

MARKETBEAT PHOENIX

Retail Q4 2019



CUSHMAN &
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\$66,100

Median HH Income

YoY
Chg



12-Mo.
Forecast



2.1%

Population Growth



4.3%

Unemployment Rate



Source: Moody's Precis

U.S. ECONOMIC INDICATORS Q4 2019

2.3%

GDP Growth

YoY
Chg



12-Mo.
Forecast



4.3%

Consumer Spending
Growth



4.1%

Retail Sales Growth



Source: St. Louis Federal Reserve

ECONOMIC OVERVIEW

The Metro Phoenix job market had a strong 2019, adding 55,000 jobs year-over-year (YoY) through the fourth quarter of 2019. During the same time period, the unemployment rate remained at 4.3%. The labor force increased by a similar number of new jobs.

SUPPLY AND DEMAND

During the fourth quarter of 2019, vacancy in the Metro Phoenix retail market was 8.5%. The vacancy rate rose 20 basis points (bps) from 8.3% to 8.5%. The East Phoenix (2.8%), Southwest Phoenix (5.9%), Central Business District (5.9%), and Northwest Phoenix (6.1%) submarkets had the lowest vacancy rates, while the Mesa (10.8%), North I-17 (10.4%), and Southeast Valley (9.8%) submarkets recorded the highest. The Metro Phoenix retail market continued to experience positive occupancy growth and absorbed nearly 182,000 square feet (sf) during the fourth quarter of 2019. This brings the year-to-date (ytd) total absorption to about 527,000 sf. The Northwest Phoenix (+130,000 sf) and the Scottsdale (+126,000 sf) submarkets made up the largest gains of positive absorption. The North Central Phoenix (-116,000 sf) and Southeast Valley (-90,000 sf) submarkets experienced the largest negative absorption. Neighborhood & Community centers posted negative absorption while strip, power & regional malls, and lifestyle centers recorded positive absorption for the fourth quarter of 2019. Power & Regional mall centers saw the largest increase in occupied space with over 199,000 sf of positive absorption, bringing the ytd total absorption to 376,000 sf. Neighborhood & Community centers recorded (-158,000 sf) of negative absorption for the fourth quarter of 2019, bringing the ytd total to roughly -44,000 sf.

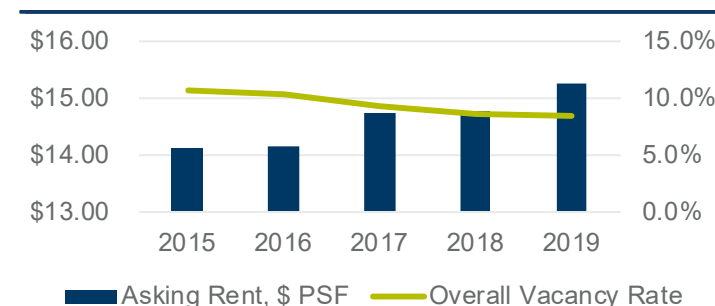
PRICING

The average asking rate for the Metro Phoenix retail market was \$15.23 per square foot (psf) on an annual triple-net-basis in the fourth quarter of 2019. This marks a \$0.05 increase from the \$15.18 average asking rate that was recorded in the third quarter of 2019. Average asking rates increased \$0.45 YoY, a 3.0% increase. The Central Business District submarket saw the largest increase of \$2.49, from \$16.29 to \$18.78, quarter-over-quarter while the Northwest Phoenix submarket recorded the largest YoY increase from \$13.61 to \$16.10.

OVERALL ABSORPTION



OVERALL VACANCY & ASKING RENT



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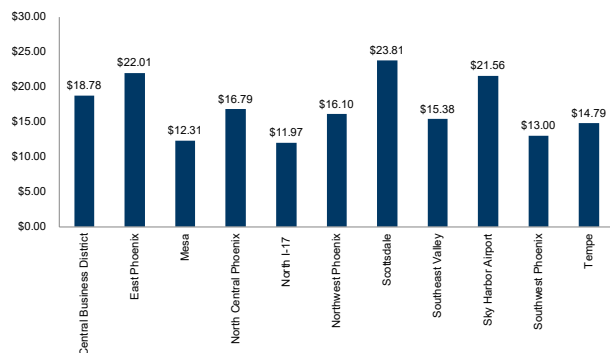


MARKET STATISTICS

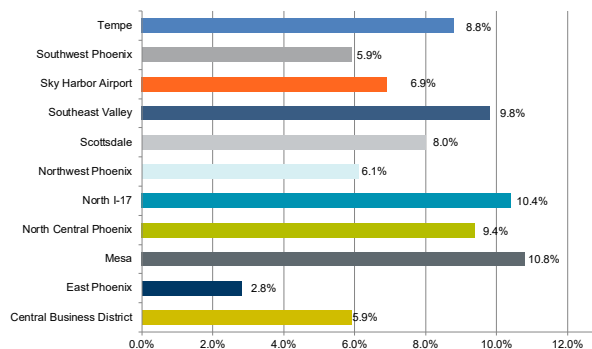
SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central Business District	439,414	0	26,025	5.90%	13,805	23,731	0	\$18.78
East Phoenix	6,129,898	0	169,709	2.80%	15,017	43,009	80,000	\$22.01
Mesa	8,080,533	0	869,942	10.80%	97,064	-28,180	0	\$12.31
North Central Phoenix	10,048,074	0	948,548	9.40%	-115,676	-37,859	59,328	\$16.79
North I-17	19,363,778	6,570	2,015,296	10.40%	18,412	-77,583	0	\$11.97
Northwest Phoenix	26,662,323	4,441	1,611,115	6.10%	129,746	319,426	113,528	\$16.10
Scottsdale	14,646,458	16,004	1,152,674	8.00%	126,289	68,623	46,007	\$23.81
Southeast Valley	39,000,697	14,400	3,806,423	9.80%	-89,547	213,550	450,489	\$15.38
Sky Harbor Airport	1,092,632	0	75,855	6.90%	7,246	12,768	0	\$21.56
Southwest Phoenix	3,891,008	0	229,151	5.90%	14,237	27,751	0	\$13.00
Tempe	6,855,097	5,800	594,230	8.80%	-34,437	-38,250	0	\$14.79
PHOENIX TOTALS	136,209,912	47,215	11,498,968	8.50%	182,156	526,986	757,921	\$15.23

*Rental rates reflect Triple Net asking \$PSF/Year.

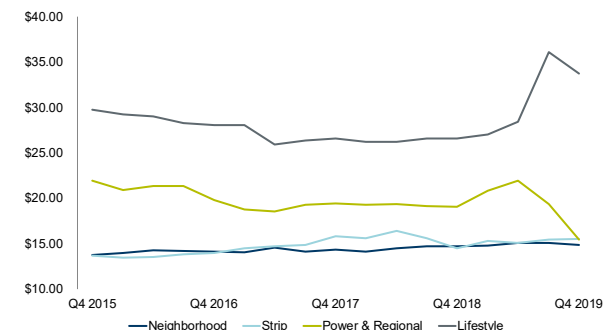
AVERAGE ASKING RATE BY MARKET (NNN) PSF SCOTTSDALE LEADS RATES TO CLOSE OUT 2019



VACANCY RATE BY MARKET



AVERAGE ASKING RATE BY TYPE (NNN) PSF



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KEY LEASE TRANSACTIONS Q4 2019

PROPERTY NAME	SUBMARKET	TENANT	SF	TYPE
101 E Washington St	Central Business District	Fry's Grocery	67,000	New Lease
3333 N 89th St	Scottsdale	Mark Kia	56,112	New Lease
5263 S Power Rd	Southeast Valley	Goodwill	24,930	Renewal
9001-9175 E Indian Bend Rd	Scottsdale	Dbat	21,458	New Lease
1565 W Happy Valley Blvd	North I-17	Goodwill	21,280	Renewal

**Renewals not included in leasing statistics*

KEY SALES TRANSACTIONS Q4 2019

PROPERTY NAME	SUBMARKET	SELLER/BUYER	SF	PRICE
8787 N Scottsdale Rd	Scottsdale	Principal Real Estate Investors / First Washington Realty	91,204	\$55,350,824
67-179 S Higley Rd	Southeast Valley	Vestar / JFRCO, LLC	86,895	\$16,728,543
2350-2370 W Happy Valley Rd	North I-17	RED Development / YAM Properties	70,290	\$17,776,208
730 S Mill Ave	Tempe	YAM Properties / Wexford Capital LP	45,186	\$20,982,605
2605 N Power Rd	Southeast Valley	BCP Group Investments / AVG Partners	45,000	\$10,325,000

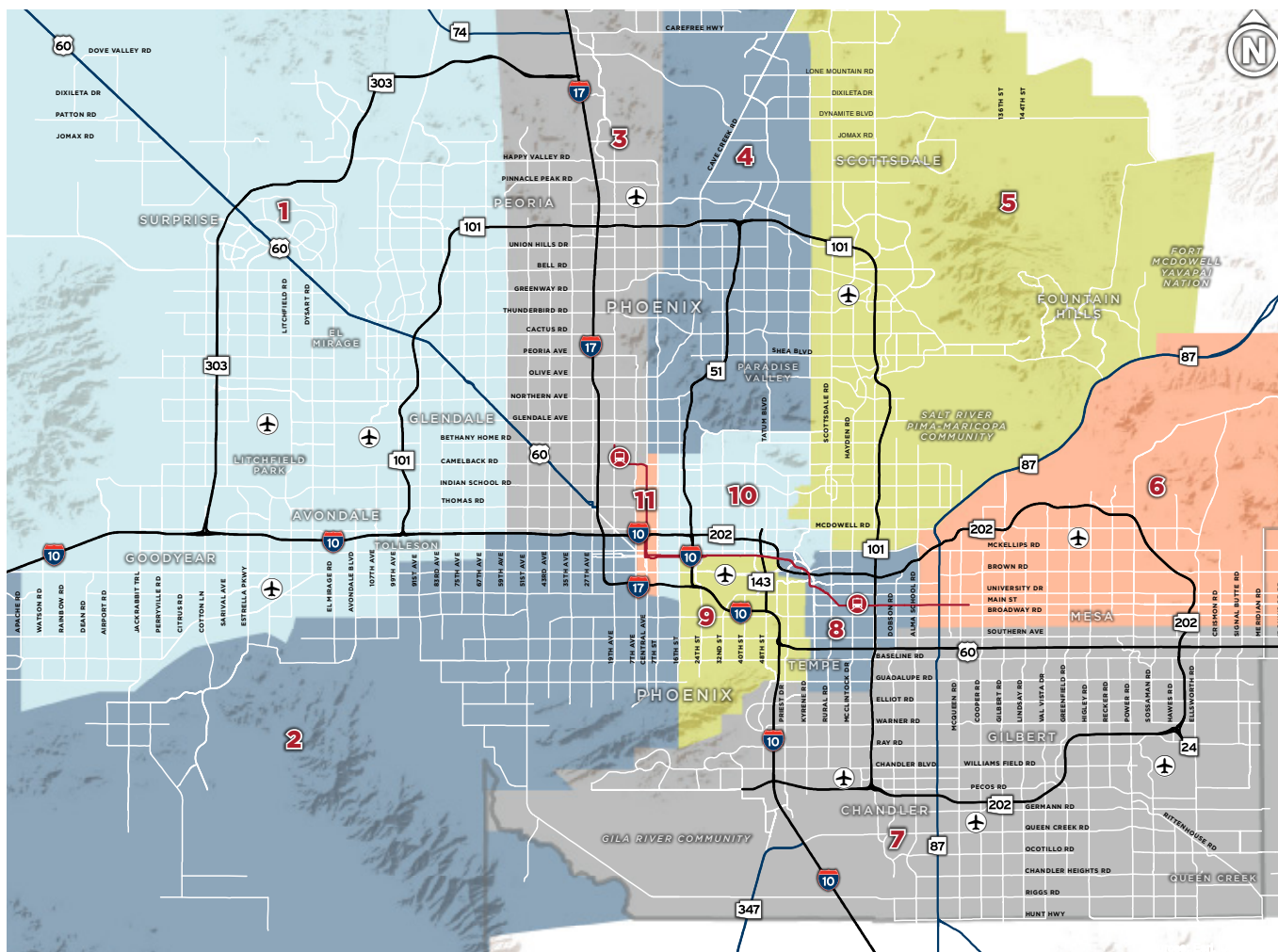
KEY CONSTRUCTION COMPLETIONS YTD 2019

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
9261 W McDowell Rd	Northwest Phoenix	Floor and Décor	80,000	Floor and Décor Outlets of America
9051 E Via de Ventura	Scottsdale	Medieval Times	80,000	Medieval Times Dinner & Tournament

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RETAIL SUBMARKETS



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|---|----------------------|----|--------------------|----|-----------------|----|-----------|
| 1 | North Glendale | 6 | Deer Valley | 11 | Tempe | 16 | East Mesa |
| 2 | Glendale | 7 | Black Canyon | 12 | Chandler | 17 | Pinal |
| 3 | Southwest Phoenix | 8 | Central Phoenix | 13 | Scottsdale | | |
| 4 | Grand Avenue | 9 | Sky Harbor Airport | 14 | West Mesa | | |
| 5 | West Central Phoenix | 10 | Scottsdale Airpark | 15 | Gilbert/Gateway | | |