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REAL ESTATE SERVICES

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Retail Market Report

Compared to the Previous Quarter:

Vacancy
DOWN

Net Absorption
POSITIVE

Lease Rates
DOWN

Transactions
DOWN

Deliveries
DOWN

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Market Highlights

- **Encouraging Numbers -** Vacancy and availability exhibited decreases, and the market posted over 389,000 square feet of positive absorption in the first quarter of 2012. While these are positive indications, stability and job growth will need to be sustained in coming quarters to be considered recovery.

- **Construction -** There was only 249,341 square feet of retail construction underway at the end of first quarter 2012. Look for this to increase in the coming quarters as multiple high-profile projects break ground this year.

- **Vacancy -** Direct/sublease space (unoccupied) finished the first quarter at 12.04%, marking the fifth month of decreasing vacancy rates in the valley. The lowest vacancy rates were found in the Northwest Phoenix submarket, at 9.40%, respectively.

- **Availability -** Direct/sublease space being marketed was at 12.94% at the end of 2011, a decrease when compared to the prior quarter's rate of 13.11% and a significant drop from 2011's first quarter recession-high rate of 13.94%.

- **Lease Rates -** The average asking triple-net lease rate per month per square foot in Phoenix was at $1.22 for first quarter 2011. It appears as vacancy has come down, rates have stabilized. Look for rates to remain steady and to increase incrementally in some submarkets in coming quarters as consumer spending increases.

- **Absorption -** The Phoenix retail market posted 389,000 square feet of positive net absorption in the first quarter of 2012, less than the previous quarter but still significant, giving a total of over 1.6 million square feet of positive absorption over the last four quarters.

- **Transaction Activity -** Leasing activity checked in at nearly 1.25 million square feet, a decrease from the previous quarter's figure of 1.7 million square feet. Sales activity remained almost even with the fourth quarter of 2011, posting 1.2 million square feet. Details of the largest transactions can be found on the back page of this report.

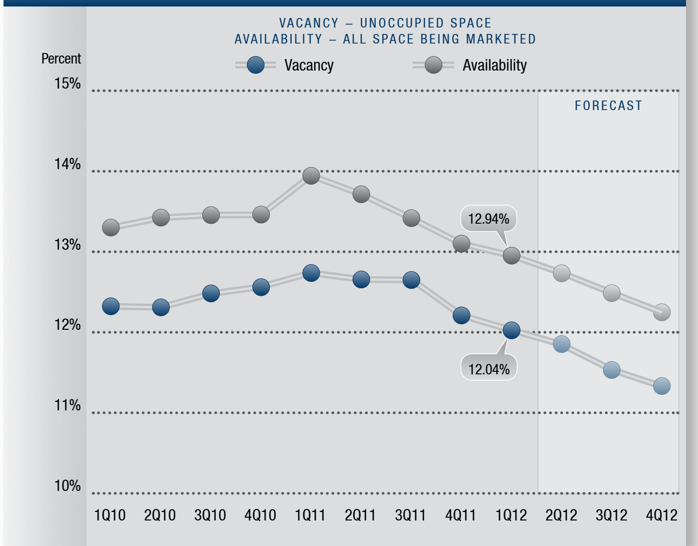
- **Unemployment -** The unemployment rate in the Phoenix-Mesa-Glendale Metropolitan area was 7.8% in February 2012, a slight decrease from January and a significant drop from last February's rate of 9.0%. This increase may be accounted for by unemployed workers, previously discourage by economic conditions and limited prospects, re-entering the labor pool in search of a job.

- **Overall -** We are continuing to see a decrease in the amount of available space being added per quarter, as well as some compression of cap rates for investment sales. Positive 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, relocation funds and tenant improvement allowances should continue in order to motivate tenants to immediate action. We should see an increase in leasing activity as many short-term deals come up for renewal and as job creation continues in 2012. As unemployment rates drop and consumer confidence stabilizes, the retail market will regain equilibrium.

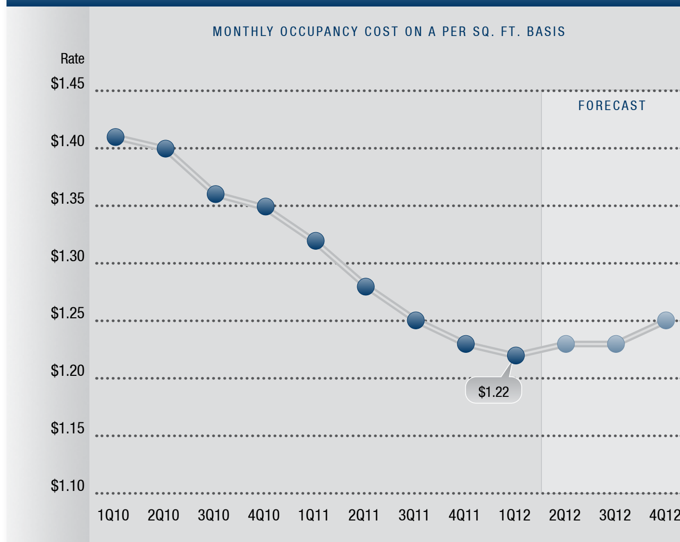
RETAIL MARKET OVERVIEW

	1Q12	4Q11	1Q11	% of Change vs. 1Q2011
Total Vacancy Rate	12.04%	12.21%	12.74%	(5.49%)
Availability Rate	12.94%	13.11%	13.94%	(7.17%)
Average Asking Lease Rate	$1.22	$1.23	$1.32	(7.58%)
Sale & Lease Transactions	2,422,283	3,089,832	2,619,390	(7.52%)
Gross Absorption	2,391,488	2,858,589	2,048,409	16.75%
Net Absorption	389,426	1,026,840	(861,937)	N/A

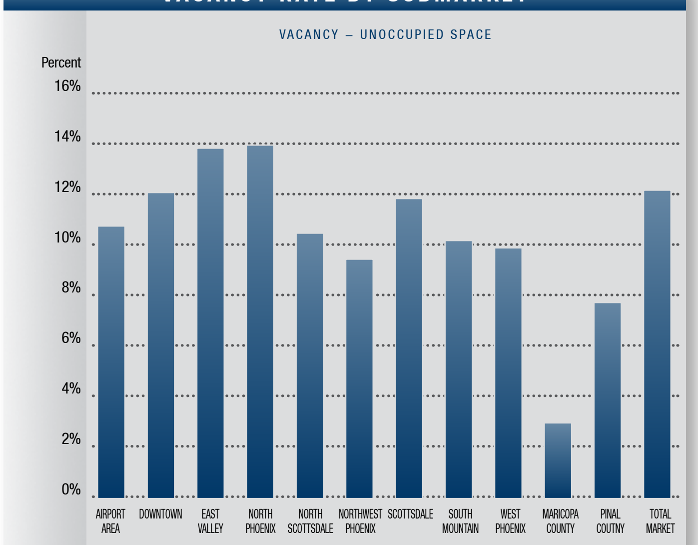
VACANCY & AVAILABILITY RATE



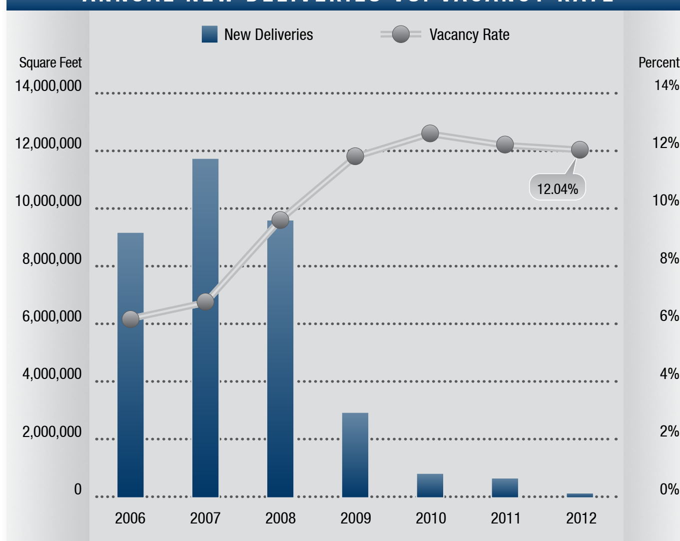
AVERAGE ASKING TRIPLE-NET LEASE RATE



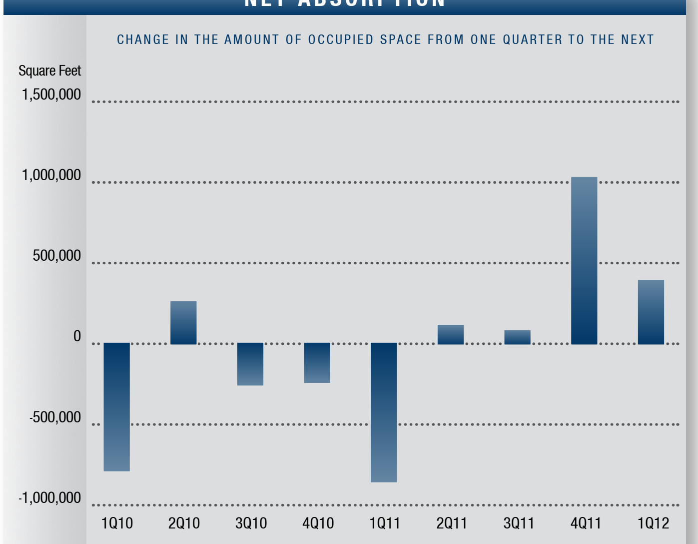
VACANCY RATE BY SUBMARKET



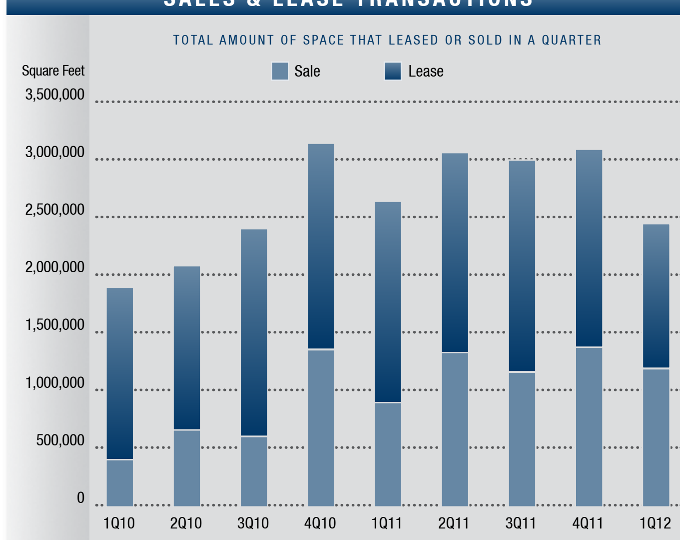
ANNUAL NEW DELIVERIES VS. VACANCY RATE



NET ABSORPTION



SALES & LEASE TRANSACTIONS



	INVENTORY				VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2012	Square Feet Available	Availability Rate 1Q2012	Average Asking Lease Rate	Net Absorption 1Q2012	Net Absorption 2012	Gross Absorption 1Q2012	Gross Absorption 2012
Airport Area													
Airport Area	384	3,692,775	0	558,875	377,149	10.21%	443,517	12.01%	$1.07	12,167	12,167	33,675	33,675
South Tempe/Ahwatukee	199	1,434,363	0	8,000	169,861	11.84%	105,968	7.39%	$1.12	5,238	5,238	16,042	16,042
Airport Total	583	5,127,138	0	566,875	547,010	10.67%	549,485	10.72%	$1.08	17,405	17,405	49,717	49,717
Downtown Phoenix													
Downtown Phoenix	639	6,941,055	0	9,000	833,840	12.01%	993,942	14.32%	$1.14	(46,590)	(46,590)	67,169	67,169
Central Corridor Total	639	6,941,055	0	9,000	833,840	12.01%	993,942	14.32%	$1.14	(46,590)	(46,590)	67,169	67,169
East Valley													
Chandler	729	16,577,310	5,589	453,103	2,035,375	12.28%	2,137,517	12.89%	$1.16	(2,538)	(2,538)	192,729	192,729
Gateway Airport	105	2,753,998	0	235,454	211,988	7.70%	214,852	7.80%	$1.70	(34,392)	(34,392)	7,450	7,450
Gilbert	603	12,591,066	0	1,856,390	1,494,966	11.87%	1,547,293	12.29%	$1.35	(24,068)	(24,068)	142,853	142,853
Queen Creek	47	1,355,582	0	97,887	88,363	6.52%	96,163	7.09%	$2.03	4,257	4,257	11,457	11,457
Red Mountain/Mesa	1,539	28,795,228	0	1,012,762	5,221,703	18.13%	5,845,866	20.30%	$1.10	341	341	230,672	230,672
Tempe	396	8,498,635	0	240,200	673,770	7.93%	736,815	8.67%	$1.21	29,507	29,507	79,191	79,191
East Valley	3,419	70,571,819	5,589	3,895,796	9,726,165	13.78%	10,578,506	14.99%	$1.22	(26,893)	(26,893)	664,352	664,352
North Phoenix													
East Phoenix	624	8,293,894	0	4,000	1,024,149	12.35%	1,149,359	13.86%	$1.17	45,201	45,201	105,254	105,254
Glendale	685	10,194,235	0	482,222	1,287,918	12.63%	1,355,736	13.30%	$1.43	50,363	50,363	115,956	115,956
N. Phoenix/I-17	741	15,865,566	0	21,972	2,398,934	15.12%	2,746,634	17.31%	$0.93	34,841	34,841	142,437	142,437
Sun City	188	2,949,241	0	91,633	487,710	16.54%	498,389	16.90%	$1.06	12,410	12,410	45,065	45,065
Paradise Valley	1	9,872	0	0	0	0.00%	0	0.00%	N/A	0	0	0	0
North Phoenix	2,239	37,312,808	0	599,827	5,198,711	13.93%	5,750,118	15.41%	$1.14	142,815	142,815	408,712	408,712
North Scottsdale													
Carefree	118	1,619,776	0	14,700	202,550	12.50%	212,460	13.12%	$1.82	2,845	2,845	19,650	19,650
Fountain Hills	68	648,073	0	0	81,577	12.59%	90,451	13.96%	$1.34	2,478	2,478	7,420	7,420
North Scottsdale	494	14,803,805	32,592	1,218,267	1,497,622	10.12%	1,488,981	10.06%	$1.41	37,914	37,914	199,625	199,625
North Scottsdale	680	17,071,654	32,592	1,232,967	1,781,749	10.44%	1,791,892	10.50%	$1.47	43,237	43,237	226,695	226,695
Northwest Phoenix													
Anthem	105	2,479,777	0	28,500	179,778	7.25%	183,559	7.40%	$1.55	14,500	14,500	23,099	23,099
Central Peoria/ Arrowhead	391	9,712,020	0	179,950	991,504	10.21%	903,075	9.30%	$1.31	58,250	58,250	162,823	162,823
Deer Valley	108	1,917,452	0	39,534	206,523	10.77%	187,587	9.78%	$2.15	8,466	8,466	45,328	45,328
Surprise	243	4,565,941	2,985	1,318,182	377,663	8.27%	420,984	9.22%	$2.13	19,859	19,859	26,324	26,324
Northwest Phoenix	847	18,675,190	2,985	1,566,166	1,755,468	9.40%	1,695,205	9.08%	$1.72	101,075	101,075	257,574	257,574
Scottsdale													
Central Scottsdale	774	15,364,467	54,869	245,160	1,694,720	11.03%	1,772,255	11.53%	$2.04	73,805	73,805	270,393	270,393
South Scottsdale	380	4,173,266	0	0	621,857	14.90%	688,548	16.50%	$1.23	(1,867)	(1,867)	39,564	39,564
Scottsdale	1,154	19,537,733	54,869	245,160	2,316,577	11.86%	2,460,803	12.60%	$1.83	71,938	71,938	309,957	309,957
South Mountain													
Ahwatukee Foothills	163	3,213,969	0	360,000	313,492	9.75%	302,036	9.40%	$1.43	(17,560)	(17,560)	23,541	23,541
Laveen	61	1,444,401	0	632,761	195,761	13.55%	194,412	13.46%	$1.48	20,105	20,105	31,003	31,003
South Mountain	80	1,631,088	0	4,500	127,727	7.83%	155,886	9.56%	$1.17	6,600	6,600	12,690	12,690
South Mountain	304	6,289,458	0	997,261	636,980	10.13%	652,334	10.37%	$1.41	9,145	9,145	67,234	67,234
West Phoenix													
Goodyear	177	3,166,440	0	411,070	477,570	15.08%	468,053	14.78%	$1.28	(9,517)	(9,517)	60,741	60,741
Loop 101/ I-10	114	2,545,883	0	603,247	218,978	8.60%	286,521	11.25%	$1.30	(4,697)	(4,697)	13,462	13,462
N. Goodyear/ Litchfield	172	4,308,822	147,806	321,097	361,071	8.38%	363,307	8.43%	$1.77	1,372	1,372	29,113	29,113
North Buckeye	3	92,042	0	0	0	0.00%	0	0.00%	$1.18	0	0	0	0
South Buckeye	65	1,186,801	0	98,875	98,704	8.32%	98,704	8.32%	$1.31	6,218	6,218	6,218	6,218
Tolleson	188	2,330,782	0	150,066	222,141	9.53%	223,779	9.60%	$1.62	(748)	(748)	18,867	18,867
West Phoenix/ Maryville	403	8,140,798	0	55,631	767,069	9.42%	866,791	10.65%	$0.89	40,989	40,989	78,405	78,405
West Phoenix	1,122	21,771,568	147,806	1,639,986	2,145,533	9.85%	2,307,155	10.60%	$1.31	33,617	33,617	206,806	206,806
Maricopa County													
NE Outlying	1	32,169	0	0	0	0.00%	0	0.00%	$0.92	0	0	0	0
W Outlying	59	465,559	0	0	14,490	3.11%	20,737	4.45%	$0.92	1,751	1,751	4,001	4,001
Maricopa County	**60**	**497,728**	**0**	**0**	**14,490**	**2.91%**	**20,737**	**4.17%**	**$0.92**	**1,751**	**1,751**	**4,001**	**4,001**
Pinal County													
Apache Junction	113	1,531,071	0	84,380	86,663	5.66%	94,248	6.16%	$0.78	11,291	11,291	11,291	11,291
Outlying Pinal County	712	8,055,351	5,500	2,314,230	647,459	8.04%	721,559	8.96%	$1.00	30,635	30,635	117,980	117,980
Pinal County	825	9,586,422	5,500	2,398,610	734,122	7.66%	815,807	8.51%	$1.22	41,926	41,926	129,271	129,271
Phoenix Total	**11,872**	**213,382,573**	**249,341**	**13,151,648**	**25,690,645**	**12.04%**	**27,615,984**	**12.94%**	**$1.22**	**389,426**	**389,426**	**2,391,488**	**2,391,488**
Malls	285	23,461,511	0	5,016,792	2,056,802	8.77%	2,500,223	10.66%	$1.57	127,510	127,510	287,135	287,135
Power Centers	465	20,069,885	0	1,232,297	1,549,287	7.72%	1,571,194	7.83%	$1.67	34,667	34,667	124,139	124,139
Community Centers	990	34,800,264	54,869	1,931,415	5,437,565	15.63%	5,674,808	16.31%	$1.26	70,328	70,328	308,014	308,014
Neighborhood Centers	2,157	56,185,635	0	2,262,685	9,438,214	16.80%	9,757,651	17.37%	$1.22	163,658	163,658	820,961	820,961
Strip Centers	1,072	12,759,729	32,592	2,708,459	2,452,146	19.22%	2,522,889	19.77%	$1.18	(57,786)	(57,786)	223,541	223,541
Specialty Centers	169	6,190,792	0	0	579,783	9.37%	589,973	9.53%	$2.44	54,114	54,114	81,053	81,053
General Retail	6,734	59,914,757	161,880	0	4,176,848	6.97%	4,999,246	8.34%	$1.24	(3,065)	(3,065)	546,645	546,645
Phoenix Total	**11,872**	**213,382,573**	**249,341**	**13,151,648**	**25,690,645**	**12.04%**	**27,615,984**	**12.94%**	**$1.22**	**389,426**	**389,426**	**2,391,488**	**2,391,488**

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
9617 N. Metro Pkwy.	I-17 Corridor	525,227	$23.23	Carlyle Development Group	The Macerich Company
10716 W. Bell Rd.	N. Phoenix	62,215	$134.94	Kimco Realty Corporation	ACF Property Management, Inc.
17550 N. 75th Ave. Bldg C	NW Phoenix	20,898	$346.92	Peter S. Sidel	Pacific West Land
5108–5166 W. Olive Ave. – 3 Properties	N. Phoenix	88,825	$71.41	North American Development Group	Westwood Financial Corporation
15600 N. Hayden Rd.	N. Scottsdale	23,767	$230.99	15600 N. Hayden, LLC	Rickey Hatch
1668 N. Higley Rd. – 4 Properties	East Valley	54,143	$95.12	Pruthi Properties, LLC	First International Bank & Trust

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
4735 E. Ray Rd.	Ahwatukee Foothills	38,000	Mar-12	Homestore Roomstore	DDR Corporation
9175 E. Indian Bend Rd.	C. Scottsdale	36,200	Jan-12	Potato Barn	De Rito Partners
9175 E. Indian Bend Rd.	C. Scottsdale	32,590	Jan-12	American Furniture Galleries	De Rito Partners
7014 E. Camelback Rd.	C. Scottsdale	25,000	Jan-12	N/A	The Macerich Company
965 E. Van Buren St.	Goodyear	20,853	Feb-12	Furniture King	TriGate Capital
42 S. Stapley Dr.	Red Mountain	20,600	Jan-12	Stuff Thrift Store	1107 E Main AZ, LLC

SUBMARKETS

AIRPORT AREA
Airport Area, South Tempe, Ahwatukee

DOWNTOWN PHOENIX
Downtown Phoenix

EAST VALLEY
Chandler, Gateway Airport, Gilbert, Queen Creek, Red Mountain, Mesa, Tempe

NORTH PHOENIX
East Phoenix, Glendale, North Phoenix / I-17, Sun City, Paradise Valley

NORTH SCOTTSDALE
Carefree, Fountain Hills, North Scottsdale

NORTHWEST PHOENIX
Anthem, Central Peoria, Arrowhead, Deer Valley, Surprise

SCOTTSDALE
Central Scottsdale, South Scottsdale

SOUTH MOUNTAIN
Ahwatukee Foothills, Laveen, South Mountain

WEST PHOENIX
Goodyear, Loop 101/ I-10, North Goodyear, Litchfield, North Buckeye, South Buckeye, Tolleson, West Phoenix, Maryville

MARICOPA COUNTY
Northeast Outlying, West Outlying

PINAL COUNTY
Apache Junction, Outlying Pinal County

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