

CoStar Office Statistics

Year - End 2016

Tucson Office Market



CoStarTM
The knowledge market

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Methodology

The CoStar Office Statistics, unless specifically stated otherwise, calculates office statistics using CoStar Group's entire database of existing and under construction office buildings in each metropolitan area. Included are office, office condominium, office loft, office medical, all classes and all sizes, and both multi-tenant and single-tenant buildings, including owner-occupied buildings. CoStar Group's global database includes approximately 95.6 billion square feet of coverage in 4.4 million properties. All rental rates reported in the CoStar Office Report have been converted to a Full Service equivalent rental rate.

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CoStar Group, Inc.

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Terms & Definitions

Availability Rate: The ratio of available space to total rentable space, calculated by dividing the total available square feet by the total rentable square feet.

Available Space: The total amount of space that is currently being marketed as available for lease in a given time period. It includes any space that is available, regardless of whether the space is vacant, occupied, available for sublease, or available at a future date.

Build-to-Suit: A term describing a particular property, developed specifically for a certain tenant to occupy, with structural features, systems, or improvement work designed specifically for the needs of that tenant. A build-to-suit can be leased or owned by the tenant. In a leased build-to-suit, a tenant will usually have a long term lease on the space.

Buyer: The individual, group, company, or entity that has purchased a commercial real estate asset.

Cap Rate: Short for capitalization rate. The Cap Rate is a calculation that reflects the relationship between one year's net operating income and the current market value of a particular property. The Cap Rate is calculated by dividing the annual net operating income by the sales price (or asking sales price).

CBD: Abbreviation for Central Business District. (See also: Central Business District)

Central Business District: The designations of Central Business District (CBD) and Suburban refer to a particular geographic area within a metropolitan statistical area (MSA) describing the level of real estate development found there. The CBD is characterized by a high density, well organized core within the largest city of a given MSA.

Class A: A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market. Such buildings are well located and provide efficient tenant layouts as well as high quality, and in some buildings, one-of-a-kind floor plans. They can be an architectural or historical landmark designed by prominent architects. These buildings contain a modern mechanical system, and have above-average maintenance and management as well as the best quality materials and workmanship in their trim and interior fittings. They are generally the most attractive and eagerly sought by investors willing to pay a premium for quality.

Class B: A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties. Such buildings offer utilitarian space without special attractions, and have ordinary design, if new or fairly new; good to excellent design if an older non-landmark building. These buildings typically have average to good maintenance, management and tenants. They are less appealing to tenants than Class A properties, and may be deficient in a number of respects including floor plans, condition and facilities. They lack prestige and must depend chiefly on a lower price to attract tenants and investors.

Class C: A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market. Such buildings typically have below-average maintenance and management, and could have mixed or low tenant prestige, inferior elevators, and/or mechanical/electrical systems. These buildings lack prestige and must depend chiefly on a lower price to attract tenants and investors.

Construction Starts: Buildings that began construction during a specific period of time. (See also: Deliveries)

Contiguous Blocks of Space: Space within a building that is, or is able to be joined together into a single contiguous space.

Deliveries: Buildings that complete construction during a specified period of time. In order for space to be considered delivered, a certi-

cate of occupancy must have been issued for the property.

Delivery Date: The date a building completes construction and receives a certificate of occupancy.

Developer: The company, entity or individual that transforms raw land to improved property by use of labor, capital and entrepreneurial efforts.

Direct Space: Space that is being offered for lease directly from the landlord or owner of a building, as opposed to space being offered in a building by another tenant (or broker of a tenant) trying to sublet a space that has already been leased.

Existing Inventory: The square footage of buildings that have received a certificate of occupancy and are able to be occupied by tenants. It does not include space in buildings that are either planned, under construction or under renovation.

Flex Building: A type of building designed to be versatile, which may be used in combination with office (corporate headquarters), research and development, quasi-retail sales, and including but not limited to industrial, warehouse, and distribution uses. A typical flex building will be one or two stories with at least half of the rentable area being used as office space, have ceiling heights of 16 feet or less, and have some type of drive-in door, even though the door may be glassed in or sealed off.

Full Service Rental Rate: Rental rates that include all operating expenses such as utilities, electricity, janitorial services, taxes and insurance.

Gross Absorption: The total change in occupied space over a given period of time, counting space that is occupied but not space that is vacated by tenants. Gross absorption differs from leasing Activity, which is the sum of all space leased over a certain period of time. Unless otherwise noted Gross Absorption includes direct and sublease space.

Growth in Inventory: The change in size of the existing square footage in a given area over a given period of time, generally due to the construction of new buildings.

Industrial Building: A type of building adapted for such uses as the assemblage, processing, and/or manufacturing of products from raw materials or fabricated parts. Additional uses include warehousing, distribution, and maintenance facilities. The primary purpose of the space is for storing, producing, assembling, or distributing product.

Landlord Rep: (Landlord Representative) In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the owner/landlord is referred to as the Landlord Rep.

Leased Space: All the space that has a financial lease obligation. It includes all leased space, regardless of whether the space is currently occupied by a tenant. Leased space also includes space being offered for sublease.

Leasing Activity: The volume of square footage that is committed to and signed under a lease obligation for a specific building or market in a given period of time. It includes direct leases, subleases and renewals of existing leases. It also includes any pre-leasing activity in planned, under construction, or under renovation buildings.

Market: Geographic boundaries that serve to delineate core areas that are competitive with each other and constitute a generally accepted primary competitive set of areas. Markets are building-type specific, and are non-overlapping contiguous geographic designations having a cumulative sum that matches the boundaries of the entire Region (See also: Region). Markets can be further subdivided into Submarkets. (See also: Submarkets)

Multi-Tenant: Buildings that house more than one tenant at a given time. Usually, multi-tenant buildings were designed and built to accommodate many different floor plans and designs for different

tenant needs. (See also: Tenancy).

Net Absorption: The net change in occupied space over a given period of time. Unless otherwise noted Net Absorption includes direct and sublease space.

Net Rental Rate: A rental rate that excludes certain expenses that a tenant could incur in occupying office space. Such expenses are expected to be paid directly by the tenant and may include janitorial costs, electricity, utilities, taxes, insurance and other related costs.

New Space: Sometimes called first generation space, refers to space that has never been occupied and/or leased by a tenant.

Occupied Space: Space that is physically occupied by a tenant. It does not include leased space that is not currently occupied by a tenant.

Office Building: A type of commercial building used exclusively or primarily for office use (business), as opposed to manufacturing, warehousing, or other uses. Office buildings may sometimes have other associated uses within part of the building, i.e., retail sales, financial, or restaurant, usually on the ground floor.

Owner: The company, entity, or individual that holds title on a given building or property.

Planned/Proposed: The status of a building that has been announced for future development but not yet started construction.

Preleased Space: The amount of space in a building that has been leased prior to its construction completion date, or certificate of occupancy date.

Price/SF: Calculated by dividing the price of a building (either sales price or asking sales price) by the Rentable Building Area (RBA).

Property Manager: The company and/or person responsible for the day-to-day operations of a building, such as cleaning, trash removal, etc. The property manager also makes sure that the various systems within the building, such as the elevators, HVAC, and electrical systems, are functioning properly.

Quoted Rental Rate: The asking rate per square foot for a particular building or unit of space by a broker or property owner. Quoted rental rates may differ from the actual rates paid by tenants following the negotiation of all terms and conditions in a specific lease.

RBA: Abbreviation for Rentable Building Area. (See also: Rentable Building Area)

Region: Core areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Regions are further divided into market areas, called Markets. (See also: Markets)

Relet Space: Sometimes called second generation or direct space, refers to existing space that has previously been occupied by another tenant.

Rentable Building Area: (RBA) The total square footage of a building that can be occupied by, or assigned to a tenant for the purpose of determining a tenant's rental obligation. Generally RBA includes a percentage of common areas including all hallways, main lobbies, bathrooms, and telephone closets.

Rental Rates: The annual costs of occupancy for a particular space quoted on a per square foot basis.

Sales Price: The total dollar amount paid for a particular property at a particular point in time.

Sales Volume: The sum of sales prices for a given group of buildings in a given time period.

Seller: The individual, group, company, or entity that sells a particular commercial real estate asset.

SF: Abbreviation for Square Feet.

Single-Tenant: Buildings that are occupied, or intended to be occupied by a single tenant. (See also: Build-to-suit and Tenancy)

Sublease Space: Space that has been leased by a tenant and is being offered for lease back to the market by the tenant with the lease obligation. Sublease space is sometimes referred to as sublet space.

Submarkets: Specific geographic boundaries that serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted primary competitive set, or peer group. Submarkets are building type specific (office, industrial, retail, etc.), with distinct boundaries dependent on different factors relevant to each building type. Submarkets are non-overlapping, contiguous geographic designations having a cumulative sum that matches the boundaries of the Market they are located within (See also: Market).

Suburban: The Suburban and Central Business District (CBD) designations refer to a particular geographic area within a metropolitan statistical area (MSA). Suburban is defined as including all office inventory not located in the CBD. (See also: CBD)

Tenancy: A term used to indicate whether or not a building is occupied by multiple tenants (See also: Multi-tenant) or a single tenant. (See also: Single-tenant)

Tenant Rep: Tenant Rep stands for Tenant Representative. In a typical lease transaction between an owner/landlord and tenant, the broker that represents the interests of the tenant is referred to as a Tenant Rep.

Time On Market: A measure of how long a currently available space has been marketed for lease, regardless of whether it is vacant or occupied.

Under Construction: Buildings in a state of construction, up until they receive their certificate of occupancy. In order for CoStar to consider a building under construction, the site must have a concrete foundation in place. Abbreviated UC.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically vacant space divided by the total amount of existing inventory. Under construction space generally is not included in vacancy calculations.

Vacant Space: Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space. Vacant space could be space that is either available or not available. For example, sublease space that is currently being paid for by a tenant but not occupied by that tenant, would be considered vacant space. Likewise, space that has been leased but not yet occupied because of finish work being done, would also be considered vacant space.

Weighted Average Rental Rate: Rental rates that are calculated by factoring in, or weighting, the square footage associated with each particular rental rate. This has the effect of causing rental rates on larger spaces to affect the average more than that of smaller spaces. The weighted average rental rate is calculated by taking the ratio of the square footage associated with the rental rate on each individual available space to the square footage associated with rental rates on all available spaces, multiplying the rental rate by that ratio, and then adding together all the resulting numbers. Unless specifically specified otherwise, rental rate averages include both Direct and Sublet available spaces.

Year Built: The year in which a building completed construction and was issued a certificate of occupancy.

YTD: Abbreviation for Year-to-Date. Describes statistics that are cumulative from the beginning of a calendar year through whatever time period is being studied.

Tucson's Vacancy Decreases to 11.0%

Net Absorption Positive 124,704 SF in the Quarter

The Tucson Office market ended the fourth quarter 2016 with a vacancy rate of 11.0%. The vacancy rate was down over the previous quarter, with net absorption totaling positive 124,704 square feet in the fourth quarter. Vacant sublease space decreased in the quarter, ending the quarter at 13,731 square feet. Rental rates ended the fourth quarter at \$18.59, a decrease over the previous quarter. A total of one building delivered to the market in the quarter totaling 17,000 square feet, with 16,271 square feet still under construction at the end of the quarter.

Absorption

Net absorption for the overall Tucson office market was positive 124,704 square feet in the fourth quarter 2016. That compares to positive 73,022 square feet in the third quarter 2016, positive 9,513 square feet in the second quarter 2016, and positive 196,961 square feet in the first quarter 2016.

The Class-A office market recorded net absorption of negative (18,469) square feet in the fourth quarter 2016, compared to positive 9,795 square feet in the third quarter 2016, positive 7,534 in the second quarter 2016, and positive 51,241 in the first quarter 2016.

The Class-B office market recorded net absorption of positive 140,348 square feet in the fourth quarter 2016, compared to positive 52,671 square feet in the third quarter 2016, negative (11,969) in the second quarter 2016, and positive 116,492 in the first quarter 2016.

The Class-C office market recorded net absorption of positive 2,825 square feet in the fourth quarter 2016 compared to positive 10,556 square feet in the third quarter 2016, positive 13,948 in the second quarter 2016, and positive 29,228 in the first quarter 2016.

Net absorption for Tucson's central business district was positive 886 square feet in the fourth quarter 2016. That compares to positive 12,434 square feet in the third quarter 2016, negative (36,023) in the second quarter 2016, and positive 43,658 in the first quarter 2016.

Net absorption for the suburban markets was positive 123,818 square feet in the fourth quarter 2016. That compares to positive 60,588 square feet in third quarter 2016, positive 45,536 in the second quarter 2016, and positive 153,303 in the first quarter 2016.

Vacancy

The office vacancy rate in the Tucson market area decreased to 11.0% at the end of the fourth quarter 2016. The vacancy rate was 11.4% at the end of the third quarter 2016, 11.7% at the end of the second quarter 2016, and 11.8% at the end of the first quarter 2016.

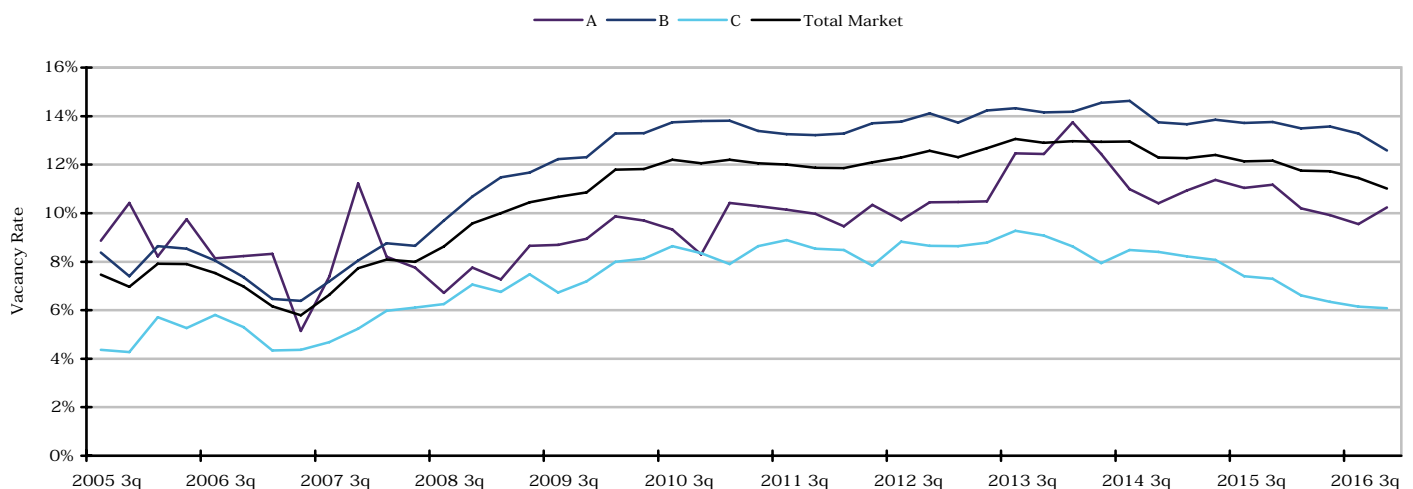
Class-A projects reported a vacancy rate of 10.2% at the end of the fourth quarter 2016, 9.6% at the end of the third quarter 2016, 9.9% at the end of the second quarter 2016, and 10.2% at the end of the first quarter 2016.

Class-B projects reported a vacancy rate of 12.6% at the end of the fourth quarter 2016, 13.3% at the end of the third quarter 2016, 13.6% at the end of the second quarter 2016, and 13.5% at the end of the first quarter 2016.

Class-C projects reported a vacancy rate of 6.1% at the end of the fourth quarter 2016, 6.1% at the end of third quarter 2016, 6.3% at the end of the second quarter 2016, and 6.6% at the end of the first quarter 2016.

The overall vacancy rate in Tucson's central business district at the end of the fourth quarter 2016 remained at 7.0%. The vacancy rate was 7.0% at the end of the third quarter

Vacancy Rates by Class 2005-2016



Source: CoStar Property®

2016, 7.2% at the end of the second quarter 2016, and 6.6% at the end of the first quarter 2016.

The vacancy rate in the suburban markets decreased to 12.1% in the fourth quarter 2016. The vacancy rate was 12.6% at the end of the third quarter 2016, 12.9% at the end of the second quarter 2016, and 13.1% at the end of the first quarter 2016.

Largest Lease Signings

The largest lease signings occurring in 2016 included: the 35,001-square-foot lease signed by Caterpillar, Inc. at 97 E Congress St in the Central market; the 27,228-square-foot deal signed by Ascensus, Inc. at 9070 S Rita Rd - UA Tech Park in the South market; and the 26,791-square-foot lease signed by Cornerstone Behavioral Health at 1400 N Wilmot Rd - El Dorado Hospital in the Central market.

Sublease Vacancy

The amount of vacant sublease space in the Tucson market decreased to 13,731 square feet by the end of the fourth quarter 2016, from 32,091 square feet at the end of the third quarter 2016. There was 28,763 square feet vacant at the end of the second quarter 2016 and 60,885 square feet at the end of the first quarter 2016.

Tucson's Class-A projects reported vacant sublease space of 4,816 square feet at the end of fourth quarter 2016 and at the end of the third quarter 2016. There was no sublease space vacant at the end of the second quarter 2016 or at the end of the first quarter 2016.

Class-B projects reported vacant sublease space of 8,915 square feet at the end of the fourth quarter 2016, down from the 27,275 square feet reported at the end of the third quarter 2016. At the end of the second quarter 2016 there were 27,883 square feet, and at the end of the first quarter 2016 there were 60,005 square feet vacant.

Class-C projects reported no vacant sublease space from

the third quarter 2016 to the fourth quarter 2016. There were 880 square feet at the end of the second quarter 2016 and at the end of the first quarter 2016.

Sublease vacancy in Tucson's central business district stood at 0 square feet at the end of the fourth quarter 2016. It had been at 2,573 square feet since the end of the first quarter 2016.

Sublease vacancy in the suburban markets ended the fourth quarter 2016 at 13,731 square feet. At the end of the third quarter 2016 sublease vacancy was 29,518 square feet, was 26,190 square feet at the end of the second quarter 2016, and was 58,312 square feet at the end of the first quarter 2016.

Rental Rates

The average quoted asking rental rate for available office space, all classes, was \$18.59 per square foot per year at the end of the fourth quarter 2016 in the Tucson market area. This represented a 0.5% decrease in quoted rental rates from the end of the third quarter 2016, when rents were reported at \$18.68 per square foot.

The average quoted rate within the Class-A sector was \$23.49 at the end of the fourth quarter 2016, while Class-B rates stood at \$18.07, and Class-C rates at \$15.13. At the end of the third quarter 2016, Class-A rates were \$23.78 per square foot, Class-B rates were \$18.27, and Class-C rates were \$14.95.

The average quoted asking rental rate in Tucson's CBD was \$19.28 at the end of the fourth quarter 2016, and \$18.49 in the suburban markets. In the third quarter 2016, quoted rates were \$19.53 in the CBD and \$18.56 in the suburbs.

Deliveries and Construction

During the fourth quarter 2016, one building totaling 17,000 square feet was completed in the Tucson market area. This compares to one building totaling 1,955 square feet that was completed in the third quarter 2016, one building totaling 3,000 square feet completed in the second quarter 2016, and 108,950 square feet in five buildings completed in the first quarter 2016.

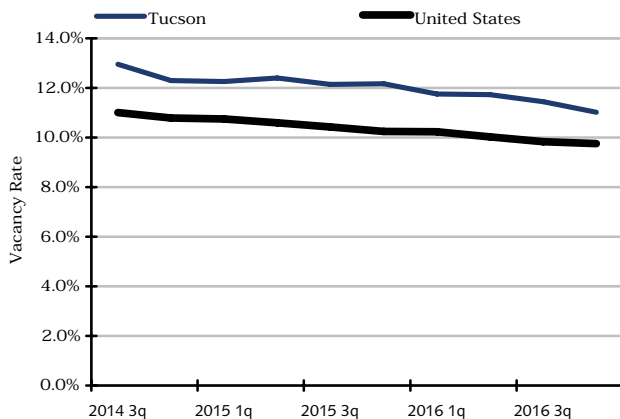
There were 16,271 square feet of office space under construction at the end of the fourth quarter 2016.

Some of the notable 2016 deliveries include: 440 W Paseo Redondo - Manning House, a 36,950-square-foot facility that delivered in first quarter 2016 and is now 100% occupied, and 1915 E Innovation Park Dr - Ventana Medical Systems, a 28,335-square-foot building that delivered in first quarter 2016 and is now 100% occupied.

The largest projects underway at the end of fourth quarter 2016 were 4330 E Broadway Blvd - Girl Scouts of Southern Arizona, a 11,771-square-foot building with 100% of its space pre-leased, and 3935 E Fort Lowell Rd - Catalina Eye Care, a 4,500-square-foot facility that is 100% pre-leased.

U.S. Vacancy Comparison

Past 10 Quarters



Source: CoStar Property®

Tucson Office Market



Overview

Inventory

Total office inventory in the Tucson market area amounted to 25,681,368 square feet in 2,502 buildings as of the end of the fourth quarter 2016. The Class-A office sector consisted of 2,672,263 square feet in 21 projects. There were 1,270 Class-B buildings totaling 17,800,245 square feet, and the Class-C sector consisted of 5,208,860 square feet in 1,211 buildings. Within the Office market there were 101 owner-occupied buildings accounting for 2,385,265 square feet of office space.

Sales Activity

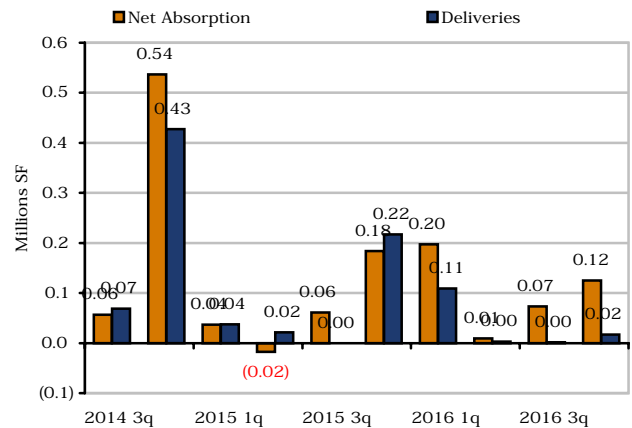
Tallying office building sales of 15,000 square feet or larger, Tucson office sales figures rose during the third quarter 2016 in terms of dollar volume compared to the second quarter of 2016.

In the third quarter, six office transactions closed with a total volume of \$40,805,000. The six buildings totaled 312,615 square feet and the average price per square foot equated to \$130.53 per square foot. That compares to two transactions totaling \$2,900,000 in the second quarter 2016. The total square footage in the second quarter was 50,629 square feet for an average price per square foot of \$57.28.

Total office building sales activity in 2016 was up compared to 2015. In the first nine months of 2016, the market saw 10 office sales transactions with a total volume of \$51,405,000. The price per square foot averaged \$120.52. In the same first nine months of 2015, the market posted eight transactions with a total volume of \$45,332,000. The price per square foot averaged \$170.28.

Absorption & Deliveries

Past 10 Quarters



Source: CoStar Property®

Cap rates have been lower in 2016, averaging 8.44% compared to the same period in 2015 when they averaged 8.61%.

One of the largest transactions that has occurred within the last four quarters in the Tucson market is the sale of 1 S Church in Tucson. This 240,811-square-foot office building sold for \$32,000,000, or \$132.88 per square foot. The property sold on 10/2/2015, at a 6.00% cap rate.

Reports compiled by: Adam Jarrett, CoStar Senior Research Manager, and James Young, CoStar Research Associate.

CoStar Submarket Clusters & Submarkets

In analyzing metropolitan areas, CoStar has developed geographic designations to help group properties together, called Markets, Submarket Clusters and Submarkets. Markets are the equivalent of metropolitan areas, or areas containing a large population nucleus, that together with adjacent communities have a high degree of economic and social integration. Markets are then divided into Submarket Clusters, which are core areas within a metropolitan area that are known to be competitive with each other in terms of attracting and keeping tenants. Markets are then further subdivided into smaller units called Submarkets, which serve to delineate a core group of buildings that are competitive with each other and constitute a generally accepted competitive set, or peer group.

Submarket Clusters	Submarkets
Central	Central Tucson Downtown Tucson East Tucson West Tucson
North	Foothills North Tucson/Oro Valley Northwest Tucson
South	Green Valley/South Tucson Southeast Tucson Southwest Tucson

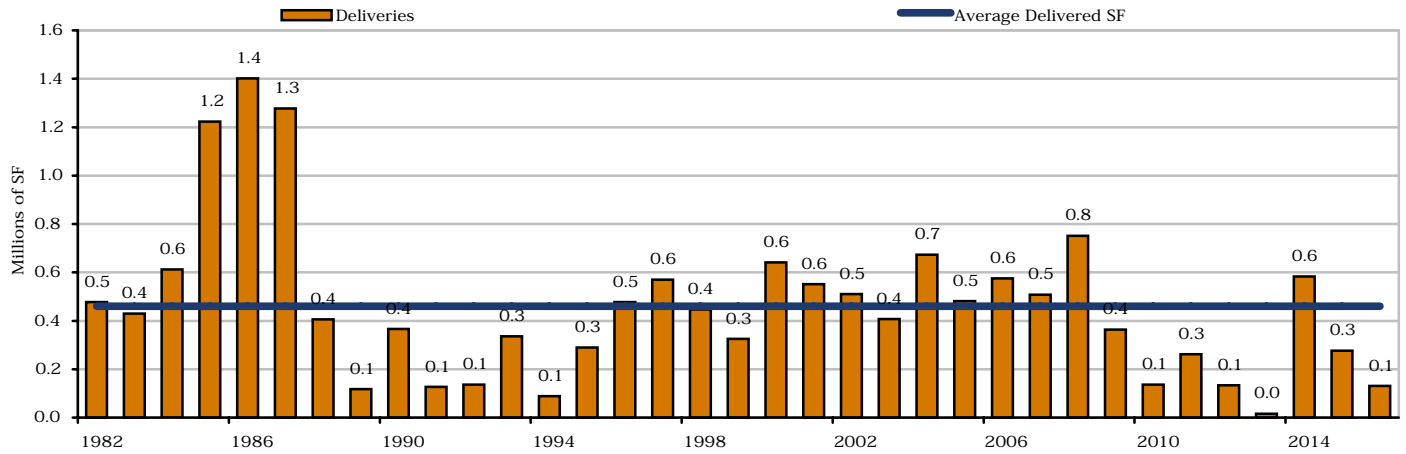
Tucson Office Market



Inventory & development

Historical Deliveries

1982 - 2016



Source: CoStar Property® * Future deliveries based on current under construction buildings.

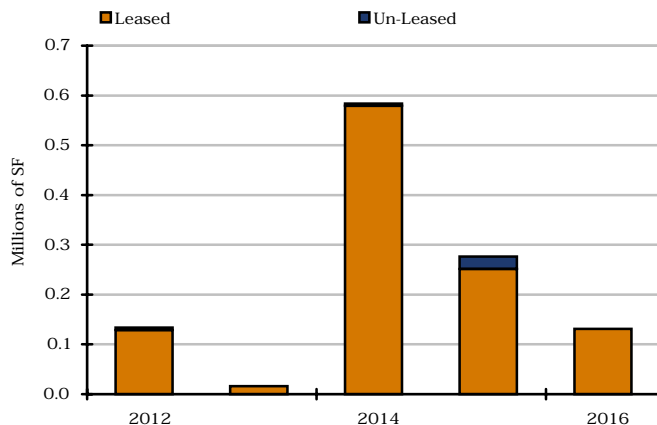
CONSTRUCTION ACTIVITY Markets Ranked by Under Construction Square Footage

Market	Under Construction Inventory				Average Bldg Size	
	# Bldgs	Total RBA	Preleased SF	Preleased %	All Existing	U/C
Central	2	16,271	16,271	100.0%	9,969	8,135
South	0	0	0	0.0%	10,067	0
North	0	0	0	0.0%	11,482	0
Totals	2	16,271	16,271	100.0%	10,264	8,135

Source: CoStar Property®

Recent Deliveries

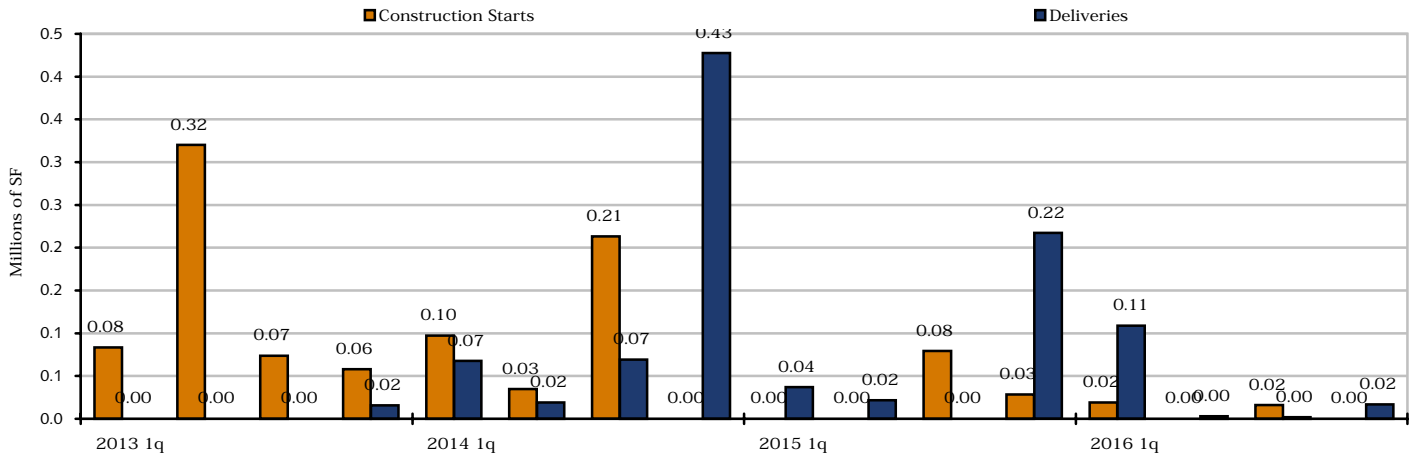
Leased & Un-Leased SF in Deliveries Since 2012



Source: CoStar Property®

Historical Construction Starts & Deliveries

Square Footage Per Quarter Starting and Completing Construction



Source: CoStar Property®

RECENT DELIVERIES BY PROJECT SIZE Breakdown of Year-to-Date Development Based on RBA of Project

Building Size	# Bldgs	RBA	SF Leased	% Leased	Avg Rate	Single-Tenant	Multi-Tenant
< 50,000 SF	8	130,905	130,905	100.0%	\$23.50	64,100	66,805
50,000 SF - 99,999 SF	0	0	0	0.0%	\$0.00	0	0
100,000 SF - 249,999 SF	0	0	0	0.0%	\$0.00	0	0
250,000 SF - 499,999 SF	0	0	0	0.0%	\$0.00	0	0
>= 500,000 SF	0	0	0	0.0%	\$0.00	0	0

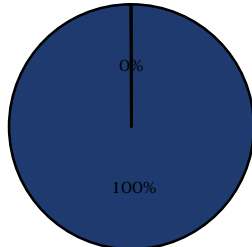
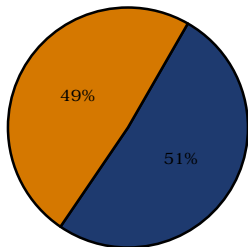
Source: CoStar Property®

Recent Development by Tenancy

Based on RBA Developed for Single & Multi Tenant Use

2016 Deliveries

Currently Under Construction



■ Multi ■ Single

■ Multi ■ Single

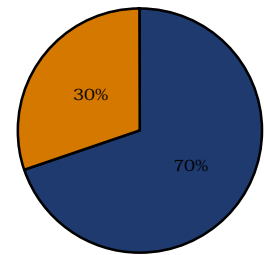
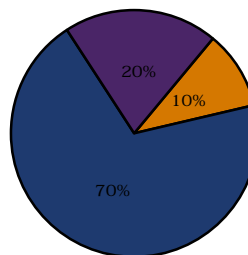
Source: CoStar Property®

Existing Inventory Comparison

Based on Total RBA

By Class

By Space Type



■ Class A ■ Class B ■ Class C

■ Multi ■ Single

Source: CoStar Property®

Tucson Office Market



Inventory & development

Select Year-to-Date Deliveries

Based on Project Square Footage

- | | | |
|--|---|--|
| <p>1. 440 W Paseo Redondo – Manning House</p> <p>Submarket: Central
 RBA: 36,950
 # Floors: 1
 Class: B
 Occupied: 100%
 Quoted Rate: N/A
 Grnd Brk Date: Third Quarter 2015
 Deliv Date: First Quarter 2016
 Leasing Co: El Rio Community Health
 Developer: BFL Construction Co.
 Architect: CDG Architects Ltd.</p> | <p>2. 1915 E Innovation Park Dr – Ventana Medical</p> <p>Submarket: North
 RBA: 28,335
 # Floors: 1
 Class: B
 Occupied: 100%
 Quoted Rate: N/A
 Grnd Brk Date: Third Quarter 2015
 Deliv Date: First Quarter 2016
 Leasing Co: Ventana Medical Systems
 Developer: Ventana Medical Systems
 Architect: Advantech Facility Design LLC</p> | <p>3. 1915 E Innovation Park Dr – Ventana Medical</p> <p>Submarket: North
 RBA: 28,265
 # Floors: 1
 Class: A
 Occupied: 100%
 Quoted Rate: N/A
 Grnd Brk Date: Fourth Quarter 2015
 Deliv Date: First Quarter 2016
 Leasing Co: Ventana Medical Systems
 Developer: Ventana Medical Systems
 Architect: Advantech Facility Design LLC</p> |
| <p>4. 5224 W Dove Centre Rd – Marana Health Ctr</p> <p>Submarket: North
 RBA: 17,000
 # Floors: 1
 Class: B
 Occupied: 100%
 Quoted Rate: N/A
 Grnd Brk Date: First Quarter 2016
 Deliv Date: Fourth Quarter 2016
 Leasing Co: Oxford Development
 Developer: Oxford Development
 Architect: Bramic Design Group</p> | <p>5. 7165 N Pima Canyon Dr</p> <p>Submarket: North
 RBA: 10,900
 # Floors: 1
 Class: B
 Occupied: 47%
 Quoted Rate: \$23.50
 Grnd Brk Date: Third Quarter 2015
 Deliv Date: First Quarter 2016
 Leasing Co: DESCO Southwest
 Developer: DESCO Southwest
 Architect: Rick Engineering Co</p> | <p>6. 1862-1866 E Innovation Park Dr</p> <p>Submarket: North
 RBA: 4,500
 # Floors: 1
 Class: B
 Occupied: 100%
 Quoted Rate: N/A
 Grnd Brk Date: Second Quarter 2014
 Deliv Date: First Quarter 2016
 Leasing Co: Oro Valley Family Practice
 Developer: Venture West, Inc.
 Architect: Wlb Group</p> |
| <p>7. 1824-1826 E Innovation Park Dr</p> <p>Submarket: North
 RBA: 3,000
 # Floors: 1
 Class: B
 Occupied: 50%
 Quoted Rate: Negotiable
 Grnd Brk Date: Third Quarter 2015
 Deliv Date: Second Quarter 2016
 Leasing Co: Venture West, Inc.
 Developer: Venture West, Inc.
 Architect: N/A</p> | | |

Select Top Under Construction Properties

Based on Project Square Footage

- | | |
|---|---|
| <p>1. 4330 E Broadway Blvd – Girl Scouts</p> <p>Submarket: Central
 RBA: 11,771
 # Floors: 2
 Class: B
 Preleased: 100%
 Quoted Rate: N/A
 Grnd Brk Date: Third Quarter 2016
 Deliv Date: First Quarter 2017
 Leasing Co: Girl Scouts of So. AZ
 Developer: Caylor Commercial
 Architect: SBBL Architects</p> | <p>2. 3935 E Fort Lowell Rd – Catalina Eye Care</p> <p>Submarket: Central
 RBA: 4,500
 # Floors: 1
 Class: B
 Preleased: 100%
 Quoted Rate: N/A
 Grnd Brk Date: Third Quarter 2016
 Deliv Date: First Quarter 2017
 Leasing Co: Catalina Eyecare
 Developer: Rio West Development
 Architect: N/A</p> |
|---|---|



Tucson Office Market

Figures at a Glance

Class A Market Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central	19	2,500,348	268,872	273,688	10.9%	21,836	0	0	\$23.49
North	1	28,265	0	0	0.0%	28,265	28,265	0	\$0.00
South	1	143,650	0	0	0.0%	0	0	0	\$0.00
Totals	21	2,672,263	268,872	273,688	10.2%	50,101	28,265	0	\$23.49

Source: CoStar Property®

Class B Market Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central	791	11,432,961	1,575,485	1,575,485	13.8%	132,158	36,950	16,271	\$17.62
North	388	4,730,180	504,013	512,928	10.8%	180,187	65,690	0	\$20.34
South	91	1,637,104	150,605	150,605	9.2%	(14,803)	0	0	\$13.71
Totals	1,270	17,800,245	2,230,103	2,239,018	12.6%	297,542	102,640	16,271	\$18.07

Source: CoStar Property®

Class C Market Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central	959	3,700,990	234,570	234,570	6.3%	23,852	0	0	\$15.20
North	83	661,031	32,900	32,900	5.0%	10,100	0	0	\$16.91
South	169	846,839	49,579	49,579	5.9%	22,605	0	0	\$13.92
Totals	1,211	5,208,860	317,049	317,049	6.1%	56,557	0	0	\$15.13

Source: CoStar Property®

Total Office Market Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central	1,769	17,634,299	2,078,927	2,083,743	11.8%	177,846	36,950	16,271	\$18.60
North	472	5,419,476	536,913	545,828	10.1%	218,552	93,955	0	\$20.17
South	261	2,627,593	200,184	200,184	7.6%	7,802	0	0	\$13.77
Totals	2,502	25,681,368	2,816,024	2,829,755	11.0%	404,200	130,905	16,271	\$18.59

Source: CoStar Property®

Tucson Office Market



Figures at a Glance

Class A Submarket Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central Tucson	12	1,543,981	171,376	176,192	11.4%	15,296	0	0	\$22.76
Downtown Tucson	6	814,219	80,801	80,801	9.9%	7,377	0	0	\$27.37
East Tucson	0	0	0	0	0.0%	0	0	0	\$0.00
Foothills	0	0	0	0	0.0%	0	0	0	\$0.00
Green Valley/South Tucson	0	0	0	0	0.0%	0	0	0	\$0.00
North Tucson/Oro Valley	1	28,265	0	0	0.0%	28,265	28,265	0	\$0.00
Northwest Tucson	0	0	0	0	0.0%	0	0	0	\$0.00
Southeast Tucson	0	0	0	0	0.0%	0	0	0	\$0.00
Southwest Tucson	1	143,650	0	0	0.0%	0	0	0	\$0.00
West Tucson	1	142,148	16,695	16,695	11.7%	(837)	0	0	\$0.00
Totals	21	2,672,263	268,872	273,688	10.2%	50,101	28,265	0	\$23.49

Source: CoStar Property®

Class B Submarket Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central Tucson	516	5,852,790	993,225	993,225	17.0%	78,973	0	16,271	\$18.04
Downtown Tucson	122	3,776,992	271,245	271,245	7.2%	16,439	36,950	0	\$17.30
East Tucson	73	955,192	211,721	211,721	22.2%	26,868	0	0	\$16.57
Foothills	91	1,341,624	105,578	105,578	7.9%	125,517	10,900	0	\$21.51
Green Valley/South Tucson	22	214,721	29,568	29,568	13.8%	(5,802)	0	0	\$17.00
North Tucson/Oro Valley	266	2,994,246	351,612	360,527	12.0%	40,214	52,835	0	\$19.85
Northwest Tucson	31	394,310	46,823	46,823	11.9%	14,456	1,955	0	\$20.87
Southeast Tucson	20	409,129	63,346	63,346	15.5%	(5,801)	0	0	\$15.48
Southwest Tucson	49	1,013,254	57,691	57,691	5.7%	(3,200)	0	0	\$8.37
West Tucson	80	847,987	99,294	99,294	11.7%	9,878	0	0	\$15.57
Totals	1,270	17,800,245	2,230,103	2,239,018	12.6%	297,542	102,640	16,271	\$18.07

Source: CoStar Property®



Tucson Office Market

Figures at a Glance

Class C Submarket Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central Tucson	565	2,218,924	150,226	150,226	6.8%	42,965	0	0	\$15.75
Downtown Tucson	196	733,397	20,596	20,596	2.8%	(2,861)	0	0	\$17.32
East Tucson	54	289,182	22,239	22,239	7.7%	(2,716)	0	0	\$16.35
Foothills	2	3,210	0	0	0.0%	0	0	0	\$0.00
Green Valley/South Tucson	26	158,282	19,034	19,034	12.0%	6,235	0	0	\$20.40
North Tucson/Oro Valley	63	590,527	28,354	28,354	4.8%	5,529	0	0	\$16.90
Northwest Tucson	18	67,294	4,546	4,546	6.8%	4,571	0	0	\$17.05
Southeast Tucson	16	99,925	0	0	0.0%	0	0	0	\$0.00
Southwest Tucson	127	588,632	30,545	30,545	5.2%	16,370	0	0	\$10.77
West Tucson	144	459,487	41,509	41,509	9.0%	(13,536)	0	0	\$11.01
Totals	1,211	5,208,860	317,049	317,049	6.1%	56,557	0	0	\$15.13

Source: CoStar Property®

Total Office Submarket Statistics

Year-End 2016

Market	Existing Inventory		Vacancy			YTD Net Absorption	YTD Deliveries	Under Const SF	Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %				
Central Tucson	1,093	9,615,695	1,314,827	1,319,643	13.7%	137,234	0	16,271	\$19.02
Downtown Tucson	324	5,324,608	372,642	372,642	7.0%	20,955	36,950	0	\$19.28
East Tucson	127	1,244,374	233,960	233,960	18.8%	24,152	0	0	\$16.56
Foothills	93	1,344,834	105,578	105,578	7.9%	125,517	10,900	0	\$21.51
Green Valley/South Tucson	48	373,003	48,602	48,602	13.0%	433	0	0	\$18.49
North Tucson/Oro Valley	330	3,613,038	379,966	388,881	10.8%	74,008	81,100	0	\$19.64
Northwest Tucson	49	461,604	51,369	51,369	11.1%	19,027	1,955	0	\$20.81
Southeast Tucson	36	509,054	63,346	63,346	12.4%	(5,801)	0	0	\$15.48
Southwest Tucson	177	1,745,536	88,236	88,236	5.1%	13,170	0	0	\$9.54
West Tucson	225	1,449,622	157,498	157,498	10.9%	(4,495)	0	0	\$13.35
Totals	2,502	25,681,368	2,816,024	2,829,755	11.0%	404,200	130,905	16,271	\$18.59

Source: CoStar Property®

Tucson Office Market



Figures at a Glance

Class A Market Statistics

Year-End 2016

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2016 4q	21	2,672,263	268,872	273,688	10.2%	(18,469)	0	0	0	0	\$23.49
2016 3q	21	2,672,263	250,403	255,219	9.6%	9,795	0	0	0	0	\$23.78
2016 2q	21	2,672,263	265,014	265,014	9.9%	7,534	0	0	0	0	\$23.80
2016 1q	21	2,672,263	272,548	272,548	10.2%	51,241	1	28,265	0	0	\$24.77
2015 4q	20	2,643,998	295,524	295,524	11.2%	(3,614)	0	0	1	28,265	\$24.68
2015 3q	20	2,643,998	291,910	291,910	11.0%	8,745	0	0	0	0	\$21.21
2015 2q	20	2,643,998	300,655	300,655	11.4%	(11,682)	0	0	0	0	\$21.39
2015 1q	20	2,643,998	288,973	288,973	10.9%	(13,666)	0	0	0	0	\$21.41
2014	20	2,643,998	275,307	275,307	10.4%	53,512	0	0	0	0	\$21.01
2013	20	2,643,998	328,819	328,819	12.4%	(52,555)	0	0	0	0	\$21.73
2012	20	2,643,998	250,801	276,264	10.4%	(12,761)	0	0	0	0	\$22.40
2011	20	2,643,998	238,040	263,503	10.0%	111,793	1	170,000	0	0	\$22.56
2010	19	2,473,998	166,257	205,296	8.3%	15,795	0	0	1	170,000	\$22.98
2009	19	2,473,998	185,966	221,091	8.9%	(29,293)	0	0	0	0	\$18.64
2008	19	2,473,998	179,987	191,798	7.8%	219,461	1	150,454	0	0	\$23.82
2007	18	2,323,544	256,056	260,805	11.2%	(69,518)	0	0	1	150,454	\$24.34

Source: CoStar Property®

Class B Market Statistics

Year-End 2016

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2016 4q	1,270	17,800,245	2,230,103	2,239,018	12.6%	140,348	1	17,000	2	16,271	\$18.07
2016 3q	1,269	17,783,245	2,335,091	2,362,366	13.3%	52,671	1	1,955	3	33,271	\$18.27
2016 2q	1,268	17,781,290	2,385,199	2,413,082	13.6%	(11,969)	1	3,000	2	18,955	\$18.12
2016 1q	1,267	17,778,290	2,338,108	2,398,113	13.5%	116,492	4	80,685	3	21,955	\$18.65
2015 4q	1,263	17,697,605	2,378,711	2,433,920	13.8%	182,213	2	217,363	5	83,685	\$18.48
2015 3q	1,261	17,480,242	2,322,457	2,398,770	13.7%	17,115	0	0	7	301,048	\$18.43
2015 2q	1,262	17,487,092	2,342,239	2,422,735	13.9%	(13,697)	2	21,761	3	221,863	\$18.26
2015 1q	1,260	17,465,331	2,278,467	2,387,277	13.7%	41,349	3	37,179	5	243,624	\$18.69
2014	1,258	17,433,606	2,290,991	2,396,901	13.7%	571,723	8	583,417	8	280,803	\$18.54
2013	1,250	16,850,189	2,335,888	2,385,207	14.2%	(6,099)	2	15,821	10	519,282	\$18.66
2012	1,250	16,849,779	2,321,162	2,378,698	14.1%	(35,746)	5	133,401	0	0	\$18.53
2011	1,245	16,716,378	2,169,372	2,209,551	13.2%	174,975	6	91,779	3	110,765	\$19.11
2010	1,239	16,624,599	2,252,782	2,292,747	13.8%	(128,379)	13	135,924	5	166,853	\$19.76
2009	1,226	16,488,675	1,967,794	2,028,444	12.3%	56,675	32	363,280	11	128,724	\$20.96
2008	1,194	16,125,395	1,638,755	1,721,839	10.7%	117,905	43	589,364	24	285,424	\$19.96
2007	1,151	15,536,031	1,156,464	1,250,380	8.0%	362,850	63	506,186	29	443,577	\$19.49

Source: CoStar Property®

Total Office Market Statistics

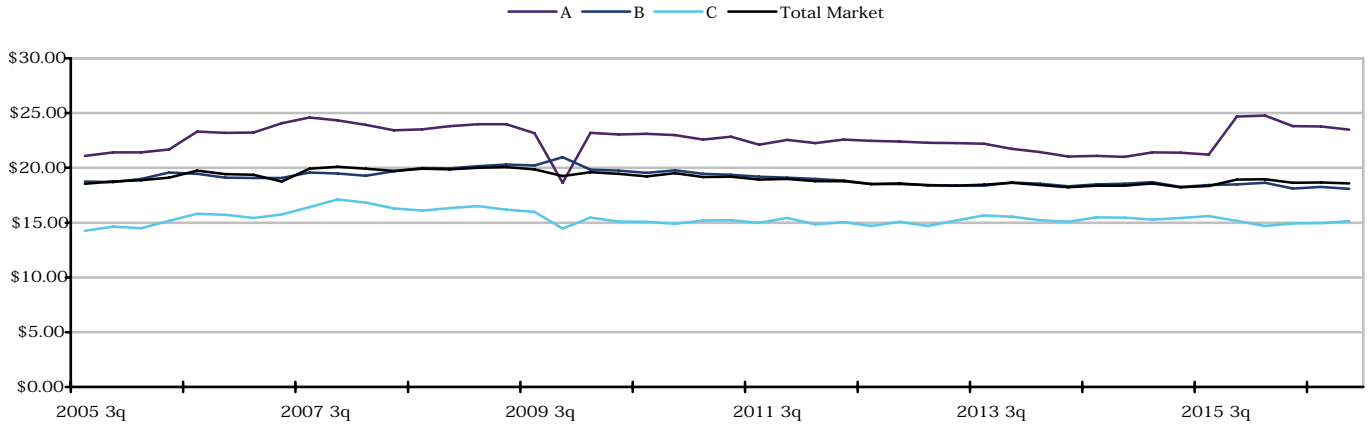
Year-End 2016

Period	Existing Inventory		Vacancy			Net Absorption	Deliveries		UC Inventory		Quoted Rates
	# Blds	Total RBA	Direct SF	Total SF	Vac %		# Blds	Total RBA	# Blds	Total RBA	
2016 4q	2,502	25,681,368	2,816,024	2,829,755	11.0%	124,704	1	17,000	2	16,271	\$18.59
2016 3q	2,501	25,664,368	2,905,368	2,937,459	11.4%	73,022	1	1,955	3	33,271	\$18.68
2016 2q	2,500	25,662,413	2,979,763	3,008,526	11.7%	9,513	1	3,000	2	18,955	\$18.62
2016 1q	2,499	25,659,413	2,954,154	3,015,039	11.8%	196,961	5	108,950	3	21,955	\$18.97
2015 4q	2,495	25,557,061	3,053,559	3,109,648	12.2%	184,120	2	217,363	6	111,950	\$18.93
2015 3q	2,493	25,339,698	2,999,212	3,076,405	12.1%	60,813	0	0	7	301,048	\$18.35
2015 2q	2,494	25,346,548	3,062,692	3,144,068	12.4%	(17,259)	2	21,761	3	221,863	\$18.23
2015 1q	2,492	25,324,787	2,986,942	3,105,048	12.3%	37,076	3	37,179	5	243,624	\$18.58
2014	2,490	25,293,062	2,991,777	3,110,399	12.3%	652,128	8	583,417	8	280,803	\$18.36
2013	2,483	24,718,465	3,134,315	3,187,930	12.9%	(99,161)	2	15,821	10	519,282	\$18.63
2012	2,484	24,738,841	3,022,286	3,109,145	12.6%	(55,152)	5	133,401	0	0	\$18.57
2011	2,479	24,605,440	2,848,281	2,920,592	11.9%	277,445	7	261,779	3	110,765	\$18.98
2010	2,472	24,343,661	2,846,735	2,936,258	12.1%	(173,621)	13	135,924	6	336,853	\$19.51
2009	2,459	24,207,737	2,522,235	2,626,713	10.9%	20,312	32	363,280	11	128,724	\$19.25
2008	2,427	23,844,457	2,188,137	2,283,745	9.6%	252,459	47	751,018	24	285,424	\$19.85
2007	2,380	23,093,439	1,682,427	1,785,186	7.7%	291,455	64	507,154	32	597,591	\$20.09

Source: CoStar Property®

Historical Rental Rates

Based on Full-Service Equivalent Rental Rates



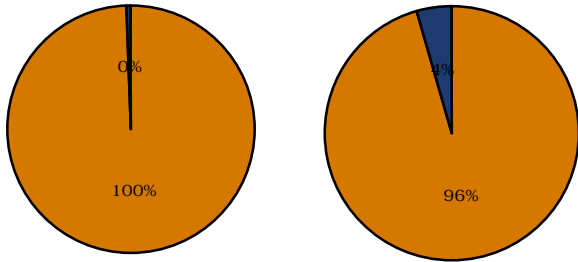
Source: CoStar Property®

Vacancy by Available Space Type

Percent of All Vacant Space in Direct vs. Sublet

Tucson

United States



Direct Sublet

Direct Sublet

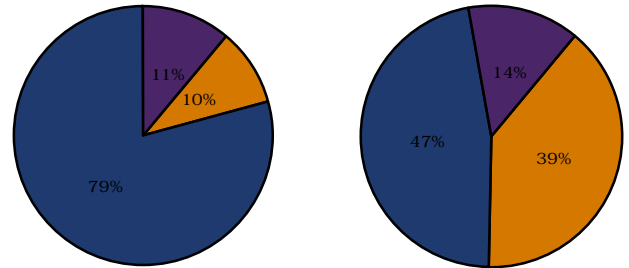
Source: CoStar Property®

Vacancy by Class

Percent of All Vacant Space by Class

Tucson

United States



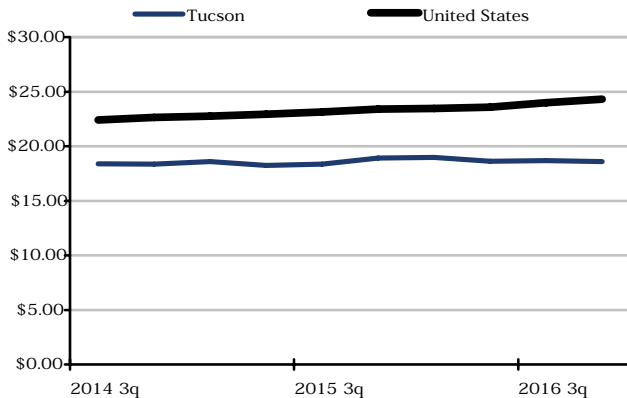
Class A Class B Class C

Class A Class B Class C

Source: CoStar Property®

U.S. Rental Rate Comparison

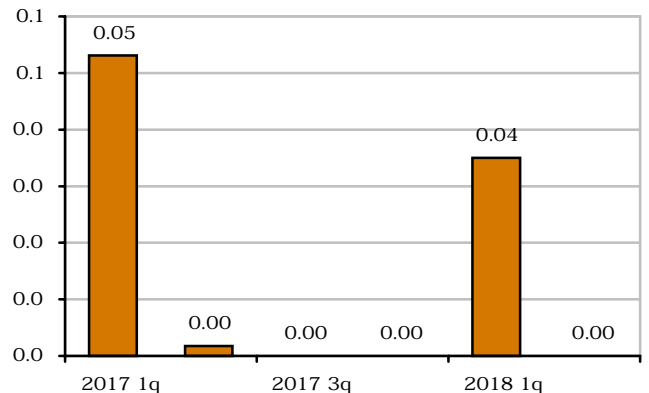
Based on Full-Service Equivalent Rental Rates



Source: CoStar Property®

Future Space Available

Space Scheduled to be Available for Occupancy*



* Includes Under Construction Spaces

Source: CoStar Property®

Tucson Office Market



Leasing Activity

Select Top Office Leases Based on Leased Square Footage For Deals Signed in 2016

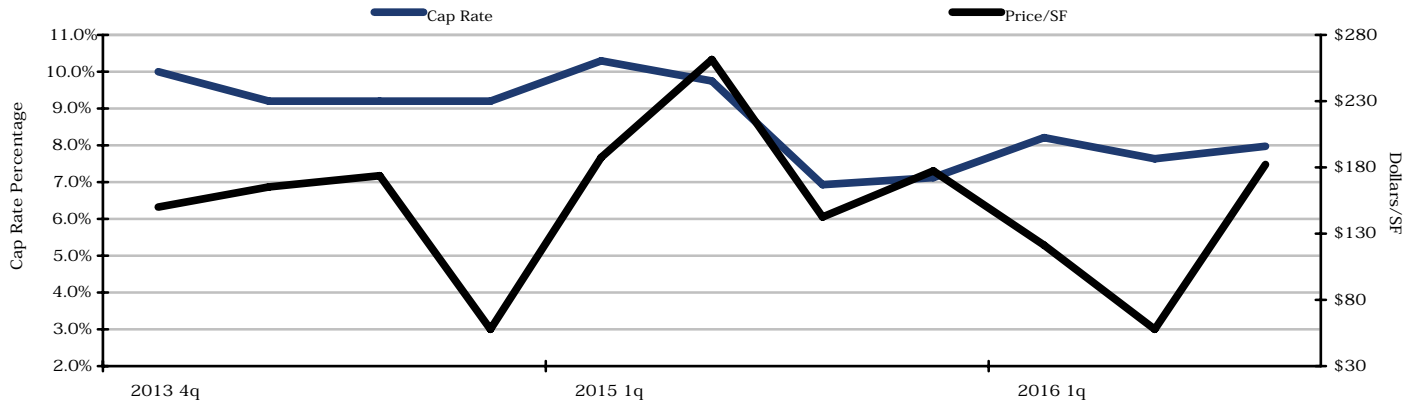
Building	Submarket	SF	Qtr	Tenant Name	Tenant Rep Company	Landlord Rep Company	
1	97 E Congress St	Downtown Tucson	35,001	1st	Caterpillar, Inc.	N/A	Mark Irvin Commercial Real Estate
2	9070 S Rita Rd	Southeast Tucson	27,228	4th	Ascensus, Inc	Cushman & Wakefield PICOR	Cushman & Wakefield PICOR
3	1400 N Wilmot Rd	Central Tucson	26,791	3rd	Cornerstone Behavioral Health	N/A	CBRE
4	5055 E Broadway Blvd*	Central Tucson	23,810	1st	Arizona Community Physicians	CBRE	N/A
5	380 E Fort Lowell Rd	West Tucson	21,760	4th	CODAC Health, Recovery & Wellness	Cushman & Wakefield PICOR	Cushman & Wakefield PICOR
6	5255-5285 E Williams Cir	Central Tucson	16,299	4th	Centene Management Co.	Cushman & Wakefield PICOR	The Colton Company
7	3501 E Speedway Blvd	Central Tucson	13,000	3rd	Tenet Healthcare	N/A	CBRE
8	7005 S Plumer Ave	Southwest Tucson	13,000	4th	Aerovation, Inc.	N/A	N/A
9	5431 E Williams Blvd*	Central Tucson	12,239	3rd	Centene Management Co.	Cushman & Wakefield PICOR	N/A
10	151-209 S Tucson Blvd	Central Tucson	11,175	3rd	Tucson Tech	N/A	CBRE
11	3091 W Ina Rd*	Northwest Tucson	11,092	3rd	Richmond American Homes	N/A	Oxford Realty Advisors
12	64 E Broadway Blvd	Downtown Tucson	10,675	3rd	Diocese of Tucson	N/A	Peach Properties
13	6400 E Grant Rd	Central Tucson	9,703	1st	Broadpath, Inc.	Mark Irvin Commercial Real Estate	Cushman & Wakefield PICOR
14	1725 E Skyline Dr	Foothills	9,305	3rd	Sunstreet Mortgage LLC	N/A	DESCO Southwest
15	5151 E Broadway Blvd*	Central Tucson	8,200	2nd	Goldblatt Systems LLC	N/A	Rein & Grosseohme LLC
16	5390 E Erickson Dr*	Central Tucson	7,747	4th	Quality Of Life	N/A	N/A
17	555 E River Rd	North Tucson/Oro Valley	7,477	4th	Engineering & Environmental Consultants	Cushman & Wakefield PICOR	CBRE
18	1779 W Saint Marys Rd	Downtown Tucson	7,437	3rd	Community Health Associates	CBRE	CBRE
19	2015 W River Rd	North Tucson/Oro Valley	7,228	3rd	Curriculum Associates	CBRE	Gillette Commercial, Inc.
20	4582 N 1st Ave*	Foothills	7,152	4th	Pain Institute of Southern Arizona	N/A	N/A
21	4881 E Grant Rd	Central Tucson	6,720	2nd	Pain Institute of Southern Arizona	Mark Irvin Commercial Real Estate	Cushman & Wakefield PICOR
22	6377 E Tanque Verde Rd	Central Tucson	6,074	1st	NH Learning Group	N/A	Cushman & Wakefield PICOR
23	2 E Congress St	Downtown Tucson	5,990	1st	The Planning Center	N/A	CBRE
24	2972 N Campbell Ave	Central Tucson	5,970	1st	Regency Senior Club LLC	Oxford Realty Advisors	CBRE
25	175 W Broadway Blvd	Downtown Tucson	5,918	3rd	Tucson Roadrunners Hockey Team	Direct Deal	Direct Deal
26	6400 E Grant Rd	Central Tucson	5,861	1st	Muscular Dystrophy Association	Cushman & Wakefield PICOR	Cushman & Wakefield PICOR
27	5350 E Erickson Dr*	Central Tucson	5,254	4th	Desert Star Family Health	N/A	N/A
28	1622 N Swan Rd	Central Tucson	5,184	3rd	QuickMed	N/A	N/A
29	5151 E Broadway Blvd*	Central Tucson	5,075	4th	AXA Advisors	N/A	Cushman & Wakefield PICOR
30	6296 E Grant Rd	Central Tucson	4,910	4th	Mutterperl Medical Diagnostics Clinic	N/A	Larsen Baker
31	2120 W Ina Rd	North Tucson/Oro Valley	4,810	2nd	Lasik Vision Institute	N/A	Romano Real Estate
32	3025 W Ina Rd	Northwest Tucson	4,803	4th	National Mentor Healthcare LLC	N/A	Oxford Realty Advisors
33	6375 E Tanque Verde Rd	Central Tucson	4,790	1st	Gerinet Palliative Care LLC	Cushman & Wakefield PICOR	Cushman & Wakefield PICOR
34	5300 E Erickson Dr	Central Tucson	4,789	2nd	Tender Loving Care Health Services	N/A	Cushman & Wakefield PICOR
35	151-209 S Tucson Blvd*	Central Tucson	4,661	3rd	Allstate Imaging	N/A	CBRE
36	3573 E Sunrise Dr	Foothills	4,520	2nd	First Financial Equity Corp.	CBRE	CBRE
37	100 N Stone Ave	Downtown Tucson	4,395	2nd	Kaneen Advertising & Public Relations	Cushman & Wakefield PICOR	CBRE
38	5232 E Pima St	Central Tucson	4,369	3rd	Liberty Star Uranium & Metals Corp.	N/A	VAST Commercial Real Estate
39	1055 N La Canada Dr	Green Valley/South Tucson	4,021	3rd	DR Amman	N/A	Cushman & Wakefield PICOR
40	1775 W Saint Marys Rd	Downtown Tucson	3,994	2nd	Eclipse Clinical Research LLC	N/A	CBRE

Source: CoStar Property®

* Renewal

The Optimist Sales Index

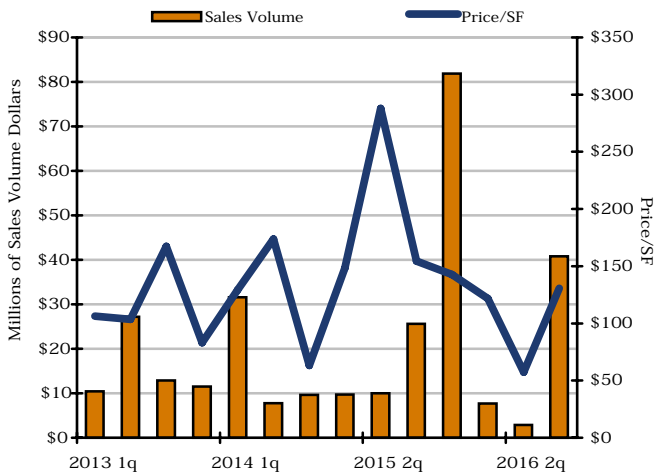
Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



Source: CoStar COMPS®

Sales Volume & Price

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

Sales Analysis by Building Size

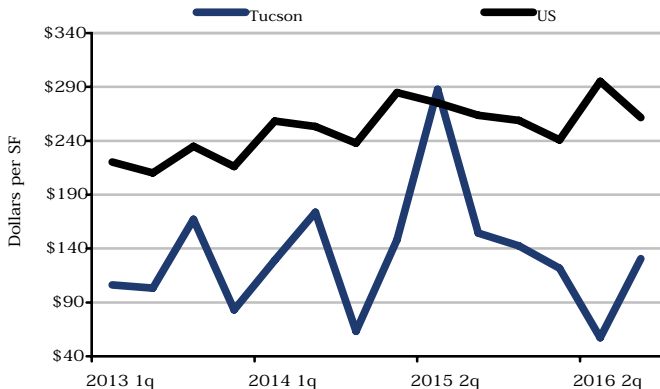
Based on Office Building Sales From Oct. 2015 - Sept. 2016

Bldg Size	#	RBA	\$ Volume	Price/SF	Cap Rate
< 50,000 SF	33	391,362	\$48,184,883	\$ 123.12	7.25%
50K-249K SF	8	776,134	\$115,289,345	\$ 148.54	7.90%
250K-499K SF	-	-	-	\$ -	-
>500K SF	-	-	-	\$ -	-

Source: CoStar COMPS®

U.S. Price/SF Comparison

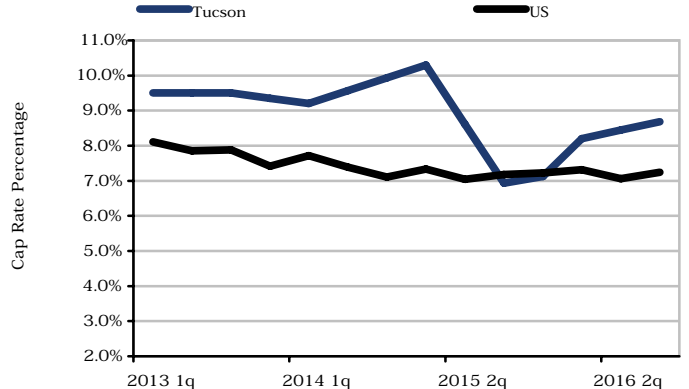
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

U.S. Cap Rate Comparison

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®

Tucson Office Market



Sales Activity

Select Top Sales

Based on Sales from October 2015 Through December 2016

1. One South Church



Tucson

Price: **\$32,000,000**
 Price/SF: **\$132.88**
 Cap Rate: **6%**
 RBA: **240,811**
 Date: **10/2/2015**
 Year Built: **1986**
 Buyer: **Fenton Investment Co./Aerie Dev.**
 Seller: **Equity Commonwealth**

2. 333 E Wetmore



Tucson

Price: **\$26,500,000**
 Price/SF: **\$186.43**
 Cap Rate: **N/A**
 RBA: **142,148**
 Date: **12/16/2015**
 Year Built: **1985**
 Buyer: **Robertson Properties Group**
 Seller: **West Coast Capital Partners**

3. Williams Centre Tech. Campus



Tucson

Price: **\$13,600,000**
 Price/SF: **\$141.05**
 Cap Rate: **N/A**
 RBA: **96,421**
 Date: **9/23/2016**
 Year Built: **2001**
 Buyer: **West Coast Capital Partners**
 Seller: **Bourn Advisory Services**

4. Rio Nuevo Professional Plaza



Tucson

Price: **\$12,404,345**
 Price/SF: **\$168.02**
 Cap Rate: **8.25%**
 RBA: **73,826**
 Date: **12/21/2015**
 Year Built: **2002**
 Buyer: **Boyd Watterson Asset Mgmt.**
 Seller: **Diamond Ventures**

5. 7741 N Business Park Dr



Tucson

Price: **\$11,035,000**
 Price/SF: **\$218.48**
 Cap Rate: **7.25%**
 RBA: **50,509**
 Date: **9/8/2016**
 Year Built: **1982**
 Buyer: **Net Lease Capital Advisors**
 Seller: **MJA Investments, Inc.**

6. 3360 E Hemisphere Loop



Tucson

Price: **\$10,500,000**
 Price/SF: **\$145.83**
 Cap Rate: **10.1%**
 RBA: **72,000**
 Date: **8/19/2016**
 Year Built: **2008**
 Buyer: **Scottsdale Investment Management**
 Seller: **Summit Properties/Colco LLC**

7. Carondelet Foothills Surgery Center



Tucson

Price: **\$7,600,000**
 Price/SF: **\$542.86**
 Cap Rate: **6%**
 RBA: **14,000**
 Date: **12/4/2015**
 Year Built: **2005**
 Buyer: **Ceil W Howe Jr. & Geraldine M Howe**
 Seller: **Michael R Wattis**

8. 155 N Rosemont Blvd



Tucson

Price: **\$7,125,000**
 Price/SF: **\$142.50**
 Cap Rate: **N/A**
 RBA: **50,000**
 Date: **12/30/2015**
 Year Built: **1998**
 Buyer: **West Coast Capital Partners**
 Seller: **Bourn Advisory Services**

9. Social Security Administration



Tucson

Price: **\$6,950,000**
 Price/SF: **\$363.11**
 Cap Rate: **6.5%**
 RBA: **19,140**
 Date: **10/12/2016**
 Year Built: **2014**
 Buyer: **Pepper Lane Properties**
 Seller: **Imperial Group, Ltd.**



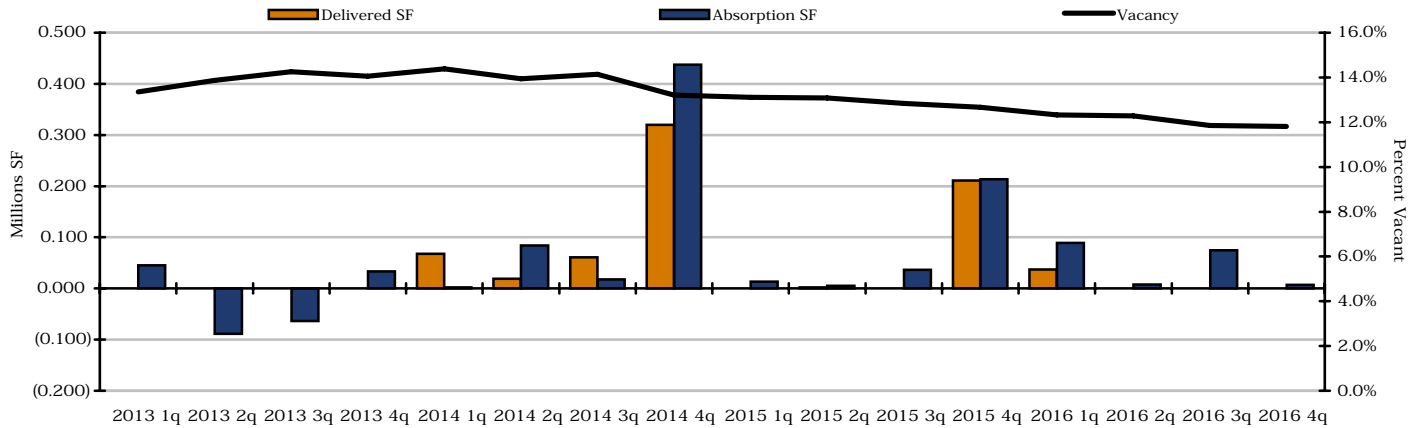
Tucson Office Market

Central Market

Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

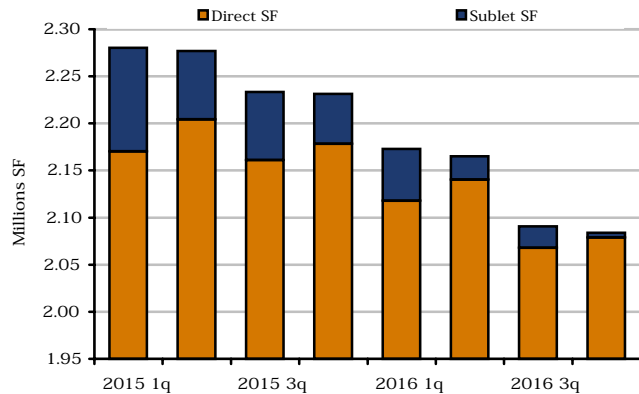
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

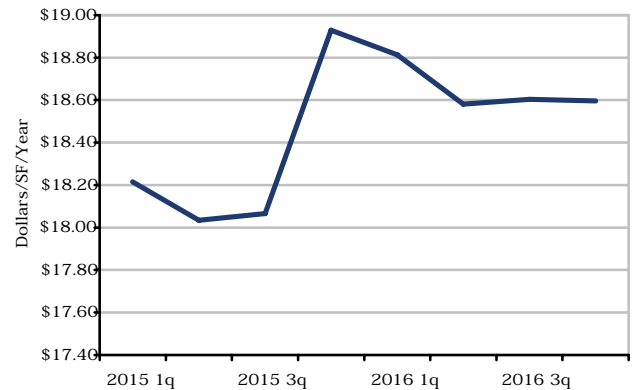
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 4q	1,769	17,634,299	2,083,743	11.8%	6,826	0	0	2	16,271	\$18.60
2016 3q	1,769	17,634,299	2,090,569	11.9%	74,653	0	0	2	16,271	\$18.60
2016 2q	1,769	17,634,299	2,165,222	12.3%	7,641	0	0	0	0	\$18.58
2016 1q	1,769	17,634,299	2,172,863	12.3%	88,726	1	36,950	0	0	\$18.81
2015 4q	1,769	17,603,947	2,231,237	12.7%	213,348	1	211,152	1	36,950	\$18.93
2015 3q	1,768	17,392,795	2,233,433	12.8%	36,618	0	0	2	248,102	\$18.07
2015 2q	1,769	17,399,645	2,276,901	13.1%	5,314	1	2,000	1	211,152	\$18.03
2015 1q	1,768	17,397,645	2,280,215	13.1%	13,062	0	0	2	213,152	\$18.22
2014 4q	1,769	17,403,099	2,298,731	13.2%	437,342	1	320,070	2	213,152	\$18.20
2014 3q	1,768	17,083,029	2,416,003	14.1%	17,864	2	60,782	3	533,222	\$18.16
2014 2q	1,766	17,022,247	2,373,085	13.9%	84,048	1	19,140	3	380,852	\$18.00
2014 1q	1,766	17,011,927	2,446,813	14.4%	2,185	1	67,650	4	399,992	\$18.09
2013 4q	1,765	16,944,277	2,381,348	14.1%	33,514	0	0	5	467,642	\$18.49
2013 3q	1,765	16,944,277	2,414,862	14.3%	(63,797)	0	0	4	461,342	\$18.39
2013 2q	1,765	16,944,277	2,351,065	13.9%	(88,729)	0	0	2	387,720	\$18.33
2013 1q	1,765	16,944,277	2,262,336	13.4%	45,432	0	0	1	67,650	\$18.32

Source: CoStar Property®

Tucson Office Market

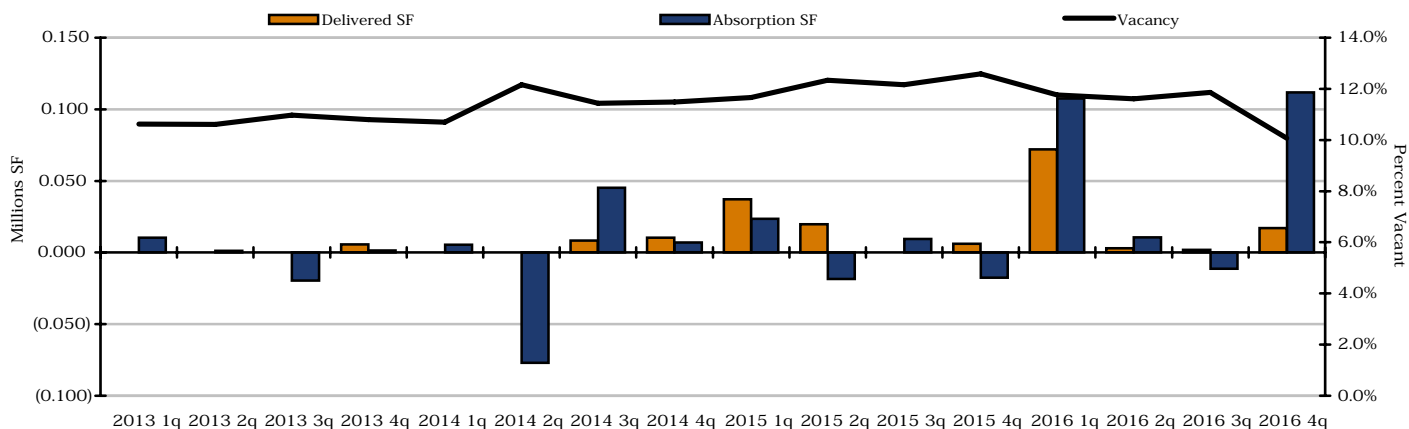


North Market

Market Highlights – Class “A, B & C”

Deliveries, Absorption & Vacancy

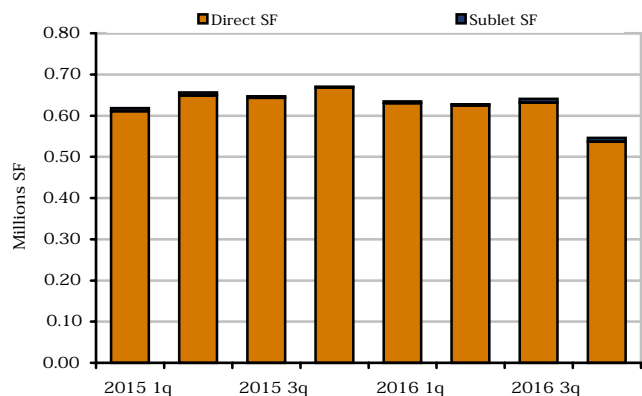
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

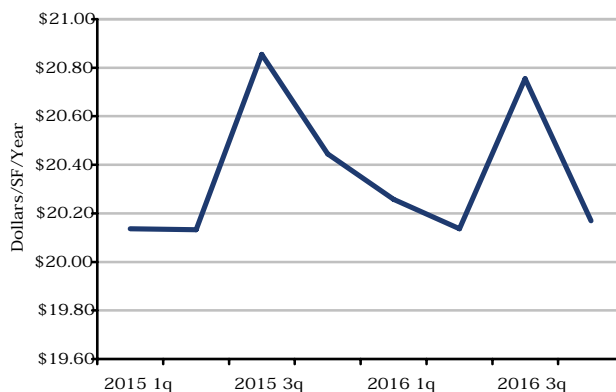
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 4q	472	5,419,476	545,828	10.1%	111,739	1	17,000	0	0	\$20.17
2016 3q	471	5,402,476	640,567	11.9%	(11,274)	1	1,955	1	17,000	\$20.76
2016 2q	470	5,400,521	627,338	11.6%	10,498	1	3,000	2	18,955	\$20.14
2016 1q	469	5,397,521	634,836	11.8%	107,589	4	72,000	3	21,955	\$20.26
2015 4q	465	5,325,521	670,425	12.6%	(17,488)	1	6,211	5	75,000	\$20.45
2015 3q	464	5,319,310	646,726	12.2%	9,414	0	0	5	52,946	\$20.86
2015 2q	464	5,319,310	656,140	12.3%	(18,509)	1	19,761	2	10,711	\$20.13
2015 1q	463	5,299,549	617,870	11.7%	23,485	3	37,179	3	30,472	\$20.14
2014 4q	460	5,262,370	604,176	11.5%	7,095	1	10,440	6	67,651	\$20.15
2014 3q	459	5,251,930	600,831	11.4%	45,312	1	8,250	7	78,091	\$20.52
2014 2q	458	5,243,680	637,893	12.2%	(77,072)	0	0	8	86,341	\$20.32
2014 1q	458	5,243,680	560,821	10.7%	5,370	0	0	5	51,640	\$20.22
2013 4q	458	5,243,680	566,191	10.8%	1,481	1	5,689	5	51,640	\$20.13
2013 3q	458	5,252,511	576,503	11.0%	(19,546)	0	0	1	5,689	\$19.84
2013 2q	458	5,252,511	556,957	10.6%	1,285	0	0	1	5,689	\$19.64
2013 1q	458	5,252,511	558,242	10.6%	10,331	0	0	1	5,689	\$19.60

Source: CoStar Property®

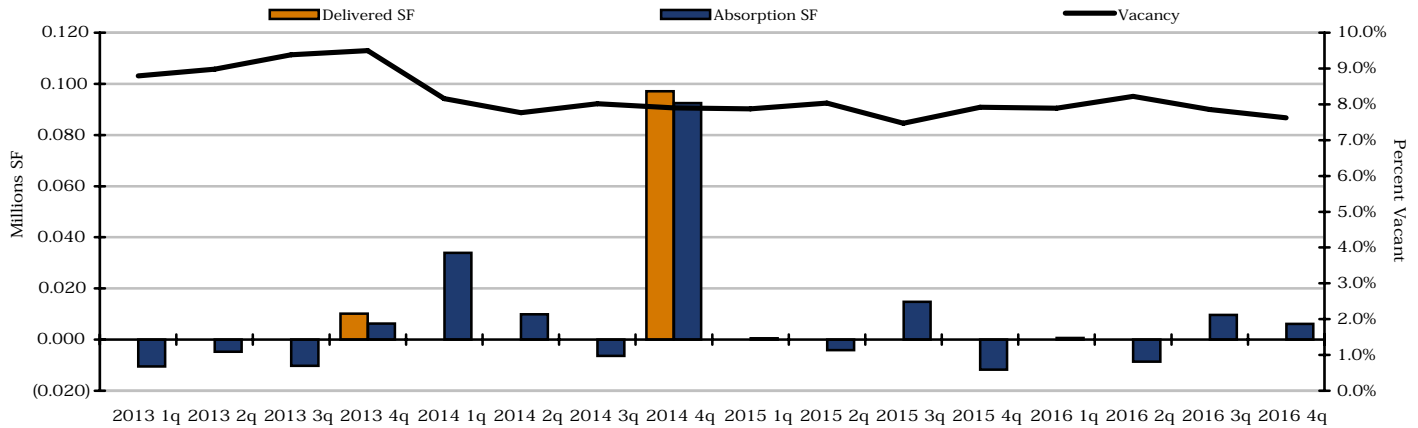


Tucson Office Market

South Market
Market Highlights - Class "A, B & C"

Deliveries, Absorption & Vacancy

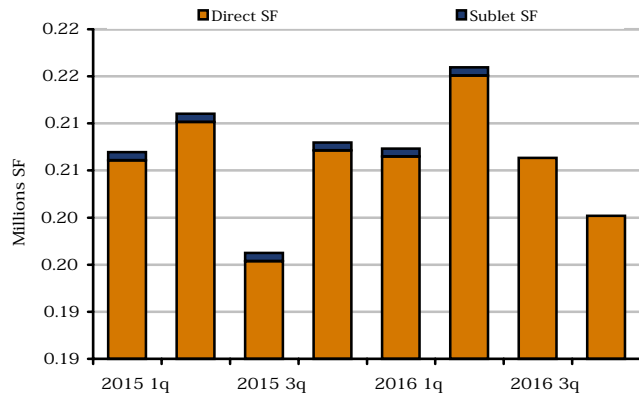
Historical Analysis, All Classes



Source: CoStar Property®

Vacant Space

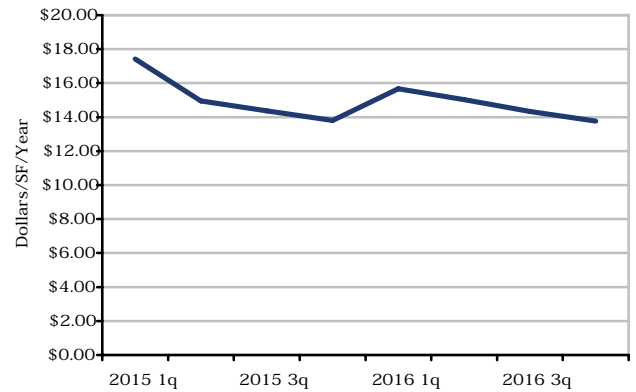
Historical Analysis, All Classes



Source: CoStar Property®

Quoted Rental Rates

Historical Analysis, All Classes



Source: CoStar Property®

Period	Existing Inventory		Vacancy		Net Absorption	Delivered Inventory		UC Inventory		Quoted Rates
	# Bldgs	Total RBA	Vacant SF	Vacancy %		# Bldgs	Total RBA	# Bldgs	Total RBA	
2016 4q	261	2,627,593	200,184	7.6%	6,139	0	0	0	0	\$13.77
2016 3q	261	2,627,593	206,323	7.9%	9,643	0	0	0	0	\$14.33
2016 2q	261	2,627,593	215,966	8.2%	(8,626)	0	0	0	0	\$15.04
2016 1q	261	2,627,593	207,340	7.9%	646	0	0	0	0	\$15.67
2015 4q	261	2,627,593	207,986	7.9%	(11,740)	0	0	0	0	\$13.81
2015 3q	261	2,627,593	196,246	7.5%	14,781	0	0	0	0	\$14.37
2015 2q	261	2,627,593	211,027	8.0%	(4,064)	0	0	0	0	\$14.95
2015 1q	261	2,627,593	206,963	7.9%	529	0	0	0	0	\$17.42
2014 4q	261	2,627,593	207,492	7.9%	92,465	1	97,085	0	0	\$14.09
2014 3q	260	2,530,508	202,872	8.0%	(6,328)	0	0	1	97,085	\$14.12
2014 2q	260	2,530,508	196,544	7.8%	9,894	0	0	1	97,085	\$14.66
2014 1q	260	2,530,508	206,438	8.2%	33,953	0	0	1	97,085	\$17.09
2013 4q	260	2,530,508	240,391	9.5%	6,308	1	10,132	0	0	\$15.78
2013 3q	259	2,520,376	236,567	9.4%	(10,290)	0	0	1	10,132	\$15.10
2013 2q	259	2,520,376	226,277	9.0%	(4,710)	0	0	1	10,132	\$15.16
2013 1q	259	2,520,376	221,567	8.8%	(10,440)	0	0	1	10,132	\$14.61

Source: CoStar Property®