



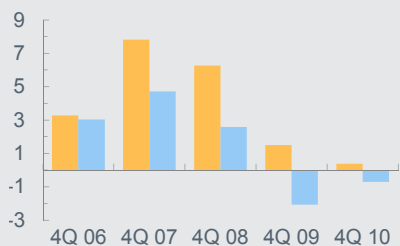
**PHOENIX RETAIL**

**Economic Indicators**

	Q4 10	Q4 09
Phx MSA Employment	1,703K	1,719K
Phx MSA Unemployment	8.8%	8.7%
U.S. Unemployment	9.6%	10.0%
U.S. CCI	52.5	53.6

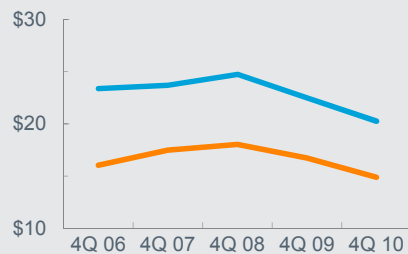
**Completion vs. Absorption**

Year-End (In Millions of SF)



**Asking Rental Rate**

Year-End (\$/SF/Yr. Triple Net)



**Market Tracker**

\*Arrows = Current Qtr Trend

▲ Vacancy 11.8%    ▼ Net Absorption (701,273) SF    ◆ Deliveries 389,821 SF    ▲ Asking Rent \$16.26 NNN

## Negative Net Absorption Improves

The Metropolitan Phoenix retail market finished 2010 with 700,000 square feet of negative net absorption. This number is less than half of 2009's record setting loss of 2 million square feet, which provides a glimpse of a stabilizing market. Construction activity started to plummet in 2007 but 2010 finished inline with 2009. Year-end 2010 there was only 350,000 square feet of retail space under construction in the Chandler/Gilbert, Scottsdale and West Phoenix submarkets. This is comprised primarily of neighborhood centers. Leasing activity should start to see slight improvement in 2011 especially compared to a dismal 2009. Seven of the nine submarkets recorded negative net absorption. The Chandler/Gilbert and Mesa submarkets were the two largest declines in occupancy; they collectively lost over 500,000 square feet in 2010. West Phoenix and South Phoenix were the only submarkets to post positive net absorption with 50,740 square feet and 5,895 square feet respectively.

Since 2006 the overall vacancy rate has more than doubled and the total vacant space now exceeds 15.6 million square feet. Rental rates fell an additional 10-15 percent from the previous year with the largest decline being associated with strip center product. New ownership groups, which have taken advantage of purchasing product below replacement value, will continue to put pressure on existing owners driving the asking rents downward. Asking rates are expected to stabilize during 2011, however several product types in struggling submarkets may experience continued decline due to larger amounts of vacancy. Because of reduced rates there are several quick service casual food chains, regional specialty grocers and national grocers committed to expanding or opening new locations Valleywide. This trend is expected to continue through 2011 and 2012 as the economy shifts into recovery mode.

## Forecast

- Construction to remain anemic for the next few years
- Opportunity abounds for outside entities to enter into the Arizona market
- Lender owned properties will work through the disposition process at a faster pace

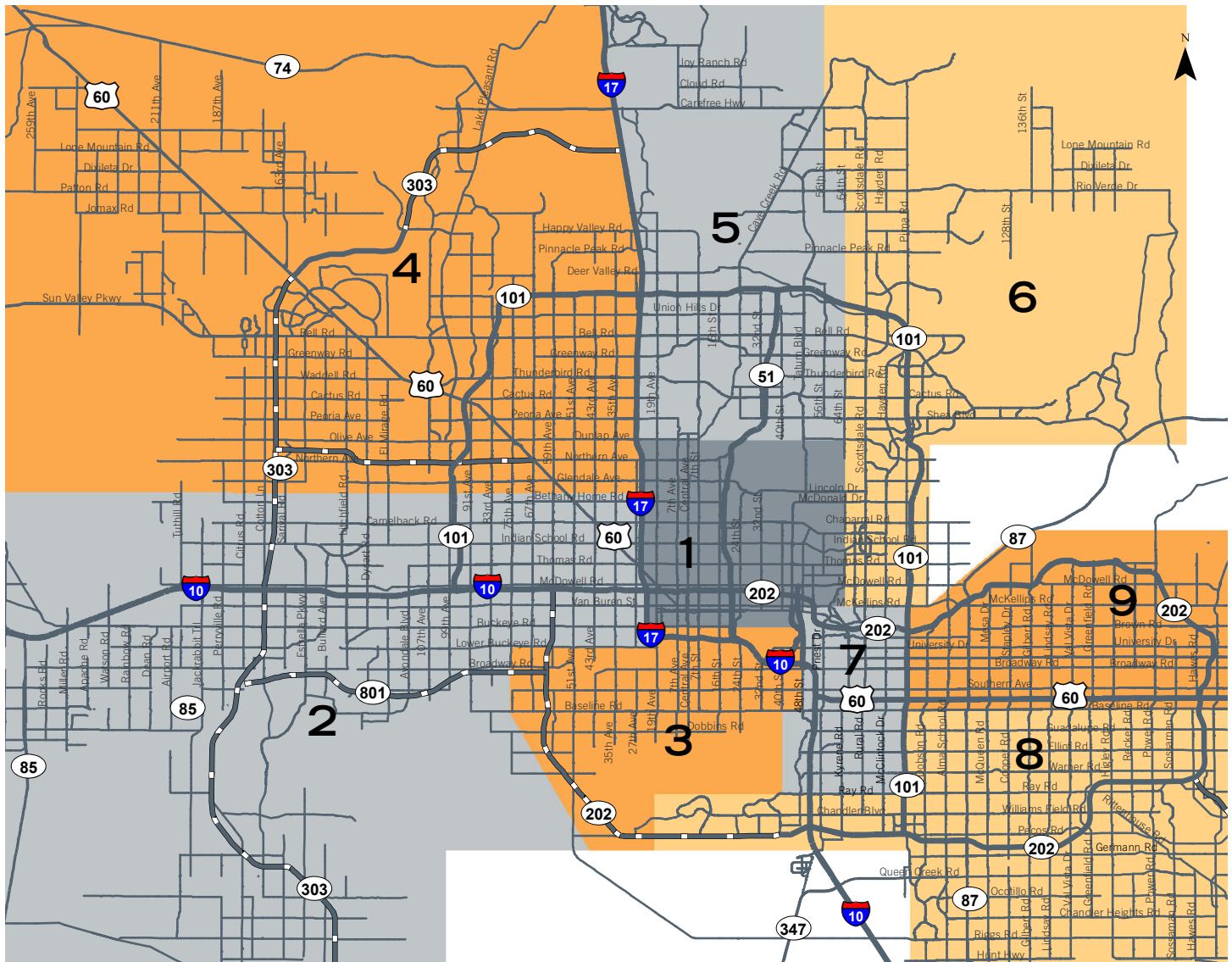
# Cassidy Turley Retail Market Snapshot

Phoenix • Year-End • 2010

	Total SF	Vacant SF	Vacancy Rate	Net Absorption	Under Construction	Weighted Average Asking Rent
<b>BY SUBMARKET</b>						
<b>Central Phoenix</b>						
Neighborhood	4,084,020	494,228	12.1%	(125,804)	-	\$14.54
Power	3,462,664	285,779	8.3%	(31,345)	-	\$30.35
Regional	596,593	39,235	6.6%	1,688	-	-
Specialty/Theme	305,626	17,381	5.7%	88,422	50,000	\$35.00
Strip	1,403,973	189,457	13.5%	56,005	-	\$14.82
<b>Chandler/Gilbert</b>						
Neighborhood	10,271,872	1,488,667	14.5%	(38,425)	134,785	\$15.29
Power	7,658,193	484,824	6.3%	(54,147)	-	\$24.82
Regional	2,522,770	61,574	2.4%	(7,461)	-	-
Specialty/Theme	422,337	56,066	13.3%	(24,468)	-	\$15.23
Strip	1,903,506	466,646	24.5%	(123,523)	-	\$14.83
<b>Mesa</b>						
Neighborhood	9,799,076	1,860,308	19.0%	(138,358)	-	\$12.88
Power	3,664,319	354,133	9.7%	(26,074)	-	\$15.70
Regional	2,315,370	183,692	7.9%	(37,240)	-	-
Strip	2,174,654	416,774	19.2%	(59,569)	-	\$11.65
<b>North Central</b>						
Neighborhood	6,252,967	777,853	12.4%	(73,144)	-	\$14.82
Power	2,433,148	200,579	8.2%	53,204	-	\$22.04
Regional	2,322,802	53,020	2.3%	(442)	-	-
Strip	1,207,563	201,878	16.7%	(33,739)	-	\$14.59
<b>Northwest</b>						
Neighborhood	12,408,384	1,600,024	12.9%	(118,549)	-	\$13.77
Power	7,745,634	535,165	6.9%	60,393	-	\$16.60
Regional	3,612,866	437,100	12.1%	(5,606)	-	-
Specialty/Theme	600,000	121,995	20.3%	-	-	\$40.00
Strip	2,156,571	318,519	14.8%	(20,760)	-	\$12.29
<b>Scottsdale</b>						
Neighborhood	6,248,107	694,525	11.1%	(108,518)	128,000	\$21.33
Power	5,135,046	1,002,094	19.5%	79,180	-	\$21.21
Regional	1,928,000	36,034	1.9%	(36,034)	-	-
Specialty/Theme	806,818	43,855	5.4%	10,246	-	-
Strip	1,180,553	215,630	18.3%	(33,117)	-	\$17.37
<b>South Phoenix</b>						
Neighborhood	1,398,620	145,378	10.4%	2,647	-	\$8.88
Power	813,737	69,744	8.6%	(2,275)	-	\$23.00
Strip	155,945	9,323	6.0%	5,523	-	\$12.12
<b>Tempe</b>						
Neighborhood	4,232,895	493,529	11.7%	(33,095)	-	\$15.51
Power	1,592,711	231,459	14.5%	35,363	-	\$12.59
Regional	2,767,169	39,089	1.4%	13,469	-	\$20.00
Specialty/Theme	225,096	40,070	17.8%	(8,134)	-	\$30.00
Strip	1,060,557	176,405	16.6%	(18,326)	-	\$13.47
<b>West Phoenix</b>						
Neighborhood	6,878,891	968,381	14.1%	(82,710)	38,590	\$14.83
Power	7,056,048	385,326	5.5%	150,249	-	\$19.32
Regional	1,799,190	330,057	18.3%	9,928	-	\$9.64
Strip	711,467	150,490	21.2%	(26,727)	-	\$14.68
<b>Grand Total</b>	<b>133,315,758</b>	<b>15,676,286</b>	<b>11.8%</b>	<b>(701,273)</b>	<b>351,375</b>	<b>\$16.26</b>

# Cassidy Turley Retail Market Snapshot

Phoenix • Year-End • 2010



- |                   |                 |                    |
|-------------------|-----------------|--------------------|
| 1 Central Phoenix | 4 Northwest     | 7 Tempe            |
| 2 West Phoenix    | 5 North Central | 8 Chandler-Gilbert |
| 3 South Phoenix   | 6 Scottsdale    | 9 Mesa             |

## Retail Market Terms and Definitions

**Shopping Center Product Types:** Shopping centers are characterized as strip, neighborhood, regional, power, and specialty, based on the center size, anchor tenants and configuration.

**Vacancy and Availability:** The vacancy rate is the amount of physically vacant space divided by the inventory. The availability rate is the amount of space available for lease divided by the inventory.

**Net Absorption:** The net change in physically occupied space over a period of time.

**Asking Rent:** The dollar amount asked by landlords for available space expressed in dollars per square foot per year in most parts of the country and dollars per square foot per month in areas of California and selected other markets. Retail rents are expressed as triple net where all costs including, but not limited to, real estate taxes, insurance and common area maintenance are borne by the tenant on a pro rata basis.

**Phx MSA:** Metropolitan statistical area refers to a the geographical region surrounding the City of Phoenix containing a relatively high population density at its core and has close economic ties throughout the area.

**Consumer Confidence (CCI):** According to Wikipedia, consumer confidence is the degree of optimism that consumers feel about the overall state of the economy and their personal financial situation. How confident people feel about stability of their incomes determines their spending activity and therefore serves as one of the key indicators for the overall shape of the economy. In essence, if consumer confidence is higher, consumers are making more purchases, boosting the economic expansion. On the other hand, if confidence is lower, consumers tend to save more than they spend, prompting the contraction of the economy. A month-to-month diminishing trend in consumer confidence suggests that in the current state of the economy most consumers have a negative outlook on their ability to find and retain good jobs.

## Cassidy Turley Retail Market Snapshot

Phoenix • Year-End • 2010

	Total SF	Total Vacant	Vacancy Rate	Current Net Absorption	Under Construction	Weighted Average Asking Rent	
						Neighborhood	Power
<b>BY SUBMARKET</b>							
Central Phoenix	9,852,876	1,026,080	10.4%	(11,034)	50,000	\$19.47	\$30.35
Chandler/Gilbert	22,778,678	2,557,777	11.2%	(248,024)	134,785	\$15.29	\$24.82
Mesa	17,953,419	2,814,907	15.7%	(261,241)	-	\$12.88	\$15.70
North Central	12,216,480	1,233,330	10.1%	(54,121)	-	\$14.82	\$22.04
Northwest	26,523,455	3,012,803	11.4%	(84,522)	-	\$13.77	\$16.60
Scottsdale	15,298,524	1,992,138	13.0%	(88,243)	128,000	\$21.33	\$21.21
South Phoenix	2,368,302	224,445	9.5%	5,895	-	\$8.88	\$23.00
Tempe	9,878,428	980,552	9.9%	(10,723)	-	\$15.51	\$12.59
West Phoenix	16,445,596	1,834,254	11.2%	50,740	38,590	\$14.83	\$19.32
<b>Totals</b>	<b>133,315,758</b>	<b>15,676,286</b>	<b>11.8%</b>	<b>(701,273)</b>	<b>351,375</b>	<b>\$14.89</b>	<b>\$20.25</b>

<b>BY PRODUCT TYPE</b>							
Neighborhood	61,574,832	8,522,893	13.8%	(715,956)	301,375	\$14.89	
Power	39,561,500	3,549,103	9.0%	264,548	-	\$20.25	
Regional	17,864,760	1,179,801	6.6%	(61,698)	-	\$20.00	
Specialty/Theme	2,359,877	279,367	11.8%	66,066	50,000	\$31.86	
Strip	11,954,789	2,145,122	17.9%	(254,233)	-	\$14.04	
<b>Grand Total</b>	<b>133,315,758</b>	<b>15,676,286</b>	<b>11.8%</b>	<b>(701,273)</b>	<b>351,375</b>	<b>\$16.26</b>	

- (1) Inventory includes speculative multi-tenant buildings greater than 20,000 SF (excludes medical, owner occupied and other specialized buildings).  
 (2) Space under construction includes speculative for lease projects.  
 (3) Asking rates are per square foot per year triple net.

## About Cassidy Turley

Cassidy Turley is a leading commercial real estate services provider with over 2,800 professionals in 60 offices nationwide. The firm completed transactions valued over \$13 billion in 2009, manages over 427 million square feet on behalf of private, institutional and corporate clients and supports over 25,000 domestic corporate services locations. Cassidy Turley serves owners, investors and occupiers with a full spectrum of integrated commercial real estate services—including capital markets, corporate services, project leasing, property management, project and development services, and tenant representation. Outside of North America, Cassidy Turley has served the international needs of its clients since 1985. In 2010, the firm enhanced its global service delivery through its partnership with GVA Grimley. The firm recently ranked in the Top 10 on the Lipsey Co.'s Commercial Real Estate Top Brands Survey, and was ranked #1 by Real Estate Alert for Office Sales in 3 of the Top 6 Markets. Please visit [www.cassidyturley.com](http://www.cassidyturley.com) for more information about the company.

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