



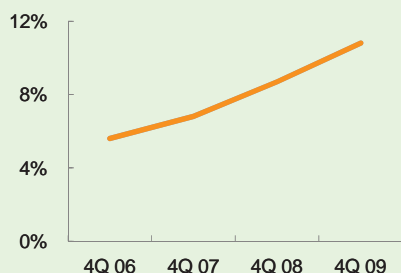
## Negative Net Absorption Sets Record

The Phoenix retail market recorded a record breaking loss of negative 2 million square feet as national and local retailers have struggled to stay open through this long and deep recession. This was the largest loss of occupied space in the Metro Phoenix area on record. Construction activity was down significantly from the previous year. Currently there is only 325,000 square feet under construction as many projects were put on hold due to the financial crisis. Fry's supermarkets' is one of the few retailers and supermarkets to be building new locations in Metro Phoenix. At the end of 2009 they had two stores under construction, one of them in the West Valley and the second store in the Southeast Valley. It is expected that leasing activity in 2010 will remain weak but should improve from a dismal 2009. All but one submarket recorded negative net absorption. The Scottsdale and Mesa submarkets were the two largest declines in occupancy; they collectively lost over 1.2 million square feet in 2009. West Phoenix was the only submarket to post positive net absorption with 131,078 square feet.

The construction boom this cycle began in 2000 and since then more than 50 million square feet has been delivered. Of the new space delivered since 2000 roughly 30 percent sits vacant. The remaining construction projects are expected to complete in 2010 with no new substantial activity for 3-5 years. Since 2005 the vacancy rate has more than doubled and the total vacant space now exceeds 14.3 million square feet. As vacant space has increased substantially, rental rates have fallen 10-15 percent from the previous year. Asking rates are expected to continue downward through 2010 as new ownership groups undercut already low rates. Retailers are not expected to roll out new spaces or expand in their markets in the near future due to a weak recovery and strained consumer spending. There has been some limited leasing activity by price-consciousness retailers, such as Goodwill, Savers, Dollar Tree and Big Lots, who are seeing their business grow in the current economy. This trend is expected to continue through 2010 and 2011 as the economy begins a slow recovery.

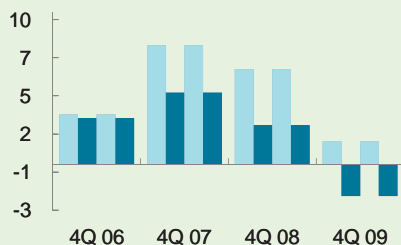
### Vacancy Rate

Year End



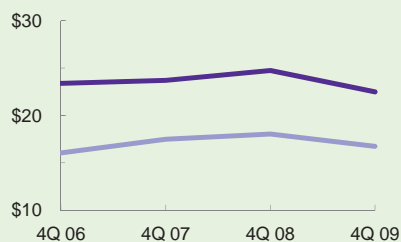
### Completion vs. Absorption

Year End (in Millions of SF)



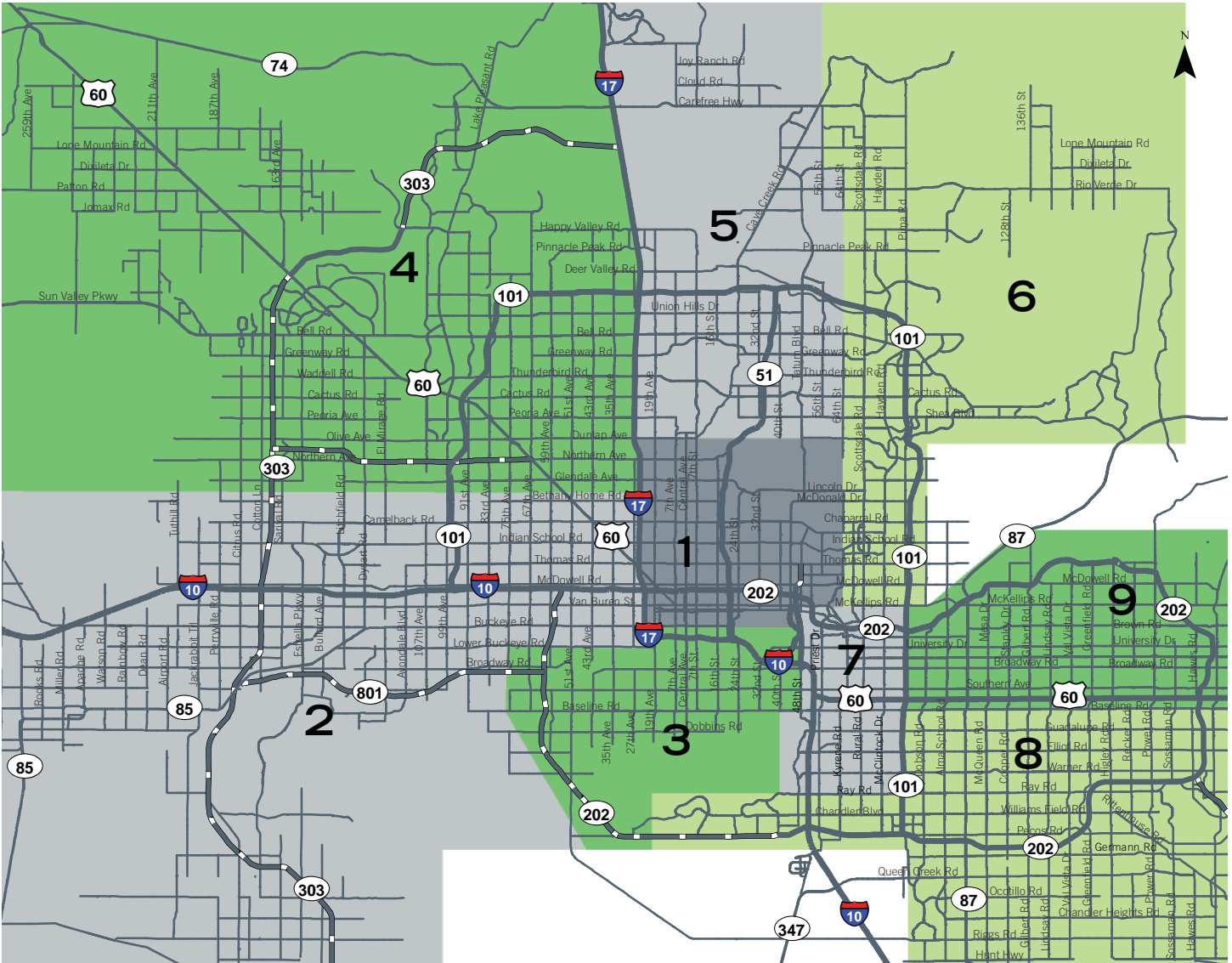
### Asking Rental Rates

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



### Forecast

- Expect vacancy to peak and set a record in 2010.
- Expect asking rates to continue downward as new ownership groups undercut already low rental rates.
- The remaining construction projects will complete next year, with no new substantial activity for 3-5 years.



- |                   |                 |                    |
|-------------------|-----------------|--------------------|
| 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.

Submarket	Total SF	Vacant SF	Vacancy %	YTD 2008	YTD 2009	Construction	Average Rent
<b>Central Phoenix</b>							
Neighborhood	4,282,457	368,424	8.6%	35,964	147,104	-	\$15.27
Power	3,462,664	254,434	7.3%	6,830	(174,663)	-	\$30.75
Regional	596,593	40,923	6.9%	(12,406)	30,785	-	-
Specialty/Theme	216,805	16,982	7.8%	(5,087)	(1,435)	-	\$22.00
Strip	1,456,932	251,071	17.2%	(116,568)	(38,034)	-	\$21.75
<b>Chandler/Gilbert</b>							
Neighborhood	10,054,372	1,229,474	12.2%	362,229	(215,169)	215,436	\$17.49
Power	7,658,193	430,677	5.6%	900,960	(209,277)	-	\$28.41
Regional	2,522,770	54,113	2.1%	33,274	(28,287)	-	-
Specialty/Theme	422,337	31,598	7.5%	1,266	136	-	\$17.59
Strip	1,903,506	343,123	18.0%	50,942	(89,691)	-	\$15.94
<b>Mesa</b>							
Neighborhood	9,799,076	1,721,950	17.6%	18,104	(433,929)	-	\$13.69
Power	3,664,319	328,059	9.0%	16,948	(41,093)	-	\$18.07
Regional	2,315,370	54,252	2.3%	2,933	(37,879)	-	-
Strip	2,174,654	357,205	16.4%	(39,742)	(62,625)	-	\$11.08
<b>North Central</b>							
Neighborhood	6,252,967	704,709	11.3%	(18,516)	100,127	-	\$17.02
Power	2,433,148	253,783	10.4%	69,776	(120,488)	-	\$25.84
Regional	2,322,802	52,578	2.3%	17,156	(26,241)	-	\$25.00
Strip	1,207,563	168,139	13.9%	(53,371)	(30,004)	-	\$15.52
<b>Northwest</b>							
Community	110,000	-	-	-	-	-	-
Neighborhood	12,298,384	1,484,743	12.1%	15,327	36,475	-	\$15.86
Power	7,745,634	595,558	7.7%	682,077	(43,127)	-	\$20.58
Regional	3,612,866	431,494	11.9%	(334,216)	(67,886)	-	-
Specialty/Theme	600,000	121,995	20.3%	-	(10,995)	-	\$40.00
Strip	2,156,571	297,759	13.8%	74,684	11,006	-	\$13.66
<b>Scottsdale</b>							
Neighborhood	6,169,407	586,007	9.5%	(169,917)	(76,281)	-	\$23.68
Power	5,135,046	789,735	15.4%	(226,465)	(509,096)	-	\$21.84
Regional	1,928,000	-	-	1,960	2,368	-	-
Specialty/Theme	806,818	54,101	6.7%	(9,958)	(41,707)	-	-
Strip	1,127,594	176,904	15.7%	(36,336)	(30,643)	-	\$19.80
<b>South Phoenix</b>							
Neighborhood	1,398,620	148,025	10.6%	68,160	(23,080)	-	\$10.39
Power	813,737	67,469	8.3%	392,917	(11,649)	-	\$23.00
Strip	155,945	14,846	9.5%	23,200	(11,246)	-	\$24.00
<b>Tempe</b>							
Community	213,400	12,842	6.0%	-	-	-	-
Neighborhood	4,019,495	447,592	11.1%	(142,916)	(89,685)	-	\$14.52
Power	1,592,711	266,822	16.8%	(83,747)	(67,611)	-	\$13.17
Regional	2,767,169	52,558	1.9%	(86,722)	34,164	-	\$36.50
Specialty/Theme	225,096	31,936	14.2%	(19,711)	(12,225)	-	\$28.50
Strip	1,060,557	158,079	14.9%	(12,824)	(54,733)	-	\$15.67
<b>West Phoenix</b>							
Neighborhood	6,769,891	824,945	12.2%	210,124	35,003	109,000	\$18.31
Power	7,056,048	650,689	9.2%	305,785	125,171	-	\$22.70
Regional	1,799,190	339,985	18.9%	606,024	(22,667)	-	-
Strip	711,467	123,763	17.4%	53,092	(6,429)	-	\$16.84
<b>By Product Type</b>							
Neighborhood	61,044,669	7,515,869	12.3%	378,559	(519,435)	324,436	\$16.73
Power	39,561,500	3,637,226	9.2%	2,065,081	(1,051,833)	-	\$22.48
Regional	17,864,760	1,025,903	5.7%	228,003	(115,643)	-	\$27.87
Specialty/Theme	2,271,056	256,612	11.3%	(33,490)	(66,226)	-	\$33.65
Strip	11,954,789	1,890,889	15.8%	(56,923)	(312,399)	-	\$15.84
<b>Totals:</b>	<b>133,020,174</b>	<b>14,339,341</b>	<b>10.8%</b>	<b>2,581,230</b>	<b>(2,065,536)</b>	<b>324,436</b>	<b>\$18.20</b>

(All Property Types)	SF	SF	Vacant %	Current Qtr	Year To Date	SF	Neighborhood	Power
Central Phoenix	10,015,451	931,834	9.3%	(36,243)	(36,243)	-	\$15.27	\$30.75
Chandler/Gilbert	22,561,178	2,088,985	9.3%	(542,288)	(542,288)	215,436	\$17.49	\$28.41
Mesa	17,953,419	2,461,466	13.7%	(575,526)	(575,526)	-	\$13.69	\$18.07
North Central	12,216,480	1,179,209	9.7%	(76,606)	(76,606)	-	\$17.02	\$25.84
Northwest	26,523,455	2,931,549	11.1%	(74,527)	(74,527)	-	\$15.86	\$20.58
Scottsdale	15,166,865	1,606,747	10.6%	(655,359)	(655,359)	-	\$23.68	\$21.84
South Phoenix	2,368,302	230,340	9.7%	(45,975)	(45,975)	-	\$10.39	\$23.00
Tempe	9,878,428	969,829	9.8%	(190,090)	(190,090)	-	\$14.52	\$13.17
West Phoenix	16,336,596	1,939,382	11.9%	131,078	131,078	109,000	\$18.31	\$22.70
Suburban Total	133,190,174	14,339,341	10.8%	(2,065,536)	(2,065,536)	324,436	\$16.73	\$22.48
<b>Totals</b>	<b>133,020,174</b>	<b>14,339,341</b>	<b>10.8%</b>	<b>(2,065,536)</b>	<b>(2,065,536)</b>	<b>324,436</b>	<b>\$16.73</b>	<b>\$22.48</b>

Wtd Asking Rent	By Property Type	(All Submarkets)					
Neighborhood	61,044,669	7,515,869	12.3%	(519,435)	(519,435)	324,436	\$16.73
Power	39,561,500	3,637,226	9.2%	(1,051,833)	(1,051,833)	-	\$22.48
Regional	17,864,760	1,025,903	5.7%	(115,643)	(115,643)	-	\$27.87
Specialty/Theme	2,271,056	256,612	11.3%	(66,226)	(66,226)	-	\$33.65
Strip	11,954,789	1,890,889	15.8%	(312,399)	(312,399)	-	\$15.84
<b>Totals</b>	<b>133,020,174</b>	<b>14,339,341</b>	<b>10.8%</b>	<b>(2,065,536)</b>	<b>(2,065,536)</b>	<b>324,436</b>	<b>\$18.20</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.

## Office Terms And Definitions

**Inventory:** Office inventory includes all multi-tenant and single tenant buildings at least 20,000 square feet. Owner-occupied, government and medical buildings are not included.

**Office Building Classifications:** Class A properties are the most prestigious buildings competing for premier office users with rents above average for the area. Class B properties compete for a wide range of users with rents in the average range for the area. Class C buildings compete for tenants requiring functional space at rents below the area average.

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

**Direct Vacant:** This is the vacancy rate in space offered on the market directly by the landlord in single and multi-tenant buildings. This excludes vacant space offered for sublease and vacant space that is not offered on the market, for whatever reason.

**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. Office rents are reported full service where all costs of operation are paid for by the landlord up to a base year or expense stop.. The asking rent for each building in the market is weighted by the amount of available space in the building.

\* Cassidy Turley BRE Commercial are audited annually and may result in revisions to previously reported quarterly and final year-end figures.