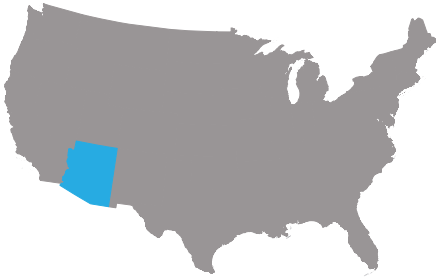




COLLIERS INTERNATIONAL | PHOENIX RESEARCH & FORECAST REPORT



Local Sales Data Strengthening, but Caution Prevailing Among Retail Tenants

THE BROADER VIEW

The recent rise in retail sales in Greater Phoenix has not yet driven a corresponding increase in tenant demand for space, and overall vacancy continued to inch higher during the third quarter. This trend will likely reverse course in the fourth quarter, as a handful of tenants have already committed to opening new stores before year end which should enhance the boost that often occurs in the months immediately before the holiday shopping season. Beyond the immediate future, the retail outlook becomes less clear, as continued housing weakness and a slow pace of recovery in the labor market will restrain the pace of retailer expansions.

CURRENT CONDITIONS

Vacancy in the Greater Phoenix retail market ticked up from 12.7 percent to 12.8 percent during the third quarter. Vacancy in the Phoenix market has been above 10 percent for nearly three consecutive years, and is twice as high as the sector's long-term average. Elevated vacancy in some of the most heavily retailed areas, including along the I-17 Corridor and in Mesa, is dragging on occupancy of the overall market.

Despite ongoing operational softness at the market level, there are a few areas recording modest improvement. Five of the metro area's nine submarket clusters posted positive net absorption during

Continued on back page

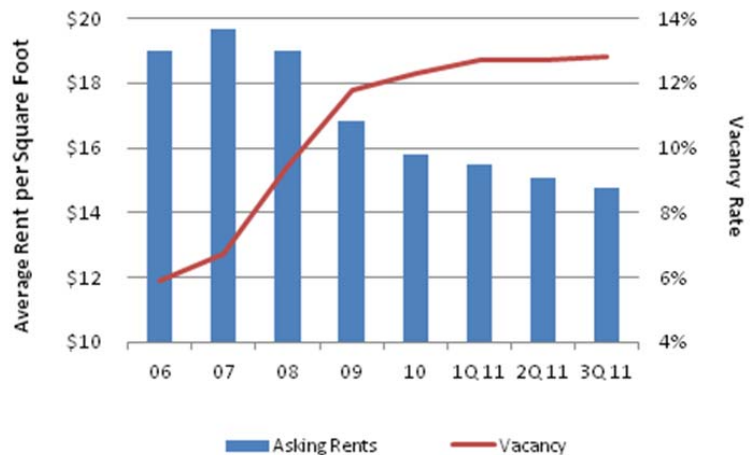
MARKET INDICATORS

	2011 Q3	2010 Q3
VACANCY	↑	↑
CONSTRUCTION	↑	↓
ABSORPTION	↑	↓
RENTS	↓	↓
CAP RATES	↓	↓

SUBMARKET VACANCY RANK

SUBMARKET	3Q 2011	3Q 2010
South Mountain	9.7%	8.3%
Northwest Phoenix	9.8%	10.6%
North Scottsdale	10.2%	10.3%
West Valley	10.3%	11.7%
Airport Area	10.8%	12.3%
Downtown Phoenix	13.3%	11.8%
Scottsdale	13.5%	11.6%
East Valley	14.1%	13.4%
North Phoenix	15.3%	14.9%

AVERAGE RENT AND VACANCY



the third quarter, with the North Phoenix area leading the way at nearly 91,000 square feet, more than half the total for Greater Phoenix as a whole. Positive net absorption of more than 19,000 square feet was recorded in the West Valley during the third quarter, bringing the total to more than 122,000 square feet year to date, the highest total in Metro Phoenix.

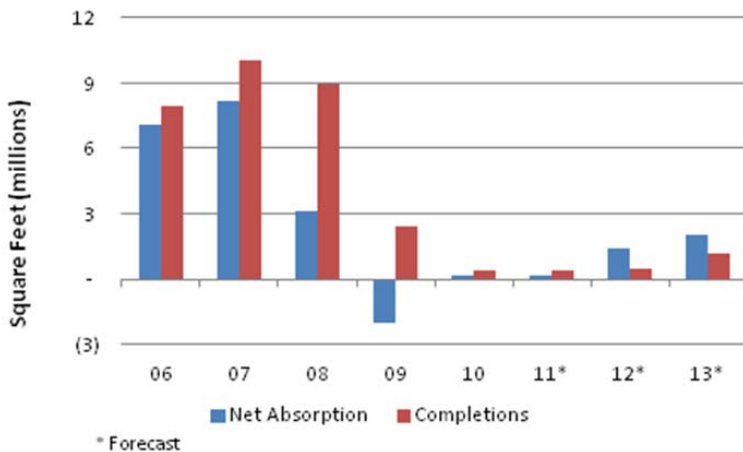
With vacancy reaching cyclical highs, landlords are feeling pressure to reduce rents to attract and retain tenants. Average asking rents declined 2.4 percent during the third quarter and are 7.8 percent lower than levels from one year ago.

Completions totaled nearly 246,000 square feet in the third quarter, a negligible 0.1 percent increase to overall inventory, but a total that exceeded new construction from the preceding four quarters combined. The delivery of new supply will be

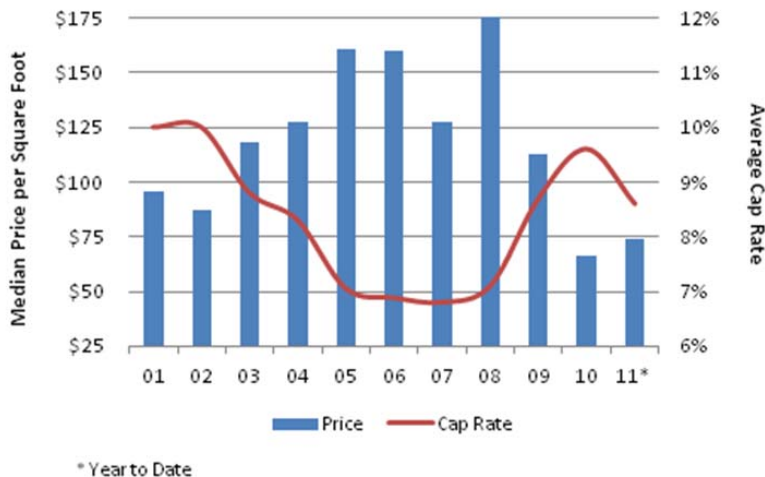
limited for the next few quarters, with pre-leased properties accounting for the majority of new stock. Beyond these few single-tenant properties, one of the more prominent projects in the development pipeline is the 360,000-square foot outlet center due to break ground in early 2012 at the Wild Horse Pass Casino in Chandler.

Investors accelerated their activity in the third quarter, with sales velocity during the period nearly matching the total for the first full six months of the year. The third quarter also featured the two largest individual sales in 2011: the \$110 million sale of the Promenade in Scottsdale and the \$50.3 million acquisition of the Shea Scottsdale Center. As investors focus on quality assets, the median price has ticked up to \$74 per square foot, while cap rates have compressed to the mid-8 percent range in deals closed in 2011.

SUPPLY AND DEMAND



SHOPPING CENTER PRICE AND CAP RATE TRENDS



512 offices in
61 countries on
6 continents

United States: 125
Canada: 38
Latin America: 18
Asia Pacific: 214
EMEA: 117

- \$1.5 billion in annual revenue
- 979 million square feet under management
- 12,509 professionals worldwide

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
Senior Research Analyst | Greater Phoenix
pete.oneil@colliers.com

Copyright © 2011 Colliers International

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.



Accelerating success.