CUSHMAN & WAKEFIELD

METROCENTER

- "OPPORTUNITY ZONE" DESIGNATED AREA
- URBAN REDEVELOPMENT OPPORTUNITY
- LIMITED RESTRICTIVE COVENANTS
- LIGHT RAIL TO SITE BY 2023

9617 North Metro Parkway | Phoenix, Arizona 85051
±47.8 Acres

URBAN REDEVELOPMENT OPPORTUNITY

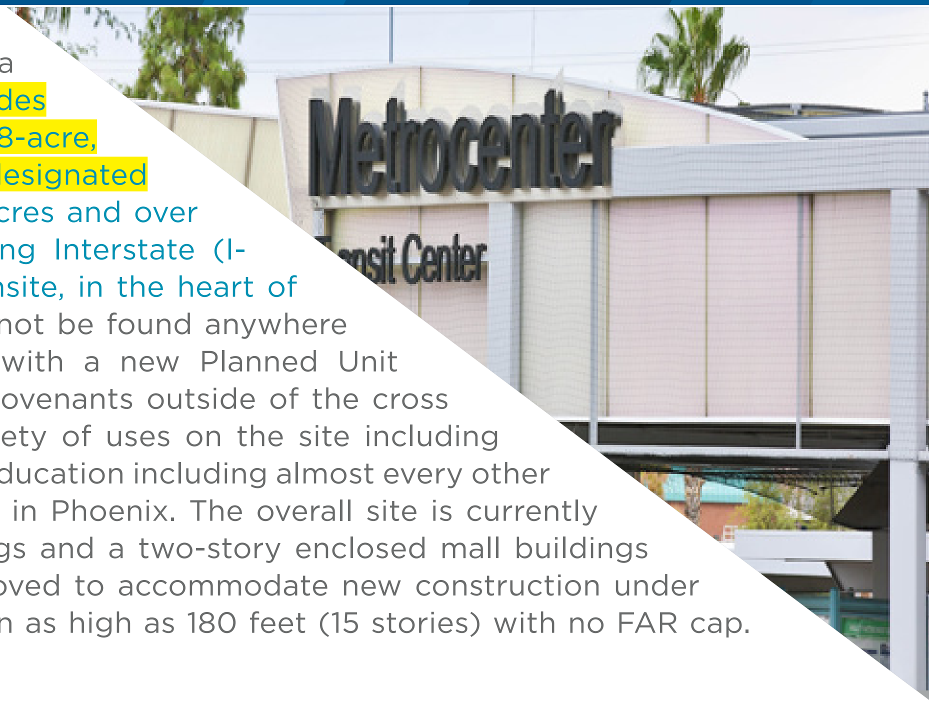
METROCENTER

Table of Contents


SEARS

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY



Cushman & Wakefield is pleased to offer for sale, a fee simple interest in Metrocenter. (The offering includes 530,000 SF of existing buildings located on a 48-acre, potential mixed use redevelopment site within a designated Opportunity Zone) with the ability to assemble 80 acres and over 1.2 million square feet of adaptive reuse space along Interstate (I-17), bus transit station and future light rail station onsite, in the heart of Metropolitan Phoenix, Arizona. This combination cannot be found anywhere else in the Valley. The site was recently rezoned with a new Planned Unit Development (PUD) overlay with limited restrictive covenants outside of the cross parking easement. The PUD zoning allows for a variety of uses on the site including retail, office, multi-family, senior housing, healthcare, education including almost every other conceivable residential and commercial uses allowed in Phoenix. The overall site is currently configured with three existing anchor tenant buildings and a two-story enclosed mall buildings all of which can be re-adapted for new uses or removed to accommodate new construction under the very flexible PUD that allows for new construction as high as 180 feet (15 stories) with no FAR cap.

OTHER SITE ATTRIBUTES INCLUDE:

- Located at the new western Metro Light Rail Transit Hub delivering in 2023
- Anchored by a new Walmart Supercenter; opened Summer 2017
- Broad reciprocal parking agreements
- The strongest employment base in metropolitan Phoenix
- Potential for continued cash flow during the redevelopment
- Opportunity Zone: Potential total waiver of capital gains tax

LOCATION	
ADDRESS	9617 N. Metro Parkway Phoenix, Arizona 85051
PARCEL	149-16-005A, 149-16-001O, 149-16-001A

METROCENTER	
BUILDING SIZE	±530,000 SF
LAND AREA	Approximately 48 acres; expandable to ±80 acres (separately owned)
ZONING	Planned Unit Development (PUD)
NOI	Positive

INVESTMENT HIGHLIGHTS

URBAN REDEVELOPMENT OPPORTUNITY | FLEXIBLE PUD ZONING APPROVED JUNE 2016

- The PUD encompasses 130 acres including the mall, Walmart Supercenter, Macy's and Sears sites
- Site provides total flexibility inclusive of other non-retail use including office, senior housing, multifamily, hospitality, education, entertainment and healthcare
- The site square footage allowances are unrestricted with no FAR cap
- The PUD increases height allowances up to 180 feet (15 stories)
- No restrictive REA's (Restrictive Easement Agreements)
- Sears and Dillards have expressed interest in selling with owner in the redevelopment of their respective sites.

STRONG EXISTING INFRASTRUCTURE | GREAT INTERSTATE 17 LOCATION

- Easy access to Metro Phoenix's largest employment base
- 375,711 Traffic Count on Interstate 17, a large existing office submarket with 3.7 million square feet
- Home to the largest group of Fortune 500 Companies in the Valley including Blue Cross/Blue Shield, Petsmart, American Express, Wells Fargo, Safeway and Honeywell

48-ACRE INFILL SITE LOCATED ON PHOENIX METRO LIGHT RAIL EXTENSION

- The new hub will be the termination point for the 32-mile Light Rail system
- It will cross I-17 and terminate midway between Peoria and Dunlap on the east ring road of the mall
- The approved/funded budget is $285M
- Completion should occur by 2023

CURRENT RENT ROLL SUPPORTS CASH FLOW GENERATION DURING REDEVELOPMENT

- Positive in place NOI from in-line mall retailers
- A new Walmart opened in the summer of 2017
- An existing 12-screen Harkins Theater is successfully operating

THE OPPORTUNITY ZONE | POTENTIAL WAIVER OF CAPITAL GAINS TAX

- If a qualified fund owns the property for at least 10 years it will potentially pay no tax on the appreciation of the property
- The Opportunity Zone is driver for economic activity


EZ Vape
DIRECTORY

PROPERTY OVERVIEW

EXISTING FEE OWNERSHIP

EXISTING SITE DESCRIPTION	
YEAR BUILT	1973, renovated 2007
ZONING	PUD/Mixed Use
NUMBER OF BUILDINGS	1
NUMBER OF STORIES	2
LAND AREA	±47.8 acres
TOTAL SQUARE FEET	±530,000 SF
PARKING	±6,183 Total today, cross easement (exclusive of Walmart) PUD requirements vary by use
ANCHOR RETAILERS	Harkins Theaters, Walmart (NAP), Dillard's (NAP)
2007 IMPROVEMENTS	HVAC replaced, cosmetic interior and entrance finishes

REDEVELOPMENT OPPORTUNITY		
LAND AREA	149-16-005A (Mall)	±1,747,048 SF
	149-16-001O (Land)	
TOTAL	±47.8 acres	±2,081,950 SF
ZONING	PUD	

MALL – ±530,000 SF	
CONSTRUCTION	1973 Steel post & beam with lightweight concrete deck
ROOF TYPE	Steel with LWC, ½ fiberboard, 5 ply built-up with aluminum coating
HVAC	Central Plant, chillers replaced in 2008
COMMENTS	Enclosed mall with multiple anchors and a central food court
UTILITIES	APS, City of Phoenix, CenturyLink

CUSHMAN & WAKEFIELD

1. Sherton Crescent Hotel
2. Courtyard Marriott
3. Comfort Suites
4. Towne Place Suites Phoenix
5. Homewood Suites Phoenix Metro
6. Premier Inn
7. Inn Place Hotel

ADJACENT PARCELS

FORMER MACY'S BUILDING (NAP)	
SIZE	106,000 SF (2 Floors)
LAND AREA	265,019 SF 6.08 Acres
YEAR BUILT	1973

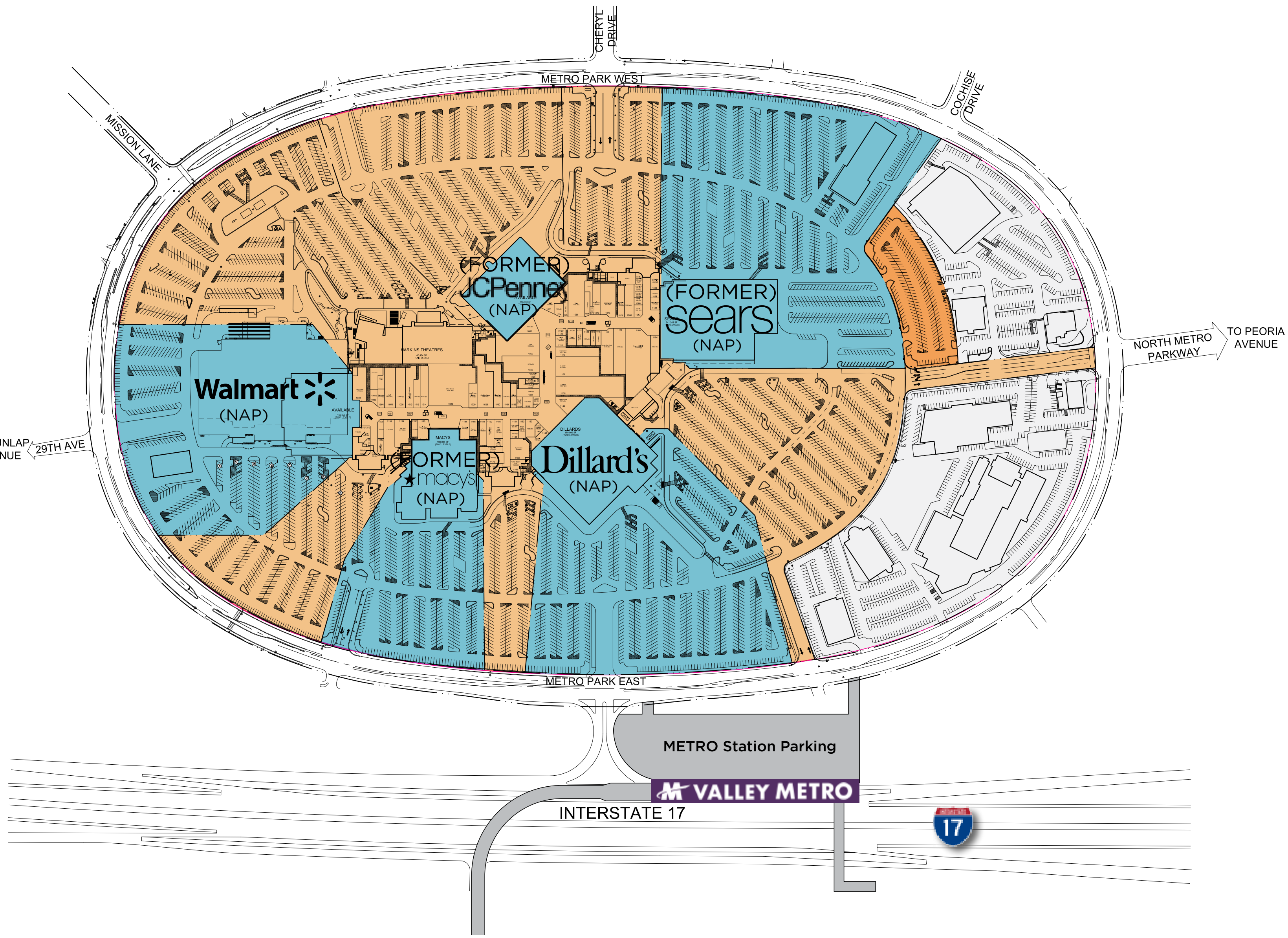
FORMER SEARS BUILDING (NAP) AVAILABLE FOR PURCHASE	
SIZE	211,578 SF 13,637 SF (Auto Center)
LAND AREA	632,840 SF 14.53 Acres
YEAR BUILT	1973

DILLARDS BUILDING (NAP)	
SIZE	180,848 SF
LAND AREA	537,487 SF 12.34 Acres
YEAR BUILT	1973

FORMER JCPENNY'; BUILDING ONLY (NAP)	
SIZE	156,000 SF (3 Floors)
YEAR BUILT	1973

CUSHMAN & WAKEFIELD

METRO CENTER SITE PLAN



PROPERTY OVERVIEW

PROPERTY OVERVIEW

PROPERTY OVERVIEW

CUSHMAN & WAKEFIELD

PROPERTY OVERVIEW


Metrocenter
T ansit Center

THE OPPORTUNITY

THE OPPORTUNITY

Metrocenter is a 47.8-acre portion of a 130-acre Planned Unit Development (PUD) zoned regional Mall site located in North Phoenix along Interstate 17, a primary urban core area.

Metrocenter represents the opportunity to redevelop a large regional suburban mall into an urban central core mixed use project that is envisioned to have high density, multi-family housing, employment, retail, entertainment, and enhanced transit opportunities including an on-site future light rail station and existing bus station. Part of Phoenix's North Mountain Village, this site offers a tremendous amount of existing infrastructure resources to assist in the redevelopment/re-use opportunity. The City of Phoenix approved and designated Metrocenter as a redevelopment district to help leverage additional funds (local, state and federal) to improve the infrastructure needs within the area. ADOT has also been reviewing and analyzing expansion / improvements to the I-17 freeway to be able to accommodate more traffic and help with the traffic flow.

FUTURE DEVELOPMENT POTENTIAL INCLUDES:

- ***48 total acres adjacent to the freeway with flexible PUD zoning allowing for corporate office, multi-family, medical, retail, etc.***
- ***Existing buildings totaling 530,000 SF with the ability to re-purpose/re-use***
- ***Light rail station adjacent to the site to be delivered by 2023***
- ***The ability to increase density with height up to 180 feet or about 15 stories***
- ***Approved for three new electronic billboards along Interstate 17***
- ***Opportunity Zone: Capital Gains Tax Savings***

The Opportunity Zone is a 'rare gift'

In just the last month, through the implementation of Trump's tax plan, a compelling new tool to spur investment into property across Arizona has been adopted. The Opportunity Zone was created to promote investment in areas that states want to see further economic activity.

The tax bill allowed governors to submit for approval on various sites. In Arizona, Gov. Doug Ducey was approved for 168 sites that will provide a tax incentive for new investment. The law provides for a reduction or total waiver of capital gains tax if an investment is made into an O Zone location.

The O Zone promotes investment in assets like commercial property or land – pumping some serious oxygen and opportunity into the Arizona market that didn't exist a week and a half ago. An interested investor would create his own O Fund and then direct the funds through that corporation to one of the permitted uses, or invest in a pre-existing O Fund.

The law is really quite broad and definition will occur over the next many months as guidance is issued at the federal level. The advantage is you are not taxed on the capital gains you invest into the O Fund to buy property until (1) the property is sold; or (2) December 31, 2026. The capital gains you will have to pay are reduced 10 percent when the property is held for five years and an additional 5 percent when held for seven years. In tax terms, this is referred to as a stepped-up basis.

If the fund owns the property for at least 10 years, you will pay no tax on the appreciation of the property, other than the original deferred capital gains that must be recognized by December 31, 2026. So, you can see this is really compelling for anyone who has assets they might sell for a gain. If you purchase a commercial performing asset, there are requirements about necessary improvements you must make to get the advantage so it becomes a bit more involved than the land holding option. In any case, many types of business can operate in an O Zone and the law details how each will be treated.vised a wide variety of people and corporations on how to fully use this new (and really fantastic) tool. This ranges from the stock investor who has no property assets but intends to sell stock this year for a significant gain, to those who own property that is designated as an O Zone, and those who are selling property and want to invest their gains into an O Zone property to defer capital gains tax. Regardless of your political feelings about our current administration, we can all agree that this is a most rare gift from the federal government.

Article provided by East Valley Tribune | eastvalleytribune.com

"If the fund owns the property for at least 10 years, you will pay no tax on the appreciation of the property, other than the original deferred capital gains that must be recognized by December 31, 2026."

DEVELOPMENT POTENTIAL: PUD PARTICIPANTS

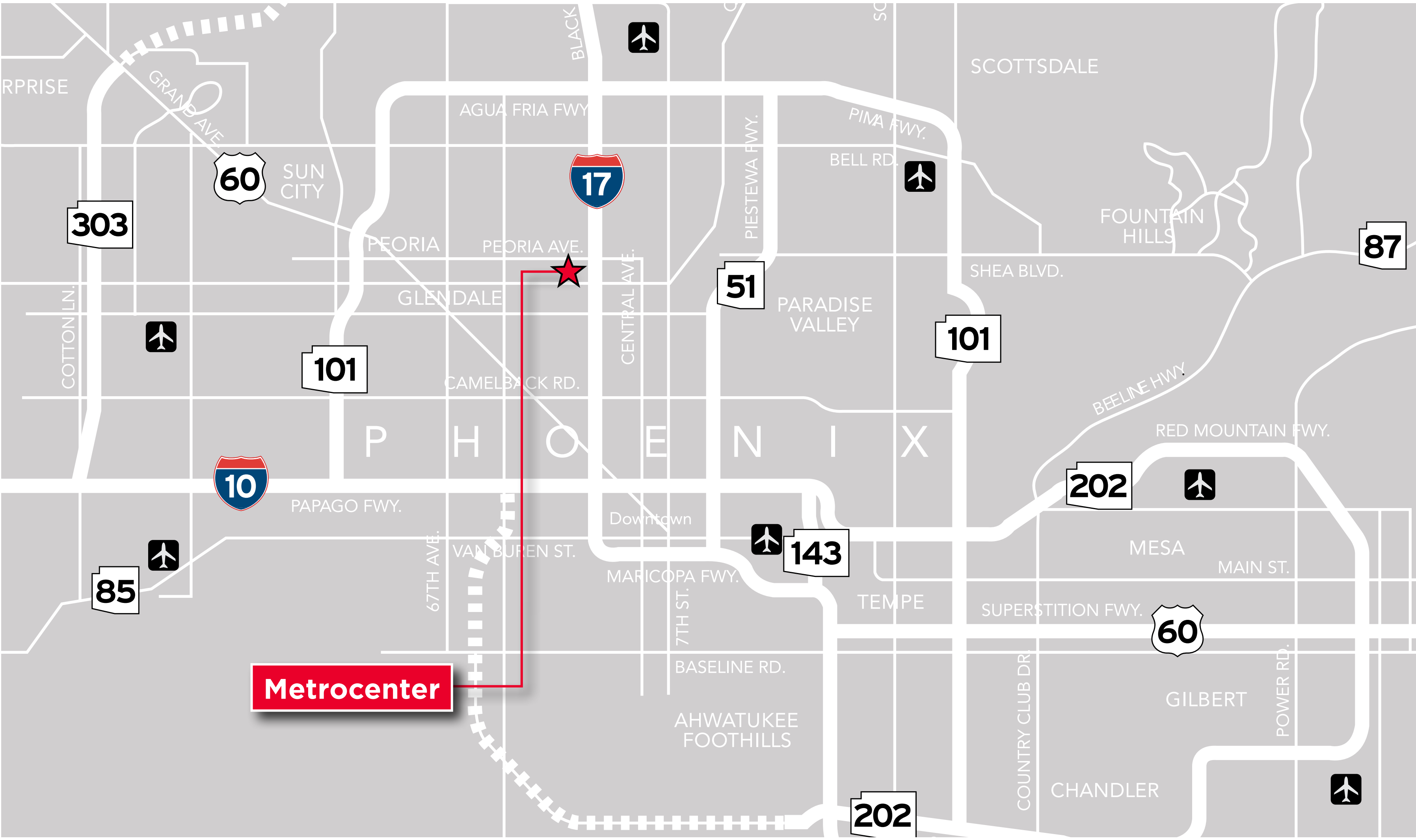
CUSHMAN & WAKEFIELD

CONCEPTUAL SITE PLAN


Harkins
METRO

THE LOCATION

THE LOCATION



AREA HIGHLIGHTS

LOCATION

Metrocenter is centrally located in North Phoenix along the heavily traveled Interstate 17. The location offers full diamond intersections at Peoria and Dunlap Avenues. The location is central between Interstate 10 and Loop 101 connecting the Central and North Valley. The site is also a 10 minute drive from Downtown Phoenix and 15 minute drive to Sky Harbor International Airport.

POPULATION & DEMOGRAPHICS

With a population of 4.6 million, Phoenix is the 14th most populous metropolitan area in the United States and largest in Arizona. Phoenix expects the population to growth to 5 million by 2021. The City of Phoenix has a population of 1.5 million making it the 6th largest City in the US. Adjacent Cities Glendale and Peoria boast populations of 234,000 and 163,000 respectively. Both cities expect to grow to 300,000 and 215,000 by 2020.

ROOFTOP GROWTH LEADS TO COMMERCIAL GROWTH

Metrocenter is located in close proximity to new residential development. The City or Phoenix and The City of Peoria boast the number 1 and number 4 (respectively) ranked cities within the Metro area for new residential home permits the last 3 years. The proximity to the residential growth will lead to employers wanting to have footprints close to the growth areas and increased retail and entertainment demands.

PROXIMITY TO A STRONG LABOR FORCE

Metrocenter is ideally located surrounded by a strong core population. With close proximity to Grand Canyon University, Arizona State University West and numerous Community Colleges, the area boasts an opportunity to attract a very skilled work force. The labor force has attracted such neighbors as Blue Cross Blue Shield, PetsMart, Honeywell, American Express, The Discovery Card, and other large corporate users. There is a workforce of 152,000 within a 5 mile radius of the site, which creates a competitive advantage for employers. Additionally, the $160,000 median home price within the same 5 miles radius makes it affordable to live nearby and thus an opportunity for employers to capitalize on the low cost of living through wages.

TRAFFIC STUDIES

- I-17 North: 200,140 VPD
- I-17 South: 175,571 VPD
- Dunlap Avenue: 38,607 VPD
- Peoria Avenue: 45,614 VPD

Metrocenter is a "live, work, play" opportunity centrally located on I-17 in North Phoenix's urban core. Proximity to amenities and the ease of freeway access make it an ideal destination for this under-served market.

THE LOCATION

New ownership of Metrocenter may enjoy lucrative returns through the development of the vacant land and with improved occupancy to augment the rent roll that already reflects an impressive list of tenants.

AREA DEMOGRAPHICS

ESTIMATED POPULATION

1-mile radius	3-mile radius	5-mile radius
15,682	175,747	444,475

AREA EMPLOYEES

1-mile radius	3-mile radius	5-mile radius
16,733	65,079	168,275

AVERAGE HOUSEHOLD INCOME

1-mile radius	3-mile radius	5-mile radius
$57,135	$64,302	$69,648

MEDIAN HOME VALUES

1-mile radius	3-mile radius	5-mile radius
$159,805	$192,838	$210,782

OFFICE MARKET

JOB MARKET

The Metro Phoenix job market continued to improve, adding 62,300 jobs year-over-year through the first quarter of 2019. During the same time period, the unemployment rate increased 10 basis points (bps), rising to 4.4%. According to the Bureau of Labor Statistics, the Phoenix metropolitan statistical area added 12,200 office sector jobs in the last four quarters. The three sectors that make up office employment are: business & professional services, information/technology and financial activities.

MARKET INVENTORY

The Phoenix Metro Office market consists of just over 103 million square feet. In the first quarter of 2019, Phoenix delivered 230,000 square feet of office, of which 29% was preleased. There is an additional 2.5 million square feet of office under construction.

Median Age

Phoenix	*Glendale*	*Peoria*
33.6 years	33.8 years	39.4 years

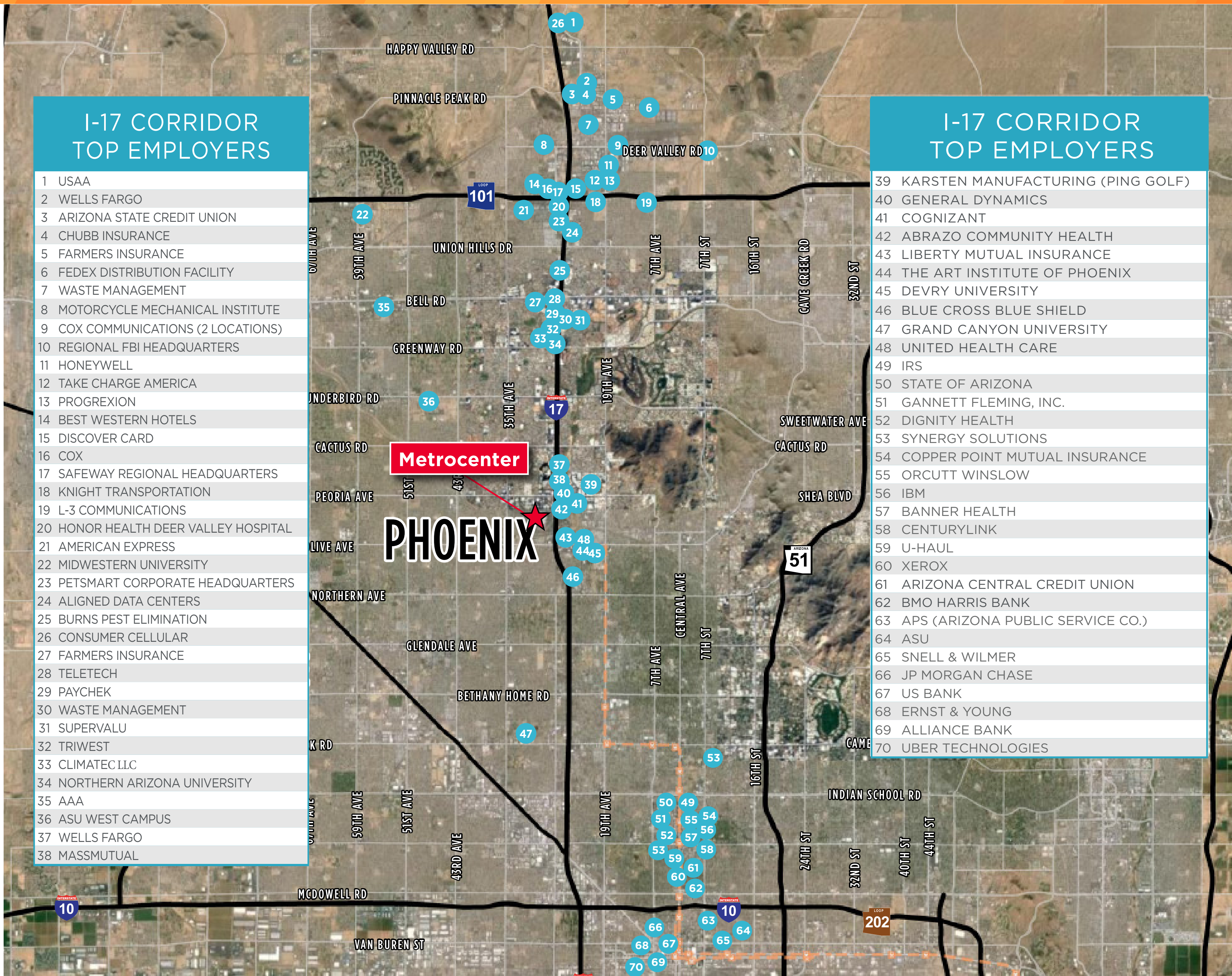
Median Household Income

Phoenix	*Glendale*	*Peoria*
$55,826	$54,405	$75,319

Projected Median Household Income (2023)

Phoenix	*Glendale*	*Peoria*
$63,458	$61,145	$82,900

CUSHMAN & WAKEFIELD



I-17 CORRIDOR TOP EMPLOYERS

1	USAA
2	WELLS FARGO
3	ARIZONA STATE CREDIT UNION
4	CHUBB INSURANCE
5	FARMERS INSURANCE
6	FEDEX DISTRIBUTION FACILITY
7	WASTE MANAGEMENT
8	MOTORCYCLE MECHANICAL INSTITUTE
9	COX COMMUNICATIONS (2 LOCATIONS)
10	REGIONAL FBI HEADQUARTERS
11	HONEYWELL
12	TAKE CHARGE AMERICA
13	PROGREXION
14	BEST WESTERN HOTELS
15	DISCOVER CARD
16	COX
17	SAFEWAY REGIONAL HEADQUARTERS
18	KNIGHT TRANSPORTATION
19	L-3 COMMUNICATIONS
20	HONOR HEALTH DEER VALLEY HOSPITAL
21	AMERICAN EXPRESS
22	MIDWESTERN UNIVERSITY
23	PETSMART CORPORATE HEADQUARTERS
24	ALIGNED DATA CENTERS
25	BURNS PEST ELIMINATION
26	CONSUMER CELLULAR
27	FARMERS INSURANCE
28	TELETECH
29	PAYCHEK
30	WASTE MANAGEMENT
31	SUPERVALU
32	TRIWEST
33	CLIMATEC LLC
34	NORTHERN ARIZONA UNIVERSITY
35	AAA
36	ASU WEST CAMPUS
37	WELLS FARGO
38	MASSMUTUAL

I-17 CORRIDOR TOP EMPLOYERS

39	KARSTEN MANUFACTURING (PING GOLF)
40	GENERAL DYNAMICS
41	COGNIZANT
42	ABRAZO COMMUNITY HEALTH
43	LIBERTY MUTUAL INSURANCE
44	THE ART INSTITUTE OF PHOENIX
45	DEVRY UNIVERSITY
46	BLUE CROSS BLUE SHIELD
47	GRAND CANYON UNIVERSITY
48	UNITED HEALTH CARE
49	IRS
50	STATE OF ARIZONA
51	GANNETT FLEMING, INC.
52	DIGNITY HEALTH
53	SYNERGY SOLUTIONS
54	COPPER POINT MUTUAL INSURANCE
55	ORCUTT WINSLOW
56	IBM
57	BANNER HEALTH
58	CENTURYLINK
59	U-HAUL
60	XEROX
61	ARIZONA CENTRAL CREDIT UNION
62	BMO HARRIS BANK
63	APS (ARIZONA PUBLIC SERVICE CO.)
64	ASU
65	SNELL & WILMER
66	JP MORGAN CHASE
67	US BANK
68	ERNST & YOUNG
69	ALLIANCE BANK
70	UBER TECHNOLOGIES

OFFICE MARKET

MARKET OVERVIEW

In the first quarter of 2019, vacancy in the Metro Phoenix office market was 15.4%. This marks the lowest vacancy rate since the second quarter of 2008 when it stood at 16.6%. The rate dropped 20 bps quarter-over-quarter and 120 bps from the first quarter of 2018.

The Metro Phoenix office market continued to experience positive occupancy growth and absorbed more than 268,000 square feet (sf) during the first quarter of 2019. This marked the 23rd straight quarter of positive absorption since the third quarter of 2013. More than half (13) of Metro Phoenix's 22 office submarkets experienced occupancy gains in the first quarter of 2019. The Tempe North submarket led the way with 203,000 sf of net absorption, due in large part to Lennar occupying 90,000 sf at The Alameda and Benchmark Electronics occupying 63,000 sf at RIO2100. The Price Corridor and Midtown submarkets experienced notable occupancy growth of 121,000 sf and 116,000 sf, respectively. Eight of the 22 submarkets in the Metro Phoenix office market experienced negative absorption during the first quarter of 2019, led by the Scottsdale Airpark submarket with -155,000 sf, attributed to Forthright Funding vacating 28,000 sf at Kierland Corporate Center and Superior Home Solutions vacating 20,000 sf at Scottsdale Quarter. Across the market, Class A and C office buildings recorded over 243,000 and 64,000 sf of positive absorption, respectively. Class B buildings reported a loss in absorption, with -39,000 sf.

Construction in the Metro Phoenix office market remains robust in the first quarter of 2019, with 2.5 million square feet (msf) of projects currently under construction. The Grand at Papago Center – Phase II is the largest project that is under construction, at 352,000 sf. The Tempe North submarket dominated Class A projects in construction square footage with over 1.1 msf, or 52% of the total Class A projects under construction across Metro Phoenix. Price Corridor has 624,000 sf under construction, accounting for 17% of the total Class A projects under construction. The two submarkets combined account for 891,000 sf under construction, or 42% of the total Class A projects under construction.

METROCENTER & DEER VALLEY SUBMARKETS

INVENTORY

The Metrocenter and Deer Valley submarkets consist of 81,123 square feet. Norterra West, a 150,000 square foot Class A spec office building next to USAA's campus, came online in Q2 2018. Asking rates are $22.12 per square foot.

SUBMARKET OVERVIEW

At the close of Q1 2019, office vacancy in Metrocenter and Deer Valley stood at 18.9% overall, and 9.4% (Class A). The submarkets continued to experience negative demand, returning over -135,000 square feet (SF). New tenant activity has continued to accelerate, with numerous large sized requirements in excess of 100,000 SF looking for space in the submarkets. Class A rates in Deer Valley and Metrocenter are strong at $25.04 and $23.51 respectively.

CUSHMAN & WAKEFIELD

CORPORATE AMERICA IS ON I-17

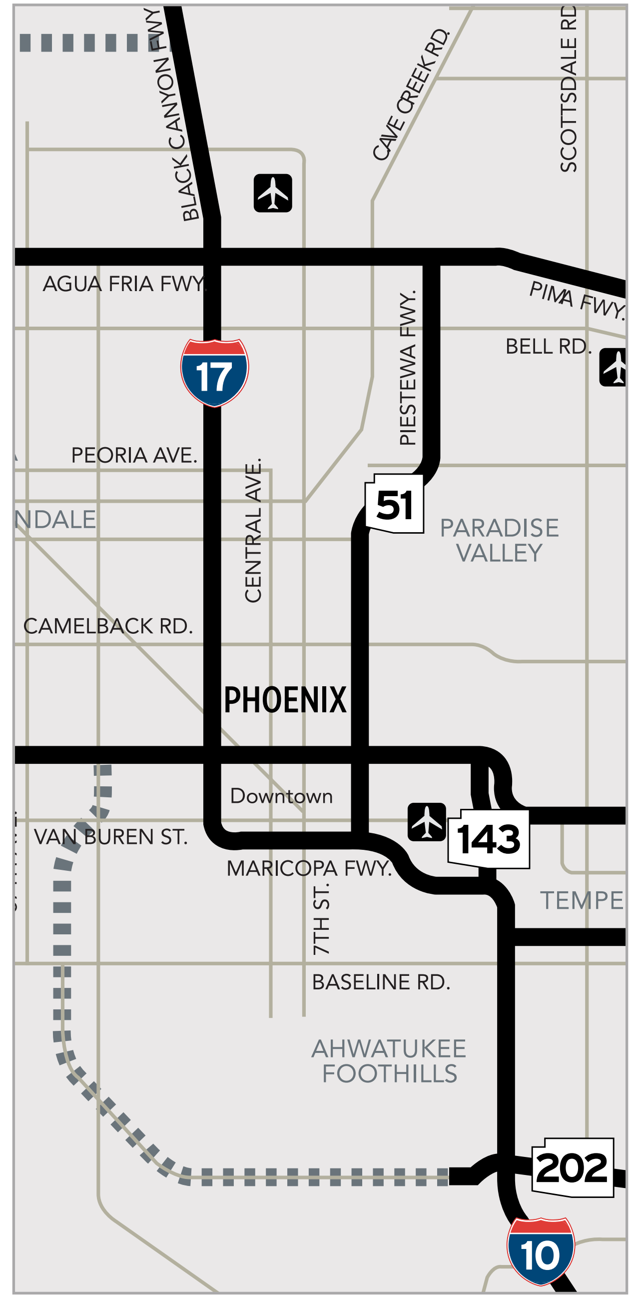
The I-17 corridor runs through dense labor market and has great Freeway accessibility. Corporate America has taken notice of these advantages and as a result more Fortune 500 companies have located along I-17 than anywhere else in the Valley. Corporate tenants in the submarkets include PetSmart (Headquarters), Safeway (Regional HQ), Best Western Hotels (Operations Center), USAA (Regional Headquarters), Blue Cross Blue Shield, United Healthcare Group, The Hartford, Cognizant, Mass Mutual, Farmers Insurance, American Express, Discover Card, Wells Fargo, Honeywell, Cigna Insurance, Waste Management and Cox Communications.

PUBLIC TRANSPORTATION INFRASTRUCTURE

Light Rail is coming to Metrocenter and expected to be delivered in 2023. The Light rail stop will cross over I-17 at Metrocenter providing a transit hub on-site and unparalleled access.

PROXIMITY TO EXECUTIVE HOUSING & NEW RESIDENTIAL GROWTH

Metrocenter has very good proximity to executive housing and new residential growth. Metrocenter is 8 miles from Paradise Valley, 13 miles from Scottsdale and 9 miles from Glendale/Arrowhead, which provide 6 of the top 15 highest median household income zip codes in the Metro Area. The I-17 corridor also gains traction from being in and near strong residential growth. The City of Phoenix has the most residential new home permits in the metro area. Additionally, the City or Peoria (5 miles West of I-17) ranks 4th among the most residential new home permits only behind Phoenix, Mesa and Gilbert.



RETAIL MARKET

ECONOMY

The Metro Phoenix job market continues to show signs of improvement, adding over 62,300 jobs year-over-year through March. During the same period, the unemployment rate increased 10 basis points (bps) to 4.4%. The U.S. Census reports that Maricopa County added 81,200 residents in 2018, the highest amount of any county in the country.

MARKET OVERVIEW

The Metro Phoenix Retail market closed out the first quarter of 2019 by recording nearly 47,000 square feet (sf) of positive absorption. Quarter-over-quarter, absorption declined 76.3% from the fourth quarter of 2018 (+196,000 SF) and absorption was down -90.4% from first quarter 2018 (+484,000 SF.) Power and Regional centers recorded 114,000 sf of positive absorption in the first quarter of 2019 and led all retail types in the Valley. Neighborhood and community centers saw -82,000 sf of negative absorption, their first negative absorption recorded since fourth quarter of 2015.

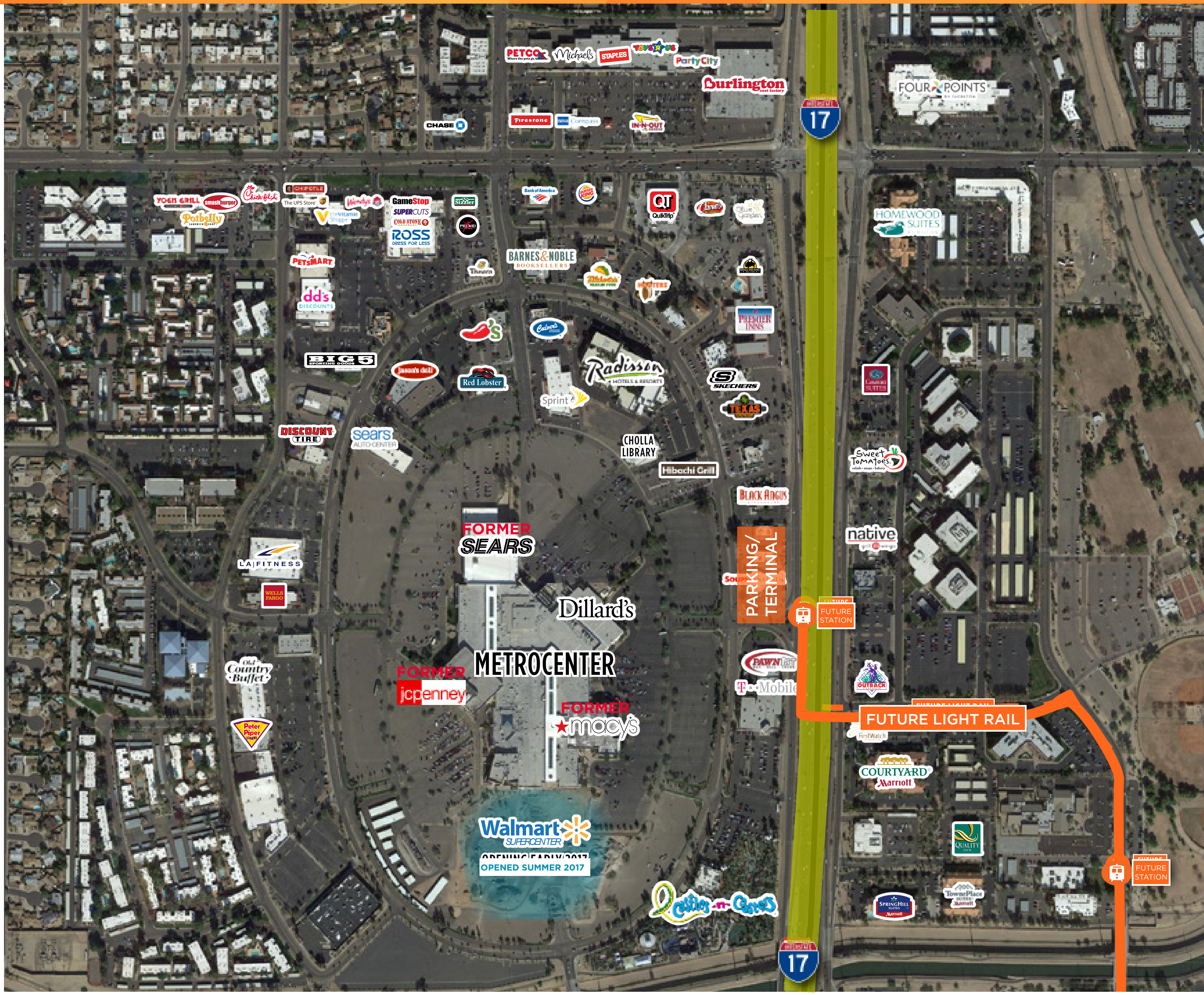
Vacancy dropped 10 bps to 8.6% from the fourth quarter 2018 to the first quarter 2019. The vacancy rate dropped 80 bps year-over-year and has been dropping an average of 92 bps annually since the recession level high of 15.5% vacancy in third quarter of 2011. Strip center vacancy rates were the highest this past quarter at 10.6%, while Lifestyle center vacancy rates were the lowest, at 4.7%. In the first quarter of 2019 the demand for all retail types were consistent despite the growing strength of the eCommerce market. Vacancy rates have returned to pre-recession lows, though asking rates are lower, especially for Class B and C space. The vacancy rate for neighborhood and community centers dropped 100 bps year-over-year, important because that mall type is 65% of the total inventory in the market. Strip centers recorded a -140 bps drop in vacancy from 12.0% to 10.6% year-over-year, while power and regional center vacancy increased 10 bps.

Average asking rates for the Metro Phoenix retail market increased $0.24 to $15.21 per square foot (psf) on an annual triple-net-basis quarter-over-quarter. Year-over-year, average asking rates increased $0.50 from $14.71 in the first quarter of 2018. The vacancy rate has dropped 690 bps in the last seven and a half years from the previous peak. The price of space has declined from an average of $15.52 in the third quarter of 2011 to $15.21 in the first quarter of 2019. There is a bifurcation in asking rates, with Class B and C space rates declining in both real and nominal dollars in the last decade. Class A space rates continue to rise, with the most desirable space renting for as much as $65 psf. Neighborhood and community centers make up 65% of Phoenix retail inventory and are up $0.10 psf quarter-over-quarter and $0.50 psf year-over-year. Smaller submarkets and center types saw more drastic price changes.

Cushman & Wakefield is currently tracking 475,000 sf of new construction in the Metro Phoenix retail market for the first quarter of 2019. 326,000 sf is predicted to deliver in 2019. Approximately 55,000 sf of new inventory was added during the first quarter of 2019, the least delivered in one period since the third quarter of 2015.

In the first quarter of 2019, the demand for all retail types were consistent despite the growing strength of the eCommerce market. Vacancy rates have returned to pre-recession lows, though asking rates are lower, especially for Class B and C space. The vacancy rate for neighborhood and community centers dropped 100 bps year-over-year, important because that mall type is 65% of the total inventory in the market. Strip centers recorded a -140 bps drop in vacancy from 12.0% to 10.6% year-over-year, while power and regional center vacancy increased 10 bps.

CUSHMAN & WAKEFIELD


PETCO
Michaels
STAPLES
Party City
Burlington
FOUR POINTS
17
CHASE
Firestone
IN-N-OUT
YOGIS GRILL
smashburger
Chick-fil-A
CHIPOTLE
The UPS Store
Potbelly
Wendy's
GameStop
SUPERCUTS
COLD STONE
ROSS DRESS FOR LESS
Sizzler
Bank of America
QT QuikTrip
Olive Garden
HOMEWOOD SUITES
PETsMART
dd's DISCOUNTS
BARNES&NOBLE BOOKSELLERS
PREMIER INNS
BIG 5 SPORTING GOODS
Culver's
Radisson HOTELS & RESORTS
Jason's deli
Red Lobster
Sprint
SKECHERS
TEXAS ROADHOUSE
DISCOUNT TIRE
sears AUTO CENTER
CHOLLA LIBRARY
Hibachi Grill
Sweet Tomatoes
BLACK ANGUS
native
FORMER SEARS
LA FITNESS
PARKING/ TERMINAL
FUTURE STATION
WELLS FARGO
Dillard's
PAWN
Old Country Buffet
FORMER jcpenney
METROCENTER
T-Mobile
OUTBACK
FORMER macys
FUTURE LIGHT RAIL
Peter Piper Pizza
COURTYARD Marriott
Walmart SUPERCENTER
OPENED SUMMER 2017
QUALITY INN
FUTURE STATION
SPRINGHILL SUITES Marriott
TownePlace SUITES Marriott
17

MULTI-FAMILY MARKET

ECONOMY

The Metro Phoenix job market continues to improve, adding 62,300 jobs year over year through the first quarter of 2019. During the same time period, the unemployment rate increased 10 basis points (bps), rising to 4.4%.

MARKET OVERVIEW

The Metro Phoenix multifamily market started 2019 with strong rent growth, absorption and completions. The market absorbed 2,937 units during the first quarter, nearly tying its 18-year average of 3,343 units. The West Phoenix (700 units), Tempe (582 units) and East Phoenix (524 units) submarkets recorded the highest net gains in positive absorption in the first quarter of 2019.

With strong net absorption in the first quarter of 2019, vacancy dropped to a historic low of 4.7%. The Ahwatukee submarket vacancy rate declined from 5.8% to 4.5%; the 130 basis point drop was the largest decrease year over year. The Chandler/Queen Creek (0.0%) and Tempe (0.1%) submarkets experienced the smallest change in vacancy year over year. High deliveries with even higher absorption resulted in almost every submarket experiencing a decrease in vacancy year over year. The Scottsdale (3.9%), Mesa/Gilbert (4.0%) and Ahwatukee (4.5%) submarkets are at historically low vacancy rates.

Asking rent growth remained positive in the first quarter of 2019, beginning its seventh year of positive rent growth. Average asking rates increased to $1,123 per unit in the first quarter of 2019, 8.1% higher than the first quarter of 2018 at a rate of $1,032, making rental rate increases in the Metro Phoenix some of the highest in the nation. The Northeast Valley ($1,128 per unit) and Chandler/Queen Creek ($1,292 per unit) submarkets saw the largest asking rate increases of 10.4% and 10.1%, respectively. The Central Phoenix and West Phoenix submarkets (6.2%) saw the lowest year-over-year rental rate increase, increasing from $1,156 and $770 in the first quarter of 2018 to $1,232 and $821 in the first quarter of 2019, respectively.

Sales volume has increased significantly every year since 2010, with the first quarter of 2019 total dollar value passing $2.1 billion, nearly tying the 19 year average of $2.2 billion. Cap rates have continued to compress over the last decade, and have maintained their 2018 average of 4.7% into the first quarter of 2019.

The multifamily sector remained strong, bringing the year-to-date total completions to 2,521 units across 10 properties. The majority of the new completions were delivered in three submarkets: Glendale/West Valley (880 units), Northeast (816 units) and Central Phoenix (450 units). Cushman & Wakefield is currently tracking over 13,000 units that are under construction and an additional 21,000 units planned for development. Central Phoenix (2,814 units), Tempe (2,551 units) and Chandler/Queen Creek (2,036 units) submarkets have the most units under construction while Central Phoenix (4,994 units) Chandler/Queen Creek (3,273 units) and Northeast Valley (3,197 units) have the most units planned. Rental rates, net absorption and construction are projected to remain high as the Metro Phoenix market experiences some of the most robust population growth in the country.

CUSHMAN & WAKEFIELD

2555 E. Camelback Road, Suite 400
Phoenix, AZ 85016
main +1 602 954 9000
cushmanwakefield.com

DON ARONES
Managing Director
+1 602 224 4432
don.arones@cushwake.com

GREG MCMILLAN
Director
+1 602 229 5922
greg.mcmillan@cushwake.com

BRENT MALLONEE
Senior Director
Retail Investment Sales
+1 602 224 4437
brent.mallonee@cushwake.com

Cushman & Wakefield ("Advisor") serves as the exclusive advisors in connection with the solicitation of offers for the purchase of a portion of Metrocenter ("Asset"). The solicitation and potential sale is to be governed by this Confidential Offering Memorandum, as it may be modified or supplemented ("Offering Memorandum") and the Purchase Agreement governing the sale of the Asset. Prospective purchasers are advised that as part of the solicitation process, Seller will be valuating a number of factors including the current financial qualifications of the prospective purchaser. Prospective purchasers are further advised that the Seller expressly reserves the right, in its sole and absolute discretion, to evaluate the terms and conditions of any offer and to reject any offer without providing a reason. Further, Seller reserves the right to terminate the solicitation process at any time prior to final execution of the Purchase Agreement.

The information contained in this Offering Memorandum is confidential, furnished solely for the purpose of a review by a prospective purchaser of the Asset, and is not to be used for any other purpose or made available to any other person without the express written consent of the Seller or Advisor. Prospective purchasers should conduct their own due diligence, including, but not limited to, engineering and environmental inspections, to determine the condition of the Property and the existence of any potentially hazardous material located at the Asset or used in the construction or maintenance of the building(s) at the Asset.

A prospective purchaser's sole and exclusive rights with respect to this prospective transaction, the Asset, or information provided herein or in connection with the sale of the Asset shall be limited to those expressly provided in an executed Purchase Agreement and shall be subject to the terms thereof. In no event shall a prospective purchaser have any other claims against Seller or Advisor or any of their affiliates or any of their respective officers, directors, shareholders, owners, employees or agents, for any damages, liability, or causes of action relating to this solicitation process or the marketing or sale of the Asset. A Prospective purchaser is not to construe the contents of the Offering Memorandum or any prior or subsequent communications from the Seller or Advisor or their affiliates or any of their respective officers, directors, shareholders, owners, employees or agents as legal, tax or other advice. Prior to submitting an offer, prospective purchasers should consult with their own business advisors, legal counsel and tax professionals to determine the consequences of an investment in the Asset and arrive at an independent evaluation of such investment.

Cushman & Wakefield is known the world over as an industry knowledge leader. Through the delivery of timely, accurate, high-quality research reports on the leading trends, markets around the world, and business issues of the day, we aim to assist our clients in making property decisions that meet their objectives and enhance their competitive position. In addition to producing regular reports such as global rankings and local quarterly updates available on a regular basis, Cushman & Wakefield also provides customized studies to meet specific information needs of owners, occupiers, and investors.

Cushman & Wakefield is one of the world's largest privately held commercial real estate firms. The company advises and represents clients on all aspects of property occupancy and investment, and has established a preeminent position in the world's major markets, as evidenced by its frequent involvement in many of the most significant property leases, sales, and assignments. Founded in 1917, it has 248 offices in 58 countries, employing more than 16,000 professionals. It offers a complete range of services for all property types, including leasing; sales and acquisitions; equity, debt, and structured finance; corporate finance and investment banking; corporate services; property management; facilities management; project management; consulting; and appraisal. The firm has nearly $4 billion in assets under management globally. A recognized leader in local and global real estate research, the firm publishes its market information and studies online at www.cushmanwakefield.com/knowledge.