



Retail Market Report

Compared to the Previous Quarter:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

UP

To view available properties or electronic versions of current or past market reports, please visit:

www.voitco.com

Prepared by:

Jerry J. Holdner, Jr. — Lic.#01145748
Vice President of Market Research
e-mail: jholdner@voitco.com

Jon Rappa — Lic.#SA636968000
Market Research Analyst
e-mail: jrappa@voitco.com

VOIT Real Estate Services — Lic.#C0638277000

Market Highlights

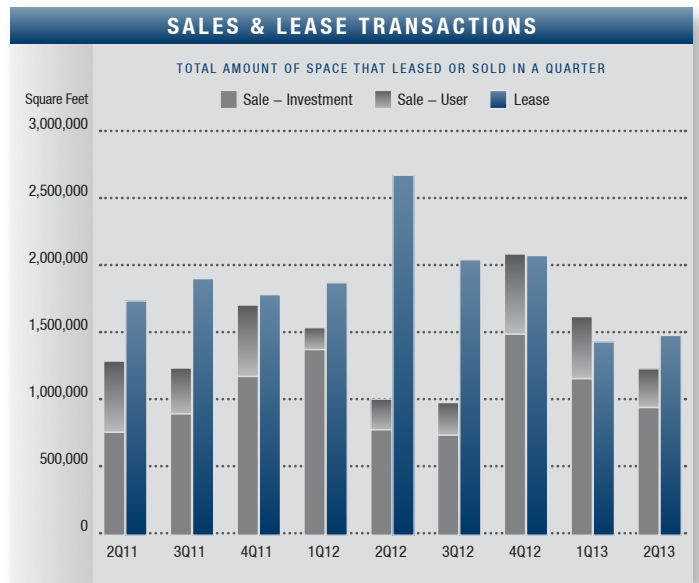
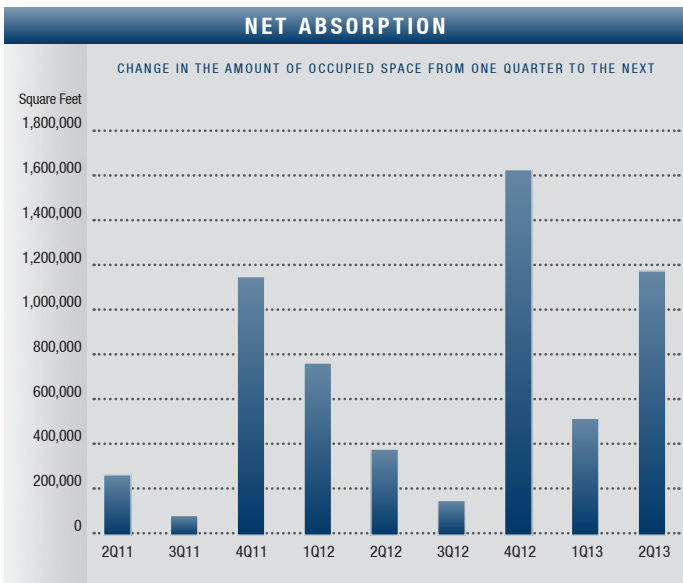
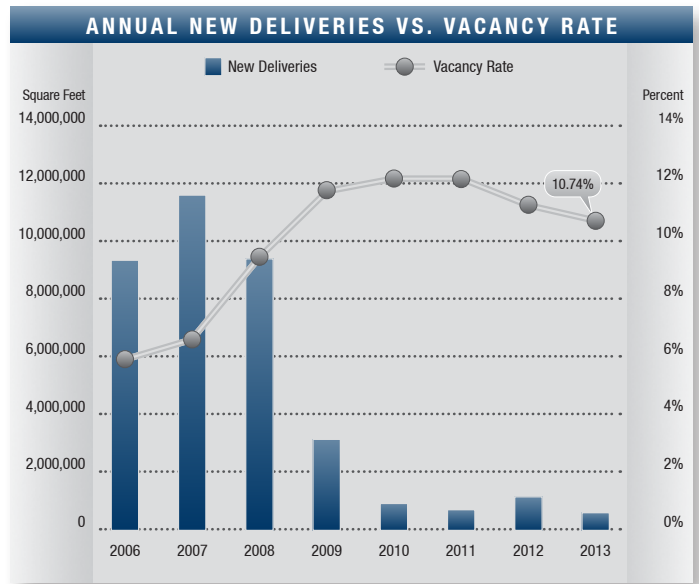
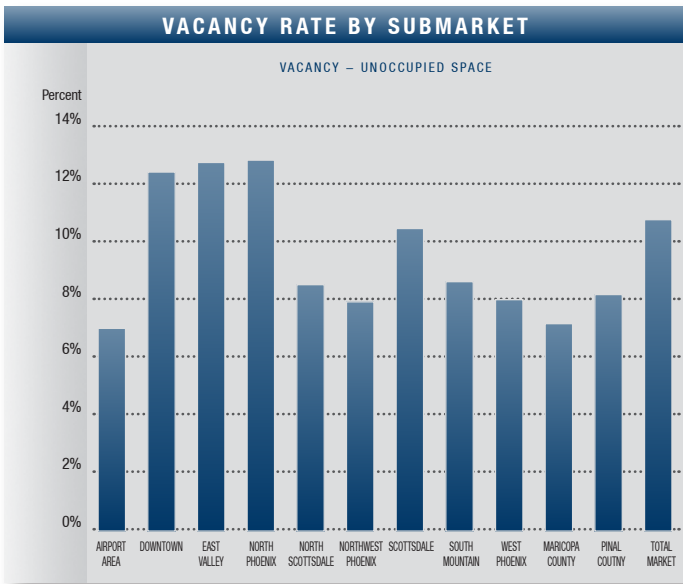
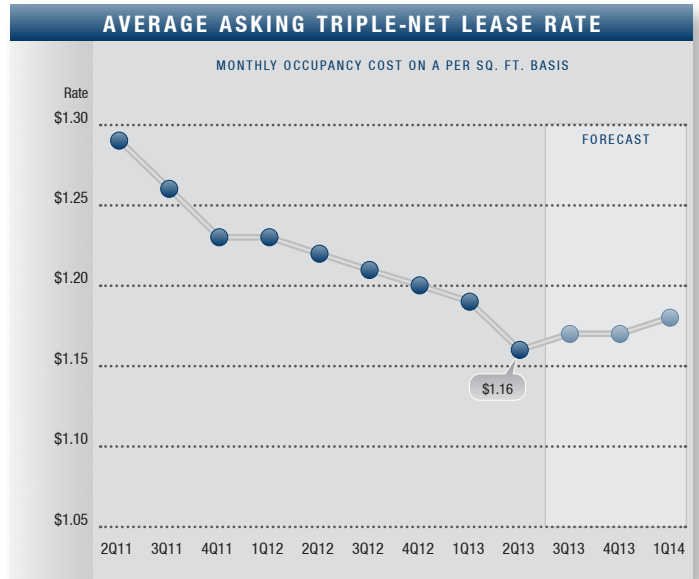
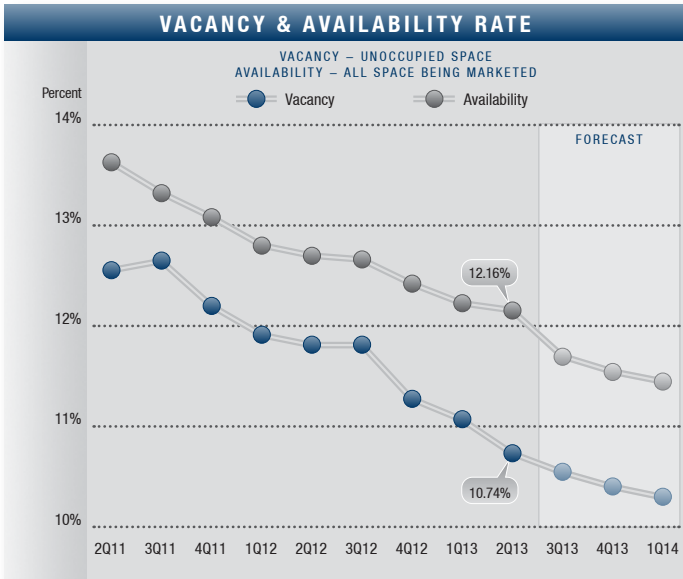
- Encouraging Numbers** - The Phoenix retail market continued moving on the path towards recovery in the second quarter of 2013. Both vacancy and availability exhibited decreases compared to both the previous quarter and the previous year. The Phoenix market also posted over 1.15 million square feet of positive absorption in the second quarter, making it the ninth 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 732,544 square feet of retail construction underway at the end of second quarter 2013. The overall 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 second quarter at 10.74%, a healthy drop from the previous year's rate of 11.81%. The lowest vacancy rate was found in the Airport Area submarket, at 6.45%, 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 12.16%, 7 basis points lower than the previous quarter and a decrease of 4.41% 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 \$1.16 for the second quarter of 2013, down three cents from the previous quarter. As vacancy rates have dropped, average lease rates have begun to stabilize. Look for rates to continue to level out and to increase incrementally in some submarkets in coming quarters, as consumer spending increases.
- Absorption** - The Phoenix retail market posted 1.17 million square feet of positive net absorption in the second quarter of 2013, marking the ninth consecutive quarter of positive

net absorption and giving the market a total of 6 million square feet over the positive streak.

- Transaction Activity** - Leasing activity checked in at 1,476,983 square feet, a slight increase from the previous quarter's figure of 1,426,360 million square feet. Sales decreased compared to the first quarter of 2013, posting 1.2 million square feet, down about 400,000 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 6.6% in April 2013, a healthy decrease from January 2013's rate of 7.1%. 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 as they stabilize, 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

	2Q13	1Q13	2Q12	% of Change vs. 2Q12
Total Vacancy Rate	10.74%	11.08%	11.81%	(9.06%)
Availability Rate	12.16%	12.23%	12.70%	(4.25%)
Average Asking Lease Rate	\$1.16	\$1.19	\$1.22	(4.92%)
Sale & Lease Transactions	2,690,948	3,031,095	3,664,726	(26.57%)
Gross Absorption	2,656,934	2,026,710	2,616,879	1.53%
Net Absorption	1,165,746	506,858	374,632	211.17%



	INVENTORY					VACANCY & LEASE RATES				ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 202013	Square Feet Available	Availability Rate 202013	Average Asking Lease Rate	Net Absorption 202013	Net Absorption 2013	Gross Absorption 202013	Gross Absorption 2013
Airport Area													
Airport Area	398	3,809,718	0	558,875	261,425	6.86%	419,421	11.01%	\$1.22	(2,788)	43,305	15,240	101,039
South Tempe/Ahwatukee	224	1,477,248	0	18,400	79,748	5.40%	103,639	7.02%	\$1.10	6,347	10,972	15,605	30,768
Airport Total	622	5,286,966	0	577,275	341,173	6.45%	523,060	9.89%	\$1.20	3,559	54,277	30,845	131,807
Downtown Phoenix													
Downtown Phoenix	699	6,327,534	1,700	11,520	780,825	12.34%	997,192	15.76%	\$1.10	(6,915)	(621)	37,041	131,113
Central Corridor Total	699	6,327,534	1,700	11,520	780,825	12.34%	997,192	15.76%	\$1.10	(6,915)	(621)	37,041	131,113
East Valley													
Chandler	741	16,582,430	0	585,980	2,089,813	12.60%	2,322,773	14.01%	\$1.15	164,218	244,083	248,195	403,961
Gateway Airport	112	2,669,141	0	390,664	204,051	7.64%	209,048	7.83%	\$1.23	(6,020)	(8,383)	4,250	20,425
Gilbert	657	12,792,086	641,535	1,592,255	1,158,202	9.05%	1,232,907	9.64%	\$1.18	75,774	178,963	167,716	307,770
Queen Creek	61	1,459,804	0	92,647	122,875	8.42%	120,675	8.27%	\$1.64	(3,273)	(6,441)	1,368	2,568
Red Mountain / Mesa	1,639	28,747,814	0	1,022,561	4,755,635	16.54%	5,305,484	18.46%	\$1.04	232,773	234,719	409,131	693,732
Tempe	437	8,140,353	9,036	288,900	633,147	7.78%	651,631	8.00%	\$1.08	27,744	13,896	93,187	162,902
East Valley	3,647	70,391,628	650,571	3,973,007	8,963,723	12.73%	9,842,518	13.98%	\$1.10	491,216	656,837	923,847	1,591,358
North Phoenix													
East Phoenix	678	8,715,746	0	16,600	989,347	11.35%	1,334,414	15.31%	\$1.06	16,898	47,963	93,177	191,419
Glendale	740	10,947,850	0	235,715	1,196,642	10.93%	1,285,851	11.75%	\$1.02	22,045	15,143	63,758	153,309
N. Phoenix / I-17	806	16,141,837	5,340	31,650	2,388,136	14.79%	3,001,444	18.59%	\$0.91	120,765	123,500	184,419	266,298
Sun City	212	3,047,736	0	112,513	390,176	12.80%	464,244	15.23%	\$1.26	31,423	43,487	53,241	79,735
North Phoenix	2,436	38,853,169	5,340	396,478	4,964,301	12.78%	6,085,953	15.66%	\$1.01	191,131	230,093	394,595	690,761
North Scottsdale													
Carefree	129	1,746,166	0	36,300	236,658	13.55%	270,540	15.49%	\$1.82	(18,442)	(9,274)	12,322	28,148
Fountain Hills	78	681,371	0	85,265	72,386	10.62%	76,015	11.16%	\$1.07	2,374	715	18,773	27,658
North Scottsdale	519	14,946,507	0	203,702	1,158,800	7.75%	1,236,851	8.28%	\$1.42	69,744	53,112	135,918	255,277
North Scottsdale	726	17,374,044	0	325,267	1,467,844	8.45%	1,583,406	9.11%	\$1.48	53,676	44,553	167,013	311,083
Northwest Phoenix													
Anthem	113	2,533,885	0	97,100	148,873	5.88%	152,564	6.02%	\$1.46	28,310	30,593	37,477	49,899
Central Peoria/Arrowhead	417	9,894,781	0	88,556	774,864	7.83%	867,107	8.76%	\$1.21	(18,636)	(22,374)	101,487	175,261
Deer Valley	126	2,024,489	26,779	16,196	236,192	11.67%	242,818	11.99%	\$1.25	266	1,660	6,273	8,785
Surprise	255	4,749,216	0	1,253,651	341,057	7.18%	360,500	7.59%	\$1.41	19,102	21,730	54,613	78,419
Northwest Phoenix	911	19,202,371	26,779	1,455,503	1,500,986	7.82%	1,622,989	8.45%	\$1.40	29,042	31,609	199,850	312,364
Scottsdale													
Central Scottsdale	805	15,523,203	26,620	380,438	1,463,102	9.43%	1,581,253	10.19%	\$2.02	29,689	86,048	127,372	292,411
South Scottsdale	374	4,001,365	0	0	569,279	14.23%	676,588	16.91%	\$1.12	(82,934)	(75,569)	46,067	63,189
Scottsdale	1,179	19,524,568	26,620	380,438	2,032,381	10.41%	2,257,841	11.56%	\$1.75	(53,245)	10,479	173,439	355,600
South Mountain													
Ahwatukee Foothills	158	3,205,473	0	0	293,767	9.16%	317,856	9.92%	\$1.36	(4,821)	(2,333)	17,349	28,603
Laveen	60	1,368,523	3,091	569,752	155,765	11.38%	102,329	7.48%	\$1.34	(12,275)	11,496	6,425	34,153
South Mountain	95	2,059,396	0	0	115,846	5.63%	140,916	6.84%	\$1.19	361,684	373,083	366,184	378,744
South Mountain	313	6,633,392	3,091	569,752	565,378	8.52%	561,101	8.46%	\$1.34	344,588	382,246	389,958	441,500
West Phoenix													
Goodyear	201	3,543,940	4,512	362,801	467,438	13.19%	492,499	13.90%	\$1.14	10,114	10,086	42,093	126,861
Loop 101 / I-10	129	2,557,527	0	499,800	183,040	7.16%	166,029	6.49%	\$1.58	17,048	31,896	68,126	92,384
N. Goodyear / Litchfield	186	4,361,728	3,131	1,106,302	290,433	6.66%	297,947	6.83%	\$1.42	4,085	32,416	20,820	72,277
North Buckeye	4	104,011	0	0	0	0.00%	0	0.00%	\$1.01	0	0	0	0
South Buckeye	77	1,188,837	0	314,455	94,034	7.91%	95,284	8.01%	\$1.01	1,364	5,829	5,364	12,994
Tolleson	220	2,379,413	0	208,023	217,858	9.16%	228,240	9.59%	\$1.03	(3,082)	(1,371)	7,042	24,550
West Phoenix / Maryville	441	8,107,091	0	58,381	517,846	6.39%	594,838	7.34%	\$0.88	94,704	205,661	139,572	296,240
West Phoenix	1,258	22,242,547	7,643	2,549,762	1,770,649	7.96%	1,874,837	8.43%	\$1.11	124,233	284,517	283,017	625,306
Maricopa County													
NE Outlying	2	36,891	0	0	0	0.00%	0	0.00%	\$1.13	0	0	0	0
W Outlying	90	627,995	0	0	47,205	7.52%	78,046	12.43%	\$1.13	(13,784)	(17,584)	3,900	3,900
Maricopa County	92	664,886	0	0	47,205	7.10%	78,046	11.74%	\$1.13	(13,784)	(17,584)	3,900	3,900
Pinal County													
Apache Junction	124	1,566,803	0	101,630	93,552	5.97%	109,827	7.01%	\$0.76	11,605	5,924	14,155	21,955
Outlying Pinal County	733	7,797,258	10,800	2,497,592	664,769	8.53%	710,883	9.12%	\$0.90	(9,360)	(9,726)	39,274	66,897
Pinal County	857	9,364,061	10,800	2,599,222	758,321	8.10%	820,710	8.76%	\$0.88	2,245	(3,802)	53,429	88,852
Phoenix Total	12,740	215,865,166	732,544	12,838,224	23,192,786	10.74%	26,247,653	12.16%	\$1.16	1,165,746	1,672,604	2,656,934	4,683,644
Malls	338	25,780,834	6,100	2,217,868	2,212,481	8.58%	2,551,514	9.90%	\$1.65	(29,326)	(31,094)	27,029	141,591
Power Centers	503	21,315,872	0	2,898,780	1,424,084	6.68%	1,594,690	7.48%	\$1.71	38,536	57,512	126,976	247,712
Community Centers	1,017	34,055,910	0	1,597,305	3,890,058	11.42%	4,269,031	12.54%	\$1.19	264,643	392,990	512,436	899,715
Neighborhood Centers	2,317	56,792,612	17,103	2,043,868	9,366,792	16.49%	9,724,149	17.12%	\$1.10	264,772	351,171	805,913	1,452,775
Strip Centers	1,134	13,209,875	0	549,515	2,245,842	17.00%	2,439,169	18.46%	\$1.15	48,082	129,841	172,670	420,606
Specialty Centers	126	4,271,651	0	1,445,288	365,580	8.56%	372,310	8.72%	\$1.72	348,884	370,437	376,611	408,736
General Retail	7,305	60,438,412	709,341	2,085,600	3,687,949	6.10%	5,296,790	8.76%	\$1.19	230,155	401,747	635,299	1,112,509
Phoenix Total	12,740	215,865,166	732,544	12,838,224	23,192,786	10.74%	26,247,653	12.16%	\$1.16	1,165,746	1,672,604	2,656,934	4,683,644

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
445 N. Stapley Rd.	Red Mountain/Mesa	57,500	\$193.04	Cole Credit Property Trust IV, Inc.	Bell Ford
6501 E. Greenway Pkwy.	Scottsdale Airpark	46,485	\$217.00	RD Advisors	A & C Properties, Inc.
13980 W. Bell Rd.	Surprise/N. Peoria	27,205	\$221.28	A & C Properties, Inc.	Pacific West Land
2235 S. Power Rd.	Gateway Airport	46,595	\$111.60	Paces Lodging Corporation	ArciTerra Group
975 E. Riggs Rd.	Gilbert	18,240	\$276.86	A & C Properties, Inc.	436 Sterling, LLC
2700 W. Baseline Rd.	South Mountain	50,724	\$88.12	Black Equities Group, Ltd.	CFW Properties

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1661 S. Alama School Rd.	Red Mountain/Mesa	120,026	Apr-13	RoomStore Furniture	PacVentures, Inc.
730 S. Mill Ave.	Tempe	37,645	Jun-13	AMC Theatres	DMB Associates, Inc.
4335 W. Glendale Rd.	Glendale	30,435	Apr-13	Family Thrift Store	Glendale & 43rd, LLC
3636 W. Baseline Rd.	Laveen	28,436	Apr-13	Big Lots	Hinkson Company, LLC
15602 N. 7th St.	E. Phoenix	28,434	Apr-13	Furniture Affair	Thew One, LLC
13226 N. 7th St.	E. Phoenix	28,260	Apr-13	Goodwill Industries	Oak Realty Partners, Inc.

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

Please Contact Us for Further Information

Anaheim, CA
714.978.7880

Commerce, CA
323.558.5400

Inland Empire, CA
909.545.8000

Irvine, CA
949.851.5100

Las Vegas, NV
702.734.4500

Newport Beach, CA
949.644.8648

Phoenix, AZ
602.952.8648

Reno, NV
775.309.0782

Sacramento, CA
916.772.8648

San Diego, CA
858.453.0505



REAL ESTATE SERVICES

101 Shipyard Way
Newport Beach, CA 92663

949.644.8648
www.voitco.com
Lic.#01333376

This survey consists of properties representing both single tenant and multi-tenant buildings. The lease rates are based on a triple-net basis. The information contained in this report is gathered from sources that are deemed reliable, but no guarantees are made as to its accuracy. This information is for Voit Real Estate Services' use only and cannot legally be reproduced without prior written consent from the management of Voit Real Estate Services.