



8.6%

Vacancy Rate

YoY  
Chg

475,000

YTD Net Absorption, SF



337,000

Under Construction, SF



\$15.20

Asking Rate, PSF



Source: Cushman &amp; Wakefield Research

\*Q1 data is based on All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA).

U.S. ECONOMIC INDICATORS  
Q1 2021

0.2%

GDP Growth

YoY  
Chg

-1.6%

Consumer Spending Growth



11.8%

Retail Sales Growth



Source: BEA, Census Bureau

## ECONOMY

In Q1 2021, the Phoenix market recorded an employment level of 2.1 million jobs. The unemployment rate increased from 4.4% in Q1 2020 to 6.4% in Q1 2021, but a strong improvement from the 7.5% employment rate in Q4 2020.

## MARKET OVERVIEW

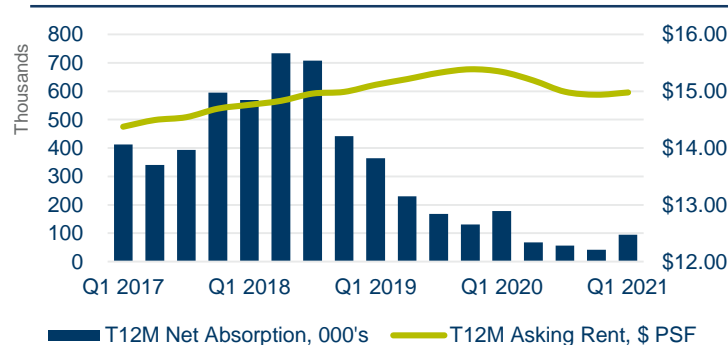
During the first quarter of 2021, vacancy in the Metro Phoenix retail market was 8.6%. The vacancy rate decreased by 30 bps from the 8.9% rate in Q4 of 2020. The East Phoenix submarket recorded the lowest vacancy rate of 3.4%, while the North Central Phoenix and North I-17 submarkets recorded the highest vacancy rates of 10.6% and 10.5% respectively.

The Metro Phoenix retail market absorbed nearly 475,000 square feet (sf) during the first quarter of 2021.

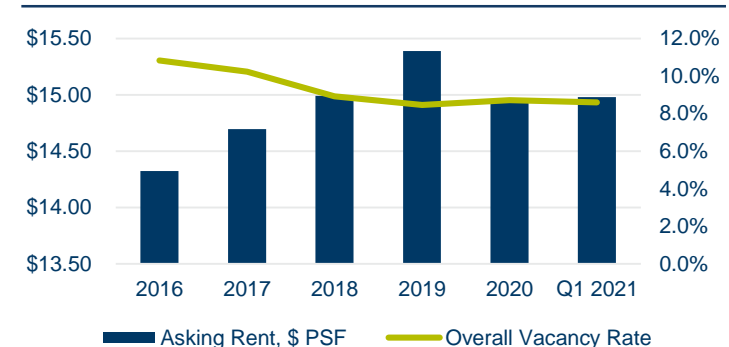
The Southeast Valley and the Northwest Phoenix submarkets made up the largest gains of positive absorption with 176,000 sf and 110,000 sf respectively. Both the North Central Phoenix submarket and Sky Harbor submarket recorded -15,000 sf of absorption for the quarter. Neighborhood & Community centers, Lifestyle centers and Strip centers each posted positive absorption. On the other hand, Power & Regional malls centers recorded negative absorption for the first quarter of 2021. Neighborhood & Community centers saw the only decrease in occupied space with over -54,000 sf of absorption, bringing the YTD total absorption to positive 475,000 sf. Neighborhood & Community centers alone saw the largest increase in occupied space with over 403,000 sf of positive absorption for the first quarter of 2021.

The average asking rate for the Metro Phoenix retail market was \$15.20 per square foot (psf) on an annual triple-net-basis in the first quarter of 2021. This marks a \$0.18 increase from the \$15.02 average asking rate that was recorded in the fourth quarter of 2020. Average asking rates increased \$0.17 YoY. The East Phoenix submarket saw the largest increase of \$2.22, from \$24.76 to \$26.98, quarter-over-quarter (QoQ). The East Phoenix submarket also recorded the largest YoY increase from \$23.20 to \$26.98. Cushman & Wakefield is currently tracking roughly 337,000 sf of new construction in the Metro Phoenix retail market for the first quarter of 2021. The Northwest Phoenix submarket had the largest amount of new construction at approximately 169,000 sf. Approximately 88,000 sf of new inventory was added during the first quarter of 2021.

## OVERALL ABSORPTION



## OVERALL VACANCY &amp; ASKING RENT NNN

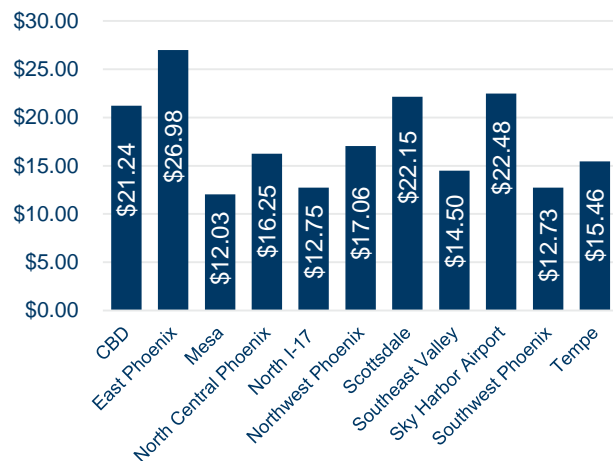




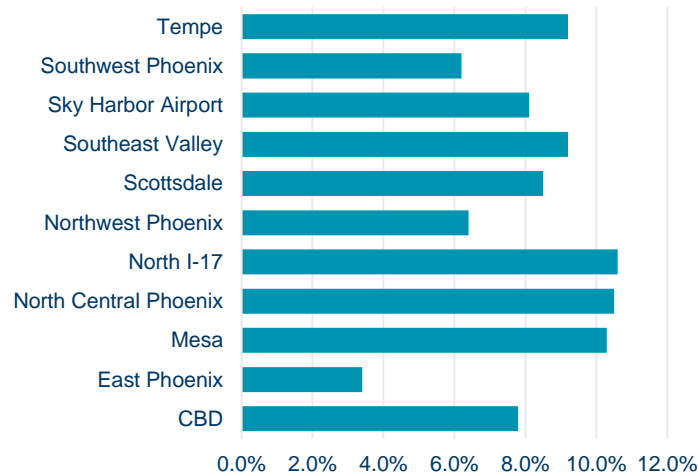
## MARKET STATISTICS

Submarket	Total Inventory	Available Space		Vacancy Q1 2021	Net Absorption		Avg. Asking Rate (NNN)
		Direct	Sublease		Q1 2021	2021	
(1) Central Business District	476,949	36,994	0	7.8%	(4,656)	(4,656)	\$21.24
(2) East Phoenix	6,080,332	208,873	0	3.4%	9,619	9,619	\$26.98
(3) Mesa	8,151,450	842,962	0	10.3%	85,660	85,660	\$12.03
(4) North Central Phoenix	9,943,860	1,030,605	12,221	10.5%	(15,134)	(15,134)	\$16.25
(5) North I-17	18,972,094	2,008,265	12,221	10.6%	22,707	22,707	\$12.75
(6) Northwest Phoenix	26,868,966	1,709,811	17,326	6.4%	110,041	110,041	\$17.06
(7) Scottsdale	14,940,532	1,239,658	25,663	8.5%	84,601	84,601	\$22.15
(8) Southeast Valley	39,157,292	3,603,499	16,240	9.2%	176,511	176,511	\$14.50
(9) Sky Harbor Airport	1,073,308	86,885	0	8.1%	(15,853)	(15,853)	\$22.48
(10) Southwest Phoenix	4,036,281	249,137	0	6.2%	(5,353)	(5,353)	\$12.73
(11) Tempe	6,953,029	637,581	0	9.2%	26,812	26,812	\$15.46
<b>PHOENIX TOTALS</b>	<b>136,654,093</b>	<b>11,654,270</b>	<b>83,671</b>	<b>8.6%</b>	<b>474,955</b>	<b>474,955</b>	<b>\$15.20</b>

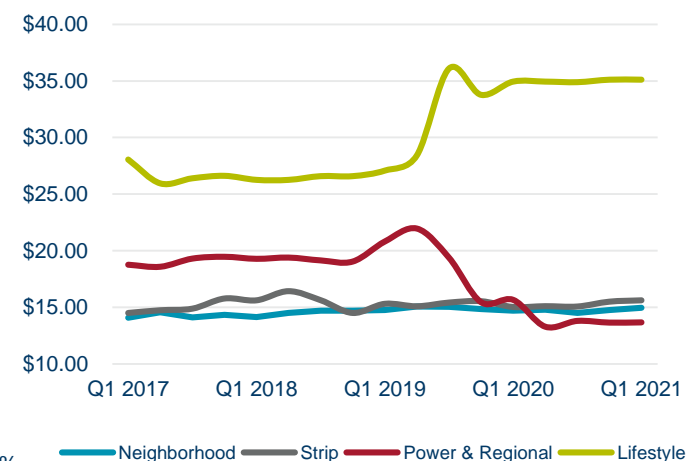
## AVERAGE ASKING RATE BY MARKET (NNN) PSF



## VACANCY RATE BY MARKET



## AVERAGE ASKING RATE BY TYPE (NNN) PSF





## KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
8658-8666 E Shea Blvd	Scottsdale	Scottsdale Gymnastics	38,000	New Lease
1927 N Gilbert Rd	Mesa	Goodwill	30,177	New Lease
7540 S Power Rd	Southeast Valley	EOS Fitness	20,000	New Lease
6912-6932 E Hampton Ave	Mesa	Paradise Appliances	17,034	New Lease
42101 N 41 <sup>st</sup> Dr	North I-17	Ridgeline Academy	14,872	New Lease

\*Renewals not included in leasing statistics

## KEY SALES TRANSACTIONS Q1 2021

PROPERTY NAME	SQUARE FOOTAGE	SELLER/BUYER	PRICE/ \$PSF	SUBMARKET
24700 N 67 <sup>th</sup> Ave	180,000	Life Time Fitness / Spirit Realty Capital	\$34,000,000 / \$188.89	Northwest Phoenix
10305 W Papago Fwy	41,232	Pierce Automotive / Lithia Real Estate	\$15,800,000 / \$383.20	Northwest Phoenix
15826 N Scottsdale Rd	31,333	Shupe Chiao / Embrey Partners	\$15,000,000 / \$478.73	Scottsdale
703-801 E Bell Rd	78,834	LNR Partners / Westpoint Homes	\$11,988,933 / \$152.08	North Central Phoenix
15444 N Frank Lloyd Wright Blvd	62,744	Vestar / Saleem Kanjiyani	\$10,215,254 / \$162.81	Scottsdale

## KEY CONSTRUCTION COMPLETIONS Q1 2021

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
24700 N 67 <sup>th</sup> Ave	Northwest Phoenix	Life Time Fitness	180,000	Spirit Realty Capital / Life Time Inc.
24665 N Lake Pleasant Pky	Northwest Phoenix	ALDI	22,000	ALDI
NWC 90 <sup>th</sup> St & Loop 101	Scottsdale	Black Rock Coffee	19,020	Palmer Development Group
13507 W Thunderbird Rd	Northwest Phoenix	Dollar Tree	10,000	Swan Partners

## Outlook

- Pad sales continue to strengthen amid rise in drive-thru properties
- Suburban market interest increases as foot traffic among urban retail decreases due to Covid-19.
- Re-opening of businesses increases retail sales across the Metropolitan area.
- NNN single-tenant deals with national credit tenants strengthen as an asset type.
- Potential 1031 exchange removal will push buyers to acquire real estate and hold it.



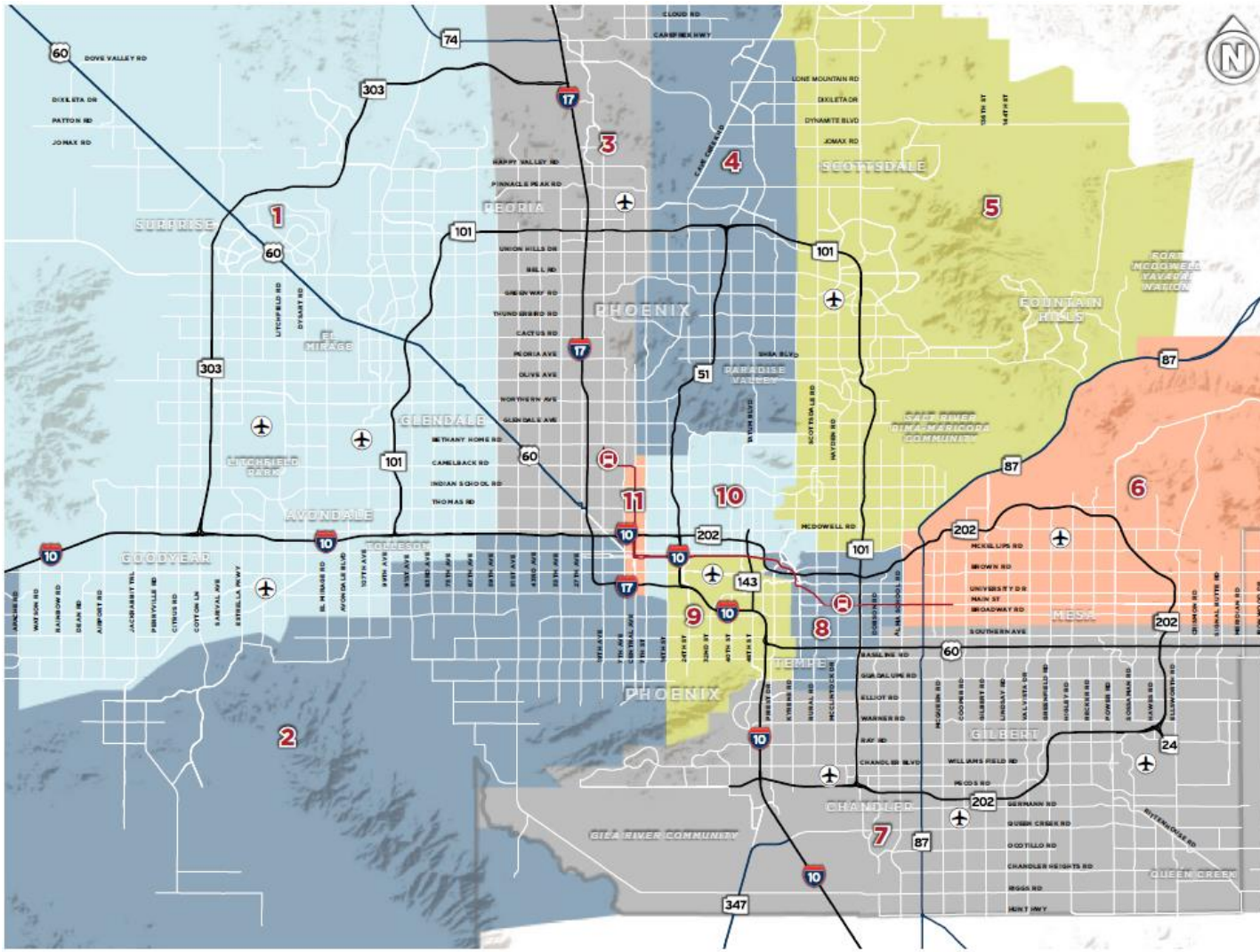
# PHOENIX

Retail Q1 2021



**CUSHMAN & WAKEFIELD**

## RETAIL SUBMARKETS



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|-----------------------|---------------------------|------------------------|--------------------------------|
| 1 - Northwest Phoenix | 4 - North Central Phoenix | 7 - Southeast Valley   | 10 - East Phoenix              |
| 2 - Southwest Phoenix | 5 - Scottsdale            | 8 - Tempe              | 11 - Central Business District |
| 3 - North I-17        | 6 - Mesa                  | 9 - Sky Harbor Airport |                                |