



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

Jennifer Farino
Market Research Analyst
e-mail: jfarino@voitco.com

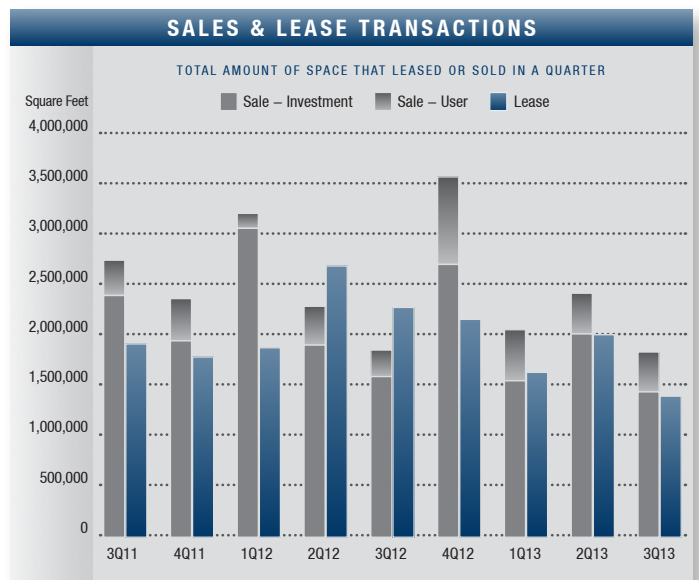
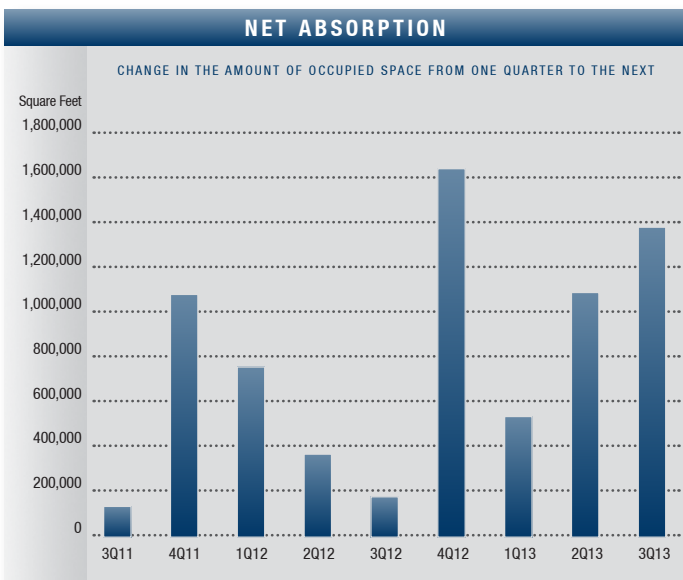
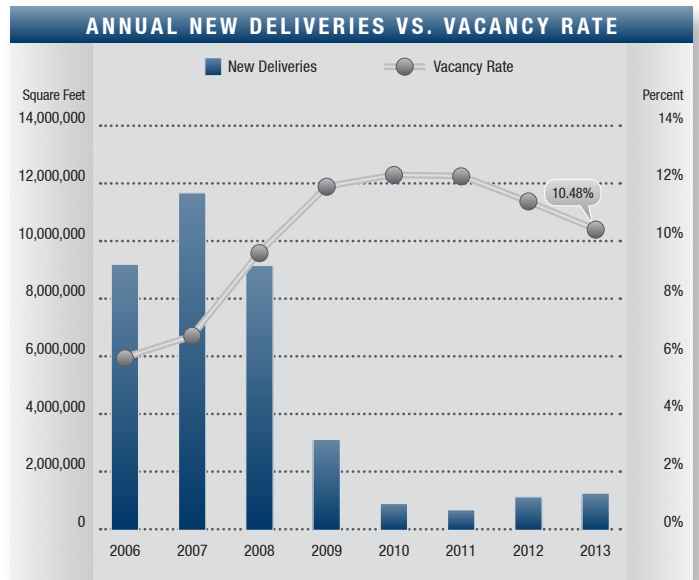
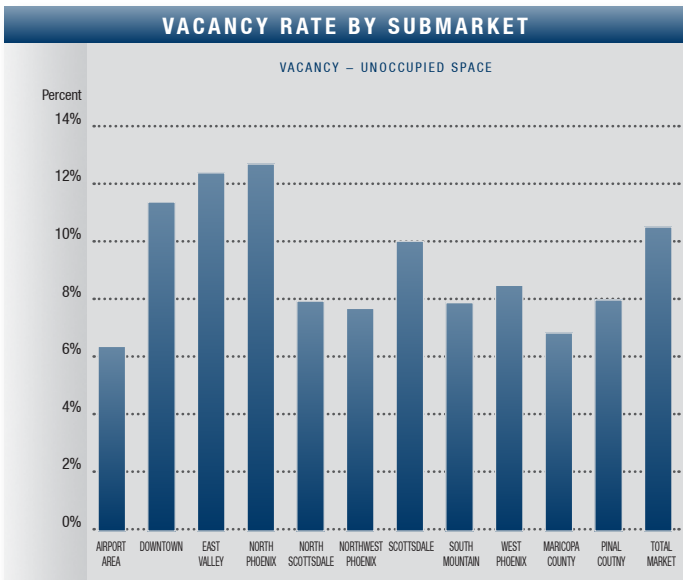
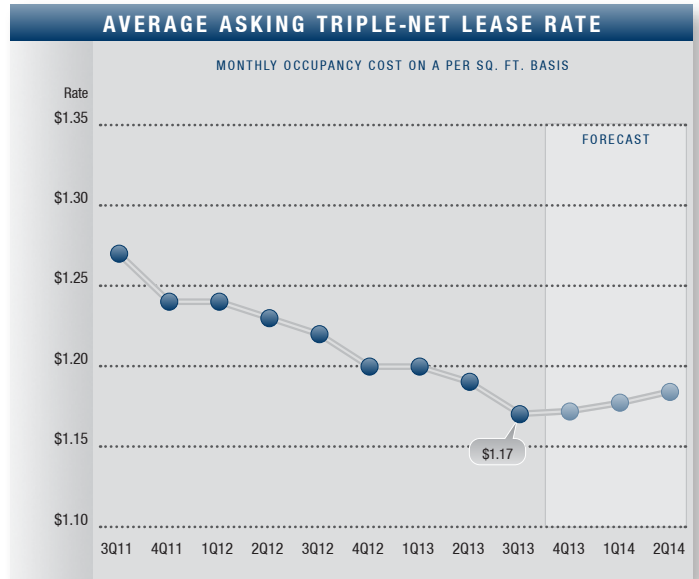
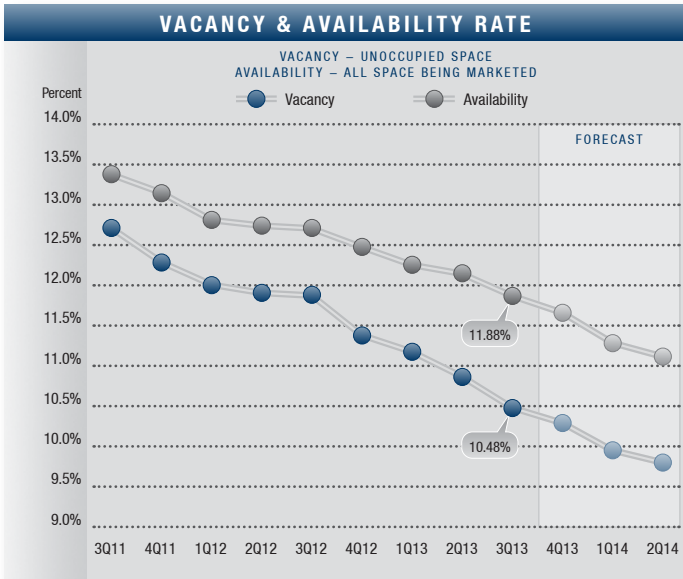
VOIT Real Estate Services — Lic.#C0638277000

Market Highlights

- Encouraging Numbers** - The Phoenix retail market continued on the path towards recovery and growth in the third quarter of 2013. Both vacancy and availability continued to decrease, exhibiting the lowest rates since the first quarter of 2009. The Phoenix market also posted nearly 1.4 million square feet of positive absorption in the third quarter, making it the tenth 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.
- Absorption** - The Phoenix retail market posted 1,373,399 square feet of positive net absorption in the third quarter of 2013, marking the tenth consecutive quarter of positive net absorption and giving the market a total of nearly 7.3 million square feet over the positive streak.
- Transaction Activity** - Leasing activity checked in at 1,381,455 square feet, a decrease from the previous quarter's figure of 1,989,845 million square feet. Sales also decreased compared to the second quarter of 2013, posting 2.2 million square feet, down about 872,219 square feet. This statistic typically lags, so look for transaction activity for the year end to end up slightly higher. 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 8.3% in August 2013, an increase from January 2013's rate of 8.0%. Sectors with strong job growth included transportation, information driven by transportation, and financial activities. According to Arizona Department of Administration, August added 39,800 nonfarm jobs — 32,000 in government and 8,000 in the education and health services sector.
- Overall** - The Phoenix retail market's future is looking brighter as it continues to gain traction. Vacancy and availability are the lowest they've been since the beginning of the recession. Total net absorption for the year is already on par with the total net absorption for 2012, with still one quarter to go. Look for 2013 to produce the most positive absorption since 2008. Lease rates, prompted by dropping availability and vacancy, are finally beginning to stabilize and increase. While all of these are very good indications, positive employment and overall economic stability will be needed to sustain further growth of the Phoenix retail market.
- Construction** - There was 208,397 square feet of retail construction underway at the end of third quarter 2013. The Phoenix retail market delivered 1.23 million square feet of retail space in 2013 so far, the most since the first quarter of 2009 but still low compared to historical averages. The overall lack of new construction should continue to ease upward pressure on vacancy in the coming quarters.
- Vacancy** - Vacancy continued to recede as the Phoenix economy recovers. Direct/sublease space (unoccupied) finished the third quarter at 10.48%, a healthy drop from the previous year's rate of 11.89%. The lowest vacancy rate was found in the Airport Area submarket, at 6.30%, respectively.
- Availability** - Direct/sublease space finished the third quarter at 11.88%, 27 basis points lower than the previous quarter and a 6.53% decrease when compared to the prior year's third quarter rate of 12.71%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Phoenix was at \$1.17 for the third quarter of 2013, down two 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 quarter, as consumer spending increases.

RETAIL MARKET OVERVIEW

	3Q13	2Q13	3Q12	% of Change vs. 3Q12
Total Vacancy Rate	10.48%	10.87%	11.89%	(11.86%)
Availability Rate	11.88%	12.15%	12.71%	(6.53%)
Average Asking Lease Rate	\$1.17	\$1.19	\$1.22	(4.10%)
Sale & Lease Transactions	3,188,121	4,385,140	4,085,731	(21.97%)
Gross Absorption	2,987,773	2,742,691	1,895,381	57.63%
Net Absorption	1,373,399	1,080,532	168,423	N/A



	INVENTORY					VACANCY & LEASE RATES					ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 3Q2013	Square Feet Available	Availability Rate 3Q2013	Average Asking Lease Rate	Net Absorption 3Q2013	Net Absorption 2013	Gross Absorption 3Q2013	Gross Absorption 2013	
Airport Area														
Airport Area	399	3,809,931	0	558,875	259,091	6.80%	385,419	10.12%	\$1.32	3,195	45,639	25,537	126,576	
South Tempe/Ahwatukee	230	1,488,941	0	25,900	74,867	5.03%	101,131	6.79%	\$1.13	8,081	16,353	15,000	46,768	
Airport Total	629	5,298,872	0	584,775	333,958	6.30%	486,550	9.18%	\$1.28	11,276	61,992	40,537	173,344	
Downtown Phoenix														
Downtown Phoenix	709	6,382,168	0	90,258	724,041	11.34%	967,317	15.16%	\$1.06	76,768	67,808	124,286	256,499	
Central Corridor Total	709	6,382,168	0	90,258	724,041	11.34%	967,317	15.16%	\$1.06	76,768	67,808	124,286	256,499	
East Valley														
Chandler	741	16,514,805	60,916	715,272	2,066,521	12.51%	2,350,258	14.23%	\$1.16	32,745	272,942	164,751	575,110	
Gateway Airport	113	2,691,640	0	265,854	203,972	7.58%	207,817	7.72%	\$1.22	6,303	(8,304)	11,359	32,960	
Gilbert	664	13,396,463	79,665	1,684,705	1,114,870	8.32%	1,210,078	9.03%	\$1.25	729,311	853,837	804,603	1,066,533	
Queen Creek	63	1,474,168	0	139,373	112,049	7.60%	110,276	7.48%	\$1.61	13,426	6,785	14,500	17,068	
Red Mountain / Mesa	1,655	28,717,191	0	957,098	4,580,287	15.95%	5,119,033	17.83%	\$0.99	99,989	435,147	325,552	1,223,103	
Tempe	443	8,106,418	0	313,800	674,706	8.32%	654,905	8.08%	\$1.15	(37,063)	(5,178)	109,730	292,121	
East Valley	3,679	70,900,685	140,581	4,076,102	8,752,405	12.34%	9,652,367	13.61%	\$1.08	844,711	1,555,229	1,430,495	3,206,895	
North Phoenix														
East Phoenix	681	8,378,653	0	22,688	1,010,970	12.07%	1,311,143	15.65%	\$1.08	(14,677)	23,387	69,962	253,779	
Glendale	740	10,808,334	0	299,721	1,142,114	10.57%	1,295,114	11.98%	\$1.05	18,100	31,801	87,118	248,385	
N. Phoenix / I-17	809	16,035,592	0	72,487	2,275,307	14.19%	2,760,659	17.22%	\$0.93	102,971	198,974	158,333	432,064	
Sun City	213	2,936,262	0	134,407	384,298	13.09%	400,762	13.65%	\$1.17	(19,249)	15,103	72,047	151,644	
North Phoenix	2,443	38,158,841	0	529,303	4,812,689	12.61%	5,767,678	15.11%	\$1.01	87,145	269,265	387,460	1,085,872	
North Scottsdale														
Carefree	131	1,752,329	0	36,300	232,743	13.28%	266,735	15.22%	\$1.66	5,888	(5,359)	18,585	46,733	
Fountain Hills	79	686,593	0	85,265	82,672	12.04%	85,013	12.38%	\$1.11	1,969	884	7,500	32,021	
North Scottsdale	519	14,902,360	0	216,469	1,055,226	7.08%	1,171,211	7.86%	\$1.55	80,694	163,471	158,471	502,307	
North Scottsdale	729	17,341,282	0	338,034	1,370,641	7.90%	1,522,959	8.78%	\$1.51	88,551	158,996	184,556	581,061	
Northwest Phoenix														
Anthem	112	2,346,002	0	109,931	151,929	6.48%	162,435	6.92%	\$0.85	(10,056)	20,537	15,910	65,809	
Central Peoria/Arrowhead	414	9,686,913	0	105,556	710,784	7.34%	817,050	8.43%	\$1.29	17,441	1,307	78,371	258,072	
Deer Valley	130	2,047,527	0	18,715	238,824	11.66%	242,200	11.83%	\$2.02	(2,632)	11,133	6,770	27,660	
Surprise	256	4,741,709	0	1,339,675	332,079	7.00%	351,461	7.41%	\$1.39	1,505	30,708	16,050	94,469	
Northwest Phoenix	912	18,822,151	0	1,573,877	1,433,616	7.62%	1,573,146	8.36%	\$1.43	6,258	63,685	117,101	446,010	
Scottsdale														
Central Scottsdale	812	15,484,249	16,884	423,345	1,390,878	8.98%	1,540,543	9.95%	\$2.11	89,177	195,943	216,895	524,621	
South Scottsdale	376	4,002,190	0	11,140	553,541	13.83%	677,861	16.94%	\$1.16	23,291	(52,613)	34,889	98,661	
Scottsdale	1,188	19,486,439	16,884	434,485	1,944,419	9.98%	2,218,404	11.38%	\$1.82	112,468	143,330	251,784	623,282	
South Mountain														
Ahwatukee Foothills	170	3,571,201	0	0	261,310	7.32%	280,141	7.84%	\$1.37	43,106	386,308	105,715	136,418	
Laveen	61	1,371,465	0	621,898	131,223	9.57%	87,172	6.36%	\$1.51	23,900	36,038	26,126	448,770	
South Mountain	86	1,643,680	0	7,622	122,262	7.44%	143,462	8.73%	\$1.30	(6,416)	0	5,251	33,062	
South Mountain	317	6,586,346	0	629,520	514,795	7.82%	510,775	7.76%	\$1.37	60,590	422,346	137,092	618,250	
West Phoenix														
Goodyear	197	3,227,345	0	396,250	474,661	14.71%	474,196	14.69%	\$1.18	(7,323)	5,748	15,802	145,648	
Loop 101 / I-10	130	2,562,242	26,255	532,850	147,636	5.76%	147,738	5.77%	\$1.66	36,002	67,300	43,357	136,532	
N. Goodyear / Litchfield	185	4,165,912	5,859	1,909,368	274,979	6.60%	277,465	6.66%	\$1.41	2,944	29,360	18,462	85,405	
North Buckeye	4	104,011	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0	
South Buckeye	78	1,191,399	11,818	289,548	92,958	7.80%	94,208	7.91%	\$1.05	1,576	7,405	9,676	22,670	
Tolleson	225	2,539,349	0	223,642	222,888	8.78%	232,697	9.16%	\$1.02	(4,430)	(5,801)	5,272	29,922	
West Phoenix / Maryville	443	8,102,092	7,000	79,131	635,846	7.85%	695,389	8.58%	\$0.91	18,853	106,609	99,755	395,995	
West Phoenix	1,262	21,892,350	50,932	3,430,789	1,848,968	8.45%	1,921,693	8.78%	\$1.12	47,622	210,621	192,324	816,172	
Maricopa County														
NE Outlying	2	36,891	0	0	0	0.00%	0	0.00%	\$1.13	0	0	0	0	
W Outlying	92	625,038	0	0	44,756	7.16%	75,597	12.09%	\$1.13	2,449	(15,135)	10,829	14,729	
Maricopa County	94	661,929	0	0	44,756	6.76%	75,597	11.42%	\$1.13	2,449	(15,135)	10,829	14,729	
Pinal County														
Apache Junction	123	1,532,595	0	121,961	67,517	4.41%	80,917	5.28%	\$0.82	31,967	38,391	34,298	54,753	
Outlying Pinal County	731	7,672,474	0	2,644,867	665,832	8.68%	734,033	9.57%	\$0.88	3,594	(7,911)	77,011	143,329	
Pinal County	854	9,205,069	0	2,766,828	733,349	7.97%	814,950	8.85%	\$0.87	35,561	30,480	111,309	198,082	
Phoenix Total	12,816	214,736,132	208,397	14,453,971	22,513,637	10.48%	25,511,436	11.88%	\$1.17	1,373,399	2,968,617	2,987,773	8,020,196	
Malls	516	20,838,492	0	4,150,156	1,259,701	6.05%	1,509,136	7.24%	\$1.78	92,561	189,233	118,688	403,711	
Power Centers	516	20,838,492	5,859	2,747,560	1,259,701	6.05%	1,509,136	7.24%	\$1.78	92,561	189,233	118,688	403,711	
Shopping Centers	4,490	102,805,111	9,500	4,146,000	15,067,094	14.66%	15,902,729	15.47%	\$1.13	258,935	1,280,717	2,631,005	6,440,220	
Specialty Centers	46	1,847,391	0	330,000	120,068	6.50%	131,706	7.13%	\$1.01	407	354,638	704	368,843	
General Retail	7,248	68,406,646	193,038	3,080,255	4,807,073	7.03%	6,458,729	9.44%	\$1.05	928,935	954,796	118,688	403,711	
Phoenix Total	12,816	214,736,132	208,397	14,453,971	22,513,637	10.48%	25,511,436	11.88%	\$1.17	1,373,399	2,968,617	2,987,773	8,020,196	

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
10111 E. Bell Rd. – 2 Properties	North Scottsdale	100,000	\$141.25	YAM Management	BlackRock, Inc.
63611-3821 E. Baseline Rd. – 5 Properties	Mesa	114,877	Undisclosed	Gateway Triangle Development, LLC	LNR Property Corporation
925-1107 S. Gilbert Rd. – 4 Properties	Superstition Corridor	262,925	Undisclosed	Astani Enterprises, Inc.	Wells Fargo Bank, NA
4710 E. Lone Mountain Rd.	Carefree	25,315	\$345.64	Terry & Steven Blumenfeld	National Retail Development Partners
4990 S. Arizona Ave.	Chandler	13,013	\$608.12	Kaneohe Ranch Management, Ltd.	Potomac Development Corporation
1601 N. 7th Ave. – 2 Properties	Downtown Phoenix	21,933	\$341.95	Capstone Advisors, Inc.	Lawrence & Geysler Development

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
12420 W. Thunderbird Rd.	Sun City	48,039	Aug-13	Undisclosed	Warren & Rosetta Page
5870 W. Bell Rd.	Arrowhead	45,000	Sep-13	Howie Furniture	Kir Glendale
111-119 E. Dunlap Ave.	East Phoenix	43,647	Jul-13	Wal Mart	Whitestone Sunnyslope Village, LLC
525 W. Main St.	Mesa	34,251	Jul-13	USA Auto	Antoinette Chucri
4302-4348 W. Indian School Rd.	Maryvale	27,649	Jul-13	Soft Goods Retailer	Aetna West, LLC
9870 W. Lower Buckeye Rd.	Tolleson	24,018	Aug-13	LA Fitness	Pecan Holdings, 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

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.