

PHOENIX

Retail Q1 2022



7.1%
Vacancy Rate

YoY
Chg



544K
YTD Net Absorption, SF



383,682
Under Construction, SF



\$15.87
Asking Rate, PSF



Source: Cushman & Wakefield Research

U.S. ECONOMIC INDICATORS Q1 2022

4.1%
GDP Growth

YoY
Chg



0.1%
Consumer Spending Growth



0.1%
Retail Sales Growth



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

ECONOMY

In Q1 2022, the Phoenix market recorded an employment level of 2.3 million jobs and the unemployment rate decreased from 6.3% in Q1 2021 to 3.1% in Q1 2022. The metro area continues to have tremendous growth, as the number of households increased by 2.5% year-over-year (YOY) to 1.9 million.

MARKET OVERVIEW

During the first quarter of 2022, vacancy in the Metro Phoenix retail market was 7.1%. The vacancy rate decreased by 40 basis points (bps) from the 7.5% rate in Q4 2021. The Central Business District and the East Phoenix submarkets recorded the lowest vacancy rates with 2.8% and 4.2%, respectively. The North I-17 and Mesa submarkets recorded the highest vacancy rates of 9.8% and 9.7%, respectively.

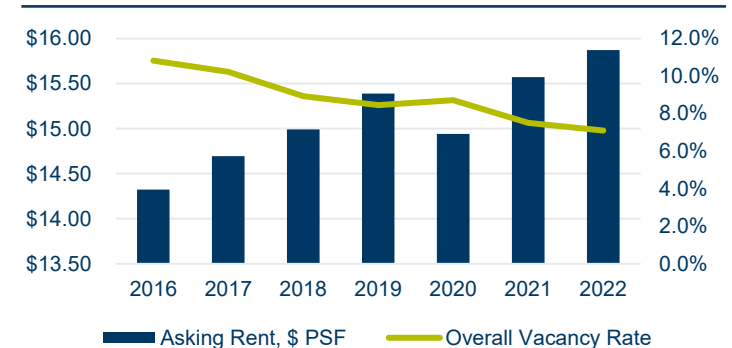
The Metro Phoenix retail market absorbed approximately 544,470 square feet (sf) during the first quarter as nine of the eleven submarkets reported positive absorption in the quarter. The Southeast Valley and the Northwest submarkets made up the largest gains of positive absorption with 305,246 sf and 123,938 sf, respectively. The North I-17 and Southwest Phoenix submarkets were the only submarkets to record negative absorption in the first quarter with 74,392 sf and 1,285 sf, respectively. In the first quarter neighborhood centers and strip centers had the largest gains of positive absorption with 294,169 sf and 143,065 sf, respectively.

The average asking rate for the Metro Phoenix retail market was \$15.87 per square foot (psf) on an annual triple-net-basis in the first quarter of 2022. This marks a \$0.70 psf increase from the \$15.17 psf average asking rate that was recorded in the fourth quarter of 2020. Average asking rates increased \$0.67 psf year-over-year. In the first quarter, the Southeast Valley submarket saw the largest increase of \$1.32 psf, from \$14.50 psf to \$15.82 psf while the CBD saw the largest decrease in rents from \$21.24 psf to \$15.66 psf in the same time period. There is approximately 383,000 sf of new construction in the metro Phoenix retail market for the first quarter of 2022. The Northwest Phoenix and Southeast Valley submarkets currently have 181,478 sf and 142,204 sf underway to lead all submarkets, respectively. In the first quarter of 2022 approximately 115,000 sf of new inventory was added across the market.

OVERALL ABSORPTION



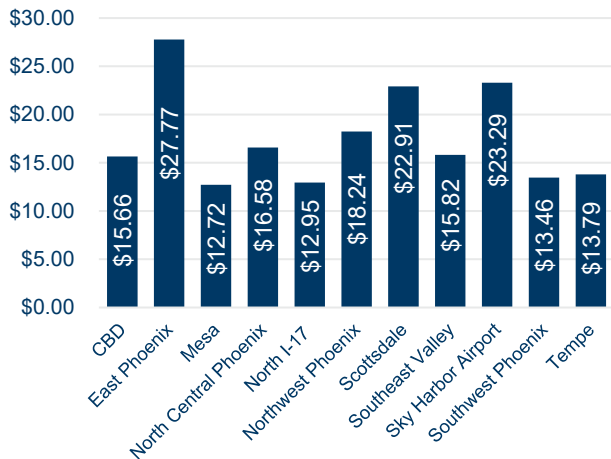
OVERALL VACANCY & ASKING RENT NNN



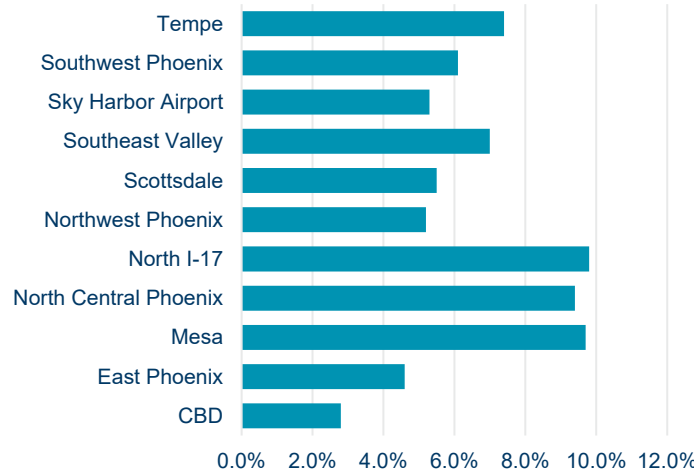
MARKET STATISTICS

Submarket	Total Inventory	Vacant Space		Vacancy Q1 2022	Net Absorption		Avg. Asking Rate (NNN)
		Direct	Sublease		Q1 2022	2022	
(1) Central Business District	483,552	13,628	0	2.8%	8,855	8,855	\$15.66
(2) East Phoenix	6,377,751	272,590	0	4.6%	7,357	7,357	\$27.77
(3) Mesa	8,229,834	794,738	0	9.7%	32,500	32,500	\$12.72
(4) North Central Phoenix	9,970,919	930,655	7,742	9.4%	956	956	\$16.58
(5) North I-17	19,033,707	1,871,591	1,155	9.8%	-74,392	-74,392	\$12.95
(6) Northwest Phoenix	26,837,801	1,344,150	39,349	5.2%	123,938	123,938	\$18.24
(7) Scottsdale	15,041,116	813,627	17,535	5.5%	109,881	109,881	\$22.91
(8) Southeast Valley	38,759,786	2,725,832	5,959	7.0%	305,246	305,246	\$15.82
(9) Sky Harbor Airport	1,097,358	58,082	0	5.3%	5,187	5,187	\$23.29
(10) Southwest Phoenix	3,975,063	243,465	0	6.1%	-1,285	-1,285	\$13.46
(11) Tempe	6,892,056	513,067	0	7.4%	26,227	26,227	\$13.79
PHOENIX TOTALS	136,698,943	9,581,425	71,740	7.1%	544,470	544,470	\$15.87

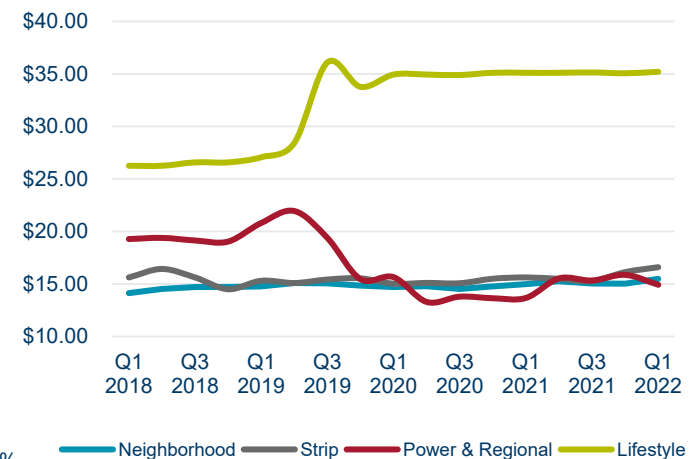
AVERAGE ASKING RATE BY MARKET (NNN) PSF



VACANCY RATE BY MARKET



AVERAGE ASKING RATE BY TYPE (NNN) PSF



KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3050 S Gilbert Road	Southeast Valley	Mak Pack Dog Training & Boarding	30,133	New Lease
24720 – 24790 Lake Pleasant Road	Northwest Phoenix	Big Lots	28,000	New Lease
245 E Bell Road	North I-17	Burlington	26,186	New Lease
1110 – 1320 W Elliot Road	Southeast Valley	Mattress Magic	17,233	New Lease
2784 W Peoria Avenue	North I-17	Petco	15,024	Renewal

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2022

PROPERTY NAME	SQUARE FOOTAGE	SELLER/BUYER	PRICE/ \$PSF	SUBMARKET
Costco Plaza	241,926	ACF Property Management / Tryperion Holdings	\$27,800,000 / \$114.91	Southeast Valley
Shops at Dynamite Creek	69,755	Scottsdale Development Partners / J L James Enterprises	\$21,950,000 / \$314.67	North Central Phoenix
Northsight Crossing	112,113	Larry E. Miller / Caliber Realty Group	\$21,100,000 / \$188.20	Scottsdale
Laveen Village Marketplace	39,763	Crow Holdings / Armstrong Capital Development	\$20,600,000 / \$518.07	Southwest Phoenix
At Home	130,333	Mary J. Broussard / Realty Income Corporation	\$18,034,160 / \$138.37	Scottsdale

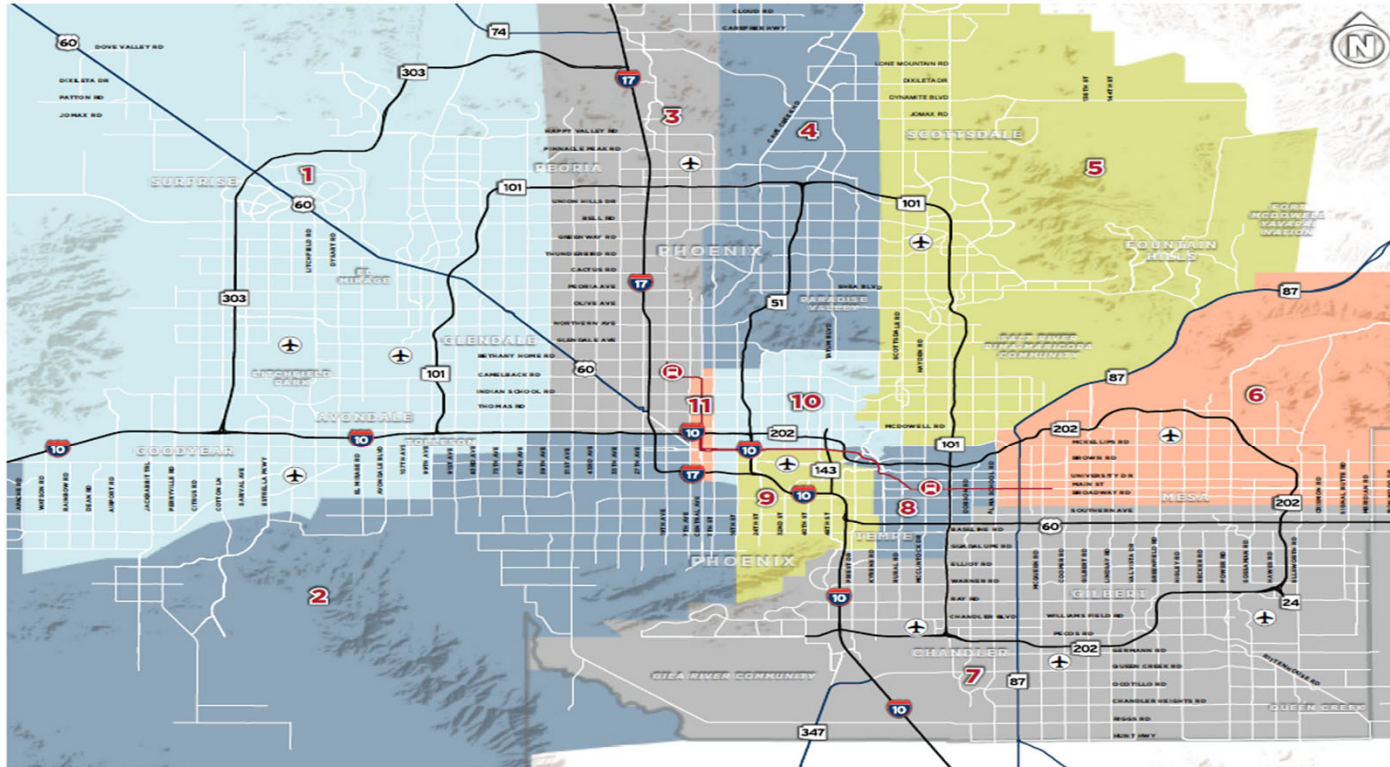
Outlook

- Pad sales continue to strengthen amid rise in drive-thru properties
- Suburban market interest increases as foot traffic continues to return
- 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 2022

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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