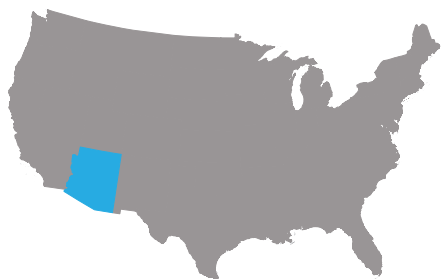


RESEARCH & FORECAST REPORT



Investment Activity Spikes in Response to Stabilizing Operations

MARKET INDICATORS

	2014 Q3	2013 Q3
VACANCY	↓	↓
COMPLETIONS	↑	↓
NET ABSORPTION	↑	↓
RENTS	↓	↓
CAP RATES	↓	↓

SUBMARKET VACANCY RANK

SUBMARKET	3Q 2014	3Q 2013
North Scottsdale	6.9%	7.5%
Northwest Phoenix	7.0%	7.3%
South Mountain	7.0%	7.7%
Airport Area	7.3%	6.9%
West Valley	7.4%	8.6%
Scottsdale	8.3%	9.6%
East Valley	12.3%	12.7%
North Phoenix	13.6%	15.1%
Downtown Phoenix	15.2%	12.3%

THE BROADER VIEW

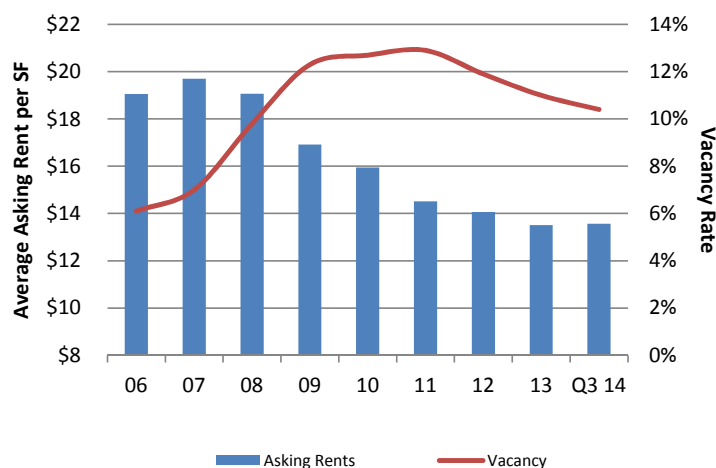
The Greater Phoenix retail market continued its gradual improvement trend during the third quarter, with absorption positive, vacancy improving and investment activity gaining momentum. This sets the stage for the all-important fourth quarter, where deliveries and absorption are typically the most active. On the development side, several small- to medium-size projects with tenants already committed are in the pipeline to be delivered before the end of the year. Looking further ahead, demand is expected to pick up as the economic expansion, hiring and population growth gain additional momentum. All three of these measures have shown signs of accelerating in recent months, supporting a positive outlook for 2015 and beyond.

CURRENT CONDITIONS

Retailers continued to expand at a moderate pace in Greater Phoenix during the third quarter. Net absorption reached more than 685,000 square feet over the past three months, the highest quarterly total in more than a year. Over the past 12 months, retailers have moved into a net of approximately 1.6 million square feet, down from nearly 3.2 million square feet over the same period, one year earlier. Net absorption routinely spikes during the fourth quarter as retailers ramp up activity in anticipation of the holiday shopping season, suggesting a surge is likely in the coming months.

Continued on back page

AVERAGE RENT AND VACANCY



Vacancy continues to trend lower, falling 20 basis points in the third quarter to 10.4 percent. Vacancy is now 70 basis points lower than one year ago, and the rate has improved by 200 basis point over the past 24 months. Vacancy in suburban areas is improving steadily, with properties in North Phoenix, Scottsdale and the West Valley posting the strongest year-over-year gains. The North Scottsdale submarket features the lowest vacancy rate in Greater Phoenix at 6.9 percent. The rate improved by 60 basis points during the past 12 months, driven by net absorption of nearly 140,000 square feet.

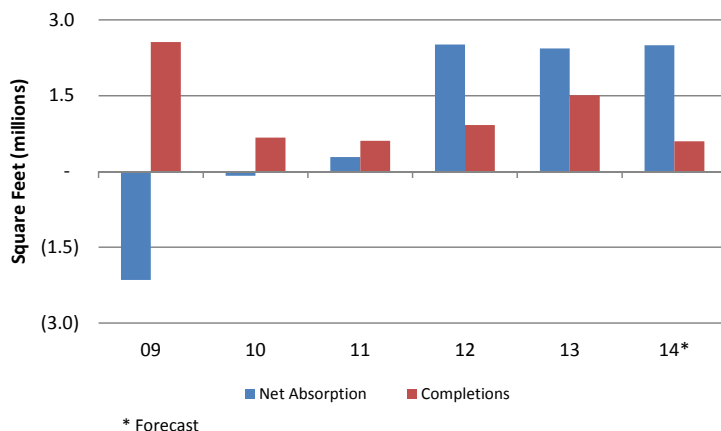
Rents have largely leveled off in recent quarters. Average asking rents have dipped 0.4 percent in the past 12 months, ending the third quarter at \$13.57 per square foot. While posting a modest year-over-year decline, marketwide asking rents are slightly higher than at the end of 2013. The East Valley submarket, which has approximately one-third of all retail space in the Valley, has posted a slight rent decline in the past year, but there are a few regions where rents are pushing

higher. Asking rents in Scottsdale, for example, have increased by 7 percent over the past year to \$21.88 per square foot.

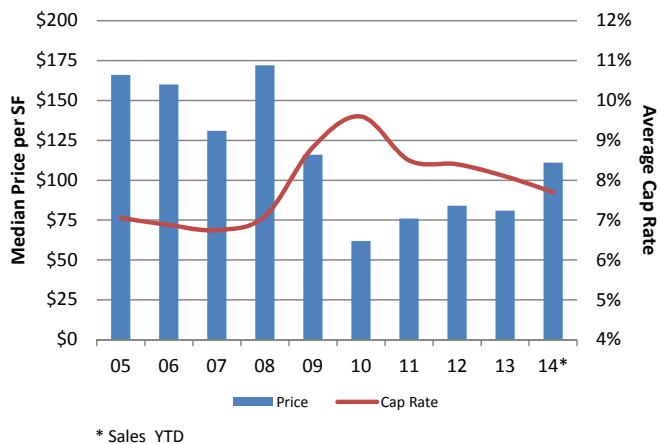
Following a second quarter lull, sales activity surged in the third quarter, nearly tripling the volume recorded in the preceding three months. Year to date, total sales activity is up 7 percent from the same period in 2013, and if this trend holds, 2014 will mark the fifth consecutive year of increased sales velocity in Greater Phoenix.

The rise in activity has been accompanied by a spike in sales prices. The median price in shopping centers sold thus far in 2014 is \$111 per square foot, 37 percent higher than the median recorded in 2013. Some of the increase is a function of the properties that are trading; after distressed properties accounted for nearly half of the properties that changed hands in 2012 and 2013, these assets have made up approximately 20 percent of transactions thus far in 2014. Cap rates have compressed, averaging in the mid-7 percent to low-8 percent range year to date.

SUPPLY AND DEMAND



SHOPPING CENTER SALES TRENDS



485 offices in 63 countries on 6 continents

United States: 146
Canada: 44
Latin America: 25
Asia Pacific: 186
EMEA: 84

- \$2.1 billion USD in annual revenue
- 1.46 billion square feet under management
- 15,800 professionals worldwide

(Based on 2013 results)

COLLIERS INTERNATIONAL

PHOENIX
2390 E. Camelback Road, Ste 100
Phoenix, Arizona 85016

TEL +1 602 222 5000

FAX +1 602 222 5001

SCOTTSDALE
14080 N. Northsight Blvd.
Scottsdale, Arizona 85260

TEL +1 480 596 9000

FAX +1 480 948 0502

Bob Mulhern
Managing Director | Greater Phoenix
bob.mulhern@colliers.com

Jim Keeley, SIOR, CCIM
Founding Partner | Scottsdale Office
jim.keeley@colliers.com

Pete O'Neil
Research Manager | Greater Phoenix
pete.oneil@colliers.com

This document/email has been prepared by Colliers International for advertising and general information only. Colliers International makes no guarantees, representations or warranties of any kind, expressed or implied, regarding the information including, but not limited to, warranties of content, accuracy and reliability. Any interested party should undertake their own inquiries as to the accuracy of the information. Colliers International excludes unequivocally all inferred or implied terms, conditions and warranties arising out of this document and excludes all liability for loss and damages arising therefrom. This publication is the copyrighted property of Colliers International and/or its licensor(s). © 2014. All rights reserved.



Accelerating success.