



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

FLAT

Transactions

DOWN

Deliveries

DOWN

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Market Highlights

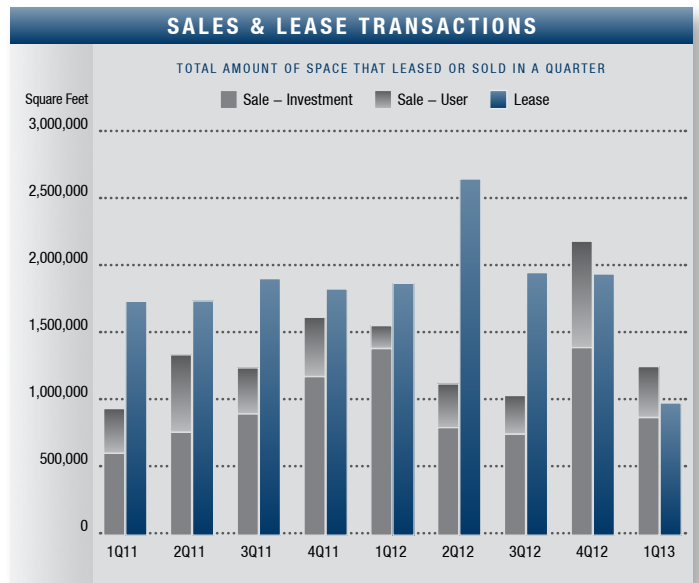
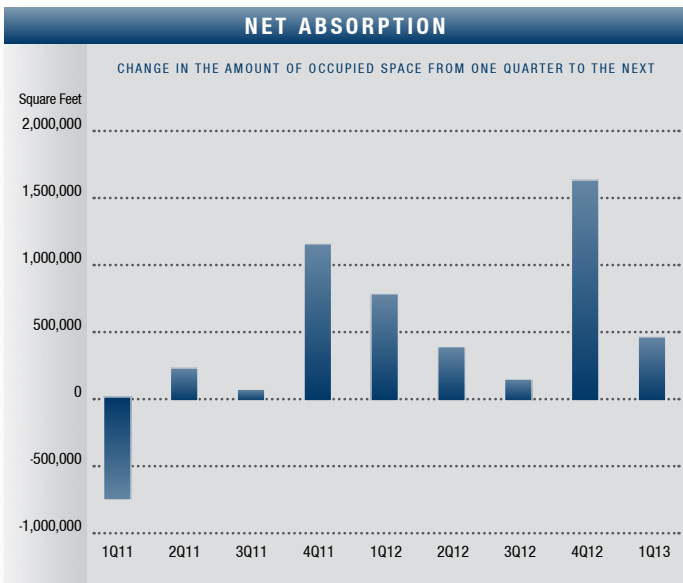
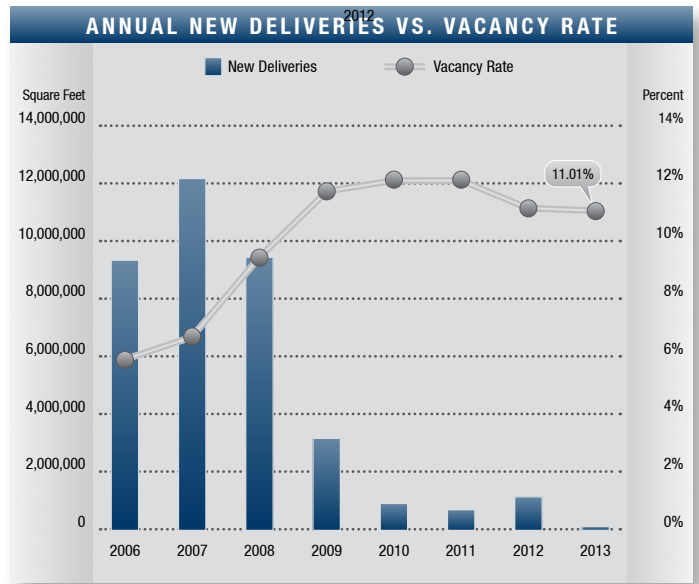
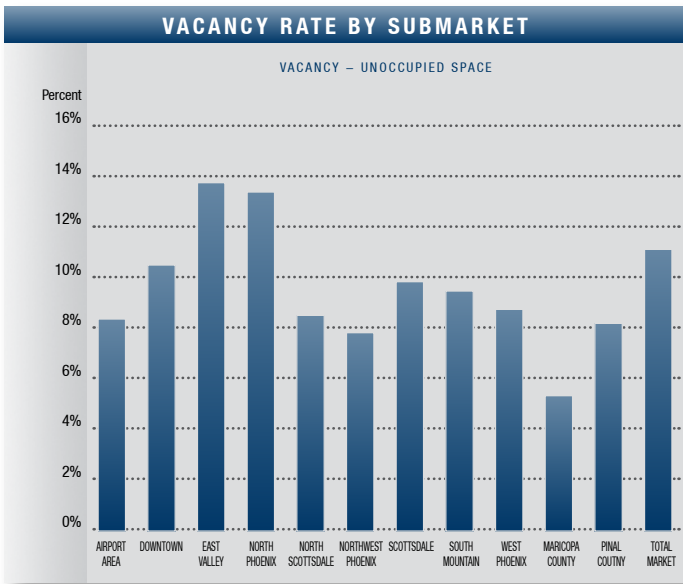
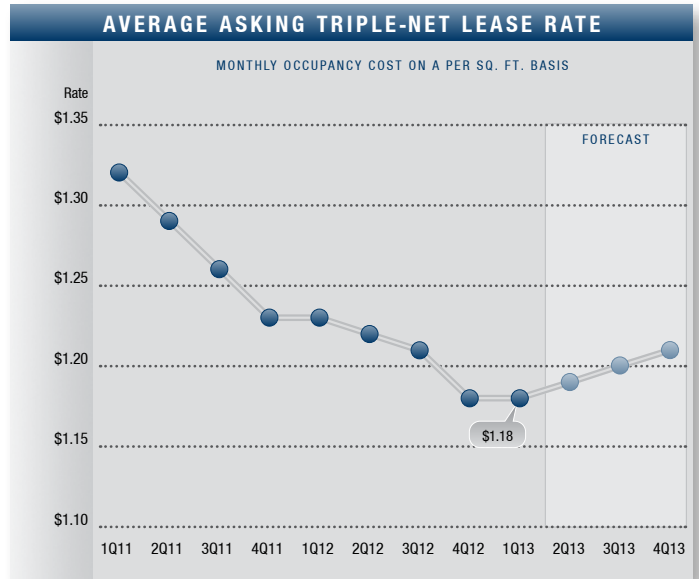
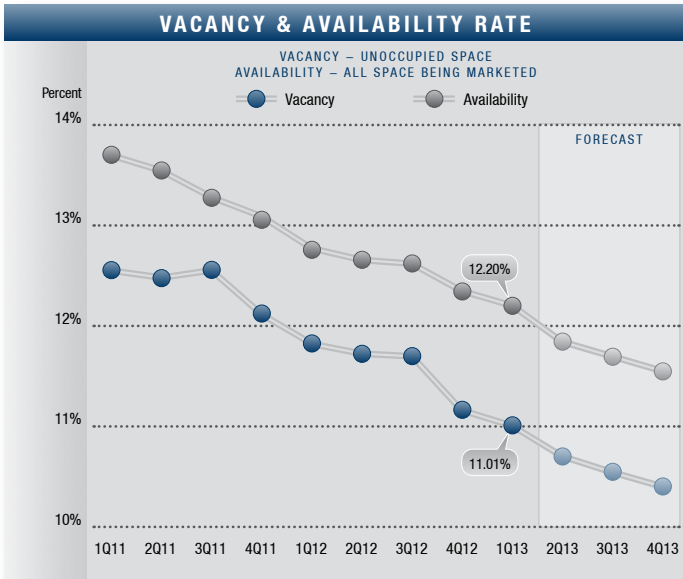
- Encouraging Numbers** - The Phoenix retail market continued moving on the path towards recovery in the first quarter of 2013. Both vacancy and availability exhibited decreases compared to both the previous quarter and the previous year. The Phoenix market also posted over 465,000 square feet of positive absorption in the first quarter, making it the eighth consecutive quarter of the positive streak. While these are encouraging indications, continued stability and job growth will be needed in coming quarters to further recovery.
- Construction** - There was 502,733 square feet of retail construction underway at the end of first quarter 2013. The lack of new construction should ease upward pressure on vacancy in the coming quarters.
- Vacancy** - Vacancies have begun to recede as metro Phoenix continues to add jobs. Direct/sublease space (unoccupied) finished the first quarter at 11.01%, a healthy drop from the previous year's rate of 11.81%. The lowest vacancy rate was found in the Northwest Phoenix submarket, at 7.73%, respectively. With the relatively slow pace of new construction, vacancy should continue to correct over the next two years.
- Availability** - Direct/sublease space finished the third quarter at 12.20%, 13 basis points lower than the previous quarter and a decrease of 4.3% when compared to the prior year's first quarter rate of 12.75%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Phoenix was at \$1.18 for the first quarter of 2013, flat from the previous quarter. As vacancy rates have dropped, average lease rates have begun to stabilize. 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 465,397 square feet of positive net absorption in the first quarter of 2013, marking the eighth consecutive quarter of positive

net absorption and giving the market a total of nearly 5 million square feet over the positive streak.

- Transaction Activity** - Leasing activity checked in at 973,618 square feet, a decrease from the previous quarter's figure of 1.9 million square feet. Sales also decreased compared to the fourth quarter of 2012, posting 1.24 million square feet down about 900,000 square feet. Details of the largest transactions can be found on the back page of this report.
- Unemployment** - The unemployment rate in the Phoenix-Mesa-Glendale Metropolitan area was 6.7% in January 2013, a healthy decrease from January 2012's rate of 7.9%. Sectors with strong job growth include trade, transportation, utilities driven by retail trade, and professional and business services—largely in the administrative and support services area. In addition, the beleaguered construction industry made substantial strides over the past 12 months, with the addition of 4,500 jobs, while the financial activities sector gained traction, aided by Wells Fargo's addition of 1,000 to local staff.
- 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 2013. As unemployment rates drop and consumer confidence stabilizes, the retail market will regain equilibrium.

RETAIL MARKET OVERVIEW

	1Q13	4Q12	1Q12	% of Change vs. 1Q12
Total Vacancy Rate	11.01%	11.17%	11.81%	(6.77%)
Availability Rate	12.20%	12.33%	12.75%	(4.31%)
Average Asking Lease Rate	\$1.18	\$1.18	\$1.23	(4.07%)
Sale & Lease Transactions	2,212,930	4,109,656	3,393,062	(34.78%)
Gross Absorption	1,923,038	3,500,089	2,791,580	(31.11%)
Net Absorption	465,397	1,623,838	785,412	(40.74%)



	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2013	Square Feet Available	Availability Rate 1Q2013	Average Asking Lease Rate	Net Absorption 1Q2013	Net Absorption 2012	Gross Absorption 1Q2013	Gross Absorption 2012
Airport Area													
Airport Area	411	3,928,910	0	558,875	360,279	9.17%	424,953	10.82%	\$1.24	(3,907)	38,901	35,174	163,368
South Tempe/Ahwatukee	223	1,469,486	0	32,554	85,595	5.82%	105,491	7.18%	\$1.15	2,663	20,659	13,201	56,741
Airport Total	634	5,398,396	0	591,429	445,874	8.26%	530,444	9.83%	\$1.22	(1,244)	59,560	48,375	220,109
Downtown Phoenix													
Downtown Phoenix	714	7,156,559	0	30,550	745,759	10.42%	1,016,320	14.20%	\$1.10	32,179	(48,407)	111,953	349,871
Central Corridor Total	714	7,156,559	0	30,550	745,759	10.42%	1,016,320	14.20%	\$1.10	32,179	(48,407)	111,953	349,871
East Valley													
Chandler	756	16,650,377	0	752,007	2,231,722	13.40%	2,282,803	13.71%	\$1.14	58,226	(165,487)	136,382	797,772
Gateway Airport	112	2,666,741	0	439,024	203,031	7.61%	205,876	7.72%	\$1.26	(2,363)	(13,143)	16,175	46,818
Gilbert	655	12,799,697	9,500	1,674,799	1,253,616	9.79%	1,224,267	9.56%	\$1.19	87,049	150,156	126,414	477,938
Queen Creek	58	1,416,243	0	139,373	119,602	8.45%	119,602	8.45%	\$1.68	(3,168)	(25,884)	1,200	30,362
Red Mountain / Mesa	1,651	28,924,405	48,669	1,112,709	4,916,384	17.00%	5,422,335	18.75%	\$1.05	11,607	348,647	280,399	1,427,681
Tempe	432	8,618,918	9,036	301,900	639,911	7.42%	660,500	7.66%	\$1.22	21,952	69,191	70,715	301,670
East Valley	3,664	71,076,381	67,205	4,419,812	9,364,266	13.17%	9,915,383	13.95%	\$1.11	173,303	363,480	631,285	3,082,241
North Phoenix													
East Phoenix	676	8,588,031	3,538	32,688	989,875	11.53%	1,315,830	15.32%	\$1.06	19,797	111,853	87,742	460,885
Glendale	742	10,974,378	0	280,293	1,233,687	11.24%	1,329,864	12.12%	\$1.00	(16,102)	364,570	86,443	695,745
N. Phoenix / I-17	804	16,269,382	5,340	66,387	2,534,910	15.58%	3,148,618	19.35%	\$0.91	2,735	61,464	81,879	775,680
Sun City	212	3,061,180	0	91,633	431,599	14.10%	491,060	16.04%	\$1.23	2,064	46,432	26,494	167,989
North Phoenix	2,434	38,892,971	8,878	471,001	5,190,071	13.34%	6,285,372	16.16%	\$1.00	8,494	584,319	282,558	2,100,299
North Scottsdale													
Carefree	127	1,737,494	0	27,900	217,116	12.50%	242,494	13.96%	\$1.89	9,068	(18,331)	15,726	59,940
Fountain Hills	81	686,226	0	85,265	73,416	10.70%	74,207	10.81%	\$1.08	(315)	12,805	8,885	53,174
North Scottsdale	515	15,090,045	5,952	1,225,613	1,193,356	7.91%	1,282,640	8.50%	\$1.40	11,848	165,171	125,555	677,873
North Scottsdale	723	17,513,765	5,952	1,338,778	1,483,888	8.47%	1,599,341	9.13%	\$1.47	20,601	159,645	150,166	790,987
Northwest Phoenix													
Anthem	111	2,571,141	0	109,931	170,741	6.64%	157,604	6.13%	\$1.46	8,725	29,912	12,422	73,279
Central Peoria/Arrowhead	414	9,893,570	0	108,818	761,709	7.70%	886,728	8.96%	\$1.29	304	319,537	73,774	580,891
Deer Valley	129	2,144,222	26,779	42,053	204,895	9.56%	207,521	9.68%	\$2.09	14,952	50,951	16,080	92,311
Surprise	260	4,772,093	0	1,325,596	360,159	7.55%	383,510	8.04%	\$1.47	2,628	44,772	23,806	215,079
Northwest Phoenix	914	19,381,026	26,779	1,586,398	1,497,504	7.73%	1,635,363	8.44%	\$1.45	26,609	445,172	126,082	961,560
Scottsdale													
Central Scottsdale	812	15,670,089	30,828	418,445	1,507,229	9.62%	1,573,795	10.04%	\$2.04	50,154	294,764	164,047	799,082
South Scottsdale	380	4,035,590	0	38,480	419,839	10.40%	505,774	12.53%	\$1.15	7,365	39,887	17,122	196,625
Scottsdale	1,192	19,705,679	30,828	456,925	1,927,068	9.78%	2,079,569	10.55%	\$1.80	57,519	334,651	181,169	995,707
South Mountain													
Ahwatukee Foothills	161	3,218,260	0	0	288,946	8.98%	347,098	10.79%	\$1.40	2,488	16,178	11,254	127,449
Laveen	59	1,362,746	3,091	611,170	182,690	13.41%	182,690	13.41%	\$1.17	23,771	28,192	27,728	57,156
South Mountain	87	1,708,606	0	7,600	121,346	7.10%	140,216	8.21%	\$1.15	11,399	3,947	12,560	36,795
South Mountain	307	6,289,612	3,091	618,770	592,982	9.43%	670,004	10.65%	\$1.32	37,658	48,317	51,542	221,400
West Phoenix													
Goodyear	198	3,275,291	0	396,250	477,552	14.58%	505,459	15.43%	\$1.14	661	94,728	85,457	180,838
Loop 101 / I-10	130	2,566,479	0	519,100	200,088	7.80%	154,790	6.03%	\$1.58	14,848	(10,373)	24,258	77,105
N. Goodyear / Litchfield	184	4,483,316	0	1,140,956	319,518	7.13%	332,821	7.42%	\$1.42	(6,669)	221,765	16,457	285,098
North Buckeye	4	104,011	0	0	0	0.00%	0	0.00%	\$1.04	0	0	0	0
South Buckeye	76	1,186,266	0	338,866	96,609	8.14%	97,859	8.25%	\$1.04	3,419	(15,106)	6,584	11,909
Tolleson	218	2,353,661	0	263,281	214,276	9.10%	224,541	9.54%	\$1.03	1,739	29,009	17,536	86,811
West Phoenix / Maryville	451	8,281,886	0	79,631	621,665	7.51%	615,026	7.43%	\$0.89	106,127	135,337	154,193	309,954
West Phoenix	1,261	22,250,910	0	2,738,084	1,929,708	8.67%	1,930,496	8.68%	\$1.13	120,125	455,360	304,485	951,715
Maricopa County													
NE Outlying	2	36,891	0	0	0	0.00%	0	0.00%	\$1.13	0	0	0	0
W Outlying	87	595,821	0	0	33,421	5.61%	43,640	7.32%	\$1.13	(3,800)	(7,580)	0	12,551
Maricopa County	89	632,712	0	0	33,421	5.28%	43,640	6.90%	\$1.13	(3,800)	(7,580)	0	12,551
Pinal County													
Apache Junction	122	1,556,077	0	121,961	105,157	6.76%	131,142	8.43%	\$0.77	(5,681)	5,378	7,800	31,129
Outlying Pinal County	742	8,074,163	360,000	2,592,376	669,698	8.29%	752,931	9.33%	\$0.89	(366)	71,045	27,623	278,711
Pinal County	864	9,630,240	360,000	2,714,337	774,855	8.05%	884,073	9.18%	\$0.87	(6,047)	76,423	35,423	309,840
Phoenix Total	12,796	217,928,251	502,733	14,966,084	23,985,396	11.01%	26,590,005	12.20%	\$1.18	465,397	2,470,940	1,923,038	9,996,280
Malls	341	25,728,136	0	4,609,992	2,212,629	8.60%	2,646,716	10.29%	\$1.70	(6,511)	100,146	22,925	198,981
Power Centers	497	21,267,589	0	2,881,887	1,531,607	7.20%	1,540,905	7.25%	\$1.73	(35,272)	(61,436)	41,845	591,152
Community Centers	1,020	34,522,786	0	1,608,272	4,509,634	13.06%	4,715,171	13.66%	\$1.18	118,271	1,071,111	362,384	2,043,326
Neighborhood Centers	2,272	55,968,013	9,500	2,157,168	9,083,661	16.23%	9,296,871	16.61%	\$1.13	112,522	501,025	624,154	2,960,215
Strip Centers	1,149	13,443,745	5,952	579,127	2,318,320	17.24%	2,481,480	18.46%	\$1.14	84,032	139,531	251,409	1,058,226
Specialty Centers	114	4,021,361	360,000	1,460,788	357,280	8.88%	376,580	9.36%	\$1.75	21,753	326,122	32,125	404,693
General Retail	7,403	62,976,621	127,281	1,668,850	3,972,265	6.31%	5,532,282	8.78%	\$1.19	170,602	394,441	588,196	2,739,687
Phoenix Total	12,796	217,928,251	502,733	14,966,084	23,985,396	11.01%	26,590,005	12.20%	\$1.18	465,397	2,470,940	1,923,038	9,996,280

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
28516 N. El Mirage Rd.	Surprise/N. Peoria	14,820	\$512.82	Luke S. Kao	Pacific West Land
8332 W. Thunderbird Rd.	Glendale	13,812	\$376.46	TimeSquareCapital, LLC	M.T.E. Investments, Inc.
17510 N. 75th Ave.	C. Peoria/Arrowhead	34,827	\$143.61	Consolidated-Tomoka Land Company	Vintage Partners
2223 W. Camelback Rd.	Downtown	55,372	\$86.69	Van Tuyl Group	Great Lakes National Mortgage Bank
2880 S. Alma School Rd.	Chandler	123,040	\$32.92	Shoppers Trust	Target Corporation
746 W. University Dr.	Red Mountain/Mesa	15,120	\$235.52	Don & Salie Filer	TLC Wildlife Ranches, Inc.

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
2020 N. Arizona Ave.	Chandler	40,020	Mar -13	N/A	Sooner Investment Company
860-894 E. Warner Rd.	Gilbert	25,740	Feb -13	Goodwill	SFB Investments, Inc.
6760 W. Deer Valley Rd.	Peoria/Arrowhead	25,261	Feb -13	Sprouts	LNR Partners
1262-1342 S. Country Club Dr.	Red Mountain/Mesa	24,016	Feb -13	Onyx	Kimco Realty Corporation
15801 N. 71st St.	N. Scottsdale	22,449	Feb -13	iLiving	Senn Visciano & Kirshenbun
7369-7439 W. Bell Rd.	Peoria/Arrowhead	22,115	Mar -13	Tres Amigos Imports	Roger F. Spaulding

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

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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