

Metro Phoenix Q3 2016

RETAIL SNAPSHOT

VACANCY

- The retail vacancy rate increased slightly in Q3 2016 to 9.0%, up just 0.1%.
- While up this quarter, the vacancy rate has fallen over the last year from 9.4% in Q3 2015.
- The current retail vacancy rate is the lowest it has been since 2008.
- The Airport Area submarket recorded the lowest vacancy rate at 4.5%.
- The North Phoenix submarket had the highest vacancy rate at 11.8%.

ASKING RENTAL RATES

- The average rental rate increased to \$14.36/SF this quarter. This is up from \$14.04/SF in Q3 2015.
- The Scottsdale submarket brought in the highest rate at \$19.17/SF. The North Phoenix submarket saw the lowest rate at \$12.69/SF.

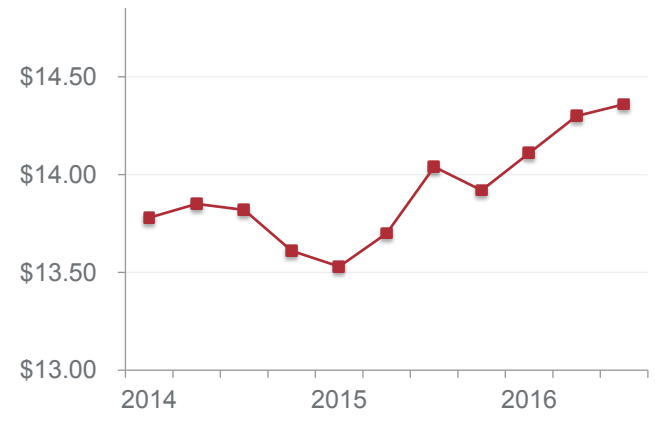
NET ABSORPTION

- Total net absorption fell this quarter to 183,017 SF.
- Net absorption is down from Q2 2016. In the first three quarters of 2016, 1.37 MSF was absorbed, up from 1.28 MSF in the same three quarters of 2015.
- The East Valley saw the largest amount of space absorbed with 276,941 SF, while Northwest Phoenix saw the largest negative absorption with -148,232 SF.

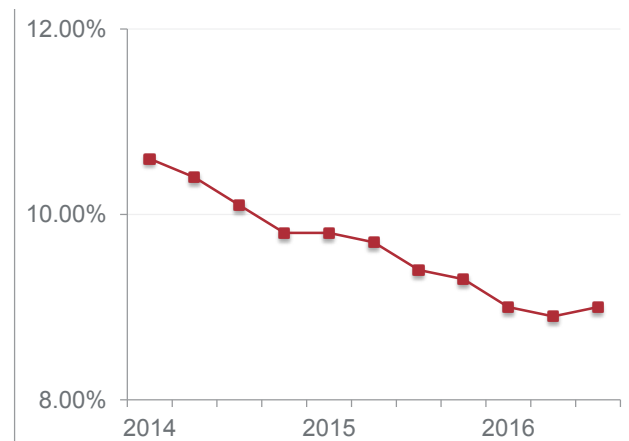
CONSTRUCTION

- Almost 1M square feet of new development was under construction at the end of Q3 2016.
- 511,909 SF of new space was delivered to the market this quarter.

Rental Rates



Vacancy Rates



Economic Trends

▲ Consumer Price Index
Up 1.1% over last 12 months, nat'l

▼ 30-Year Fixed Mortgage (National)
Down from June-3.57%, Sep 3.46%

▼ Phoenix Metro Unemployment
Down from 5.3% end of Q2, Aug- 5%

Retail Market Trends

▲ Vacancy Rate
Up .1% from Q2 to 9.0% in Q3

▼ Net Absorption
Down from Q2 to 183,017 SF in Q3

▲ Average Asking Rates
Up to \$14.36 in Q3 from \$14.30 in Q2

Metro Phoenix Snapshot

Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
Power/Lifestyle	31,775,865 SF	1,937,309 SF	6.1%	-203,894 SF	14,200 SF	91,400 SF	\$22.01 NNN
Regional Mall	15,454,789 SF	1,108,123 SF	7.2%	-74,334 SF	-	-	\$15.40 NNN
General	66,225,176 SF	3,078,687 SF	4.6%	59,401 SF	81,902 SF	244,018 SF	\$15.09 NNN
Shopping Center	107,796,981 SF	13,771,670 SF	12.8%	405,346 SF	415,807 SF	652,559 SF	\$11.13 NNN

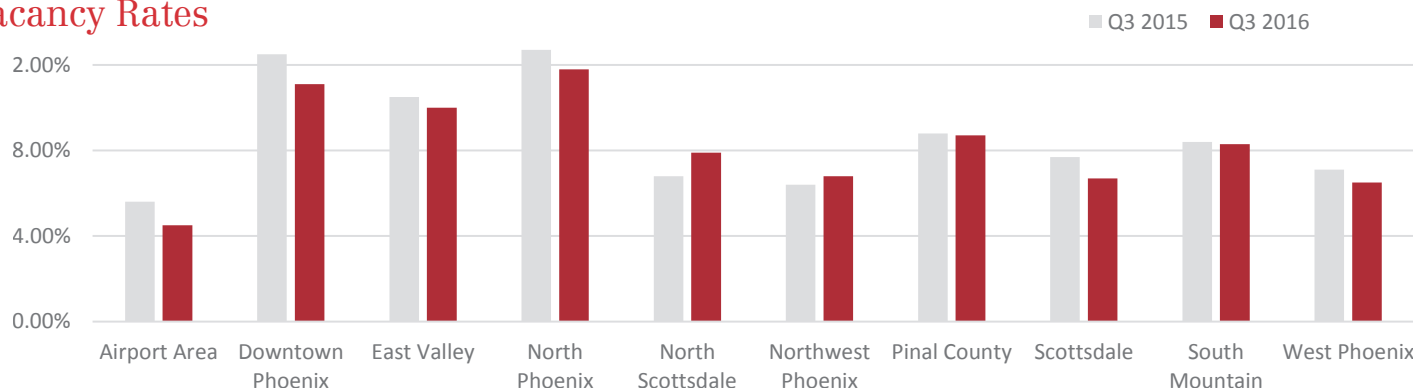
Significant Lease Transactions

	Address	Tenant	Size	Submarket	Type
Sierra Montana Center	15190 N Cotton Ln, Surprise	Goodwill	25,000 SF	West Phoenix	Move In
Santana Village Crossing	7539-7575 W Peoria Ave, Peoria	Planet Fitness	23,236 SF	North Phoenix	Move In
McDowell Plaza	4410 E McDowell St, Phoenix	Mor Furniture	20,000 SF	Airport Area	Move In

Significant Sale Transactions

	Address	Date	Size	Sale Price	Price/SF
LA Fitness Sports Club	5536 W Bell Rd, Glendale	07/25/2016	46,000 SF	\$12.5M	\$271.74
Foothills Park Place	5050 E Ray Rd, Phoenix	07/22/2016	104,880 SF	\$10.8M	\$103.45
CVS	2406 E Thomas Rd, Phoenix	08/05/2016	12,393 SF	\$10.46M	\$844.54

Retail Submarket Vacancy Rates



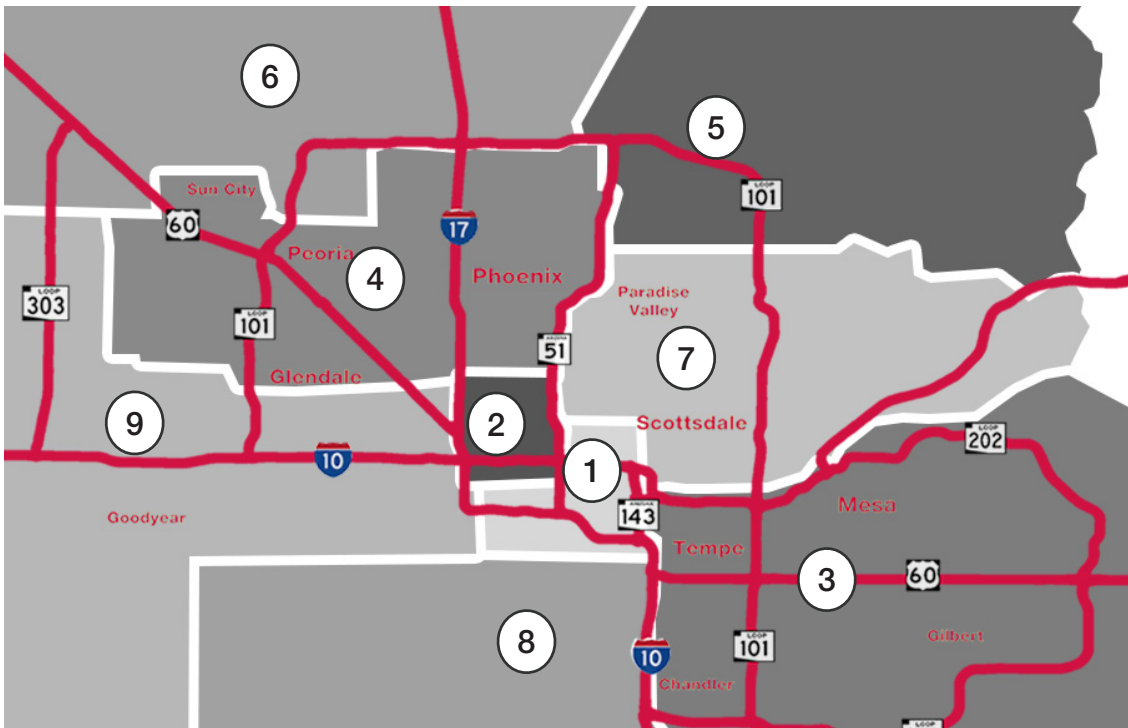
The Retail Market is a compilation that includes general retail, regional mall, power and lifestyle centers and shopping center buildings. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI Horizon. NAI Horizon makes no warranties or representations as to the completeness or accuracy thereof. NAI Horizon makes no guarantee about projections, opinions, assumptions or estimates. Occasionally corrected or updated information becomes available for both current and historical data thereby invalidating specific comparison to previously issued reports.

Submarket Snapshot

▼ Down from previous quarter
 ▲ Up from previous quarter
 — No change from previous quarter

3Q16
 Retail

Submarket	RBA (SF)	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Avg. Rental Rate (NNN)
Airport Area	5,425,384 —	242,486 ▼	4.5% ▼	29,925 ▲	—	—	\$13.23 ▲
Downtown Phoenix	6,943,197 —	770,573 ▲	11.1% ▲	(77,939) ▼	—	26,488 —	\$14.52 ▼
East Valley	73,275,372 ▲	7,313,613 ▼	10.0% ▼	276,941 ▲	332,128 ▼	424,713 ▼	\$14.17 ▲
North Phoenix	39,162,407 ▼	4,606,843 ▼	11.8% ▼	35,688 ▼	2,846 ▼	61,536 ▲	\$12.69 ▲
North Scottsdale	17,515,507 —	1,391,186 ▲	7.9% ▲	(92,452) ▼	—	24,281 —	\$18.16 ▲
Northwest Phoenix	19,940,759 ▲	1,354,160 ▲	6.8% ▲	(148,232) ▼	11,421 ▲	148,860 ▲	\$16.12 ▲
Pinal County	9,644,296 —	836,752 ▼	8.7% ▼	17,045 ▲	—	16,606 ▲	\$11.25 ▼
Scottsdale	19,687,617 ▲	1,322,919 ▲	6.7% —	57,211 ▼	120,916 ▲	63,043 ▼	\$19.17 ▼
South Mountain	6,635,805 ▲	551,790 ▲	8.3% ▲	(23,234) ▼	2,972 ▼	2,400 —	\$15.52 ▼
West Phoenix	23,041,467 ▲	1,485,589 ▼	6.5% ▼	110,566 ▲	41,626 ▲	220,047 ▼	\$13.38 ▲
.....							
All Submarkets	222,010,925 ▲	19,942,519 ▲	9.0% ▲	183,017 ▼	511,909 ▼	987,977 ▼	\$14.36 ▲
Overall Total 2Q16	221,675,546 ▼	19,790,157 ▼	8.9% ▼	479,310 ▼	475,150 ▲	1,282,252 ▼	\$14.30 ▲
Overall Total 1Q16	221,312,369 ▲	19,905,735 ▼	9.0% ▼	711,715 ▲	271,524 ▲	1,401,421 ▲	\$14.11 ▲
Overall Total 4Q15	221,265,409 ▲	20,569,915 ▼	9.3% ▼	486,580 ▼	270,257 ▼	1,252,202 ▲	\$13.92 ▲



Retail Submarkets

- 1 Airport Area
- 2 Downtown Phoenix
- 3 East Valley
- 4 North Phoenix
- 5 North Scottsdale
- 6 Northwest Phoenix
- 7 Scottsdale
- 8 South Mountain
- 9 West Phoenix