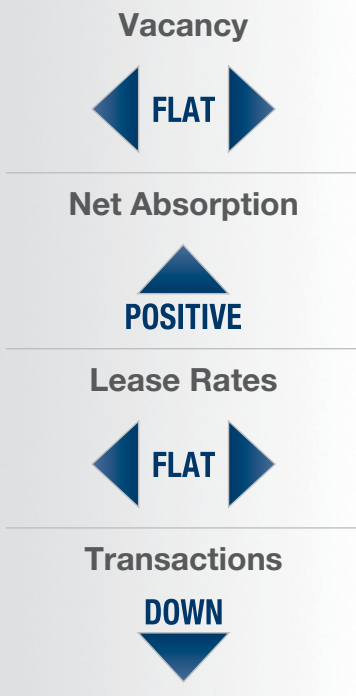


Office Market Report

Compared to the Previous Quarter:



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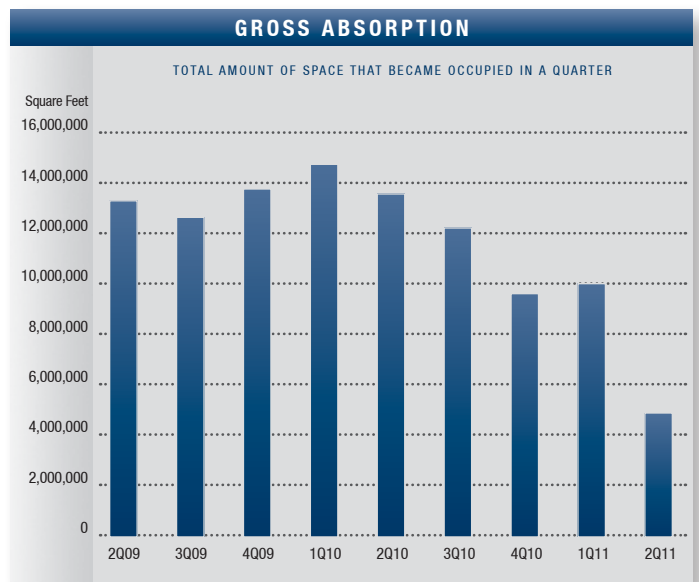
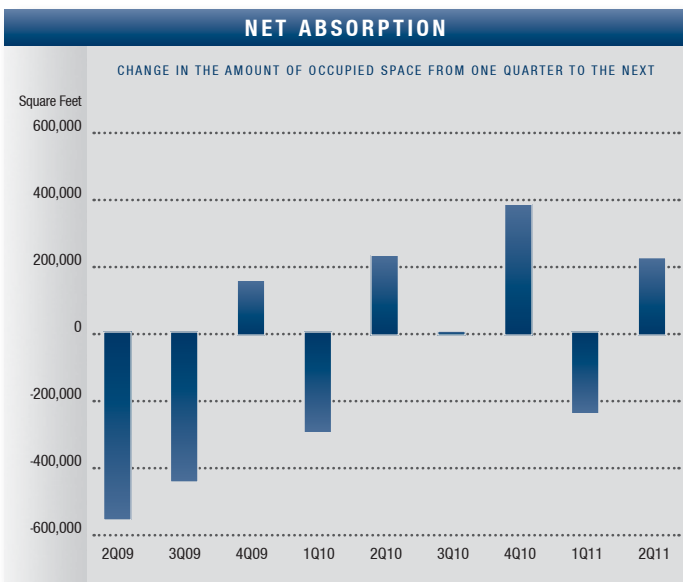
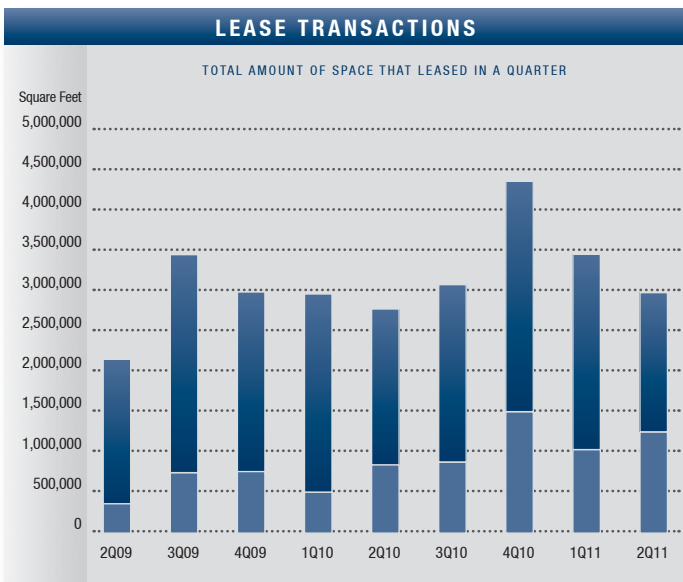
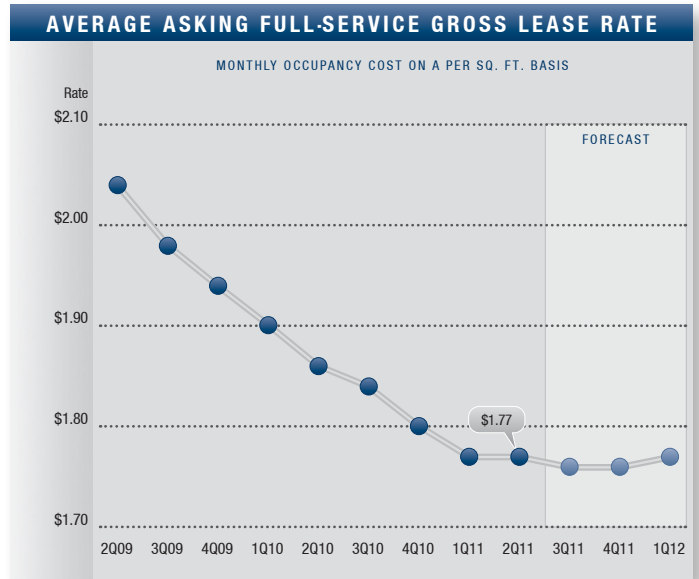
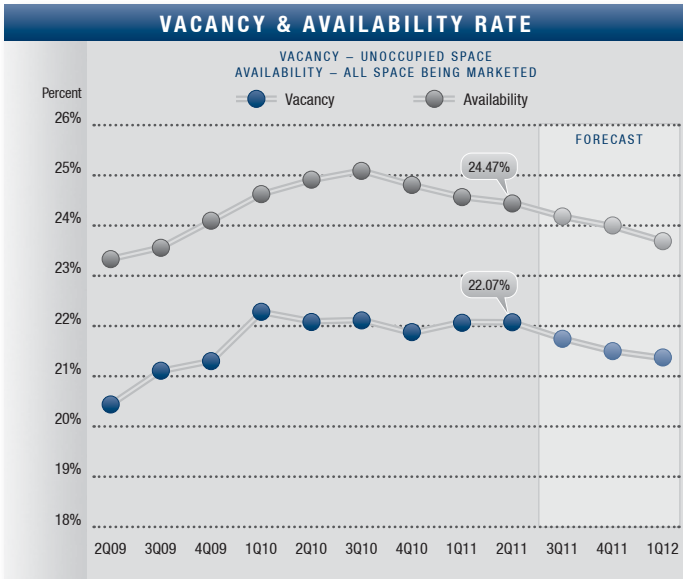
Prepared by:
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Market Highlights

- Encouraging Numbers** - 2011's second quarter numbers were encouraging — a sign that recovery could be on the horizon. Availability exhibited a slight decrease in the quarter, and net absorption posted a positive number. Demand picked up, with Labor Day of 2010 marking the beginning of a renewed interest in sales transactions, and tenants began signing longer lease commitments. While these are positive indications, stability and job growth will need to be sustained in coming quarters to be considered recovery.
- Construction** - Total space under construction checked in at 860,072 square feet in the first quarter. The slowdown in construction has and will ease the upward pressure on vacancy going forward.
- Vacancy** - Direct/sublease space (unoccupied) finished the first quarter at 22.07%, a slight decrease from 2010's second quarter rate of 22.08% but a slight increase over the previous quarter's figure of 22.04%. The Airport market posted the lowest rate in the county, coming in at 17.5%.
- Availability** - Direct/sublease space being marketed was at 24.47% at the end of the second quarter 2011, a decrease of only 8 basis points when compared to the prior quarter and a 1.81% decrease from year-ago figure of 24.92%.
- Lease Rates** - The average asking full-service gross (FSG) lease rate per square foot per month in Phoenix was \$1.77 — a 4.84% decrease from 2010's second quarter rate of \$1.86 and the same as the first quarter's rate. The record high rate of \$2.19 was established in the first quarter of 2008. Class A rates for the county averaged \$2.04 FSG, with the highest figures in East Phoenix where they averaged \$1.89 FSG.
- Absorption** - The Phoenix office market posted 226,273 square feet of positive net absorption in second quarter of 2011, giving the market an average of 130,000 square feet of positive absorption per quarter over the last five quarters.
- Transaction Activity** - Leasing activity checked in at just over 1.7 million square feet for the second quarter of 2011, mainly a result of short-term deals coupled with lease renegotiations. Sales activity showed an increase over the second quarter of 2010, posting 1.23 million square feet of activity as compared to 2010's 810,000 square feet. Details of the largest transactions can be found on the back page of this report.
- Unemployment** - The unemployment rate in the Phoenix-Mesa-Glendale Metropolitan area was 8% in May 2011, down from a revised 8.1% in April 2011 and lower than the 2010 estimate of 8.9%. This compares with an unadjusted unemployment rate of 9.1% for Arizona and 8.7% for the nation during the same period.
- Overall** - We are beginning to see a decrease in the amount of available space being added per quarter. Absorption is the big story, and with few new deliveries in the pipeline to apply upward pressure on vacancy, the market is beginning to stabilize. We foresee an increase in investment activity in the coming quarters as lenders continue to dispose of distressed assets. Lease rates are expected to remain soft for the near future, and concessions in the forms of free rent, reduced parking fees, relocation funds and tenant improvement allowances should continue in order to incentivize tenants to act immediately. We should also see an increase in leasing activity as many short-term deals come up for renewal and as job creation continues in 2011. As unemployment rates drop and consumer confidence stabilizes, the office market will continue to regain equilibrium.

OFFICE MARKET OVERVIEW

	2Q2011	1Q2011	2Q2010	% Change vs. 2Q2010
Total Vacancy Rate	22.07%	22.04%	22.08%	(0.05%)
Availability Rate	24.47%	24.55%	24.92%	(1.81%)
Average Asking Lease Rate	\$1.77	\$1.77	\$1.86	(4.84%)
Sale & Lease Transactions	2,970,482	3,437,797	2,766,541	7.37%
Gross Absorption	2,286,481	2,512,243	2,581,192	(11.42%)
Net Absorption	226,273	(232,944)	232,418	N/A



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 2Q2011	Square Feet Available	Availability Rate 2Q2011	Average Asking Lease Rate	Net Absorption 2Q2011	Net Absorption 2011	Gross Absorption 2Q2011	Gross Absorption 2011
Airport Area													
Airport Area	142	8,820,104	439,070	0	1,252,753	14.20%	1,463,710	16.60%	\$1.65	26,609	23,158	245,020	387,019
South Tempe/Ahwatukee	112	4,648,686	0	73,800	1,104,823	23.77%	1,355,783	29.16%	\$1.75	75,350	(23,660)	121,557	227,411
Airport Total	254	13,468,790	439,070	73,800	2,357,576	17.50%	2,819,493	20.93%	\$1.69	101,959	(502)	366,577	614,430
Central Corridor													
Downtown North	153	12,202,593	0	478,488	2,641,162	21.64%	3,515,301	28.81%	\$1.64	(13,438)	(75,775)	135,159	253,798
Downtown South	67	8,307,109	0	0	1,717,085	20.67%	1,693,650	20.39%	\$2.04	84,192	(10,120)	321,366	418,089
Central Corridor Total	220	20,509,702	0	478,488	4,358,247	21.25%	5,208,951	25.40%	\$1.75	70,754	(85,895)	456,525	671,887
East Phoenix													
44th Street Corridor	80	5,656,950	0	0	1,096,336	19.38%	1,269,769	22.45%	\$1.75	(15,004)	72,374	41,976	334,812
Camelback Corridor	136	8,889,257	0	0	2,680,948	30.16%	3,129,645	35.21%	\$2.04	(20,658)	(14,583)	199,272	459,282
Midtown/Central Phoenix	125	3,552,233	0	443,200	656,506	18.48%	752,736	21.19%	\$1.28	(17,743)	(54,599)	33,361	102,585
East Phoenix Total	341	18,098,440	0	443,200	4,433,790	24.50%	5,152,150	28.47%	\$1.90	(53,405)	3,192	274,609	896,679
East Valley													
Chandler	134	5,276,787	194,300	3,390,580	1,075,752	20.39%	1,080,833	20.48%	\$1.88	20,669	119,893	87,746	269,840
Gateway Airport/Loop 202	41	1,205,613	16,500	602,377	446,001	36.99%	452,441	37.53%	\$2.05	1,120	(98)	12,915	43,832
Mesa Downtown	32	779,365	0	0	173,085	22.21%	194,394	24.94%	\$1.20	(11,316)	(8,216)	2,640	6,700
Mesa East	78	2,288,490	0	200,958	446,057	19.49%	492,662	21.53%	\$1.54	(18,074)	(34,653)	21,792	25,385
Superstition Corridor	149	4,998,011	0	769,780	1,173,063	23.47%	1,201,070	24.03%	\$1.51	(18,217)	(8,311)	56,598	141,255
Tempe	110	4,477,444	0	312,000	923,431	20.62%	984,102	21.98%	\$1.83	18,771	103,664	96,977	272,748
East Valley Total	544	19,025,710	210,800	5,275,695	4,237,389	22.27%	4,405,502	23.16%	\$1.72	(7,047)	172,279	278,668	759,760
Northwest Phoenix													
Arrowhead	101	2,550,782	0	118,687	526,207	20.63%	548,548	21.51%	\$1.72	8,707	(1,030)	33,286	62,138
Deer Valley/Airport	130	9,924,526	210,202	1,501,127	2,008,421	20.24%	2,085,312	21.01%	\$1.70	(73,552)	(224,640)	37,581	177,381
Northwest Phoenix	222	8,274,919	0	0	1,927,488	23.29%	2,201,690	26.61%	\$1.40	16,782	36,630	202,088	344,124
Northwest Phoenix Total	453	20,750,227	210,202	1,619,814	4,462,116	21.50%	4,835,550	23.30%	\$1.54	(48,063)	(189,040)	272,955	583,643
Paradise Valley													
Paradise Valley	94	3,887,291	0	190,000	958,236	24.65%	1,044,760	26.88%	\$1.88	(27,740)	(47,881)	31,274	98,741
Piestewa Peak Corridor	69	2,926,002	0	105,600	578,287	19.76%	698,174	23.86%	\$1.52	(23,394)	(53,010)	43,564	69,470
Paradise Valley Total	163	6,813,293	0	295,600	1,536,523	22.55%	1,742,934	25.58%	\$1.71	(51,134)	(100,891)	74,838	168,211
Scottsdale													
Central Scottsdale	178	7,703,091	0	437,900	1,852,439	24.05%	1,892,898	24.57%	\$1.83	19,143	16,533	129,958	247,092
Scottsdale Airpark	256	11,525,570	0	483,290	2,845,077	24.68%	3,009,446	26.11%	\$1.94	137,359	97,061	279,511	551,342
Scottsdale South	134	5,514,275	0	209,778	1,134,757	20.58%	1,268,404	23.00%	\$1.71	24,378	60,222	80,289	190,154
Scottsdale Total	568	24,742,936	0	1,130,968	5,832,273	23.57%	6,170,748	24.94%	\$1.86	180,880	173,816	489,758	988,588
West Phoenix													
Glendale	46	2,192,501	0	296,927	707,552	32.27%	683,035	31.15%	\$1.94	12,527	1,105	24,592	29,492
Loop 303/Surprise	42	1,100,843	0	239,601	323,156	29.36%	338,795	30.78%	\$2.14	24,339	25,756	35,777	54,527
Southwest Phoenix	40	1,898,958	0	70,740	220,618	11.62%	229,418	12.08%	\$2.00	(7,000)	(5,944)	0	1,250
West I-10	48	1,375,269	0	264,779	215,147	15.64%	221,889	16.13%	\$1.82	2,463	(547)	12,182	30,257
West Phoenix Total	176	6,567,571	0	872,047	1,466,473	22.33%	1,473,137	22.43%	\$1.97	32,329	20,370	72,551	115,526
Phoenix Total	2,719	129,976,669	860,072	10,189,612	28,684,387	22.07%	31,808,465	24.47%	\$1.77	226,273	(6,671)	2,286,481	4,798,724
Class A	262	41,929,588	439,070	3,408,201	10,189,296	24.30%	10,981,809	26.19%	\$2.03	227,787	395,311	1,041,626	1,994,028
Class B	1,871	75,786,697	421,002	6,781,411	16,327,865	21.54%	18,409,417	24.29%	\$1.59	43,750	(226,824)	1,148,013	2,594,540
Class C	586	12,260,384	0	0	2,167,226	17.68%	2,417,239	19.72%	\$1.12	(45,264)	(175,158)	96,842	210,156
Class Total	2,719	129,976,669	860,072	10,189,612	28,684,387	22.07%	31,808,465	24.47%	\$1.77	226,273	(6,671)	2,286,481	4,798,724

This survey consists of properties 10,000 square feet and larger in size, representing both single tenant and multi-tenant buildings. The lease rates are based on a full-service gross basis.

RECENT TRANSACTIONS

Sale Transactions

Property Address	Submarket	Class	Square Feet	Sale Price PSF	Buyer	Seller
Pima Center – 8 Properties	Scottsdale	A&B	367,342	\$163.34	Mainspring Capital Group	SPCP Syndicated Holdings
Viad Tower – 1850 N. Central Ave.	Central	A	482,108	\$116.16	Morgan Stanley	McCarthy Cook
Camelback Exec. Park – 6991 E. Camelback Rd.	Scottsdale	B	172,690	\$110.02	Lincoln Property Company	The Bank of New York Mellon Corporation
5343 & 5353 16th St.	East Phoenix	A	183,187	\$81.88	Orsett Properties, Ltd.	Trust Realty Advisors, Inc.
17505 N. 79th Ave.	Northwest Phoenix	A	80,849	\$117.50	Chase Merritt	MCA Financial Group, Ltd.
1138 & 1146 N. Alma School Rd.	East Valley	A	166,000	\$54.52	R&R Riverview, LLC	Lauth Property Group

Lease Transactions

Property Address	Submarket	Class	Square Feet	Transaction Date	Tenant	Owner
1 N. Central Ave.	Central	A	205,130	Apr-11	PhoenixLaw	Mitsubishi Estate New York, Inc.
4343 N. Scottsdale Rd. – Renewal	Scottsdale	B	86,978	Apr-11	N/A	JEMB Realty Corporation
5323 N. 99th Ave.	West Phoenix	A	72,494	May-11	Bechtel Corporation	Regent Properties, Inc.
1975 S. Price Rd. – Renewal	East Valley	B	62,521	May-11	AmeriCredit Corporation	Piedmont Office Realty Trust, Inc.
333 N. Central Ave.	Central	A	60,947	Jun-11	Freeport-McMoRan Copper & Gold, Inc.	Mesirow Financial
14415 S. 50th St.	Airport	B	55,089	May-11	CyraCom International, Inc.	RREEF America, LLC

Product Type

CLASS A

Most prestigious buildings competing for premier office users with rents above average for the area. Buildings have high-quality standard finishes, state-of-the-art systems, exceptional accessibility and a definite market presence.

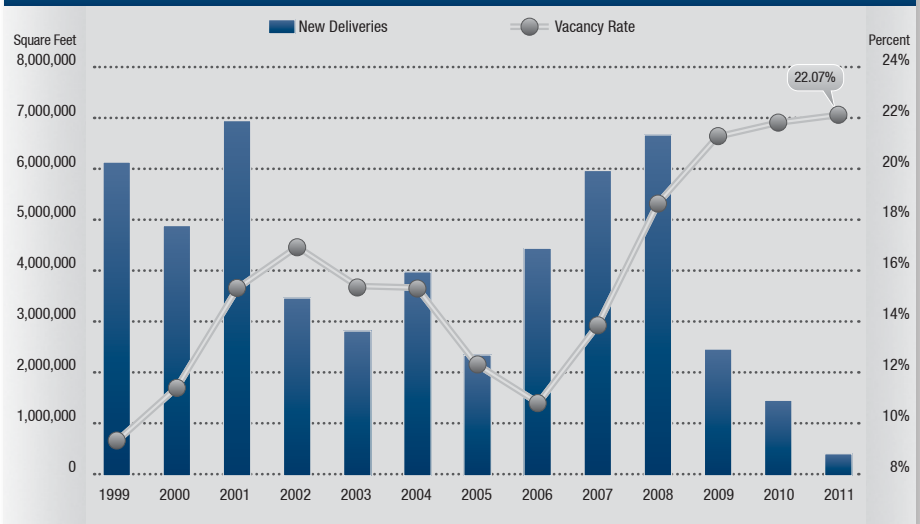
CLASS B

Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are fair to good for the area, and systems are adequate. However, Class B buildings cannot compete with Class A buildings of the same price.

CLASS C

Buildings competing for tenants requiring functional space at rents below the area average.

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