



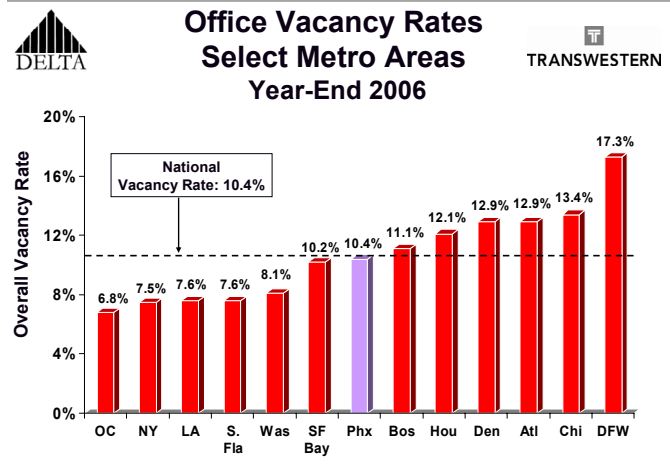
## GREATER PHOENIX SNAPSHOT AT YEAR-END 2006

### Economy: Among the Best in the Nation

- 12-Month Job Growth through October 2006: 94,500.
- Unemployment Rate: 3.4% in October, down from 4.2% a year ago. U.S. rate: 4.4%.
- Outlook: Strong growth likely through 2007-2008.

### Office Market: Expansion Continues

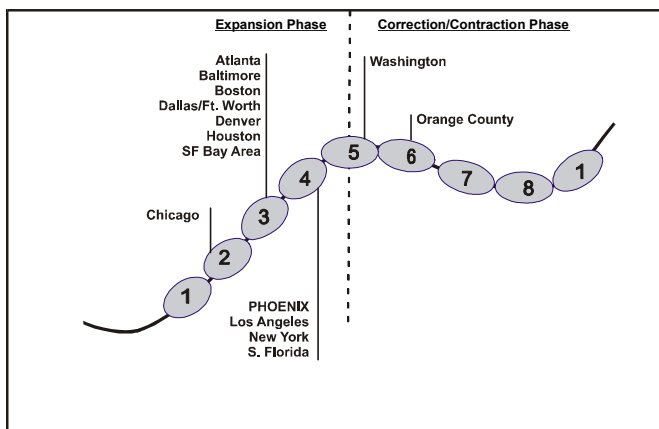
Net Absorption in 2006: 4.0 million SF.  
 Overall Vacancy Rate: 10.4%, unchanged from the 3<sup>rd</sup> quarter 2006.  
 Class A Rents: Up 5.3% in 2006.



Source: Bureau of Labor Statistics; December 2006.

Source: CoStar, Delta Associates; December 2006.

### Office Market Position Index Year-End 2006



Source: Delta Associates; December 2006.

The Greater Phoenix office market is surging and experiencing landlord market conditions. This suggests the following strategies:

- **Tenants:** Lock in deals now before rents continue to strengthen.
- **Developers:** Continue to add new supply, as vacancy continues to decline. Groundbreakings should occur soon for maximum return.
- **Institutional Investors:** Consider selling select assets while investment sales market is so hot.
- **Opportunity Investors:** Seek buildings with occupancy challenges and/or below-market rents. Sell tuned-up assets.

## THE GREATER PHOENIX ECONOMY

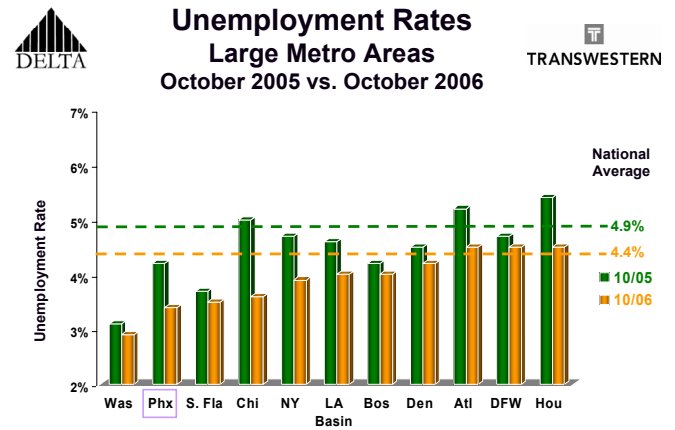
### Valley Economy: Remains Robust

The Valley's economy soared in the 4<sup>th</sup> quarter 2006, with job growth well above levels experienced during the 1990's boom. 12-month job growth through October 2006 totaled 94,500 in Greater Phoenix, a growth rate of 5.2%. This compares to the national rate of 1.4%.

The **Construction** sector added 20,300 jobs over the past year – a 12% increase. This sector has benefited from strong population growth and commercial and residential development. Above-average performance in the commercial sector has led to fears of a labor shortage in the Valley, as it becomes more difficult for contractors to find qualified workers. The focus is shifting from the cost of materials to the supply of skilled specialty trades workers.

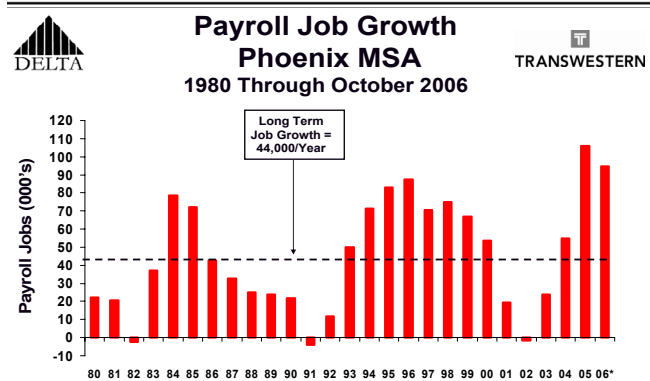
The **Education and Health Care** sector added 9,000 jobs over the past year. According to the Arizona Department of Economic Security, close to 50,000 new health care jobs are expected in the Valley over the next 10 years. Phoenix Children's Hospital is planning a \$400 million expansion in an effort to keep up with Arizona's growing population. The expansion will give the hospital 377 more beds in a new patient tower by 2010. The **Professional/Business** and **Financial Services** sectors experienced strong growth as well, adding a combined 27,800 jobs in the 12-month period ending in October 2006.

The Greater Phoenix unemployment rate declined to 3.4% in October 2006, from 4.4% 12 months prior. By comparison, the national rate was 4.4% in October. The unemployment rate in Greater Phoenix is the second lowest in the nation, as the area has one of the nation's fastest-growing economies.



Source: Bureau of Labor Statistics; December 2006.

The Valley's core industries remain strong, with Tourism activity and business spending fueling growth in the Technology sector. As a result, Sky Harbor Airport is on pace to break its annual passenger traffic record of 41 million passengers, set in 2005. The success of the airport comes from population growth, economic growth and the health of its two main airlines.



Source: Bureau of Labor Statistics; December 2006.

\* 12 months ending October.

## Core Industries Greater Phoenix 2005

Core Industries	\$ (Bil)	% GRP
Tourism/Travel	\$20	15%
Tech/Tech Mftg/Telecom	\$14	10%
Retirement/2 <sup>nd</sup> Home	\$10	7%
Distribution/Trade	\$10	7%
Aerospace/Defense	\$8	6%
Financial/Bus. Services	\$7	5%
<b>Total Core Industries:</b>	<b>\$69</b>	<b>50%</b>
Other	<u>\$68</u>	<u>50%</u>
<b>Total GRP:</b>	<b>\$137</b>	<b>100%</b>

Source: U.S. Conference of Mayors, Delta Associates; December 2006.

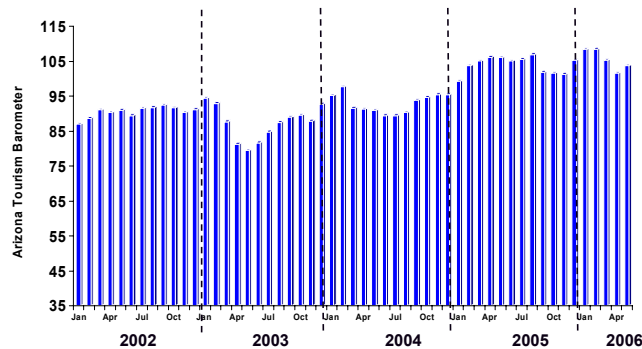
GRP = Gross Regional Product

Tourism remained healthy in the Valley through the 4<sup>th</sup> quarter 2006. Lower gas prices have helped keep hotel demand consistent throughout the year. Hotel occupancy levels in Greater Phoenix averaged 58.6% in the 3<sup>rd</sup> quarter, compared to 57.3% during the same period last year. In addition, average daily room rates increased by 8.5% in the 3<sup>rd</sup> quarter. As a result, 9,500 leisure and hospitality jobs were added in the 12 months ending October 2006.

## THE GREATER PHOENIX ECONOMIC OUTLOOK

Strong population growth and increased business spending will continue to fuel the economy over the next two years in the Greater Phoenix area. As a result, job growth will remain strong during this expansion cycle. 94,500 jobs were added in the 12 months ending October 2006. We expect job growth to remain robust with an average of 95,000 new jobs per annum through 2008.

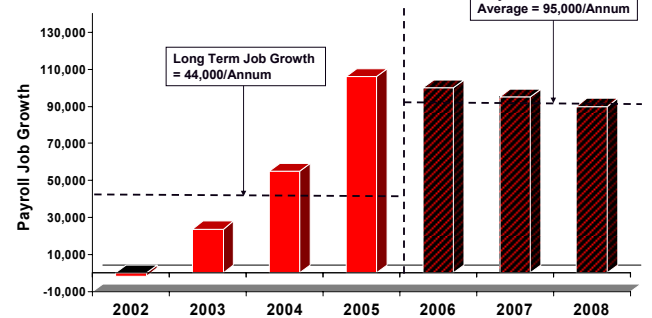
### Arizona Tourism Barometer January 2002 - May 2006



Source: Arizona State University; December 2006.

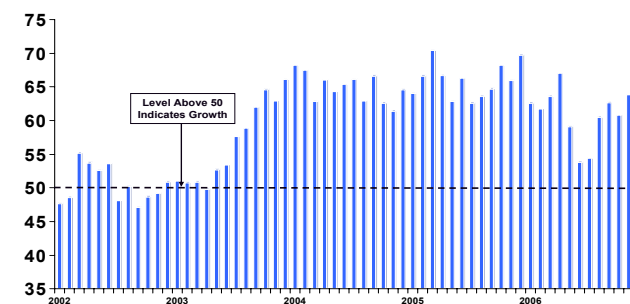
The Arizona Business Conditions Index increased to 63.8 in November 2006, up from 60.8 in October, as new orders and production remain strong. This indicates that the local economy is still expanding despite manufacturing declining by 700 jobs in Greater Phoenix in the 12 months ending October 2006.

### Job Forecast Greater Phoenix 2006 Through 2008



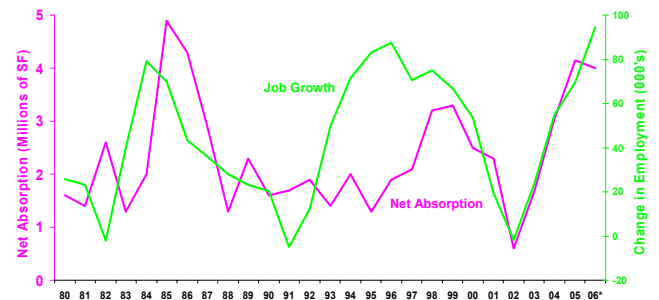
Source: Bureau of Labor Statistics, Delta Associates; December 2006.

### Arizona Business Conditions Index January 2002 - November 2006



Source: Arizona State University; December 2006.

### Office Absorption and Employment Greater Phoenix 1980 Through 2006



Source: Bureau of Labor Statistics, Delta Associates; December 2006.

\*12-month job growth through October.



## THE GREATER PHOENIX OFFICE MARKET

### *Expansion Momentum Persists*

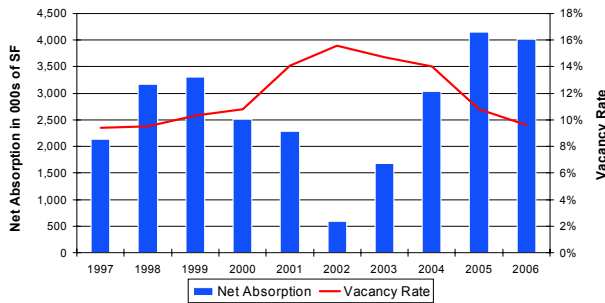
The Greater Phoenix office market expansion continued during the 4<sup>th</sup> quarter 2006; it has maintained some of the strongest market fundamentals in the country throughout the year. Job growth remains robust, especially in the Professional/Business sector. As a result, office space demand remains healthy. The vacancy rate was unchanged in the 4<sup>th</sup> quarter, due to a balance between tenants vacating space, strong leasing activity, and pre-leased deliveries. Rent growth remains strong but is starting to moderate as the amount of new supply continues to increase. Investment sales activity ticked up during the 4<sup>th</sup> quarter.

### *Net Absorption: Mirroring Last Year's Performance*

Net absorption of office space totaled 1.1 million SF in the 4<sup>th</sup> quarter 2006 and 4.0 million SF in Greater Phoenix for 2006, as demand was driven by booming job growth throughout the year.

Available sublease space declined by 67,000 SF in 2006. There is 818,000 SF of sublease space on the market at year-end 2006, representing 0.8% of standing inventory.

**Net Absorption of Office Space and Direct Vacancy Rate Trends Greater Phoenix 1997 Through 2006**



Note: Delivery of pre-leased space counts as positive net absorption. Source: Vacancy - Delta Associates' analysis of CoStar data; Net Absorption - Delta Associates; December 2006.

Deer Valley/NW Phx. performed strongly in 2006 primarily due to strong pre-leasing of space delivered and a handful of sizeable leases. For example, in Northwest Phoenix, Hartford Fire Insurance leased 55,980 SF at 10010 N. 25<sup>th</sup> Avenue.

### **2006 Net Absorption in Select Submarkets:**

- Deer Valley/NW Phx. 811,000 SF
- Scottsdale Airport 573,000 SF
- Tempe/Chandler 516,000 SF
- Paradise Valley/P. Peak 501,000 SF

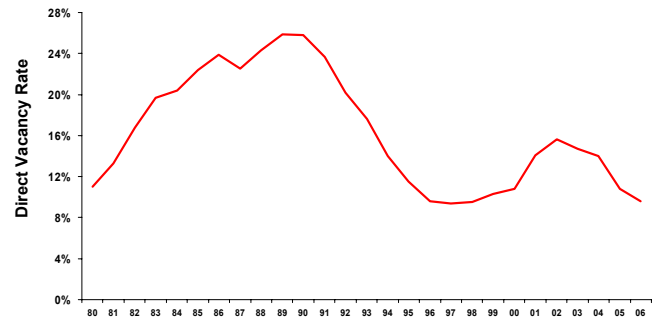
### **Vacancy Down**

The overall vacancy rate in Greater Phoenix was 10.4% in the 4<sup>th</sup> quarter 2006, unchanged from the 3<sup>rd</sup> quarter, but down from 11.8% a year ago.

The direct office vacancy rate was 9.6% in Greater Phoenix in the 4<sup>th</sup> quarter, down from 10.8% a year ago.



**Office Vacancy Rate Greater Phoenix 1980 Through 2006**



Source: CoStar, REIS, Delta Associates; December 2006.

The overall vacancy rate at year-end 2006 in selected submarkets:

- Tempe/Chandler 4.9%
- Downtown 5.2%
- Camelback Corridor 12.0%
- Deer Valley/NW Phx. 13.0%

## A market report for commercial real estate executives

We expect the rapid decline in vacancy in Greater Phoenix to moderate over the next 12 months due to spec deliveries. The overall rate will likely settle in the 8-9% range, compared to 10.4% today.

### Construction Rising; Pre-Leasing Steady

There is 6.7 million SF of office space under construction or renovation in the Valley at year-end 2006, up from 5.6 million SF at 3<sup>rd</sup> quarter and 4.6 million SF a year ago. 31% of the space under construction or renovation at year-end 2006 is pre-leased, compared to 30% at 3<sup>rd</sup> quarter and 26% a year ago.

4.5 million SF of office space delivered in 2006, at 54% leased upon delivery, with 2.6 million SF delivering in the 1<sup>st</sup> half of 2006. By comparison, 1.5 million SF was delivered in 2005, at 44% leased upon delivery.

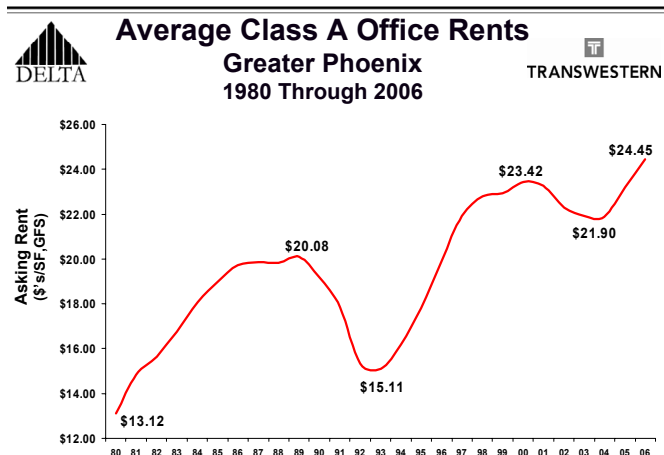
Office Space Under Construction or Renovation Greater Phoenix Year-End 2006		
Submarket	SF	% Pre-leased
44 <sup>th</sup> Corridor/Gateway	650,369	63%
Tempe/Chandler	1,386,396	13%
Deer Valley/NW Phoenix	787,009	54%
Mesa/Gilbert/Superstition	274,232	42%
Paradise Valley	518,688	62%
Scottsdale	2,183,077	22%
West Phoenix	918,979	15%
<b>Greater Phoenix Total:</b>	<b>6,718,750</b>	<b>31%</b>

Source: Delta Associates' analysis of CoStar data, December 2006.

### Office Rents Up

Class A rents increased by an annualized rate of 5.3% in Greater Phoenix in 2006, as vacancy continued to decline throughout the year. Rents jumped 6.1% in Scottsdale Airpark and 4.8% in Deer Valley/NW Phoenix during 2006.

Rents will continue to rise at a steady pace in 2007, as demand remains strong and vacancy continues to decline. However, rent growth is starting to moderate in most submarkets, as the level of new construction continues to rise.



Source: CoStar, REIS, Delta Associates; December 2006.

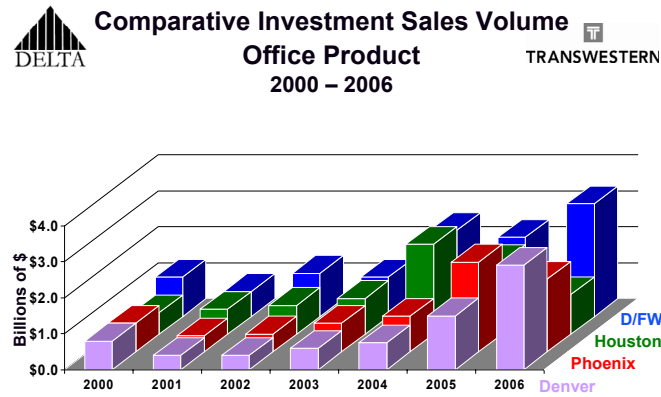
### RENT RATE ANALYSIS OF CLASS A OFFICE BUILDINGS GREATER PHOENIX 2003 THROUGH 2006

Submarket	Average Asking Rent (\$/SF, GFS) Per Annum at:				Annualized % Change From Year-End '05 Year-End '06
	YE 2003	YE 2004	YE 2005	YE 2006	
Downtown	\$24.39	\$24.15	\$24.20	\$25.71	6.2%
Midtown	\$18.33	\$18.10	\$18.70	\$19.87	6.3%
44th/Gateway	\$20.25	\$20.25	\$21.52	\$22.41	4.1%
Camelback Corridor	\$23.38	\$23.55	\$26.30	\$27.72	5.4%
Tempe/Chandler	\$22.67	\$22.35	\$23.65	\$24.59	4.0%
Deer Valley/NW Phoenix	\$20.82	\$20.85	\$22.09	\$23.15	4.8%
Mesa/Gilbert/Superstition	\$21.18	\$21.50	\$24.21	\$25.22	4.2%
Paradise Val/Squaw Peak	\$22.58	\$22.50	\$23.50	\$24.55	4.5%
Scottsdale Airpark	\$25.33	\$25.70	\$26.63	\$28.25	6.1%
Scottsdale North	\$23.90	\$23.75	\$25.97	\$27.37	5.4%
Scottsdale South	\$23.03	\$23.10	\$24.00	\$24.75	3.1%
<b>Greater Phoenix Avg.</b>	<b>\$21.93</b>	<b>\$21.90</b>	<b>\$23.21</b>	<b>\$24.45</b>	<b>5.3%</b>

Source: Delta Associates' analysis of CoStar data, December 2006.

## Investment Sales Volume and Prices Steady

2006 has been another record year for sales activity in Greater Phoenix, as investors remain attracted to the area's strong market fundamentals. Sales volume totaled \$2 billion this year – almost matching the \$2.1 billion recorded in 2005.



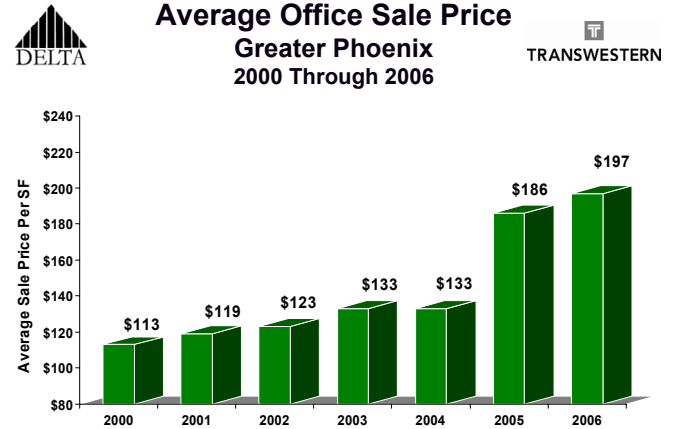
Source: Real Capital Analytics, Delta Associates; December 2006.

## Selected 2006 Office Sales:

Building/Submarket	Sale Price/Buyer
Chase Tower Downtown	\$103 million (\$137/SF) Brookfield Asset Mgmt.
Franklin Center at Kierland Scottsdale Airpark	\$40 million (\$229/SF) Services Group of America
SanTan Corporate Center Tempe/Chandler	\$59 million (\$221/SF) Wells Real Estate Funds
Mesa Financial Plaza Mesa/Gilbert/Superstition	\$55 million (\$177/SF) Crescent RE

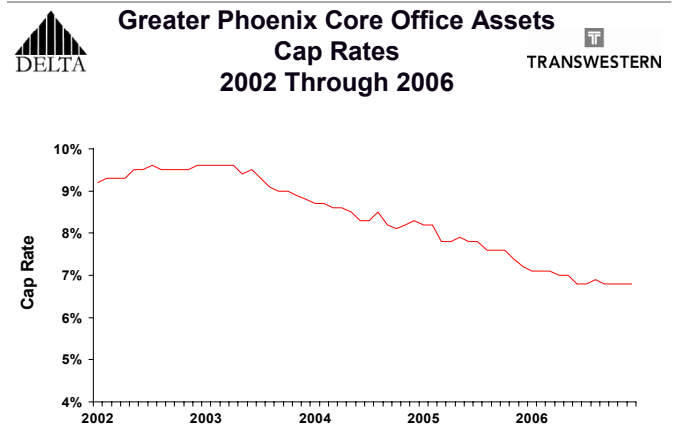
Source: Real Capital Analytics; December 2006.

Office sale prices in Greater Phoenix average \$197/SF in 2006, up from \$186/SF in 2005. Demand for office assets driven by strong market conditions continues to push prices upward. However, if the stock market continues to gain traction in 2007, some cash will be siphoned from the real estate market.



Source: Real Capital Analytics, Delta Associates; December 2006.

Returns on core office assets rose substantially in Greater Phoenix over the last 24 months as rents escalated. With strong competition, cap rates on core assets remain low, in the high 6% range, but likely have reached a low point for this cycle. Cap rates may rise modestly over the next two years, as alternative investment choices compete for investors' dollars.



Source: Real Capital Analytics, Delta Associates; December 2006.



## **Housing Market:**

### **What Will 2007 Bring?**

OFHEO's local market monitor reported that the Greater Phoenix housing market was 46% overvalued as of the 2<sup>nd</sup> quarter 2006. Currently the housing market is going through an adjustment period, with an increase in days on the market, as buyers take more time to make purchasing decisions. Also, home appreciation slowed down significantly in the 2<sup>nd</sup> half of 2006. The combination of reductions in new home inventory, investor pull-out, aggressive incentives by sellers, and stable interest rates should all help guide the Greater Phoenix housing market back to more normal conditions by mid-year 2007. Overall, Phoenix continues to have one of the strongest economies in the nation.

### **What the Proposed US Airways/Delta Merger Could Mean for Greater Phoenix**

The proposed \$8 billion takeover of Delta Air Lines by Tempe-based US Airways has brought about many questions for the Valley. Most notably, could a takeover mean a move for US Airways' corporate headquarters from Tempe? Also, might a merger of the two carriers result in major layoffs? US Airways has 35,497 employees with approximately 11,000 workers in Phoenix and Atlanta-based Delta has over 47,000 employees. It is speculated that some layoffs may occur due to substantial overlap in jobs at major airports. If the takeover goes through, the merger would ultimately create the world's largest airline which would fly under the Delta name. Also of note is the possibility of the merger bringing more international flights to Sky Harbor International Airport. If this occurs, tourism traffic and hotel occupancy in Greater Phoenix could increase which would be yet another boost to an already strong economy. In late December, Delta's

management rejected US Airways' merger offer. However, the bankruptcy court and Delta's creditors will decide Delta's fate.

## **THE GREATER PHOENIX OFFICE MARKET OUTLOOK**

The Greater Phoenix office market will continue to perform at a high level over the next two years, as economic growth and demand for office space remain strong. Vacancy should continue to decline modestly over the next 24 months. Rents will experience moderate growth, as demand continues to outpace new supply in the short-term. In the long-term, rent growth should slow, as the amount of new supply increases. Overall, the outlook remains positive, as robust job and population growth continue to keep market fundamentals strong.





## A market report for commercial real estate executives

### SUMMARY OF OFFICE MARKET INDICATORS - ALL SPACE GREATER PHOENIX 2003 THROUGH 2006

Submarket	December 2006		Direct Vacancy Rate at End of:				Vacancy Rate w/ Sublet at Dec-06	SF Under Constr. or Renovation at Dec-06	Net Absorption (SF)				
	Total Rentable SF All Bldgs. <sup>1/</sup>	SF Avail. Immediately All Bldgs. <sup>2/</sup>	2003	2004	2005	2006			2003	2004	2005	4th Q 2006	2006
	<b>Downtown</b>	7,629,581	343,331	12.1%	11.8%	6.3%	4.5%	5.2%	-	286,000	199,000	419,000	46,000
<b>Midtown</b>	11,954,824	1,446,534	21.8%	19.5%	15.5%	12.1%	12.6%	-	(272,000)	271,000	599,000	(72,000)	407,000
<b>44th/Gateway</b>	12,609,321	1,071,792	16.3%	13.1%	9.2%	8.5%	9.8%	650,369	(127,000)	377,000	484,000	256,000	206,000
<b>Camelback Corridor</b>	7,543,704	784,545	18.1%	17.1%	11.6%	10.4%	12.0%	-	(274,000)	76,000	415,000	(23,000)	90,000
<b>Tempe/Chandler</b>	9,405,920	451,484	11.3%	7.9%	6.4%	4.8%	4.9%	1,386,396	570,000	810,000	188,000	47,000	516,000
<b>Deer Valley/NW Phoenix</b>	15,025,396	1,893,200	14.1%	13.9%	16.0%	12.6%	13.0%	787,009	571,000	661,000	(59,000)	244,000	811,000
<b>Mesa/Gilbert/Superstition</b>	6,747,272	796,178	9.8%	11.5%	7.4%	11.8%	12.0%	274,232	216,000	14,000	527,000	178,000	95,000
<b>Paradise Valley/Piestewa Peak</b>	5,811,620	470,741	15.1%	13.8%	11.9%	8.1%	8.9%	518,688	57,000	121,000	156,000	127,000	501,000
<b>Scottsdale Airpark</b>	8,004,761	840,500	9.4%	11.6%	6.6%	10.5%	13.1%	1,611,077	353,000	379,000	502,000	100,000	573,000
<b>Scottsdale North</b>	6,043,350	562,032	8.7%	13.7%	8.6%	9.3%	10.4%	89,000	28,000	(121,000)	479,000	58,000	394,000
<b>Scottsdale South</b>	4,000,143	280,010	19.1%	16.0%	9.3%	7.0%	7.2%	483,000	197,000	193,000	344,000	44,000	92,000
<b>West Phoenix</b>	2,685,394	389,382	12.9%	20.7%	19.3%	14.5%	14.8%	918,979	74,000	61,000	96,000	59,000	192,000
<b>TOTAL - Greater Phoenix</b>	<b>97,461,286</b>	<b>9,329,729</b>	<b>14.0%</b>	<b>14.0%</b>	<b>10.8%</b>	<b>9.6%</b>	<b>10.4%</b>	<b>6,718,750</b>	<b>1,679,000</b>	<b>3,041,000</b>	<b>4,150,000</b>	<b>1,064,000</b>	<b>4,015,000</b>
		<b>Vac. Rate With Sublet Space</b>	<b>16.0%</b>	<b>15.1%</b>	<b>11.8%</b>	<b>10.4%</b>							

<sup>1/</sup> Includes buildings 15,000 SF RBA and greater; includes multi and single tenant buildings. Does not include buildings under construction or buildings owned by the government.

<sup>2/</sup> Does not include sublet space.

Note: Net absorption occurs when lease is signed, not when space is physically occupied; pre-leased space counts as net absorption when building delivers.

Source: Inventory and Vacancy from analysis of CoStar data, Net Absorption computed by Delta Associates; December 2006.

Delta Associates, the research affiliate of Transwestern, is headquartered at:

500 Montgomery Street, Suite 600, Alexandria, VA 22314. Phone: 703-836-5700. DeltaAssociates.com



### THE GREATER PHOENIX FLEX/HIGH-TECH MARKET

#### 2<sup>nd</sup> Half of 2006 Brings Improved Market Conditions

The flex/high-tech market improved in Greater Phoenix during the 2<sup>nd</sup> half of 2006, with 493,000 SF of net absorption. Net absorption totals 754,000 SF in 2006, down from 1.2 million SF in 2005.

Available flex/high-tech sublease space held steady in Greater Phoenix in 2006, decreasing by approximately 7,000 SF. As a result, sublease space now represents 2.0% of the flex/high-tech standing inventory.

#### Vacancy Declines in Q4

The overall flex/high-tech vacancy rate ticked down to 17.0% at year-end 2006, from 17.7% in the 3<sup>rd</sup> quarter. It is up from 15.0% a year ago. The direct vacancy rate at year-end is 15.0%, down from 15.5% in the 3<sup>rd</sup> quarter of 2006 but up from 12.8% a year ago.

We expect the flex/high-tech vacancy rate to hold relatively stable in the next two years, as new construction keeps pace with demand.

#### Construction and Pre-Leasing Steady

There are 17 flex/high-tech buildings under construction or renovation in the Valley at year-end 2006, totaling approximately 618,000 SF, at 37% pre-leased. This compares to 1.1 million SF under construction at year-end 2005, at 33% pre-leased.

11 flex/high-tech buildings were delivered in the second-half of 2006, adding 349,000 SF to the inventory, at 43% leased. In 2006, 1.4 million SF was delivered, at 25% leased upon delivery.

#### Flex/High-Tech Rents: Consistent Growth

Flex/high-tech rents increased at an annual rate of 6.1% in 2006, as demand for flex/high-tech space in the Valley remains healthy and vacancy begins to decline.

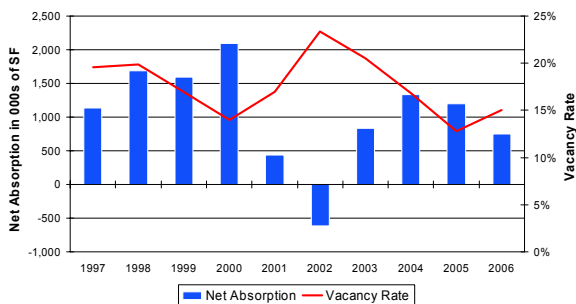
Moderate flex rent growth will likely continue over the next 12 months, as demand slightly outpaces new supply.

#### RENT RATE ANALYSIS FLEX/HIGH-TECH SPACE GREATER PHOENIX 2003 THROUGH 2006

Submarket	Average Asking Rent (\$/s/SF, NNN) Per Month:				Annualized % Change From
	YE 2003	YE 2004	YE 2005	YE 2006	Year-End '05 Year-End '06
Airport/Central	\$0.87	\$0.90	\$1.02	\$1.07	4.9%
Northwest	\$0.83	\$0.82	\$0.89	\$0.93	4.7%
West	NA	\$0.53	NA	\$0.58	NA
Northeast	\$1.01	\$1.05	\$1.06	\$1.14	7.1%
Scottsdale Airpark	\$0.93	\$0.96	\$1.08	\$1.16	7.0%
East	\$0.86	\$0.87	\$0.88	\$0.95	7.7%
Southeast	\$0.84	\$0.85	\$0.86	\$0.93	7.8%
<b>Greater Phoenix Avg.</b>	<b>\$0.86</b>	<b>\$0.87</b>	<b>\$0.93</b>	<b>\$0.99</b>	<b>6.1%</b>

Source: Delta Associates, based on analysis of CoStar data; December 2006.

**Net Absorption of Flex/High-Tech Space  
and Direct Vacancy Rate Trends  
Greater Phoenix  
1997 Through 2006**



Note: Delivery of pre-leased space counts as positive net absorption.  
Source: Vacancy - Delta Associates' analysis of CoStar data;  
Net Absorption - Delta Associates; December 2006.

## Flex/High-Tech Investment Sales: Ramps Up

Sales volume of flex/high-tech buildings rose to \$431 million in 2006, compared to \$273 million in 2005, and \$187 million in 2004.

Flex/high-tech sale prices average \$187/SF in 2006, up from \$121/SF in 2005. In 2006, the sale of the Downtown Phoenix Exchange dramatically boosted the average price/SF.

### Selected 2006 Flex/High-Tech Sales:

Building/Submarket	Sale Price/Buyer
7300 E. Hampton St. Southeast	\$16 million (\$126/SF) Stephen P. Johnson et al
5005 E. McDowell Rd. Airport/Central	\$5 million (\$88/SF) Cashen Realty Advisors

Source: Real Capital Analytics; December 2006.

## National Economy, Methodology

Please visit Transwestern.net for:

- Our national Economic Outlook
- Explanation of our methodology

### Note on data contained herein

Our inventory, vacancy and absorption figures include owner-occupied and single-tenant buildings. We include these buildings to capture the entire market so that we may derive correlations between job growth and occupancy of inventory. Our reported vacancy rate is based on immediate availability.

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### SUMMARY OF FLEX/HIGH-TECH MARKET INDICATORS - ALL SPACE

#### GREATER PHOENIX 2003 THROUGH 2006

Submarket	December 2006		Direct Vacancy Rate at End of:				Vacancy Rate w/ Sublet at Dec-06	SF Under Constr. or Renovation at Dec-06	Net Absorption (SF)				
	Total Rentable SF All Bldgs. <sup>1/</sup>	SF Avail. Immediately All Bldgs. <sup>2/</sup>	2003	2004	2005	2006			2003	2004	2005	4th Q 2006	2006
	<b>Airport/Central <sup>3/</sup></b>	6,102,835	628,592	25.6%	15.2%	8.7%			10.3%	11.0%	-	669,000	579,000
<b>Northwest</b>	4,005,688	1,085,541	21.0%	23.9%	19.0%	27.1%	29.4%	140,524	13,000	74,000	251,000	101,000	258,000
<b>West</b>	516,161	10,323	20.0%	12.2%	8.2%	2.0%	2.0%	-	100,000	41,000	20,000	(2,000)	31,000
<b>Southwest</b>	561,590	136,466	21.2%	21.2%	23.1%	24.3%	24.3%	121,516	-	-	(9,000)	5,000	66,000
<b>Northeast</b>	1,265,791	205,058	14.9%	7.2%	9.3%	16.2%	17.4%	-	18,000	271,000	(25,000)	(22,000)	7,000
<b>Scottsdale Airport <sup>3/</sup></b>	1,860,585	176,756	13.7%	11.4%	11.3%	9.5%	10.2%	100,000	(57,000)	38,000	1,000	7,000	30,000
<b>East</b>	6,562,650	794,081	21.7%	18.9%	14.9%	12.1%	15.0%	140,306	(196,000)	205,000	415,000	53,000	202,000
<b>Southeast</b>	4,349,595	748,130	14.3%	15.2%	10.7%	17.2%	20.5%	115,160	285,000	126,000	181,000	26,000	95,000
<b>TOTAL - Greater PHX</b>	<b>25,224,895</b>	<b>3,784,948</b>	<b>20.5%</b>	<b>16.8%</b>	<b>12.7%</b>	<b>15.0%</b>	<b>17.0%</b>	<b>617,506</b>	<b>832,000</b>	<b>1,334,000</b>	<b>1,195,000</b>	<b>183,000</b>	<b>754,000</b>
	<b>Vac. Rate With Sublet Space</b>		<b>22.0%</b>	<b>19.0%</b>	<b>14.9%</b>	<b>17.0%</b>							

<sup>1/</sup> Includes buildings 15,000 SF RBA and greater; includes multi and single tenant buildings. Does not include buildings under construction or buildings owned by the government.

<sup>2/</sup> Does not include sublet space.

<sup>3/</sup> Inventory has been amended per CoStar.

Note: Net absorption occurs when lease is signed, not when space is physically occupied; pre-leased space counts as net absorption when building delivers.

Source: Inventory and Vacancy from analysis of CoStar data, Net Absorption computed by Delta Associates; December 2006.

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## A market report for commercial real estate executives

### Delta Associates

Delta Associates, the research affiliate of Transwestern, is a firm of experienced professionals offering appraisal, consulting and data services to the commercial real estate industry for 25 years. The firm's practice is organized in three related areas:

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