Executive Summary

Investment property sales activity and cap rates are STEADY in the first half of 2017
- Compared to 2016, office sales are steady, while industrial and retail sales are a bit slower
- Cap rates have remained steady to 2016 levels

The Greater Phoenix properties markets are HEALTHY
- There is a reasonable balance of supply and demand, and vacancies are absorbing
- All submarkets are now reporting continued rental growth

The Arizona economy is growing at a RELIABLE AND STABLE pace
- Employer expansion is from existing corporate growth, and new employer relocations
- Employer growth translates to job and population growth – ranking as #7 and #1 in the U.S.
- Desirable lifestyle: affordable, excellent quality of life and a welcoming business environment

The Colliers International Greater Phoenix Investment Properties Sales Team

MINDY KORTH
Executive Vice President
Direct +1 602 222 5005
mindy.korth@colliers.com

JENNY BASSETT
Real Estate Analyst
Direct +1 602 222 5158
jenny.bassett@colliers.com

SEAN WESTFALL
Senior Associate
Direct +1 602 222 5027
sean.westfall@colliers.com

KELSEY ROBINSON
Client Services Coordinator
Direct +1 602 222 5041
kelsey.robinson@colliers.com

Our #1 priority is to earn the trust of our clients every day. 😊😊
— Mindy Korth, Executive Vice President
Office

RETAIL SALES - HISTORICAL VOLUME VS. AVG PSF AND NUMBER OF TRANSACTIONS

INDUSTRIAL SALES - HISTORICAL VOLUME VS. AVG PSF AND NUMBER OF TRANSACTIONS
Office | MY Takeaways

Strategic Results, Driven by Experience

Sellers who risked acquiring office assets for repositioning during the recession are harvesting their investments, at significant profits; while the buyers of these assets will enjoy their stable cash flows. Suburban office investments are doing well, generating active investment interest. Core office properties are steadily increasing in value.

MY 2017 Market Makers

January

- WARNER CROSSING
  - 8260, 8312 S Hardy Dr
  - Tempe, AZ
  - Sales Price: $18.4M; $134 PSF

February

- TALAVI TECH CENTER
  - 5511 W Talavi Blvd
  - Glendale, AZ
  - Sales Price: $17.2M; $93 PSF

March

- GALLERIA CORPORATE CENTER
  - 4301, 4343 N Scottsdale Rd
  - Scottsdale, AZ
  - Sales Price: $142.5M; $268 PSF

April

- THUNDERBIRD SQUARE MEDICAL I
  - 13640 N 99th Ave
  - Sun City, AZ
  - Sales Price: $9.25M; $261 PSF

May

- HEALTHCARE TRUST OF AMERICA PORTFOLIO
  - 4 locations
  - Metro Phoenix, AZ
  - Sales Price: $78.1M; $263 PSF

June

- 3131 & 3133 E CAMELBACK
  - 3131 & 3133 E Camelback Rd
  - Phoenix, AZ
  - Sales Price: $81.7M; $277 PSF

QUICK STATS

<table>
<thead>
<tr>
<th></th>
<th>CURRENT</th>
<th>vs MY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>VACANCY</td>
<td>16.2%</td>
<td>↓</td>
</tr>
<tr>
<td>LEASE RATES</td>
<td>$24.07</td>
<td>↑</td>
</tr>
<tr>
<td>NET ABSORPTION</td>
<td>1,526,547</td>
<td>↓</td>
</tr>
<tr>
<td>COMPLETIONS</td>
<td>1,540,311</td>
<td>↑</td>
</tr>
</tbody>
</table>

- Maricopa County second in U.S. during 2016 for job gains; wages outpace inflation (Phoenix Business Journal)

- With tightening valleywide occupancies, five new office projects broke ground during the second quarter, totaling nearly 640,000 square feet (AZRE: Arizona Commercial Real Estate Magazine)

- Phoenix ranked among the 25 Best Cities for Young Professionals 2017 (Forbes)

- Benchmark Electronics Inc. is moving its headquarters from Texas to Scottsdale with plans to create more than 500 jobs over the next five years (Phoenix Business Journal)

- The sale of 3131 and 3133 E Camelback is a great example of current value of an institutional-quality, core, suburban office property.

- After a four year hold, the seller of the Dignity Health Portfolio generated a better than 50% uptick in value – demonstrating the strength of well-located medical offices.
## Quick Stats

<table>
<thead>
<tr>
<th></th>
<th>CURRENT</th>
<th>vs. MY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vacancy</td>
<td>9.3%</td>
<td>↓</td>
</tr>
<tr>
<td>Lease Rates</td>
<td>$14.56</td>
<td>↑</td>
</tr>
<tr>
<td>Net Absorption</td>
<td>857,886</td>
<td>↓</td>
</tr>
<tr>
<td>Completions</td>
<td>669,143</td>
<td>↑</td>
</tr>
</tbody>
</table>

- Phoenix projected as number one U.S. housing market for 2017 (Phoenix Business Journal)

- The Block, a 22-acre retail mixed-use center, broke ground in June – the largest Scottsdale retail center development in five years (AZRE)

- Fry’s, Sprouts and Safeway are all underway with new grocery stores in high-growth residential areas as well as replacing older locations with state-of-the-art facilities

- Hobby Lobby announced new location in North Scottsdale (Phoenix Business Journal)

- At Home announced its new 108,000-square-foot location in Gilbert (Phoenix Business Journal)

- The steep decline in retail property sales through mid-year was significantly due to retail investors retaining their properties. When institutional-quality offerings come to market, the competition can be fierce.

## Retail | MY Takeaways

### Trusted, Experienced Leaders

These market makers include WalMart, Bashas’, Safeway, and Natural Grocers-anchored centers, proving the ongoing strength of a grocery-anchored retail investment. Single-tenant net leased properties continue to trade at historically low cap rates. As we all settle into the “clicks and bricks” purchasing patterns, investors know retail properties will retain their relevancy.

### MY 2017 Market Makers

**January**

- **Bethany Towne Center**
  - 6135, 6145 N 35th Ave
  - Phoenix, AZ
  - Sales Price: $41.3M; $151 PSF

**February**

- **Ridgeview Plaza**
  - 2824-2920 N Power Rd
  - 6740, 6744 E McDowell Rd
  - Mesa, AZ
  - Sales Price: $21.7M; $152 PSF

**March**

- **Goodwill**
  - 15190 N Cotton Ln
  - Surprise, AZ
  - Sales Price: $6.5M; $258 PSF

**April**

- **Scottsdale Towne Square**
  - 13802, 14046 N Scottsdale Rd
  - Scottsdale, AZ
  - Sales Price: $31M; $191 PSF

**May**

- **Palm Valley Marketplace**
  - 14175 W Indian School Rd
  - Goodyear, AZ
  - Sales Price: $22.4M; $209 PSF

**June**

- **Santan Fiesta**
  - 105-135 N Federal St
  - Chandler, AZ
  - Sales Price: $9.1M; $262 PSF
Industrial | MY Takeaways

Accelerating Your Business

In recent years there have been significant nationwide portfolio sales that include properties in Greater Phoenix. These portfolio sales have an impact on the volume of activity in Greater Phoenix. There have not been any significant portfolio sales as of mid-year, resulting in a slow start to sales during the first half of 2017.

MY 2017 Market Makers

January

T-MOBILE ARIZONA SWITCH
2601 W Broadway Rd
Tempe, AZ
Sales Price: $16.4M; $371 PSF

February

2021 E JONES AVE
2021 E Jones Ave
Phoenix, AZ
Sales Price: $7.1M; $75 PSF

March

DISCOVERY BUSINESS CAMPUS PORTFOLIO
2100, 2104, 2108, 2118 E Elliot Rd
Tempe, AZ
Sales Price: $108M; $131 PSF

April

PARC 17
1800, 1840, 1880 S 7th Ave
Phoenix, AZ
Sales Price: $16.1M; $91 PSF

May

YOUNG’S MARKET COMPANY
402 S 54th PL
Phoenix, AZ
Sales Price: $20.5M; $82 PSF

June

KACHINA BUSINESS CENTER
1805-1850 W Drake Dr, 7160 S Harl Ave
Tempe, AZ
Sales Price: $19.1M; $95 PSF

QUICK STATS

<table>
<thead>
<tr>
<th>CURRENT</th>
<th>vs MY 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>VACANCY</td>
<td>9.5%</td>
</tr>
<tr>
<td>LEASE RATES</td>
<td>$0.56</td>
</tr>
<tr>
<td>NET ABSORPTION</td>
<td>4,193,119</td>
</tr>
<tr>
<td>COMPLETIONS</td>
<td>2,456,687</td>
</tr>
</tbody>
</table>

Congratulations to the parties on a very successful outcome at Discovery Business Campus – which sale included part industrial/part office product; JPMorgan Chase will join other financial institutions to locate a major operations campus in the East Valley.

Phoenix ranked #3 with 188% tech job growth in 2017 (Money Magazine).

UPS is building a $180 million package processing facility in Goodyear, AZ and expected to operate fully by late 2019.

Intel is in process to invest $7 billion in its Ocotillo Chandler Fab plant that will employ 3,000 (CNBC).

Phoenix is recognized as a Top 5 datacenter market, with new enterprise users and colocation developers taking significant positions for further expansion. At nearly full occupancy, the addition of new data halls in the market can’t arrive soon enough for the demand.
By mid-year 2017 we were expecting to see more sales activity than has occurred. As mentioned earlier, our evaluation of the lack of transaction volume is from a combination of a shortage of property availability and some transactions getting caught in longer closing cycles than originally anticipated.

The success of suburban office sales in the first half is noticeable. While some buyers still have choice words to say about suburban office, those who are buying now will be rewarded in the future. These properties are the backbone of the Phoenix marketplace, where most of the office users are located.

Retailers continue to transition to the changing demands of their customers, and retail property owners and investors adapt along with these changes. New investors, such as Sterling Organization are entering the market, while others are exiting, and developers break ground to develop the newest store formats. Clicks companies are moving into bricks, and bricks companies are learning how to sell through clicks. Consumers merge between them, using retail as a form of entertainment. Some things never change.

Our steady-Eddy is the industrial property sector, where year in and year out businesses assemble, store and move products between supplier and consumer. There is a little for everyone in this sector. The addition of Loop 303 has created new opportunities, and the expansion of Loop 202 means there are other opportunities around the corner – in the city of Phoenix. Datacenters are very expensive warehouses, and with the affordable power, connectivity, incentives and geo-safe region, greater Phoenix is now competing in the top 5 nationally.

Greater Phoenix offers an enviable and affordable quality of life. The steady influx of new residents feeds into the jobs created from the growth of businesses in the areas. New development and tenant demand are at pace with each other, while existing vacancies continue to absorb. The Arizona economy continues to be healthy.

Whether a buyer or seller, 2017 will continue to provide ample opportunities to satisfy property investors’ goals to move capital in Greater Phoenix.

We welcome you to contact us related to your property investment needs.

Greater Phoenix Takeaways

The Colliers International Greater Phoenix Investment Properties Sales Team

Colliers International | 2390 E Camelback Road, Suite 100 | Phoenix, AZ 85016 | Main Phone: +1 602 222 5000
colliers.com | www.phoenixinvestment.properties

This document/email has been prepared by Colliers International for advertising and general information only. Colliers International makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising there from. This publication is the copyrighted property of Colliers International and/or its licensor(s). © 2017. All rights reserved.