

Metro Phoenix Q1 2017

RETAIL SNAPSHOT

VACANCY

- The retail vacancy rate increased slightly in Q1 2017 to 8.9%, up just 0.1% from 4Q 2016.
- While up this quarter, the vacancy rate has remained steady from the equivalent 8.9% in Q1 2016.
- The Airport Area submarket recorded the lowest vacancy rates at 5.6%, compared to 4.8% in Q1 2016.
- The North Phoenix submarket had the highest vacancies at 11.8%, in contrast to 12.2% in Q1 2016.

ASKING RENTAL RATES

- The average rental rate increased to \$14.67/SF in Q1 2017. This is up from \$14.45/SF in Q1 2016.
- The Scottsdale submarket brought in the highest rates at \$21.99/SF.
- The Pinal County submarket saw the lowest rates at \$12.09/SF.

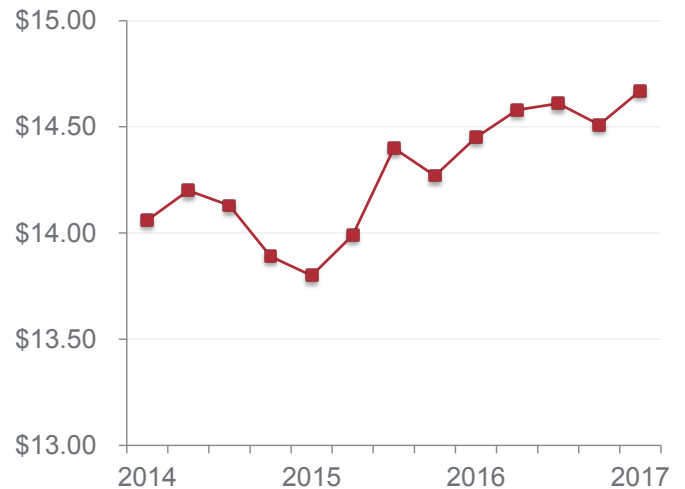
NET ABSORPTION

- Total net absorption fell this quarter to 160,756 SF, indicating a decline in retail tenants moving into or remaining in their space.
- The Northwest Phoenix submarket saw the largest amount of space absorbed with 232,724 SF, while the Airport submarket saw the largest negative absorption with -76,530 SF.

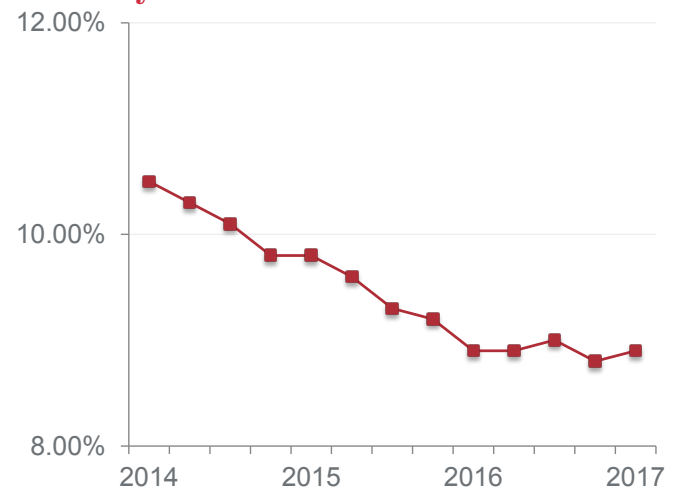
CONSTRUCTION

- Over 1.3M SF of new development was under construction at the end of Q1 2017.
- 437,412 SF of new space was delivered to the market this quarter, up over 100,000 SF from Q1 2016.

Rental Rates



Vacancy Rates



Economic Trends

▲ Consumer Price Index
Up 2.4% over last 12 months, nat'l

▲ 30-Year Fixed Mortgage (Nat'l Avg)
Up from Jan-4.18%, now 4.19% Nat'l

▼ Phoenix Metro Unemployment
Down from 5.2% July 2016, now 5.0%

Retail Market Trends

▲ Vacancy Rate
Up from 8.8% 4Q16 to 8.9% 1Q17

▼ Net Absorption
Down from 4Q16 to 160,756 SF 1Q17

▲ Average Asking Rates
Up to \$14.67/SF from \$14.51/SF 4Q16

Metro Phoenix Snapshot

Market Overview

	Total RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Average Rental Rate
Power/Lifestyle	32,135,457 SF	2,077,249 SF	6.5%	(18,076) SF	8,000 SF	0 SF	\$17.70/SF
Regional Mall	15,266,903 SF	1,111,072 SF	7.3%	(9,157) SF	0 SF	156,000 SF	\$16.60/SF
General	67,488,550 SF	3,268,535 SF	4.8%	(51,659) SF	150,532 SF	734,200 SF	\$14.57/SF
Shopping Ctr	108,206,908 SF	13,438,981 SF	12.4%	227,703 SF	295,371 SF	458,682 SF	\$14.19/SF
TOTAL	223,863,632 SF	19,959,417 SF	8.9%	140,561 SF	453,903 SF	1,357,982 SF	\$14.51/SF

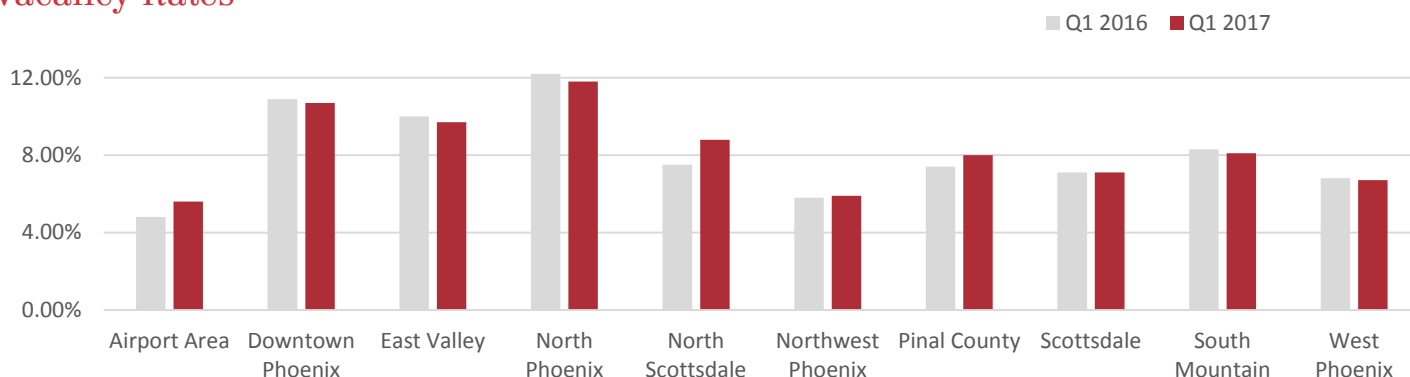
Significant Lease Transactions

	Address	Tenant	Size	Submarket	Type
Grayhawk Plaza	20745-20831 N Scottsdale Rd	Honor Health	57,539 SF	N. Scottsdale	Move In
Target - Biltmore	1625 E Camelback Rd	Target	50,248 SF	Scottsdale	Move In
Burlington Coat Factory	2650 E Germann Rd	Burlington Coat	50,000 SF	East Valley	Move In

Significant Sale Transactions

	Address	Date	Size	Sale Price	Price/SF
The Village at Augusta Ranch	9221 & 9303 E Baseline Rd	02/10/2017	25,714 SF	\$6,950,000	\$270.28
Goodwill	2665 N Power Rd	01/05/2017	22,800 SF	\$6,200,000	\$271.93
Historic Gold Spot	1001 N 3rd Ave	01/04/2017	12,257 SF	\$4,875,000	\$397.73

Retail Submarket Vacancy Rates



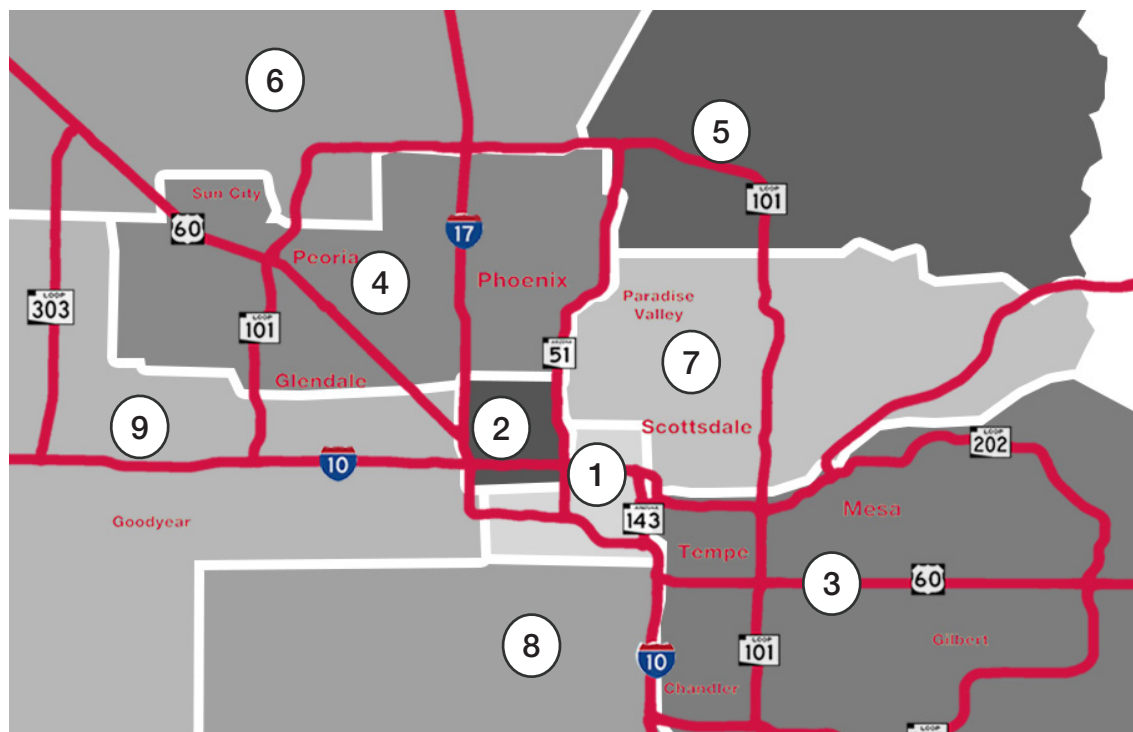
The Retail Market is a compilation that includes general retail, regional mall, power and lifestyle centers and shopping center buildings. Some information contained herein has been obtained from third party sources deemed reliable but has not been independently verified by NAI Horizon. NAI Horizon makes 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

Q1 2017
Retail

Submarket	RBA (SF)	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under Construction	Avg. Rental Rate (NNN)
Airport Area	5,449,418 —	305,440 ▲	5.6% ▲	(76,530) ▼	—	—	\$13.71 ▲
Downtown Phoenix	6,987,876 —	750,334 ▲	10.7% ▲	(37,076) ▼	—	99,970 ▲	\$14.82 ▲
East Valley	74,027,742 ▲	7,184,969 ▼	9.7% ▼	193,411 ▼	134,400 ▼	294,442 ▼	\$14.36 ▲
North Phoenix	39,474,792 ▲	4,639,313 ▲	11.8% ▲	(66,874) ▼	34,753 ▲	201,210 ▼	\$12.70 ▼
North Scottsdale	17,228,325 ▲	1,513,941 ▲	8.8% ▲	9,296 ▲	24,281 ▲	166,390 ▲	\$17.32 ▼
Northwest Phoenix	20,097,946 ▲	1,192,973 ▼	5.9% ▼	232,724 ▲	138,776 ▲	188,092 ▼	\$15.15 ▼
Pinal County	9,816,840 ▲	790,282 ▲	8.1% ▲	(63,715) ▼	12,229 ▼	92,750 ▲	\$12.09 ▲
Scottsdale	19,772,537 ▲	1,397,844 ▲	7.1% ▲	4,353 ▲	28,242 ▲	139,306 ▲	\$21.99 ▲
South Mountain	6,684,008 ▲	541,990 ▼	8.1% ▼	25,075 ▲	7,529 ▲	12,400 ▼	\$15.30 ▲
West Phoenix	23,661,474 ▲	1,541,360 ▲	6.5% ▲	(51,158) ▼	57,202 ▼	148,322 ▲	\$15.15 ▲
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All Submarkets	223,981,680 ▲	19,922,526 ▲	8.9% ▲	160,756 ▼	437,412 ▼	1,351,982 ▼	\$14.67 ▲
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Overall Total 4Q16	223,528,720 ▲	19,630,322 ▼	8.8% ▼	556,884 ▲	444,192 ▼	1,369,579 ▲	\$14.50 ▲
Overall Total 3Q16	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