



Phoenix retail market report

Q2 2024

**AVISON
YOUNG**

Phoenix retail market trends

5.3%

Direct vacancy remains at impressively low levels (%)

Phoenix's retail vacancy rates are remarkably low, both historically and on a national scale. In Q1, direct vacancy hit a record low of 4.9%. While Q2 saw a slight increase to 5.3% due to 1.4 million square feet of new deliveries, this uptick underscores the competitiveness of the retail market and the pressing need for more space to meet the high demand.

1.9m

New retail developments are coming to the market (sf)

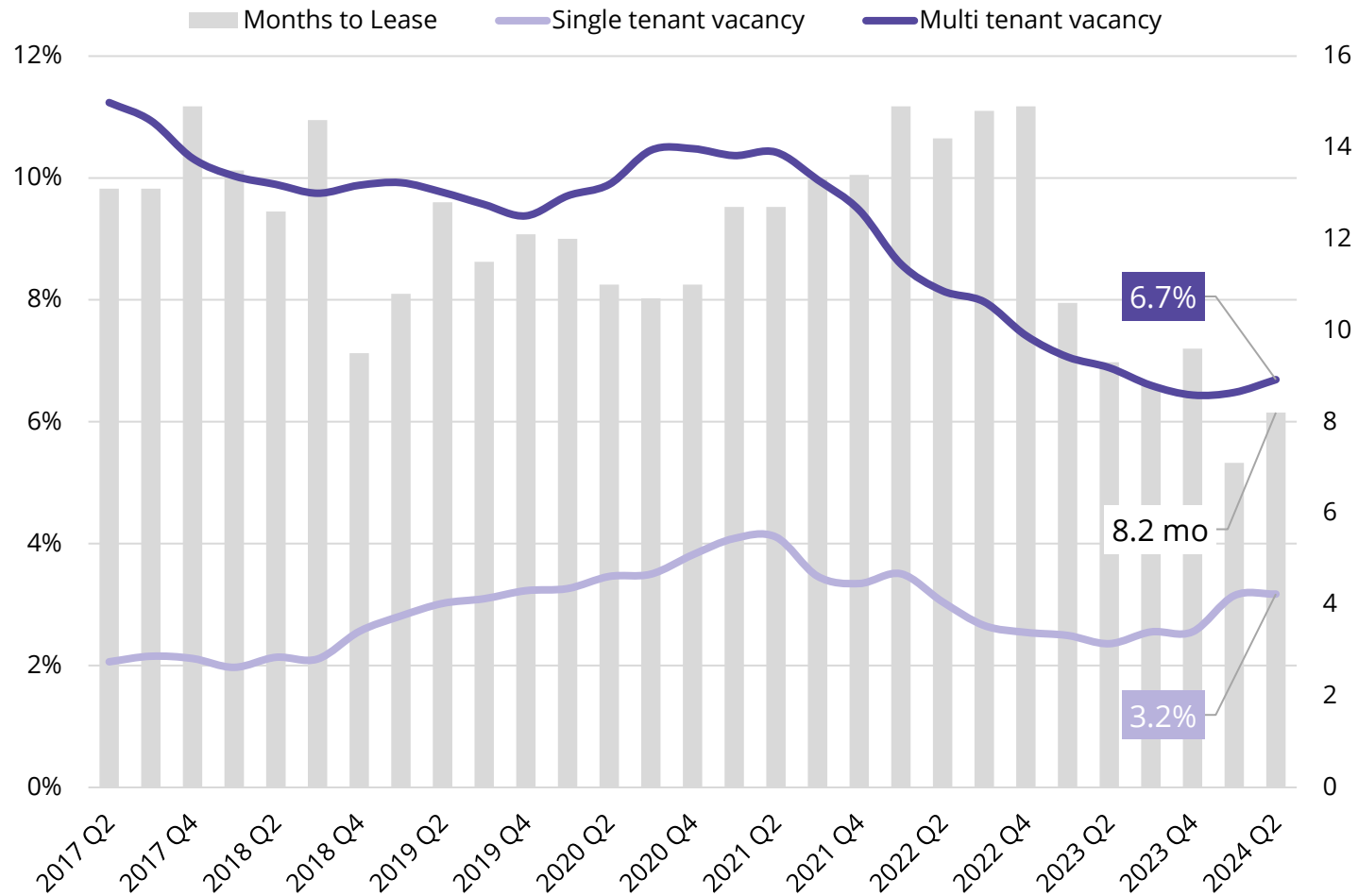
Phoenix's growing popularity has driven retail space demand beyond supply. Since 2019, the market has consistently had 1-2 million square feet remaining in the construction pipeline each quarter. In Q2 2024, 1.9 million square feet are in progress, with nearly 700,000 square feet delivered. Despite steady growth and many specific projects underway, there is still a lack of supply for single-tenant spaces, strip centers, and smaller retail spaces. More space is needed to meet the rising demand.

\$24.97

Average asking rents continue climbing past historic highs (\$)

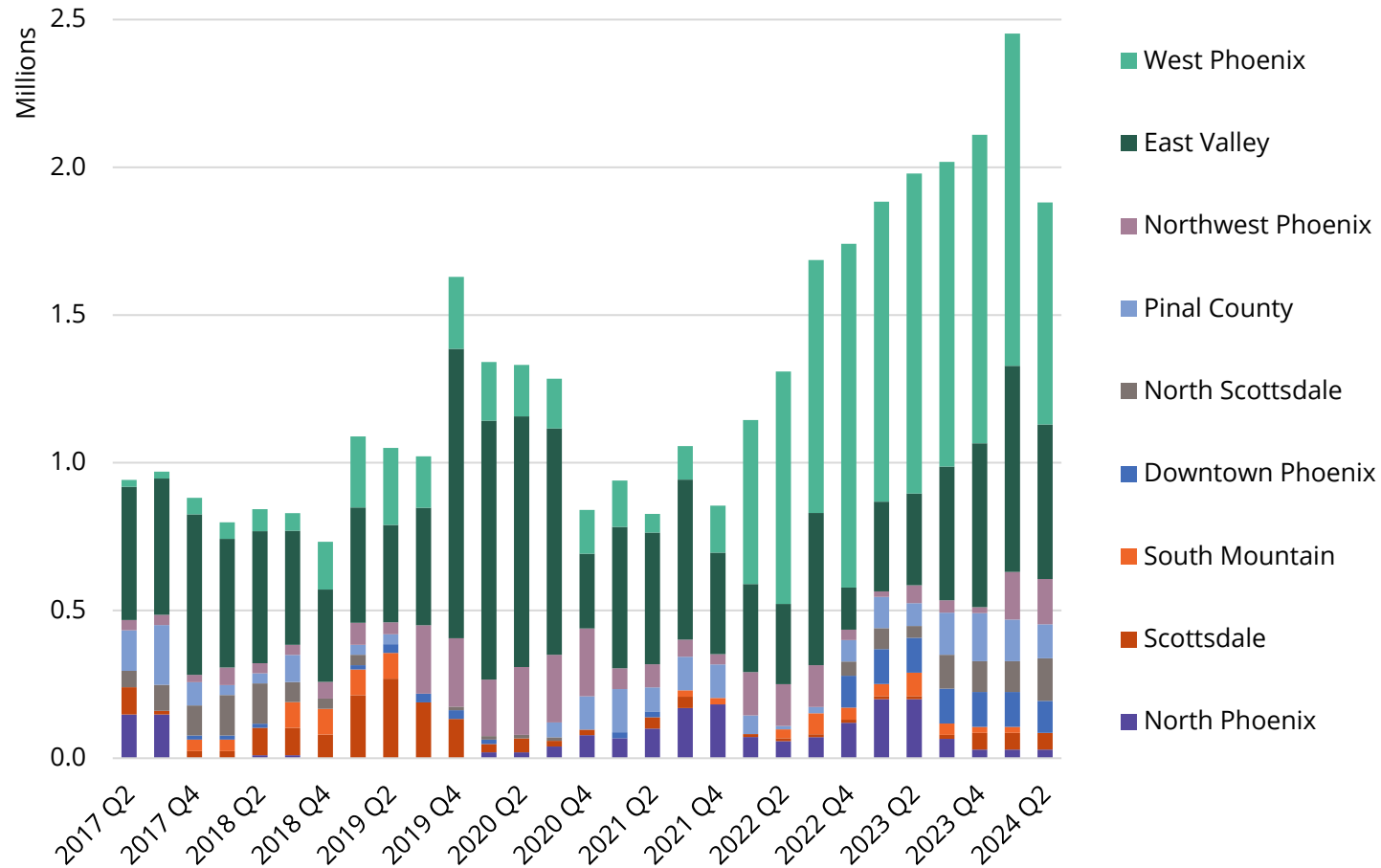
Asking rents for Phoenix retail continue to rise, driven by a tight market where demand for space significantly outpaces supply. Over the past decade, rent growth has been consistent. Since Q2 2020, rents have increased by 23%, reaching an average of \$24.97 per square foot for all retail space types by the end of Q2 2024.

Phoenix retail direct vacancy (%)



To further illustrate the competitiveness of Phoenix’s retail market, consider the average time it takes for properties to lease. Over the past six quarters, there has been a consistent decrease in the time spaces remain on the market. In Q2 2024, the average time to lease retail spaces was 8.2 months, with some submarkets experiencing even shorter times. For instance, in West Phoenix, the average time to lease in Q2 was only 3.8 months.

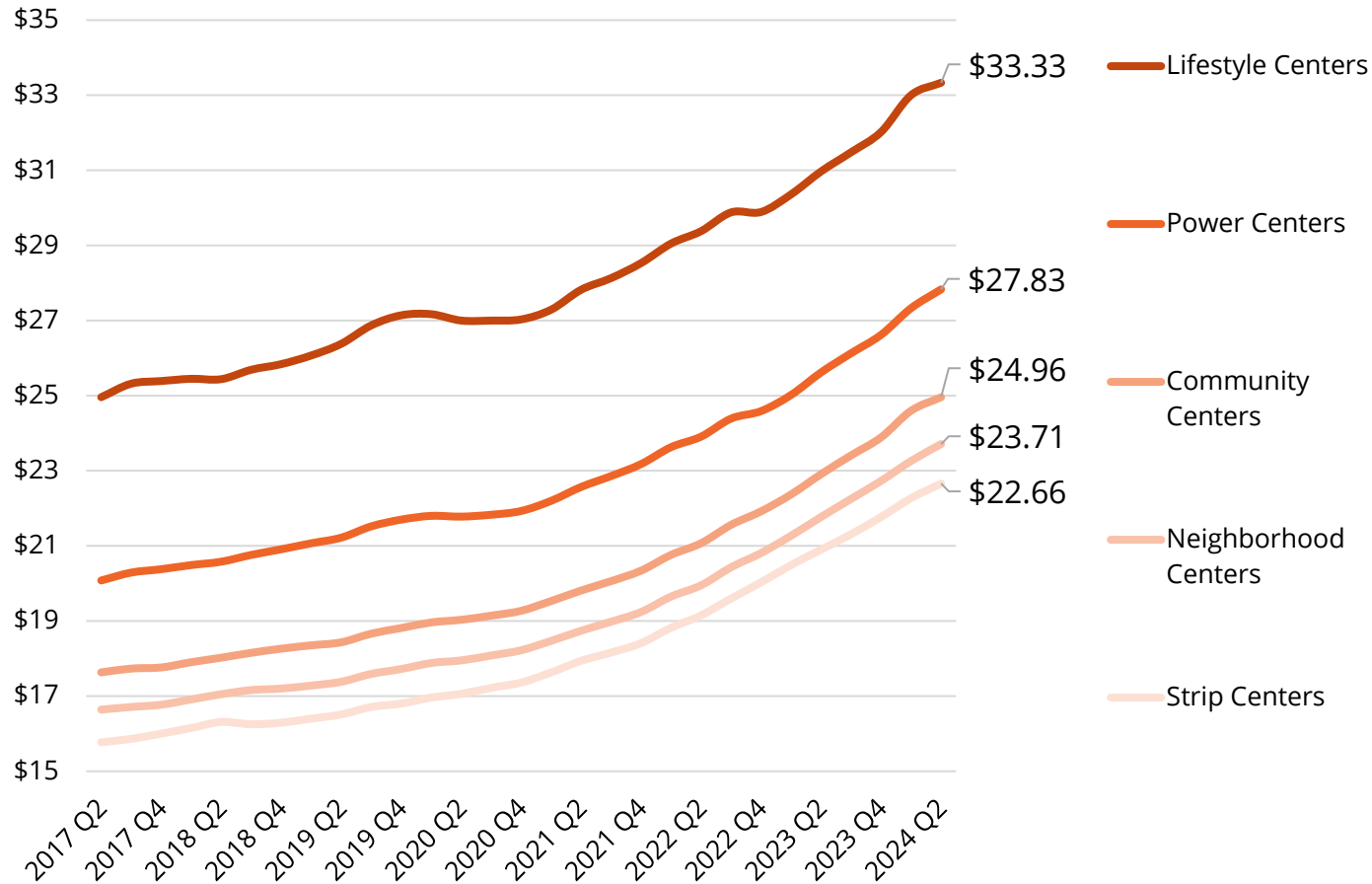
Phoenix retail construction (sf)



Significant new retail developments are underway in the West Phoenix and East Valley submarkets. A standout project in West Phoenix is the VAI Resort, a vast multi-use hospitality and retail space. This development will introduce a Mattel theme park, a concert venue, numerous restaurants, and a pool "oasis" to the desert landscape.

Additional projects under development can be found on page 9.

Phoenix retail asking rents (\$)



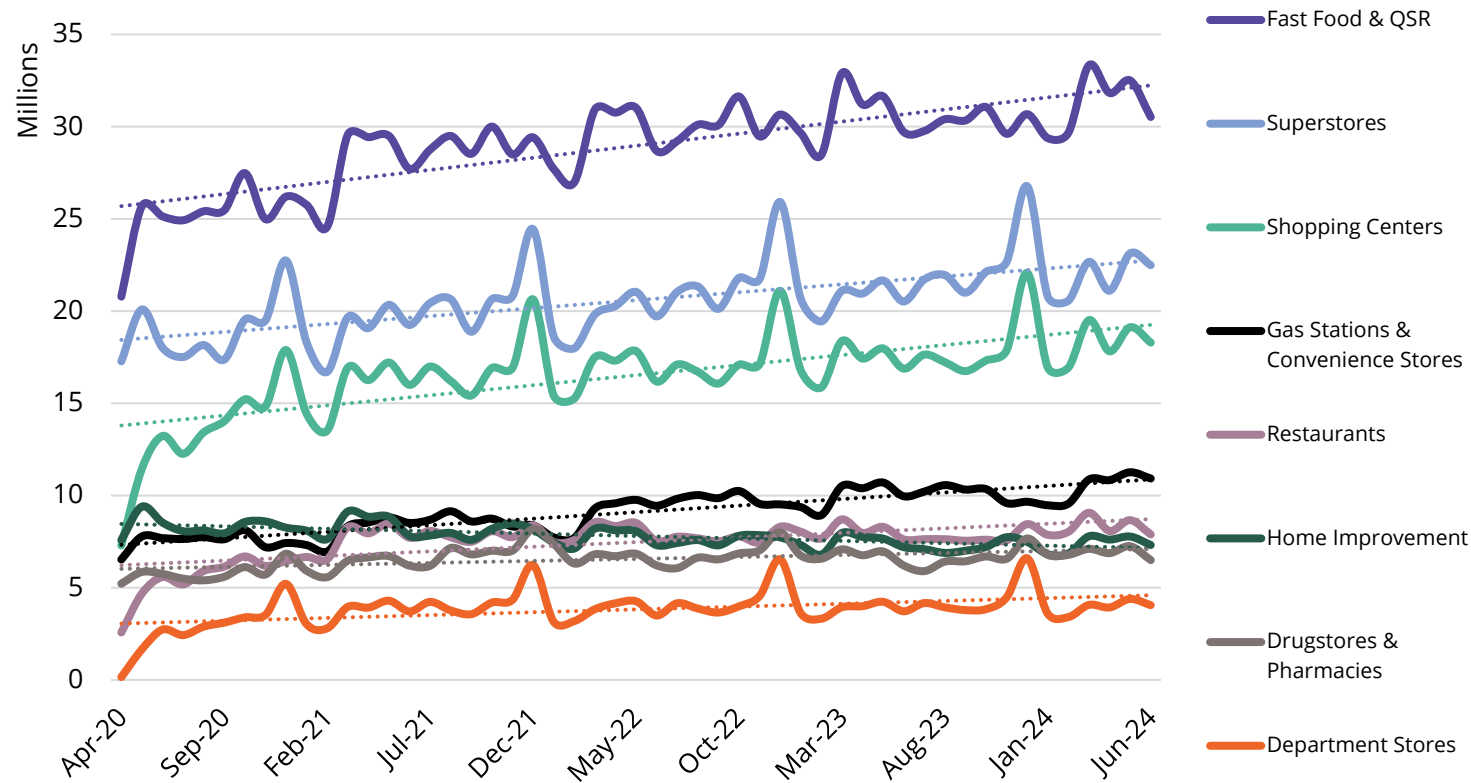
Among retail property types in Phoenix, lifestyle centers command the highest rents, with asking rates reaching an average of \$33.33 per square foot by the end of Q2 2024. Power centers follow at an average of \$27.83 per square foot, while community, neighborhood, and strip centers all have relatively similar asking rents.

Note: these numbers represent average rent ppsf of shop space and anchor space.

Appendix



Phoenix retail visitation (monthly visits)



As the Phoenix retail market grows, fast food, superstores, and shopping centers see the highest monthly foot traffic among all retail categories in the valley. Standout tenants include Walmart with 11.5 million monthly visits, QuikTrip with 8.6 million monthly visits, and McDonald's with 6.9 million monthly visits.

Top Performers (Q2 2020 – Q2 2024):

Fast Food & QSR

McDonald's – 6.9M monthly visits

Superstores

Walmart – 11.5M monthly visits

Shopping Centers

Tempe Marketplace – 1.1M monthly visits

Gas Stations & Convenience Stores

QuikTrip – 8.6M monthly visits

Restaurants

Chipotle – 691.2K monthly visits

Home Improvement

The Home Depot – 3.6M monthly visits

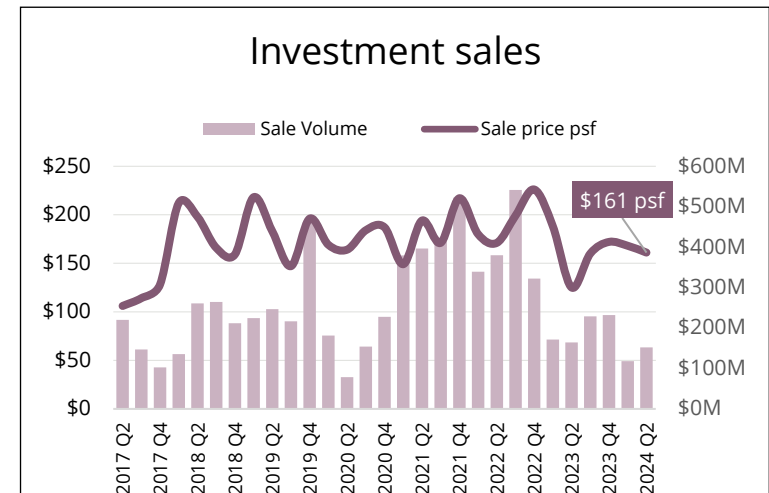
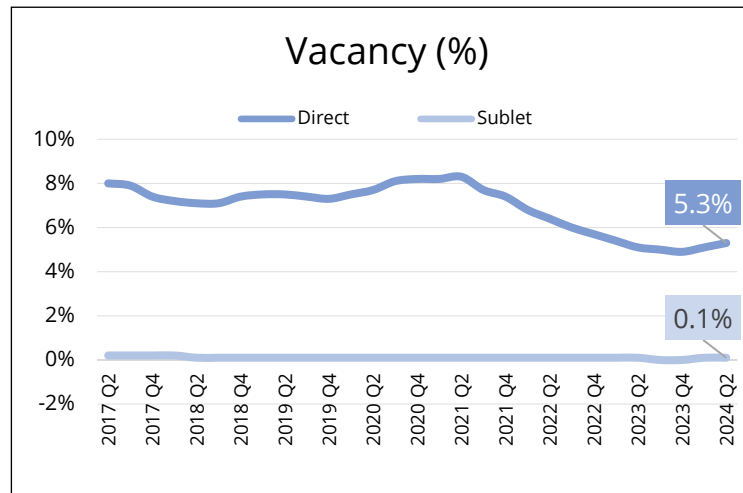
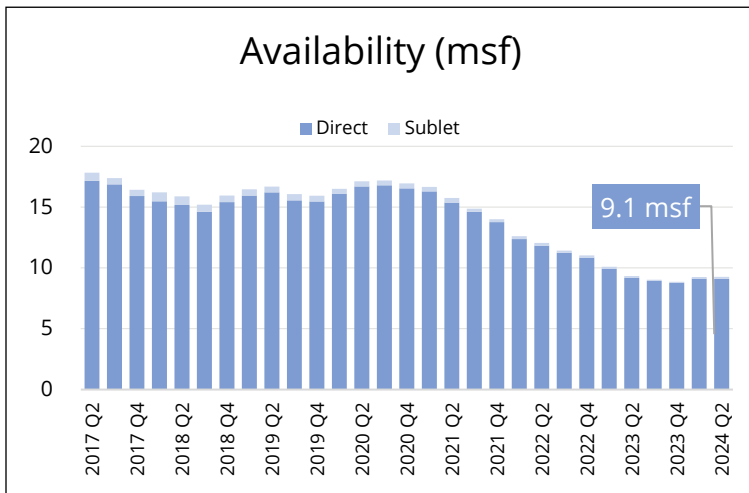
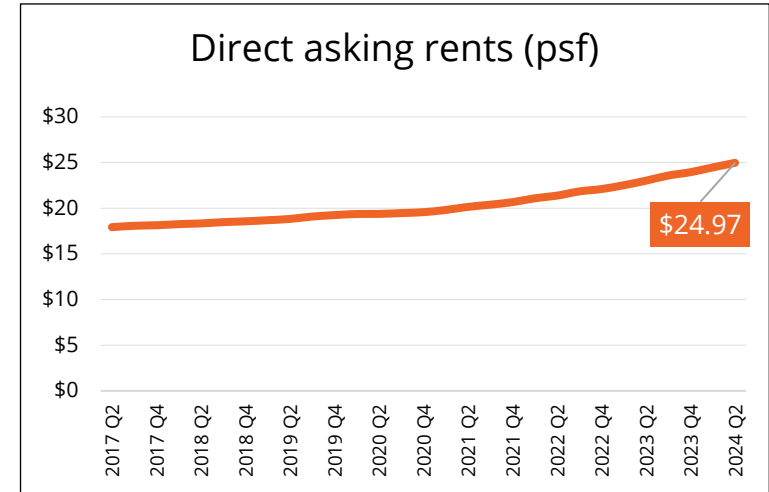
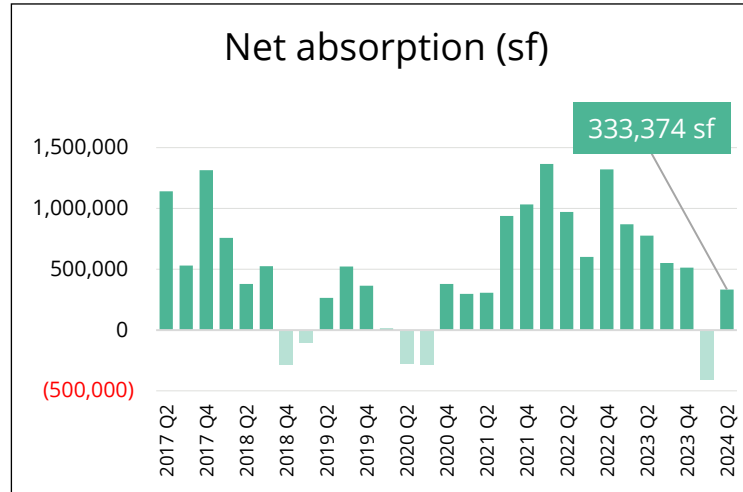
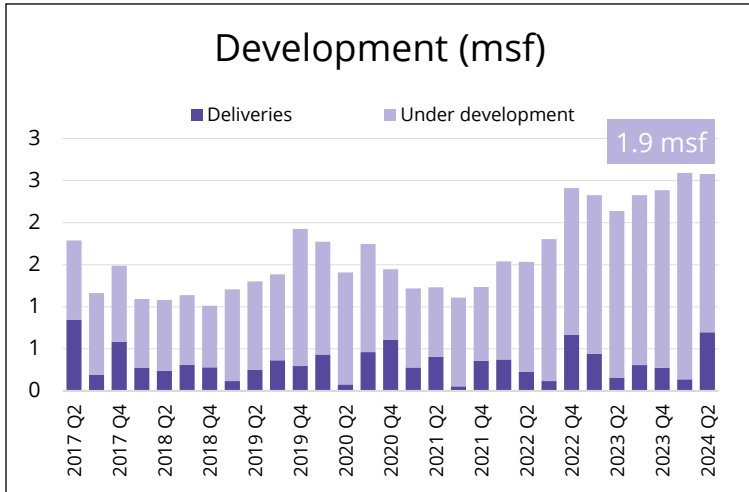
Drugstores & Pharmacies

Walgreens – 4.0M monthly visits

Department Stores

Ross Dress for Less – 1.28M monthly visits

Phoenix retail market indicators



Phoenix retail market leasing & development activity

Q2 2024 – Top leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Round1 Bowling & Arcade	3101-3199 W Chandler Blvd	Chandler	May 2024	65,000	New Lease	Direct
Slick City	9189 E Talking Stick Way	Central Scottsdale	April 2024	50,000	New Lease	Direct
Dollar Tree	12751-12875 W Bell Rd	Surprise/North Peoria	May 2024	42,637	New Lease	Direct
Whole Foods Market	7628 E Indian School Rd	Central Scottsdale	April 2024	35,222	New Lease	Direct
Goodwill	3831-3933 E Thunderbird Rd	North Scottsdale	April 2024	31,764	Renewal	Direct
Dollar Tree	790 E Southern Ave	Tempe	May 2024	31,240	New Lease	Direct
The Picklr	1245-1375 Elliot	Chandler	April 2024	25,760	New Lease	Direct

Q2 2024 – Top projects under development

Project Name	Address	Est. Delivery Date	Building size (sf)	Developer
Buckeye Commons	Verrado Way & I-10	July 2025	427,410	Sunbelt Investment Holdings, Inc.
Prasada North	NEC Prasada Pkwy & Waddell Rd	November 2025	400,000	SimonCRE
Estrella Commons	SEC Estrella Pkwy & I-10	December 2024	171,000	Evergreen Development Co.
ASU Mill Avenue Retail	947 S Mill Ave	July 2024	130,000	Arizona State University
Fry's	11570 W Ashby Dr	December 2024	113,818	

Phoenix retail market sales activity

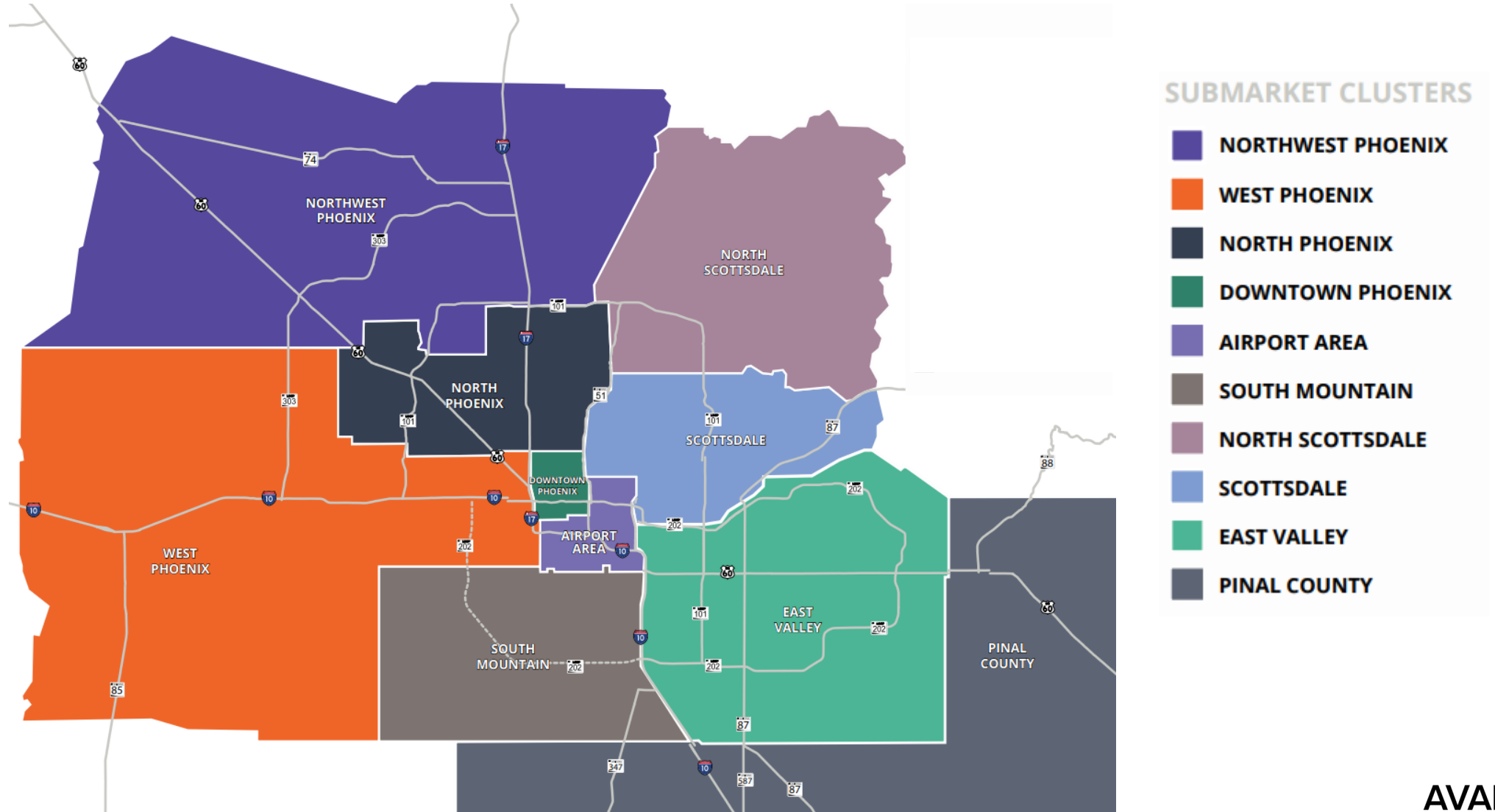
Q2 2024 - Notable transactions

Name / Address	Sale date	Sale price	Size (sf)	Sale price psf	Buyer	Seller	Notes
Village Center 4304-4326 E Cactus Rd	June 2024	\$26,582,500	181,166	\$146.73	Anupam Patel	YAM Properties	YAM Properties purchased Village Center in the North Scottsdale submarket at 100% occupancy on June 18, 2024 for \$26.5M (\$146.73 psf).
EOS Fitness 10160 Lake Pleasant Pkwy	April 2024	\$14,358,000	42,000	\$333.33	Mani Singh	Barclay Group	An individual investor acquired the EOS Fitness health club building in the Peoria/Arrowhead submarket at 100% occupancy on April 12, 2024 for \$14M (\$333.33 psf), traded with a 7.18% cap rate.
Tesla Collision Center 18808 N 32 nd St (part of a portfolio)	May 2024	\$12,551,000	39,306	\$319.32	Rajcic Brothers Partners	Sterling Organization	Rajcic Brothers Partners acquired the Tesla Collision Center auto repair building in the East Phoenix submarket on May 16, 2024 for \$12.55M (\$319.32 psf).
Superstition Marketplace 1145-1155 S Power Rd (part of a portfolio)	June 2024	\$11,569,884	48,656	\$237.79	Arileus Capital	Susan Morse	An individual investor purchased the Superstition Marketplace shopping center at 96% occupancy in the Red Mountain/Mesa submarket on June 27, 2024 for \$11.57M (\$237.79 psf).
Horizon Village 1940-1950 W Indian School Rd (part of portfolio)	May 2024	\$10,184,194	89,820	\$113.38	First National Realty Partners	Westwood Financial	First National Realty Partners acquired the first part of the Horizon Village portfolio at 100% occupancy in the Downtown Phoenix submarket on May 1, 2024 for \$10.18M (\$113.38 psf).
McDowell Square 5114 W McDowell Rd	April 2024	\$9,750,000	74,375	\$131.09	MPB Realty Services	Cole Valley Partners	MBP Realty Services acquired McDowell Square at 100% occupancy in the West Phoenix/Maryvale submarket on April 17, 2024 for \$9.75M (\$131.09 psf).
Former Bank 4167 N Scottsdale Rd	June 2024	\$8,000,000	16,330	\$489.90	Ascentris, LLC	Bank of Scottsdale	Ascentris, LLC purchased this former bank building at 0% occupation in the Central Scottsdale submarket on June 13, 2024 for \$8M (\$489.90 psf).

Phoenix retail market stats

Submarket cluster	Existing inventory sf	Deliveries sf (Q2)	Under development sf	Direct vacancy	Total vacancy	Net absorption sf (Q2)	Average direct asking rent (psf)
Airport Area Includes Airport Area and South Phoenix	4,002,513	0	0	5.2%	5.6%	(65,465)	\$19.86
Downtown Phoenix	5,633,233	10,032	108,000	6.3%	6.5%	(302)	\$24.00
East Valley Includes Chandler, Gateway Airport, Gilbert, Queen Creek, Red Mountain/Mesa, Tempe	65,321,309	218,585	522,822	6.3%	6.3%	15,186	\$23.50
North Phoenix Includes East Phoenix, Glendale, N Phoenix/I-17 Corridor, Sun City	32,884,204	0	29,269	6.0%	6.1%	72,762	\$19.70
Northwest Phoenix Includes Anthem, Central Peoria/Arrowhead, Deer Valley, Surprise/N Peoria	17,711,650	20,114	153,499	3.8%	3.8%	(24,005)	\$29.55
North Scottsdale Includes Carefree, Fountain Hills, North Scottsdale	14,218,762	0	144,345	3.8%	3.8%	42,143	\$30.16
Pinal County Includes Apache Junction and Outlying Pinal County	7,688,374	40,500	114,832	8.8%	8.8%	33,753	\$21.12
Scottsdale Includes Central Scottsdale and South Scottsdale	16,147,913	0	56,766	4.3%	4.5%	(28,477)	\$34.43
South Mountain Includes Ahwatukee Foothills, Gila River Outlying, Laveen, South Mountain	5,823,784	20,186	0	4.9%	5.2%	27,623	\$26.64
West Phoenix Includes Goodyear, Loop 101/I-10, N Goodyear/Litchfield, North Buckeye, South Buckeye, Tolleson, W Phoenix/Maryvale	22,571,746	386,677	751,121	2.8%	2.8%	260,156	\$25.22
Market total	192,003,488	696,094	1,880,654	5.3%	5.4%	333,374	\$24.97

Phoenix retail submarket map



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

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