

# PHOENIX

Retail Q3 2022



	YoY Chg	12-Mo. Forecast
<b>\$78,800</b> Median HH Income	▲	▲
<b>1.6%</b> Population Growth	▲	▲
<b>2.8%</b> Unemployment Rate	▼	▲

Source: BLS, ESRI, Census Bureau (Economic Indicators are representative of specific county or MSA)

## U.S. ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
<b>1.5%</b> GDP Growth	▼	▲
<b>7.9%</b> Consumer Spending Growth	▼	▲
<b>8.9%</b> Retail Sales Growth	▼	▲

Source: BLS

\*Q3 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 Q3 2022, the Phoenix market recorded an employment level of 2.3 million jobs and the unemployment rate decreased from 4.1% in Q3 2021 to 2.8% in Q3 2022. The metro area continues to have tremendous growth, as the number of households increased by 2.4% year-over-year (YOY) to 1.9 million.

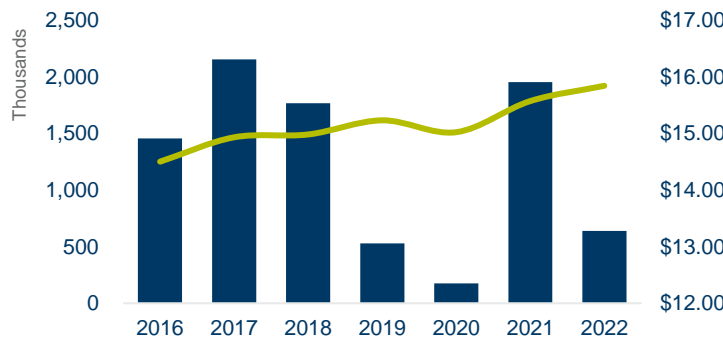
## MARKET OVERVIEW

During the third quarter of 2022, the total direct vacancy in the metro Phoenix retail market was 6.2%. The Central Business District (CBD) and the Sky Harbor submarkets recorded the lowest vacancy rates with 2.6% and 1.9%, respectively. The North I-17 and Mesa submarkets recorded the highest vacancy rates of 8.2% and 9.4%, respectively.

The metro Phoenix retail market absorbed approximately 644,039 square feet (sf) during the third quarter as ten of the eleven submarkets reported positive absorption in the quarter. The North I-17 and the Southeast Valley submarkets made up the largest gains of positive absorption with 131,341 sf and 113,914 sf, respectively. The East Phoenix submarket was the only submarket to record negative absorption in the third quarter with -19,869 sf.

The average asking rate for the metro Phoenix retail market was \$15.84 per square foot (psf) on an annual triple-net-basis in the third quarter of 2022. This marks a \$0.24 psf increase from the \$15.60 psf average asking rate that was recorded in the second quarter of 2022. In the third quarter, the East Phoenix submarket had the highest asking rate of the eleven submarkets, at \$26.28 psf. The Mesa submarket had the lowest asking rate of the eleven submarkets, at \$12.72 psf. There is approximately 561k sf of new construction in the metro Phoenix retail market for the third quarter of 2022. The Northwest Phoenix and Southeast Valley submarkets lead the way with the largest amount of square footage under construction.

## OVERALL ABSORPTION



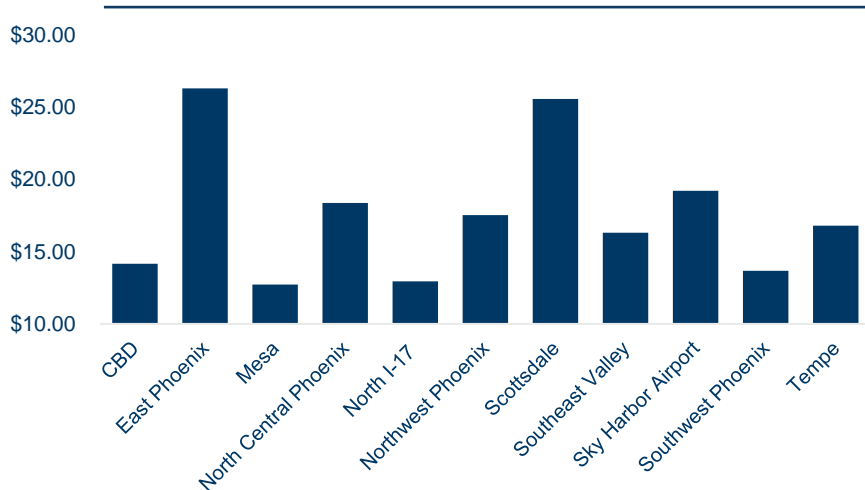
## OVERALL VACANCY & ASKING RENT NNN



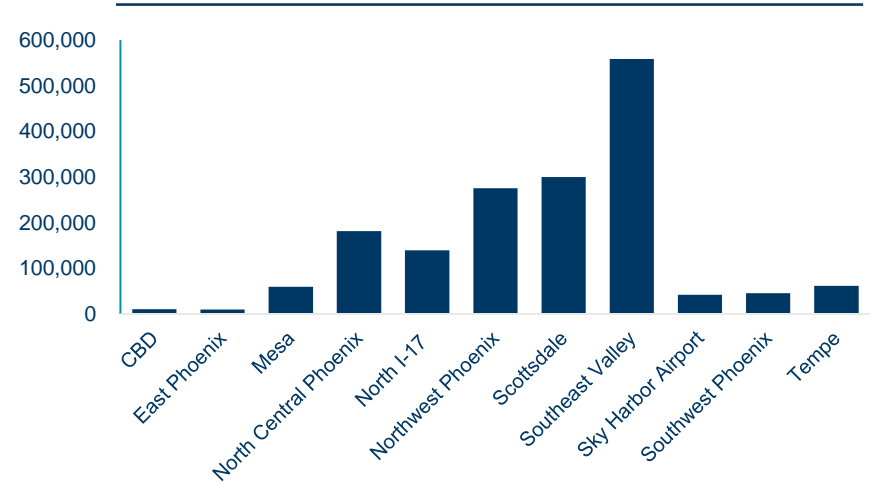
MARKET STATISTICS

Submarket	Inventory	Direct Vacant	Sublet Vacant	Total Direct Vacancy Rate	Under Construction	Overall Absorption	2022 YTD Overall Absorption	NNN Direct Asking Rate
Central Business District	480,229	12,357	0	2.6%	0	1,002	10,126	\$14.16
East Phoenix	6,429,117	267,969	2,101	4.2%	4,000	(19,869)	9,877	\$26.28
Mesa	8,087,603	757,112	1,200	9.4%	0	40,681	59,862	\$12.72
North Central Phoenix	9,691,797	753,479	9,991	7.8%	0	81,360	181,283	\$18.36
North I-17	18,960,562	1,560,822	11,558	8.2%	0	131,341	139,126	\$12.96
Northwest Phoenix	27,061,909	1,270,372	15,101	4.7%	306,182	56,575	275,279	\$17.52
Scottsdale	14,934,852	606,118	26,721	4.1%	0	99,315	299,679	\$25.56
Southeast Valley	38,687,259	2,443,611	8,181	6.3%	190,412	113,914	558,393	\$16.32
Sky Harbor Airport	1,097,358	21,142	0	1.9%	0	23,755	42,127	\$19.20
Southwest Phoenix	3,997,989	196,358	0	4.9%	42,351	29,800	45,822	\$13.68
Tempe	6,755,581	398,359	4,008	5.9%	18,500	86,165	61,727	\$16.80
<b>Total</b>	<b>136,184,256</b>	<b>8,287,699</b>	<b>78,861</b>	<b>6.2%</b>	<b>561,445</b>	<b>644,039</b>	<b>1,683,301</b>	<b>\$15.84</b>

NNN DIRECT ASKING RATE



2022 YTD OVERALL NET ABSORPTION



## KEY LEASE TRANSACTIONS

PROPERTY	SF	TENANT	TRANSACTION TYPE	CITY	SUBMARKET
Christown Spectrum	60,000	Hobby Lobby	Direct	Phoenix	North I-17
Santan Gateway North	30,233	O'Reilly Auto	Direct	Chandler	Southeast Valley
Red Mountain Gateway	29,781	Burlington	Direct	Mesa	Mesa
13706-13722 W Bell Rd	28,034	Burlington	Direct	Surprise	Northwest Phoenix
4844-4902 S Val Vista Dr	24,728	Iron Courts	Direct	Gilbert	Southeast Valley

## KEY SALES TRANSACTIONS

PROPERTY	SF	BUYER	SALE PRICE	PRICE PSF	CITY	SUBMARKET
The Promenade	582,700	David Megdal	\$180,000,000	\$308.91	Scottsdale	Scottsdale
Lake Pleasant Pavilion	178,403	Big V Property Group	\$50,500,000	\$283.07	Peoria	Northwest Phoenix
Pottery Barn Outlet	197,946	Santa Cruz Seaside Co	\$41,000,000	\$207.13	Goodyear	Northwest Phoenix
Las Tiendas Village	189,163	Arizona State Retirement	\$37,822,152	\$199.94	Chandler	Southeast Valley
Falls at Ocotillo	72,259	The Krausz Companies, Inc.	\$24,000,000	\$332.14	Chandler	Southeast Valley

## 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.

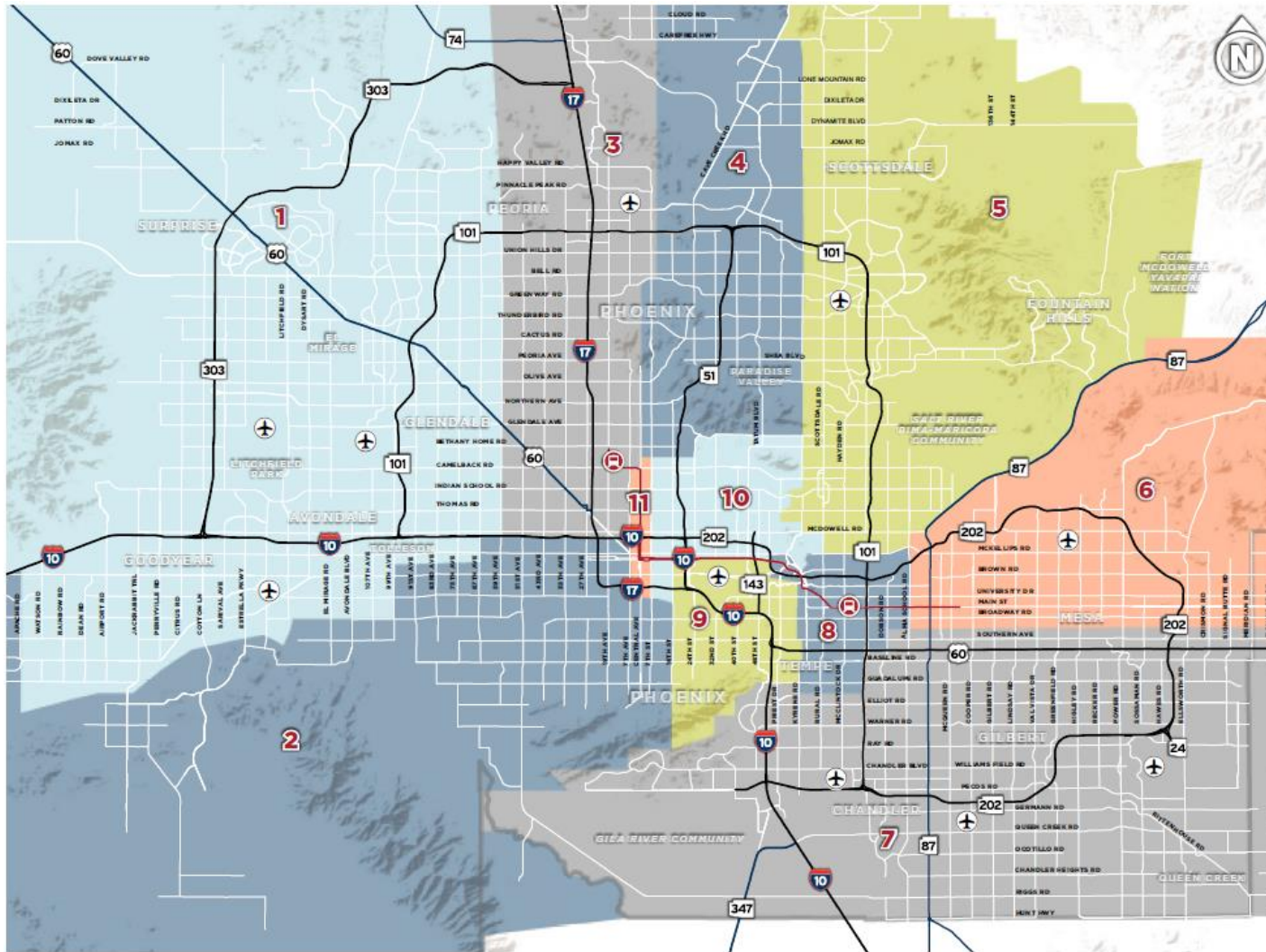


# PHOENIX

Retail Q3 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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