



Phoenix retail market report

Q1 2024

**AVISON
YOUNG**

Phoenix retail market trends

5.2%

Direct vacancy (%)

In Q1 2024, Phoenix's retail vacancy rate slightly increased from the historic low of the previous quarter. While last quarter's direct vacancy stood at 4.9%, it rose by just 30 basis points to 5.2% in Q1 2024. Despite this uptick, the rate remains near record lows for the Valley. It is among the lowest nationally, with West Phoenix, Northwest Phoenix, the Airport Area, and Scottsdale submarkets leading the low vacancies. This increase can be attributed to the significant new construction activity in the area, with over 1 million square feet of new retail space delivered to the market in the past year and an additional 2.7 million square feet currently under construction.

-397k

Net absorption (sf)

In Q1 2024, Phoenix saw its first negative net absorption since the pandemic, ending the quarter with -397,567 square feet due to lease expirations and permanent closures of some larger retailers. Despite this, since Q4 2020, Phoenix has rebounded, creating a national leading market with demand surpassing availability. Despite the quarterly decline, the year's net absorption remained positive at 2 million square feet. With limited new construction managing demand, upcoming developments are expected to impact vacancies and absorption rates, but the market should remain tight.

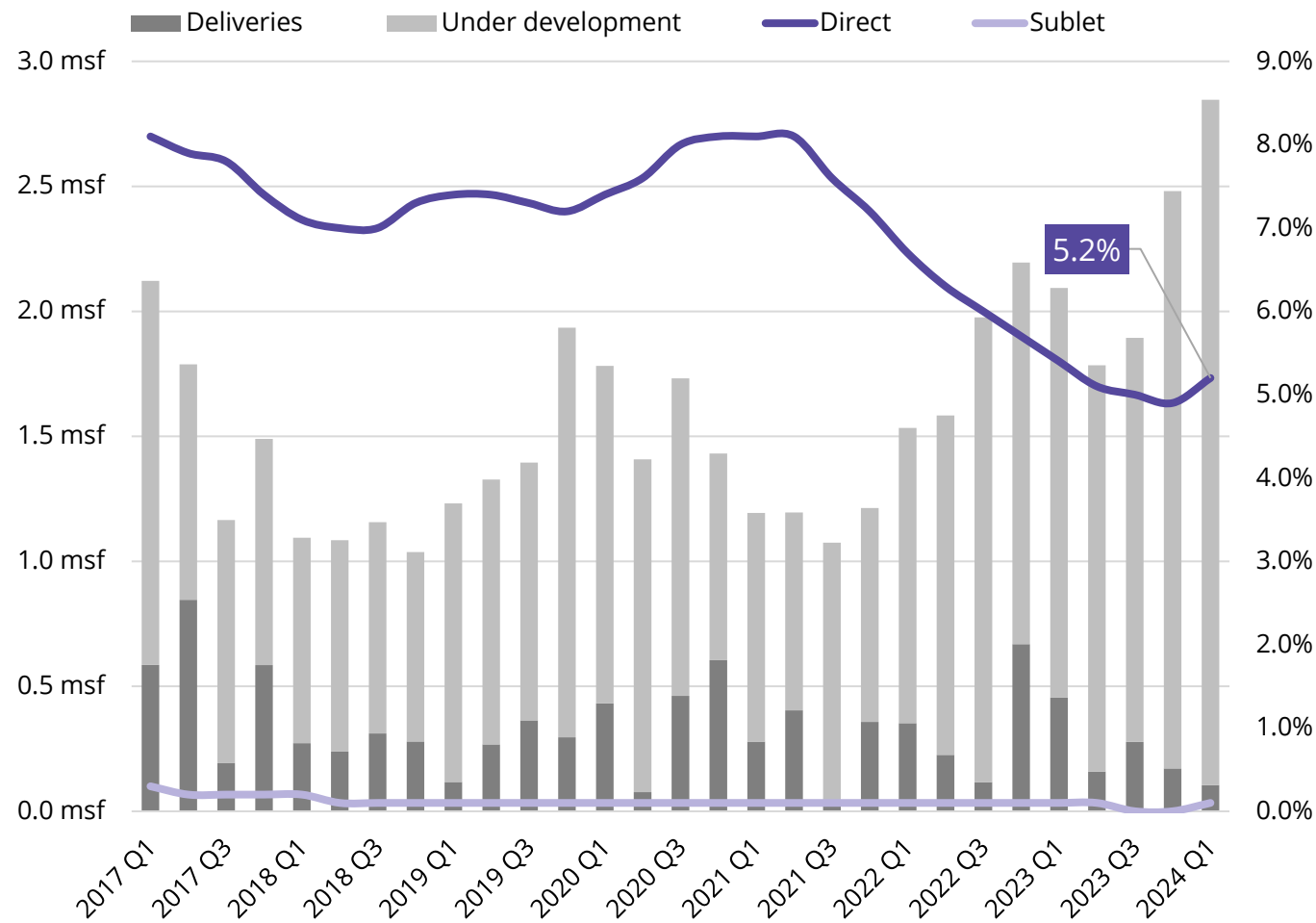
\$24.77

Direct asking rent (\$/sf)

In the Phoenix retail market, asking rents have shown a consistent upward trend over the past seven years, even amidst the challenges of the pandemic. Notably, rents have not only increased overall but have also risen consistently across various retail centers. Lifestyle centers have led the way with an average asking rent of \$33.70 per square foot, followed by power centers at \$27.33 per square foot.

Comparing year-over-year data, in Q1 2023, the average rent stood at \$22.52, indicating an increase of \$2.25 or 8.8%. Since the middle of the pandemic in Q1 2021, rents were at \$19.77, reflecting a substantial growth of 23.9% by Q1 2024.

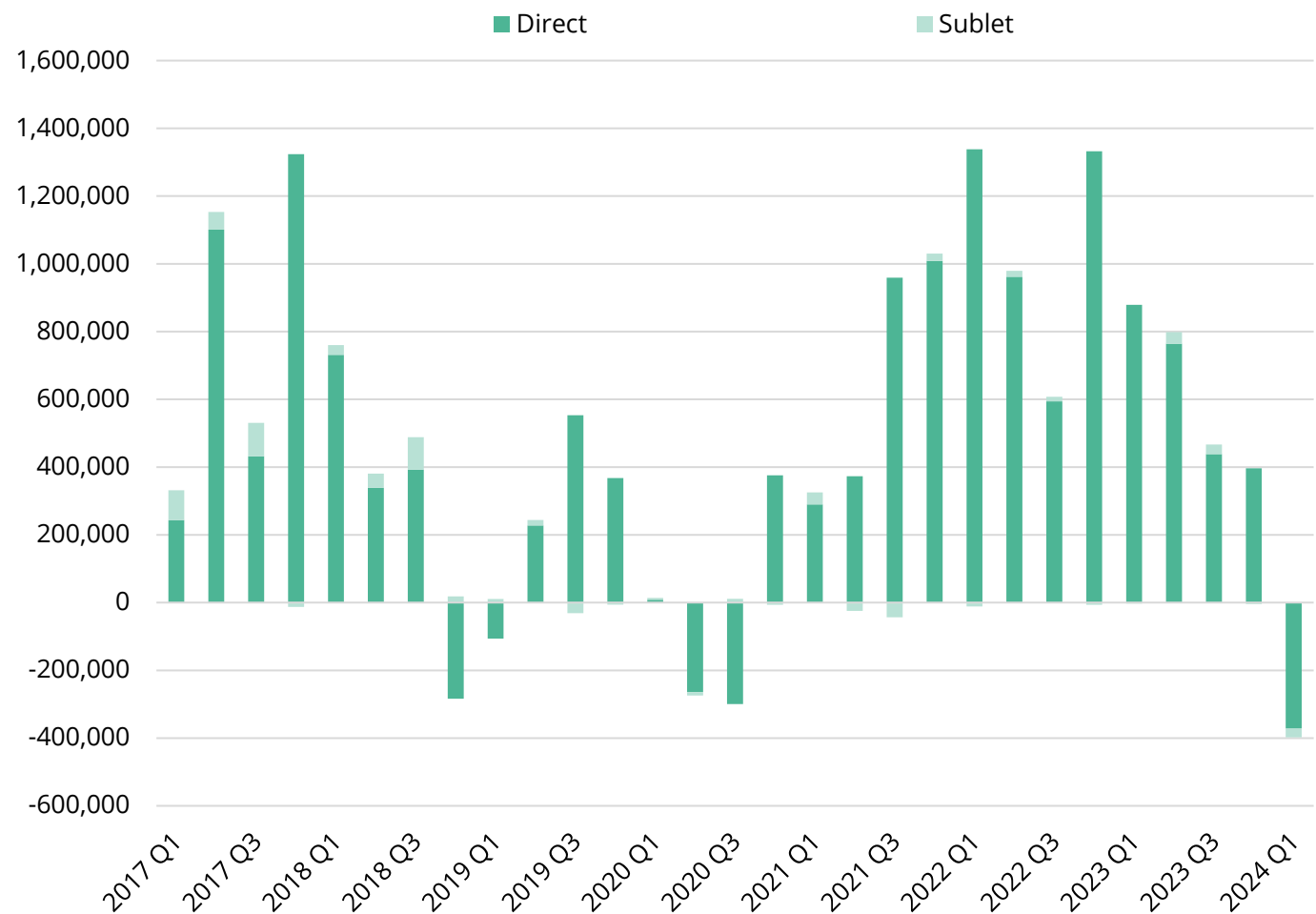
Phoenix retail vacancy (%)



In Q1 2024, Phoenix's retail vacancy rate increased to 5.2%, though it remains near record lows due to strong demand amid new construction activity.

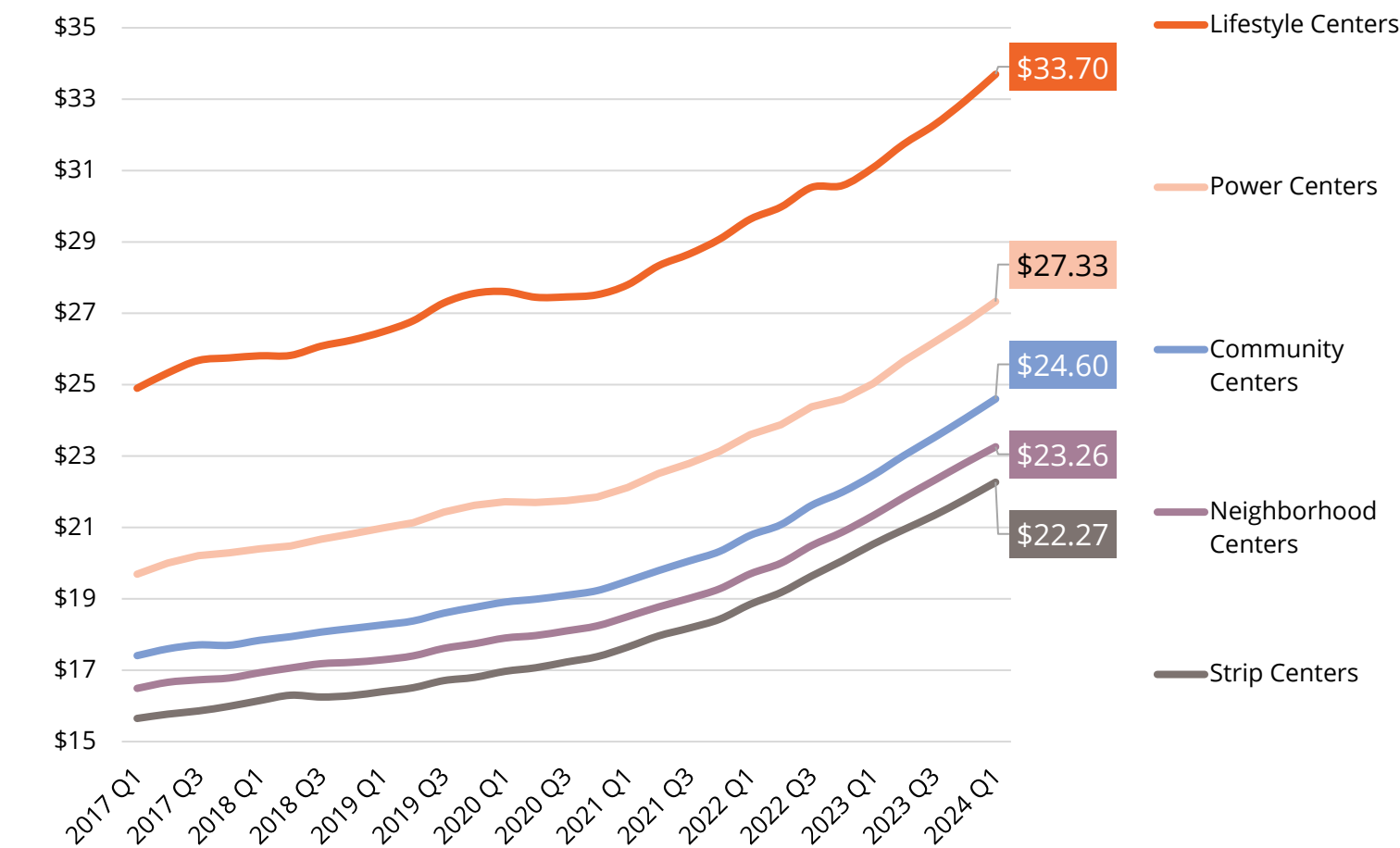
2.7 million square feet of new retail space is currently under construction. This expansion aims to meet the rising demand fueled by population growth and increased consumption, offering ample opportunities for retailers in the market.

Phoenix retail absorption (sf)



In Q1 2024, Phoenix experienced its first negative net absorption since the pandemic, with a deficit of -397,567 square feet. Notably, all 99 Cents Only stores announced closures of their 377 stores across Arizona, California, Nevada, and Texas, with nearly 40 in the Phoenix market alone.

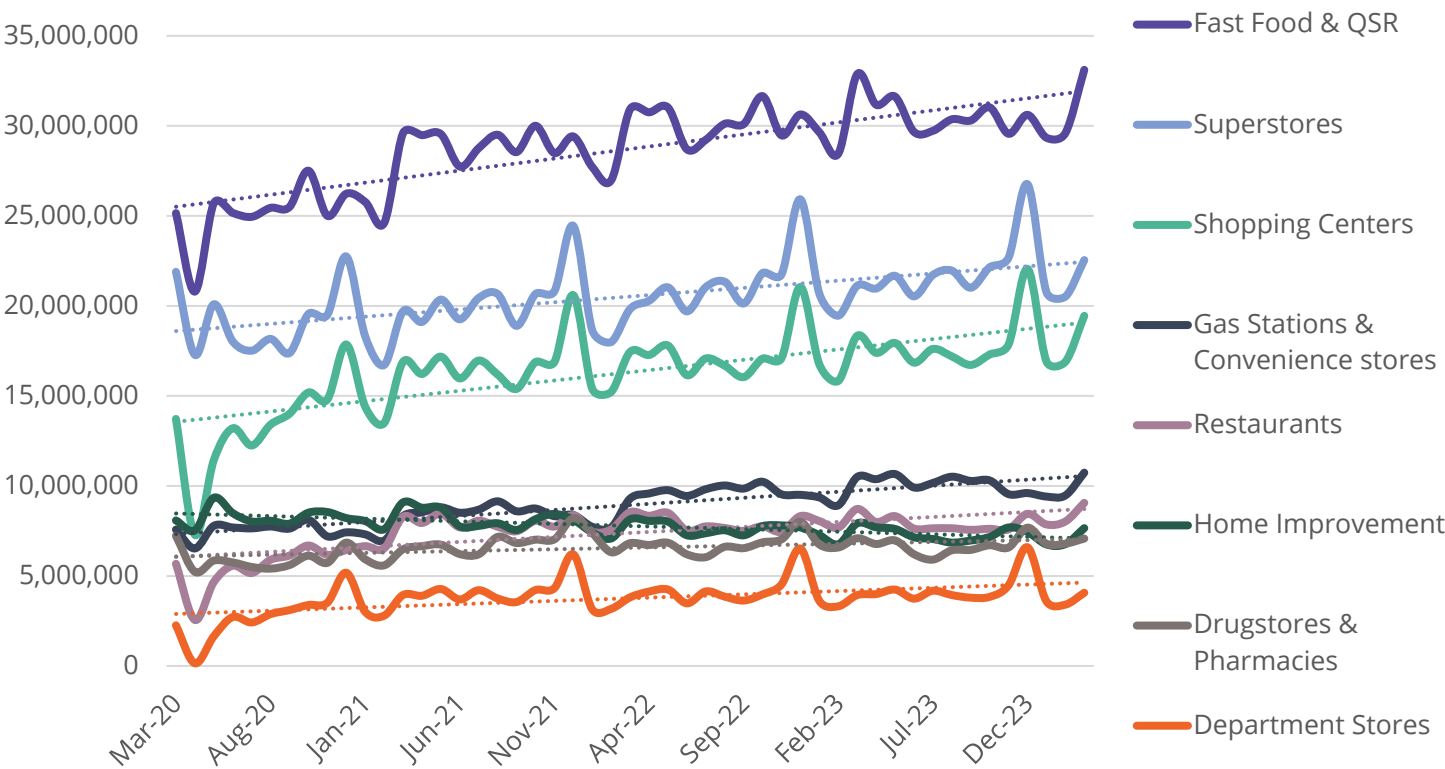
Phoenix retail asking rents (psf)



Despite pandemic challenges, Phoenix retail rents have steadily risen over seven years, with lifestyle centers commanding an average of \$33.70/sq ft and power centers at \$27.33/sq ft.

Some of the popular lifestyle centers in the Valley include Park West in the Glendale (North Phoenix) submarket, Kierland Commons in the North Scottsdale submarket, Paseo Lindo in the Gilbert (East Valley) submarket, and Westgate, also located in the Glendale (North Phoenix) submarket, among others.

Phoenix retail visitation (monthly visits)



Post-pandemic, the Phoenix retail scene has taken off. Fast Food, Superstores, and Shopping Centers experience the most foot traffic and visitation volume among all retail types, with national leaders like McDonald’s and Walmart, as well as local power center shopping centers like Tempe Marketplace, leading their respective sectors.

Top Performers:

Fast Food & QSR
McDonald’s – 335.6M visits

Superstores
Walmart – 560.6M visits

Shopping Centers
Tempe Marketplace – 12.7M visits

Gas Stations & Convenience Stores
QuikTrip – 412.9M visits

Restaurants
Chipotle – 32.5M visits

Home Improvement
The Home Depot – 175.3M visits

Drugstores & Pharmacies
Walgreens – 197.8M visits

Department Stores
Ross Dress for Less – 61.5M visits

Appendix



Phoenix retail market leasing, sales & development activity

Q1 2024 – Top leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
EOS Fitness	2740 E University Dr	Mesa (East Valley)	January 2024	54,376	New Lease	Direct
Hobby Lobby	1214 E Florence Blvd	Outlying Pinal County	March 2024	54,027	New Lease	Direct
Slick City	7225 S Power Rd	Gateway Airport (East Valley)	February 2024	42,000	New Lease	Direct
The Picklr	9001-9175 E Indian Bend Rd	Central Scottsdale	March 2024	36,200	New Lease	Direct
Slick City	845 N 54 th St	Chandler (East Valley)	January 2024	33,496	New Lease	Direct
Sacaton Market	510 S Ocotillo Dr	Outlying Pinal County	January 2024	30,000	New Lease	Direct
The Picklr	1245-1375 Elliot	Chandler (East Valley)	March 2024	25,760	New Lease	Direct
REI (Recreational Equipment, Inc.)	6030-6120 W Behrend Dr	Arrowhead (Northwest Phoenix)	January 2024	24,000	New Lease	Direct
Marshalls	13490 N Prasada Pky	Litchfield (West Phoenix)	January 2024	23,000	New Lease	Direct
T.J. Maxx	13490 N Prasada Pky	Litchfield (West Phoenix)	January 2024	22,500	New Lease	Direct

Q1 2024 – Top projects under development

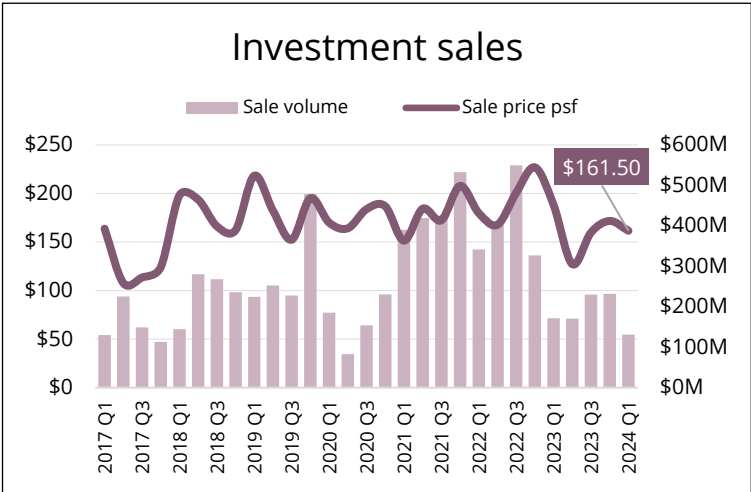
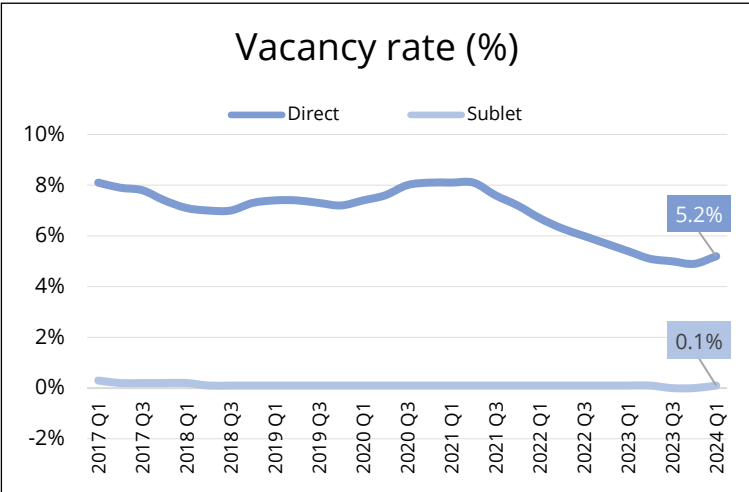
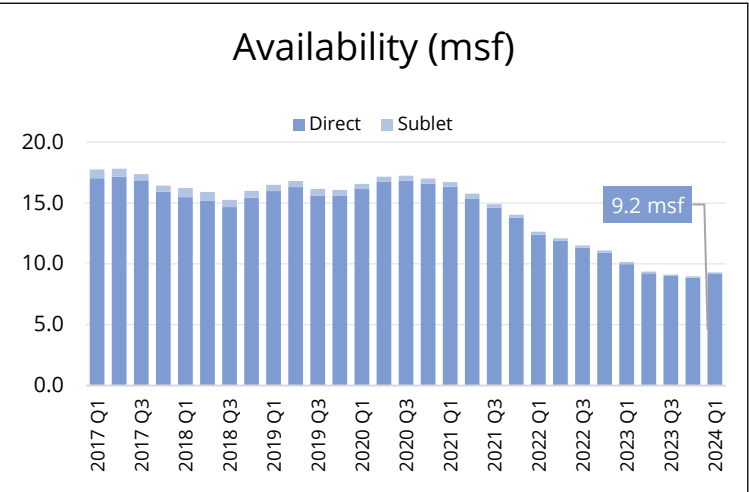
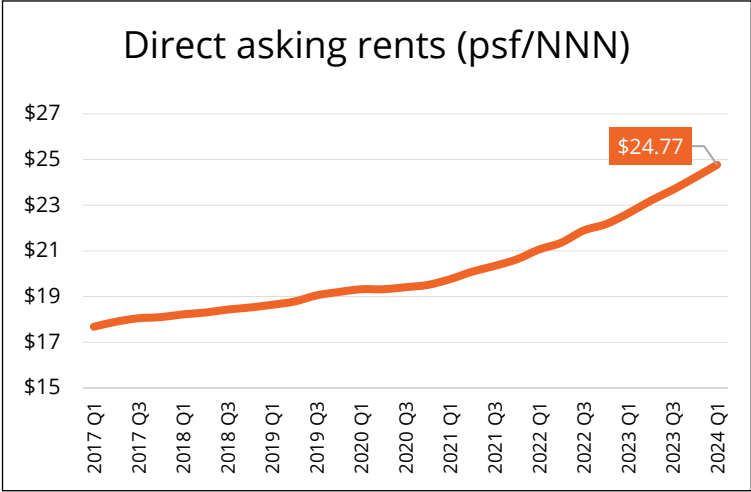
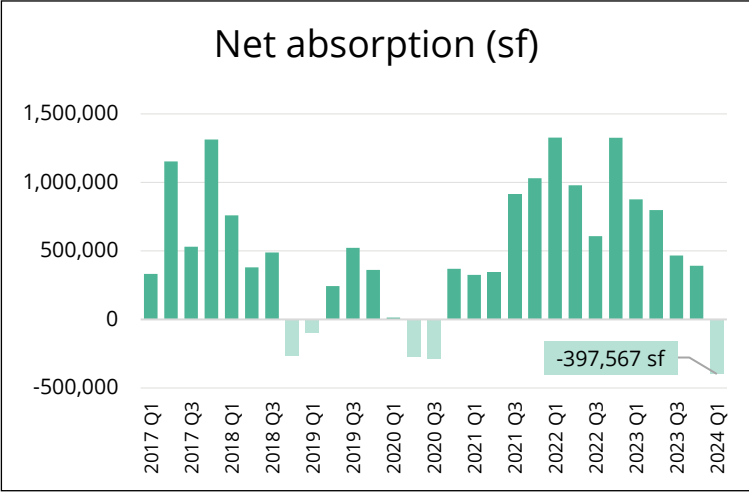
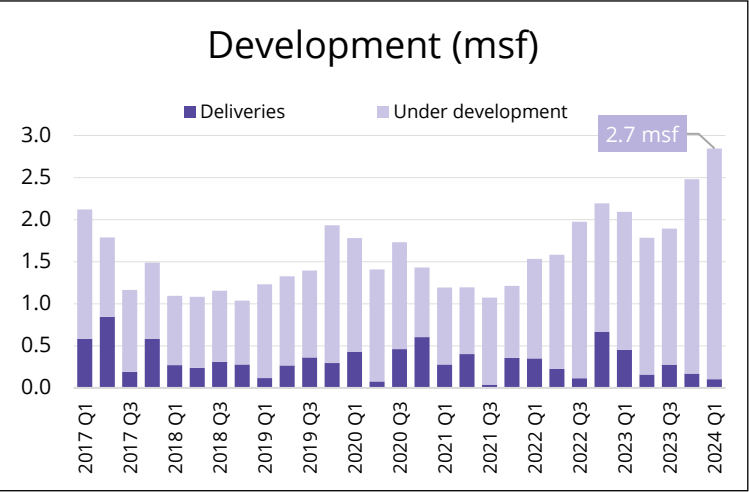
Project Name	Address	Est. Delivery Date	Building size sf	Developer
Park 10 (mixed-use)	SEC McDowell Rd & 107 th Ave	August 2024	548,715	Parkland Development, LLC
Buckeye Commons Phase I	Verrado Way & I-10	June 2025	261,000	Sunbelt Investment Holdings, Inc.
Estrella Commons	SEC Estrella Pkwy & I-10	April 2024	171,000	Evergreen Development Co.
ASU Mill Avenue Retail	947 S Mill Ave	July 2024	130,000	Arizona State University

Phoenix retail market sales activity

Q1 2024 – Notable transactions

Name / Address	Sale date	Sale price	Size (sf)	Sale price psf	Buyer	Seller	Notes
Mercado at Scottsdale Ranch 10105-10155 E Via Linda	March 2024	\$14,750,000	83,676	\$176.28	Ziff Properties	Whitestone REIT	Ziff Properties acquired Mercado at Scottsdale Ranch in the Central Scottsdale submarket at 95.8% occupation on March 27, 2024, traded with a 7.55% cap rate for \$26,500,000 (\$233.16 psf).
EoS Fitness 1816 W Baseline Rd	January 2024	\$13,740,000	40,994	\$335.21	W.P. Carey Inc.	Barclay Group	Public REIT, W.P. Carey Inc., purchased the 100% leased 40,994 sf EoS Fitness health club in the South Mountain submarket on January 4, 2024, for \$13.74M (\$335.21 psf).
Tri-Valley Plaza 1355-1377 E Florence Blvd	March 2024	\$13,000,000	106,729	\$121.80	Ruchir Patel (Individual)	Frank A Ponder (Individual)	A private individual buyer purchased the Tri Valley Plaza in the Outlying Pinal County submarket on March 25, 2024, for \$13M (\$121.80 psf) at an 8% cap rate. The property was on the market for 269 days.
Tempe Mill Avenue 420 S Mill Ave (Part of portfolio)	January 2024	\$11,780,000	15,916	\$740.20	Capstone Advisors, Inc.	Site Specific	Private buyer, Capstone Advisors Inc., acquired two retail buildings on Tempe's famous "Mill Ave", one of them being 15,916 sf and sold for \$11.78M (\$740.20 psf) at a 6.27% cap rate.
Larid & Dines Shopping Center 501 S Mill Ave (Part of portfolio)	January 2024	\$10,420,000	22,900	\$454.97	Capstone Advisors	Site Specific	Private buyer, Capstone Advisors Inc., acquired two retail buildings on Tempe's famous "Mill Ave", one of them being 22,900 sf and sold for \$10.42M (\$454.97 psf) at a 6.27% cap rate.
North Point Village 1042-1140 N Higley Rd	February 2024	\$9,080,000	113,518	\$79.97	Hinkson Company, LLC	Dayan Investments	Private buyer, Hinkson Company, acquired the 113,518 sf North Point Village in the Red Mountain/Mesa submarket that was 72% occupied on February 21, 2024 sale date for \$9.09M (\$79.97 psf) at a 6.91% cap rate.

Phoenix retail market indicators



Phoenix retail submarket statistics

Submarket cluster	Existing inventory sf	Deliveries sf (Q1)	Under development sf	Direct vacancy	Total vacancy	Net absorption sf (Q1)	Direct asking rent (psf)
Airport Area	4,002,513	-	-	4.0%	4.0%	25,369	\$19.86
Downtown Phoenix	5,510,367	-	-	6.4%	6.4%	-17,931	\$23.98
East Valley	65,189,155	31,437	701,835	6.1%	6.1%	-323,366	\$23.34
North Phoenix	32,677,429	-	100,269	6.3%	6.4%	-72,755	\$19.39
North Scottsdale	14,136,629	-	104,345	4.1%	4.1%	-58,378	\$29.89
Northwest Phoenix	17,656,085	-	37,145	3.6%	3.6%	52,136	\$29.26
Pinal County	7,630,034	23,300	75,480	8.6%	8.6%	-13,409	\$20.76
Scottsdale	16,141,314	-	96,122	4.2%	4.3%	-49,563	\$34.55
South Mountain	5,740,871	-	-	5.0%	5.4%	8,222	\$26.38
West Phoenix	22,146,638	50,000	1,488,659	2.3%	2.3%	52,108	\$24.90
Market total	190,831,035	104,737	2,741,855	5.2%	5.2%	(397,567)	\$24.77

Note: Data does not include proposed retail space.

Retail insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Retail rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of a retail suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions

Capital markets

- **Investment volume:** retail sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

For more market insights and
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