



Forecasting the future



Let us point you in the right direction -
There are signs everywhere if you know where to look.

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FAST FACTS

► BUCKEYE

GROWTH & ECONOMIC IMPACT

- Population growth from 10,000 in 2006 to 100,000 by 2010, and 1 million by 2020
- 5,500 acres planned for industrial and commercial development
- Buckeye will encompass 660 square miles from Gila Bend to Wickenburg
- Intersected by five major highways
- 36 million square feet of retail to support influx of residential housing
- 133 shopping centers will be required to support the buying needs of the population

► LIGHT RAIL

- 20-mile starter segment planned opening Dec. 2008
- Six extensions planned, total 57.7 miles of light rail by 2026
- 26,000 boardings per day in first year of operation
- 50,000 boardings per day in ten years

PROJECTED RATES—RETAIL CENTERS

Rent Rates

Year	Central Ave. Corridor	Downtown Tempe
2007	\$25 psf	\$20 psf
2020	\$50 psf	\$50 psf

Sale Rates

Year	Central Ave. Corridor	Mesa
2007	\$239 psf	\$175 psf
2020	\$400 psf	\$350 psf

► WILLIAMS GATEWAY

- Encompasses ± 52 square miles
- Employment of 100,000 by 2030
- Student population of 35,000 by 2030
- Residential land could support 50,000 to 60,000 new residents in five years
- 22,000 acres zoned for industrial and commercial development

RETAIL GROWTH OPPORTUNITIES

PHOENIX RETAIL IN THE YEAR 2020

The Phoenix Metropolitan area is projected to have a population of 5.4 million people by 2020, an increase of approximately 1.5 million. Imagine replicating every commercial retail building in existence today. That is what will occur based on this projected growth. It has taken more than 60 years to build the current inventory of buildings, yet we will build just as many in only 13 years.

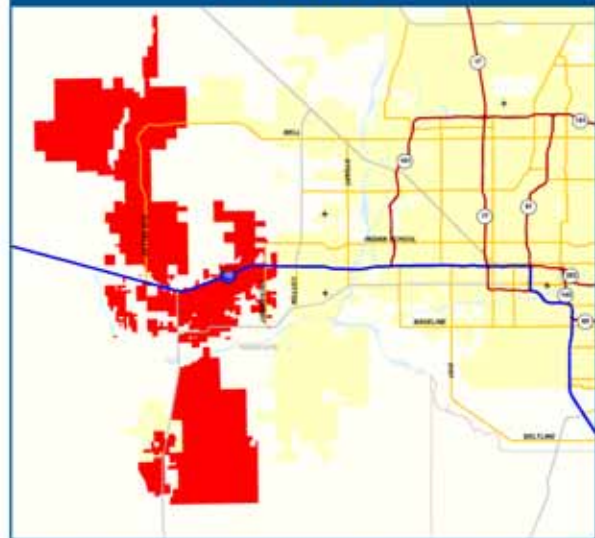
Whether taking an aggressive or conservative outlook, one thing is certain—Phoenix will look significantly different in 2020 than it does today. The changes that are coming will present amazing opportunities for those willing to do the necessary homework and invest in the future.

BUCKEYE—NO LONGER A SLEEPY TOWN ON THE FRINGES

It may seem hard to believe that a city with 30,000 residents will grow to become larger than Phoenix. By the year 2020, Buckeye will encompass 660 square miles from Wickenburg to Gila Bend and be home to almost one million people (Figure 1). There are at least 15 new developments on both sides of Sun Valley Parkway on the west side of the White Tank Mountains. Although Buckeye is 40 miles west of Phoenix, over 25 percent of all new homes will be built there.

What does this mean for retail in Buckeye? Assuming 36 square feet of retail is required for every resident, we can predict that Buckeye will eventually be home to 36 million square feet of retail. These projections include at least 60 grocery-anchored centers to accommodate approximately 15,000 people per center. In 2020, Buckeye will no longer be a sleepy little town on the fringes of the Valley.

► FIGURE 1: PLANNED BUCKEYE ANNEXATION



RENT & SALE PRICES TAKE A RIDE ON LIGHT RAIL

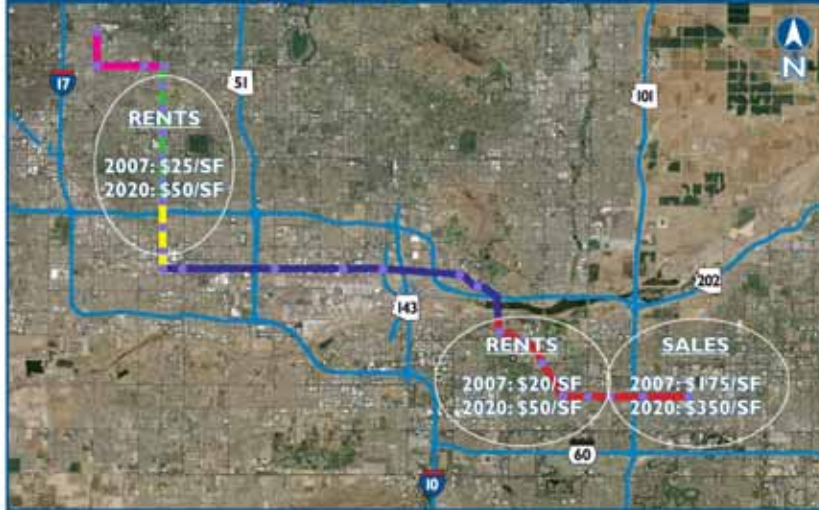
In 2008, the 20-mile light rail system (the "METRO") through the Phoenix Metropolitan area will link Phoenix to its suburban neighbors, Tempe and Mesa (Figure 2). The METRO is critically important to Phoenix with the projected population increase of more than 1.5 million people. Many of these people will rely on mass transit for their daily commute.

Investors have begun pumping more than \$1 billion into new developments near the light rail stations. These investments are expected to reshape key corners along the 20-mile route, an infusion that is typical of light rail systems. (*Arizona Republic*, Dec. 24, 2006)

Dallas and Portland saw retail rents increase up to 65 percent upon completion of their light rail systems. Today, the average rent for retail centers on the Central Avenue corridor is \$25 per sf. If the 65 percent increase seen in Dallas and Portland holds true in Phoenix, expect to see rates at \$40 per sf by 2013 and reaching beyond \$50 per sf by 2020. Investment sales in strip centers along the Central Avenue corridor are currently averaging \$239 per sf. Anticipate sale prices of \$400 per sf during the next 14 years.

In Tempe, on the corner of University Boulevard and Rural Road, retail rental rates currently average \$20 per sf. Expect rates to increase to more than \$50 per sf in 2020. In Mesa, retail investment sales have averaged \$175 per sf, and it is possible these will increase beyond \$350 per sf.

▶ **FIGURE 2: RENT & SALE RATES ALONG LIGHT RAIL**



WILLIAMS GATEWAY—THE NEXT INLAND EMPIRE?

Williams Gateway may well become the East Valley's version of Southern California's Inland Empire, an area which boasts one of the most robust economies in the United States and has been rated in the top tier for population and job growth over the last decade.

The vision for new live-work commercial development in the Williams Gateway Area (WGA) will rival and exceed the standard set by new retail developments in Scottsdale and residential condo developments underway in Tempe. Expect to see high-density residential condos that sell from \$800 to \$1,000 per sf. Commercial retail rents in this mixed-use, high-density commercial trade area will exceed the high \$40s to low \$50s per sf lease rates seen at Scottsdale's Kierland Commons.

Mesa's long-term plan for the Williams Gateway Area is to establish a thriving center for business, employment, aviation, education, and technology, providing employment for 100,000 people and a college population of 35,000.

The market potential for commercial real estate in Williams Gateway includes a mind-boggling 100 million square feet of new development for employment and commercial use. Commercial opportunities will be strategically developed within an urban core connected to the Loop 202 freeway and the future rail access.

A proposed infill development is planned between Ellsworth and Williams Field Roads. There will be a synergy between professional offices and high density residential, as seen in the Inland Empire and our own backyard at Tempe Town Lake. There will be commercial plazas, with office, retail and a mix of dining and shopping opportunities. This live, work, and shop environment will position the area as the East Valley's most desirable location.

The development opportunities could be endless for the investors that buy into the vision of the Williams Gateway Area as the next "Inland Empire." Many investors have begun to invest billions of dollars based on this very idea.



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"I don't think you've seen this level of public and private investment anywhere else in the country before a light rail line even opens."
Bob Martinez, Phoenix's economic development director for light rail.

*Quoted in the Arizona Republic,
Dec. 24, 2006.*

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