(28,848)	(20,830)	-	\$25.77	\$19.90
West Phoenix	964,133	421,067	42.6%	43.7%	17,950	26,761	-	\$28.50	\$21.95
Suburban Total	51,804,150	14,982,041	26.8%	28.9%	(74,207)	(281,661)	-	\$25.95	\$20.21
Totals	66,667,977	17,747,944	24.7%	26.6%	(135,858)	(610,209)	-	\$25.99	\$20.00

By Class	AVAILABLE FOR SUBLEASE								
								CBD	Suburban
Class A	35,008,047	9,946,585	25.8%	28.4%	37,882	271,306	1,417,000	232,896	1,397,546
Class B	26,488,095	6,664,794	23.8%	25.2%	(150,828)	(807,697)	-	107,527	441,245
Class C	5,171,835	1,136,565	21.5%	22.0%	(22,912)	(73,818)	-	21,812	21,717
Totals	66,667,977	17,747,944	24.7%	26.6%	(135,858)	(610,209)	1,417,000	362,235	1,860,508

OFFICE TERMS AND DEFINITIONS

Inventory: Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

Office Building Classifications: Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

Vacancy and Availability: The vacancy rate is the amount of

physically vacant space divided by the inventory and includes direct and sublease vacant. The availability rate is the amount of space available for lease divided by the inventory.

Direct Vacant: This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

Net Absorption: The net change in physically occupied space over a period of time.

Asking Rent: The dollar amount asked by landlords for available

space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop. The asking rent for each building in the market is weighted by the amount of available space in the building.

** Cassidy Turley BRE Commercial are audited annually and may result in revisions to previously reported quarterly and final year-end figures.*