

20. PHOENIX

GREEN BUILDING TRENDS

Phoenix continues to perform in the bottom half of nearly all green building statistics, and slipped two notches to 20th overall in this year's ranking. The square footage percentage of green space also slipped a bit to 29%, down from the previous year's high of 30.4%. Phoenix was very consistent in its placements as the market's 21% total of Energy Star labeled space also was 19th while the LEED footage, at 11.8%, finished at number 18.

GREEN MARKET NEWS

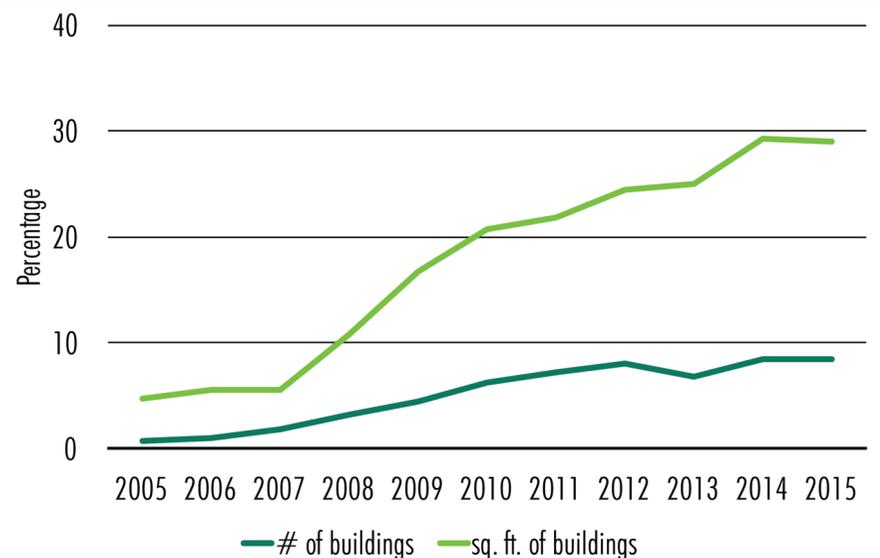
In 2015, the top 100 office transactions over 10,000 sq. ft. were tracked that occurred in the Metro area. Of these transactions, approximately 25%, or 919,956 sq. ft., occurred in green buildings. Year-over-year this is seen as a large increase as office property owners have more incentive to obtain LEED certification to attract image-conscious tenants. Most notably, Banner Health leased 254,308 sq. ft. at Phoenix Plaza and Yelp renewed 92,669 sq. ft. at Galleria Corporate Center.

14 of the 136 green buildings in Metro Phoenix were sold in 2015. The most notable sale was a 978,495 sq. ft. purchase of four properties at the Camelback Esplanade by LBA Realty for \$279 million. Several of the other green buildings sold during the year were purchased by real estate investment companies specializing in distressed and opportunistic properties.

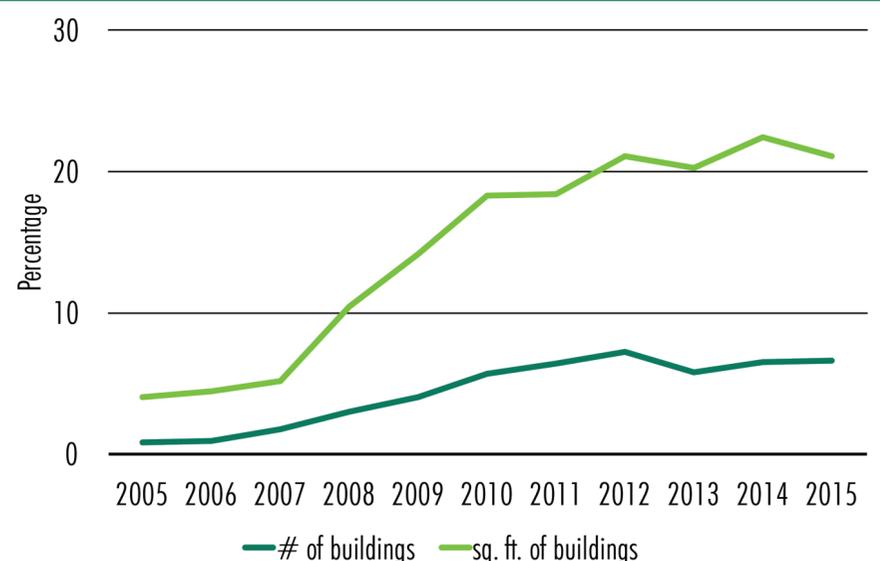
Phoenix is a location known for regional offices, operation centers, and satellite or sales offices. The insurance, health care, financial/mortgage, and technology industries play a major role in the Phoenix office market. According to local experts, it is too early to tell if green buildings are becoming increasingly popular. Many of the newly constructed office buildings in Phoenix are LEED certified but this is not necessarily a major factor for tenants considering leases at those properties. The cost savings tenants incur by occupying a LEED certified building are still too insignificant for them to consider this a deciding factor. Certain tenants, such as government tenants, are beginning to prefer to occupy LEED certified buildings mainly due to internal mandates.

Phoenix Q4 2015	% of Buildings	% sq. ft. of Buildings
Total	8.45	28.92
Energy Star	6.54	21.06
LEED	3.51	11.81
Existing Buildings	2.71	9.62
New Construction	0.24	0.50
Core and Shell	0.56	1.69

Total Adoption



Energy Star Adoption



LEED Adoption

