



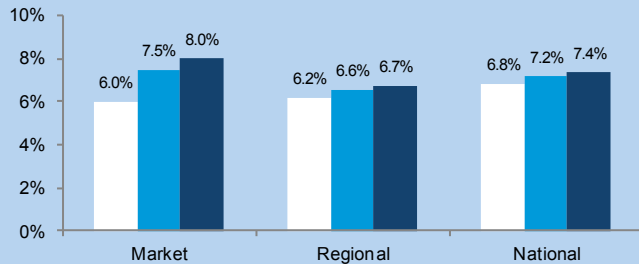
2014 MID-YEAR VIEWPOINT

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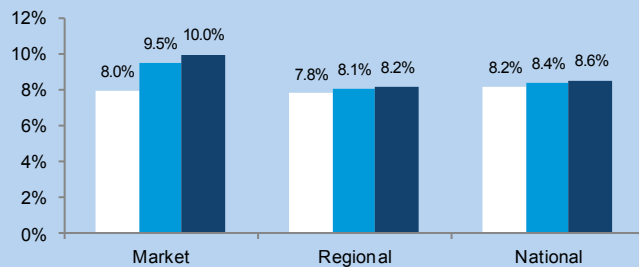
Phoenix, AZ | Retail

Retail Snapshot

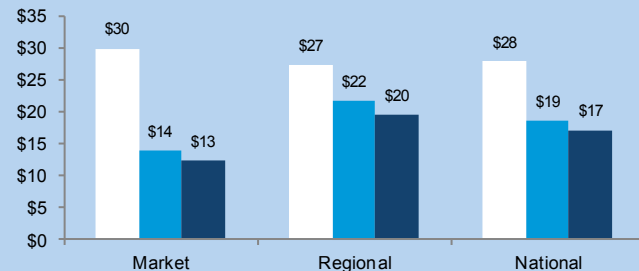
GOING IN CAP RATES (%)



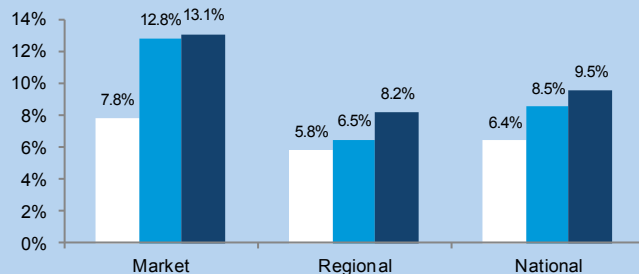
DISCOUNT RATES (%)



MARKET RENT (\$/SF)



VACANCY RATE (%)



Legend

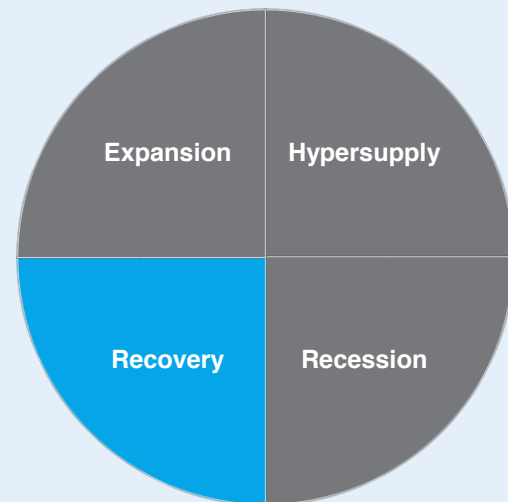
- Regional Mall
- Community Retail
- Neighborhood Retail

Market Commentary

The Metro Phoenix retail market is in recovery. Vacancy rates are declining slowly and rentals appear to have bottomed out. Going forward we expect conditions to remain soft in the big box arena as properties and building footprints are reconfigured.

Two large regional malls planned for the West Valley remain on indefinite hold. Scottsdale continues to lead the way in terms of rental rates and quality of development.

MARKET CYCLE



Market Cycle: Recovery Stage 2

- Decreasing vacancy rates
- Low new construction
- Moderate absorption
- Low/moderate employment growth
- Neg/low rental rate growth



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PHOENIX FORECASTS			
Categories	Regional Mall	Community Retail	Neighborhood Retail
Going In Cap Rate	Increase 25-49 bps	Increase 50-74 bps	Increase 25-49 bps
Discount Rate	Increase 25-49 bps	Increase 50-74 bps	Increase 25-49 bps
Market Rent Change (%)	2.50%	2.50%	2.50%
Expense Change (%)	2.50%	2.50%	2.50%
Absorption (SF)	200,000	250,000	1,000,000
Construction (SF)	3,000,000		
Tenant Improvement (\$/SF)	\$30	\$8	\$10
Years to Balance	In Balance	In Balance	1

CHANGE IN VALUE			
Time	Regional Mall	Community Retail	Neighborhood Retail
Previous 36 Months	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Previous 12 Months	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Future 12 Months	Remain Steady - no change	Remain Steady - no change	Remain Steady - no change
Future 36 Months	Increase 4%+	Increase 4%+	Increase 4%+

About IRR

Integra Realty Resources (IRR) is the largest independent commercial real estate valuation and consulting firm in North America, with over 200 MAI-designated members of the of the Appraisal Institute among over 900 professions based in our 66 offices throughout the United States and the Caribbean. Founded in 1999, the firm specializes in real estate appraisals, feasibility and market studies, expert testimony, and related property consulting services across all local and national markets. Our valuation and counseling services span all commercial property types and locations, from individual properties to large portfolio assignments. For more information, visit www.irr.com or blog.irr.com.

TOP SEVEN CAP RATE FACTORS

- 1 Risk premium of private real estate
- 2 Supply/demand
- 3 Property income growth
- 4 Local economy, job growth, unemployment
- 5 Availability of financing
- 6 National economic conditions/GDP growth
- 7 Interest rates

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