



Retail Market Report

Compared to 2012:

Vacancy

DOWN

Net Absorption

POSITIVE

Lease Rates

DOWN

Transactions

DOWN

Deliveries

UP

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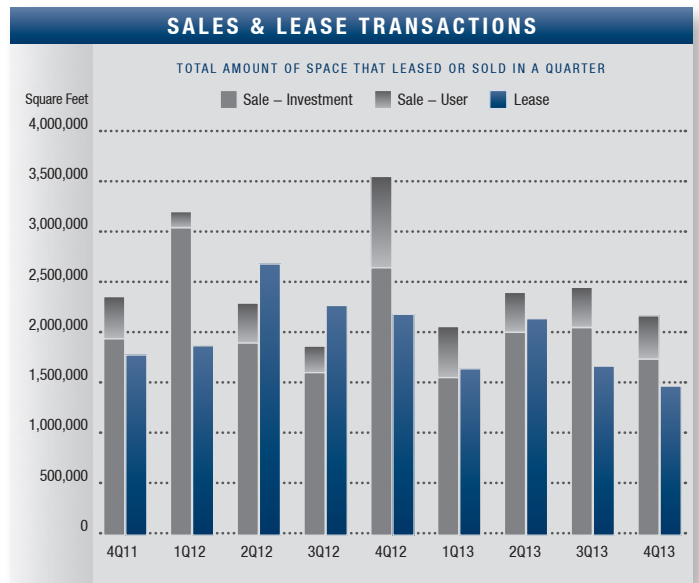
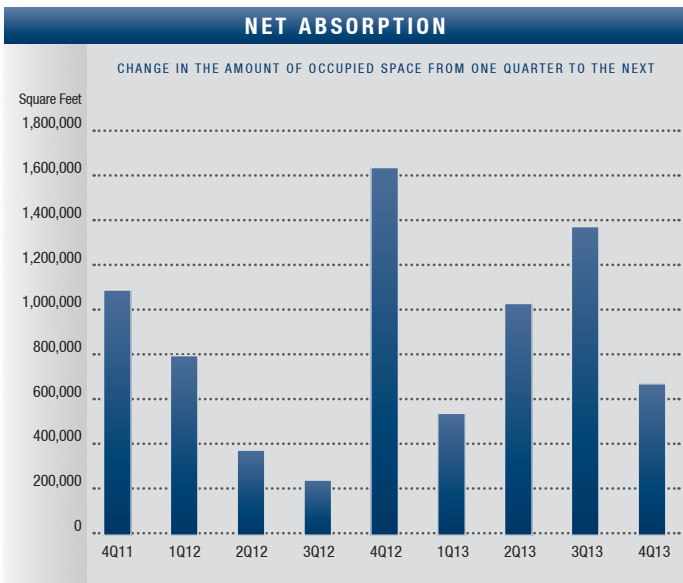
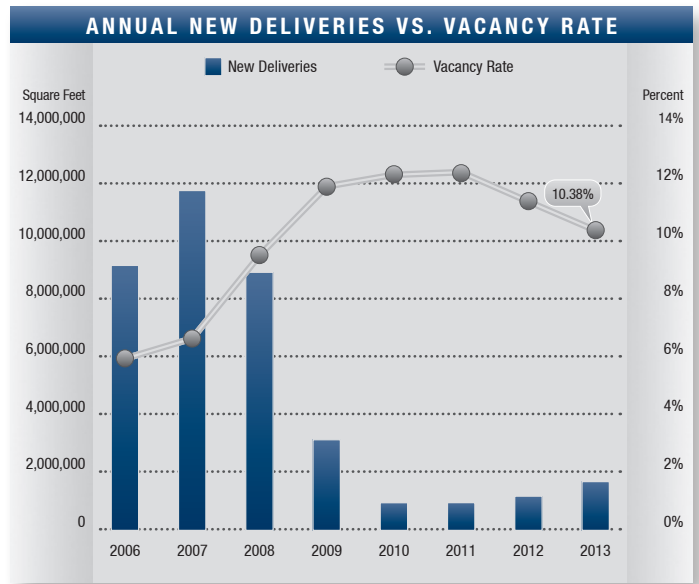
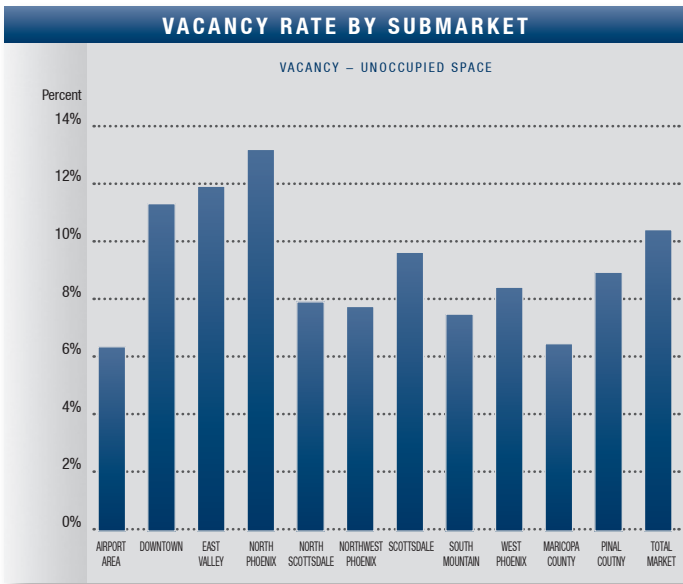
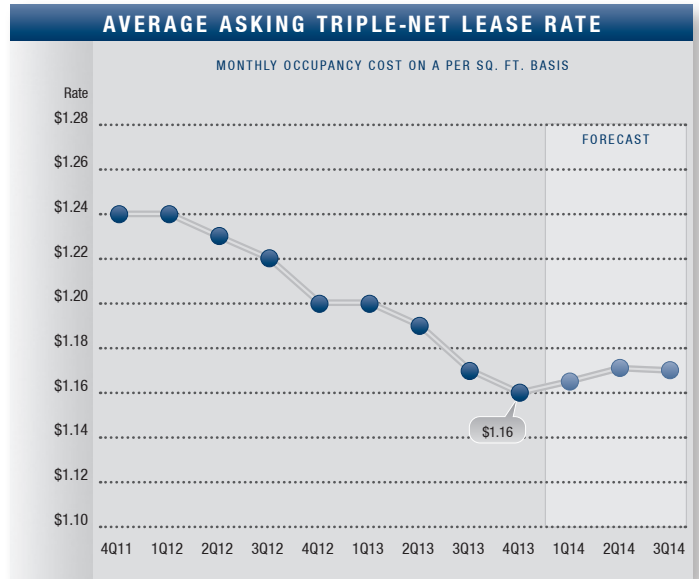
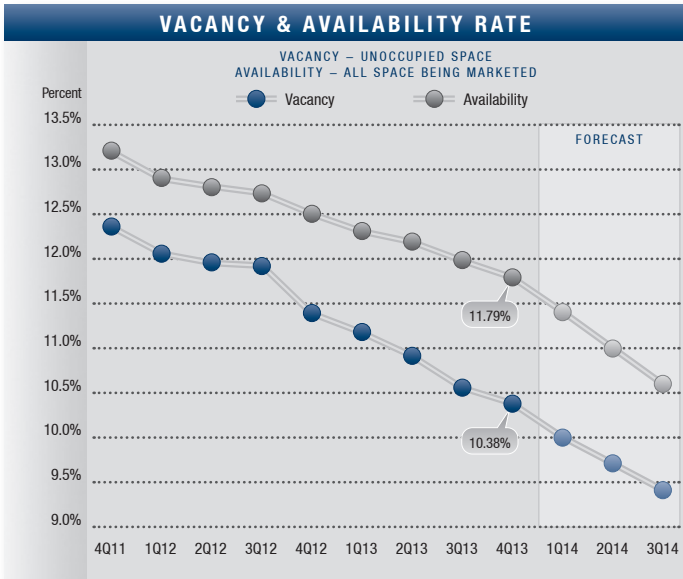
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Market Highlights

- Encouraging Numbers** - The Phoenix retail market continued on the path towards recovery in the fourth 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 665,000 square feet of positive absorption in the fourth quarter, making it the eleventh consecutive quarter of the positive streak. While these are encouraging indications, continued stability and job growth will be needed in coming new year to further recovery.
- Absorption** - The Phoenix retail market posted 664,782 square feet of positive net absorption in the fourth quarter, producing a total of 3.6 million square feet of positive absorption for 2013 and marking the eleventh consecutive quarter of positive net absorption.
- Transaction Activity** - Leasing activity checked in at nearly 1.5 million square feet, a decrease from the previous quarter's figure of almost 1.7 million square feet. Sales also decreased compared to the third quarter of 2013, posting 2.2 million square feet, down around 270,000 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 7.8% in November 2013, a slight increase from January 2013's rate of 7.2%. Sectors with strong job growth included transportation, information driven by transportation, and financial activities. According to Arizona Department of Administration, November added 47,500 nonfarm jobs — 2,600 in government and 1,600 in the education and health services sector. Over the year 2013, the number of jobs has increased; we anticipate this trend continuing in 2014.
- 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. The market has posted consecutive positive net absorption for nearly three years, with increasing amounts each year. Lease rates, prompted by dropping availability and vacancy, appear to be slowing their descent and beginning to stabilize. While all of these are very good indications, positive employment and overall economic stability will be needed to sustain further improvement of the Phoenix retail market.
- Construction** - There was 156,210 square feet of retail construction underway at the end of fourth quarter of 2013. The Phoenix retail market delivered 1.6 million square feet of retail space in 2013, the most since 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 year.
- Vacancy** - Vacancy continued to recede as the Phoenix economy moved closer to recovery. Direct/sublease space (unoccupied) finished the final quarter of 2013 at 10.38%, a healthy drop from the previous year's rate of 11.39%. The lowest vacancy rate of all submarkets was found in the Airport Area, at 6.28%.
- Availability** - Direct/sublease space available for the fourth quarter of 2013 came in at 11.79%, down from the previous quarter and a 5.68% decrease when compared to the prior year's rate of 12.50%.
- Lease Rates** - The average asking triple-net lease rate per month per square foot in Phoenix closed the year at \$1.16, down only one cent from the previous quarter. As vacancy rates have dropped, average lease rates have begun to stabilize. Look for rates to continue to flatten out and begin to increase gradually in some submarkets in coming quarters, as consumer spending increases.

RETAIL MARKET OVERVIEW

	2013	2012	2011	% of Change vs. 2012
Total Vacancy Rate	10.38%	11.39%	12.36%	(8.87%)
Availability Rate	11.79%	12.50%	13.21%	(5.68%)
Average Asking Lease Rate	\$1.16	\$1.20	\$1.24	(3.33%)
Sale & Lease Transactions	15,878,515	19,826,453	17,028,350	(19.91%)
Gross Absorption	10,553,517	10,957,125	10,371,546	(3.68%)
Net Absorption	3,568,180	3,019,975	676,938	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 4Q2013	Square Feet Available	Availability Rate 4Q2013	Average Asking Lease Rate	Net Absorption 4Q2013	Net Absorption 2013	Gross Absorption 4Q2013	Gross Absorption 2013
Airport Area													
Airport Area	401	3,886,980	0	558,875	260,648	6.71%	355,543	9.15%	\$1.28	(1,504)	44,082	28,840	155,416
South Tempe / Ahwatukee	232	1,494,428	0	25,900	77,070	5.16%	100,539	6.73%	\$1.07	(3,568)	14,650	1,488	48,756
Airport Total	633	5,381,408	0	584,775	337,718	6.28%	456,082	8.48%	\$1.24	(5,072)	58,732	30,328	204,172
Downtown Phoenix													
Downtown Phoenix	716	6,419,623	0	90,038	722,638	11.26%	962,290	14.99%	\$1.03	23,685	106,325	87,270	357,077
Central Corridor Total	716	6,419,623	0	90,038	722,638	11.26%	962,290	14.99%	\$1.06	23,685	106,325	87,270	357,077
East Valley													
Chandler	739	16,361,513	53,593	762,002	1,895,108	11.58%	2,149,074	13.13%	\$1.15	104,635	379,532	193,664	963,154
Gateway Airport	113	2,674,422	0	281,654	191,863	7.17%	336,194	12.57%	\$1.22	7,947	(5,732)	10,009	37,563
Gilbert	672	13,590,975	31,252	1,617,379	1,023,642	7.53%	1,111,056	8.17%	\$1.21	237,318	1,090,093	316,424	1,383,046
Queen Creek	62	1,326,961	11,385	290,235	108,531	8.18%	104,501	7.88%	\$1.60	21,518	25,903	21,518	35,986
Red Mountain / Mesa	1,662	28,783,363	0	1,138,003	4,556,015	15.83%	5,126,300	17.81%	\$1.01	105,832	504,507	361,072	1,611,502
Tempe	449	7,888,881	0	303,600	573,955	7.28%	716,640	9.08%	\$1.17	48,957	108,740	86,395	381,350
East Valley	3,697	70,626,115	96,230	4,392,873	8,349,114	11.82%	9,543,765	13.51%	\$1.08	526,207	2,103,043	989,082	4,412,601
North Phoenix													
East Phoenix	688	8,408,106	0	27,688	979,660	11.65%	1,288,434	15.32%	\$1.03	48,165	53,083	163,117	418,694
Glendale	750	10,927,320	7,000	301,081	1,179,198	10.79%	1,329,431	12.17%	\$1.05	7,812	30,633	69,706	320,891
N. Phoenix / I-17	817	16,108,934	0	42,895	2,547,807	15.82%	2,832,558	17.58%	\$0.94	(120,787)	40,807	136,313	574,572
Sun City	216	3,153,961	0	138,807	369,234	11.71%	386,742	12.26%	\$1.17	23,016	25,267	35,411	187,516
North Phoenix	2,471	38,598,321	7,000	510,471	5,075,899	13.15%	5,837,165	15.12%	\$1.01	(41,794)	149,790	404,547	1,501,673
North Scottsdale													
Carefree	132	1,746,683	0	36,300	227,416	13.02%	258,894	14.82%	\$1.64	5,327	(32)	20,467	67,200
Fountain Hills	79	687,607	0	85,265	87,729	12.76%	93,480	13.59%	\$1.13	(5,057)	(4,173)	5,119	37,140
North Scottsdale	523	14,710,078	0	114,175	1,026,212	6.98%	1,067,656	7.26%	\$1.51	32,261	192,963	110,697	587,615
North Scottsdale	734	17,144,368	0	235,740	1,341,357	7.82%	1,420,030	8.28%	\$1.49	32,531	188,758	136,283	691,955
Northwest Phoenix													
Anthem	115	2,495,508	0	109,931	158,899	6.37%	175,596	7.04%	\$1.33	14,887	20,567	26,428	95,843
Central Peoria / Arrowhead	415	9,975,109	0	122,056	759,829	7.62%	818,161	8.20%	\$1.24	(25,372)	(24,815)	40,484	300,806
Deer Valley	131	2,065,173	0	18,715	245,089	11.87%	259,390	12.56%	\$2.00	7,704	5,468	11,704	39,464
Surprise	260	4,760,370	0	1,334,175	318,067	6.68%	348,107	7.31%	\$1.36	792	31,500	21,201	115,670
Northwest Phoenix	921	19,296,160	0	1,584,877	1,481,884	7.68%	1,601,254	8.30%	\$1.37	(1,989)	32,720	99,817	551,783
Scottsdale													
Central Scottsdale	813	15,444,221	23,500	406,345	1,348,771	8.73%	1,585,918	10.27%	\$2.11	46,491	230,620	146,480	669,644
South Scottsdale	376	4,023,416	0	11,140	517,730	12.87%	643,537	15.99%	\$1.16	39,042	(13,571)	60,779	159,440
Scottsdale	1,189	19,467,637	23,500	417,485	1,866,501	9.59%	2,229,455	11.45%	\$1.82	85,533	217,049	207,259	829,084
South Mountain													
Ahwatukee Foothills	171	3,576,524	0	0	268,754	7.51%	270,789	7.57%	\$1.37	(7,444)	378,864	21,662	157,991
Laveen	61	1,369,665	3,225	618,673	103,993	7.59%	87,078	6.36%	\$1.50	27,230	63,268	28,564	451,208
South Mountain	87	1,647,567	0	7,622	117,452	7.13%	138,652	8.42%	\$1.03	4,810	15,293	4,810	32,621
South Mountain	319	6,593,756	3,225	626,295	490,199	7.43%	496,519	7.53%	\$1.36	24,596	457,425	55,036	641,820
West Phoenix													
Goodyear	198	3,238,487	0	396,365	464,591	14.35%	479,925	14.82%	\$1.16	8,215	17,078	37,476	186,384
Loop 101 / I-10	130	2,558,221	26,255	582,850	153,324	5.99%	156,287	6.11%	\$1.74	6,691	61,612	12,239	148,771
N. Goodyear / Litchfield	187	4,336,002	0	1,878,427	265,154	6.12%	276,262	6.37%	\$1.37	2,224	39,185	27,995	113,356
North Buckeye	4	104,011	0	0	0	0.00%	0	0.00%	\$0.00	0	0	0	0
South Buckeye	87	1,250,938	0	363,756	105,957	8.47%	107,372	8.58%	\$1.96	(181)	7,224	9,614	37,284
Tolleson	227	2,557,151	0	138,060	174,668	6.83%	180,940	7.08%	\$1.04	45,220	66,219	54,569	109,691
West Phoenix / Maryville	447	8,024,549	0	79,131	681,393	8.49%	723,725	9.02%	\$0.91	6,099	87,708	92,503	488,447
West Phoenix	1,280	22,069,359	26,255	3,438,589	1,845,087	8.36%	1,924,511	8.72%	\$1.11	68,268	279,026	234,396	1,083,933
Maricopa County													
NE Outlying	1	4,722	0	0	0	0.00%	0	0.00%	\$1.13	0	0	0	0
W Outlying	94	669,263	0	0	43,225	6.46%	68,219	10.19%	\$1.13	(319)	8,396	1,000	39,579
Maricopa County	95	673,985	0	0	43,225	6.41%	68,219	10.12%	\$1.13	(319)	8,396	1,000	39,579
Pinal County													
Apache Junction	125	1,546,502	0	111,531	92,355	5.97%	103,840	6.71%	\$0.80	(12,838)	26,053	1,131	56,384
Outlying Pinal County	735	7,572,777	0	2,576,869	717,058	9.47%	760,670	10.04%	\$0.83	(34,026)	(59,137)	40,127	183,456
Pinal County	860	9,119,279	0	2,688,400	809,413	8.88%	864,510	9.48%	\$0.83	(46,864)	(33,084)	41,258	239,840
Phoenix Total	12,915	215,390,011	156,210	14,569,543	22,363,035	10.38%	25,403,800	11.79%	\$1.16	664,782	3,568,180	2,286,276	10,553,517
Malls	389	26,608,661	0	4,075,731	1,964,506	7.38%	2,639,626	9.92%	\$1.80	75,870	278,405	136,432	625,512
Power Centers	531	21,465,738	0	2,966,465	1,176,641	5.48%	1,369,693	6.38%	\$1.68	35,942	199,117	109,998	516,058
Shopping Centers	4,563	103,955,180	16,500	4,051,944	15,266,989	14.69%	16,001,039	15.39%	\$1.12	297,423	1,533,175	1,390,176	5,981,379
Specialty Centers	46	1,847,391	0	330,000	184,131	9.97%	193,278	10.46%	\$1.06	(64,063)	290,575	1,386	369,525
General Retail	7,386	61,513,041	139,710	3,145,403	3,770,768	6.13%	5,200,164	8.45%	\$1.02	319,610	1,266,908	648,284	3,061,043
Phoenix Total	12,915	215,390,011	156,210	14,569,543	22,363,035	10.38%	25,403,800	11.79%	\$1.16	664,782	3,568,180	2,286,276	10,553,517

Lease rates are on a triple-net basis.

RECENT TRANSACTIONS

Sales Transactions

Property Address	Submarket	Square Feet	Price Per SF	Buyer	Seller
925-1107 S. Gilbert Rd. – 4 Properties	Red Mountain/Mesa	262,925	\$39.94	Astani Enterprises	Wells Fargo
9201 N. 29th Ave.	North Phoenix/I-17	249,694	\$24.43	Conn's	Brixmor Property Group
20901-20945 N. Pima Rd. – 13 Properties	North Scottsdale	233,855	–	Whitestone REIT	DMB Associates, Inc.
9809 N. Metro Pkwy. W.	I-17 Corridor	155,491	\$19.29	Carlyle Development Group	The Macerich Company
7000 E. Shea Blvd. – 5 Properties	Central Scottsdale	137,522	\$72.35	Younan Properties, Inc.	CW Capital Asset Management
1717 N. Dysart Rd. – 3 Properties	North Goodyear/Litchfield	131,942	\$346.57	West Valley Properties, Inc.	Cashin Company

Lease Transactions

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
1661 S. Alma School Rd.	Red Mountain/Mesa	120,039	Apr-13	Room Store Furniture	PV Alma School Rd., LLC
3401 W. Greenway Rd.	North Phoenix/I-17	94,500	Oct-13	Hobby Town USA	35th & Greenway Company
4255 W. Thunderbird Rd.	Deer Valley	81,244	Mar-13	43rd Ave. Thunderbird Marketplace	Bcb Group, LLC
555 N. Litchfield	Goodyear	50,036	May-13	Room Store Furniture	Store Master Funding III, LLC
3636 W Southern Ave.	Tolleson	50,034	May-13	CAL Ranch Stores	Rn Properties South Mountain, LLC
2020 N. Arizona Ave.	Chandler	49,820	Mar-13	AZ Compass Prep School	Educational Cap Solutions L

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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