Phoenix retail market report

Q1 2022

AVISON YOUNG

Retail market trends

01

Strong market fundamentals continue to improve

The direct vacancy rate for retail properties declined to 6.9%, the lowest rate since Q4 2007. Total available space also declined to the lowest level in over a decade.

Our take on this trend…

Demand for retail space is simply outstripping supply. This is the most evident in the submarket clusters in West Phoenix, Northwest Phoenix, and Scottsdale where total vacancy rates are 5.1% or lower.

02

Construction activity is highly concentrated in two submarkets

Ongoing construction activity totaled 652,586 sf at the end of the first quarter. West Phoenix and the East Valley contained 500,291 sf of the total construction projects or 76.7%.

Our take on this trend…

The submarkets in the East Valley and West Phoenix have the first and third most retail space in the Phoenix region respectively, and both submarket clusters recorded positive net absorption in Q1. While demand for retail space is also high in Scottsdale, there is no ongoing construction projects due to a lack of available space.

03

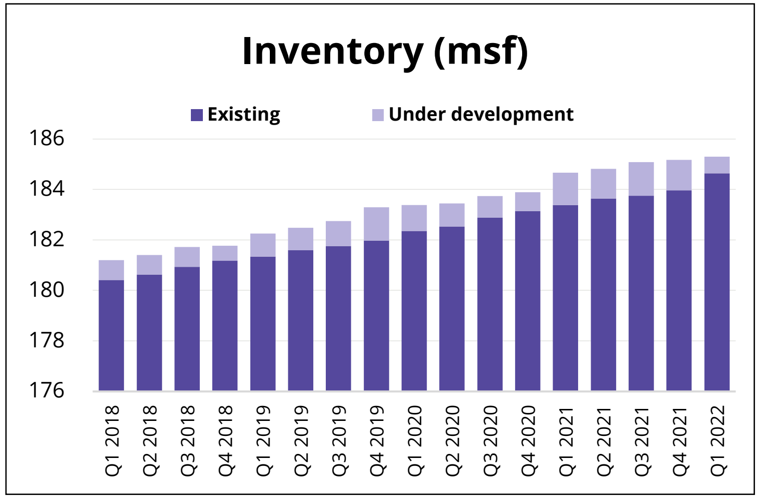
Capital markets should remain active in 2022

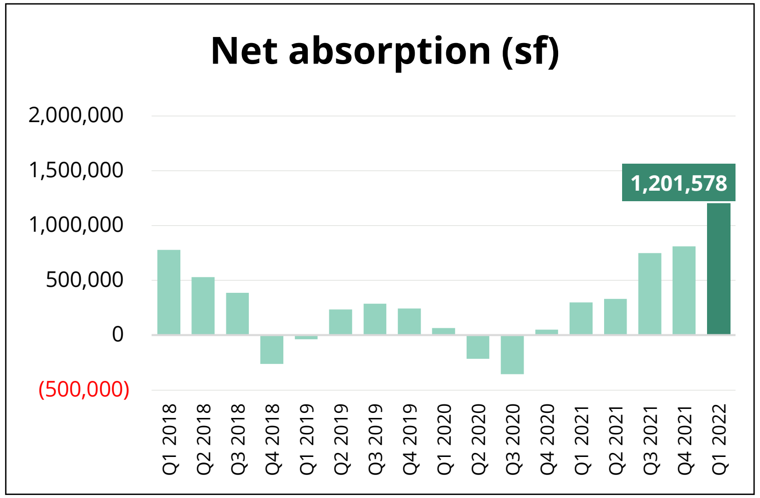
Total sales volume in Q4 2021 came in at approximately $587.6M, which was the highest sales volume since Q4 2015. Sales volume in Q1 2022 came in at $313.6M, which is the highest first quarter sales volume since Q1 2016.

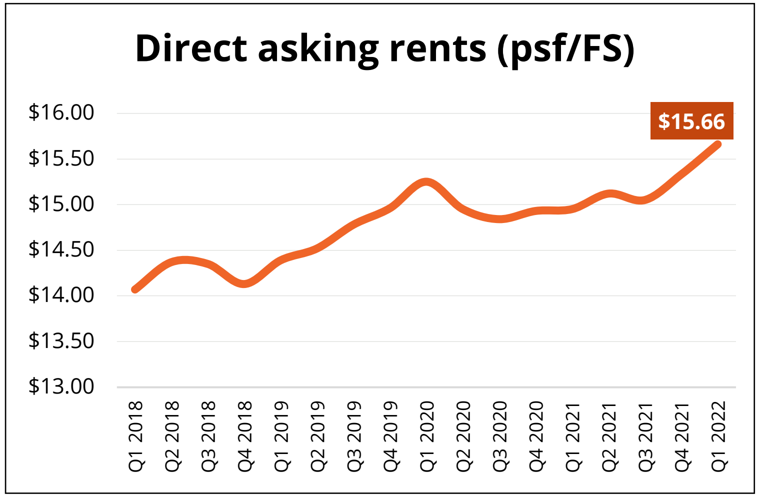
Our take on this trend…

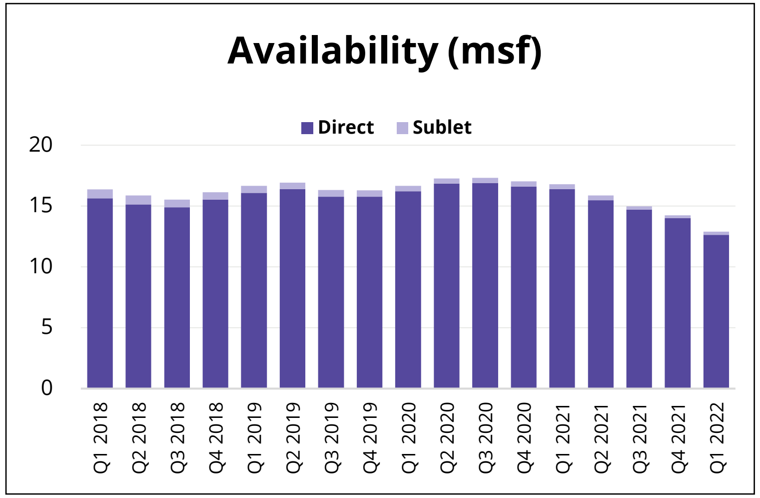
Investors are looking to enter the Phoenix retail market despite rising asset prices. Some of this increased activity can be attributed to Californians relocating to Phoenix in search of a more business friendly environment.

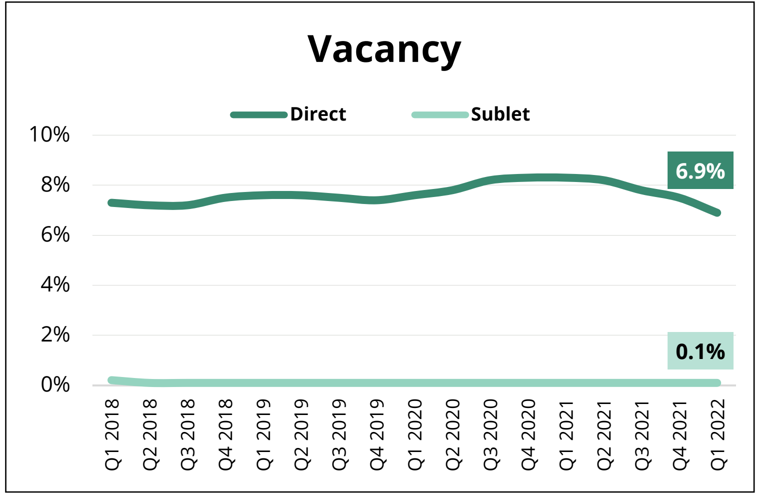
Retail market indicators

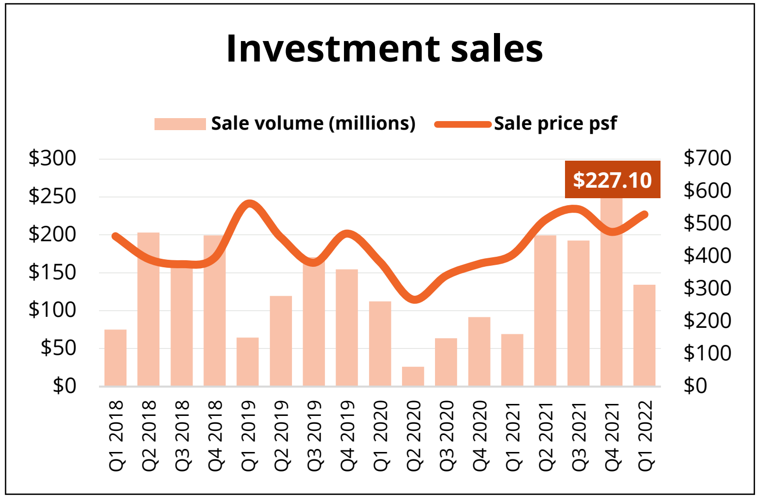












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Retail market activity

Recent leasing activity

Tenant Name	Address	City	Sign Date	Size (sf)	Transaction Type	Lease Type	Rent
Chick-Fil-A	SEC 7th Ave & Roosevelt	Phoenix	Mar 2022	30,000	New	Direct	-
Unknown Tenant	1120 S 16th St	Phoenix	Jan 2022	27,250	New	Direct	$9.00 NNN
Waba Hair Supply	1401 – 1449 W Southern Ave	Tempe	Jan 2022	14,065	New	Direct	-
Antique Plaza LLC	903 – 933 E Main St	Mesa	Mar 2022	9,200	New	Direct	$10.00 MG
Infinity Fitness	8698 E Raintree Dr	Scottsdale	Feb 2022	8,331	New	Direct	$18.00 NNN

Recent sales activity

Buyer	Address	City	Sale Date	Sale Price	Size (sf)	Sale Price (psf)	Seller
James Leonora	28320 N Tatum Blvd	Phoenix	Mar 2022	$21,950,000	69,755	$315	Scottsdale Dev Partners
Caliber Cos	14987 N Northsight Blvd	Scottsdale	Jan 2022	$21,100,000	111,553	$189	Louis G Miller
Armstrong Capital Dev	5130 W Baseline Rd	Phoenix	Mar 2022	$20,600,000	39,763	$518	Crow Holdings
Realty Income Corp	15255 N Northsight Blvd	Scottsdale	Mar 2022	$18,034,160	129,466	$139	At Home
Norman Cienega Prop Group	5091 S Gilbert Rd	Chandler	Mar 2022	$17,354,000	26,000	$667	Simon CRE

Notable construction projects

Owner	Address	City	Est. Delivery	Size (sf)	Spec/BTS	Asking Rent	Tenant
Remington Nevada	1765 E Williams Field Rd	Gilbert	Q4 2022	50,000	BTS	$12.75 NNN	Urban Air Adventure Park
D.L. Meyers	NWC Ellsworth Rd & Riggs Rd	Queen Creek	Q2 2022	38,000	BTS	-	EOS Fitness
WJC LLC	Main St & Dobson Rd	Mesa	Q3 2022	32,670	Spec	-	Multiple
Sukkar Ventures Tolleson LLC	N 99th Ave & Van Buren Rd	Tolleson	Q2 2022	32,000	Spec	-	Multiple

Retail market stats

By Submarket Cluster	Inventory (sf)	Vacancy	1Q Absorption (sf)	1Q Absorption (%)	Under Construction (sf)	Available Direct (sf)	Average Asking Rent
Airport Area	3,460,690	7.40%	-1,185	-0.03%	-	213,343	$15.09
Downtown Phoenix	5,079,021	6.10%	16,473	0.32%	-	303,544	$16.91
East Valley	63,429,182	7.10%	259,546	0.41%	320,264	4,682,090	$15.11
Outlying Maricopa County	375,717	1.60%	-	-	-	5,841	-
N Phoenix	32,009,103	10.10%	482,277	1.51%	72,000	2,984,469	$13.43
N Scottsdale	14,253,190	5.60%	15,786	0.11%	-	660,914	$21.27
NW Phoenix	17,436,306	4.90%	1,440	0.01%	15,000	770,735	$16.30
Outlying Pinal County	7,541,391	10.50%	120,255	1.59%	65,295	822,638	$12.96
Scottsdale	15,983,581	5.10%	67,233	0.42%	-	806,052	$23.40
South Mountain	5,571,776	7.80%	27,426	0.49%	-	306,779	$16.94
W Phoenix	19,501,551	4.70%	208,407	1.07%	180,027	1,067,485	$15.79
Market Total	**184,641,509**	**7.00%**	**1,197,658**	**0.65%**	**652,586**	**12,623,890**	**$15.66**

By Class	Inventory (sf)	Vacancy	1Q Absorption (sf)	1Q Absorption (%)	Under Construction (sf)	Available Direct (sf)	Average Asking Rent
Class A	32,293,320	3.80%	82,208	0.25%	50,000	1,319,431	$17.38
Class B	116,286,185	8.00%	705,770	0.61%	582,863	8,448,151	$16.95
Class C	36,062,004	6.90%	409,680	1.14%	19,723	2,856,308	$13.00
Market Total	**184,641,509**	**7.00%**	**1,197,658**	**0.65%**	**652,586**	**12,623,890**	**$15.66**

Retail quarterly deliveries

143 properties

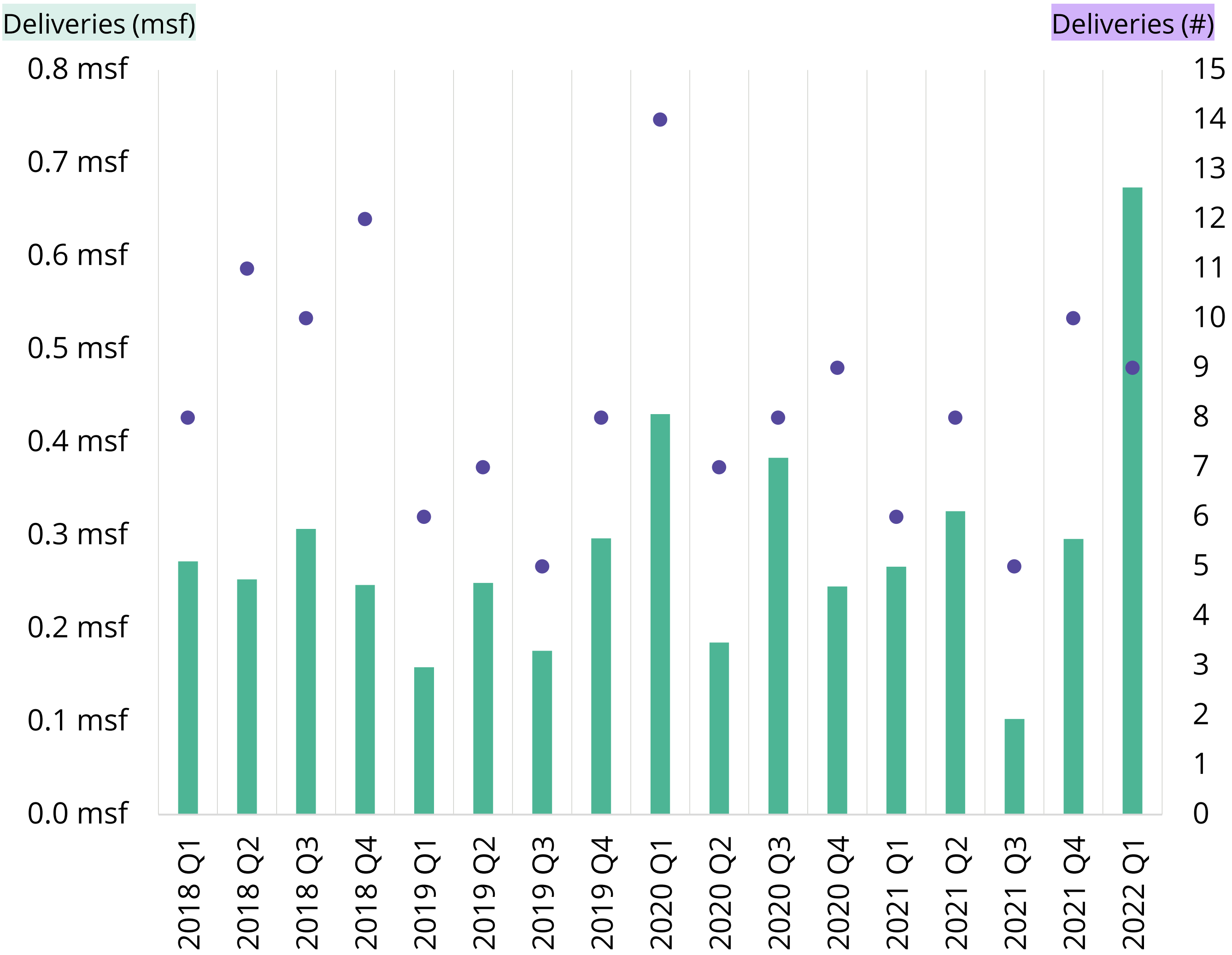
Delivered since 2018

4.9 msf

Retail space added since 2018

673,967 sf

Retail space delivered in Q1 2022



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Retail leasing activity

1.2 msf

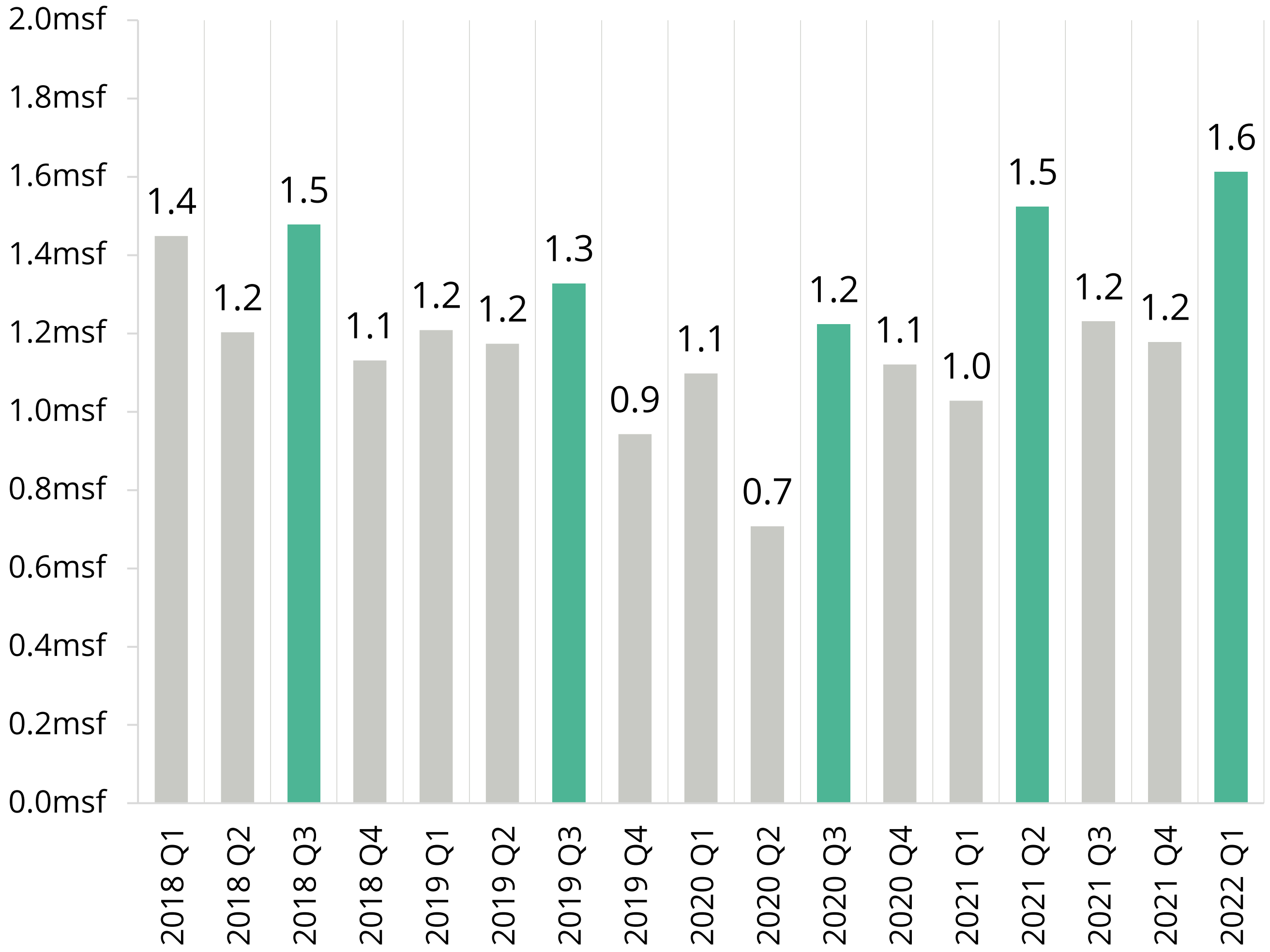
Average quarterly leasing activity since 2018

+32.8%

Q2 leasing activity above quarterly average

20.6 msf

Total retail space leased since 2018



Green highlight represents quarter with highest leasing activity each year

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Net absorption as a share of inventory

5.1 msf

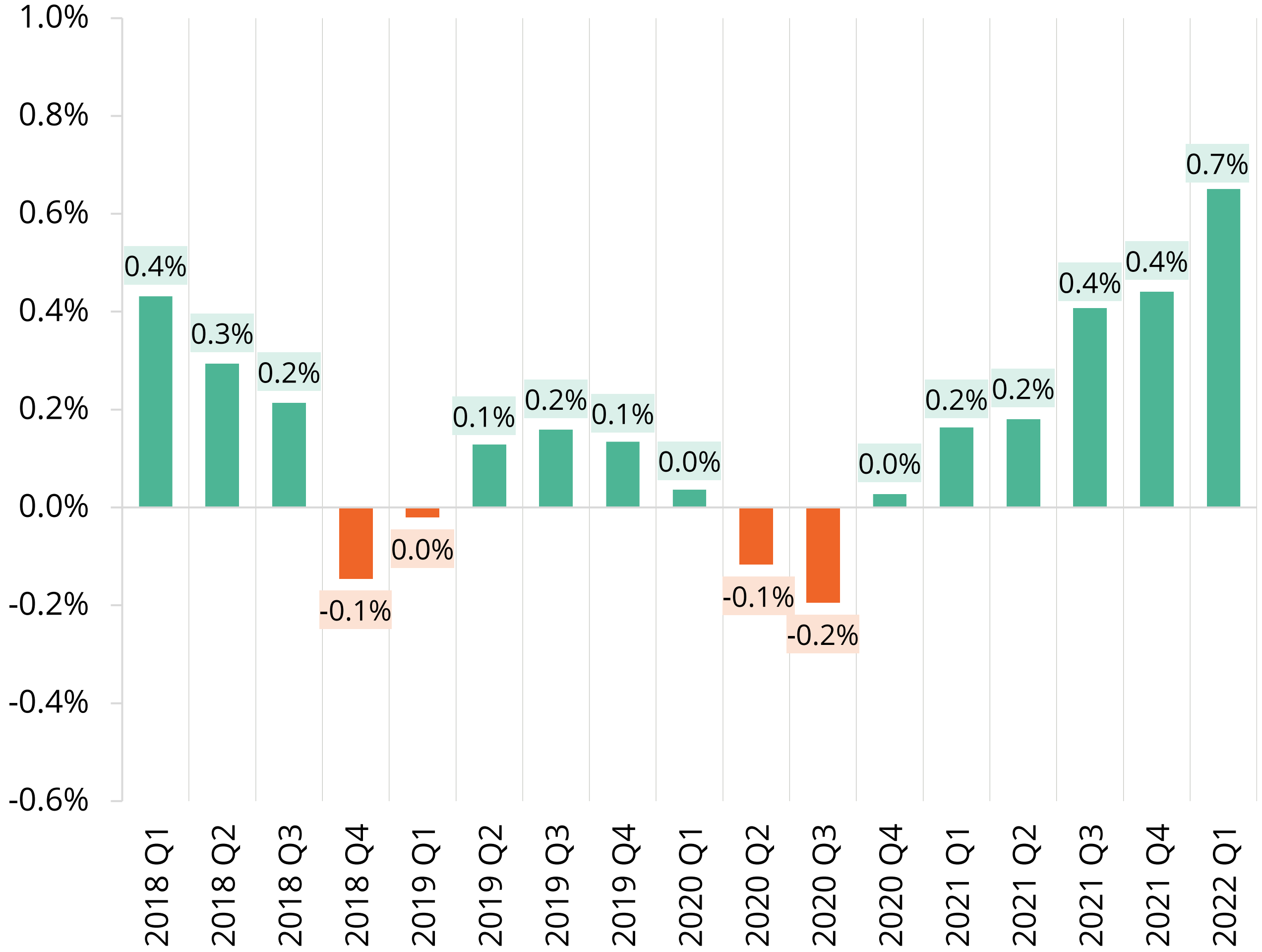
Total net absorption since 2018

0.7%

Q2 2022 net absorption as % of inventory

6 consecutive quarters

Positive net absorption recorded



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For more market insights and information visit **avisonyoung.com**

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