

THE LIGHTRAILCONNECT MARKET REPORT

Q2 2010 Mid-Year

Light Rail Corridor

Phoenix - Tempe - Mesa
(.25 miles radius from light rail stations)



Q2 2010 Light Rail Market Report

Metro Phoenix (Phoenix, Tempe, Mesa)

Scope: This report comprises real estate activity within a quarter-mile of each light rail station, also known as 'Transit Oriented Development' or TOD.

The **light rail corridor** is comprised of 28 Stations and extends 20 miles in length. Service began in December 2008 at a cost of approx. \$1.4 Billion. There are currently two extensions planned, both approximately 3 miles in length that will extend the length of the line in each direction. The first project is in Phoenix at the North end, and the second in Mesa extending the South end. The Phoenix extension will be paid for by the City of Phoenix and is currently on hold due to City budget issues; the Mesa extension is proceeding forward and will be paid for by a combination of Federal funds and Proposition 400 half-cent sales tax money.

Residential Housing

Phoenix reported **28 single family detached (SFD)** homes sold in Q2 within a quarter-mile radius of the light rail stations. This is an increase from 11 homes that sold in Q1 of this year. The **Median Price** was \$171,000 and the **Average Sale Price** was \$168,245; the average size of 1,429 SF resulted in an average of \$121.34/SF. **Average Time on Market** for homes sold was 61 days. The most expensive house sold in Q2 2010 was on the light rail located near the McDowell/Central Station at 124 W. Coronado, Phoenix. Sales Price was \$374,900 for 2,277 square feet. The three months in the quarter reported **79 condo** sales with an average price of \$104,409 and an average price of \$94.42/SF. The average unit size was 1,052 SF and the time on market was 137 days for these units. The highest selling condo price was on the second floor of the Portland Place Condos, located at 204 W. Portland St. It sold for \$360,000 and has 1,563 SF, 2 bedrooms and 2.5 bathrooms. The Portland Place Condos have regularly been the highest priced condos sold in the Phoenix Metro area.



Portland Place Condos



Loft at Orchid house



Edgewater at Hayden Ferry

In **Tempe**, only 4 **SFD houses** sold in Q2 with an average price of \$79,875 for an average price of \$49.54/SF. Average time on market for these homes was 63 days. Four **condos** sold with the average sales price of \$333,950 in the quarter. The average cost was \$175.81/SF and the average condo size was 1,582 square feet. The average time to sale for these homes was 332 days.

Tempe's top condo sale for Q2 near the rail was on the 4th floor of the Lofts at Orchid house, located at 21 E. 6th St. This unit sold for \$540,000; it has 2 bedrooms and 2 bathrooms and 1,836 SF. Also of note, a 2,258 square foot condo sold for \$375,000 on the 7th floor of the Edgewater Condos at 120 E Rio Salado Parkway.

Mesa reported 3 SFD homes sold near the only current Mesa Station (Sycamore & Main St.) with an average sales price of \$64,317 and an average home size of 1,408 square feet.

In comparison to the larger market, the average Q2 sale price for homes in the Metro Phoenix area ended at \$177,132 with a median sales price of \$130,000.

Multi-Family

Light Rail Apartments showed an increase in sales in the quarter. Seven apartment complexes sold in Q2 2010, an increase over Q1. The average sales price was \$2,601,857 with an average price per unit at \$23,839. It must be noted that these were not traditional sales. Most were sold in a "Distressed" or "Non-Arms Length" transaction.

Light Rail Apartments Sold in Q2						
Address	units	Sq Ft	City	Price	\$/unit	Conditions
1030 N 3rd St	48	22,788 SF	Phoenix	\$1,050,000	\$21,875	
111 W 6th St	370	392,072 SF	Tempe	\$8,000,000	\$21,622	Non-Arms Length
4802 N 19th Ave	236	209,376 SF	Phoenix	\$4,448,002	\$18,847	Non-Arms Length
1835 E Don Carlos	39	26,100 SF	Tempe	\$275,000	\$21,256	partial int. transfer
1100 E Lemon St	44	27,618 SF	Tempe	\$2,515,000	\$57,159	REO Sale
1015 S Stanley Pl	33	27,216 SF	Tempe	\$1,250,000	\$37,879	REO Sale
150 E Virginia Ave	20	11,910 SF	Phoenix	\$675,000	\$33,750	Short Sale

Land

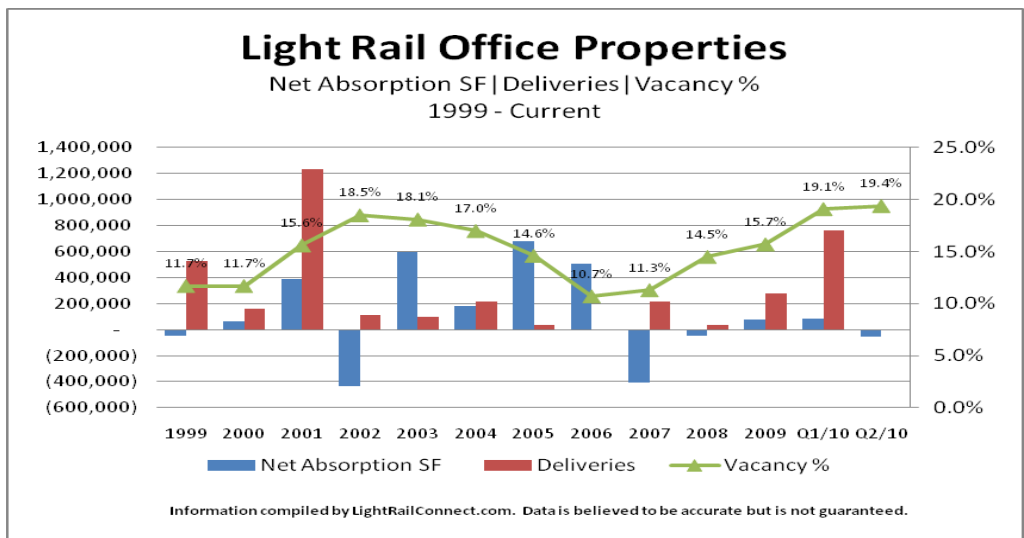
Three land sales were recorded in the light rail corridor in Q2. This is higher than the 2 transactions that occurred in Q4 of 2009 and zero transactions in Q1 2010. The average sale price was \$26.90/SF. Two of the sales occurred in Phoenix and one sale took place in Tempe.

Light Rail Land Sold in Q2					
Location	Lot Size	Sale Price	\$/SF	Sale Date	
SE Central Ave & Monterey, Phoenix	1.28 AC	1,500,000	26.93	4/21/2010	
NW University & Forest Ave, Tempe	3.22 AC	10,125,000	72.21	6/14/2010	
522-544 W. Mariposa St, Phoenix	.96 AC	420,000	10.06	5/13/2010	

There are 24 land parcels for sale within a quarter mile of the 28 light rail stations. The largest two parcels are listed at the Sycamore and Main Street Station for \$12-\$16 per square foot, with the land size at 6.85 and 6.08 acres respectively.

Office Market

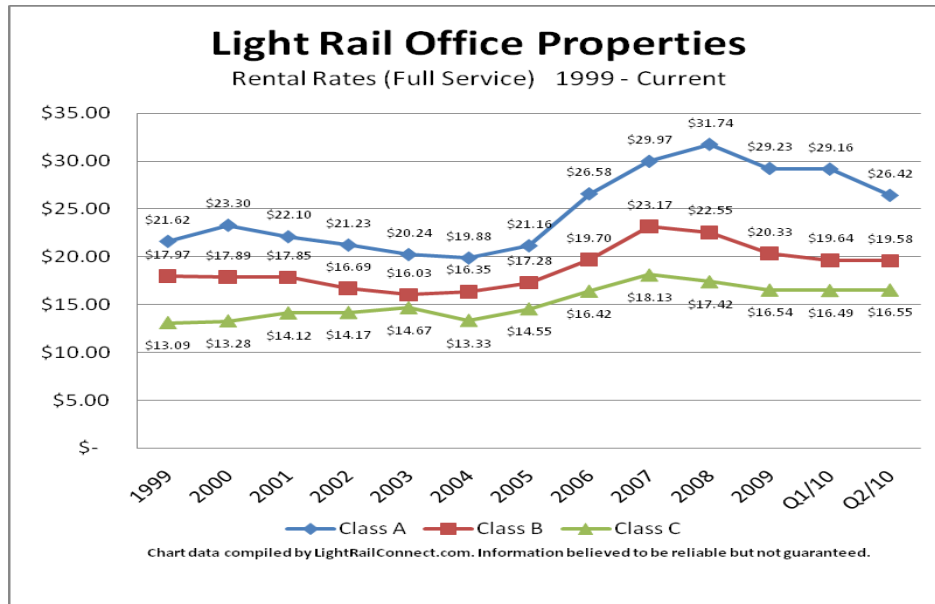
The Light Rail Corridor Office **market vacancy** increased to 19.4% in the second quarter of 2010. That compares to 19.1% for the previous quarter's vacancy rate. Vacancy rates in the Light Rail Corridor have been on a steady increase since 2005 when the market experienced a drop. Before then, the vacancy rate had decreased to 17% for 2004. The highest vacancy rates for all Light Rail Corridor submarkets can be found in Tempe (23.4%). The lowest of the submarkets is Mesa (which does not represent much office space), which was still high at 12.3%. The vacancy rate in the Light Rail Corridor is less than the Metropolitan Phoenix area which reported 21.4% vacant space, almost flat from Q1 2010 at 21.7%.



Net absorption for the Light Rail Corridor was negative (51,543) square feet for the second quarter of 2010. Net absorption in the first quarter of 2010 totaled a positive 82,413 square feet. The Phoenix City submarket reported that absorption for the second quarter totaled negative (52,874) square feet. Tempe reported positive absorption of 1,331 square feet for the second quarter of 2010. The entire Metro Phoenix area reported a net absorption of positive 369,044 square feet in the second quarter. That trend compares to a negative (121,027) square feet in the first quarter 2010, and a positive 350,753 square feet in the fourth quarter 2009.

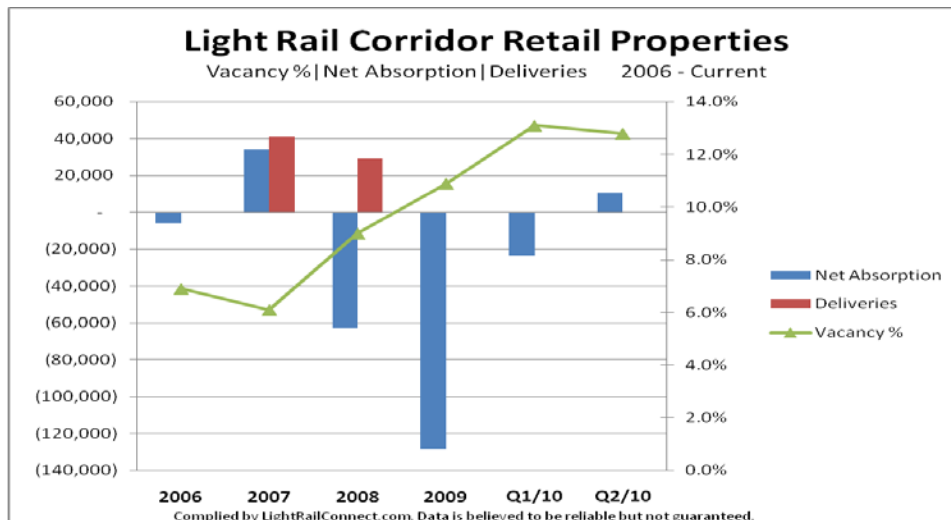
Office lease rates in the Light Rail Corridor, which have steadily decreased since 2008, decreased in the second quarter of 2010 to an average rate of \$20.85 per square foot, full service, compared to the average rate in Q1 of \$21.76/SF full service. The lowest rates along the light rail in the second quarter were found in the Mesa submarket at \$10.80/SF. In comparison, the

average rental rate for all classes in the Metro Phoenix Area was slightly under \$22 per square foot.



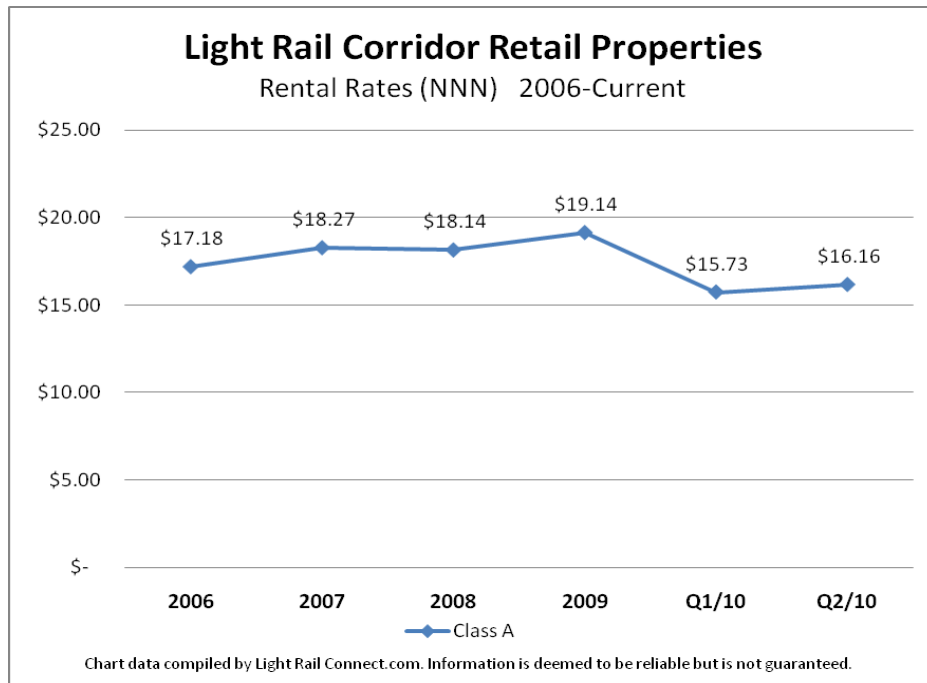
Retail Market

The Light Rail Corridor **retail market vacancy rate** in the second quarter of 2010 decreased to 12.8% from 13.1% in the first quarter of 2010. This is an increase from 2009 year end vacancy rate of 10.9%. The highest vacancy rate was reported in the Mesa submarket at 23.2%. The Metro Phoenix Area retail vacancy rate decreased slightly to 11.2% in the Q2 2010, down from 11.5% in Q1.



Absorption for the Light Rail Corridor was positive 10,675 square feet in the second quarter, compared to a negative (23,624) square feet in the first quarter. The Mesa submarket reported slightly negative absorption of (601) square feet for the second quarter and 23.2% vacancy, while the Phoenix submarket ended with 11.2% vacancy and reported positive absorption of 6,629 square feet. Tempe experienced 12.8% vacancy and reported positive 4,647 square foot absorption.

The overall Metro Phoenix Area market reported positive absorption of 175,409 square feet, which has been a negative trend in 2009 and Q1 2010; overall vacancy rate in the Phoenix Metro Market in the fourth quarter was 12.3%.



Rental rates for retail space in the Light Rail Corridor increased slightly from \$15.73 in Q1 to \$16.16 in Q2. In the Metro Phoenix market we can expect this trend of rental rates to decrease at least in the short term.

Definitions and Terms

Light Rail Corridor: The area measured by a 0.25 mile radius from a light rail station. Planned track extensions in Mesa and Phoenix are not included until the tracks are built and in service.

Net Absorption: The net change in occupied space over a given period of time.

Submarkets: This report provides information on the three submarkets in Phoenix, Tempe and Mesa in the light rail corridor.

Vacancy Rate: A measurement expressed as a percentage of the total amount of physically

vacant space divided by the total amount of existing inventory. 'Under construction space' generally is not included in vacancy calculations.

Vacant Space: Space that is not currently occupied by a tenant, regardless of any lease obligation that may be on the space.

Rental Rates: The annual costs of occupancy for a particular space quoted on a per square foot basis.

Class A: A classification used to describe buildings that generally qualify as extremely desirable investment-grade properties and command the highest rents or sale prices compared to other buildings in the same market.

Class B: A classification used to describe buildings that generally qualify as a more speculative investment, and as such, command lower rents or sale prices compared to Class A properties.

Class C: A classification used to describe buildings that generally qualify as no-frills, older buildings that offer basic space and command lower rents or sale prices compared to other buildings in the same market.

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