

PHOENIX

Retail Q2 2022



6.7%
Direct Vacancy Rate

YoY Chg



557K
Q2 Net Absorption, SF



363K
Under Construction, SF



\$15.60
Asking Rate, PSF



Source: Cushman & Wakefield Research

U.S. ECONOMIC INDICATORS Q2 2022

2.3M
Phoenix Employment

YoY Chg



12-Mo. Forecast



2.7%
Phoenix Unemployment Rate



3.6%
U.S. Unemployment Rate



Source: BLS

*Q2 data is based on the U.S. Bureau of Labor Statistics, All Employees: Total Nonfarm in Phoenix-Mesa-Scottsdale, AZ (MSA) – seasonally adjusted.

ECONOMY

In Q2 2022, the Phoenix market recorded an employment level of 2.3 million jobs and the unemployment rate decreased from 5.0% in Q2 2021 to 2.7% in Q2 2022. The metro area continues to have tremendous growth, as the number of households increased by 2.6% year-over-year (YOY) to 1.9 million.

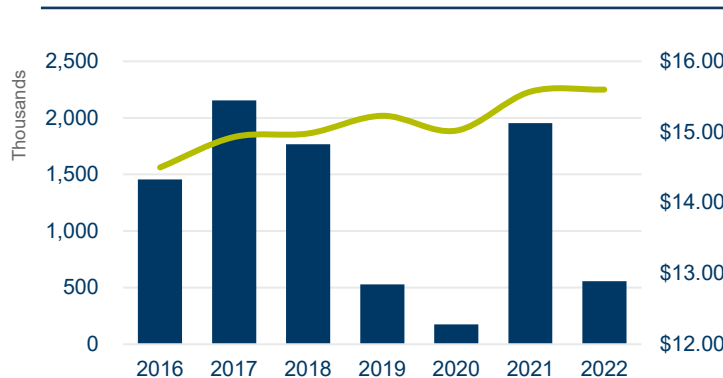
MARKET OVERVIEW

During the second quarter of 2022, vacancy in the metro Phoenix retail market was 6.7%. The Central Business District (CBD) and the East Phoenix submarkets recorded the lowest vacancy rates with 2.8% and 3.9%, respectively. The North I-17 and Mesa submarkets recorded the highest vacancy rates of 9.7% and 8.9%, respectively.

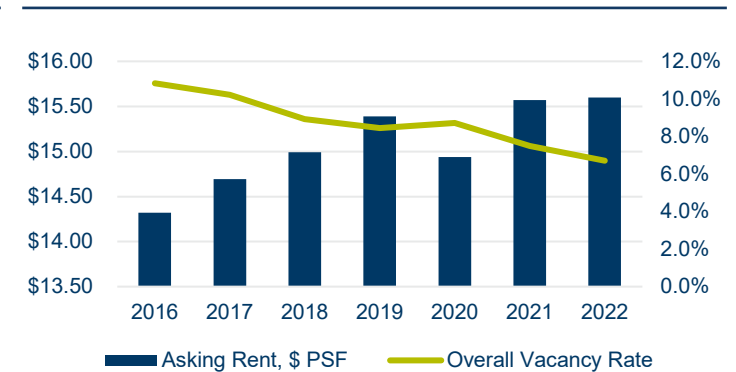
The metro Phoenix retail market absorbed approximately 557,312 square feet (sf) during the second quarter as nine of the eleven submarkets reported positive absorption in the quarter. The North Central Phoenix and the Southeast Valley submarkets made up the largest gains of positive absorption with 98,967 sf and 139,531 sf, respectively. The Mesa and Tempe submarkets were the only submarkets to record negative absorption in the second quarter with -4,225 sf and -1,465 sf, respectively.

The average asking rate for the metro Phoenix retail market was \$15.60 per square foot (psf) on an annual triple-net-basis in the second quarter of 2022. This marks a \$0.27 psf decrease from the \$15.87 psf average asking rate that was recorded in the first quarter of 2022. In the second quarter, the East Phoenix submarket had the highest asking rate of the eleven submarkets, at \$26.88 psf. The CBD submarket had the lowest asking rate of the eleven submarkets, at \$12.60 psf. There is approximately 362,981 sf of new construction in the metro Phoenix retail market for the second quarter of 2022. The Northwest Phoenix and Southeast Valley submarkets currently have 174,557 sf and 128,404 sf underway to lead all submarkets, respectively.

OVERALL ABSORPTION



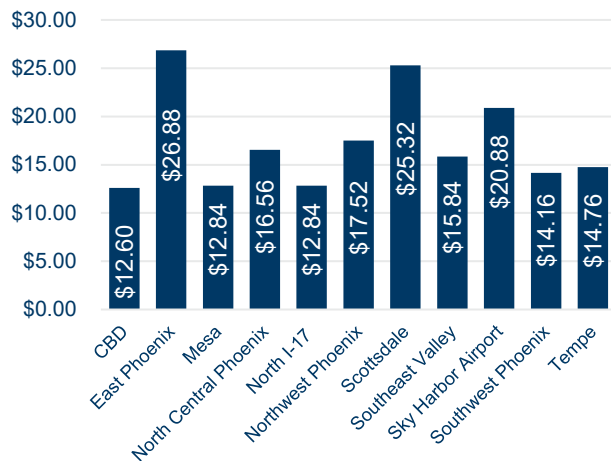
OVERALL VACANCY & ASKING RENT NNN



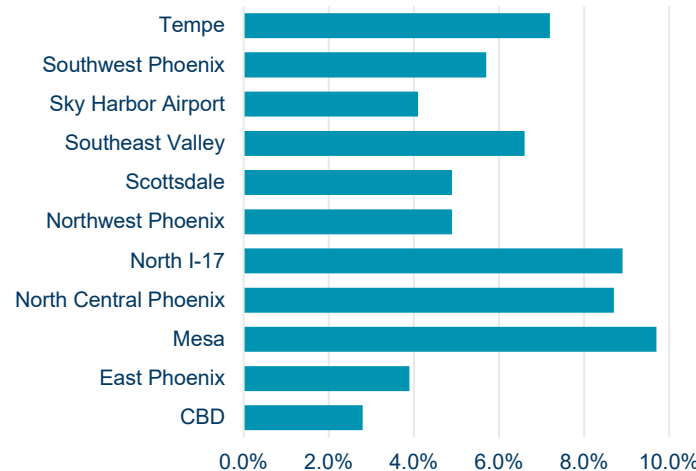
MARKET STATISTICS

Submarket	Inventory	Direct Vacant	Sublet Vacant	Total Direct Vacancy Rate	Under Construction	Q2 Overall Net Absorption	2022 YTD Overall Net Absorption	NNN Direct Asking Rate
Central Business District	483,552	13,359	0	2.8%	0	269	9,124	\$12.60
East Phoenix	6,377,751	250,201	0	3.9%	4,000	22,389	29,746	\$26.88
Mesa	8,204,901	798,993	0	9.7%	0	-4,255	28,245	\$12.84
North Central Phoenix	9,686,620	828,688	10,742	8.7%	0	98,967	99,923	\$16.56
North I-17	18,992,596	1,694,721	5,000	8.9%	0	85,157	10,765	\$12.84
Northwest Phoenix	26,997,536	1,275,986	38,897	4.9%	174,557	94,766	218,704	\$17.52
Scottsdale	14,921,576	705,433	26,721	4.9%	0	91,461	201,342	\$25.32
Southeast Valley	38,708,668	2,540,687	3,519	6.6%	128,404	139,531	444,777	\$15.84
Sky Harbor Airport	1,097,358	44,897	0	4.1%	0	13,185	18,372	\$20.88
Southwest Phoenix	4,000,464	226,158	0	5.7%	37,500	17,307	16,022	\$14.16
Tempe	6,755,581	486,344	2,188	7.2%	18,500	-1,465	24,762	\$14.76
Total	136,226,603	8,865,467	87,067	6.7%	362,961	557,312	1,101,782	\$15.60

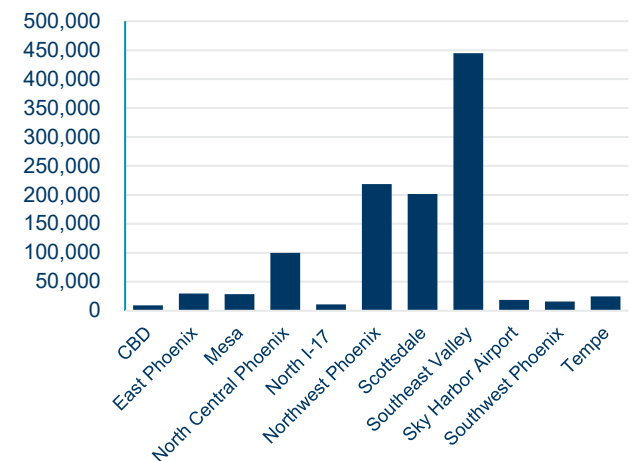
NNN DIRECT ASKING RATE



TOTAL DIRECT VACANCY RATE



2022 YTD OVERALL NET ABSORPTION



KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SF	TENANT	TRANSACTION TYPE	CITY	SUBMARKET
9101 E Baseline Rd	57,809	EOS Fitness	Direct	Mesa	Mesa
311 Central Ave	42,500	EOS Fitness	Direct	Phoenix	CBD
9675 W Camelback Rd	30,104	Mind 24/7	Direct	Phoenix	Northwest Phoenix
NEC 99 th Ave & McDowell Rd	23,256	Sprouts	Direct	Phoenix	Northwest Phoenix
34750 N North Valley Pkwy	20,388	Michael's	Direct	Phoenix	North I-17

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SF	BUYER	SALE PRICE	PRICE PSF	CITY	SUBMARKET
High Street	519,187	ScanlanKemperBard Companies	\$172,103,940	\$331.49	Phoenix	Scottsdale
Mesa Shores Shopping Center	110,917	Epic Real Estate Partners	\$30,300,000	\$273.18	Mesa	Southeast Valley
Santa Fe Square	263,527	Choice Group	\$24,200,000	\$91.83	Mesa	Mesa
Arrowhead Marketplace	129,340	Arizona Partners Retail Investment Group	\$22,875,000	\$176.86	Glendale	Northwest Phoenix
Safeway at Vistancia Marketplace	57,888	Landwin Management	\$21,100,000	\$364.50	Peoria	Northwest Phoenix

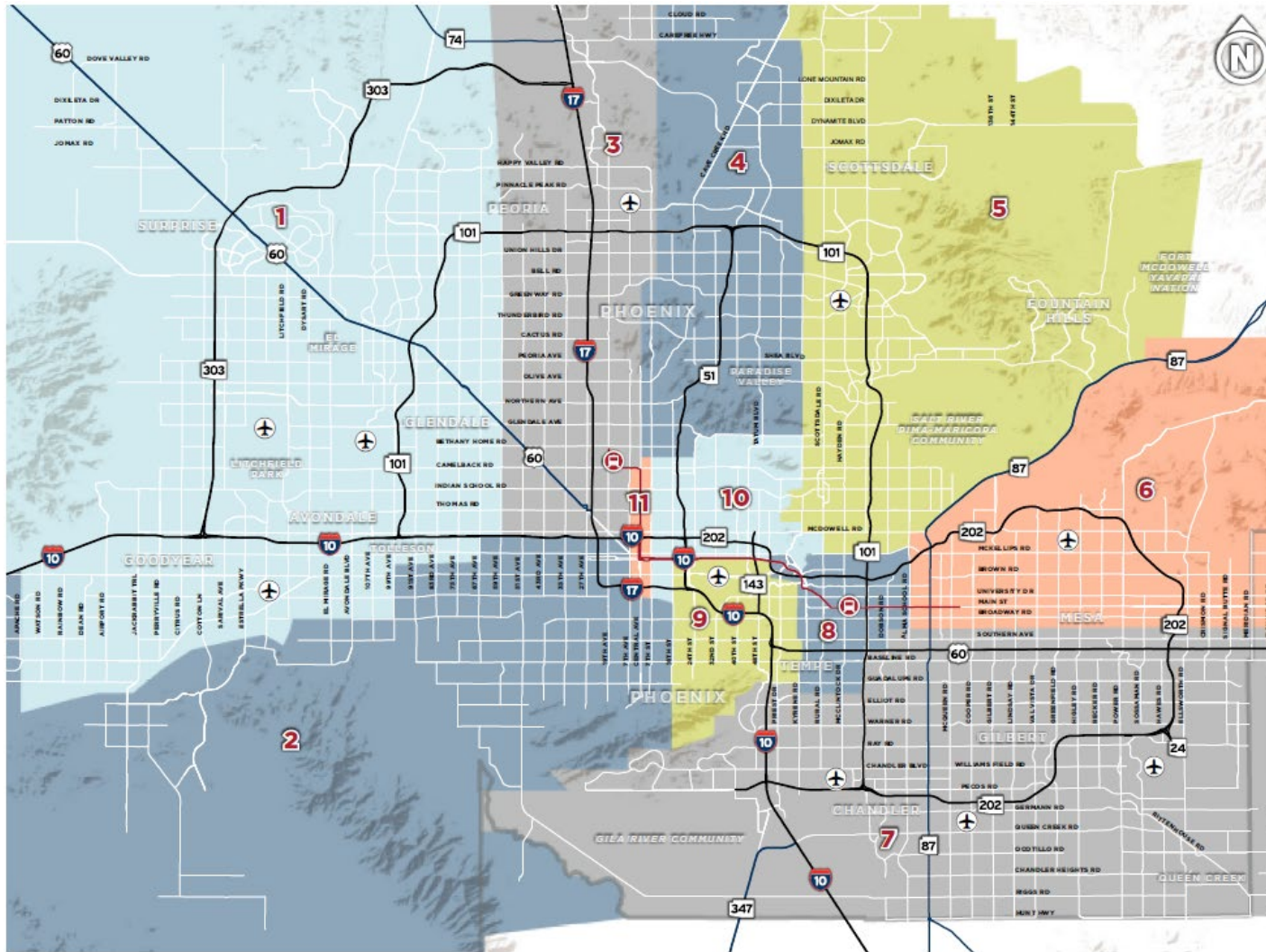
Outlook

- 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 Q2 2022

RETAIL SUBMARKETS



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

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