



Retail Market Report

Compared to 2010:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

UP

Deliveries

DOWN

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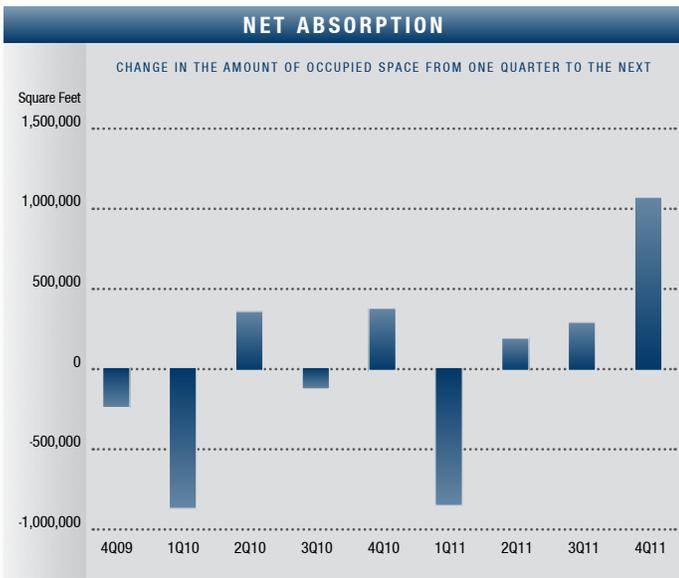
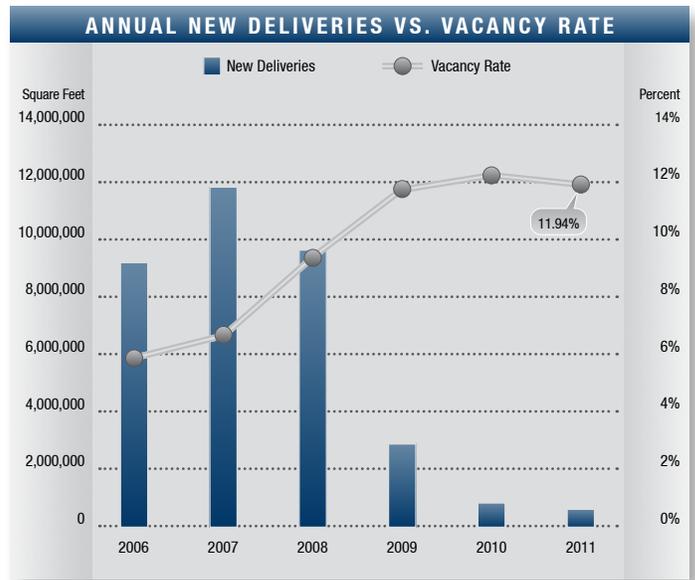
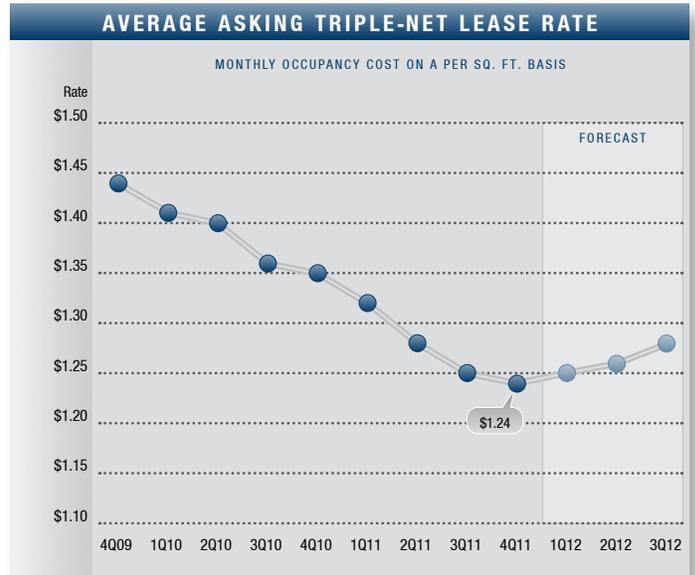
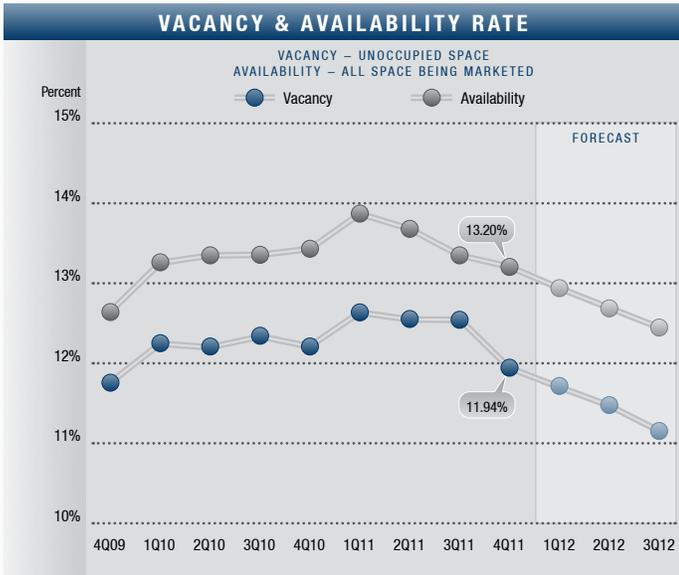
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Market Highlights

- Encouraging Numbers** - 2011's numbers were encouraging—a sign that recovery could be on the horizon. Vacancy and availability exhibited slight decreases, and the market posted overall positive absorption in 2011. Demand slightly picked up compared to 2010, and tenants began signing longer lease commitments. 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 207,344 square feet of retail construction underway at the close of 2011. The shrinking availability of land, scarce financing, and rising construction costs have led to few projects being developed.
- Vacancy** - Direct/sublease space (unoccupied) finished the fourth quarter at 11.94%, a decrease from 2010's rate of 12.21%. The lowest vacancy rates were found in the Northwest Phoenix and South Mountain submarkets, at 9.04% and 9.94%, respectively.
- Availability** - Direct/sublease space being marketed was at 13.20% at the end of 2011, a slight decrease when compared to the prior year's rate of 13.42%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Phoenix was \$1.24 at the end of 2011, a decrease from the previous year's asking rate. With vacancy trending downward, rates should stabilize.
- Absorption** - The Phoenix retail market posted 690,951 square feet of positive net absorption in 2011, the most positive net absorption since 2008.
- Transaction Activity** - Leasing activity checked in at 5.7 million square feet in 2011, a decrease from the 2010 figure of 6.6 million square feet, but still 11% higher than 2009. Sales activity showed an increase, posting 5 million square feet of activity compared to the 3 million square feet we saw in 2010. 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 7.7% in November 2011, down from a revised 8.1% in October 2011. This compares with an unadjusted unemployment rate of 8.7% for Arizona and 8.2% for the nation during the same period.
- 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

	2011	2010	2009	% of Change vs. 2010
Total Vacancy Rate	11.94%	12.21%	11.76%	(2.21%)
Availability Rate	13.20%	13.42%	12.63%	(1.64%)
Average Asking Lease Rate	\$1.24	\$1.35	\$1.44	(8.15%)
Sale & Lease Transactions	10,731,621	9,638,809	8,506,753	11.34%
Gross Absorption	10,047,932	9,808,830	11,022,879	2.44%
Net Absorption	690,951	(260,727)	(2,467,144)	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 4Q2011	Square Feet Available	Availability Rate 4Q2011	Average Asking Lease Rate	Net Absorption 4Q2011	Net Absorption 2011	Gross Absorption 4Q2011	Gross Absorption 2011
Airport Area													
Airport Area	383	3,677,348	0	0	371,092	10.09%	462,676	12.58%	\$1.13	(4,214)	17,026	18,918	184,137
South Tempe/Ahwatukee	198	1,435,499	0	0	174,099	12.13%	121,906	8.49%	\$1.11	(18,758)	(7,368)	6,248	41,746
Airport Total	581	5,112,847	0	0	545,191	10.66%	584,582	11.43%	\$1.13	(22,972)	9,658	25,166	225,883
Downtown Phoenix													
Downtown Phoenix	629	6,897,210	0	14,745	755,742	10.96%	918,376	13.32%	\$1.19	81,324	70,182	118,161	435,165
Central Corridor Total	629	6,897,210	0	14,745	755,742	10.96%	918,376	13.32%	\$1.19	81,324	70,182	118,161	435,165
East Valley													
Chandler	703	16,538,913	0	487,646	2,056,652	12.44%	2,241,739	13.55%	\$1.15	178,559	(153,306)	290,628	736,330
Gateway Airport	104	2,748,998	0	322,060	177,096	6.44%	184,345	6.71%	\$1.29	31,979	17,262	36,941	115,866
Gilbert	584	12,867,986	0	1,665,055	1,498,173	11.64%	1,510,664	11.74%	\$1.22	35,234	342,884	109,404	652,913
Queen Creek	45	1,339,760	10,000	0	86,850	6.48%	94,650	7.06%	\$1.99	19,999	19,195	20,000	39,970
Red Mountain/Mesa	1,522	28,729,238	0	851,510	4,985,703	17.35%	5,846,347	20.35%	\$1.08	100,438	(137,474)	368,810	1,517,141
Tempe	393	8,715,581	48,775	261,969	716,034	8.22%	770,593	8.84%	\$1.24	24,700	6,760	115,621	404,108
East Valley	3,351	70,940,476	58,775	3,588,240	9,520,508	13.42%	10,648,338	15.01%	\$1.14	390,909	95,321	941,404	3,466,328
North Phoenix													
East Phoenix	619	8,282,492	0	0	1,056,040	12.75%	1,176,121	14.20%	\$1.18	602,382	204,632	146,729	570,417
Glendale	680	10,259,233	0	176,579	1,326,483	12.93%	1,388,379	13.53%	\$1.35	(37,965)	(17,278)	67,391	422,053
N. Phoenix/I-17	728	15,723,271	50,000	13,650	2,309,718	14.69%	2,687,082	17.09%	\$0.94	90,297	33,585	205,198	602,321
Sun City	188	2,932,983	0	53,100	508,671	17.34%	507,692	17.31%	\$1.06	18,361	14,989	52,847	132,901
Paradise Valley	1	9,872	0	0	0	0.00%	0	0.00%		0	0	0	0
North Phoenix	2,216	37,207,851	50,000	243,329	5,200,912	13.98%	5,759,274	15.48%	\$1.12	673,075	235,928	472,165	1,727,692
North Scottsdale													
Carefree	116	1,618,278	0	10,800	204,895	12.66%	219,158	13.54%	\$1.76	129,983	157,576	144,849	202,865
Fountain Hills	68	648,073	0	0	84,055	12.97%	88,567	13.67%	\$1.49	2,539	(18,414)	2,548	27,656
North Scottsdale	479	14,523,227	0	1,099,355	1,486,135	10.23%	1,534,786	10.57%	\$1.43	(52,921)	(96,426)	129,275	545,018
North Scottsdale	663	16,789,578	0	1,110,155	1,775,085	10.57%	1,842,511	10.97%	\$1.50	79,601	42,736	276,672	775,539
Northwest Phoenix													
Anthem	107	2,485,777	0	46,200	192,711	7.75%	198,761	8.00%	\$1.61	(9,912)	(28,549)	8,514	47,241
Central Peoria/ Arrowhead	387	9,801,025	0	135,000	905,829	9.24%	1,005,156	10.26%	\$1.28	39,793	30,914	104,114	529,011
Deer Valley	109	1,954,296	0	39,534	212,014	10.85%	181,187	9.27%	\$1.02	25,839	22,080	36,835	116,550
Surprise	244	4,616,058	0	1,126,927	394,570	8.55%	451,462	9.78%	\$1.62	1,586	(1,225)	21,617	108,156
Northwest Phoenix	847	18,857,156	0	1,347,661	1,705,124	9.04%	1,836,566	9.74%	\$1.53	57,306	2,365	171,080	800,958
Scottsdale													
Central Scottsdale	767	15,262,980	54,869	489,407	1,731,206	11.34%	1,860,124	12.19%	\$1.95	98,413	19,355	240,906	789,780
South Scottsdale	381	4,199,964	0	0	645,348	15.37%	739,837	17.62%	\$1.17	41,184	(25,767)	109,041	241,564
Scottsdale	1,148	19,462,944	54,869	489,407	2,376,554	12.21%	2,599,961	13.36%	\$1.75	139,597	(6,412)	349,947	1,031,344
South Mountain													
Ahwatukee Foothills	164	3,226,137	0	0	292,754	9.07%	334,136	10.36%	\$1.52	1,337	(36,776)	17,873	91,171
Laveen	61	1,422,342	43,700	826,742	193,366	13.59%	194,729	13.69%	\$0.89	(12,643)	(41,648)	6,679	44,578
South Mountain	75	1,595,698	0	0	134,732	8.44%	160,379	10.05%	\$1.20	15,207	11,296	29,323	42,044
South Mountain	300	6,244,177	43,700	826,742	620,852	9.94%	689,244	11.04%	\$1.26	3,901	(67,128)	53,875	177,793
West Phoenix													
Goodyear	179	3,215,793	0	203,191	477,163	14.84%	487,987	15.17%	\$1.16	46,444	(37,531)	95,881	177,952
Loop 101/ I-10	113	2,589,657	0	479,800	213,608	8.25%	287,418	11.10%	\$1.29	8,513	(7,009)	19,614	94,488
N. Goodyear/ Litchfield	171	4,134,580	0	956,645	361,579	8.75%	378,735	9.16%	\$1.70	44,385	92,849	73,165	195,937
North Buckeye	3	92,042	0	0	0	0.00%	0	0.00%	\$1.18	5,500	0	5,500	6,517
South Buckeye	65	1,192,164	0	101,083	100,422	8.42%	98,713	8.28%	\$1.18	12,972	14,905	12,972	45,937
Tollson	185	2,342,559	0	190,792	219,793	9.38%	222,699	9.51%	\$1.26	920	14,097	5,320	54,496
West Phoenix/ Maryville	399	8,167,119	0	20,143	806,249	9.87%	974,902	11.94%	\$0.85	3,889	154,743	51,143	439,628
West Phoenix	1,115	21,733,914	0	1,951,654	2,178,814	10.02%	2,450,454	11.27%	\$1.16	122,623	232,054	263,595	1,014,955
Maricopa County													
NE Outlying	1	32,169	0	0	0	0.00%	0	0.00%	\$0.75	0	0	0	0
W Outlying	58	461,853	0	0	16,241	3.52%	16,241	3.52%	\$0.75	4,680	(2,901)	4,680	6,680
Maricopa County	59	494,022	0	0	16,241	3.29%	16,241	3.29%	\$0.75	4,680	(2,901)	4,680	6,680
Pinal County													
Apache Junction	111	1,526,268	0	0	100,820	6.61%	106,220	6.96%	\$0.83	36,469	49,030	44,793	89,184
Outlying Pinal County	704	8,002,784	0	0	660,170	8.25%	695,094	8.69%	\$1.00	42,759	30,118	78,061	296,411
Pinal County	815	9,529,052	0	0	760,990	7.99%	801,314	8.41%	\$0.97	79,228	79,148	122,854	385,595
Phoenix Total	11,724	213,269,227	207,344	9,571,933	25,456,013	11.94%	28,146,861	13.20%	\$1.24	1,609,272	690,951	2,799,599	10,047,932
Malls	276	23,384,927	0	4,484,858	2,233,339	9.55%	2,755,490	11.78%	\$1.60	61,422	172,813	122,631	698,859
Power Centers	445	20,252,290	0	1,991,797	1,443,240	7.13%	1,637,553	8.09%	\$1.58	189,997	32,710	256,324	637,567
Community Centers	974	34,869,870	82,896	2,232,657	5,122,361	14.69%	5,723,490	16.41%	\$1.10	94,048	(382,101)	438,555	1,588,225
Neighborhood Centers	2,134	56,224,304	65,700	0	9,506,244	16.91%	9,988,293	17.77%	\$1.18	295,441	179,026	859,111	3,025,072
Strip Centers	1,063	12,676,588	10,000	0	2,354,985	18.58%	2,436,944	19.22%	\$1.16	60,277	52,913	253,249	991,328
Specialty Centers	160	5,701,226	0	862,621	592,324	10.39%	597,080	10.47%	\$2.44	10,666	83,217	24,925	256,596
General Retail	6,672	60,160,022	48,748	0	4,203,520	6.99%	5,008,011	8.32%	\$1.24	897,421	552,373	844,804	2,850,285
Phoenix Total	11,724	213,269,227	207,344	9,571,933	25,456,013	11.94%	28,146,861	13.20%	\$1.24	1,609,272	690,951	2,799,599	10,047,932

Lease rates are on a triple-net basis.

LARGEST TRANSACTIONS OF 2011

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
16203-16255 N. Scottsdale Rd. – 14 Properties	Scottsdale	443,018	\$248.35	Excel Trust, Inc.	Pacific Companies
10653 N. Scottsdale Rd. – 10 Properties	Scottsdale	277,253	\$181.49	Karlin Real Estate	Herberger Enterprises
4727 E. Bell Rd. – 6 Properties	N. Scottsdale	173,529	\$172.88	West Valley Properties, Inc.	Cornwell Corporation
4747 E. Cactus Rd. – 7 Properties	Scottsdale	181,968	\$160.69	Kimco Realty Corporation	ACF Property Management, Inc.
23415-23623 N. Scottsdale Rd.	N. Scottsdale	113,108	\$256.39	Whitestone REIT	Westwood Financial Corporation
7611 W. Thomas Rd.	W. Phoenix	558,706	\$98.80	The Macerich Company	J.C. Penny Corporation

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
3458 W. Chandler Blvd.	Chandler	55,175	11-Jun	Hobby Lobby	Food Concepts International
9175 E. Indian Bend Rd.	C. Scottsdale	55,000	11-Jun	Hobby Lobby	De Rito Partners
13277 W. McDowell Rd.	Goodyear	46,100	11-Oct	Brass Armadillo Antiques	Solano Corporation
7012 E. Hampton Rd.	Red Mountain	41,750	11-Sep	Mega Furniture	Kimco Realty Corporation
4446 E. University Dr.	Red Mountain	37,517	11-Mar	Goodwill	Michael A. Pollick Real Estate Investments
3003 W. Apache Trl.	Apache Junction	36,825	11-Aug	Shoppers Supply	Club California of Westwood

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, 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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