Phoenix retail market report

Q2 2022

AVISON YOUNG

Retail market trends

01

Capital market pricing approaches all-time high

The average retail transaction in the quarter was priced at $232.28 psf, the highest price psf since Q1 2019 when the average was $241.24. Total investment volume in Q2 2022 was $434.8 million, compared to $150.6 million in Q1 2019.

Our take on this trend…

Numerous class A retail sales lead the way to a higher average sales price than in recent quarters. Examples include the sale of the Safeway at Vistancia Marketplace which sold in excess of $700 psf, along with two other properties in Scottsdale that were also priced at more than $700 psf.

02

Power center in Surprise leads the way for upcoming deliveries

The Village at Prasada shopping center is set to become the first power center opened on the West Coast in over a decade. The 700,000-sf retail development is nearly fully leased ahead of its delivery in the second half of 2022.

Our take on this trend…

Pre-leasing demand has been so strong at the Village at Prasada that similar sized regional power center developments/marketplaces are now planned in Verrado (Buckeye), East Mesa and Laveen in the coming few years. Landlords have been able to find tenants willing to pay more than $50 psf in some instances, exemplifying the desire for premium retail space in the Phoenix market.

03

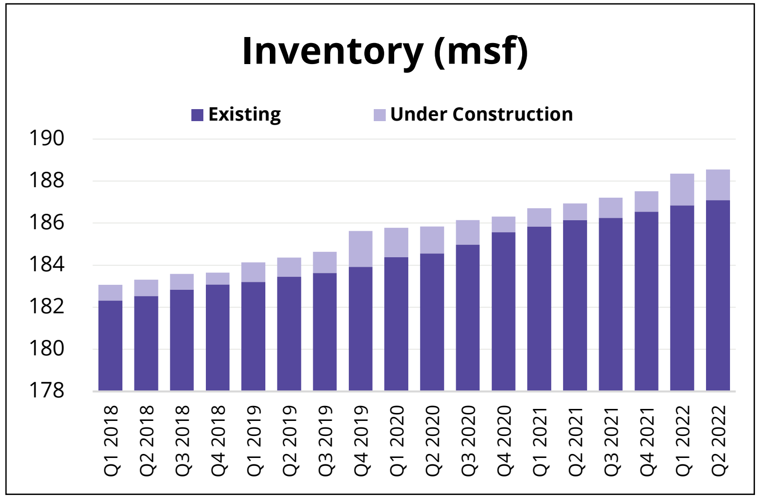
Available retail space continues to decline

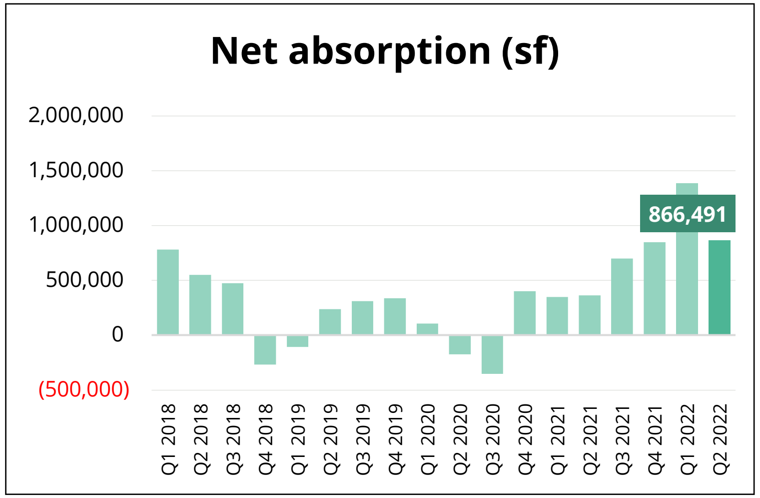
Total available space declined for the 7th consecutive quarter, down to 12,369,320 sf at the end of Q2. The total vacancy rate declined to 6.6% in the quarter, with less than 160,000 sf in vacant sublet space available across the valley.

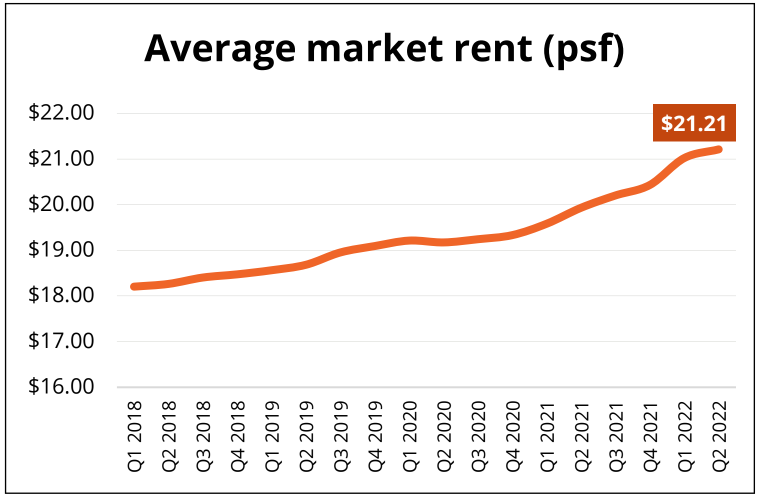
Our take on this trend…

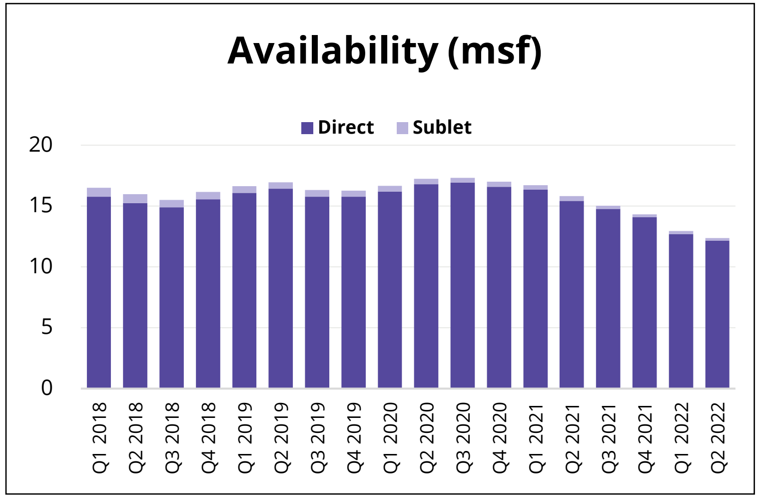
The vacancy rate for class A retail space was just 3.5%, compared to the overall market vacancy rate of 6.6%. Vacancy rates have not been this low since Q2 2007, as the market became oversupplied in the wake of the Great Financial Crisis.

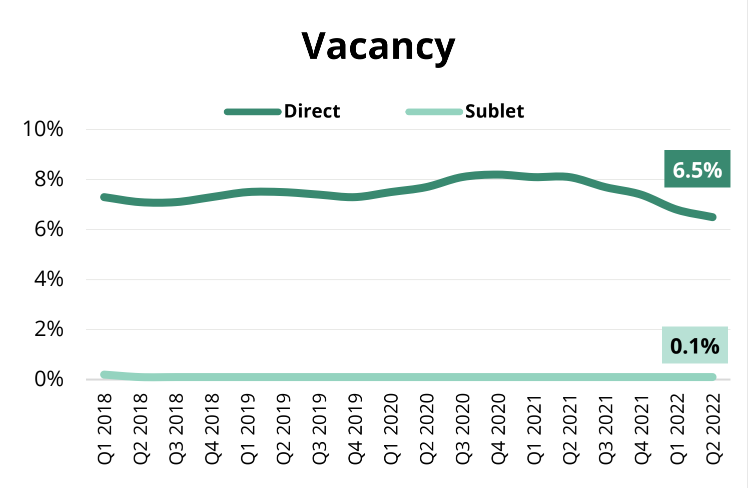
Retail market indicators

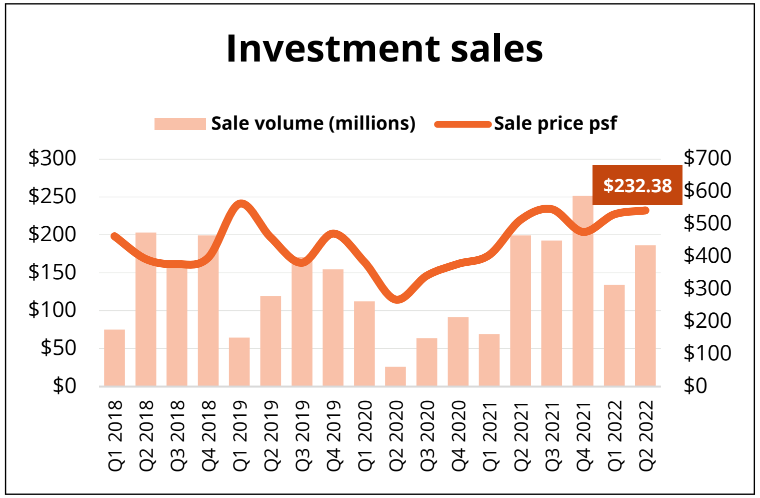












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Retail market activity

Recent leasing activity

Tenant Name	Address	City	Sign Date	Size (sf)	Transaction Type	Lease Type
EOS Fitness	9101 E Baseline Rd	Mesa	May 2022	57,809	New	Direct
EOS Fitness	3110 N Central Ave	Phoenix	May 2022	41,450	New	Direct
MIND 24/7	9675 W Camelback Rd	Phoenix	May 2022	30,104	New	Direct
Sprouts	NEC 99th Ave & McDowell Rd	Phoenix	Apr 2022	23,256	New	Direct
Burlington	W Waddell Rd	Surprise	May 2022	20,000	New	Direct

Recent sales activity

Property Name	Address	City	Sale Date	Sale Price	Size (sf)	Sale Price (psf)	Seller
Sonoran Creek Marketplace	20300 N John Wayne Pky	Maricopa	Jun 2022	$34,000,000	73,692	$461	Thompson Thrift
Mesa Shores	2048 - 2060 NE Baseline Rd	Mesa	Apr 2022	$30,300,000	110,917	$273	ACF Property Management
Arrowhead Marketplace	7942 - 8290 W Bell Rd	Glendale	Jun 2022	$22,875,000	125,737	$182	ACF Property Management
Safeway at Vistancia	28455 N Vistancia Blvd	Peoria	Apr 2022	$21,100,000	57,888	$365	Catapult Investment Group
Paradise Square	3831 – 3933 E Thunderbird Rd	Phoenix	Apr 2022	$18,500,000	98,599	$188	Manatee Investments

Notable construction projects

Property Name	Address	City	Est. Delivery	Size (sf)	Spec/BTS	Building Class	Owner
Village at Prasada	W Waddell Rd	Surprise	Q4 2022	700,000	BTS	A	SimonCRE
EOS Fitness	NWC Ellsworth Rd & Riggs Rd	Queen Creek	Q4 2022	38,000	BTS	B	D.L. Meyers
Aldi	NWC Gilbert Rd & Queen Creek	Gilbert	Q3 2022	22,152	BTS	B	Aldi
Gallery Park – Pad 4	Power Rd	Gilbert	Q4 2022	19,400	Spec	B	VIVO Partners

Retail market stats

By Submarket	Inventory (sf)	Vacancy	Q2 Absorption (sf)	Q2 Absorption (%)	Under Construction (sf)	Available Direct (sf)	Average Market Rent
Airport Area	3,435,583	6.00%	51,346	1.49%	-	222,249	$17.52
Downtown Phoenix	5,568,422	5.60%	-2,153	-0.04%	-	296,085	$20.51
East Valley	64,119,552	6.80%	162,500	0.25%	329,722	4,527,815	$20.10
Outlying Maricopa County	373,372	1.60%	-	-	-	5,841	$16.42
N Phoenix	32,189,691	9.50%	189,230	0.59%	42,000	2,846,641	$16.56
N Scottsdale	13,926,210	5.00%	77,871	0.56%	-	577,806	$25.39
NW Phoenix	17,308,045	4.80%	87,464	0.51%	15,000	851,647	$25.00
Pinal County	7,787,839	9.90%	100,329	1.29%	11,500	796,045	$18.55
Scottsdale	15,938,052	4.40%	110,460	0.69%	-	756,585	$29.94
South Mountain	5,753,312	8.00%	3,737	0.06%	-	335,022	$22.57
W Phoenix	20,605,521	4.30%	85,707	0.42%	1,031,027	937,094	$20.91
Market Total	**187,005,599**	**6.60%**	**866,491**	**0.46%**	**1,429,249**	**12,152,830**	**$21.21**

By Class	Inventory (sf)	Vacancy	Q2 Absorption (sf)	Q2 Absorption (%)	Under Construction (sf)	Available Direct (sf)	Average Market Rent
Class A	31,099,506	3.50%	105,963	0.34%	871,000	1,282,395	$26.19
Class B	120,527,081	7.40%	614,916	0.51%	558,249	8,157,263	$21.21
Class C	35,379,012	6.60%	145,612	0.41%	-	2,713,172	$16.83
Market Total	**187,005,599**	**6.60%**	**866,491**	**0.46%**	**1,429,249**	**12,152,830**	**$21.21**

Historical annual vacancy

8.8%

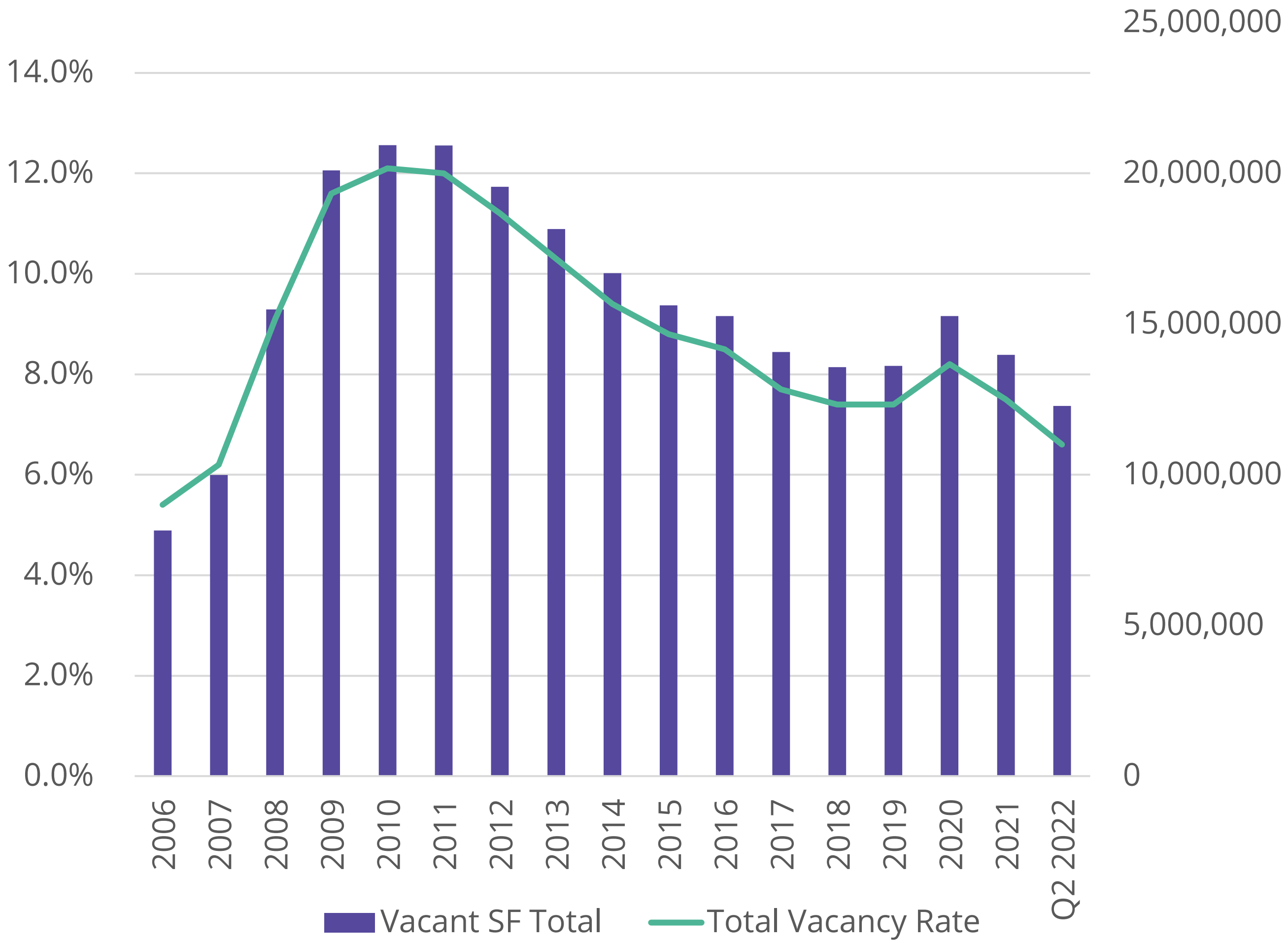
Average vacancy rate since 2006

15.5 msf

Average vacant space since 2006

6.6%

Current vacancy rate



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Retail quarterly deliveries

277,850 sf

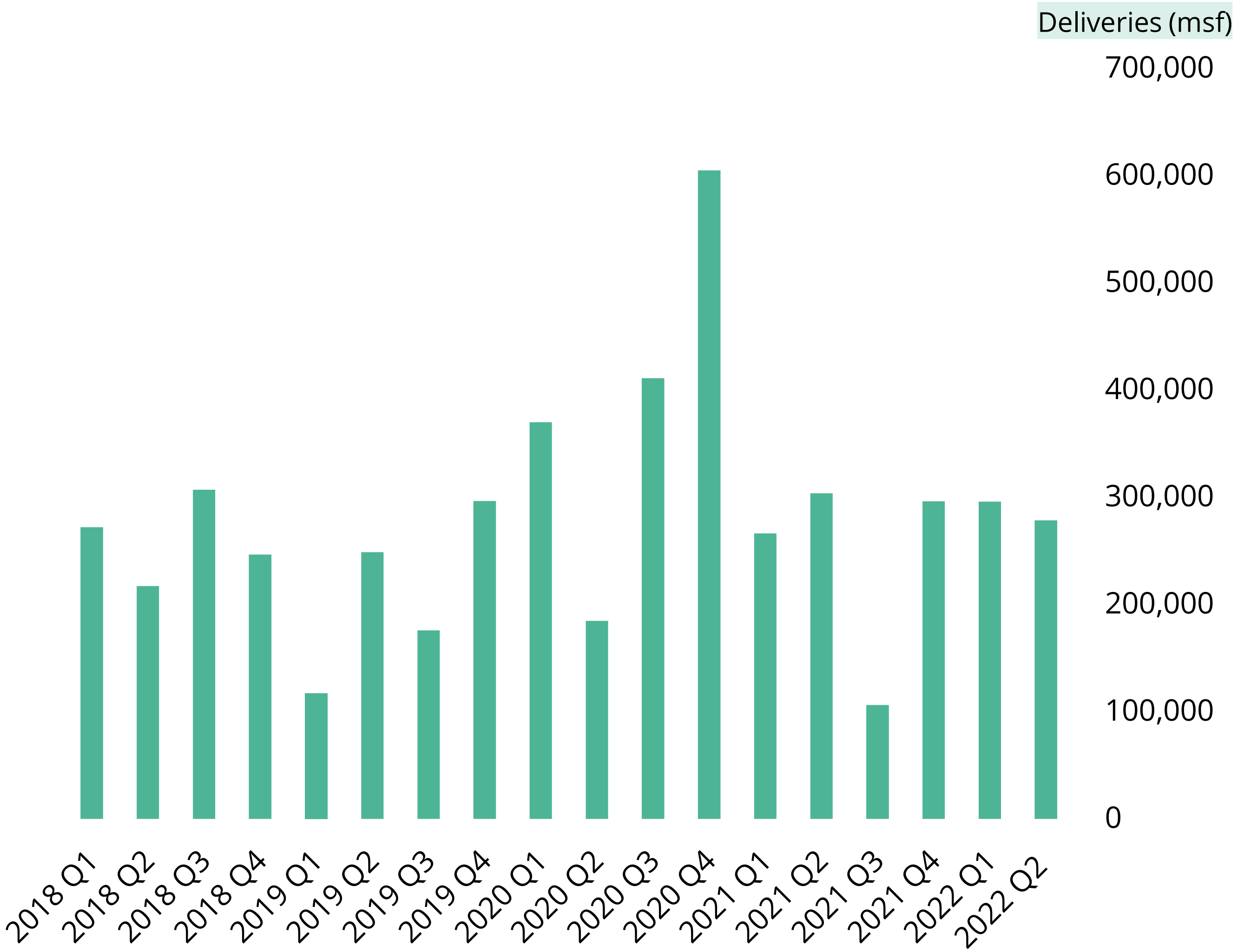
Average space added since 2018

5.0 msf

Retail space added since 2018

278,518 sf

Retail space delivered in Q2 2022



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Retail leasing activity

1.2 msf

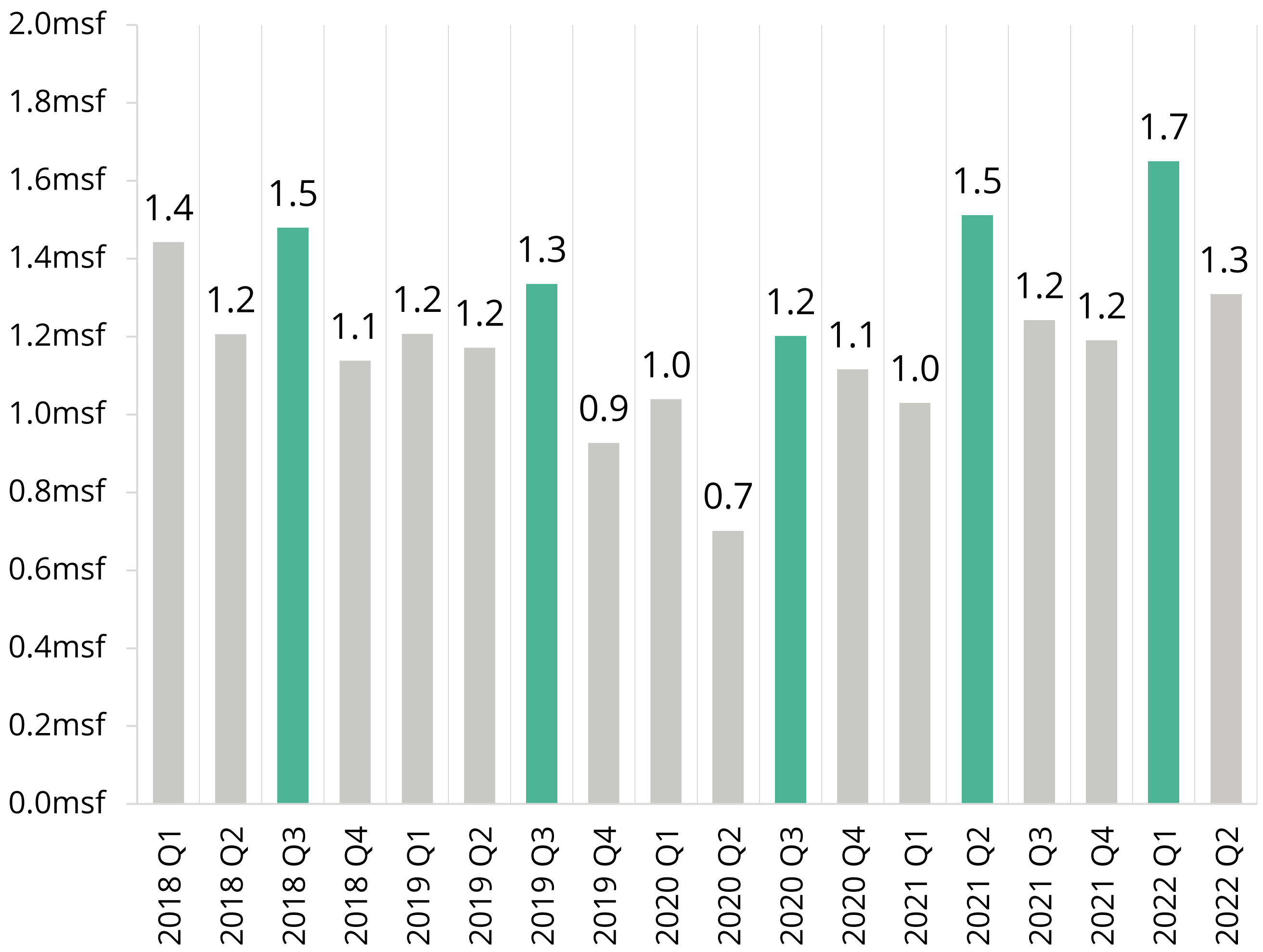
Average quarterly leasing activity since 2018

+7.6%

Q2 leasing activity above quarterly average

21.9 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

6.7 msf

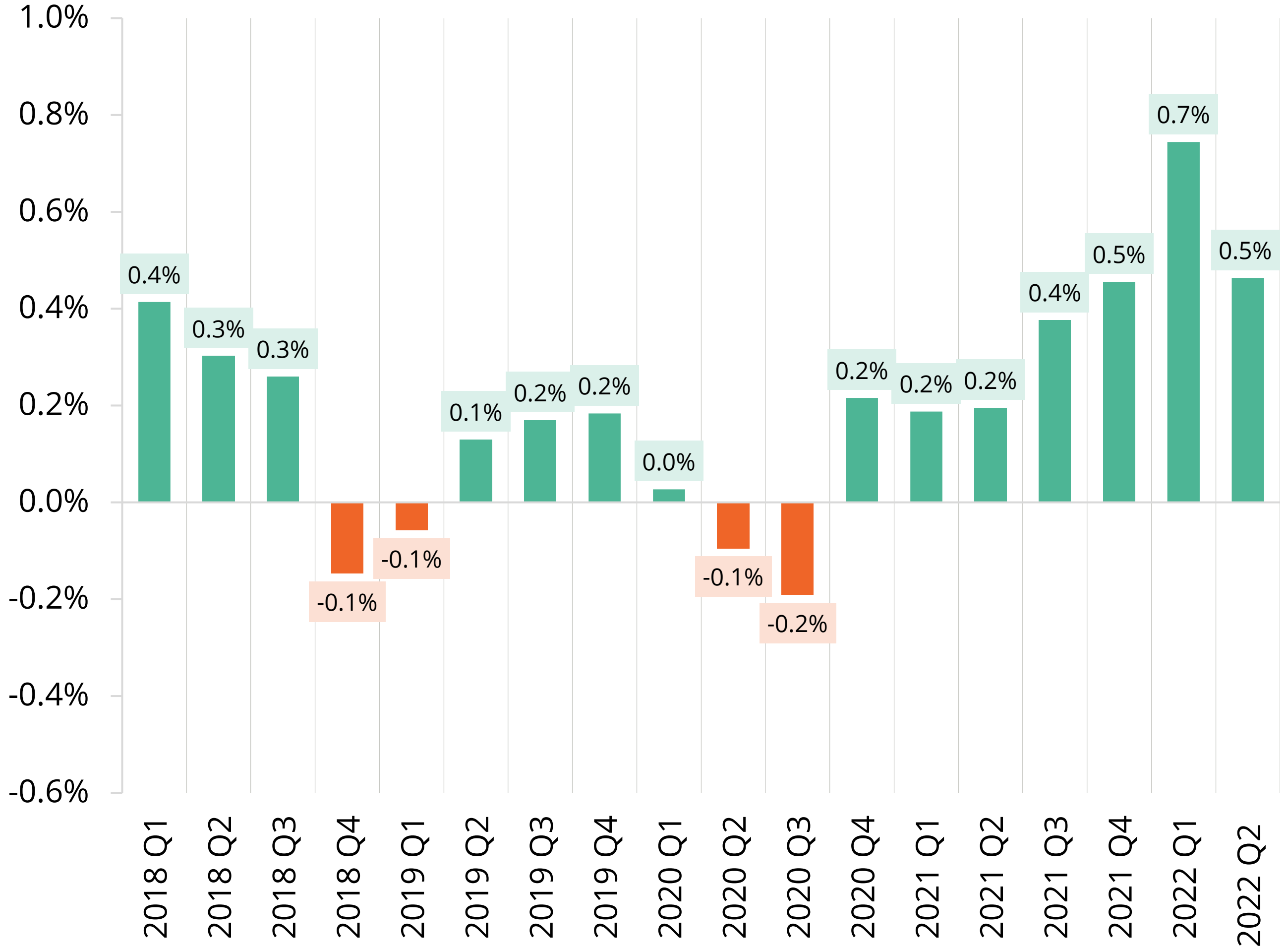
Total net absorption since 2018

0.5%

Q2 2022 net absorption as % of inventory

7 consecutive quarters

Positive net absorption recorded



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

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