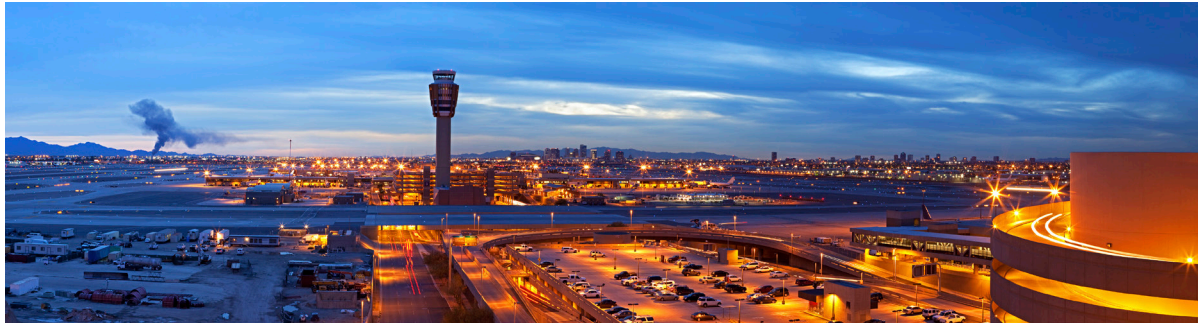


Phoenix, Arizona



Urban-Suburban Submarkets Trends

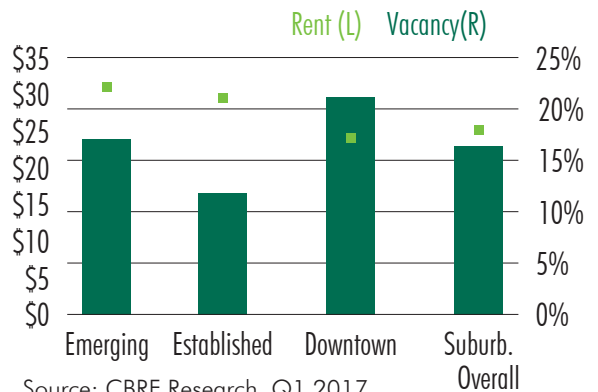
- Technology and financial companies are particularly active in established suburban submarkets such as Downtown Tempe and Downtown Scottsdale. These highly walkable submarkets are surrounded by retail, restaurants and upscale apartment projects, which are increasingly in high-demand.
 - Downtown Tempe remains one of the most sought-after submarkets in the Phoenix market due to its abundant amenities and proximity to Arizona State University, which provides a large and skilled labor pool.
 - The vacancy rate in the Tempe submarket was 8.5%, one of the lowest marketwide in Q1 2017.
 - Demand for Class A office space has driven the Downtown Tempe submarket's Class A vacancy rate to 5.4%, further motivating developers.
 - Completions in the Tempe submarket alone accounted for two-thirds of the new inventory that came online in Q1 2017.
- The Camelback Corridor is an established professional and business services hub, yet it is emerging as a new tech hub as a number of tech tenants move into the area.
 - The Camelback Corridor has welcomed several new, trendy restaurants as well as high-end apartment developments, helping to lure tenants to the area.
 - Steady demand amid limited new office construction is putting downward pressure on vacancy, which has plummeted from its peak of 30.8% in 2010 to 17.1% in Q1 2017.
- Suburban submarkets drove net absorption in the Phoenix submarket during Q1 2017. During this time span, Downtown Phoenix (core) and Tempe (suburban) accounted for 30.5% and 50.3% of net absorption, respectively.

Urban-Suburban Submarkets

Established	Emerging
Downtown Tempe	Camelback Corridor
Downtown Scottsdale	
Kierland	

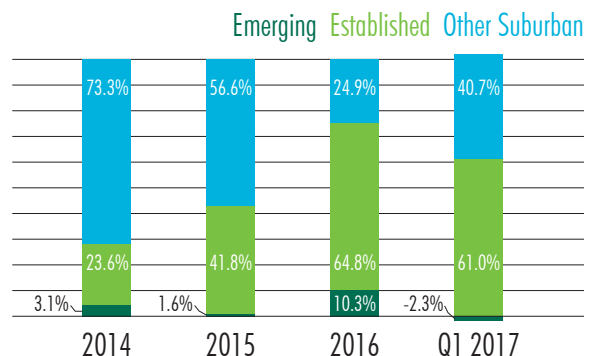
Source: CBRE Research, Q1 2017.

Q1 2017 Vacancy & Rent by Submarket Type



Source: CBRE Research, Q1 2017.

Net Absorption, Urban-Suburban vs. Other Suburban Submarkets



Source: CBRE Research, Q1 2017.

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