

# INVESTMENT MARKET REPORT

## Greater Phoenix

Presented to you by:

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# Industrial

After a mid-year lull, the industrial sector ended the year on a positive note with net absorption posting an impressive 2,799,105 SF. Over the next year, as deliveries begin to slow after the surge in 2013 and tenant demand increases as confidence is rebuilt, vacancy levels will constrict and help stabilize the sector as it begins to fully recover. The dramatic increase of space places Phoenix in a “prepared” position to accommodate a range of big box users with immediate requirements that will be necessary as the local market rebuilds and flushes out smaller, older space to accommodate the new wave of larger tenants. The total SF delivered in 2013 was over 5.2 million, almost double 2012 and the largest amount of new space seen in the last five years.

	From Last Year	Current
Vacancy Rate	↓	12.7%
Net Absorption	↓	3.1M
Average Asking Rates	↑	\$6.25

# Office

After a slow first half in the Phoenix office sector, the second half of 2013 showed signs of improvement and brightened the outlook for 2014. The year ended with 1.6 million SF being absorbed, with almost all of those transactions occurring in the second half. Rental rates and vacancy continued to improve throughout the year, with rental rates peaking at \$20.42/FS, the highest rate seen since 2011, and vacancy rates constricting to 19.4%, down from 20.6% at the end of 2012. The frenzy seen before 2013 to move to affordable Class A space during the recession has constricted Class A vacancies, now making Class B properties the new best option in the market.

Vacancy Rate	↓	19.1%
Net Absorption	↓	1.5M
Average Asking Rates	↑	\$20.15

# Retail

In 2013, the sector saw drops in vacancy, gains in properties sold and demand for retail space increase throughout the fourth quarter. With small amounts of new construction in the works, retail market fundamentals are still geared for strong continued growth in leasing velocity, absorption and rental rates. During the final quarter of 2013, vacancy fell to 10.4% from 10.6% in the third quarter, which is the lowest rate seen since the first quarter of 2009. With unemployment continuing to fall, there is promise for those in the work force, and in turn, consumerism for the retail market. For the calendar 2013 year, vacancy percentages were at 10.8%, a decrease from last year's vacancy rate at 11.3%, indicating an upswing in occupancy for retail space.

Vacancy Rate	↓	10.3%
Net Absorption	↑	3.3M
Average Asking Rates	↑	\$13.89

12-Month  
Consumer  
Price Index

↑ 1.6%

30-Year Fixed  
Mortgage

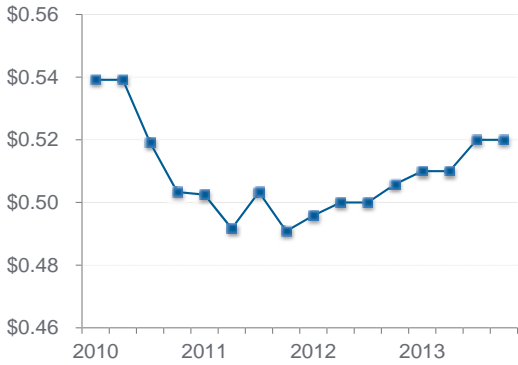
↑ 4.33%

Phoenix Metro  
Unemployment

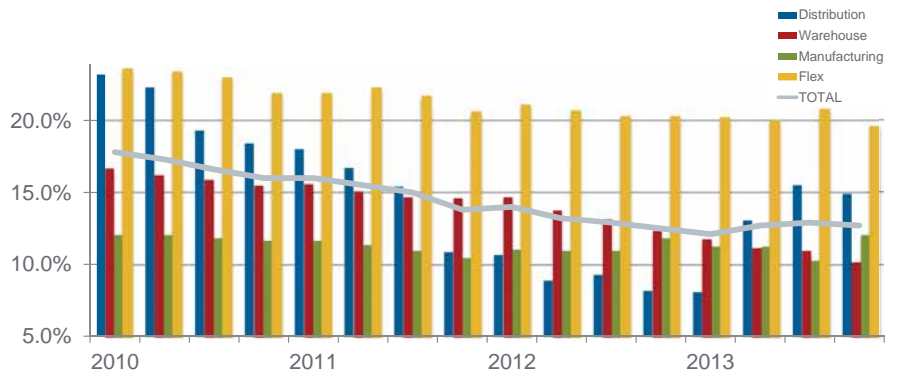
↓ 6.2%

# Industrial

Average Rental Rates

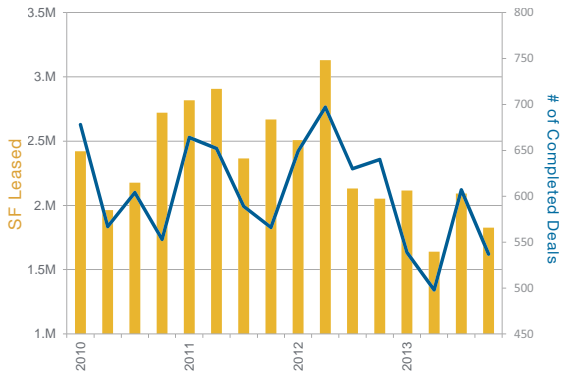


Vacancy Rate

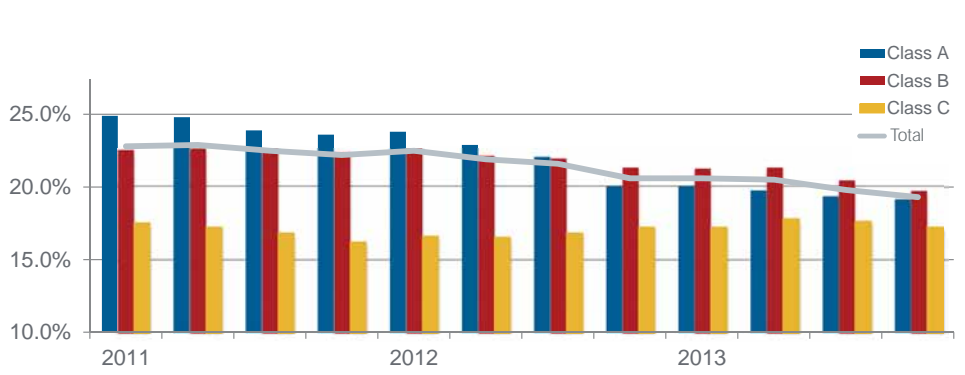


# Office

Leasing Activity

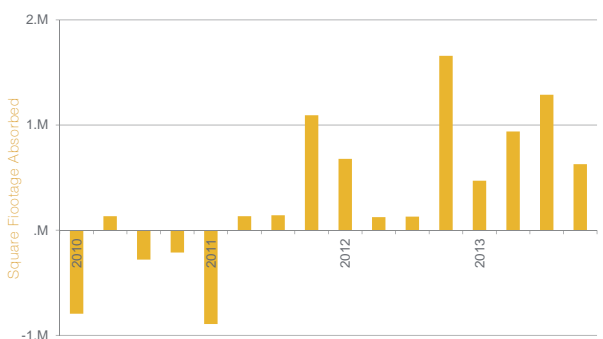


Vacancy Rate

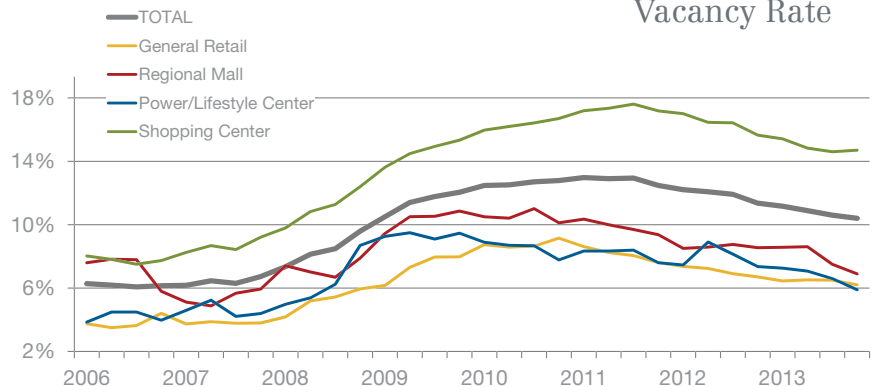


# Retail

Net Absorption



Vacancy Rate



# 2013

## Investment Market

### Phoenix Overview

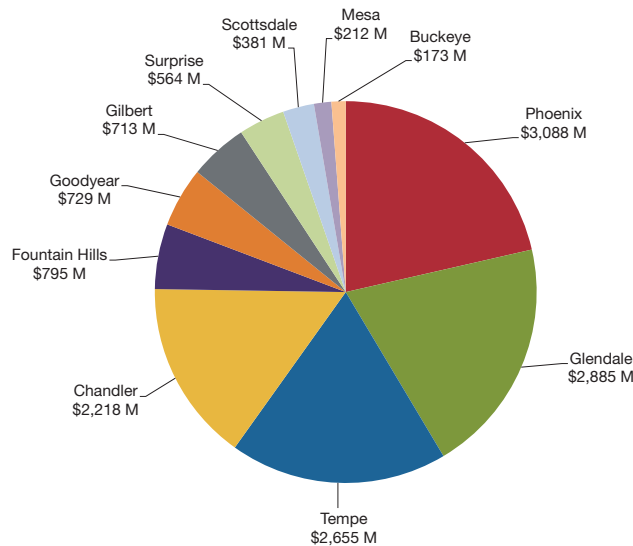
2013 was a dynamic year for investment sales in the Phoenix metropolitan market. We saw a steady number of transactions in comparison to 2012 and continue to see increased buying demand in the market. The elevated demand in our market, along with relatively low interest rates, has contributed to improving property values and lower cap rates.

2014 will be a year of transition with property performance and values continuing to improve. We are seeing a shift in the market, going from buyer's chasing distress properties to placing capital in quality, more stabilized assets. Many of the properties that were purchased over the past five years, out of distressed situations, are now in a position to re-enter the market as a stabilized or semi-stabilized asset.

As we see distressed opportunities lessen on the local and regional REO level, our team continues to track the upcoming opportunities that may present themselves in the CMBS arena. Although we currently see a lull in CMBS delinquencies, based on the timing of upcoming maturities, high loan amounts and potential lack of equity or new debt for existing borrowers, there will be increased new CMBS distress opportunities over the next 12 to 36 months.

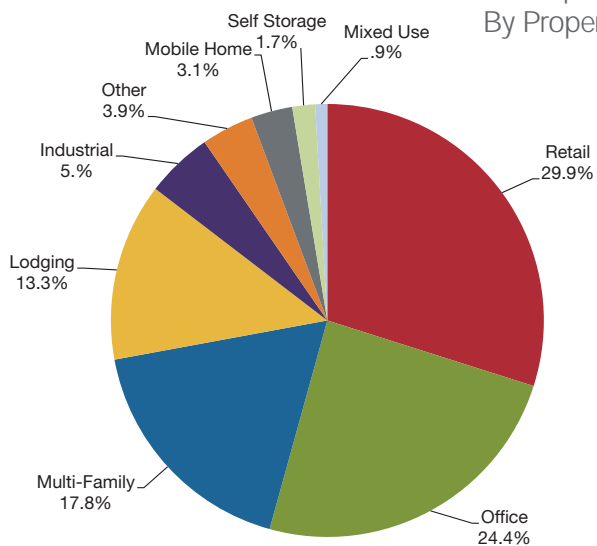
Overall, the outlook for the Phoenix metro area remains optimistic and that outlook will only continue to strengthen with improved job numbers and limited raises in interest rates.

### Investment Sales by City All Property Types



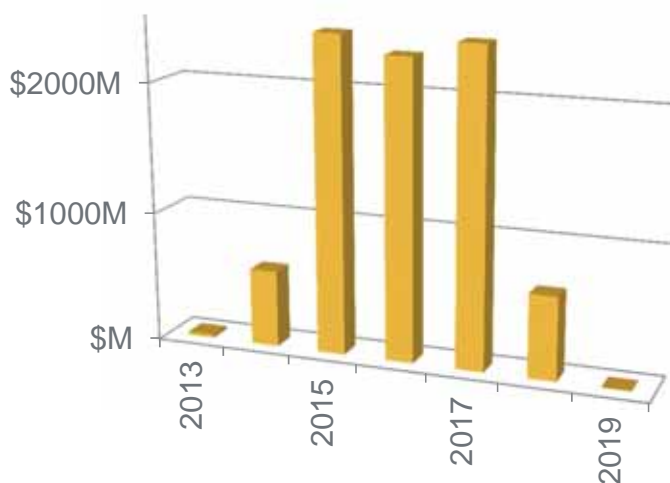
### CMBS Maturities through 2017

In Maricopa County  
By Property Type



### Allocated Balance by Maturity Year

Maricopa County



# Investment Transactions

Buildings Over 50,000 SF

Highest Price PSF 2013 Transactions

1415 W 3rd St  
Rio Salado Corporate Ctr  
Tempe, AZ 85281



Class B Manufacturing Building, 82,257 SF Sold on 9/10/13 for \$14,420,000 (\$175 PSF)  
Buyer: Cole Corporate Income Trust, Inc.  
Seller: LBA Realty

**Industrial**

From 2012 2013

Transactions **↓ 32**

Average Price PSF **↓ \$68 PSF**

Highest Price PSF 2013 **\$175 PSF**

18500 N Allied Way  
North Scottsdale Corporate Phase 1  
Phoenix, AZ 85054



Class A Office Building, 152,162 SF Sold on 6/27/13 for \$47,600,000 (\$312 PSF)  
Buyer: Bruce Karsh c/o Gail Lubin  
Seller: Connecticut Municipal Employees Retirement System

**Office**

Transactions **↔ 66**

Average Price PSF **↑ \$141 PSF**

Highest Price PSF **\$312 PSF**

1717 N Dysart Rd  
Alameda Crossing  
Avondale, AZ 85392



Freestanding Retail Building, 55,250 SF sold on 6/26/13 for \$8,291,143 (\$346 PSF) (Part of Multi-Property Portfolio)  
Buyer: West Valley Properties, Inc.  
Seller: Cupertino Partners VI

**Retail**

Transactions **↑ 67**

Average Price PSF **↓ \$105 PSF**

Highest Price PSF 2013 **\$346 PSF**



# \$100 Million+ Sold

In Investment Properties



20

Land Properties Totaling  
Over \$7.8 Million



20

Retail Properties Totaling  
Over \$59 Million



18

Office Properties Totaling  
Over \$21.5 Million



5

Industrial Properties Totaling  
Over \$4 Million



2

Other Investment Properties Totaling  
Over \$7.7 Million



## Macayo's Plaza

15601 W Bell Rd, Surprise

Sale Price: **\$7,300,000**

Size: 57,738

Sold: December 2013



## Las Palmas Medical Plaza

16620 N 40th Street, Phoenix

Sale Price: **\$4,050,000**

Size: 55,874 SF on 5.58 Acres

Sold: October 2013



## Arbor Court

5125 & 5151 N 16th Street, Phoenix

Sale Price: **\$3,750,000**

Size: 63,980 SF

Sold: April 2013



## Cotton Lane Plaza

17014, 17058 & 17092 W Bell Road, Phoenix

Sale Price: **\$3,000,000**

Size: 36,844 SF

Sold: April 2013



## Hamstra Square

1020-1050 E Pecos Road, Chandler

Sale Price: **\$2,500,000**

Size: 81,279 SF

Sold: March 2013



## Siete Sqaure

4139 W Bell Rd, Phoenix

Sale Price: **\$1,435,000**

Size: 35,950 SF

Sold: February 2013

# Realizing Potential, Delivering Results.

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