

PHOENIX

Retail Q3 2021



7.9%

Vacancy Rate

YoY Chg



1.4M

YTD Net Absorption, SF



296,342

Under Construction, SF



\$15.32

Asking Rate, PSF



Source: Cushman & Wakefield Research

U.S. ECONOMIC INDICATORS Q3 2021

2.0%

GDP Growth

YoY Chg



0.6%

Consumer Spending Growth



14.1%

Retail Sales Growth



Source: U.S. Bureau of Economic Analysis, U.S. Census Bureau

ECONOMY

In Q3 2021, the Phoenix market recorded an employment level of 2.2 million jobs. The unemployment rate decreased from 6.2% in Q2 2021 to 5.9% in Q3 2021.

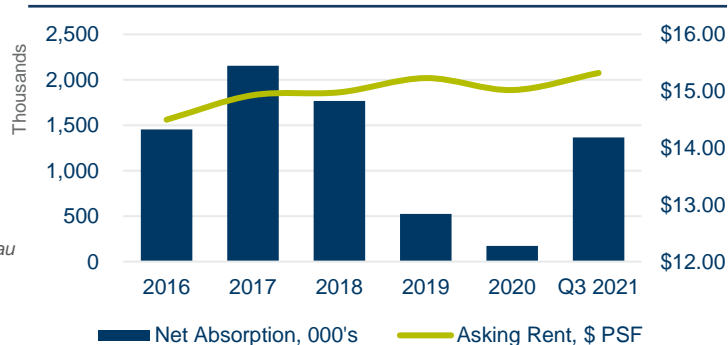
MARKET OVERVIEW

During the third quarter of 2021, vacancy in the Metro Phoenix retail market was 7.9%. The vacancy rate decreased by 100 basis points (bps) from the 8.9% rate in Q4 2020. The East Phoenix submarket recorded the lowest vacancy rate of 4.2%, while the North Central Phoenix and Mesa submarkets recorded the highest vacancy rates of 10.6% and 10.0% respectively.

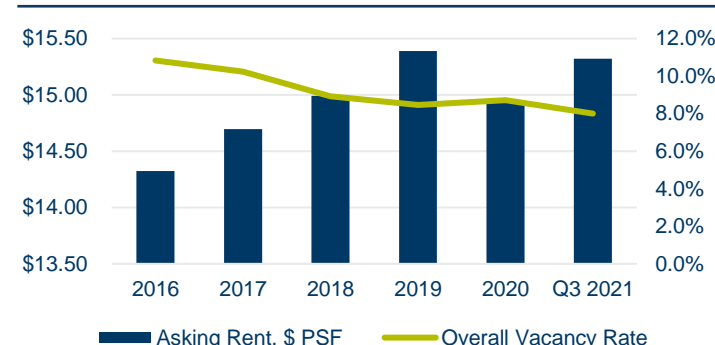
The Metro Phoenix retail market absorbed approximately 782,000 square feet (sf) during the third quarter of 2021 bringing net absorption for the year to approximately 1.4 million million square feet (msf). The Southeast Valley and the North I-17 submarkets made up the largest gains of positive absorption with 303,825 sf and 137,218 sf, respectively. The Southwest Phoenix submarket was the only submarket to record negative absorption in the third quarter with 15,000 sf. All retail center types reported positive absorption in the third quarter of 2021 with neighborhood centers and strip centers having the largest gains of positive absorption with 308,434 sf and 12,655 sf, respectively.

The average asking rate for the Metro Phoenix retail market was \$15.32 per square foot (psf) on an annual triple-net-basis in the third quarter of 2021. This marks a \$0.30 psf increase from the \$15.02 psf average asking rate that was recorded in the fourth quarter of 2020. Average asking rates increased \$0.54 psf year-over-year. The East Phoenix submarket saw the largest increase of \$2.24 psf, from \$24.76 psf to \$27.00 psf, since year-end 2020 while the CBD saw the largest decrease in rents from \$22.81 psf to \$18.03 psf in the same time period. There is approximately 296,000 sf of new construction in the metro Phoenix retail market for the third quarter of 2021. The Southeast Valley and Northwest Phoenix submarkets currently have 129,052 sf and 108,790 sf underway to lead all submarkets, respectively. In the third quarter of 2021 approximately 107,000 sf of new inventory was added across the market.

OVERALL ABSORPTION



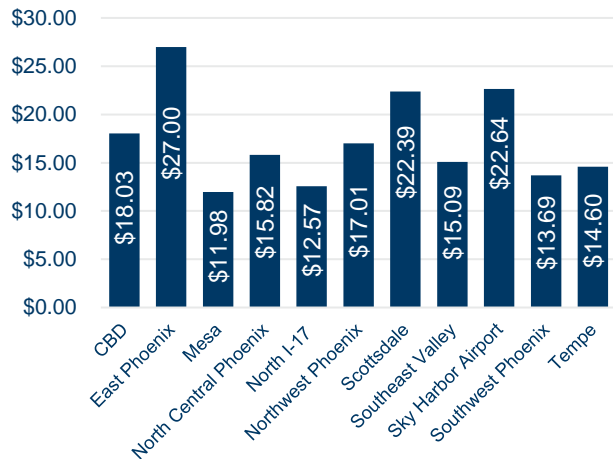
OVERALL VACANCY & ASKING RENT NNN



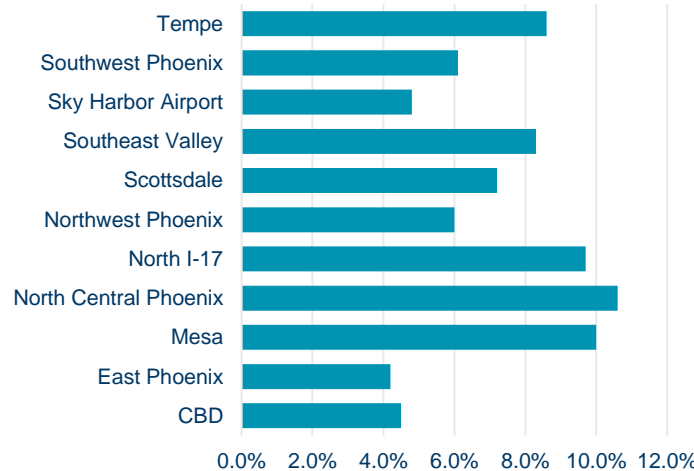
MARKET STATISTICS

Submarket	Total Inventory	Vacant Space		Vacancy Q3 2021	Net Absorption		Avg. Asking Rate (NNN)
		Direct	Sublease		Q3 2021	2021	
(1) Central Business District	483,552	21,938	0	4.5%	2,016	10400	\$18.03
(2) East Phoenix	6,270,193	262,220	0	4.2%	8,574	22,517	\$27.00
(3) Mesa	8,228,344	826,873	0	10.0%	63,801	96,044	\$11.98
(4) North Central Phoenix	9,970,231	1,054,325	7,742	10.6%	65,216	(38,107)	\$15.82
(5) North I-17	19,054,740	1,839,204	0	9.7%	137,218	189,289	\$12.57
(6) Northwest Phoenix	26,898,518	1,565,618	49,592	6.0%	103,887	302,488	\$17.01
(7) Scottsdale	14,967,602	1,041,410	33,378	7.2%	73,073	276,134	\$22.39
(8) Southeast Valley	39,974,705	3,212,494	9,400	8.3%	303,825	408,929	\$15.09
(9) Sky Harbor Airport	1,073,308	52,000	0	4.8%	10,290	19,032	\$22.64
(10) Southwest Phoenix	3,971,668	244,189	0	6.1%	(6,802)	10,301	\$13.69
(11) Tempe	6,930,472	595,360	0	8.6%	21,101	68,529	\$14.60
PHOENIX TOTALS	137,823,333	10,715,631	100,112	7.9%	782,199	1,367,577	\$15.32

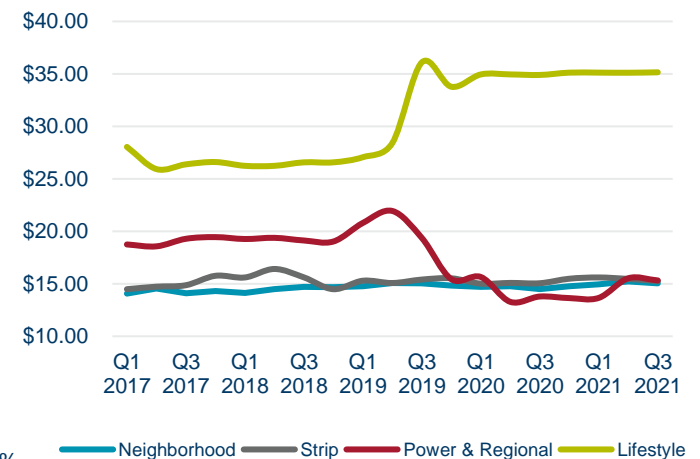
AVERAGE ASKING RATE BY MARKET (NNN) PSF



VACANCY RATE BY MARKET



AVERAGE ASKING RATE BY TYPE (NNN) PSF



KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
16203-16255 N Scottsdale Road	Scottsdale	Painted Tree Marketplace	34,922	New Lease
9001-9175 E Indian Bend Road	Scottsdale	Second Swing	32,590	New Lease
16203-16255 N Scottsdale Road	Scottsdale	Putting World	23,692	New Lease
16835 E Shea Boulevard	Scottsdale	Spacefit Auto Gallery	22,207	New Lease
850 S Watson Road	Southwest Phoenix	Boot Barn	18,000	New Lease

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q3 2021

PROPERTY NAME	SQUARE FOOTAGE	SELLER/BUYER	PRICE/ \$PSF	SUBMARKET
Crossroads Towne Center	254,960	Developers Realty Corp / UBS Realty Investors	\$52,200,000 / \$196.89	Southeast Valley
Longbow Marketplace	58,312	Kitchell Development Co / N5A Holdings Inc	\$26,000,000 / \$455.58	Mesa
Arcadia Village	37,006	Crow Holdings / Retail Properties of America	\$21,000,000 / \$567.48	East Phoenix
The Plant Shops	31,161	Crow Holdings / Armstrong Capital Development	\$18,300,000 / \$528.27	Southeast Valley
Mountainview Marketplace	128,097	Fortis Development / United Growth Holdings	\$17,400,000 / \$135.83	North Central Phoenix

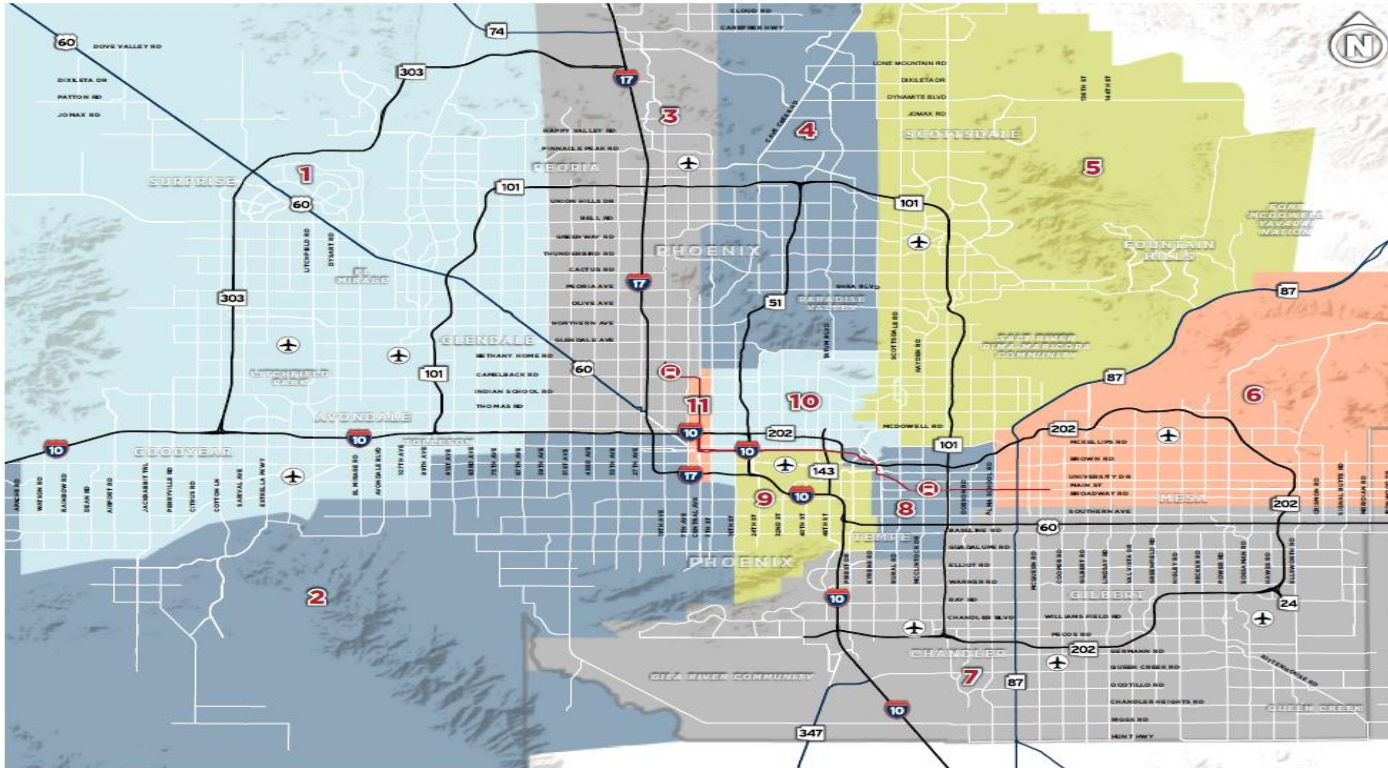
Outlook

- 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 Q3 2021

RETAIL SUBMARKETS



- | | | | |
|-----------------------|---------------------------|------------------------|--------------------------------|
| 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 | |

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