

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —



APRIL 15, 2014

PREPARED BY J. RICHARD HILL & CO
FOR THE CITY OF LITCHFIELD PARK

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TABLE OF CONTENTS

A	INTRODUCTION	1
B	EXECUTIVE SUMMARY	5
C	LOCATION/LITCHFIELD PARK CONTEXT	19
	Geography.....	21
	Transportation System	21
	Communities Surrounding Litchfield Park	26
	Existing Shopping Centers	32
D	MARKET RESEARCH	45
	Existing Retail Sales	46
	Analysis of Market by Sector	48
	Trade Area Definition.....	49
	Primary Market.....	50
	Secondary Market	51
	Tertiary Market	51
	Retail Sales Potential.....	56
	Demand for Retail Space.....	60
	Obtainable Rents.....	61
	Lifestyle Analysis.....	62
E	RECOMMENDATIONS	72
	Merchandising Strategy	74
	Village Centers, Sites 1, 2 and 3	78
	Camelback Road Area, Sites 4 and 5.....	82
	Recommended Project Elements.....	84
F	APPENDIX	87
	Area Maps 1-14	88
	Demographic and Sales Tables 1-14.....	102
	Summary of Area Shopping Centers.....	124
	Map of Development Sites.....	127
	Conceptual Plans: Sites 1, 2, 3, 4, and 5	128
	Defintions	132
	Litchfield Park History.....	141

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INTRODUCTION



INTRODUCTION

PURPOSE OF THIS REPORT

This report was prepared exclusively for the City of Litchfield Park to provide the market research and supporting data necessary to make zoning and planning decisions regarding five undeveloped sites in the city. Development of these sites will impact the quality of life and the economic health of the Litchfield Park community.

This report is particularly relevant given the 155 acres of prime development sites located in the city. In response to a recovering economy, owners of several of the development sites are moving forward with development plans that include substantial amounts of new housing and limited amounts of retail. Without new retail on these development sites to generate sales tax revenue, the city will be limited in its ability to provide new services to the growing population.

OVERVIEW

This report summarizes the market research findings of a macro research study defining the existing retail market and market demand for shopping center space in Litchfield Park, Arizona. Litchfield Park is a city of approximately 5,700 people located 25.4 miles west of Sky Harbor International Airport in the Phoenix metropolitan area.

Litchfield Park does not collect a property tax to fund government operations. The city's primary source of revenue is a local sales tax (a transaction privilege tax), which includes retail, utility, contracting/construction services, and a hotel bed tax. The taxes, which generate over \$3.7 million in annual revenue, represent 67% of the city's 2014 operating budget of approximately \$5.5 million. Collected 2012 retail sales taxes totaled approximately \$1.2 million, with the balance coming from the other sources.

To determine potential new sources of retail revenue for Litchfield Park, this retail market study answered two questions: 1) What is the market potential for additional retail in Litchfield Park on the five undeveloped sites? 2) What type of retail, if any, can be profitably located on the undeveloped sites in Litchfield Park?

The primary conclusions of this retail market study estimate market demand for new retail space in Litchfield Park and define, on a macro level, the types of retail most appropriate for the five development sites. Detailed merchandising strategies for specific sites within Litchfield Park are the subjects of additional supplemental studies.

¹ The total sales tax rate of 10.1% consists of a Litchfield sales tax rate of 2.8%, a state sales tax of 6.60% and a county sales tax of .70%.

² Arizona also has a shared revenue program for distribution of certain state revenues to cities and towns. Litchfield Park receives a portion of the state sales tax collections. The distribution of these funds is based on the population of Litchfield Park as a percentage of the total population of all incorporated cities and towns in Arizona.

METHODOLOGY

To thoroughly answer the study's questions, researchers and analysts at J. Richard Hill & Co. collected demographic data for a large area located in the West Valley of the Phoenix market, including Litchfield Park. The data included estimates of 2014 populations and household incomes and estimated projections for 2019 by Nielsen, using data from the U.S. Census Bureau.

Next, using a multi-step process, researchers and analysts at J. Richard Hill & Co. conducted a comprehensive analysis of the Litchfield Park retail market. In the first step, the city, its surrounding market area, and its accessible transportation systems were investigated. Population centers, neighborhoods, household incomes, home values and major road and transportation patterns within this market area were studied. In addition, drive times from surrounding neighborhoods to the existing shopping centers were calculated and compared to drive times to shopping centers located outside the market area. The results of the investigation enabled the identification of an existing retail trade area.

In the second step, the potential market area was divided into sectors based on natural barriers, major highways and neighborhood characteristics. Demographic data, including number of households and average household income, was collected for each sector using 2010 census data updated to 2014 and then projected for 2019.

In the third step, the sector data was input into retail gravity models to define a primary market and a secondary market for Litchfield Park.

Fourth, the total retail buying powers of the primary, secondary and tertiary trade areas were estimated based on the Consumer Expenditure Survey and the Economic Census.

Subsequently, the total retail sales of the existing Litchfield Park retail market were estimated through a number of proven methods, including an analysis of reported retail sales by governmental agencies, reported sales tax collections, records of actual sales tax payments by merchants, and sales reported to shopping center owners operating in the trade area and obtained by J. Richard Hill & Co. from sources deemed to be reliable.

³Nielsen Company. Claritas Site Reports. J. Richard Hill & Co.

⁴The primary market is a concentrated area within the existing trade area from which the majority of the retail merchants located in Litchfield Park regularly generate the majority of their sales. The primary market is generally within a 5- to 10-minute drive of the retail destination in Litchfield Park.

⁵The secondary market consists of all areas within the existing trade area but outside the primary market.

⁶The Consumer Expenditure Survey (CE) program consists of two surveys, the Quarterly Interview Survey and the Diary Survey, that provide information on the buying habits of American consumers, including data on their expenditures, income, and consumer unit (families and single consumers) characteristics. The survey data are collected for the Bureau of Labor Statistics by the U.S. Census Bureau.

⁷The Economic Census is the U.S. Government's official five-year measure of American business and the economy. It is conducted by the U.S. Census Bureau for years ending in '2' and '7.' The Economic Census is the most comprehensive source of information about American businesses from the national to the local level. Published statistics cover more than 1,000 industries, 15,000 products, every state, over 3,000 counties, 15,000 cities and towns, and Puerto Rico and other U.S. Island Areas.

In the fifth step of the analytical process, the complete knowledge of existing retail sales was used to project the market potential for Litchfield Park's undeveloped sites and to ascertain the ability of these sites to generate retail sales and support sustainable retail square footage. This market potential was compared to the existing performance of the Litchfield Park retail market to determine the demand for new retail space in the market.

Once the actual retail sales and rents of the market were quantified and compared to the market potential, various estimations of the sales potential for specific sites in Litchfield Park were modeled by estimating the capture of sales potential from each sector and for various retail categories and shopping center formats. Additionally, inflow sales from outside the primary, secondary and tertiary markets were estimated based on the historic performance of comparable developments.

Following the initial analysis described above, two more steps were executed. First, the location, amenities, overall occupancy and tenant mix of retail properties in and around Litchfield Park were further examined to determine challenges and opportunities associated with developing new shopping centers in Litchfield Park.

Second, the lifestyles and lifestages of consumers primarily residing in the primary and secondary market were analyzed. Relevant data collected included age, household composition, education levels, home values, occupations, lifestyles, lifestages and the actual consumer buying characteristics of Litchfield Park households. The results painted a vivid picture of the shopping behavior of potential Litchfield Park consumers.

This information was compared to the assortment of merchants in Litchfield Park and nearby merchants located outside of Litchfield Park but within its trade area. Collectively, the knowledge of the retail mix within the Litchfield Park market and the buying characteristics of area consumers served as an important foundation for the major retail recommendations in this report.

Limiting Conditions

The findings and conclusions presented in this report are based on the research and analytical approach of J. Richard Hill & Co. The primary scope of this study was limited to a partial review of the market and data supplied by sources deemed to be reliable.

Market feasibility is not equivalent to the actual performance of an operating development. While the existence of sufficient market support is crucial to the success of new development in Litchfield Park, other factors will be equally important in achieving or limiting the projections of this study. These factors include new competition in surrounding areas, local ordinances restricting planned developments, incentives and

economic development initiatives implemented by municipalities located around and near Litchfield Park to attract retail, and the financial strength and professionalism of entities involved in developing projects in and around Litchfield Park.

This report has not been developed as a feasibility analysis for individual property owners. While certain portions of the report may support the development of new retail spaces in Litchfield Park, individual property owners should conduct their own research. Great care should also be taken to avoid taking portions of this report out of context, as recommendations are provided within the framework of the full report, including the limiting conditions and other qualifications presented throughout.

Assumptions

- The following basic assumptions are considered fundamental to this study:
- That the immediate development opportunities defined herein will be achieved within two to five years.
- That the long-term vision for the fully developed retail market for Litchfield Park is contingent on the continued recovery of the U.S. economy.
- That the local and national economies will not experience significant new downturns.
- That the expressways, secondary roads and entries providing access to the retail sites in Litchfield Park are adequate in capacity to serve their full build-out.
- That the development sites will have sufficient parking spaces to accommodate shopping trips.
- That all bridges, expressway ramps, streets, roads and existing traffic signals serving Litchfield Park will remain open and fully functional without the addition of new one-way streets, divided medians and/or road closures.
- That no new city ordinances will be enacted restricting the execution of retail expansion in Litchfield Park or in a specific development site outlined in this report.
- That the sources of statistical and financial information quoted in this report are accurate.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

EXECUTIVE SUMMARY



EXECUTIVE SUMMARY



Without new retail development and the associated retail sales taxes, the City of Litchfield Park will be forced either to find new sources of tax revenue or to spread the current level of services over a larger population, potentially resulting in a lower quality of life for residents.

Overview

Litchfield Park currently contains three shopping centers with a total of approximately 166,000 square feet. A map of these centers can be found on page 88 in the Appendix section of this report. In 2012, the centers and several freestanding retail and restaurant establishments paid over \$1.2 million in retail sales tax.

To increase its sales tax revenue and quality of life, the city may consider permitting portions of approximately 155 acres of undeveloped commercial land for new retail space. While the land area of these parcels may accommodate over 1,000,000 square feet of new retail space, the current development direction by property owners indicates a strong movement toward substantially less retail and higher density residential. As of February 2014, six General Plan Amendment applications have been submitted by property owners for consideration by the city. Of the six applications, three requested that land use on 93 of the 155 acres of undeveloped commercial land be changed from commercial to residential designation. This market research report determines the demand for retail on five undeveloped sites totaling approximately 127 of the 155 acres of undeveloped land (as indicated on a map found in the Appendix section of this report). The five sites consist of three sites located in the center of Litchfield Park, between the Wigwam Resort and a residential development known as The Village, and two sites located along Camelback Road, at North Litchfield Road and Dysart Road, respectively.

Some owners of the undeveloped sites have indicated to the city that there is little to no market demand for new retail on their sites; rather, the owners indicate a strong preference for new residential development. While developing the land as residential may be the most profitable option and contain the least risk in the short term, it will certainly result in a large population increase, which will in turn require costly increases in city services. Without new retail development and the associated retail sales taxes, the city will be forced either to find new sources of tax revenue or to spread the current level of services over a larger population, potentially resulting in a lower quality of life for residents.

The research conducted for this report found that the Litchfield Park retail market area is not overbuilt and is generally balanced and consistent with regional and national benchmarks. The research also shows that actual retail sales from shopping centers located in the city of Litchfield Park result in a retail sales per

capita of just over \$7,800 for Litchfield Park residents, compared to nearby cities that realize per capita sales of \$12,500 or higher. This disparity clearly indicates that residents of Litchfield Park are shopping in shopping centers located in surrounding cities. It also suggests that residents from nearby cities are not shopping in Litchfield Park, perhaps because of the commodity nature of the retail composition of the city's existing shopping centers.

Our analysis of the market located near Litchfield Park found an appropriate level of commodity-based shopping options, including gasoline, convenience, grocery, drug, hardware, pet supply, sporting goods and general merchandise. The shopping centers serving Litchfield Park, while not necessarily located in the city, are well located and are highly accessible by automobile. Consequently, residents of Litchfield Park have multiple shopping choices and options for these types of goods.

On the surface, this could lead to a conclusion that there is no demand for new retail on the undeveloped sites within Litchfield Park. This, however, is hardly the case. Litchfield Park residents and residents of nearby cities, especially those located west and northwest of Litchfield Park, must drive outside their community for better dining options and entertainment. They cannot enjoy upscale shopping choices for apparel, home fashions, personal care products or specialty grocery items, or for a variety of entertainment options in close proximity to their homes. In addition, the entire Litchfield Park area lacks comfortable spaces and places for community gathering and socialization, which are major attributes of the better shopping destinations in the Phoenix market.

To meet the need for increased tax revenue, the need for upscale retail opportunities, and the need for vibrant community gathering areas, this study found sufficient support for the development of approximately 555,650 square feet of new retail space over the next few years and the subsequent development of approximately 600,000 square feet by 2019.

The research conducted for this report concluded that new retail development in Litchfield Park should be focused, less commodity-driven, more upscale, identifiable as unique to Litchfield Park, and characterized by a high level of amenities. If these objectives are met, successful and profitable shopping centers could be woven into the fabric of the community on the five potential development sites in a manner that enhances the quality of life in the community and provides additional sources of revenue to support a higher quality of life.

Litchfield Park History

Litchfield Park is located in Maricopa County, Arizona. It is one of 10 cities and towns and three unincorporated communities in the West Valley area of the Phoenix Metropolitan Statistical Area (MSA), the 13th largest MSA in the U.S., with a 2012 population of 4.329 million.

RETAIL SALES PER CAPITA

\$7,800

Litchfield Park
Residents

An overview of the town's history is located at the end of the Appendix.

Location

Litchfield Park is located 20.1 miles west of downtown Phoenix and 25.4 miles west of the Phoenix Sky Harbor International Airport.

Interstate 10, a major highway connecting the west and east coasts of the U.S., is located 2.5 miles south of Litchfield Park.

Geography

Litchfield Park is strategically located in the center of the western portion of the Salt River Valley. Its surrounding geography consists of flat desert terrain and of rivers and mountains that define, in part, its trade area. Two rivers, the Gila River and the Aqua River, define a major portion of the boundaries of the total Litchfield Park market. Two mountain ranges define the western and southern boundaries of the market: the White Tank Mountains are located approximately 10.0 miles to the west, and the Sierra Estrella Mountains are located approximately 10.0 miles to the south. Portions of the market are also bordered by large fields of irrigated cropland, especially northwest of Litchfield Park on Camelback Road and Luke Air Force Base, which is located north of Camelback Road and west of North Litchfield Road.

Transportation Network

Collectively, transportation systems serving a retail site, including expressways, major roads and streets, partially determine the trade area of the retail site. A basic premise of retail marketplace analysis maintains a principal that when all other factors are equal, consumers will travel the shortest distance/time to a retail location.

Four major highways define the Litchfield Park transportation system: I-10, which is located 2.5 miles south of Litchfield Park; Loop 101, which is located 6.4 miles east of Litchfield Park; Loop 303, which is located 3.4 miles west Litchfield Park; and Northern Parkway, which is located 4.5 miles north of Litchfield Park.

The primary north/south roads serving Litchfield Park are Litchfield Road and Dysart Road. Litchfield Road extends 10.6 miles north to U.S. 60 (Grand Avenue) and south 6.2 miles (past I-10 and the cities of Goodyear and Avondale) to West Broadway Road near the Aqua Fria River. Dysart Road extends 9.0 miles north of Camelback Road in Litchfield Park to West Bell Road, just north of U.S. 60 (Grand Avenue).

Litchfield Park retail is served by four primary east/west corridors: McDowell Road, Indian School Road, Camelback Road and Northern Avenue. All four roads extend east and connect with Loop 101

and I-17, and continue through the city of Phoenix and on to Scottsdale. The four roads also extend west of Litchfield Road by 6.0 to 8.0 miles. Indian School Road extends 8.0 miles west of Litchfield Road to Verrado, an upscale new community experiencing rapid growth. Camelback Road terminates 6.0 miles west of Litchfield Road at Perryville Road.

Litchfield Park is not located on a major expressway, and that fact will impact the appeal of shopping in the city by consumers living outside the market. Shopping centers with commodity goods tend to be concentrated along roads at major expressways such as Loop 303, Loop 101 and I-10. However, studies of consumer behavior indicate a preference for shopping close to home (when their quality, choice and price needs are met). Consequently, Litchfield Park consumers are less likely to drive to shopping centers located on the outside of the city if they have a full range of shopping, dining and entertainment choices closer to home.

Surrounding Cities, Towns and Communities

The 10 cities and three unincorporated communities located in the West Valley of the Phoenix MSA largely constitute the maximum potential market for retail destinations within Litchfield Park. Six cities have the most relevance to potential retail offerings in Litchfield Park: Glendale, Peoria and Surprise are located north and northwest of Litchfield Park, with a travel time of approximately 15 minutes; Avondale and Goodyear are closer, located south, southwest and west of Litchfield Park, with a travel time of approximately 10 minutes or less; Buckeye, the fastest-growing community near Litchfield Park and with few retail options, is located southwest of Litchfield Park, with a travel time of up to 20 minutes.

A complete review of the major cities, towns, and communities surrounding Litchfield Park may be found starting on page 26.

Existing Retail Space

68,767,334 square feet of retail space was identified in the West Valley with a corresponding population of 1,502,723, resulting in 45.76 square feet of retail space per capita.

Likewise, at the national level, 7,471,000,000 square feet of shopping center space represents 24.58 square feet of shopping center space per capita. Nationally, shopping centers represent 45.4% of all retail space. Applying that same percentage to the 68.767 million square feet of all retail space in the West Valley, we can assume that the West Valley has approximately 31.220 million square feet of shopping center space.

SQ. FT. OF
SHOPPING CENTERS

3.488
MILLION

Space located in
Litchfield Park's
Primary Market



On the surface, one could conclude that there is no demand for new retail on the undeveloped sites within Litchfield Park - however, this is hardly the case.

In 2014, the population within a 15-mile radius of Litchfield Park is 1,340,534, and the corresponding shopping center space is 32,019,653 square feet. This translates to 23.89 square feet per capita, which is consistent with national data.

The population within a 5-mile radius of Litchfield Park is 162,935, and the corresponding shopping center space is 4,280,000 square feet. This translates to 26.27 square feet per capita. The 5-mile radius of Litchfield Park also contains 3,720,000 square feet of non-shopping center space, which represents 22.83 square feet per capita. The combined shopping center space and non-shopping center space is thus 49.10 square feet per capita in a 5-mile radius of Litchfield Park, compared to the national comp of 46.6 square feet and the West Valley comp of 45.76 per capita.

In 2014, the population within a 10-mile radius around Litchfield Park is 470,775, and the corresponding shopping center space is 10,975,000 square feet. This translates to 23.31 square feet of shopping center space per capita. The 10-mile radius also contains 7,724,000 square feet of non-shopping center space, which represents 16.41 square feet per capita. The combined shopping center space and non-shopping center space is thus 39.72 square feet per capita in the 10-mile radius, compared to the national comp of 46.6 square feet and the West Valley comp of 45.76 per capita. This number represents 5 to 6 fewer square feet per capita than national comps and a shortage of over 2 million square feet. This shortage is primarily in better quality goods, including fashion, shoes, jewelry, accessories, handbags, cosmetics, home décor and better dining options.

A complete analysis and full explanation and associated conclusions may be found starting on page 46.

Existing Shopping Centers

A review of shopping centers in Litchfield Park's primary, secondary and tertiary markets identified 32,019,653 square feet of shopping center space, representing 23.89 square feet per capita.

The primary market contains 18 shopping centers with a total of 3.488 million square feet.

A complete review of existing shopping centers may be found beginning on page 32.

Litchfield Park Existing Retail Sales Compared to Potential

Total 2013 actual retail sales within the city limits of Litchfield Park, as per the City of Litchfield, were approximately \$42.28 million. These sales were projected to reach \$43.765 million in 2014.

Actual 2014 Litchfield Park sales were compared to a retail potential of \$57.4 million that households located within the city limits of Litchfield Park could generate. The variance between the two figures typically represents sales captured from retail sources located outside of the city. Consequently, new developments in Litchfield Park, if properly merchandised could capture a high percentage of the potential currently flowing outside of the city.

Undeveloped sites located within the city of Litchfield Park will capture sales from other trade areas consistent with the appeal of their merchant mixes relative to the attraction of other merchants located in competitive shopping centers. The trade areas of the new developments may therefore be larger than the trade areas of existing shopping centers located within Litchfield Park, particularly if the new centers are programmed with destination uses, better restaurants, and entertainment attractions.

Therefore, to project sales for the five undeveloped sites, the potential retail mix for the new sites was envisioned on a preliminary basis as follows:

- Development Sites 1, 2 and 3, located between The Village and Wigwam Resort, will have a large concentration of destination merchants, including restaurants, a specialty food market, and entertainment options, and stores featuring better apparel, jewelry, cosmetics, accessories, and other related categories.
- Development Site 4 on Camelback Road north of Litchfield Road will be merchandised with a large grouping of home décor, home furnishing, and home fashions stores with restaurants and amenities serving as a collective destination.
- Site 5 will complete the market demand for neighborhood-serving uses.

Sector Analysis

The maximum potential trade area for Litchfield Park, including the cities discussed above, make up the majority of the West Valley of the Phoenix MSA consisting of areas west of I-17. To obtain a more precise look at this potential market, the area was broken down into 14 sectors as determined by natural divisions, such as rivers and expressways, and by distinct divisions observed in average neighborhood household income. Dividing the West Valley into sectors provides a more meticulous look at the market without the complications of city boundaries.

Maps of the 14 sectors may be found in the Appendix.

The total 2014 population of all 14 sectors is 1,498,538. There are 509,424 households with an average household income of \$58,867, representing \$29.988 billion in total income in the 14 sectors.

Charts summarizing the sectors may also be found in the Appendix.

Trade Area Identification

The analysis of the 14 sectors, including transportation patterns, neighborhood income and shopping centers located within the sectors, enabled the identification of an actual trade area including Litchfield Park's primary, secondary and tertiary markets. The primary and secondary markets were investigated to ascertain the makeup of existing shopping centers and to determine gaps in the Litchfield Park market's retail offering. The subsequent supplemental studies available with this report offer a more precise look at the actual trade area and corollary markets and offer more specific recommendations for types of retail developments and retail formats.

Ultimately, the potential trade area, which consists of Litchfield Park's primary, secondary and tertiary markets, includes almost all areas west of I-17 in the Phoenix MSA. The ability to generate sales from this large area is dependent on the mass, offering and uniqueness of the retail in Litchfield Park, given consumer buying power and travel times to competitive shopping centers.

Primary Market

Sectors 1, 2 and 10, located generally less than a 15-minute drive to the center of Litchfield Park, constitute the city's primary market. Residents of these sectors will be the most regular shoppers for retail developments in Litchfield Park. The primary market is bounded on the south by I-10, on the north by Northern Avenue, on the east by Loop 101 and on the west by Perryville Road. According to the 2014 estimated population by Nielsen, there are currently 130,664 people in this trade area, and 42,457 households with an average household income of \$73,460.

Currently, retail within these sectors is limited, especially in the western portion of the market. The majority of existing retail in the primary market is located at the following intersections with McDowell Road (which parallels I-10): Estrella Falls Road, Litchfield Road, Dysart Road and Loop 101. Additional retail is concentrated on Camelback Road at the intersections of North Litchfield Road, Dysart Road intersection, and Loop 101, and on Indian School Road at Dysart Road and Litchfield Road.

Secondary Market

Litchfield Park's secondary market includes those sectors not located in the primary market and within a 15- to 20-minute drive of Litchfield Park. Sectors, 3, 4, 5, 6, 7 and 9 make up the secondary market. All six sectors are located south of U.S. 60 (Grand Avenue). They have an aggregate population of 634,158 in 204,807 households and an average income of \$55,639.



Based on current market conditions, Litchfield Park has the potential to generate an additional \$222.205 million in annual retail sales, supporting approximately 554,737 square feet of new retail space in 2014.

Tertiary Market

Litchfield Park's tertiary market is located north of U.S. 60 (Grand Avenue), with the exception of the Estrella area, which is located to the south in Goodyear. Sectors 8, 11, 12, 13, and 14 make up this market area. They are generally located more than 15 miles from Litchfield Park but are within a 30-minute drive. Residents from these sectors are not likely to shop in Litchfield Park unless they work in the area or are traveling through the city to another destination, or unless Litchfield Park's retail is a major attraction and destination. There are 733,716 people living in the tertiary market. They live in 262,160 households and have an average household income of \$59,873.

Inflow Market

Existing Litchfield Park shopping centers generate almost all of their sales from Sectors 1 and 2, which are located within a 5-mile drive. Sales for new developments were projected to come from the primary, secondary and tertiary markets.

In general, retail developments with a unique assortment of shops and better dining and entertainment options often generate 30-35% of their sales from visitors who do not live in a primary or secondary market. This report estimated inflows sales of 20% for non-auto and non-grocery retail goods. The inflow projection was estimated to be less than 30% because of the large market area, which included a tertiary market that may not typically be included in the primary and secondary market and thus functions as part of the inflow sales.

Inflow sales will come from daytime workers who live entirely outside the trade area and from university students, interstate travelers, resort guests and tourists. Major highlights of this market are described below:

Daytime Workers

There are over 320,000 daytime workers located within a 15-mile radius of Litchfield Park. Of this number, approximately 36,000 people work within a 5-mile radius of Litchfield Park; another 88,000 work in a 5 to 10-mile radius just outside Litchfield Park, and 196,500 works in a 5 to 10-mile radius outside Litchfield Park.

According to NPD Group office workers spend on average \$146.52 (excluding internet purchases and transportation) per week on purchases originating from their place of work during the work day. Of this total \$26.71 is spent for coffee and drinks and for meals in restaurants and takeout food.

Resort Guests and Tourists

14 hotels, containing 1,489 rooms, are located within 5 miles of Litchfield Park. Assuming an average occupancy of 56% and an average of 1.25 people per room, 380,440 visitor days are calculated to represent a large potential market for specialty retail developments in Litchfield Park. In 2012, Arizona visitors spent approximately \$95.00 a day on dining and \$68.00 a day on retail purchases. The spending trend represents a total restaurant potential of \$36.14 million and a total retail potential of \$25.869 million from Litchfield Park area hotel guests.

Litchfield Park Sales Potential

Projections of the sales potential for the five development sites projected the collective trade area described above. Households, average household incomes and total retail potential were then estimated for the primary, secondary and tertiary market by sector. Next, the total retail sales potential was allocated over various retail categories, and lastly, the capture of these sales were estimated. The results of this analysis are as follows:

Based on current market conditions, Litchfield Park has the potential to generate an additional \$222.205 million in annual retail sales, supporting approximately 554,737 square feet of new retail space in 2014. This increase in sales comes from adding sufficient and appropriately mixed retail to capture sales flowing from Litchfield Park residents to outside shopping areas, to capture sales from the primary, secondary and tertiary trade areas, and to capture inflow sales from visitors traveling to Litchfield Park or staying in nearby hotels.

- GAFO shops have the potential to generate gross sales of \$110.039 million, supporting 293,439 square feet of new retail space.
- Restaurants have the potential to generate gross sales of \$42.896 million, supporting 68,634 square feet of new retail space.
- Specialty food market sales of \$17.653 million are projected to support 30,263 square feet.
- Hardware and garden sales of \$15.283 million are projected to support 33,963 square feet.
- Additional sales of \$8.750 million supporting 35,000 square feet are projected for entertainment, such as a luxury cinema showing art, foreign, and first-run films; sales of \$12.269 million supporting 37,752 square feet are projected for miscellaneous and personal care stores; and sales of \$15.313 million supporting 55,685 square feet are projected for service retailers.

Supporting Tables 1-14 are found in the Appendix.

Obtainable Rents

The projected total square footage of new space in Litchfield Park of 554,737 square feet, generating gross sales of \$222.205 million, represents average sales of approximately \$401 per square foot.

Obtainable rent is a factor of projected sales. We therefore analyzed the projected sales for each retail category and examined industry standards for rent to sales ratios to develop appropriate ratios for Litchfield Park retailers as described in detail on page 61.

Projected rents as a factor of sales range from 6% for a specialty food market to 12% for personal care stores. The average rent is projected to be 9.8% of sales.

The projected average gross rent per square foot is \$38.81, including reimbursement of shopping center operating expenses.

Table 14 in the Appendix on page 123 provides a line item detail.

PRIZM Analysis

To obtain insight into the consumers living within the primary and secondary markets, a PRIZM analysis was completed for a 5-mile radius and a 5 to 10-mile radius around Litchfield Park's City Hall. The PRIZM analysis, provided by Nielsen, is the most comprehensive source for efficiently identifying consumer purchasing characteristics. Using complex algorithms, it segments consumers into categorical buying groups and fairly precise groups of like consumers. This analysis assists in developing retail strategies for potential development sites in Litchfield Park.

Households in a 5-mile radius primarily fall within nine social groups and 21 consumer clusters. The primary social groups most relevant to Litchfield Park are outlined below.

- The Elite Suburbs category describes a world of six-figure incomes, post-graduate degrees and single-family homes occupied by senior managerial executives and professionals. While representing a small portion of the market's population, these consumers hold a large share of the Litchfield Park's personal net worth and generate a significant portion of luxury retail purchases.
- The Affluentials are one socioeconomic rung down from the Elite Suburbs – with a significant drop in median income – but these residents still enjoy comfortable suburban lifestyles. The median income and median home value are well above the U.S. median values, and the members of this social group tend to have college degrees and white-collar jobs. As consumers, The Affluentials are big fans of health foods, computer equipment, consumer electronics, and the full range of goods found in big-box stores.

- The Landed Gentry category describes wealthy consumers who have migrated outside urbanized Phoenix. Many of the households include boomer families and couples with college degrees holding professional jobs. With upscale incomes, they spend heavily on consumer electronics, wireless and computer technology, luxury cars, books and magazines, children's toys, exercise equipment and apparel.
- The Second City Society category describes some of the wealthiest families living in the West Valley. As consumers they are big spenders on digital and wireless technology, business and cultural media, casual dining restaurants, upscale retailers, foreign travel and luxury cars.
- Middleburbs share a middle-class, suburban perspective, but their similarities end with location. The group includes a mix of homeowners and renters as well as high school graduates and college alums. With good jobs and money in their jean pockets, the members of Middleburbs tend to have plenty of discretionary income to visit entertainment venues and casual-dining restaurants, to shop at midscale department stores at West Valley malls, to buy dance and easy listening CDs by the dozen, and to travel across the U.S. and Canada.
- The City Centers social group consists of a mix of Phoenix area residents – old and young, homeowners and renters, families and singles – who have settled in the West Valley's satellite communities. What they share is a middle-class status, educations that include at least some college, and a lifestyle heavy on leisure and recreation. The members of City Centers tend to be big fans of home-centered activities: Internet surfing, Netflix, TV viewing, and playing games and musical instruments. Outside their homes, they go to movies, hike Phoenix area mountain parks and enjoy professional sporting events.

The above groups are similar in several cases, but they differ in education, lifestage, neighborhood composition and other crucial variables.

A complete review of these groups and the more defined subcategories may be found in the Market Research section starting on page 62.

Merchandising Strategy

The development of a full merchandising strategy for specific sites within Litchfield Park is the subject of the supplemental studies. However, to project the sales and rents in this report, an initial look at the merchant mix for the potential development sites was created. Sales and rents are adjusted in the individual and precise studies, based on the final recommended merchant mix for each of the five subject sites.

The merchandising strategies build on the core themes of a laidback but relatively upscale Arizona lifestyle characterized by the pleasure of resort-like living, the joy of warm winters, the friendship of a close-knit community, and the love of the outdoors – when it is not too hot. The strategies were additionally driven by the broadly identified need for dining choices and entertainment options and by the lack of better goods in the West Valley.

To that end, the proposed market position for the undeveloped sites in Litchfield Park begins with a call for community-centering projects with well-crafted design and high levels of amenities. Developments should include a combination of innovative retail concepts with distinguished build-outs and displays – all carefully curated for the market. This will require the inclusion of local, one-of-a-kind merchants and the customization of unique chains that communicate a Litchfield Park sensibility appealing to local residents and to nearby hotel guests and visitors.

Merchandising strategies for the five undeveloped sites will recognize that Litchfield Park has a relatively low population of 5,700, but that it is centered in a market of almost 1,500,000 permanent residents and serves a large visitor market. This vast market is limited in choices, especially in better and more upscale options. While the West Valley has a large number of shopping centers, very few offer quality environments and enriching experiences. Accordingly, development in Litchfield Park requires unique, traffic-generating merchants who answer unmet shopper needs and define a vital place for socialization and community gathering unlike any current retail experience in the market.

Proposed Market Positions of the Five Sites

A map showing the location of all five development sites is located on page 127.

Conceptual development diagrams showing how each of the five development sites could be organized may be found on pages 128 to 131.

Descriptions of the major development areas and specific sites are as follows:

Litchfield Park – Village Center

The area between Wigwam Resort and The Village residential development, north of Wigwam Boulevard, is primed for the creation of a true village center for the City of Litchfield Park. The area has several potential development sites, including Sites 1, 2 and 3. These three sites contain no less than 34 acres. This report has projected a combined 241,371 square feet for these sites. They will benefit from proximity to the Wigwam Resort, historic Old Litchfield Road, and the existing Hahn Family Foundation retail and restaurant center, which is primed for redevelopment and integration into a village center.

Outlined below is an overview of Sites 1, 2 and 3.

- Site 1 is recommended to contain 108,665 square feet on 14 acres including several restaurants containing almost 20,600 square feet; 44,000 square feet of apparel, gift, and table top fashions; and a luxury cinema of 35,000 square feet. The existing city hall and the Hahn Family Foundation property should be wrapped into this development. Ideally, the irrigation canal on the north side of Site 1 would be brought into the development.

- Site 2 is recommended to contain 85,860 square feet on 10 of the 15 acres including several restaurants with a total square footage of approximately 20,600 square feet; 29,300 square feet of apparel, gift, and table top fashions; and a specialty food market of approximately 30,300 square feet. Mixed-use including office and residential is recommended for levels above the retail. Approximately 5 acres of Site 2 may be developed with alternate uses such as residential with the full implementation of the retail program.
- Site 3 is recommended to contain 46,800 square feet on 5 acres including two restaurants containing more than 13,700 square feet in total; and almost 29,300 square feet of apparel, gift, and table top fashions. Mixed-use including office and residential is recommended for levels above the retail. No additional uses are recommended for Site 3 other than those mixed-use areas above the retail.

Camelback Road Area

The area on Camelback Road between Litchfield Road and Dysart Road contains the two remaining development sites (4 and 5) and the largest amount of developable land. Site 4, located in the northeast corner of Litchfield Road and Camelback Road, contains approximately 73 acres. Site 5, located in the southeast corner of Camelback Road and Dysart Road, contains 20 acres. The proposed development program for each of the two sites is as follows:

Site 4 is recommended to contain 213,500 square feet of retail space on 30 acres. The remaining 43 acres may be developed with alternate uses including a hotel and residential. The development strategy is to create a home fashion center with 176,100 square feet of home design, furniture, table top fashions and related uses. Additional square footage should include approximately 30,600 square feet of garden and hardware shops and 6,900 square feet of restaurants.

The merchant plan for Site 4 must be carefully curated and crafted. It will require novel ways of mixing and matching shops and activities.

Site 5

Site 5 is recommended to contain almost 99,900 square feet on all 20 acres. The development strategy is to complete the neighborhood-serving use category for Litchfield Park. Small cafes, personal care and discount apparel is appropriate. No additional uses are recommended for Site 5.

NEW RETAIL SPACE

554,700
SQ.FT

Litchfield Park's
Market Demand

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

LOCATION / CONTEXT

Geography

Transportation System

Communities Surrounding Litchfield Park

Existing Shopping Centers



C



Litchfield Park currently has only three shopping centers with a total of 166,000 square feet that primarily meet the needs for everyday basic living – and not much more.

LOCATION / LITCHFIELD PARK CONTEXT

LOCATION

Litchfield Park is located in the West Valley of the Phoenix MSA, 2.5 miles north of I-10, 20.1 miles west of downtown Phoenix, and 25.2 miles west of Phoenix Sky Harbor International Airport.

DEVELOPMENT SITES

Five potential development sites in Litchfield Park can accommodate new retail development:

Site # 1. Village Center East – 14 acres located north of Wigwam Boulevard between Old Litchfield Road and east of North Litchfield Road. This site includes the existing Litchfield Park City Hall and a 20,000 square foot center owned by the Hahn Family Foundation.

Site # 2. Village Center Southwest – 15 acres located in the northwest corner of North Litchfield Road and Wigwam Boulevard and south of the entry into The Village residential community. Property owners have submitted a General Plan Amendment Application (GPA # 14-02) requesting the existing designation of Commercial be changed to Mixed Use (Commercial and High Density Residential).

Site # 3. Village Center Northwest – 5 acres also located in the northwest corner of North Litchfield Road and Wigwam Boulevard and north of the entry into The Village residential community. Property owners have submitted a General Plan Amendment Application (GPA # 14-01) requesting the existing designation of Commercial be changed to High Density Residential.

Site # 4. NEC of North Litchfield Road and Camelback Road – 73 acres located in the northeast corner of North Litchfield Road and Camelback Road. Property owners have submitted a General Plan Amendment Application (GPA # 14-06) requesting the existing designation of Commercial be changed to Medium Density Residential.

Site # 5. SEC Camelback Road and Dysart Road – 20 acres located in the southeast corner of Camelback Road and Dysart Road.

A map of all five locations may be found on page 127 in the Appendix.

Conceptual development diagrams for each of the five development sites may also be found in the Appendix starting on page 128.

GEOGRAPHY

Natural barriers, such as rivers and mountains, and major roads partially define a location's trade areas. Litchfield Park is strategically located in the center of the western portion of the Salt River Valley with a geography consisting of flat desert terrain, rivers and mountains.

Two rivers define a major portion of Litchfield Park's trade-area boundaries. The Gila River, a 649-mile tributary of the Colorado River flowing through New Mexico and Arizona, is located approximately 8.0 miles south of Litchfield Park and just north of the Sierra Estrella Mountains. The Agua Fria River is a 120 mile-long intermittent stream that flows generally south from 20 miles east-northeast of Prescott, Arizona. It is located approximately 2.5 miles east of the center of Litchfield Park and serves as somewhat of a barrier from more heavily populated areas located east of the river.

The White Tank Mountains are located on the western periphery of the Litchfield Park market, approximately 10 miles west of Litchfield Park. The mountains border the cities of Buckeye to the south and west, and Surprise to the north and northeast. The Sierra Estrella Mountains are located approximately 10 miles south of Litchfield Park.

Portions of the market are also bordered by large fields of irrigated cropland, especially northwest of Litchfield Park's center on Camelback Road and Luke Air Force Base, which is located north of Camelback Road and west of North Litchfield Road.

TRANSPORTATION SYSTEM

Overview

Collectively, transportation systems serving a retail site, including expressways, major roads and streets, partially determine the retail site's trade area. A basic premise of retail marketplace analysis maintains a principal that when all other factors are equal, consumers will travel the shortest distance/time to a retail location.

However, Litchfield Park is not located on a major expressway, and this will impact its appeal as a shopping destination for consumers living outside the market. Shopping centers with commodity goods tend to concentrate along roads at major expressways such as Loop 303, Loop 101 and I-10. Conversely, residents in Litchfield Park are less likely to drive to shopping centers located on the outside of the city if they have the opportunity to shop close to home where their quality, choice and price needs can be met.

Despite its location away from a major expressway, Litchfield Park is served by an excellent network of streets organized in a one-mile grid pattern, which originated as an efficient way of surveying and dividing the land when it was largely uninhabited ranch land. The grid pattern has been largely maintained with improved streets following the grid, and as such, it conveniently connects Litchfield Park to major expressways located to the north, south, east and west of the city.

Freeways

Four major freeways define the Litchfield Park transportation system: I-10, which is located 4.0 miles to the south of Litchfield Park; Loop 101, which is located 6.4 miles to the east of Litchfield Park; Loop 303, which is located 3.4 miles to the west of Litchfield Park; and Northern Parkway, which is located 4.5 miles to the north of Litchfield Park.

Interstate 10

I-10 extends through Maricopa County and the Phoenix metro area, connecting Phoenix to California in the west, and New Mexico, Texas, and the southern portions of the U.S. in the east. In Arizona, outside the Phoenix metropolitan area, I-10 is referred to as the Pearl Harbor Memorial Highway. In Phoenix, I-10 is referred to as the Papago, Inner-Loop and Maricopa Freeway.

I-10 enters the Phoenix metro area from the west near Buckeye. Eastbound, the I-10 speed limit drops from 75 to 65 mph at Verrado Way. I-10 continues eastward through the communities of Goodyear, Avondale and Tolleson, with major interchanges with Loop 303 and Loop 101. I-10 is an important route for West Valley commuters driving to downtown Phoenix and other points east.

Changes to I-10 in recent years are reflective of the growth in the West Valley. For example, I-10 was recently widened from Verrado Way (11.3 miles southwest of Litchfield Park) to Loop 101, a distance of 13 miles. Other improvements included new HOV lanes from Dysart Road (Exit 129) to Loop 101, and from Estrella Pkwy (exit 126) to Dysart Road. An additional lane was added from Estrella Pkwy to Verrado Way.

The average annual daily traffic (AADT) count on I-10 traveling east at Litchfield Road is 45,673. The east I-10 AADT increases to over 50,000 at Dysart Road and to over 100,000 in Tolleson at the Loop 101 intersection.

Loop 101

Arizona State Route 101, or Loop 101, is a semi-beltway encompassing much of Phoenix. It connects several suburbs of Phoenix, including Tolleson, Glendale,

AVG. DAILY TRAFFIC

45,673

On I-10 East
Litchfield Road

Peoria, Scottsdale, Mesa, Tempe and Chandler. Loop 101 has interchanges with almost all area freeways, including Loop 202, U.S. 60 (Grand Avenue), SR 51, I-17, and I-10 along its 61-mile route.

Loop 101 begins as the Agua Fria Freeway in Tolleson, 5.1 miles east of Litchfield Road at the I-10 interchange. It extends north of I-10, entering Phoenix and then passing the Westgate Entertainment District, University of Phoenix Stadium and Jobing.com Arena in Glendale. Continuing northward through Peoria, it passes the Peoria Sports Complex before entering northwestern Glendale and heading east just past the Arrowhead Towne Center Mall. Loop 101 then turns eastward on the Beardsley Road alignment and intersects I-17 near the Deer Valley Airport, 15 miles north of downtown Phoenix. The average daily traffic count at Loop 101 at Camelback Road is 126,000 in both directions.

Loop 303

Arizona State Route 303, also known as Loop 303 or Bob Stump Memorial Parkway, begins at I-10 in Goodyear and extends north, intersecting McDowell and Indian School roads approximately 3.5 miles west of Litchfield Park. The highway primarily travels through agriculture land west of Litchfield Park and continues to U.S. 60 (Grand Avenue) in Surprise. The route turns eastward and becomes a controlled-access highway at El Mirage Road. It turns north near the Happy Valley Parkway interchange and then east again south of Lake Pleasant, terminating at an interchange with I-17.



Loop 303 and I-10 interchange under construction with a scheduled fall 2014 completion.

¹¹Loop 303, the last planned freeway in Phoenix metropolitan area's highway system, will become the primary north/south arterial in the western portion of the market in the fall of 2014, when the I-10 interchange is completed.

Northern Parkway

The proposed Northern Parkway is a planned regional expressway that will extend approximately 12.5 miles from the Loop 303 expressway to an intersection with U.S. 60 (Grand Avenue). It will connect Glendale to Litchfield Park and Waddell. The proposed Northern Parkway will be an enhanced arterial street with grade-separated intersections at major cross streets to eliminate the major traffic signals on Northern Parkway. The resulting roadway will have twice the traffic-carrying capacity of a typical arterial street.

Northern Parkway will extend east from Loop 303 to Litchfield Road and beyond. After passing Litchfield Road, the parkway is planned to turn southeast and intersect Northern Avenue near Dysart Road. At this point, Northern Parkway is planned to supplant Northern Avenue, heading east. After crossing the Agua Fria River, the parkway will intersect 111th Avenue, 107th Avenue and 103rd Avenue at signalized intersections before crossing the New River. It will also have an interchange connecting to Loop 101. Northern Parkway will then continue east as a limited-access road to U.S. 60 (Grand Avenue).

Major North/South Roads and Streets Serving Litchfield Park

The primary north/south highways serving Litchfield Park are Litchfield Road and Dysart Road.

Litchfield Road

Litchfield Road extends 10.6 miles north to U.S. 60 (Grand Avenue) and south 6.2 miles past I-10 to West Broadway Road near the Aqua Fria River. The daily traffic count on Litchfield Road and Northern Avenue traveling in both directions is 14,538.

Dysart Road

Dysart Road extends 9.0 miles north of Camelback Road in Litchfield Park to West Bell Road. Bell Road, a major access road to both Sun City and Sun City West, is located just north of U.S. 60 (Grand Avenue). Dysart Road extends 5 miles south of Camelback Road to Maricopa 85 in Avondale. The daily traffic count on Dysart Road at Camelback Road is 23,639 traveling in both directions.

Major East/West Roads and Streets Serving Litchfield Park

The Litchfield Park market is also served by four primary east/west corridors consisting of McDowell Road, Indian School Road, Camelback Road, and Northern Avenue/Northern Parkway and by U.S. 60 (Grand Avenue), which runs northwest to southeast. All five roads connect with Loop 101 and I-17. The four east/west roads also extend west of Litchfield Road by 6.0 to 8.0 miles. A more detailed overview of the three most significant roads follows:



Litchfield Park is located in the center of the West Valley's major highway system, consisting of I-10, Loop 303, Loop 101 and the Northern Parkway.

Camelback Road

Camelback Road is a prominent street in the Phoenix metropolitan area. The street stretches from Scottsdale in the east to Litchfield Park in the west. Camelback Road runs directly south of the famous Camelback Mountains and the Phoenician Resort, the upscale Biltmore district in Phoenix that includes the Arizona Biltmore Hotel, the Biltmore Fashion Park, and one of Phoenix's primary business districts. In Litchfield Park, Camelback Road passes the historic Wigwam Resort. West of Litchfield Park, Camelback Road skirts the southern boundary of Luke Air Force Base.

Camelback Road terminates 6.0 miles west of Litchfield Road at Perryville Road. The daily traffic count on Camelback Road at Litchfield Road is 7,525 traveling east and 8,200 traveling west.

Indian School Road

Indian School Road runs east/west along the Salt River Pima-Maricopa Indian Community at its east end to Buckeye and Maricopa County White Tank Mountain Regional Park at its west end. It intersects with Arizona State Route 51, Arizona State Route 101, I-17, U.S. 60 (Grand Avenue) and Arizona State Route 303.

Indian School Road extends 8.0 miles west of Litchfield Road to Verrado, an upscale community.

U.S. 60 (Grand Avenue)

U.S. 60 (Grand Avenue), a historical route from California to Phoenix, follows a diagonal path from the northwest portion of the Litchfield Park market to the southeast and into Phoenix. It intersects Loop 303 in Surprise and continues southeast to intersect with Loop 101 in Peoria before heading through Glendale. The highway enters Phoenix city limits and continues toward the southeast until it reaches Thomas Road. U.S. 60 (Grand Avenue) follows Thomas Road for 1/4 mile until it reaches I-17. At I-17, U.S. 60 (Grand Avenue) begins to run concurrently with I-17 toward the south to an I-10 interchange.

COMMUNITIES SURROUNDING LITCHFIELD PARK

The 10 cities and three unincorporated communities located in the West Valley of the Phoenix MSA largely comprise the potential market for retail destinations within Litchfield Park. Glendale, Peoria, Surprise, Avondale, Goodyear and Buckeye have the most relevance to Litchfield Park, and so, too, do several large, fully built-out unincorporated communities and several new communities under development.

Glendale

Glendale, located 13.7 miles northeast of Litchfield Park, is the largest of the 10 cities in the market area. The city's 2010 population was approximately 230,000. The city's population is projected to grow to 350,434 by 2035.

Glendale's consumers may represent a potential market for unique and destination retail in Litchfield Park. However, consumers from Glendale have numerous shopping, dining and entertainment options in closer proximity, including Westgate Entertainment District, a large entertainment-focused project, and Park West, an outdoor lifestyle center. Both properties have attributes comparable to some components that are recommended for the city center sites in Litchfield Park. Yet, Glendale lacks a destination with a more authentic Arizona sensibility that could be created around the Wigwam resort and the historic properties located along Old Litchfield Road.

Peoria

In 2000, Peoria, located 12.9 miles northeast of Litchfield Park, maintained a population of 108,364. By 2010, the population had grown to 154,065 people residing in 54,202 households. Peoria is currently the sixth largest city in Arizona in terms of land area and the ninth largest in terms of population. In fact, by 2035, the population of Peoria is expected to grow to 334,329 people residing in 130,496 households. Peoria's current household income reflects a general range – from \$70,000 or lower in the densely populated neighborhoods in the southern part of the city and the less densely populated neighborhoods in the northern part of the city, to well above \$100,000 in the neighborhoods in the central and central western parts of the city. The highest income neighborhoods are located north of Cactus Road and south of Thunderbird Road.

PROJECTED
20 YR. POPULATION
GROWTH

1.4
MILLION

5 largest cities
Surrounding
Litchfield Park

It should be noted that Avenue Shoppes, a 200,000 square foot retail and entertainment development is moving forward on an 18 acre parcel next to the Peoria Sports Complex at 83rd. Avenue and Bell Road. The project has elements that compare it to the highly successful Grove in Los Angeles.

Waddell

The community of Waddell is located approximately 10.7 miles north of Litchfield Park, north and northwest of Luke Air Force Base and west of Peoria. The unincorporated city has a population of approximately 8,700. The community has good access to Litchfield Park. Neighborhoods located in Waddell west of Litchfield Road, between Northern Avenue and Peoria Avenues, include a high percentage (37%-55%) of household incomes above \$100,000.

Surprise

Surprise is located 12.5 miles north of Litchfield Park, and according to the 2000 census, it had a population of 30,848. By the 2010 census, however, its rapid growth had caused its population to increase to 117,517. This growth, which represents an increase of 281%, makes Surprise the second fastest-growing municipality in the greater Phoenix metropolitan area (after Gilbert). Indeed, between 1990 and 2000, Surprise was the sixth fastest-growing municipality among all cities and towns in Arizona. By 2035, the population is expected to grow to 456,000 people residing in 182,700 households. Higher income neighborhoods in Surprise are located west of Loop 303 and north of Bell Road.

Almost 80,000 people live in three golf and retirement communities developed by Del Webb under the Sun City brand in or near Surprise:

Sun City

Sun City is located 9.5 and 13.5 miles north of Litchfield Park, a 12- to 17-minute drive. Sun City had a 2010 population of 37,499 people residing in 23,313 households, with an average household income of \$44,937. The average resident's age was 73.4, and on average, 1.60 people lived in each household.

Sun City West

Sun City West is located south of Loop 303 as it extends east and north of U.S. 60 (Grand Avenue). It is approximately 14.0 miles north of Litchfield Park, a 24-minute drive. Sun City West had a 2010 population of 24,535 people residing in 15,091 households, with an average household income of \$58,448. The average resident's age was 73.4, and on average, 1.60 people lived in each household.



1960s aerial photograph of Sun City from Time Magazine.

Sun City Grand

Sun City Grand, located between Loop 303 and U.S. 60 (Grand Avenue), claimed a population of 16,000 people in 2010.

The average age of the residents in the Sun City communities is decreasing as residents 80 years old and older are replaced by younger, Baby Boomer retirees. In 2000, the median age was 78, but the influx of the new Boomer retirees continues to drive down its average age. Today, 26% of the population living in Sun City is below the age of 65, and the median age is 73. In addition to influencing the average age of residents, the younger retirees are bringing into the market a different mindset on retirement living – one that is more active and more aware of healthy eating and one that seeks new forms of entertainment (no more bingo).

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

Grand Vista

Another large master-planned community, Grand Vista is moving forward in the far northwestern portion of Surprise. The original development plans called for 33,000 homes on 5,500 acres of the former Daimler-Chrysler proving grounds near Wittmann, three miles north of Loop 303 on U.S. 60 (Grand Avenue). Toll Brothers and Meritage Home has since reduced the number of planned homes to 16,500 and increased the undeveloped open space to 756 acres.



Baby Boomer retirees in Sun City bring a new mindset to retirement living.



Avondale

Avondale is located approximately 4.8 miles south of Litchfield Park. According to the 2000 census, there were 35,883 people, 10,640 households, and 8,724 families residing in the city. The population density was 869.7 people per square mile. By 2010, the population had increased to 76,237 people residing in 11,419 housing units. The 2035 population is projected to grow to 135,272 living in 48,327 households.

Goodyear

Goodyear is located 3.3 miles south of Litchfield Park. In 2000, there were 18,911 people and 6,179 households in Goodyear. As of 2010, the U.S. Census Bureau reported that there were 65,275 people residing in the city. The 2035 population is projected to reach 358,000. Areas in Goodyear south of the Gila River, collectively called Estrella, have higher household incomes and limited upscale shopping opportunities. The original master-planned Estrella community was established in 1989 and has a current population of approximately 10,000 residents. Montecito is Estrella's newest neighborhood. The community has 1,400 acres and 300 acres of open space. The Mountain Ranch Neighborhood includes the Westar Elementary School and the Estrella golf course. The long-term build-out projects a population of 50,000 in the combined Estrella communities.

Buckeye

Buckeye is located 19.5 miles southwest of Litchfield Park. The city's 2000 population was 6,537. By 2005, that number had risen to more than 25,000, and now, in 2014, the population exceeds 55,000 residents. Between 2000 and 2010, the population grew by approximately 678%. The projected 2025 population is 345,000, and the projected 2035 population is 504,000.

A number of large new planned communities are located in Buckeye and several new communities are moving forward. Examples include: Verrado and Douglas Ranch:

Verrado

Verrado opened in January 2004, as the first major master-planned development in the city. With up to a 20-year build-out planned, the community has the capacity for 14,000 homes and over 40,000 residents. The development currently includes a town center, a village green and a main street.

Bashas' Main Street Market operates a 40,000 square foot store in the town center along with a CVS and numerous restaurants and services. 45 rental apartment units are located above the main street commercial storefronts.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —



Downtown Verrado located 10.6 east of Litchfield Park includes a public green.

Douglas Ranch

The Douglas Ranch site, located northwest of Verrado and about 25 miles northwest of downtown Buckeye, is in the infrastructure planning stage. The completed community is approved for up to 83,000 homes and 250,000 residents, with home prices ranging from entry level to above \$1 million. The community is divided into 27 separate planning areas, including 2,000 commercial acres and 947 acres for employment space. 12 high schools and 25 elementary schools are already planned. 22% or more of the land in Douglas Ranch will be left open for trails and parks. 22 golf courses are planned.

EXISTING SHOPPING CENTERS

A review of shopping centers in the potential Litchfield Park primary and secondary markets identified 32,019,653 square feet of shopping center space representing 23.89 square feet per capita.

There are 18 shopping centers with a total of 3.488 million square feet located in the primary market. The market could be restricted by significant retail concentrations located within 4-10 miles of Litchfield Park along the I-10 and McDowell Road corridor between the I-10 intersections with Loop 303 and Loop 101, and a second concentration approximately 8.0 miles northeast at Glendale Avenue and Loop 101.

On the one hand, these restrictions can be offset by the addition of uses unique to the overall market. On the other hand, a potential trade area can be negatively impacted by changes in the marketplace that effectively reduce trade area. Examples include the addition of the Estrella Falls Mall, a 2 million square foot regional mall with a planned opening in 2016, located 3.3 miles southeast of Litchfield Park in Goodyear at Pebble Creek Parkway and McDowell Road north of I-10, and Prasada, a proposed regional mall of 1.3 million square feet planned for a site between West Bell Road and Loop 303, in Surprise, 13.3 miles northwest of Litchfield Park.

Outlined on the following pages is a review of representative shopping centers in the potential market area.

A chart indicating the shopping centers in the primary market is found on page 124.

Hahn Center

Location:

Old Litchfield Road and Wigwam Boulevard

Size:

20,000 sq. ft.

Anchors:

Old Pueblo Café, Blue Sushi



Hahn shopping center, adjacent to the Wigwam Resort, is a popular dining and entertainment center.

Wigwam Creek

Location:

Northeast corner of Indian School Road and N. Dysart

Size:

106,313 sq. ft.

Anchors:

Albertsons, Osco Drug Store



Wigwam Creek with 106,313 square feet: the largest shopping center located in Litchfield Park.

Palm Valley Pavilions (West)

Location:

McDowell Road and Litchfield Road

Size:

235,000 sq. ft.

Anchors:

Best Buy, Ulta Beauty, Barnes & Noble, and Ross



Ulta Health and Beauty store located at Palm Valley Pavilions (West).

Camelback Crossing

Location:

Camelback Road & Dysart Road

Size:

85,000 sq. ft.

Anchors:

Bashas', Walgreen's



Camelback Crossing, anchored by Bashas' Food & Drug and Walgreens.

Palm Valley Pavilions (East)

Location:

McDowell Road and Litchfield Road

Size:

241,000 sq. ft.

Anchors:

Target, Michaels, Palm Valley Pavilions



Palm Valley Pavilions (East).

Westgate Entertainment District

Location:

Loop 101 and Glendale Avenue

Size:

275,000 sq. ft.

Anchors:

AMC Cinema, Yardhouse, Margaritaville, Jobing.Com Arena (NHL Hockey) and University of Phoenix Stadium (NFL Football)



Westgate Fountain Court facing Jobing.Com Arena, home of Phoenix's NHL Coyotes.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

Park West

Location:

Loop 101 and Northern Avenue

Size:

355,000 sq. ft.

Anchors:

Harkins Cinema, Toby Keith's



Park West's Grimaldi's Brick-Oven Pizzeria.

Tanger Outlet Center

Location:

Loop 101 and Glendale Avenue

Size:

355,000 sq. ft.

Anchors:

Nike Factory Store, VF Outlet, H&M



Tanger Outlet Center, Glendale, AZ.

The Village at Arrowhead

Location:

Loop 101 and 67th Avenue

Size:

150,000 sq. ft.

Anchors:

AJ's Fine Foods



The Village at Arrowhead, an upscale lifestyle center anchored by AJ's Fine Foods.

Shops at Wal-Mart

Location:

McDowell and Dysart Road

Size:

258,049 Sq. ft.

Anchors:

Wal-Mart and LA Fitness



Shops at Wal-Mart, southeast corner of Dysart Road and McDowell adjacent to I-10.

Shops at Alameda Crossing

Location:

McDowell Road and Dysart Road

Size:

250,000 Sq. ft.

Anchors:

Kohl's, Big 5 Sporting Goods, Sprouts Farm Market



Shops at Alameda Crossing, northeast corner of Dysart Road and McDowell Road.

Summary of Competition

What can be learned from the existing competition?

The following points summarize the analysis of the competition:

1. Litchfield Park is not in a supply constrained market. There are very few barriers to market entry for new developments.
2. The upscale portion of the Litchfield Park market lacks better shopping options in close proximity.
3. Shopping centers located in the market primarily fall into two categories: grocery and/or drug stores anchoring neighborhood-serving centers and larger power centers anchored by big box stores.
4. Shopping centers are primarily located east, northeast, south and southeast of Litchfield Park. There is a void of shopping opportunities west, north and northwest of Litchfield Park.
5. Wigwam Resort guests lack quality shopping and dining outside the resort.
6. Retail success in Litchfield Park can be realized with a combination of specific merchandising strategies focused on the unmet needs of a large residential market. Development strategies must include a high level of one-to-one service and quality goods appealing to the market's affluent consumers, customized product assortments selected specifically for Wigwam Resort guests, and the development of a unique shopping experience to attract consumers from outside the primary market.
7. Successful merchandising strategies for new shopping centers in Litchfield Park require a balanced mix of interesting, vital, unique and upscale shops. Success will not be achieved with neighborhood-serving uses and convenience retail as this portion of the market is generally covered.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

MARKET RESEARCH

Existing Retail Sales

Analysis of Market by Sector

Trade Area Definition

Primary Market

Secondary Market

Tertiary Market

Retail Sales Potential

Demand for Retail Space

Obtainable Rents

Demand for Retail Space

Lifestyle Analysis





The data demonstrates a clear market demand for new shopping, dining, and entertainment destinations within Litchfield Park - an amount necessary to create a dynamic village center.

EXISTING RETAIL SALES PER CAPITA

The examination of existing retail space in Litchfield Park began with a calculation of national statistics. Nationally, there are nearly 14.2 billion square feet of retail space. With a U.S. population of 304,000,000, that translates to 46.6 square feet per capita. The Maricopa County Tax Assessor calculates 68,767,334 square feet of retail space in the West Valley and a corresponding population of 1,502,723, resulting in 45.76 square feet of retail space per capita in the West Valley, which is consistent with the national statistic.

Likewise, recent data at the national level indicates 7,471,000,000 square feet of shopping center space representing 24.58 square feet per capita. Nationally, shopping centers represent 45.4% of all retail space. Applying that same percentage to the 68.767 million square feet of all retail space in the West Valley, we can assume that the West Valley has approximately 31.220 million square feet of shopping center space. Next, the area around Litchfield Park was examined using data obtained from the Nielsen Company and the Maricopa County Tax Assessor. The 2014 population within a 15-mile radius of Litchfield Park is 1,340,534, with 32,019,653 square feet of shopping center space. This translates to about 23.89 square feet per capita, which is consistent with national data.

Within a 5-mile radius of Litchfield Park, the population is 162,935, with 4,280,000 square feet of shopping centers. This translates to 26.27 square feet per capita. Another 3,720,000 square feet of non-shopping center space represents 22.83 square feet per capita. The combined shopping center space and non-shopping center space is thus 49.10 square feet per capita in the 5-mile radius around Litchfield Park, compared to the national comp of 46.6 square feet and the West Valley comp of 45.76 per capita. However, retail square footage as previously stated tends to concentrate in retail shopping districts and along retail corridors. Therefore, the variance is within a reasonable range, especially given the fact that a large amount of retail is concentrated along I-10, which serves a market area much larger than the 5-mile population.

It would thus be incorrect to assume that the Litchfield Park retail market is at a point of saturation, because the market clearly attracts shoppers from areas outside the 5-mile radius who lack retail options. As an example, within the 10-mile radius around Litchfield Park, the 2014 population is 470,775 and the shopping center space is 10,975,000 square feet, representing 23.31 square feet per capita of shopping center space. Another 7,724,000 square feet of non-shopping center space exists representing 16.41 square feet per capita. The combined shopping center space and non-shopping center space is thus 39.72 square

feet per capita in the 10-mile radius, compared to the national comp of 46.6 square feet and the West Valley comp of 45.76 per capita. This number represents 5 to 6 fewer square feet per capita than national comps and a shortage of over 2 million square feet. This shortage is primarily in better quality goods, including fashion, shoes, jewelry, accessories, handbags, cosmetics, home décor and better dining options. Indeed, this gap is the target of the new Estrella Falls Mall scheduled for a construction start within the next year and a large opportunity of Litchfield Park.

EXISTING RETAIL SALES

In analyzing retail sales, it is important to distinguish the difference between sales potential and actual sales. Retail sales potential is a factor of household incomes. It is an estimate of the retail sales that would be typically generated from a defined cluster of homes of any size in a neighborhood and/or an entire city. Actual retail sales are the actual sales generated by retail establishments within a defined area (such as a neighborhood, zip code or city).

It is equally important to recognize that actual retail sales in a defined market may be more or less than potential retail sales for that market. For example, some high-income neighborhoods do not have any retail establishments within the neighborhood's defined boundaries. Thus, while the potential for retail sales is high, the actual retail sales would be zero: the residents of the neighborhood obviously make significant retail purchases, but they do so in locations outside the neighborhood. Conversely, because areas of high retail concentration often have lower populations, actual retail sales for this market may be much higher than the potential retail sales because retail sales are flowing into the area from the outside.

J. Richard Hill & Co. studied the actual retail sales of Litchfield Park and compared these sales to potential retail sales. The major findings follow:

- Total 2013 actual retail sales within the city limits of Litchfield Park, as per the City of Litchfield, were approximately \$42.28 million. These sales were projected to reach \$43.765 million in 2014.
- The estimated 2014 retail potential of households located within the city limits of Litchfield Park is approximately \$57.46 million for all retail categories. The difference between the potential and the actual sales demonstrates that Litchfield Park consumers make retail purchases outside of the city. This is supported by the absence in Litchfield Park of general merchandise stores (e.g., Wal-Mart, Target), department stores (e.g., Macy's, JC Penney), hardware stores (e.g., Home Depot, Lowes), and auto dealerships (indeed, auto sales alone typically account for 20-28% of all retail sales).

2013
LITCHFIELD PARK

\$42.28
MILLION

Total Retail Sales

SECTOR ANALYSIS

Consumers do not make shopping decisions based on city boundaries. Instead, they shop according to convenience, location (proximity to home), and choice or selection, regardless of municipal boundaries. Accordingly, the maximum potential trade area for Litchfield Park includes most of the West Valley of the Phoenix metropolitan market, specifically areas west of I-17. This area was mapped and then broken down into 14 sectors according to natural divisions, such as rivers and expressways, and by the distinct divisions observed in average neighborhood household incomes. By dividing the potential market into sectors, a more detailed and deeper understanding of the demographics of the diverse market was obtained. Additionally, the sector division allowed an assignment of different capture rates in sales projections models for each sector based on various retail concepts proposed for Litchfield Park.

Retail sales are a factor of total household income, and income levels spend at very different rates. We therefore develop different expenditure projects based on the average household income for an area.

Likewise, shopping centers capture a percent of total retail sales based on the size of the shopping center, the unique attributes of the shopping center relative to other competitive shopping destinations and the proximity of the shopping center to a household.

The total 2014 population of all 14 sectors is 1,498,538. There are 509,424 households with an average household income of \$58,867, representing \$29.988 billion in total income.

Residents in each of the sectors can reach Litchfield Park by way of I-10, Loop 303, Loop 101 and I-17, connecting to Camelback Road, Indian School Road, or McDowell Road, and travelling into the city on Litchfield Park Road or Dysart Road. Drive times range from a few minutes for residents of Litchfield Park, Pebble Creek, and Palm Valley, to approximately 30 minutes for residents living in the outer reaches of the trade area, such as in the neighborhoods along the Happy Valley Road north of Loop 101 and west of I-17.

Across all sectors, household incomes range from a low average of \$38,170 in Sector 14, located in the southeastern portion of the market along I-17, to average household incomes of \$96,698 in Sector 12 in the Happy Valley Road area. In general, population density is greatest in the eastern portions of the West Valley area along I-17. Household densities decrease from east to west. Household incomes tend to be lower in the north and south corridor west of I-17, south and west of Loop 101 along the U.S. 60 (Grand Avenue) corridor, and in some areas along I-10.

While the large number of retirement communities in the market tends to decrease average household incomes in certain areas, this does not necessarily indicate decreased wealth among the residents. Similarly incongruent, the average income in retirement communities may be similar to communities with an abundance of young families, but the lifestages of the two communities are very different. This disparity means that retail expenditures may vary significantly between these distinct communities.

Maps of the 14 sectors may be found in the Appendix starting on page 88.

TRADE AREA DEFINITION

Overview

Generally defined trade areas vary according to shopping center type and nearby competition. For example, a full-line grocery store such as Ralph's requires a trade area with a population of 15,000 people to obtain profitable sales. Because shoppers usually make grocery purchase decisions based on proximity to their home, grocery stores often achieve a balanced distribution in a market area. A conventional regional mall like Desert Sky Mall, in contrast, typically requires a trade area with a population of over 300,000 people to sustain profitable sales, and it must generate as much as 30% of its sales from outside its primary market.

Additionally, trade areas can be restricted by a lack of proximity to a regional transportation system, by barriers that prevent easy access to a shopping area (e.g., rivers, mountains, canyons, airports), and by attributes of the competition. In this regard, Luke Air Force Base, the Aqua Fria and Gila rivers, the highway congestion on I-10, and competitive properties located along I-10 on McDowell Road and Loop 101 from Glendale Avenue and the north will impact the potential trade area for Litchfield Park developments.

The pending development of Estrella Falls Mall, located just 3.6 miles southwest of the center of Litchfield Park, will also impact retail development in the market. On one hand, the mall will be a large magnet and bring shoppers from populated areas located north and northeast of Litchfield Park through the city. On the other hand, the mall will capture a high percentage of the market's sales potential, but not all of it.

An existing trade area can also be impacted by changes that may lead to a reduction of the area. The loss of anchor stores in shopping centers located southeast of Litchfield Park, for example, would reduce the trade area of that shopping center. Such changes should be anticipated with the completion of the Loop 303 interchange with I-10 and the opening of Estrella Falls Mall, as some types of retail may concentrate in that area.

The challenges posed by restricted trade areas and new competition can be offset by the introduction of retail concepts unique to the market and by the creation of a special place with features deemed more desirable by consumers than those in other locations.

The estimation of the sales potential of Litchfield Park began with a full analysis of a primary market and secondary market, as described in the following section.

The factors of particular importance considered in assessing the retail sales potential for Litchfield Park include:

- The size and location of competitive shopping centers and other major retail destinations located within the West Valley.
- The strength of competitive or proposed shopping center merchant mixes, primarily their anchor stores and major, project-defining retailers.
- The size and location of proposed developments.
- The strength of potential retailers, restaurants and entertainment destinations that could occupy new development in Litchfield Park.
- The population and income levels of the potential market area.
- Access considerations, including drive times and physical barriers (e.g., rivers, Luke Air Force Base)
- The difference between potential and actual markets for potential development sites in the Litchfield Park trade area. The potential market area represents the largest geographic region from which the majority of sales could be potentially captured for a specific shopping center location. The actual trade area is the area from which a shopping center actually captures the majority of its sales on a regular basis. The actual market area of a shopping center will change over time as the market changes and as the merchant mix in the competitive developments changes.

An analysis of the 14 sectors and shopping centers located within the sectors enabled the identification of a primary, secondary and tertiary market for a broad assortment of retail locatable in Litchfield Park (see supplemental studies for a more precise look at the trade area and for specific types of retail developments and formats) as described below.

Primary Market

The primary market for new developments in Litchfield Park is comprised of Sectors 1, 2 and 10 and is generally less than a 15-minute drive from the proposed development sites. The area consists of those consumers who will regularly generate the majority of sales for retail developments in Litchfield Park.

The primary market is bounded on the south by I-10, on the north by Northern Avenue, on the east by Loop 101 and on the west by Perryville Road. There are 130,664 people in this trade area in 42,457 households with an average household income of \$75,536. The majority of retail in the primary market is located on McDowell Road (which parallels I-10) with the intersections of Estrella Falls Road, Litchfield

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —



Pebble Creek, Goodyear, AZ. Located immediately west of Litchfield Park.

Road, Dysart Road and Loop 101. Additional retail is concentrated on Camelback Road at the intersections of North Litchfield Road, Dysart Road and Loop 101, and on Indian School Road at the intersections at Dysart Road and Litchfield Road. Retail is limited within Litchfield Park and the Pebble Creek community, especially in the western portion of the market.

Secondary Market

The secondary market is comprised of those areas generally located within a 15 to 20-minute drive of Litchfield Park and not located in the primary market. Six sectors, 3, 4, 5, 6, 7 and 9, make up the secondary market. All six sectors are located south of U.S. 60 (Grand Avenue). They have an aggregate population of 634,158 residing in 204,807 households and an average income of \$54,124.

Tertiary Market

The tertiary market is generally located north of U.S. 60 (Grand Avenue) with the exception of the Estrella area located to the south of Litchfield Park in Goodyear. Five sectors make up this market area. They are generally located more than 15 miles from Litchfield Park but within a 30-minute drive. Residents from these sectors are not likely to shop in Litchfield Park unless they work in the area or are traveling through Litchfield Park to another destination, or unless Litchfield Park's retail offers a major attraction and constitutes a destination. There are 733,716 people living in the tertiary market. They live in 262,160 households and have an average household income of \$59,873.

SECTOR SUMMARY

Descriptions and highlights of each sector in the primary and secondary markets are outlined below.

PRIMARY MARKET

Sector 1

Population: 34,822

Average Household Income: \$86,304

Shopping Centers: 6

Shopping Center GLA: 1,163,023

Sector 1 is located west of Litchfield Road, north of I-10, south of Northern Avenue and east of Perryville Road. The sector includes approximately 50% of Litchfield Park and includes The Village and Pebble Creek developments.

The drive times from Sector 1 to development sites located in Litchfield Park is 10 minutes or less.

Sector 1 includes Palm Valley Marketplace, Palm Valley Pavilions and Estrella Falls Market Place. Estrella Falls Mall is planned for this sector as well.

Sector 2

Population: 86,580

Average Household Income: \$70,019

Shopping Centers: 10

Shopping Center GLA: 2,265,133

Sector 2 is located east of Sector 1. The western boundary of the sector is defined by Litchfield Road, the southern boundary is defined by I-10, the eastern boundary is defined by Loop 101 and the northern boundary is defined by Northern Avenue.

Access from Sector 2 to development sites in Litchfield Park will primarily be by way of McDowell Road, Indian School Road and Camelback Road, and shoppers from this sector will generally reach these sites in 10 to 15 minutes or less.

A large number of shopping centers are located in Sector 2 on McDowell Road east of Litchfield Road, including Gateway Pavilion with 550,775 square feet and Palm Valley Cornerstone with 450,000 square feet.

Sector 10

Population: 9,262

Average Household Income: \$84,800

Shopping Centers: 1

Shopping Center GLA: 60,362

This sector is located west of Sector 1 and includes portions of Buckeye, including the Verrado community.

The west boundary of the sector is formed by the White Tank Mountains, the south boundary is formed by I-10 and the east boundary is formed by Perryville Road, just west of Loop 303.

Access from Sector 10 to development sites in Litchfield Park will primarily be by way of McDowell Road, Indian School Road and Camelback Road, and shoppers from this sector will generally reach these sites in 10 to 15 minutes.

SECONDARY MARKET

Sector 3

Population: 106,132

Average Household Income: \$56,066

Sector 3 is located southeast of Litchfield Park and includes portions of Avondale and Goodyear.

The north boundary of this sector is formed by I-10, the south boundary is formed by the Gila River, the west boundary is formed by South Litchfield Road, and the east boundary is formed by 59th Avenue.

Access from Sector 3 to development sites in Litchfield Park will primarily be south Litchfield Road, and shoppers from this sector will generally reach these sites in 10 to 15 minutes.

Sector 4

Population: 39,589

Average Household Income: \$68,763

This sector is located south of Litchfield Park and includes portions of Avondale and Goodyear.

The north boundary of this sector is formed by I-10, the south boundary is formed by Gila Rover, the west boundary is formed by Perryville Road and the east boundary is formed by Litchfield Road.

Access from Sector 4 to development sites in Litchfield Park will primarily be by way of traveling north on Litchfield Road. Shoppers from this sector will generally reach these sites in 10 to 15 minutes.

Sector 5

Population: 114,731

Average Household Income: \$65,836

This sector is located north of Litchfield Park and includes portions of Surprise.

The north boundary of this sector is formed by U.S. 60 (Grand Avenue), the south boundary is formed by Northern Avenue, the west boundary is formed by 195th Avenue and by a southerly line just west of 195th Avenue, and the east boundary is formed by North Litchfield Road.

Access from Sector 5 to development sites in Litchfield Park will primarily be by way of Loop 303 to Camelback or by way of traveling south on Litchfield Road, and shoppers from this sector will generally reach the sites in 10 to 15 minutes.

Sector 6

Population: 132,957

Average Household Income: \$48,852

This sector is located northeast of Litchfield Park and includes portions of El Mirage and Sun City.

The north boundary of this sector is formed by Bell Road, the south boundary is formed by Northern Avenue, the west boundary is formed by North Litchfield Road and the east boundary is formed by Loop 101.

Access from Sector 6 to development sites in Litchfield Park will primarily be by way of Loop 101, Litchfield Road and Dysart Road, and shoppers from this sector will generally reach these sites in 15 to 20 minutes.

This sector includes a number of power centers, including Surprise Town Center and Park West, an upscale lifestyle center, with a cinema and restaurants.

Sector 7

Population: 193,007

Average Household Income: \$43,834

This sector is located east of Litchfield Park and includes portions of Phoenix.

The north boundary of this sector is formed by Camelback Road, the south boundary is formed by I-10, the west boundary is formed by Loop 101 and the east boundary is formed by 87th Street.

Access from Sector 7 to the development sites in Litchfield Park will primarily be by way of I-10, McDowell, Thomas Road, Indian School Road and Camelback Road, and shoppers from this sector will generally reach these sites in 15 to 20 minutes. Sector 7 has a large mix of shopping centers, including Desert Sky regional mall, Westgate Entertainment District and Tanger Factory Outlet Mall.

Sector 9

Population: 47,742

Average Household Income: \$65,639

This sector is located southeast of Litchfield Park and includes portions of Buckeye.

The north boundary of this sector is formed by I-10, the south boundary is formed by the Gila River, the west boundary is formed by AZ 85 and the east boundary is formed by Perryville Road.

Access from Sector 9 to development sites in Litchfield Park will primarily be by way of I-10 to North Litchfield Road, and shoppers from this sector will generally reach these sites in 15 to 20 minutes. Charts summarizing the demographics of all sectors are found in the Appendix on pages 102 to 123.

RETAIL SALES POTENTIAL

Overview

The sales projections presented in this report are based on the projected capture of the retail expenditures of the residents living in the Litchfield Park primary, secondary and tertiary markets and the inflow sales generated by shoppers living outside of the primary, secondary and tertiary markets.

Expenditure potentials are primarily a factor of household incomes. Expenditures vary significantly by household income, especially in the GAFO category and the “food away from home” and entertainment categories.

A development’s rent potential is a factor of the sales generated from the market. Retailers typically pay a minimum rent and a pro rata share of operating expenses. The sum of the minimum rent collected determines the value of the property. Consequently, the value of a shopping center is in essence a factor of the household income that its mix of merchants can capture.

Competitive Considerations

The sales potential of a project will be deeply influenced by the capture of household expenditures by existing shopping centers in the market and the ability of new developments to attract stores, restaurants and other destinations that offer better perceived values, new alternatives, and greater selections than current shopping choices.

In general, larger developments with upscale and one-of-a-kind retailers capture more sales from a wider geographic area than properties merchandised with commodity goods and traditional neighborhood-serving shops. A strategy that features unique shops and better dining options in Litchfield Park will also extend the trade area and prevent community dollars from flowing outside the city. Such a strategy will also capture sales from nearby retail concentrations located in adjacent trade areas and encourage Wigwam Resort guests to shop and dine in Litchfield Park.

Retail Sales as a Percent of Household Income Projections

This section explains the steps taken to determine the total retail sales that could be captured by new developments in Litchfield Park and the rents that could be supported by those sales.

First, the number of households was multiplied by the average household incomes for each sector in the primary, secondary and tertiary trade areas to determine total household income. Next, total retail sales were estimated as percent of total household income. As per Table 1 on page 102 total house income in all trade areas for Litchfield Park is \$29.988 billion.

PROJECTED SALES

\$401

Sales Per Sq. Ft.
New Retail Space

¹²The Consumer Buying Power (CBP) models are developed using the Consumer Expenditure (CE) Interview and Diary surveys. These surveys collect actual expenditure information at the consumer unit (e.g., household) level. The CE surveys are administered and maintained by the U.S. Department of Labor, Bureau of Labor Statistics (BLS). According to the BLS, these surveys “provide a continuous and comprehensive flow of data on the buying habits of American consumers. This data is widely used in economic research and analysis, and in support of revisions of the Consumer Price Index.” For additional information, see the “Additional Reading” section.

By way of background, J. Richard Hill & Co. has studied retail expenditure patterns throughout the United States for various shopping center formats ranging from specialty centers to regional malls. Additionally, we have closely followed retail expenditures as a percent of household income, retail category expenditures as a percent of non-auto retail sales, and the distribution of non-auto sales over various categories.

Historically and in general, total retail sales have averaged 55.5% of total household incomes, but household expenditures range from 60% and higher for lower income households to 30% for high household incomes. During the 2008-2009 recession, however, retail sales fell dramatically, and they have not fully recovered. Average expenditures now fall in the range of 48% of all household incomes, with higher income somewhat less than 40%.

In looking at the sales potential of a market, it is important to note that retail sales as a percent of household income decrease as incomes increase; yet higher income households still produce a disproportionately higher share of retail sales in certain categories, such as apparel, electronics and home furnishings.

It is also essential to remember that retail sales are not evenly distributed throughout a market, especially in discretionary and/or specialty retail categories. Consequently, retail dollars from some towns and neighborhoods flow outside of their communities and into shopping centers and commercial corridors such as McDowell Road or into entertainment areas such as Westgate Entertainment District or the adjacent Tanger Factory Outlets.

To account for these variances, J. Richard Hill & Co. examined Consumer Expenditure Surveys and focused on incomes comparable to Litchfield Park trade areas. From this analysis, we projected that consumers residing in the primary and secondary market would generally spend between 40% and 50% of their household incomes on retail sales. The average household expenditure for the primary market is estimated to be 41.52% and 48% for the secondary market.

RETAIL SALES SUMMARY

The total new sales potential from all sources and in all categories in 2014 is projected to be \$222.205 million, supporting approximately 554,737 square feet of new retail space. This increase in sales will be realized by adding new retail to the market to capture sales flowing from Litchfield Park residents to outside

PROJECTED RENTS

\$38.81

Avg. Gross Annual
Rent Per Sq. Ft.

Each retail store type is assigned a proportion of purchases for each CBP category according to the proportion of sales each store type attracts for each category. Claritas Inc. gathers this information from Merchandise Line Data from the Census of Retail Trade, which is published by the U.S. Department of Commerce. Purchases by store type are presented in CBP reports available in Claritas Inc. software and e-commerce products.

shopping areas, to capture sales from the almost 1,493,000 people living in the West Valley not living in Litchfield Park, and to capture inflow sales from visitors to the market.

Allocation of Retail Sales over Categories

The total retail sales were allocated over various categories based on an analysis of the Economic Census, as fully identified in Table 5 found on page 106 in the Appendix. As an example, the total retail sales potential was divided into broad categories: auto sales, with an allocation of 20%, and non-auto sales, with an allocation of 80%.

After the first broad allocation, the total non-auto retail potential was allocated among various retail categories, such as grocery, GAFO and restaurants. Restaurant sales, for example, were estimated to be 12% of non-auto sales, and GAFO sales were estimated to be 36% of non-auto sales.

Regional malls historically capture 40% to 45% of all GAFO sales in fairly large trade areas. However, the regional mall capture of GAFO sales has been less in recent years as a result of discount and power center formats and the ongoing emergence of lifestyle centers, which include tenant mixes consisting of merchants that traditionally operate in regional malls. Specialty centers typically capture less than 10% of GAFO sales, but some have a size and mass and unique attributes that achieve trade areas larger than a mall.

Once we established the total market potential for various retail categories deemed appropriate for the five development sites, analysts at J. Richard Hill & Co. projected a capture of the sales potential. The capture rates were modeled under various scenarios. The projection and modeling processes were characterized by the high level of reasonableness conferred by our long history of analyzing the actual sales of various operating shopping centers and their actual capture of sales from their trade areas.

To project the retail sales potential for the five development sites, three basic assumptions were made:

- Developments on Sites 1-3 would include specialty and lifestyle retailers and dining and entertainment options in a village-like environment featuring a high level of amenities and outdoor gathering places.
- The retail offering on Site 4 would have a somewhat focused merchant mix appealing to an extended market outside the immediate area surrounding Litchfield Park. For example, a shopping center on Site 4 would include a high percentage of home design, improvement, furnishings, and décor and tabletop gift merchants.
- Site 5 was analyzed as a prime location for a moderate size community center to complete the neighborhood service and convenience categories.

¹³GAFO sales historically represented 90% to 95% of a regional mall's sales. GAFO sales have been trending downward.

Based on the preliminary merchandising direction of the various development sites described above, the capture of sales rates from the GAFO, specialty grocery, miscellaneous store, restaurant and café categories were projected for each sector.

The combined capture rates of the primary, secondary and tertiary markets are listed below:

GAFO: 2.23%

Specialty Grocery: 10.37%

Restaurants/Cafes: 2.61%

GAFO

In 2014, new GAFO stores located in Litchfield Park are projected to realize total sales of \$88.031 million from the primary, secondary and tertiary markets. 33% of these sales, or \$28.760 million, is projected to be realized from the primary market. 53% of these sales, or \$46.245 million, is projected to be realized from the secondary market, and 14% of these sales, or \$13.026 million, is projected to be generated from the tertiary market. An inflow factor of 20% of the sales is projected to be generated from tourists, students and Phoenix-area residents living outside the trade area and is projected to produce an additional \$22.007 million in sales. Total GAFO sales of \$110.039 million including inflow sales are projected.

Restaurants

In 2014, new restaurants located in Litchfield Park are projected to realize total sales of \$34.317 million from the primary, secondary and tertiary markets. 39% of these sales, or \$13.530 million, is projected to be realized from the primary market. 51% of these sales, or \$17.395 million, is projected to be realized from the secondary market, and 10% of these sales, or \$3.391 million, is projected to be generated from the tertiary market. An inflow factor of 20% of the sales is projected to be generated from tourists, nearby hotels and Phoenix-area residents living outside the trade area. Inflow sales are projected to produce an additional \$8.579 million in Litchfield Park restaurant sales. Total restaurant sales are projected to reach \$42.896 million.

Specialty Market

In 2014, a specialty market in Litchfield Park is projected to realize total sales of \$15.888 million from the primary, secondary and tertiary markets. 34% of these sales, or \$5.447 million, is projected to be realized from the primary market. 57% of all market sales, or \$9.068 million, is projected to be realized from the secondary market, and 9% of these sales, or \$1.371 million, is projected to be generated from the tertiary market. An inflow factor of 10% of the sales is projected to generate \$1.744 million in sales. Total specialty grocery sales are projected to reach \$17.653 million.

Cinema

Additional sales of \$8.750 million is projected for entertainment such as a luxury cinema showing art, foreign, and first-run films in 35,000 square feet.

¹⁴This change in part resulted in the continued delay in the construction start of Estrella Falls Mall, which was originally planned as an enclosed mall. Current plans call for conventional department stores anchoring a non-enclosed mall.

Miscellaneous

\$14.384 million in sales for miscellaneous and personal care stores are projected in 37,800 square feet; and service retailers in 55,686 square feet are projected to generate \$15.313 million.

Supporting Tables 1-14 are found in the Appendix starting on page 102.

DEMAND FOR RETAIL SPACE

Projecting the retail square footage that may be supported by various retail concepts is a complex process and one that is highly subjective, given the variety of analytical methods that can be used to develop guidelines. More objective, however, are both the rent and the supportable retail square footage, which are factors of the gross sales that can be generated for a given location.

To estimate the retail square footage that can be supported in each of the five development sites by the overall sales potential of Litchfield Park, the following steps were taken:

First, as previously outlined, the total sales potential was estimated for various categories.

Second, the total sales were divided by average sales per square foot for various categories based on an understanding of industry-wide bench markets.

Third, adjustments to the capture rates were increased or decreased based on the square footage that could be supported in the proposed sites.

As per Table 13 (located in the Appendix on page 122), 554,737 square feet of new retail space can be supported in Litchfield Park. This square footage was allocated over the five development sites:

Site 1 – 108,700 square feet

Site 2 – 85,900 square feet

Site 3 – 46,800 square feet

Site 4 – 213,493 square feet

Site 5 – 99,873 square feet

ALLOCATION OF SQUARE FOOTAGE OVER CATEGORIES

The gross sustainable square footage was allocated as follows:

GAFO – 293,439 sq. ft.

Restaurants – 68,634 sq. ft.

Specialty Food Market – 30,263 sq. ft.

Misc. and Personal Care – 37,752 sq. ft.

Entertainment – 35,000 sq. ft.

Neighborhood Service – 55,686 sq. ft.

OBTAINABLE RENTS

Obtainable rent is a factor of sales. Specialty shops have historically paid 10-12% of sales in gross rents, and restaurants pay 8-10% of sales in gross rents. In recent years, we have observed a significant increase in rents as a percentage of sales in some locations and with some types of retailers. We have found that in higher income areas with high levels of tourism, retailers with high gross margins can pay a much higher rent. High gross margin dollars allow retailers to pay for high rent locations.

While this is not necessarily the case in Litchfield Park, the proximity to Wigwam Resort and the presence of some very high income and net worth individuals does provide a market that will support better shops with higher margins and will thus also support higher rents.

The projected 554,737 square feet of new space will generate gross sales of \$222.205 million represents average sales of \$401 per square foot. As such, we projected an obtainable rent as a factor of sales ranging from 6% for a specialty food market to 12% for personal care stores with a combined average of 9.7%.

The projected average gross rent per square foot is \$38.81 including reimbursement of shopping center operating expenses.

This total was broken into total sales per category to determine gross rents (includes recovery of operating expenses) with the following outcome:

GAFO: gross rent per square foot of \$41.25

Restaurants: gross rent per square foot of \$50.00

Specialty Food Market: gross rent per square foot of \$35.00

Neighborhood Services: gross rent per square foot of \$27.50

Hardware/Garden: gross rent per square foot of \$38.25

The above estimated rents assume that an upscale one-of-a-kind development is created on Sites 1, 2 and 3. Site 4 will be developed as a destination home design center. All four sites should be developed at a level above area power and strip centers in terms of merchant mix, product quality and amenities. This will require a major commitment to design and place making. The proposed merchants are all upscale and offer better goods, thus supporting higher gross margins, which in turn support higher rents.

LIFESTYLE CHARACTERISTICS

J. Richard Hill & Co. conducted a PRIZM analysis for a 5-mile radius and a 5-10 mile radius surrounding Litchfield Park to gain a thorough understanding of the area's social-economic differences. The PRIZM study, designed by Nielsen, is based on complex algorithms that segment consumers into similar buying

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

groups and is the most comprehensive source of consumer buying characteristics. It was developed through an in-depth analysis of 890,000 household records by Claritas, Inc., a subsidiary of the Nielsen Company, the world's leading consumer and media research firm. The product of the PRIZM analysis is a database that places every U.S. household into one of 66 consumer segments.

The PRIZM analysis of the Litchfield Park market provides the contextual framework necessary to develop a merchandising strategy for retail sites located within the city.

Households in a 5-mile radius primarily fall within nine social groups and twenty-one consumer clusters as outlined below.

Elite Suburbs

Elite Suburbs is typified by a world of six-figure incomes, post-graduate degrees and single-family homes occupied by senior managerial executives and professionals. These household segments include a significant concentration of well-off Asian Americans and Middle Eastern immigrants. With lofty salaries, Elite Suburb households are big consumers of large homes, expensive clothes, luxury cars and foreign travel. While representing a small portion of the U.S. population, they nonetheless hold a large share of the nation's personal net worth and generate a significant portion of luxury retail purchases.



The most dominant clusters of the Elite Suburbs group within five miles of Litchfield Park include:

Upper Crust – 388 Households

A small but important portion of the primary market for Litchfield Park lives in multi-million-dollar addresses that are among the most exclusive in the U.S. These upper crust households are empty nesters with couples (aged 45-64) in the last half of their careers. No other segment has a higher concentration of residents earning over \$250,000 annually or possessing a postgraduate degree, and no other segment has a more opulent standard of living.

Blue Blood Estates – 191 Households

Representing a family portrait of wealthy suburban living with children, this segment is characterized by million-dollar homes, manicured lawns, pools and high-end cars. This cluster, the second wealthiest just behind the Upper Crusts, contains a high percentage of older couples (aged 45-64) with children in college or college graduates. The households are headed by business executives, managers and professionals.

Movers and Shakers – 387 Households

Movers and Shakers residing in Litchfield Park's primary market are up-and-coming and dual-income households. They are highly educated and tend to be younger (aged 35-54) than the other two clusters in this segment. This segment contains the largest concentration of small business owners with in-home offices. These entrepreneurs are also joined by white-collar professionals and executives within the same age bracket and education.

Winner's Circle – 336 Households

Among wealthy suburban lifestyles, the Winner's Circle represents the youngest segment, comprising a collection of mostly 35- to 54-year-old couples with large families in new-money subdivisions. Members of this segment often surround their homes with the signs of upscale living, including recreational parks, golf courses and upscale malls. With a median income over \$100,000, Winner's Circle residents are big spenders who like to travel, ski, go out to eat, shop at clothing boutiques and take in a movie.

The Affluentials

The segments in The Affluentials group are one socioeconomic rung down from the Elite Suburbs – with a significant drop in median income – but their residents still enjoy comfortable, suburban lifestyles. The median income and median home value are well above the U.S. median values, and the members of this social group are mostly singles who tend to have college degrees and white-collar jobs. Asian-Americans make up an important minority in these predominantly white segments. As consumers, The Affluentials are big fans of health foods, computer equipment, consumer electronics, and the full range of big-box retailers.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —



The most dominant clusters of the Affluentials group within five miles of Litchfield Park include:

Kids and Cul-de-Sacs – 4,596 Households

Upper-middle-class, suburban, married couples with children – that’s the skinny on Kids and Cul-de-Sacs, an enviable lifestyle of large families in recently built subdivisions. With a high rate of Hispanic and Asian Americans, this segment is a refuge for college-educated, white-collar professionals with administrative jobs and upper-middle-class incomes. Their nexus of education, affluence, and children translates into large outlays for child-centered products and services.

New Empty Nests – 1,643 Households

With their grown-up children recently out of the house, the New Empty Nests segment is composed of upper-middle income older Americans who pursue active – and activist – lifestyles. Most residents are

over 65 years old, but they show no interest in a rest-home retirement. This is the top-ranked segment for all-inclusive travel packages (the favorite destination is Europe). Members of this segment often shop at T.J. Maxx.

Landed Gentry

The Landed Gentry social group typically consists of wealthy consumers who have migrated outside of urbanized Phoenix to the area surrounding Litchfield Park. Many of the households include boomer families and couples with college degrees holding professional jobs. They often live in expansive homes in the foothills of the mountains located south and west of Litchfield Park. They are twice as likely to telecommute for work; in fact, 14% work from home. With upscale incomes, they spend heavily on consumer electronics, wireless and computer technology, luxury cars, boats, books and magazines, children's toys, exercise equipment and apparel.

The most dominant clusters of the Landed Gentry group within five miles of Litchfield Park include:

Country Squires – 128 Households

Some of the wealthiest residents in Litchfield Park market are primarily located in the Country Squires cluster. They are upscale and middle aged with kids. Litchfield Park is their oasis, as they have fled the city for the charm of small village living. They see Litchfield Park as a bucolic community noted for open space and nearby mountains and prize Old Litchfield Road and Wigwam Resort as major community assets.

These executive families enjoy active lifestyles including swimming, hiking, and winter skiing.

Big Fish, Small Pond – 375 Households

The market's older, upper-class, college-educated professionals make up the market's Big Fish, Small Pond cluster. Many residents in this cluster are considered to be the leading citizens of Litchfield Park. These upscale, empty-nesting couples (ages 45-64) are at a point in their lives where they enjoy the successes of productive careers. They maintain large investment portfolios and spend freely in certain categories such as computer technology and family gifts.

God's Country – 274 Households

Areas around Litchfield Park are a haven for the God's Country cluster. These upscale households consist of couples (ages 35-54) who generally live without children. They live in spacious homes and see Litchfield Park as their escape from the congestion of Phoenix.

Typically college-educated households seek to live a balanced lifestyle between high-power jobs and a laidback West Valley lifestyle.

Second City Society

The Second City Society group consists of the wealthiest families living outside large metropolitan cities like Phoenix. As consumers, they are big spenders on digital and wireless technology, business and cultural media, casual dining restaurants, upscale retailers, foreign travel and luxury cars.

The most dominant clusters of the Second City Society group within five miles of Litchfield Park include:

Brite Lites, Li'l City – 2,883 Households

Not all of America's chic sophisticates live in major metros. Brite Lights, Li'l City is a segment of well-off, middle-aged couples settled in Phoenix's satellite cities, including Litchfield Park, Goodyear, Buckeye and Glendale. Residents of these typical DINK (double income, no kids) households have college educations, well-paying business and professional careers, and swank homes filled with the latest technology. In addition, they are big shoppers at Costco.

Second City Elite – 1,069 Households

Second City Elite households in the Litchfield Park market tend to be older (ages 45-64) and living without children. The households are occupied by prosperous executives who enjoy multiple computers, large screen TVs, surround sound systems and impressive wine collections. This well-educated, college degree-holding portion of the community includes a high percentage of active consumers of culture. They are rigorous absorbers of books, movies, live theater and concerts.

Upward Bound – 5,671 Households

More than any other segment, Upward Bound appears to be the home of those legendary Soccer Moms and Dads. In these small satellite cities, upscale families boast dual incomes, college degrees, and they occupy new split-levels and colonials. Residents of Upward Bound tend to be kid obsessed, making heavy purchases in computers, action figures, dolls, board games, bicycles and camping equipment. Typically, consumers from this segment shop online at zappos.com, drive a Mazda SUV, and read Outside magazine.

City Centers

The segments in the City Centers social group consist of a mix of Americans – old and young, homeowners and renters, families and singles – who've settled in the nation's satellite cities. What they share is a middle-class status, educations that include at least some college, and a lifestyle heavy on leisure and recreation. The members of City Centers tend to be big fans of home-centered activities: Internet surfing, Netflix, TV viewing, and playing games and musical instruments. Outside their homes, they go to movies, museums, and bowling alleys at high rates.



The most dominant clusters of the City Centers group within five miles of Litchfield Park include:

Up-and-Comers – 2,482 Households

The Up-and-Comers cluster is a stopover for younger, upper-midscale singles before they marry, have families, and establish more deskbound lifestyles. Found in the satellite cities of Phoenix, these mobile adults, mostly aged 25 to 44, include a disproportionate number of recent college graduates who enjoy athletic activities, the latest technology and nightlife entertainment.

Middleburg Managers – 1,176 Households

The Middleburg Managers segment describes empty nesters who also settled in satellite communities that offer a lower cost of living and a more relaxed pace. Today, these residents tend to be middle class with solid white-collar jobs or comfortable retirements. In their older homes, they enjoy reading, playing musical instruments, indoor gardening and refinishing furniture. They often shop at Pottery Barn and read *Travel & Leisure*.

White Picket Fences – 6,420 Households

Midpoint on the socioeconomic ladder, residents in the White Picket Fences segment look a lot like the stereotypical American household of a generation ago: young, upper-middle-class, and married with children. But the current version is characterized by modest homes and ethnic diversity, including a disproportionate number of Hispanics and African-Americans.

Micro-City Blues

The Micro-City Blues social group is predominantly made up of downscale residents living in the affordable housing outside of Phoenix. A diverse social group, it contains a mix of old and young, singles and widowers, whites, African-Americans and Hispanics. Most of the workers hold blue-collar jobs – hence the name – and their marketplace behaviors reflect the segments' varied lifestyles. This is a social group of strong dualities, with consumers indexing high for video games and bingo, aerobic exercise and fishing, and BET and CMT.

The most dominant cluster of the Micro-City Blues group within 5 miles of Litchfield Park include:

Family Thrifts – 2,890 Households

The small-city cousins of inner-city districts, the Family Thrifts segment contains young, ethnically diverse parents who have lots of children and work entry-level service jobs. In these apartment-filled neighborhoods, visitors find the streets jam-packed with babies and toddlers, tricycles and basketball hoops, Suzukis and Kias. Consumers from this segment are major shoppers at Wal-Mart.

Middleburbs

The five segments that comprise Middleburbs share a middle-class, suburban perspective, but there the similarity ends. The group includes a mix of homeowners and renters as well as high school graduates and college alums. With good jobs and money in the pockets of their jeans and khaki pants, the members of Middleburbs tend to have plenty of discretionary income to visit casual-dining restaurants, shop at midscale department stores in West Valley Malls, buy dance and easy listening CDs by the dozen, and travel across the U.S. and Canada.

The most dominant clusters of the Middleburbs group within five miles of Litchfield Park include.

Gray Power – 1,024 Households

The steady rise of older, healthier Americans over the past decade has produced one important by-product: middle-class, home-owning suburbanites who are aging in place rather than moving to retirement communities. Gray Power reflects this trend, a segment of older, midscale singles and couples who live in quiet comfort.

Blue Chip Blues – 4,797 Households

Blue-Chip Blues describes a segment of ethnically-diverse, young, sprawling families with well-paying blue-collar jobs. The segment often resides in aging neighborhoods that feature compact, modestly priced homes surrounded by commercial centers that cater to child-filled households.

Inner Suburbs

The segments in the Inner Suburbs social group are concentrated in the inner-ring suburbs of major metros - areas where residents tend to be high school educated, unmarried, and downscale. There's diversity in this group, with segments that are racially mixed, divided evenly between homeowners and renters, and filled with households that are either young or aging in place. However, the consumer behavior of the group is dominated by older Americans who enjoy social activities at veterans clubs and fraternal orders, TV news and talk shows, and shopping at discount department stores.

The most dominant clusters of the Inner Suburbs group within five miles of Litchfield Park include:



Suburban Pioneers – 1,268 Households

Suburban Pioneers represents one of the nation's eclectic lifestyles, a mix of singles, recent divorcees and single parents who have moved into older, inner-ring suburbs. They live in aging homes and garden-style apartment buildings, where the jobs are scarce and the money is tight. These residents – a diverse mix of Whites, Asians, Hispanics and African-Americans is united by a working-class sensibility and an appreciation for their off-the-beaten-track neighborhoods.

Urban Cores

The segments of Urban Cores are characterized by relatively modest incomes, educations, and rental apartments, but affordable housing is part of the allure for the group's young singles and aging retirees. One of the least affluent social groups, it has a high concentration of Hispanics and African-Americans, and surveys indicate a fondness for both ethnic and mainstream media and products. Among the group's preferences: TV news and daytime programming, Spanish and African-American radio, smart phones, cheap fast food and discount department stores.

The most dominant clusters of the Urban Cores group within five miles of Litchfield Park include:

Low-Rising Living – 8,012 Households

The most economically challenged urban segment, Low-Rise Living is known as a transient world for middle-aged, ethnically diverse singles and single parents. Home values are low – about half the national average – and even then, less than a quarter of residents can afford to own real estate. Typically, the commercial bases of these areas include a large amount of struggling Mom-and-Pop stores. They occupy districts often in need of a renaissance.

Lifestyle Summary

The market area surrounding Litchfield Park is a diverse world of upper crust and elite suburbs with six-figure income earners, active seniors with spending power, well-off middle-aged couples with moderate to higher dual-income incomes, and up and coming lower income households. The primary consumers of the proposed developments in Litchfield Park have high-school and college educations or post-graduate degrees, and are retirees, managerial and professional executives, midlevel managers, teachers, public sector employees, healthcare providers and small business owners. Collectively they have an unmet need for moderate to better home furnishings, home electronics, quality apparel and accessories. The key is to match these needs within a community that possesses strong core values, including the desire for living healthy lifestyles and for community-based gatherings.

LITCHFIELD PARK

\$75,536

Primary Market
Avg. Household Income

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

The diversity of the potential market area is also characterized by younger up-and-coming and dual-income households and by older households, including retirees who fled colder climates for the warmth of Phoenix. Collectively, these residents enjoy the charm of smaller village living in the West Valley communities with their nearby mountains, irrigated farms and large areas of open space.

Perhaps unsurprisingly, rapid development over the past decade has meant that a primary reason people moved to the West Valley area has been diminished by the area's growth. Litchfield Park and its center city, including Old Litchfield Road the historic Wigwam Resort have largely withstood the pressures of too-rapid development and offer an oasis surrounded by expressways, strip developments and large planned communities.

A major conclusion of this report therefore encourages the preservation of this unique quality of Litchfield Park. There is a significant opportunity to enhance the historic core of Litchfield Park and the adjacent Wigwam resort by creating a village center with better fashion choices, higher-quality dining experiences and new entertainment options that extends seamlessly from The Village to Wigwam Resort. Forms of cultural enrichment and places of socialization should be the basic building blocks of the merchandising strategy for future retail development in the core of Litchfield Park. Community-friendly aspects of Litchfield Park developments should cater to the families, children, pets, telecommuters and active seniors that define and enhance the Litchfield Park concept of quality living.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

RECOMENDATIONS

Merchandising Strategy

Village Centers, Sites 1, 2 and 3

Camelback Road Area, Sites 4 and 5

Recommended Project Elements





The recommended merchandising strategy for Litchfield Park's new shopping centers builds on the core themes of a laidback Arizona community seeking quality places for socialization and better shopping.

RECOMMENDATIONS

BACKGROUND

Consumers make over 90% of their purchases at brick-and-mortar stores. However, shopping centers that are solely places for transactions are becoming increasingly vulnerable to shopping channels driven by the Internet and next-day (and even same-day) delivery systems. Shopping centers occupied by merchants that offer experiences and that become social centers and places for entertainment and dining, however, are the new destinations with bright futures.

Likewise, with the increasing diversification and aging of the U.S. population, the line between shopping, entertainment and community has blurred. This blending of experiences has created an opportunity for retail to strengthen its social ties within communities.

Ultimately, the modern consumer wants a unique experience or the lowest price on commodity goods delivered to their home exactly when they want it.

Lifestyle centers work to meet the modern consumer's desires by successfully mixing traditional retail tenants with upscale leisure uses. The mix gives shoppers more than just a place to buy – it gives them an experience and a place to gather. Of course, big box stores are not going away, and some have even introduced smaller footprints to accommodate the consumer's desire for an intimate neighborhood shopping experience, or for a quick fix, a place for the in-between, fill-up-the-basket weekly shopping trip. Lifestyle centers have integrated some of these concepts into their mix.

This desire for the unique shopping experience offered by lifestyle centers is coming through loud and clear. In fact, we've recently witnessed the largest declines in the number of more traditional malls, especially regional and super-regional centers. These centers offer more conventional, product-focused shopping environments rather than the experience-focused environments preferred by modern shoppers. Conversely, the community center subcategory has remained relatively constant over the past five years (between 2008 and 2013). Community centers provide neighborhood-serving amenities like grocery stores and dry cleaners, which are always in demand. Value retail centers (with outlet stores), such as Tanger Outlets at Westgate, and entertainment centers (with leisure and tourist tenants), such as the Westgate

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

Entertainment District, have also filled voids in the local market. Rather than simply recommending generic concepts such as a community center, a value retail center or an entertainment center, this report calls for the creation of unique shopping destinations within Litchfield Park.

MERCHANDISING STRATEGY

The development of a full merchandising strategy for each of the five subject sites is the subject of the concurrent studies. However, to project the sales and rents an initial look of the merchant mix was created. Specific sales and rents and proposed merchant mixes may be found in the site-specific studies supplementing this report.

The proposed market position for the five Litchfield Park development sites begins with a call for places of community with well-crafted design and a high level of amenities. The three sites in the core of the city require a combination of innovative retail concepts with distinguished build-outs and displays – all carefully curated for the market. This will require the inclusion of local, one-of-a-kind merchants and the customization of unique stores that communicate closely with target markets.



The iconic nature of Wigwam resort provides a primary building block for the village center of Litchfield Park.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

The recommended merchandising strategy builds on the core themes of a laidback Arizona community and the diverse make-up of households that range from moderate to extremely affluent. The merchandising strategy recognizes that the immediate market has a relatively low population (less than 6,000 in Litchfield Park and less than 131,000 in the primary market), which requires destinations merchants to appeal to the larger West Valley market and resort and hotel visitors.

Careful attention must be paid to avoid merchants, activities and uses that are limited in price point, that carry lines that are too narrow and that offer commodity goods that are well represented in the merchant mix of area power and strip centers.



Old Litchfield Road is a center piece of the retail development plan.



The area between Litchfield Road and Old Litchfield Road along Wigwam Boulevard should integrate the historic Wigwam resort with modern living in The Villages to form a vital village center.

The merchandising strategy for sites 1, 2, 3 and 4 will also understand that the primary market is somewhat of an island surrounded by a secondary and tertiary market of over 1,300,000 people. This larger market already naturally gravitates to Litchfield Park for its festivals, the iconic Old Litchfield Road and the historic Wigwam Resort. If merchandised appropriately to appeal to this secondary and tertiary market, considerable sales will be generated from it – sales necessary to support a high level of design and quality constructions.

With this background, the recommended merchant mix should focus on unique and original shops and cafes that become part of the authentic Litchfield Park experience.

Casual fashions, family and children, food, personal enrichment and personal expression in pedestrian-friendly environments are the building blocks of the physical retail plans. The fine-grained elements consist of innovative lighting, lush landscaping and creative storefronts.

In summary, the recommended retail presentation recommends that Litchfield Park development Sites 1, 2 and 3 be merchandised with a cohesive retail point of view that clearly differentiates the core of Litchfield Park from any other shopping destination in the West Valley. Site 4 requires an equally strategic approach to its merchandising strategy. Site 5 should concentrate on answering the commodity needs of a population in Litchfield Park and the surrounding area that grow significantly in the coming decade.

General Market Position

The primary and secondary markets lack a pedestrian-friendly lifestyle center with luxury retail and a true Litchfield Park sensibility consistent with the Wigwam Resort image. A development strategy should begin with a coherent site plan for all three sites in the village core of Litchfield Park that integrates and connects Wigwam Resort and The Village development. This area is currently fragmented and interrupted by vacant lots and partially abandoned streets.

Shops in the three village sites should exude a natural environment where the mix of uses is carefully curated and organized in a holistic manner.

Outlined below is a more detailed review of the proposed retail mix.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —



Better shopping, new dining options and high quality entertainment should be carefully crafted with unique one-of-a-kind shops and established national retailers in a majestic garden-like environment.

Retail Categories

As previously indicated, the initial recommendation of this report is to focus on certain categories and not try to be all things to all people. In brief, it is crucial to be bold and comprehensive in certain areas in order to provide variety and choice for the unmet needs of the target consumer. However, the added complexity of the local and nearby visitor and tourist market and the diversity of the residential market require an equally diverse merchant mix. This will demand a careful balance of categories and price points. While choices and options should be provided for all target markets (e.g., residents, tourists and daytime workers), quality, uniqueness, and stores merchandised around an authentic Litchfield Park lifestyle should be consistent.



Wigwam resort's architectural style provides an ideal direction for the look of the retail village center.

Furthermore, it is important to realize that the Litchfield Park lifestyle allows a more relaxed mixing of certain stores' concepts than what may normally be combined in more formal settings, especially in regards to better retail (e.g., an upscale retail center typically requires a significant clustering of comparable shops and not a program that places fashion next to a quick-serve restaurant).

Better shops customized to the Litchfield Park market could be appropriately mixed with moderate yet unique gift shops and then grouped with more modestly priced stores that maintain a compatible sensibility.

While a more complete and detailed merchandising strategy is included in the site specific studies, a macro look at the Litchfield Park merchandising strategy follows.

Village Centers, Sites 1, 2 and 3

Sites 1, 2 and 3 should be integrated into a unified retail district. The east portion of Site 1 should be aligned with Old Litchfield Road and become an extension of Wigwam Resort. The west portion of Site 1 should frame Litchfield Road with Sites 2 and 3 to form a Litchfield Park main street. Specifics of the sites are as follows:

- Site 1 is recommended to contain 108,655 square feet on 14 acres including several restaurants containing almost 20,600 square feet; 44,000 square feet of apparel, gift, and table top fashions; and a luxury cinema of 35,000 square feet. The existing city hall and the Hahn Family Foundation property should be wrapped into this development. Ideally, the irrigation canal on the north side of Site 1 would be brought into the development.
- Site 2 is recommended to contain 85,900 square feet on 10 of the 15 acres including several restaurants with a total square footage of approximately 20,600 square feet; 29,300 square feet of apparel, gift, and table top fashions; and a specialty food market of approximately 30,300 square feet. Mixed-use including office and residential is recommended for levels above the retail. Approximately 5 acres of Site 2 may be developed with alternate uses such as residential with the full implementation of the retail program.
- Site 3 is recommended to contain 46,800 square feet on 5 acres including two restaurants containing more than 13,700 square feet in total; and almost 29,300 square feet of apparel, gift, and table top fashions. Mixed-use including office and residential is recommended for levels above the retail. No additional uses are recommended for Site 3 other than those mixed-use areas above the retail.

VILLAGE CENTER

241,371

Total GLA.
Site 1, 2, and 3



A specialty food market and upscale general store is proposed for the village center.

More specific recommendations are as follows:

Anchors

The anchors proposed for the three village centers include a specialty food market of approximately 30,263 square feet and an upscale boutique cinema of approximately 35,000 square feet. As an example, an upscale farm shop, partnered with area farms, could be integrated into the specialty food market and could supply farm-to-table restaurants within the development. The market could include a small café with lux coffee, a bakery and wood-burning pizza oven, a cheese shop, wines, olives, packaged specialty and gourmet food products, and an outdoor herb garden.

Restaurants/Cafes

Dining in Litchfield Park can include breakfast, brunch, lunch, late afternoon lunch, after-school snacks,

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —



Up to 12 new cafes and restaurants are proposed for the combined 3 sites in the village center.

early evening dinners for children, couple's dinners and late night dining. In order to provide Litchfield Park's largest collection of dining options in one general location, the initial recommendation is to offer 6 cafes of 1,500 to 2,500 square feet and 6 restaurants of 5,000 to 7,500 square feet to be located in the village centers. The cafes include outdoor dining and take-home windows.

Recommended restaurant and café categories include Southwestern, Italian, Asian, Deli, Burgers and Shakes, Seafood, Salads and an authentic Litchfield Park coffee shop.

Women's Apparel

Leading fashion brands are morphing to a more relaxed and fashion-forward image and many are developing their resort lines. The merchandising of the village core of Litchfield Park in the fashion categories should therefore start at the highest possible level and work down (from a basic point of view, it is generally easier to go down from upscale than to go up from downscale).

VILLAGE
CENTER SHOPS

30

Women's Apparel
Sites 1, 2, and 3

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —



50,000 square feet of women's apparel shops are proposed for the combined 3 sites in the village center.

The initial strategy recommends women’s apparel to occupy 50,000 square feet spread over the three village center sites.

This square footage will consist of approximately 30 shops with store sizes ranging from 750 square feet to 3,500 square feet of ground floor space (i.e., a village center defining flagship store could be 3,500 square feet. Second-level retail space is not recommended).

Men’s Apparel

A total of 17,000 square feet of men’s apparel is recommended for Sites 1, 2, and 3. Men’s apparel should include resort, casual, and golf/outdoor/fitness. This square footage should be allocated over 10 stores.

Children’s Apparel

2 children stores with a total of 3,000 square feet of children’s apparel are recommended.

GAFO Other

30 additional stores in the GAFO category (e.g., jewelry, cosmetics, shoes, gifts, stationery, and table top gifts) are recommended. These stores have a recommended square footage of 29,000 square feet.

Lifestyle and personal care shops could include Dry Bar, Flywheel, Soul Cycle, Kiehl’s and Lululemon.

Camelback Road Area

The area on Camelback Road between Litchfield Road and Dysart Road contain the two remaining development sites and the largest amount of developable land. The two sites consist of Site 4, located in the northeast corner of Litchfield Road and Camelback Road and containing approximately 73 acres, and Site 5, located in the southeast corner of Camelback Road and Dysart Road and containing 20 acres.

The proposed development program for each of the two sites is as follows:

Site 4

Litchfield Park is ideally situated in the West Valley to allow a significant grouping of home-related stores. Home fashion, décor, decorating, garden, and furniture shops and showrooms could be assembled in an environment that includes patios, gardens, designer showrooms and builder home showcases.

Merchant selection should be based in part on the commitment to create unique shops specifically customized for Litchfield Park and the surrounding area – not stores that could be just any place.

RECOMMENDED
RETAIL SQ. FT.

213,500

Northeast Corner
Litchfield/Camelback
Roads



Industry-leading creative store designs and high levels of store build-out will be necessary, as will product lines designed, sourced, and created for the West Valley design market.



Subsequently, industry-leading creative store designs and high levels of store build-out will be necessary, as will product lines designed, sourced and created expressly for the West Valley home design market.

Site 4 is recommended to contain 213,493 square feet of retail space on 30 acres. The remaining 43 acres may be developed with alternate uses including a hotel and residential. The development strategy is to create a home fashion center with 176,063 square feet of home design, furniture, table top fashions and related uses. Additional square footage should include approximately 30,567 square feet of garden and hardware shops and 6,863 square feet of restaurants.

The merchant plan for Site 4 must be carefully curated and crafted. It will require novel ways of mixing and matching shops and activities.

Site 5

Site 5 is recommended to contain almost 99,873 square feet on all 20 acres. The development strategy is to complete the neighborhood-serving use category for Litchfield Park. Small cafes, personal care and discount apparel is appropriate. No additional uses are recommended for Site 5.

Recommended Project Elements

Preliminary recommendations for Sites 1, 2 and 3 and to a lesser degree Site 4 include:

- Lush landscaping with open grass areas, shade, moving water, wildlife (fish, turtles, ducks and birds), flowers, cacti and rocks are recommended for the village center sites.
- High levels of customer service planned into the village center sites, including valet parking, a car detailing station, playground attendants, pet wash, pet grooming service, concierge service, customer-focused security, package pick-up and home delivery, Wi-Fi and public restrooms with high levels of amenities.
- Innovative forms of lighting from a variety of sources, including fiber optics (Tivoli Gardens), gas flames and fire pits (Nobu), lanterns, and illuminated tree globes (Chinese), street lights (Chandeliers at The Grove in Los Angeles). High quality lighting of landscaping, buildings, show windows, storefronts, merchant signs, walkways, fountains, ponds, streams, tables, conversation areas and play areas will require thoughtful crafting by a specialized lighting expert who might suggest ideas



such as illuminated glass flowers and lily pads floating on water ponds.

- High levels of personal and sensory touch points can help customers enjoy the Litchfield Park experience (e.g., flower petals floating in water pools as executed at Tao in Las Vegas or hundreds of small candles illuminating the common areas on Saturday nights. A team of candle lighters could be created to illuminate Litchfield Park's village center by candlelight on special nights. This concept has been executed at an extraordinary level at the Shore Club).
- The scents and sounds of Litchfield Park are important (e.g., the scent of citrus, customized sounds of desert breezes and crickets). Varying music by time of day and day of the week is important. This will require a state-of-the-art sound system.
- Facilities to project movies and filmed versions or live feeds of concerts and plays on an outdoor screen.
- A children's playground that far exceeds the offering of the local McDonald's. This does not mean a playground of an overwhelming size or an overly challenging gym set. A well-executed playground will think through every element of a successful playground in the context of a garden and an outdoor dining and shopping environment. For example, swing seats could be synthetic versions of wooden Adirondack chairs customized to achieve a more southwestern aesthetic. Communal play tables could be created. Small play fountains could be installed with a supply of baby/child wet suits for wet play before dinner at Litchfield Park restaurants. A large communal conversation pit could be created with seating surrounding a soft surface play area with oversized Lego blocks. Children's interactive tech toys could be provided including digital still and video cameras. Playground attendants (e.g., ranch hands – coeds) should be available to assist with camera and video play and to wipe down seats, bus tables, assist with swinging and more. These are the levels of thoughtful, high touch and sensory embellishments that are required to gain full market acceptance and achieve valley-wide acclaim.
- Residents in Litchfield Park love their dogs. Accordingly, a free pet wash, dog grooming facility, doggie-intriguing play installations and a wide variety of dog water bowls (e.g., vintage china family-sized vegetable serving bowls filled with water at each storefront) are recommended.
- Art installations and sculptures.
- Project signage. Way-finding and tenant directories will be required. These types of signs require careful thought. If not handled properly, signs create a sense of a developer-contrived project rather than an authentic place. These types of signs should add to the texture and vitality of The Village core and speak to the sensibilities of Litchfield Park.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

All of the above and more in the hands of a skilled designer could be executed in a manner that makes the village center of Litchfield Park a special place. These types of amenities could be executed with class and sophistication and still be fun. Design of these items is outside the skills of an architect. A designer needs to create highly rationalized amenities and embellishments closely aligned with the merchandising strategy at a level that defines the underlying DNA of Litchfield Park's village center.

Proper development of these items in a highly professional format will become an important selling tool in the leasing process, resulting in higher rents and helping to build community-wide acceptance for The Village core and Site 4.

NEXT STEPS

1. Reach consensus among the community, elected officials and property owners.
2. Develop design plans for the proposed sites based on this research and a defined retail program for specific retailers.
3. Develop high quality marketing material, including illustrations, professional maps, website, etc.
4. Be proactive and reach out to prospective retailers.
5. Recruit developers on both a local and national level to execute the plan.



Tlaquepaque in Sedona is an appropriate model for the village center.

Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

APPENDIX

Area Maps 1-14

Demographic and Sales Tables 1-14

Summary of Area Shopping Centers

Map of Development Sites

Conceptual Plans: Sites 1, 2, 3, 4, and 5

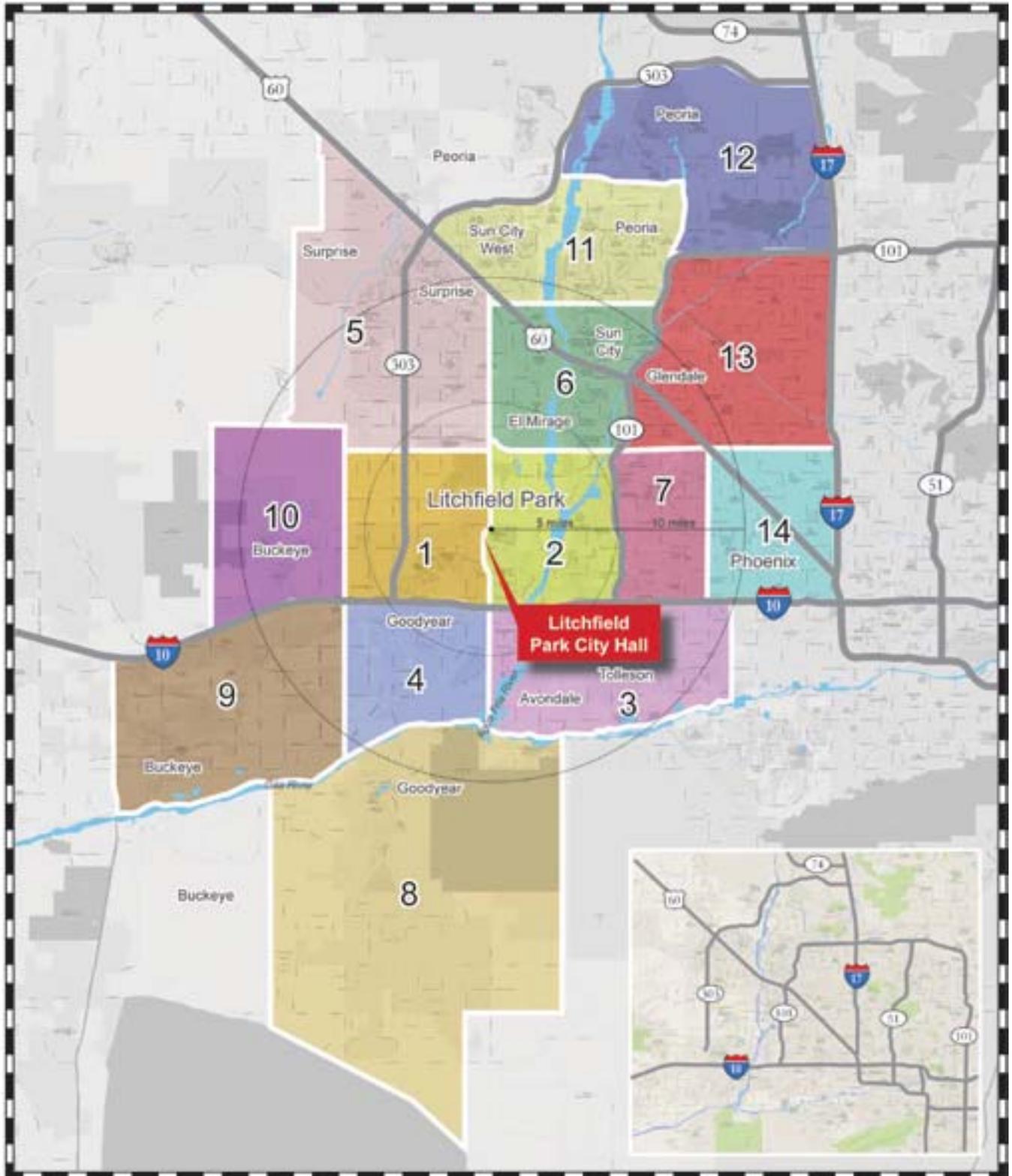
Defintions

Litchfield Park History



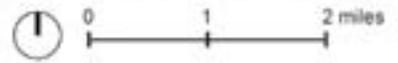
LITCHFIELD PARK POTENTIAL RETAIL TRADE AREAS

Potential Primary, Secondary and Tertiary Markets



SECTOR 1

W. Litchfield Park, Pebble Creek, Palm Valley



Potential Development Sites

- 1** Village Center East (14 acres)
- 2** Village Center Southwest (15 acres)
- 3** Village Center Northwest (5 acres)

Existing Retail

- 1** Hahn Center
- 2** Palm Valley Village
- 3** Palm Valley Marketplace
- 4** Palm Valley Pavilions
- 5** Goodyear Center Pointe
- 6** Market at Estrella Falls
- 7** Plaza in the Park

SECTOR 2

Litchfield Park/S. Glendale



Potential Development Sites

- 1** Village Center East (14 acres)
- 2** Village Center Southwest (15 acres)
- 3** Village Center Northwest (5 acres)
- 4** NE Corner Camelback/Litchfield Road (73 acres)
- 5** SE Corner Camelback/Dysart (20 acres)

Existing Retail

- 7** Plaza in the Park
- 8** Ace Shopping Center
- 9** Camelback Crossing
- 10** Wigwam Creek
- 11** Alameda Crossing
- 12** Palmilla Crossing
- 13** Shops at Walmart
- 14** Palm Valley Cornerstone
- 15** Palm Valley Pavilions (East)
- 16** Palm Valley Center
- 17** Gateway Pavilion (North)
- 18** Gateway Pavilion (South)

SECTOR 2 - DETAILS

Litchfield Park/S. Glendale

Detail A - Gateway Pavilions



Detail B - Dysart Road & McDowell/I-10 Retail Centers



DETAIL A

- 17 Gateway Pavilion (North)
 - Harkins
 - Costco
 - Petco
 - Sports Authority
 - Bed Bath and Beyond
- 18 Gateway Pavilion (South)
 - Hobby Lobby
 - Best Buy
 - Old Navy

DETAIL B

- 11 Shops at Alameda Crossing
 - Kohl's
 - Big 5 Sporting Goods
 - JoAnn Fabrics and Crafts
- 12 Palmilla Crossing
 - Office Max
 - PetSmart
 - Fry's Food Mart
- 13 Shops at Walmart
 - Walmart
 - La Fitness
- 14 Palm Valley Cornerstone
 - Lowes
 - JC Penney
 - Sears Home Appliances

Detail C - Litchfield Road & McDowell/I-10 Retail Centers

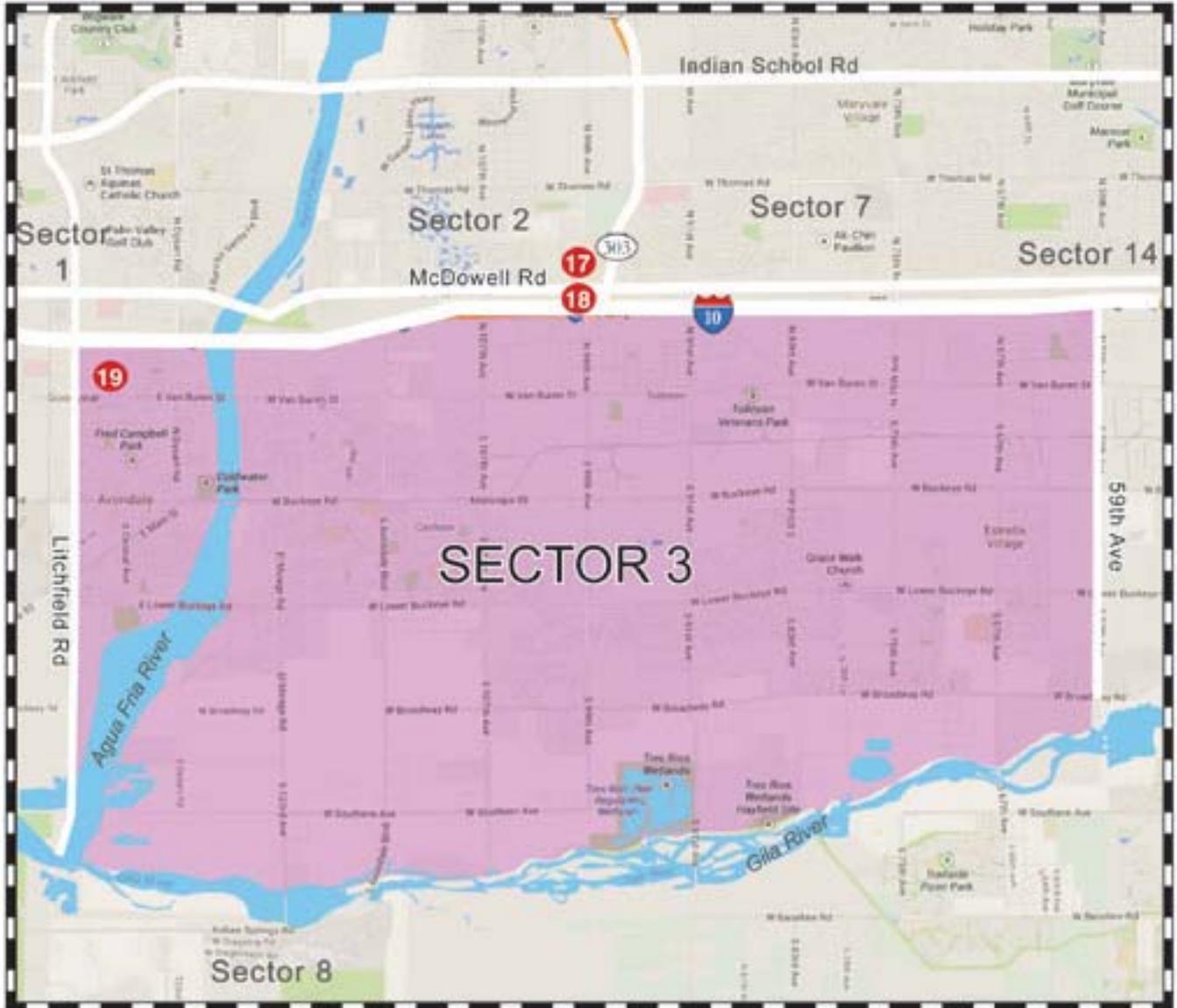


DETAIL C

- 15 Palm Valley Pavilions (East) - Target
 - Target
 - Michaels

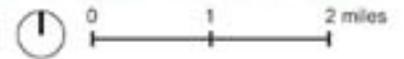
SECTOR 3

Avondale



Key:

- 17 Gateway Pavilion (North)
- 18 Gateway Pavilion (South)
- 19 Home Depot



SECTOR 4

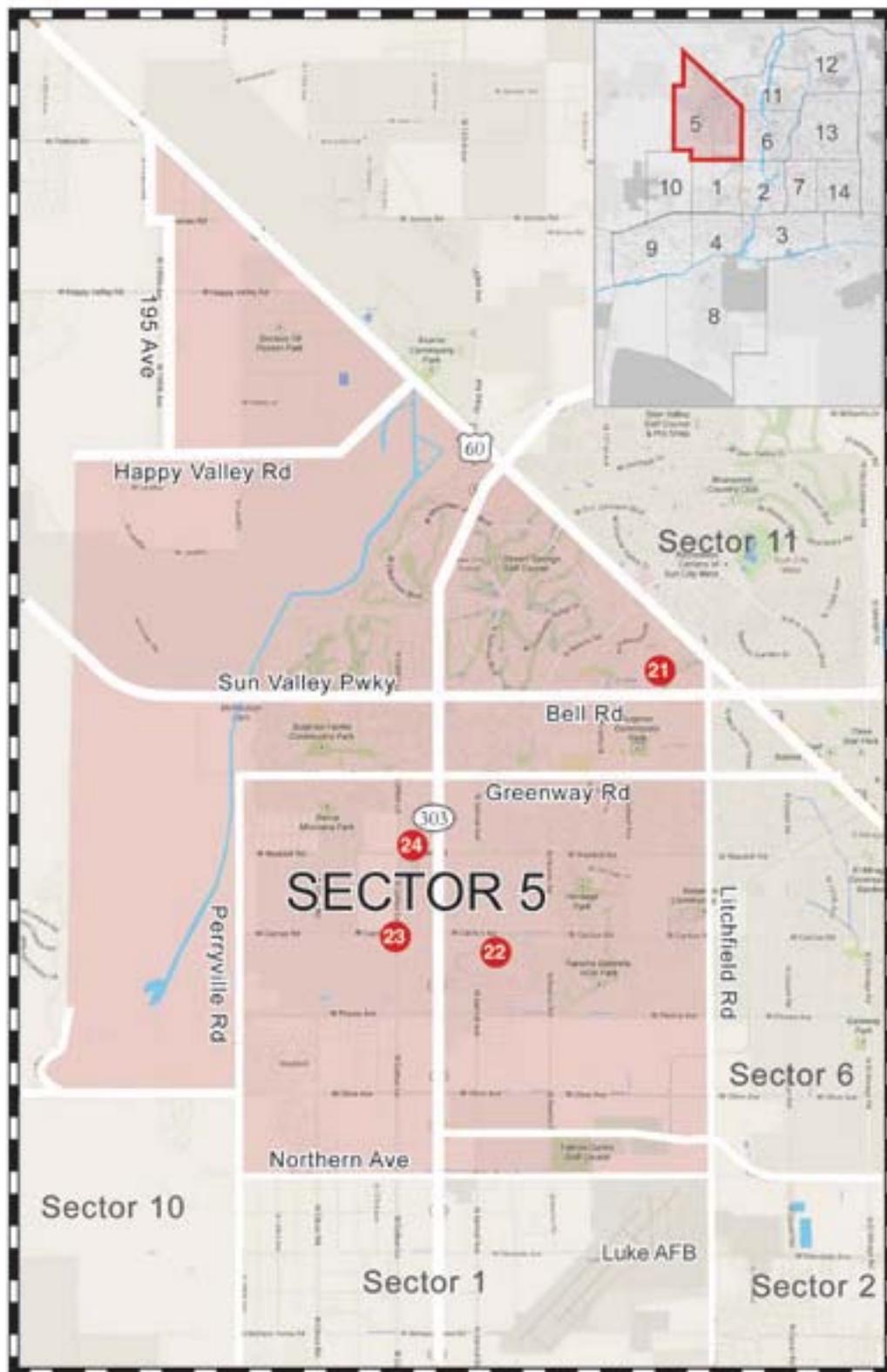
Goodyear



- Key:**
- 4 Palm Valley Pavilions
 - 5 Goodyear Center Pointe
 - 6 Market at Estrella Falls
 - 14 Palm Valley Cornerstone
 - 15 Palm Valley Pavilions (East)
 - 20 Walmart

SECTOR 5

Surprise



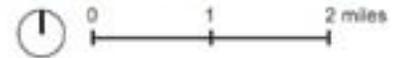
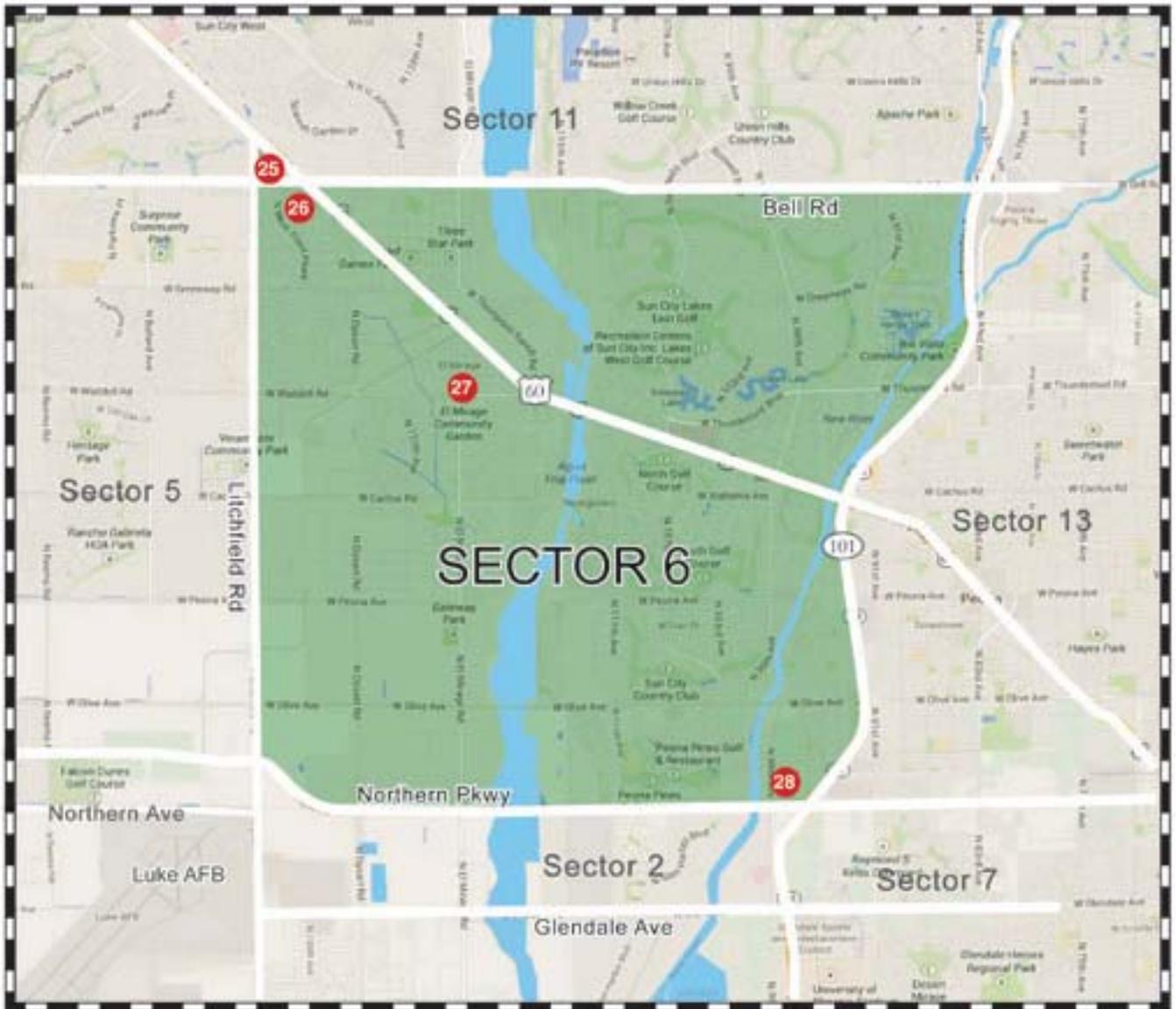
Key:

- 21 Kohl's
- 22 Cactus Plaza
- Kohl's
- 23 303 Auto Mall
- 24 Walmart Supercenter



SECTOR 6

Sun City Area



Key:

- 25** Surprise Town Center
 - Office Max
 - Michaels
 - PetSmart
- 26** Surprise Marketplace
 - Target
 - Ross Dress for Less
 - Best Buy
- 27** Walmart
 - Walmart
 - Home Depot
 - Steinmart
- 28** Park West
 - Toby Keith's
 - Harkins Cinema

SECTORS 7 & 14

Includes West Phoenix



Key:

- 17** Gateway Pavilion (North)
- 18** Gateway Pavilion (South)
- 29** Cabela's
- 30** Tanger Outlet
- 31** Westgate Entertainment District
- 32** Walmart

- 33** Desert Sky Mall
 - Sears
 - Dillards
 - Burlington



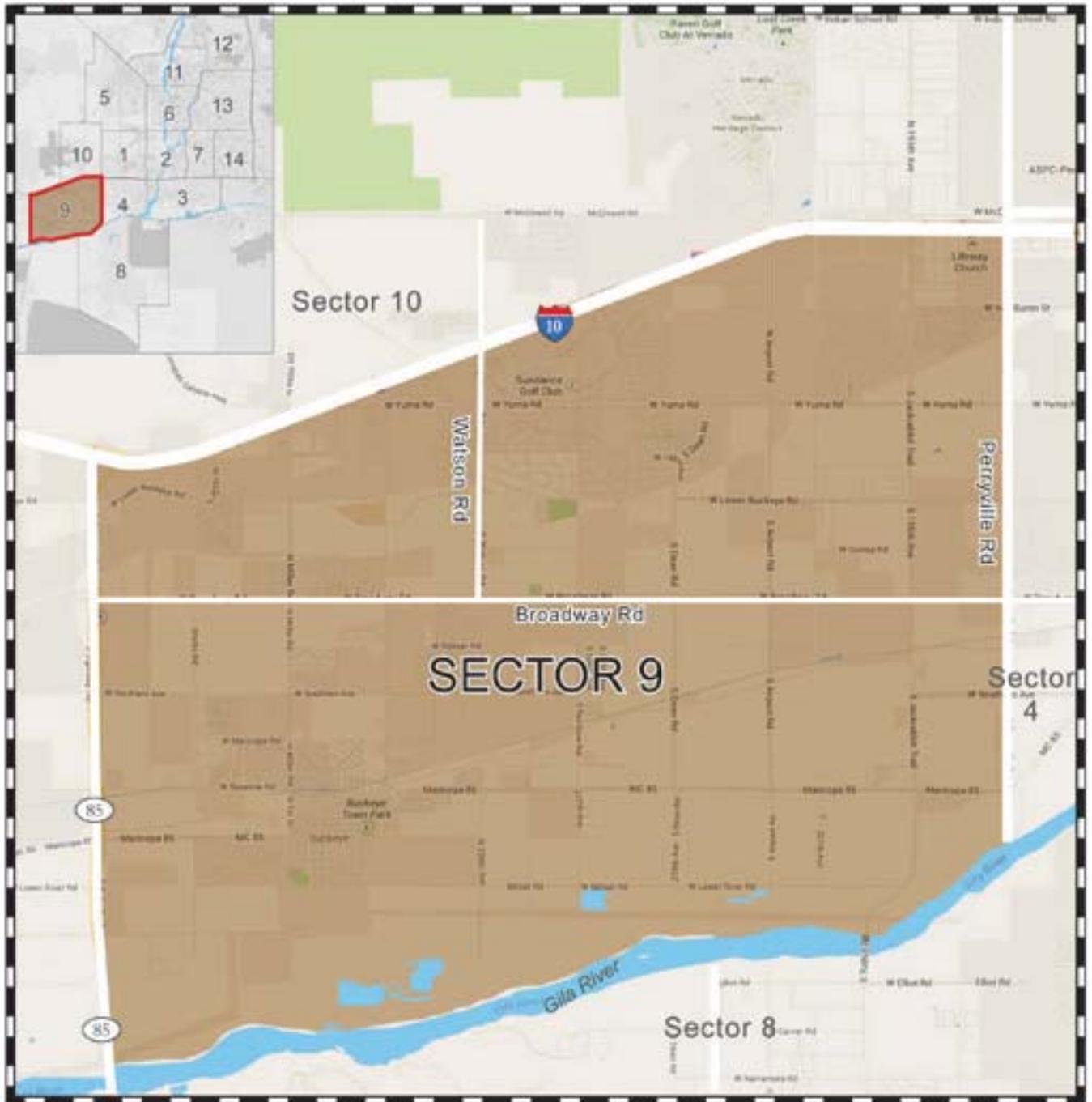
SECTOR 8

Estrella Mountain Ranch



SECTOR 9

Buckeye



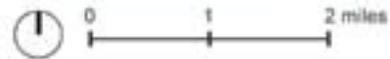
SECTOR 10

Verrado



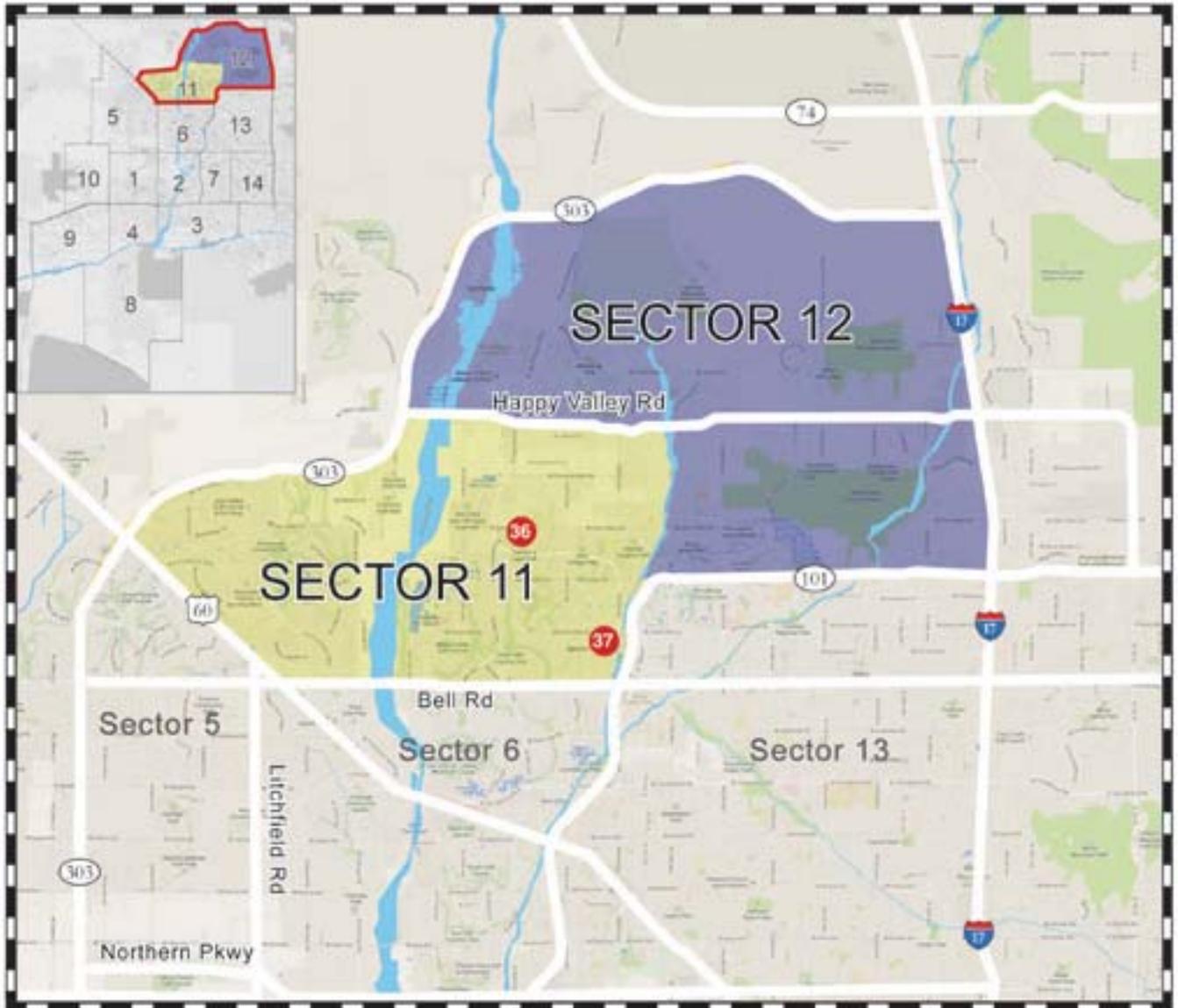
Key:

 Verrado Main Street



SECTORS 11 & 12

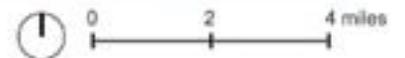
Sun City West



Key:

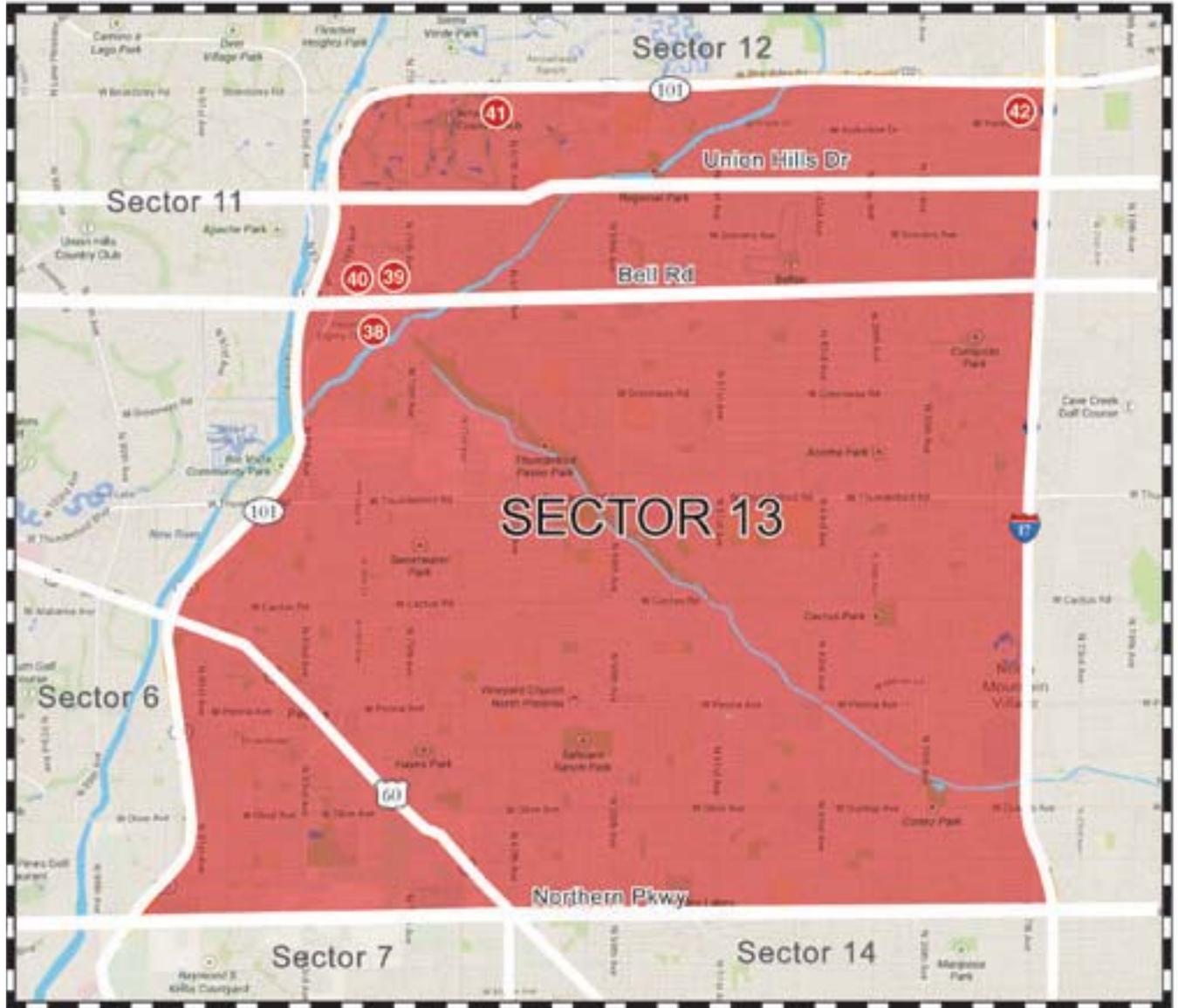
36 Walmart

37 Walmart



SECTOR 13

Peoria



Key:

- 38** Arrowhead Crossing
 - Old Navy
 - DSW
 - TJ Maxx
 - Barnes & Noble
 - Target
- 39** Arrowhead Towne Center Mail
 - Sears
 - JC Penney
 - Macys
- 40** Arrowhead Towne Power Center
 - Best Buy
- 41** The Village at Arrowhead
 - AJ's Fine Foods
- 42** Deer Valley Towne Center
 - Target
 - AMC Cinema
 - Ross
 - PetSmart

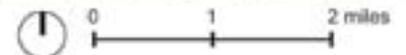


TABLE 1: DEMOGRAPHICS OF SECTORS
Base Demographics and Retail Potential - Total Potential Market

Sector	Population	Households	Average Household Income	Total Income	Retail Sales % of HH Income	Total Retail Sales
1	34,822	11,811	\$86,304	\$1,019,336,544	40.00%	\$407,734,618
2	86,580	27,813	\$70,019	\$1,947,438,447	42.50%	\$827,661,340
3	106,132	29,181	\$56,066	\$1,636,061,946	50.00%	\$818,030,973
4	39,589	10,542	\$68,763	\$724,899,546	45.00%	\$326,204,796
5	114,731	40,697	\$65,836	\$2,679,327,692	45.00%	\$1,205,697,461
6	132,957	56,356	\$48,852	\$2,753,103,312	50.00%	\$1,376,551,656
7	193,007	53,837	\$43,834	\$2,359,891,058	50.00%	\$1,179,945,529
8	15,912	5,027	\$87,502	\$439,872,554	40.00%	\$175,949,022
9	47,742	14,194	\$65,639	\$931,679,966	45.00%	\$419,255,985
10	9,262	2,833	\$84,800	\$240,238,400	40.00%	\$96,095,360
11	92,691	44,076	\$64,059	\$2,823,464,484	45.00%	\$1,270,559,018
12	89,171	30,427	\$96,698	\$2,942,230,046	35.00%	\$1,029,780,516
13	289,345	108,794	\$61,331	\$6,672,444,814	45.00%	\$3,002,600,166
14	246,597	73,836	\$38,170	\$2,818,320,120	55.00%	\$1,550,076,066
	1,498,538	509,424	\$58,867	\$29,988,308,929	45.64%	\$13,686,142,505

Source:
 Nielsen Site Reports
 J. Richard Hill & Co.

**TABLE 2: DEMOGRAPHICS OF PRIMARY MARKET
Primary Market Demographics and Retail Potential**

Sector	Population	Households	Average Household Income	Total Income	Retail Sales % of HH Income	Total Retail Sales
1	34,822	11,811	\$86,304	\$1,019,336,544	40.00%	\$407,734,618
2	86,580	27,813	\$70,019	\$1,947,438,447	42.50%	\$827,661,340
10	9,262	2,833	\$84,800	\$240,238,400	40.00%	\$96,095,360
Total	130,664	42,457	\$75,536	\$3,207,013,391	41.52%	\$1,331,491,318



**TABLE 3: DEMOGRAPHICS OF SECONDARY MARKET
Secondary Market and Retail Potential**

Sector	Population	Households	Average Household Income	Total Income	Retail Sales % of HH Income	Total Retail Sales
3	106,132	29,181	\$56,066	\$1,636,061,946	50%	\$818,030,973
4	39,589	10,542	\$68,763	\$724,899,546	45%	\$326,204,796
5	114,731	40,697	\$65,836	\$2,679,327,692	45%	\$1,205,697,461
6	132,957	56,356	\$48,852	\$2,753,103,312	50%	\$1,376,551,656
7	193,007	53,837	\$43,834	\$2,359,891,058	50%	\$1,179,945,529
9	47,742	14,194	\$65,639	\$931,679,966	45%	\$419,255,985
Total	634,158	204,807	\$54,124	\$11,084,963,520	48%	\$5,325,686,400

**TABLE 4: DEMOGRAPHICS OF TERTIARY MARKET
Tertiary Market Demographics and Retail Potential**

Sector	Population	Households	Average Household Income	Total Income	Retail Sales % of HH Income	Total Retail Sales
8	15,912	5,027	\$87,502	\$439,872,554	40.00%	\$175,949,022
11	92,691	44,076	\$64,059	\$2,823,464,484	45.00%	\$1,270,559,018
12	89,171	30,427	\$96,698	\$2,942,230,046	35.00%	\$1,029,780,516
13	289,345	108,794	\$61,331	\$6,672,444,814	45.00%	\$3,002,600,166
14	246,597	73,836	\$38,170	\$2,818,320,120	55.00%	\$1,550,076,066
	733,716	262,160	\$59,873	\$15,696,332,018	44.78%	\$7,028,964,788

**TABLE 5: TOTAL RETAIL POTENTIAL
Primary Market - Total Retail Potential**

Sector	Total Retail Sales	% Auto Sales	Auto Sales	% Non Auto Sales	Non-Auto	Total Sales
1	\$407,734,618	20%	\$81,546,924	80%	\$326,187,694	\$407,734,618
2	\$827,661,340	20%	\$165,532,268	80%	\$662,129,072	\$827,661,340
10	\$96,095,360	20%	\$19,219,072	80%	\$76,876,288	\$96,095,360
Total	\$1,331,491,318	20%	\$266,298,264	80%	\$1,065,193,054	\$1,331,491,318

**TABLE 5: TOTAL RETAIL POTENTIAL
Secondary Market - Total Retail Potential**

Sector	Total Retail Sales	% Auto Sales	Auto Sales	% Non Auto Sales	Non-Auto	Total Sales
3	\$818,030,973	20%	\$163,606,195	80%	\$654,424,778	\$818,030,973
4	\$326,204,796	20%	\$65,240,959	80%	\$260,963,837	\$326,204,796
5	\$1,205,697,461	20%	\$241,139,492	80%	\$964,557,969	\$1,205,697,461
6	\$1,376,551,656	20%	\$275,310,331	80%	\$1,101,241,325	\$1,376,551,656
7	\$1,179,945,529	20%	\$235,989,106	80%	\$943,956,423	\$1,179,945,529
9	\$419,255,985	20%	\$83,851,197	80%	\$335,404,788	\$419,255,985
Total	\$5,325,685,400	20%	\$1,065,137,280	80%	\$4,260,549,120	\$5,325,686,400

**TABLE 5: TOTAL RETAIL POTENTIAL
Tertiary Market - Total Retail Potential**

Sector	Total Retail Sales	% Auto Sales	Auto Sales	% Non Auto Sales	Non-Auto	Total Sales
8	\$175,949,022	20%	\$35,189,804	80%	\$140,759,217	\$140,759,217
11	\$1,270,559,018	20%	\$254,111,804	80%	\$1,016,447,214	\$1,270,559,018
12	\$1,029,780,516	20%	\$205,956,103	80%	\$823,824,413	\$1,029,780,516
13	\$3,002,600,166	20%	\$600,520,033	80%	\$2,402,080,133	\$3,002,600,166
14	\$1,550,076,066	20%	\$310,015,213	80%	\$1,240,060,853	\$1,550,076,066
	\$7,028,964,788	20%	\$1,405,792,958	80%	\$5,623,171,830	\$7,028,964,788



TABLE 6: DISTRIBUTION OF SALES OVER CATEGORIES
Primary Market Non-Auto Sales Distribution

Sector	Non-Auto Sales	Grocery Sales	Restaurant Sales	GAFO Sales	Drug Store Sales	Hardware/Garden Sales	Misc. Store Sales	Personal Care Sales
1	\$326,187,694	\$45,666,277	\$39,142,523	\$117,427,570	\$19,571,262	\$16,309,385	\$26,095,016	\$16,309,385
2	\$662,129,072	\$92,698,070	\$79,455,489	\$238,366,466	\$39,727,744	\$33,106,454	\$52,970,326	\$33,106,454
10	\$76,876,288	\$10,762,680	\$9,225,155	\$27,675,464	\$4,612,577	\$3,843,814	\$6,150,103	\$3,843,814
	\$1,065,193,054	\$149,127,028	\$127,823,166	\$383,469,499	\$63,911,583	\$53,259,653	\$85,215,444	\$53,259,653

TABLE 6: DISTRIBUTION OF SALES OVER CATEGORIES
Secondary Market Non-Auto Sales Distribution

Sector	Non-Auto Sales	Grocery Sales	Restaurant Sales	GAFO Sales	Drug Store Sales	Hardware/Garden Sales	Misc. Store Sales	Personal Care Sales
3	\$654,424,778	\$91,619,469	\$78,530,973	\$235,592,920	\$39,265,487	\$32,721,239	\$52,353,982	\$32,721,239
4	\$260,963,837	\$36,534,937	\$31,315,660	\$93,946,981	\$15,657,830	\$13,048,192	\$20,877,107	\$13,048,192
5	\$964,557,969	\$135,038,116	\$115,746,956	\$347,240,869	\$57,873,478	\$48,227,898	\$77,164,638	\$48,227,898
6	\$1,101,241,325	\$154,173,785	\$132,148,959	\$396,446,877	\$66,074,479	\$55,062,066	\$88,099,306	\$55,062,066
7	\$943,956,423	\$132,153,899	\$113,274,771	\$339,824,312	\$56,637,385	\$47,197,821	\$75,516,514	\$47,197,821
9	\$335,404,788	\$46,956,670	\$40,248,575	\$120,745,724	\$20,124,287	\$16,770,239	\$26,832,383	\$16,770,239
	\$4,260,549,120	\$596,476,877	\$511,265,894	\$1,533,797,683	\$255,632,947	\$213,027,456	\$340,843,930	\$213,027,456

TABLE 6: DISTRIBUTION OF SALES OVER CATEGORIES
Tertiary Market Non-Auto Sales Distribution

Sector	Non-Auto Sales	Grocery Sales	Restaurant Sales	GAFO Sales	Drug Store Sales	Hardware/Garden Sales	Misc. Store Sales	Personal Care Sales
8	\$140,759,217	\$19,706,290	\$16,891,106	\$50,673,318	\$8,445,553	\$7,037,961	\$11,260,737	\$7,037,961
11	\$1,016,447,214	\$142,302,610	\$121,973,666	\$365,920,997	\$60,986,833	\$50,822,361	\$81,315,777	\$50,822,361
12	\$823,824,413	\$115,335,418	\$98,858,930	\$296,576,789	\$49,429,465	\$41,191,221	\$65,905,953	\$41,191,221
13	\$2,402,080,133	\$336,291,219	\$288,249,616	\$864,748,848	\$144,124,808	\$120,104,007	\$192,166,411	\$120,104,007
14	\$1,240,060,853	\$173,608,519	\$148,807,302	\$446,421,907	\$74,403,651	\$62,003,043	\$99,204,868	\$62,003,043
	\$5,623,171,830	\$787,244,056	\$674,780,620	\$2,024,341,859	\$337,390,310	\$281,158,592	\$449,853,746	\$281,158,592



TABLE 7 - DISTRIBUTION OF GAFO SALES
Primary Market GAFO Potential

Sector	GAFO Sales	General Merchandise	Apparel	Furnishings	Electronics	Other	Total
1	\$117,427,570	\$58,713,785	\$23,485,514	\$21,136,963	\$11,742,757	\$2,348,551	\$117,427,570
2	\$238,366,466	\$119,183,233	\$47,673,293	\$42,905,964	\$23,836,647	\$4,767,329	\$238,366,466
10	\$27,675,464	\$13,837,732	\$5,535,093	\$49,815,837	\$2,767,546	\$553,509	\$27,675,464
	\$383,469,499	\$191,734,750	\$76,693,900	\$69,024,510	\$38,346,950	\$7,669,390	\$383,469,499

TABLE 7 - DISTRIBUTION OF GAFO SALES
Secondary Market GAFO Potential

Sector	GAFO Sales	General Merchandise	Apparel	Furnishings	Electronics	Other	Total
3	\$235,592,920	\$117,796,460	\$47,118,584	\$42,406,726	\$23,559,292	\$4,711,858	\$235,592,920
4	\$93,946,981	\$46,973,491	\$18,789,396	\$16,910,457	\$9,394,698	\$1,878,940	\$93,946,981
5	\$347,240,869	\$173,620,434	\$69,448,174	\$62,503,356	\$34,724,087	\$6,944,817	\$347,240,869
6	\$396,446,877	\$198,223,438	\$79,289,375	\$71,360,438	\$39,644,688	\$7,928,938	\$396,446,877
7	\$339,824,312	\$169,912,156	\$67,964,862	\$61,168,376	\$33,982,431	\$6,796,486	\$339,824,312
9	\$120,745,724	\$60,372,862	\$24,149,145	\$21,734,230	\$12,074,572	\$2,414,914	\$120,745,724
	\$1,533,797,683	\$766,898,842	\$306,759,537	\$276,083,583	\$153,379,768	\$30,675,954	\$1,533,797,683

**TABLE 7 - DISTRIBUTION OF GAFO SALES
Tertiary Market GAFO Potential**

Sector	GAFO Sales	General Merchandise	Apparel	Furnishings	Electronics	Other	Total
8	\$50,673,318	\$25,336,659	\$10,134,664	\$9,121,197	\$5,067,332	\$1,013,466	\$50,673,318
11	\$365,920,997	\$182,960,499	\$73,184,199	\$65,865,779	\$36,592,100	\$7,318,420	\$365,920,997
12	\$296,576,789	\$148,288,394	\$59,315,358	\$53,383,822	\$29,657,679	\$5,931,536	\$296,576,789
13	\$864,748,848	\$432,374,424	\$172,949,770	\$155,654,793	\$86,474,885	\$17,294,977	\$864,748,848
14	\$446,421,907	\$223,210,954	\$89,284,381	\$80,355,943	\$44,642,191	\$8,928,438	\$446,421,907
	\$2,024,341,859	\$1,012,170,929	\$404,868,372	\$364,381,535	\$202,434,186	\$40,486,837	\$2,024,341,859

**TABLE 8 - RESTAURANT POTENTIAL
Primary Market Restaurant Potential**

Sector	Non-Auto Sales	Restaurant Potential	Capture Rate	Litchfield Park Potential	SQ. FT.	Sales PSF
1	\$326,187,694	\$39,142,523	12.50%	\$4,892,815	9,786	\$500
2	\$662,129,072	\$79,455,489	10.00%	\$7,945,549	15,891	\$500
10	\$76,876,288	\$9,225,155	7.50%	\$691,887	1384	\$500
	\$1,065,193,054	\$127,823,166	10.59%	\$13,530,251	27,061	\$500

**TABLE 8 - RESTAURANT POTENTIAL
Secondary Market Restaurant Potential**

Sector	Non-Auto Sales	Restaurant Potential	Capture Rate	Litchfield Park Potential	SQ. FT.	Sales PSF
3	\$654,424,778	\$78,530,973	5.00%	\$3,926,549	7,853	\$500
4	\$260,963,837	\$31,315,660	5.00%	\$1,565,783	3,132	\$500
5	\$964,557,969	\$115,746,956	5.00%	\$5,787,348	11,575	\$500
6	\$1,101,241,325	\$132,148,959	2.00%	\$2,642,979	5,286	\$500
7	\$943,956,423	\$113,274,771	2.00%	\$2,265,495	4,531	\$500
9	\$335,404,788	\$40,248,575	3.00%	\$1,207,457	2415	\$500
	\$4,260,549,120	\$511,265,894	3.40%	\$17,395,611	34,791	\$500

**TABLE 8 - RESTAURANT POTENTIAL
Tertiary Market Restaurant Potential**

Sector	Non-Auto Sales	Restaurant Potential	Capture Rate	Litchfield Park Potential	SQ. FT.	Sales PSF
8	\$140,759,217	\$16,891,106	1.00%	\$168,911	338	\$500
11	\$1,016,447,214	\$121,973,666	0.75%	\$914,802	1,830	\$500
12	\$823,824,413	\$98,858,930	0.50%	\$494,295	989	\$500
13	\$2,402,080,133	\$288,249,616	0.50%	\$1,441,248	2,882	\$500
14	\$1,240,060,853	\$148,807,302	0.25%	\$372,018	744	\$500
Total from Market Areas	\$5,623,171,830	\$674,780,620	0.50%	\$3,391,275	6,783	\$500
Total from Market Areas	\$1,313,869,680	\$34,317,137	2.60%	\$8,579,284	68,634	\$500
Inflow Sales @ 20%					NA	\$125.00
Total Sales				\$42,896,421	68,634	\$625.00

**TABLE 9 - SPECIALTY GROCERY STORE
Primary Market**

Sector	Non-Auto Sales	Specialty Grocery Potential	Capture Rate	Projected Sales	SQ. FT.	Sales PSF
1	\$326,187,694	\$4,566,628	40.00%	\$1,826,651	3,479	\$525
2	\$662,129,072	\$9,269,807	35.00%	\$3,244,432	6,180	\$525
10	\$76,876,288	\$1,076,268	35.00%	\$376,694	718	\$525
	\$1,065,193,054	\$14,912,703	36.53%	\$5,447,777	10,377	\$525

**TABLE 9 - SPECIALTY GROCERY STORE
Secondary Market**

Sector	Non-Auto Sales	Specialty Grocery Potential	Capture Rate	Litchfield Park Potential	SQ.FT.	Sales PSF
3	\$654,424,778	\$9,161,947	17.50%	\$1,603,341	3,054	\$525
4	\$260,963,837	\$3,653,494	17.50%	\$639,361	1,218	\$525
5	\$964,557,969	\$13,503,812	25.00%	\$3,375,953	6,430	\$525
6	\$1,101,241,325	\$15,417,379	10.00%	\$1,541,738	2,937	\$525
7	\$943,956,423	\$13,215,390	10.00%	\$1,321,539	2,517	\$525
9	\$335,404,788	\$4,695,667	12.50%	\$586,958	1,118	\$525
	\$4,260,549,120	\$59,647,688	15.20%	\$9,068,890	17,274	\$525

**TABLE 9 - SPECIALTY GROCERY STORE
Tertiary Market**

Sector	Non-Auto Sales	Specialty Grocery Potential	Capture Rate	Litchfield Park Potential	SQ.FT.	Sales PSF
8	\$140,759,217	\$1,970,629	2.50%	\$49,266	94	\$525
11	\$1,016,447,214	\$14,230,261	2.50%	\$355,757	678	\$525
12	\$823,824,413	\$11,533,542	2.50%	\$288,339	549	\$525
13	\$2,402,080,133	\$33,629,122	1.50%	\$504,437	961	\$525
14	\$1,240,060,853	\$17,360,852	1.00%	\$173,609	331	\$525
	\$5,623,171,830	\$78,724,406	1.74%	\$1,371,406	2,612	\$525
Total		\$153,284,796	10.37%	\$15,888,074	30,263	\$525
Inflow Sales @ 10%				\$1,765,342	NA	\$58.33
Total Sales				\$17,653,415	30,263	\$583.33



**TABLE 10 - GAFO POTENTIAL
Primary Market**

Sector	GAFO Potential	Capture Rate	Projected Sales	SQ. FT.	Sales PSF
1	\$117,427,570	7.50%	\$8,807,068	23,486	\$375
2	\$238,366,466	7.50%	\$17,877,485	47,673	\$375
10	\$27,675,464	7.50%	\$2,075,660	5535	\$375
	\$383,469,499	7.50%	\$28,760,212	76,694	\$375

**TABLE 10 - GAFO POTENTIAL
Secondary Market**

Sector	GAFO Potential	Capture Rate	Litchfield Park Potential	SQ.FT.	Sales PSF
3	\$235,592,920	3.50%	\$8,245,752	21,989	\$375
4	\$93,946,981	3.50%	\$3,288,144	8,768	\$375
5	\$347,240,869	4.00%	\$13,889,635	37,039	\$375
6	\$396,446,877	2.50%	\$9,911,172	26,430	\$375
7	\$339,824,312	2.50%	\$8,495,608	22,655	\$375
9	\$120,745,724	2.00%	\$2,414,914	6,440	\$375
	\$1,533,797,683	3.02%	\$46,245,226	123,321	\$375



**TABLE 10 - GAFO POTENTIAL
Tertiary Market**

Sector	GAFO Potential	Capture Rate	Litchfield Park Potential	SQ.FT.	Sales PSF
8	\$50,673,318	1.50%	\$760,100	2,027	\$375
11	\$365,920,997	0.75%	\$2,744,407	7,318	\$375
12	\$296,576,789	1.00%	\$2,965,768	7,909	\$375
13	\$864,748,848	0.50%	\$4,323,744	11,530	\$375
14	\$446,421,907	0.50%	\$2,232,110	5,952	\$375
Total	\$2,024,341,859	0.64%	\$13,026,129	34,736	\$375
Total	\$3,941,609,041	2.23%	\$88,031,567	234,751	\$375.00
Inflow Sales @ 20%			\$22,007,892	58,688	\$375.00
Total Sales			\$110,039,459	293,439	\$375.00



**TABLE 11 - HARDWARE & GARDEN
Primary Market**

Sector	Hardware/Garden Potential	Capture Rate	Projected Sales	SQ. FT.	Sales PSF
1	\$16,309,385	7.50%	\$1,223,204	2,718	\$450
2	\$33,106,454	7.50%	\$2,482,984	5,518	\$450
10	\$3,843,814	7.50%	\$288,286	641	\$450
	\$53,259,653	7.50%	\$3,994,474	8,877	\$450

**TABLE 11 - HARDWARE & GARDEN
Secondary Market**

Sector	Hardware/Garden Potential	Capture Rate	Litchfield Park Potential	SQ.FT.	Sales PSF
3	\$32,721,239	3.50%	\$1,145,243	2,545	\$450
4	\$13,048,192	3.50%	\$456,687	1,015	\$450
5	\$48,227,898	4.00%	\$1,929,116	4,287	\$450
6	\$55,062,066	2.50%	\$1,376,552	3,059	\$450
7	\$47,197,821	2.50%	\$1,179,946	2,622	\$450
9	\$16,770,239	2.00%	\$335,405	745	\$450
	\$213,027,456	3.02%	\$6,422,948	14,273	\$450



**TABLE 11 - HARDWARE & GARDEN
Tertiary Market**

Sector	Hardware/Garden Potential	Capture Rate	Projected Sales	SQ. FT.	Sales PSF
8	\$7,037,961	1.50%	\$105,569	235	\$450
11	\$50,822,361	0.75%	\$381,168	847	\$450
12	\$41,191,221	1.00%	\$411,912	915	\$450
13	\$120,104,007	0.50%	\$600,520	1,334	\$450
14	\$62,003,043	0.50%	\$310,015	689	\$450
	\$281,158,592	0.64%	\$1,809,185	4,020	\$450
Total Sales / Sq. Ft. Sales Per Sq. Ft.					
			\$12,226,607	27,170	\$450.00
Inflow Sales @ 20%					
			\$3,056,652	6,796	\$450.00
Total Sales					
			\$15,283,258	33,963	\$450.00



TABLE 12 - MISC. GOODS / PERSONAL CARE
Primary Market

Sector	Misc./Personal Care	Capture Rate	Projected Sales	SQ. FT.	Sales PSF
1	\$42,404,400	5.00%	\$2,120,220	6,524	\$325
2	\$86,076,779	4.75%	\$4,088,647	12,580	\$325
10	\$9,993,917	2.50%	\$249,848	769	\$325
	\$138,475,097	4.66%	\$6,458,715	19,873	\$325

TABLE 12 - MISC. GOODS / PERSONAL CARE
Secondary Market

Sector	Misc./Personal Care	Capture Rate	Projected Sales	SQ. FT.	Sales PSF
3	\$85,075,221	1.00%	\$850,752	2,618	\$325
4	\$33,925,299	1.00%	\$339,253	1,044	\$325
5	\$125,392,536	1.50%	\$1,880,888	5,787	\$325
6	\$143,161,372	0.49%	\$701,491	2,158	\$325
7	\$122,714,335	0.49%	\$595,165	1,831	\$325
9	\$43,602,622	0.50%	\$218,013	671	\$325
	\$553,871,386	0.83%	\$4,585,562	14,109	\$325



**TABLE 12 - MISC. GOODS / PERSONAL CARE
Tertiary Market**

Sector	Misc./Personal Care	Capture Rate	Projected Sales	SQ. FT.	Sales PSF
8	\$18,298,698	0.00%	\$ -	0	0
11	\$132,138,138	0.00%	\$ -	0	0
12	\$107,097,174	0.00%	\$ -	0	0
13	\$312,270,417	0.00%	\$ -	0	0
14	\$161,207,911	0.00%	\$ -	0	0
	\$731,012,338	0.00%	\$ -	0	0
Total			\$11,044,277	33,982	\$325.00
Inflow Sales @ 10%			\$1,227,142	3,776	\$325.00
			\$12,271,418	37,758	\$325.00



TABLE 13 - SQUARE FOOTAGE ALLOCATION

SQ. FOOTAGE ALLOCATION

CATEGORY	TOTAL GLA	Site 1	Site 2	Site 3	Site 4	Site 5	Total
Specialty Market	30,263	0	30,263	0	0	0	30,263
Restaurants	68,634	20,590	20,590	13,727	6,863	6,863	68,634
GAFO	293,439	44,016	29,344	29,344	176,063	14,672	293,439
Garden Hardware	33,963	3,396	0	0	30,567	0	33,963
Misc. Personal Care Other	37,752	5,663	5,663	3,775	0	22,651	37,752
Entertainment	35,000	35,000	0	0	0	0	35,000
Service	55,686	0	0	0	0	55,686	55,686
	554,737	108,665	85,860	46,846	213,493	99,873	554,737

**TABLE 14 - TOTAL SALES AND RENTS
Projected Rents to Sales**

Category	SQ. FT.	Sales PSF	Total Sales	Rent to Sales	Total Rent PSF	Extra Charges PSF	Min. Rent PSF
Grocery	30,263	\$583.33	\$17,653,415	6%	\$35.00	\$5.00	\$30.00
Restaurants	68,634	\$625.00	\$42,896,421	8%	\$50.00	\$5.00	\$45.00
GAFO	293,439	\$375.00	\$110,093,459	11%	\$41.25	\$5.00	\$36.25
Hardware / Garden	33,963	\$450.00	\$15,283,258	9%	\$38.25	\$5.00	\$33.25
Entertainment	35,000	\$250.00	\$8,750,000	10%	\$25.00	\$5.00	\$20.00
Misc. / Personal	37,752	\$325.00	\$12,269,416	10%	\$45.00	\$5.00	\$40.00
Service	55,686	\$275.00	\$15,313,672	10%	\$27.50	\$5.00	\$22.50
	554,737	\$400.56	\$222,205,641	9.7%	\$38.81	\$5.00	\$34.75

**TABLE 15 - AREA SHOPPING CENTERS
SECTOR 1 TOTAL**

Sector	Map Number	Shopping Center	Location	GLA	Anchors	Population	Per Capita GLA
1	2	Palm Valley Village	Northwest corner of Indian School Road and N. Litchfield Road	88,023	Walmart Neighborhood Market	34,822	2.53
1	3	Palm Valley Marketplace	Southwest corner of Indian School Road and N. Litchfield Road	107,600	Safeway	34,822	3.09
1	4	Palm Valley Pavilions West	Southwest corners of Litchfield Road and McDowell Road	235,000	Ulta Ross Barnes & Noble Best Buy	34,822	6.75
1	5	Goodyear Center Pointe	Southeast corner of McDowell Road and Perryville Road	300,000	Toys'R Us Babies'R Us Sports Chalet Party City	34,822	8.62
1	6	Market at Estrella Falls	Northeast corner of Pebble Creek Parkway & McDowell Road	392,400	Bashas' (closed) Staples TJ Maxx Old Navy Petco Home Goods	34,822	11.27
1	7	Plaza in the Park	Southwest corner of North Litchfield Road and West Camelback	40,000	CVS Pharmacy	34,822	1.15
SECTOR 1 TOTAL				1,163,023		34,822	30.87



**TABLE 15 - AREA SHOPPING CENTERS
SECTOR 2**

Sector	Map Number	Shopping Center	Location	GLA	Anchors	Population	Per Capita GLA
2	1	Hahn Family Center	Northeast corner of Old Litchfield Road & Wigwam Boulevard	20,000	Old Pueblo Café	86,580	0.57
2	8	Ace Hardware Center	Southwest corner of North Dysart Road & West Camelback	75,000	Ace Hardware	86,580	0.87
2	9	Camelback Crossing	Northwest corner of North Dysart Road & West Camelback	85,000	Bashas', Walgreens	86,580	0.98
2	10	Wigwam Creek Shopping Center	Northeast Corner of Indian School Road & N. Dysart	106,313	Albertson's	86,580	1.23
2	11	Shops at Alameda Crossing	Northeast corner of Dysart Road & McDowell Road	250,000	Kohl's, Big 5 Sportings Goods, Jo Ann Fabrics & Crafts	86,580	2.89
2	12	Palmilla Crossing	Southeast corner of Dysart Road & McDowell Road	169,000	Office Max, Pets Mart Fry's Food Mart	86,580	1.95
2	13	Shops at Walmart	Northeast corner of I-10 & Dysart Road	258,049	Walmart, LA Fitness	86,580	2.98
2	14	Palm Valley Cornerstone	Southwest corner of Dysart Road & McDowell Road	450,000	JC Penney, Lowes, Sears	86,580	5.20
2	15	Palm Valley Pavilions East	Southeast corner of North Litchfield & McDowell Road	241,000	Target, Michael's Palm Valley Cinema	86,580	2.78
2	16	Palm Valley Center	Northeast corner of North Litchfield Road & McDowell Road	60,000	Spencer TV & Appliances McDonalds, Black Angus	86,580	0.69
2	17-18	Gateway Pavilion North & South	Northwest and Southwest corner of Loop 101 & McDowell Road	550,775	Harkins Cinema, Petco Marshalls, Old Navy, Mor Furniture, Sports Authority, Costco	86,580	6.36
SECTOR 2 TOTAL				2,265,137		86,580	25.93

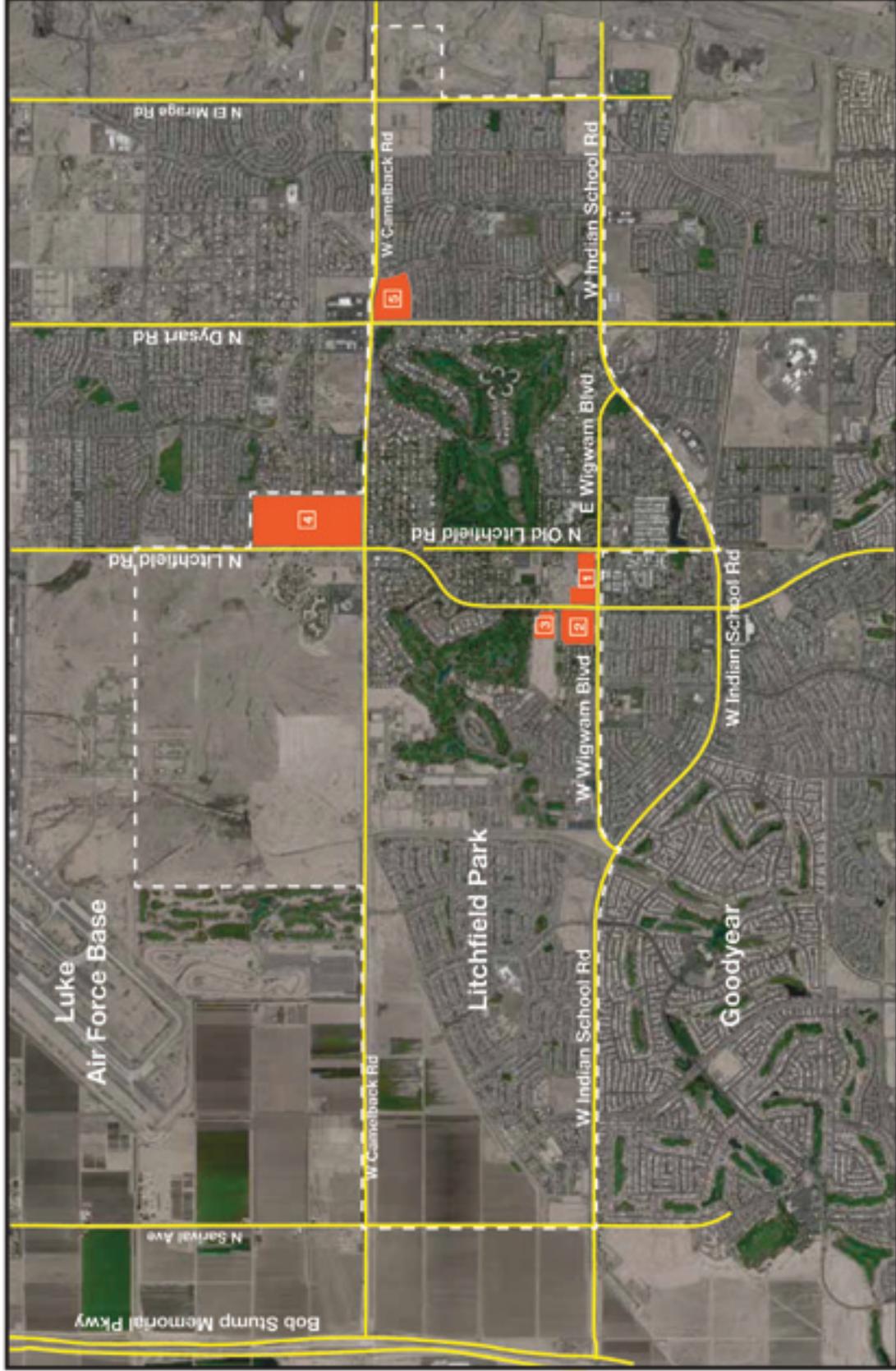


**TABLE 15 - AREA SHOPPING CENTERS
SECTOR 10 TOTAL**

Sector	Map Number	Shopping Center	Location	GLA	Anchors	Population	Per Capita GLA
10	35	Verrado Main Street	West of Loop 303 on West Main Street, Buckeye.	60,362	Basha's CVS	9,262	6.52
SECTOR 10 TOTAL				60,362		9,262	6.52
PRIMARY MARKET TOTAL				3,488,522		130,664	26.70
CITY OF LITCHFIELD PARK				166,313		5700	29.18



Litchfield Park Proposed Retail Development Sites



Litchfield Park

— BASE RETAIL MARKET RESEARCH STUDY —

Site 1: 14 acres



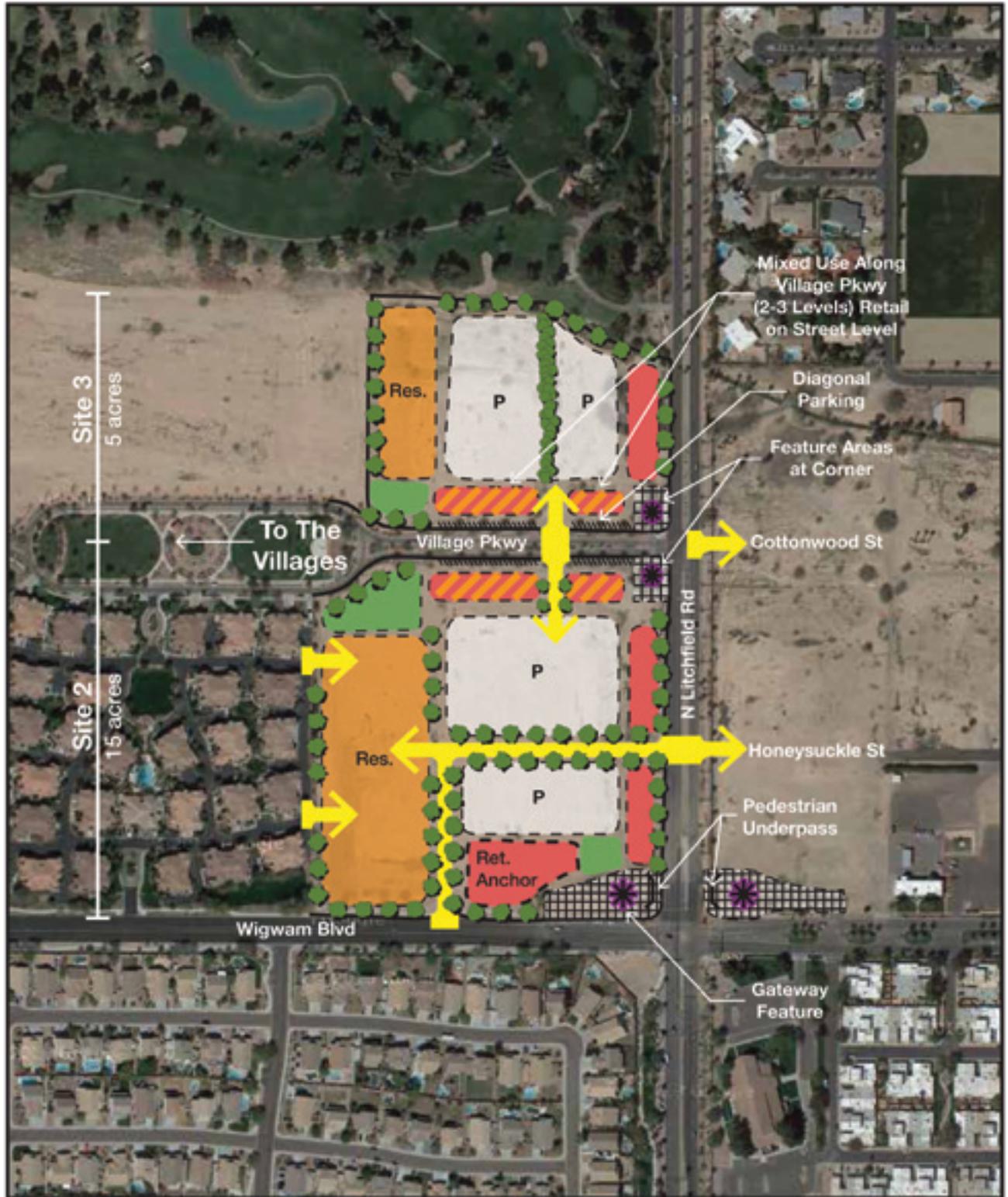
Key: ■ Retail P Parking Proposed Streets

① 0 50 100 feet

Carl A Worthington & Associates, LLC

APPROXIMATE SITE AREA DEDICATED TO RETAIL: 14.0 ACRES

Site 2: 15 acres / Site 3: 5 acres



- Key:**
- Retail
 - Mixed-Use (Office/Residential over retail)
 - Residential Zone
 - P Parking
 - Proposed Streets

APPROXIMATE SITE AREA DEDICATED TO RETAIL & MIXED-USE:
 SITE 2 - 10.0 ACRES/SITE 3 - 3.5 ACRES
 APPROXIMATE SITE AREA DEDICATED TO RESIDENTIAL:
 SITE 2 - 5.0 ACRES/SITE 3 - 1.5 ACRES

Carl A Worthington & Associates, LLC

Site 4: 73 Acres



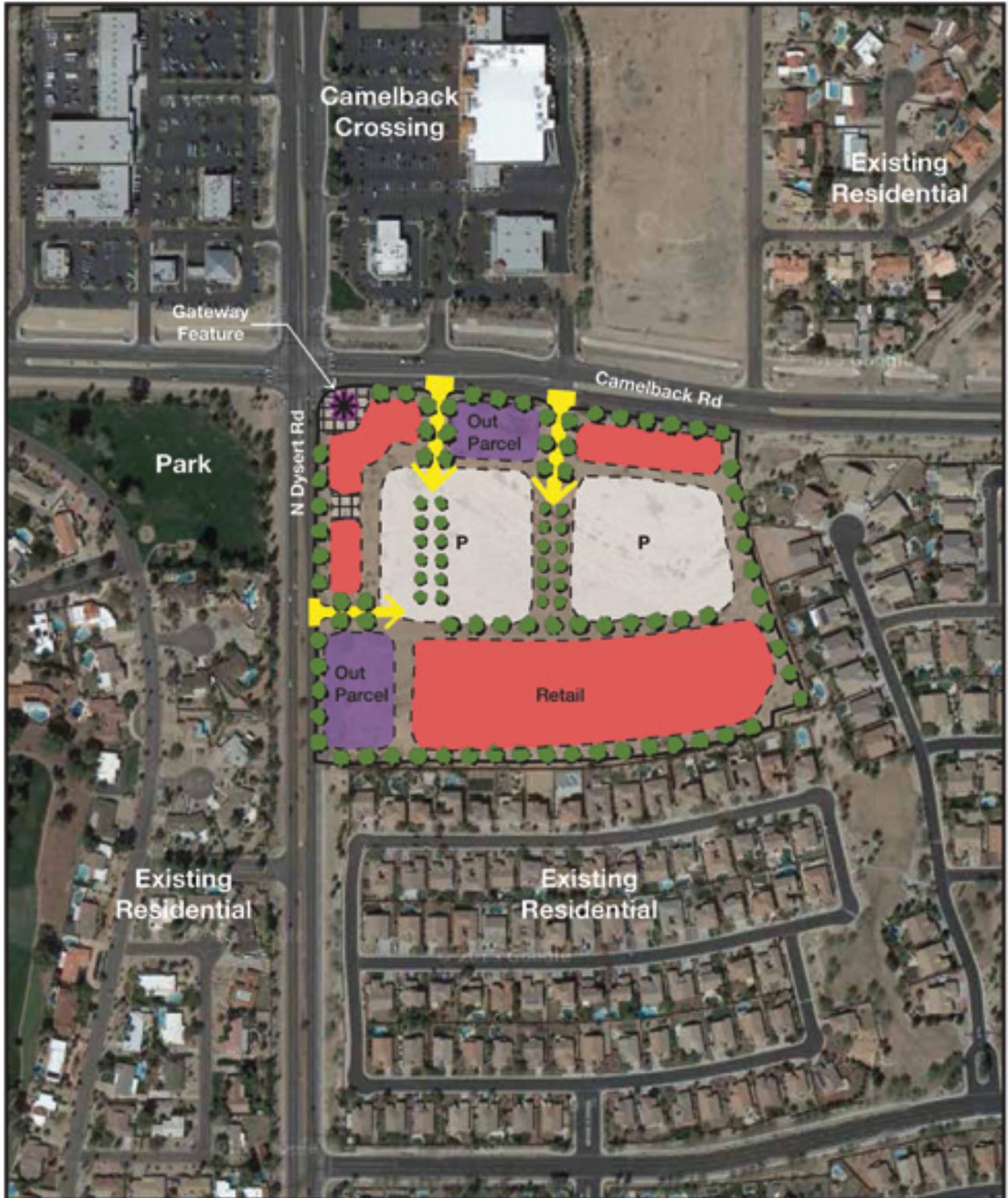
- Key:**
- Retail
 - Residential
 - Mixed-Use (Office/Residential over retail)
 - P Parking
 - Proposed Streets



 Carl A Worthington & Associates, LLC

APPROXIMATE SITE AREA DEDICATED TO RETAIL & MIXED-USE: 30.0 ACRES
 APPROXIMATE SITE AREA DEDICATED TO RESIDENTIAL: 43.0 ACRES

Site 5: 20 Acres



- Key:**
- Retail
 - Proposed Streets
 - Out Parcels (1.4 acres)
 - P Parking

Carl A Worthington & Associates, LLC

DEFINITIONS

The following terms may be used in this report. These definitions are based on industry standards refined by J. Richard Hill & Co. The U.S. Department of Commerce, the Urban Land Institute and the National Research Bureau served as the principal references for many of the definitions.

Annual Average Daily Traffic (AADT) – Denotes a measure used primarily in transportation planning and transportation engineering. It refers to the total volume of vehicle traffic on a highway or road for a year divided by 365 days. AADT is a useful and simple measurement of a road’s activity. It is sometimes incorrectly reported as “average annual daily traffic.”

“All Shopping Center” Sales – Denotes the “GAFO” plus the non-GAFO merchandise sold in food stores, hardware stores, eating and drinking establishments, and drug stores. Together, GAFO and non-GAFO merchandise constitute the full basket of merchandise found at shopping centers of any size.

Capture Rate – Denotes the percentage of total retail sales that a shopping center captures from a trade area.

Census of Retail Trade – The census is part of the 2012 Economic Census and includes economic data collected from all establishments primarily engaged in selling merchandise for personal or household consumption and in rendering services incidental to the sale of the goods. Information found in the Census of Retail Trade is based on reported sales from each establishment and is tabulated by State, County and Metropolitan

Statistical Area (MSA) and by City. J. Richard Hill & Co. uses the Census of Retail Trade primarily to determine total retail purchases as a percent of household income and to determine the allocation of total retail sales by merchandise category.

Common Area – Denotes the total area within a shopping center that is not designed to rent to tenants and is available for common use by all tenants or by a group of tenants and adjacent stores.

Common Area Expense (CAM) – Denotes expenses associated with the operations of the common areas of the Shopping Center. Common area expenses do not include tenant trash pick-up, however, because that is not a common area expense but an expense directly associated with a tenant. The cost of trash removal from the common areas is a CAM expense. The cost of tenant trash removal is recovered from individual tenant trash charges, which are separate from CAM charges.

Community Shopping Center – Denotes a shopping center that provides a moderate range of apparel, hard line goods, convenience goods (such as food, drugs, sundries), and personal services (such as dry cleaning and hair care). The center is built around a junior department store, discount store, or a variety store as the major tenant, in addition to a grocery store. The overall size of a community center ranges from 100,000 square feet of gross leasable area to 450,000 square feet of gross leasable area.

Comparison Retail Sales Potential – Denotes the anticipated level of comparison sales (analogous to GAFO sales) generated by market-area residents.

Comparison-Type Stores – Denotes general merchandise, apparel, home furnishings (including furniture, electronics, linens, etc.) and other miscellaneous merchandise stores such as those that sell books, stationery, jewelry and sporting goods. Customers of these store types typically make large purchases and will often travel some distance to obtain a wide selection of goods. These customers compare value and price, hence the name “comparison-type stores.” Comparison-type stores can be contrasted to convenience-type stores, such as food and drugstores, where convenience to place of residence is often the primary concern for consumers.

Consumer Expenditure Survey – Denotes a program that consists of two surveys, the Quarterly Interview Survey and the Diary Survey, that provide information on the buying habits of American consumers, including data on their expenditures, income and consumer unit (families and single consumers) characteristics. The survey data is collected for the Bureau of Labor Statistics by the U.S. Census Bureau.

The CE is important because it is the only federal survey to provide information on the complete range of consumers’ expenditures and incomes, as well as on the characteristics of those consumers. It is used by economic policymakers examining the impact of policy changes on economic groups, by businesses and academic researchers studying consumers’ spending habits and trends, by other federal agencies, and, perhaps most importantly, it is used to regularly revise the Consumer Price

Index market basket of goods and services and their relative importance.

The most recent data tables are for 2011 and were made available on September 25, 2012.

Consumer Unit – Comprises either: (1) all members of a particular household related by blood, marriage, adoption, or other legal arrangements; (2) a person living alone or sharing a household with others or living as a roomer in a private home or lodging house or in permanent living quarters in a hotel or motel, but who is financially independent; or (3) two or more persons living together who use their income to make joint expenditure decisions. Financial independence is determined by the three major expense categories: housing, food, and other living expenses. To be considered financially independent, at least two of the three major expense categories have to be provided entirely, or in part, by the respondent.

Critical Mass – Denotes a planning/retail concept that refers to the overall market impact of a shopping center. The larger the shopping center, the greater the likelihood that the center can dominate (in terms of sales) a sector of a market area. In addition, a center with critical mass rates high in “top-of-mind” awareness with shoppers because the size and market power of the center is required throughout a metro area.

Department Store-Type Merchandise (DSTM) – Denotes merchandise grouped together from various government categories for retail outlets including general merchandise stores (such as

department stores), apparel stores, furniture and appliances stores and other miscellaneous retail stores.

DSTM comprises the full sales potential of the first three categories but includes only those portions of the miscellaneous category where the merchandise may be commonly found in department stores. Thus, the denotation, department store-type merchandise.

Discount Center – Denotes a shopping center in which a discount or mass merchandising store, such as Kmart, Wal-Mart or Target, is the major tenant in the development, with additional retail space consisting of smaller retail tenants and/or a supermarket.

Effective Regional Shopping Center Retail Potential – Denotes the portion of regional shopping center expenditures that will be made by customers in close proximity to their place of residence. To arrive at effective retail potential, the regional shopping center potential is reduced by a percentage to reflect expenditures made while at the work place and expenditures made while traveling and vacationing away from home.

Effective Rent – Denotes the sum of minimum rent and percentage rent paid by a tenant in a calendar or lease year.

Entertainment – Denotes expenditures representing a broad base of entertainment activities and products under the entertainment category, including fees for participant sports; admissions to sporting events, movies, concerts, and plays; memberships to health, swimming, tennis, and country clubs; fees for other social,

recreational, and fraternal organizations; recreational lessons or instruction; movie rentals; and recreation expenses on trips. Also included in this category are television sets, video recorders, video cassettes, tapes, discs, disc players, video game hardware, video game cartridges, cable TV, radios, phonographs, tape recorders and players, sound components, records, compact discs, and tapes (including records, compact discs, and tapes purchased through mail order clubs), musical instruments, and rental and repair of TV and sound equipment; pets, pet food, pet services, veterinary expenses, etc.; toys, games, hobbies, and tricycles; playground equipment; indoor exercise equipment, athletic shoes, bicycles, trailers, purchase and rental of motorized campers and other recreational vehicles, camping equipment, hunting and fishing equipment, sports equipment (winter, water, and other), boats, boat motors and boat trailers, rental of boats, landing and docking fees, rental and repair of sports equipment, photographic equipment and supplies (film and film processing), photographer fees, repair and rental of photo equipment, fireworks, and pinball and electronic video games.

Factory Outlet Mall – Denotes a shopping center consisting of manufacturer's retail outlet stores owned and operated for the most part by manufacturers. Factory outlet stores of the past were typically found at the factory site and sold first and second quality as well as irregular merchandise. Today's factory outlet stores are typically part of an open-air shopping center that leases primarily to manufacturers' retail outlet stores. Such shopping centers are usually located in non-metropolitan tourist destinations or midway

between two major metropolitan areas. The goods offered by the stores are often first quality and are generally no more than one year of selling seasons behind the current year.

Fashion-Oriented Center – Denotes a shopping center comprised of a concentration of apparel shops, boutiques and specialty stores carrying high quality, selected merchandise at upper price points. A fashion-oriented center may include one or more small specialty department stores and/or gourmet food or food service stores.

GAFO Sales – Denotes retail sales reported from General merchandise stores (including department stores), discount or mass merchandising stores, national department store chains, variety stores, warehouse clubs, catalog showrooms; Apparel and accessory stores (including shoes, lingerie, hosiery, costume jewelry, gloves, handbags, and children's furnishings as an incidental part of a children's clothing store); Furniture and home furnishings stores (including floor covering, drapery, appliances, electronic stores, computer stores, and music stores); and certain Other miscellaneous retail stores such as sporting goods, book stores, stationery stores, jewelry stores, toys and hobby stores, camera stores, luggage, and gift stores.

Gasoline Stations – Denotes industries that retail automotive fuels (e.g., gasoline, diesel fuel, gasohol) and automotive oils or that retail these products in combination with convenience store items. These establishments have specialized equipment for the storage and dispensing of automotive fuels.

General Merchandise Stores – Denotes a category of stores under the Standard Industrial Classification (SIC) system. This major group includes retail stores selling multiple lines of merchandise, such as dry goods, apparel and accessories, furniture and home furnishings, small wares, hardware (excluding home improvement merchandise), and food. The stores included in this category are known as department stores, variety stores, general merchandise stores, catalog showrooms, warehouse clubs and general stores. Stores selling used general merchandise and those selling by vending machines or by direct selling methods are excluded from this category.

Gross Building Area (GBA) – Denotes the total square footage of a shopping center under a roof. Essentially, this is the entire building area, including enclosed common areas.

Gross Leasable Area (GLA) – Denotes the total floor area (expressed in square feet) for the occupancy and exclusive use of tenants to include any basements, mezzanines or upper floors. Gross leasable area is the area available for rent.

This report uses gross leasable area as a unit of comparison in shopping center size, desirability of space (expressed in rent) and shopping center performance (expressed as a ratio to sales).

Inflation – Denotes a measurement by the Consumer Price Index that reflects changing prices and a corresponding change in the value of a dollar. For example, items that would have cost \$100 in 1983 cost about \$147 by 1993 – a 47% inflation in prices. Thus, \$100 was not the same in 1993 as it was in 1983.

Inflation is not a measure of income change, but the two are related. Some income sources (such as Social Security and some union contracts) are indexed by inflation, and workers typically require and demand more pay to cover the increased costs of living. Although income tends to follow inflation, it does not move at the same rate.

There are periods when income growth outpaces inflation, and periods when it lags behind. These income changes relative to inflation are referred to as real income growth.

Inflow Sales – Denotes sales that flow into a market area by visitors who do not live in a defined market or trade area. These sales may include sales generated by consumers who reside outside a market but who make day trips into the market area, daytime workers who do not live in the trade area, or tourist and students who only temporarily reside in a trade area.

Market Area – Denotes the largest geographic region from which commercial users at the Litchfield Park site can potentially attract retail sales. Separate market areas have been defined for regional malls serving commercial users and local malls serving commercial users.

Mass Merchandisers – Denotes a classification of stores, similar to discount department stores, with a merchandising strategy consisting of high-volume and fast turnover and involving a variety of merchandise at less than conventional prices.

Merchandising Mix – Denotes the mix of merchants or the combination of merchants found in a shopping center.

Merchandising Plan – Denotes a written or illustrative plan that identifies the projected merchandising mix of a shopping center. The plan usually establishes the types of uses projected for a center, as opposed to a leasing plan, which spells out specific tenants, their size and store location.

Mean or Average – Denotes a measure of central tendency computed by adding all the values in a range of items or cases and dividing by the sum of the number of items in the range.

Median – Denotes a measure of central tendency defined by the value of the item or case midway in a series of items or cases ranked in order of magnitude. Half the individual items in the series are above the median value and half the values are below the median value.

Minimum Rent – Denotes the fixed annual minimum rent paid to a landlord. This amount does not include extra charges or percentage rent, which are part of the total rent. In Arizona, minimum rents are typically quoted on a monthly basis (e.g., a reported minimum rent of \$2.00 per square foot is equal to an annual minimum rent of \$24.00 per square foot). J. Richard Hill & Co. believes that this practice has been driven by the brokerage industry and that it distorts an otherwise accurate picture of retail economics.

Because of the seasonality of retail sales, retailers primarily track sales on an annual basis. Likewise, developers convert total development costs to a cost per square foot to allow annual rents per

square foot to be compared to the cost. Sustainable rent is a factor of sales: therefore, annual sales per square foot are typically compared to annual rent per square foot and development cost per square foot.

Metropolitan Statistical Areas (MSAs) – Denotes a large population nucleus and the adjacent communities that have a high degree of economic and social integration with that nucleus.

Neighborhood Shopping Center – Denotes the industry’s smallest size class for shopping centers. Neighborhood shopping centers offer a limited range of conveniences and goods, including drug stores and other personal services, and are built around a supermarket as the major tenant. The overall size of a neighborhood center ranges from 30,000 square feet of gross leasable area to 150,000 square feet of gross leasable area.

Non-DSTM – Denotes the retail sales obtained by stores that do not carry merchandise primarily found in department stores. Items related to this category include hardware, food, drug, photo developing and service station dealers. Typically, a regional mall will obtain only 10 percent of its sales from non-DTSM sales.

Occupancy Costs – Denotes the total cost of all rent paid to a landlord annually and is expressed as a percent of total sales realized annually. Total rent includes minimum rent, percentage rent and pass through operating charges, excluding marketing contributions and basic utility charges.

Off-price – Denotes a pricing structure used by discount retailers to promote the sale of name-brand merchandise. An off-price retailer generally

marks down the price of a good prior to placing it on sale to the public.

Performing Arts – Denotes industries in the performing arts, spectator sports, and related industries subsector group and establishments that produce or organize and promote live presentations involving the performances of actors and actresses, singers, dancers, musical groups and artists, athletes, and other entertainers, including independent (i.e., freelance) entertainers and the establishments that manage their careers. The classification recognizes four basic processes: (1) producing (i.e., presenting) events; (2) organizing, managing, and/or promoting events; (3) managing and representing entertainers; and (4) providing the artistic, creative, and technical skills necessary to the production of these live events. The subsector also contains four industries for performing arts companies. Each is defined on the basis of the particular skills of the entertainers involved in the presentations.

Power Center – Denotes a shopping center consisting of several retail stores that are classification dominant with relatively few small stores. These open-air centers are typically configured in a strip environment typically with a GLA of at least 300,000 square feet.

Regional Shopping Center – Denotes a shopping center providing a reasonable selection in general merchandise, apparel, furniture and home furnishings as well as providing a variety of services, restaurants and other recreational facilities. It is built around two or more full line department stores of generally not less than

100,000 square feet each. The overall size of a regional center ranges from 400,000 square feet of gross leasable area to 850,000 square feet of gross leasable area.

Regional Shopping Center Potential – Denotes the share of total comparison retail sales potential expected to be captured by regional shopping center tenants located in shopping centers of 400,000 square feet or more.

Rent to Sales Ratios – Denotes the ratio of total rent paid by a tenant to the total sales of a store (i.e., rent divided by sales).

Retail Continuity – Denotes a term developed by J. Richard Hill & Co. and used to define the continuity of a shopping center’s merchant mix. A center with retail continuity is one in which the uses and offerings of the merchants are consistent in offer and presentation and across shopping trips and lifestyles.

Retail Gravity Model – Denotes a forecasting tool following Newton’s law of gravity describing the premise that the probability that a given customer will shop in a particular shopping center is directly related to the size of the center and the distance or travel time from the shopper. Essentially, the larger the shopping center and the shorter the distance a consumer has to travel, the greater the probability of the consumer shopping at the center.

Retail Stores – Denotes fixed point-of-sale locations situated and designed to attract a high volume of walk-in customers. In general, retail stores have extensive displays of merchandise and use mass-media advertising to attract customers.

They typically sell merchandise to the general public for personal or household consumption, but some also serve business and institutional clients. In addition to retailing merchandise, some types of store retailers are also engaged in the provision of after-sales services, such as repair and installation.

Non-store retailers – Like store retailers, non-store retailers are organized to serve the general public, but their retailing methods differ. The establishments of non-store retailers reach customers and market merchandise with methods such as the broadcasting of infomercials, the broadcasting and publishing of direct-response advertising, the publishing of paper and electronic catalogs, door-to-door solicitation, in-home demonstration, selling from portable stalls (street vendors, except food), and distribution through vending machines.

Sales Per Square Foot – Denotes total sales generated by a shopping center divided by the gross leasable area of the shopping center.

Shopping Center – Denotes a group of architecturally unified commercial establishments built on a site that is planned, developed, owned and managed as an operating unit related in its location, size and type of shops to the trade area served by the unit. The unit provides on-site parking in definite relationship to the types and total size of the stores. The database attempts to include all centers with three or more stores. Estimates are based on a sample of data available on shopping center properties.

Shopping Center Inclined Sales – Denotes retail sales registered by GAFO stores, convenience stores (food and drug), plus building materials and home supply stores (hardware, home improvement and lumber).

Stabilization – Refers to the year in which the retail center is firmly established in the market area and reaches 100% of its sales potential and an attainable minimum occupancy of 95%. Stabilization normally occurs three to four years after opening for a new center and two years after a redevelopment.

The North American Industry Classification System (NAICS) – NAICS (pronounced nakes) was developed under the direction and guidance of the U.S. Office of Management and Budget (OMB) as the standard for use by federal statistical agencies in classifying business establishments for the collection, tabulation, presentation and analysis of statistical data describing the U.S. economy. Use of the standard provides uniformity and comparability in the presentation of these statistical data. NAICS is based on a production-oriented concept, meaning that it groups establishments into industries according to similarities in the processes used to produce goods or services. NAICS replaced the SIC system in 1997.

J. Richard Hill & Co. primarily focuses on NAICS codes starting in the 44 and 45 classifications which consist of establishments primarily engaged in selling merchandise for personal or household consumption and in rendering services incidental to the sale of goods. Exceptions to this general rule are lumberyards, paint, glass and wallpaper stores, typewriter stores, stationery stores, and gasoline

stations, all which sell to both the general public (for personal household consumption) and to businesses. These types of stores are included in retail trade even if a higher proportion of their sales are made to other businesses than to the general public.

Supercenter – Denotes a large store, with 150,000 to 300,000 square feet, consisting of a combination of general merchandise and grocery goods. **Super-regional Shopping Center** – Denotes the shopping center industry's largest class, which provides for extensive variety in general merchandise, apparel, furniture and home furnishings as well as an extensive variety of services to include restaurant and recreational facilities. The center is built around three or more full line department stores of generally not less than 100,000 square feet each. The overall size of a super-regional center ranges from 800,000 square feet of gross leasable area to 2,000,000 square feet of gross leasable area.

Total Rent – Denotes the income received from all tenants in a real estate property for their leased space to include the annual guaranteed minimum rent, percentage rent, operating expense recovery and any other items paid to the landlord for the occupancy of the premises.

Trade Area – Denotes the specific geographic area from which the majority of support for any retail center is generated. The J. Richard Hill & Co. retail allocation model is used to identify the trade area for a regional mall, which is defined within those census tracts in which 80% to 90% of sales are generated.

Traditional Regional Mall – Denotes a shopping center comprised of a wide variety of apparel and other soft goods stores, hard goods stores and various food and restaurant operators carrying merchandise ranging from below average to above average in quality and price. A traditional regional mall includes two or more department stores as anchor stores.

Unique Destination Center – Denotes a shopping center with unique attributes that are not typically found in other shopping centers. A unique destination center emphasizes the merchant mix, the retail continuity, and the quantity of merchants in a particular classification, price point, or lifestyle focus.

Upper Docile – Denotes a value (in terms of percentage) representing the top 10% of the tenants or shopping centers.

Value Shopping Center – Denotes a shopping center, of at least the same class size as a community shopping center, that combines different kinds of value-priced goods sold by manufacturers' outlet stores, retail clearance stores, category or classification dominant stores, and off-price stores. In an enclosed mall, the anchor store mix does not include traditional department stores. The typical anchor mix includes manufacturer's outlet stores, department store clearance stores and category dominant stores.

Warehouse-Type Stores – Denotes large (up to 150,000 square feet) retail operations housed in warehouse-type buildings (often with open ceilings). These stores, while offering a wide variety of goods at low prices, often have a limited range of brands from which to choose. These stores are also characterized by minimal service and have typically been “cash and carry” operations.

Litchfield Park History

The town of Litchfield Park was named for town founder, Paul W. Litchfield, a Goodyear Tire Rubber Company executive who formed a subsidiary called The Southwest Cotton Company headquartered in 1917 Phoenix to acquire, cultivate and develop 36,000 acres of land to grow cotton in the Salt River Valley area of Arizona, including 5,000 acres known as Litchfield Ranch near the present site of Litchfield Park.

Litchfield's vision was to create more than an agriculture community. He directed the development of a town plan that included streets lined with palm and ornamental orange trees, parks and public amenities.

The Organization House was originally developed in 1918-1919 to provide overnight accommodations for six people including Goodyear Company executives and company suppliers. On Thanksgiving Day in 1929, the renamed Wigwam Resort opened to the public with a capacity to house 24 guests. A nine-hole golf course was opened in 1930, which expanded to 18 holes in 1941.

The actual name "Litchfield Park" was adopted in 1926 by the U.S Postal Service. The present interdenominational "Church at Litchfield Park" was funded by Goodyear, and ground was broken for the church on September 10, 1939. The church was company-owned until 1972 when it was deeded over to the congregation. Paul Litchfield played a major role in the design of the sanctuary, which is patterned after an early mission. The bell for the tower was brought from San Diego by Mr. Litchfield.

In 1926, Litchfield went on to become the president of the Goodyear-Zeppelin Corporation, Mr. Litchfield retired from the Goodyear Tire Rubber Company in October of 1958 and died on March 18, 1959.

In 1964, Goodyear created Litchfield Park Land and Development Company to expand Litchfield Park into a community with 90,000 residents. The master plan created by famed urban planner and mall architect Victor Gruen, called for 25,000 homes, a college, a junior college, 18 elementary schools, 10 junior high schools, six high schools, and improvements to the town's golf course and harness track with a projected cost of \$750,000,000. The plans were never realized, and Goodyear eventually sold their land holdings.



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