

PHOENIX

Retail Q4 2022



	YoY Chg	12-Mo. Forecast
\$80,000 Median HH Income	▲	▲
1.6% Population Growth	▲	▲
3.3% Unemployment Rate	▼	▲

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

U.S. ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
0.1% GDP Growth	▼	▲
8.3% Consumer Spending Growth	▼	▲
7.7% Retail Sales Growth	▼	▲

Source: BLS

*Q4 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 Q4 2022, the Phoenix market recorded an employment level of 2.3 million jobs and the unemployment rate decreased from 3.5% in Q4 2021 to 3.3% in Q4 2022. The metro area continues to have tremendous growth, as the number of households increased by 2.3% year-over-year (YOY) to 1.9 million.

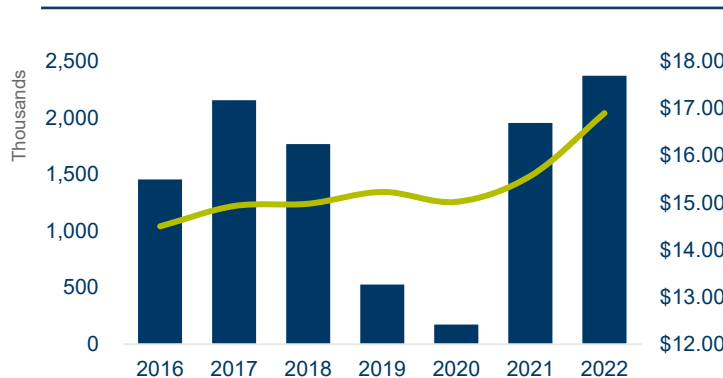
MARKET OVERVIEW

During the fourth quarter of 2022, the total direct vacancy in the metro Phoenix retail market was 5.8%. The Central Business District (CBD) and the Sky Harbor submarkets recorded the lowest vacancy rates with 2.2% and 1.7%, respectively. The North I-17 and Mesa submarkets recorded the highest vacancy rates of 7.9% and 9.1%, respectively.

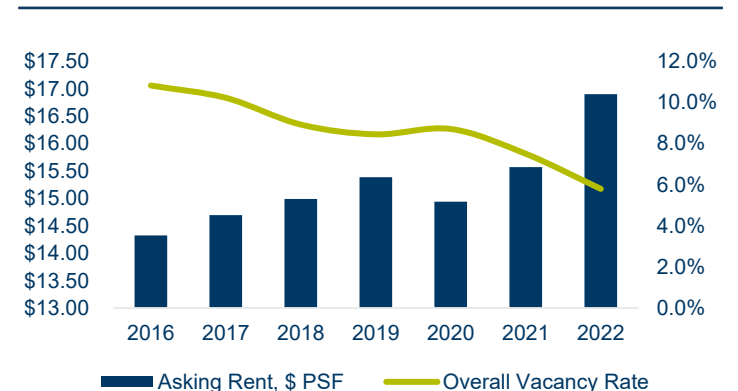
The metro Phoenix retail market absorbed approximately 691,557 square feet (sf) during the fourth quarter as ten of the eleven submarkets reported positive absorption in the quarter. The Southeast Valley and Northwest Phoenix submarkets made up the largest gains of positive absorption with 413,480 sf and 149,937 sf, respectively. Tempe was the only submarket to record negative absorption in the fourth quarter with -32,109 sf.

The average asking rate for the metro Phoenix retail market was \$16.90 per square foot (psf) on an annual triple-net-basis in the fourth quarter of 2022. This marks a \$1.06 psf increase from the \$15.84 psf average asking rate that was recorded in the third quarter of 2022. In the third quarter, the East Phoenix submarket had the highest asking rate of the eleven submarkets, at \$25.76 psf. The Mesa submarket had the lowest asking rate of the eleven submarkets, at \$12.81 psf. There is approximately 497k sf of new construction in the metro Phoenix retail market for the fourth quarter of 2022. The Northwest Phoenix and Southeast Valley submarkets lead the way with the largest amount of square footage under construction.

OVERALL ABSORPTION



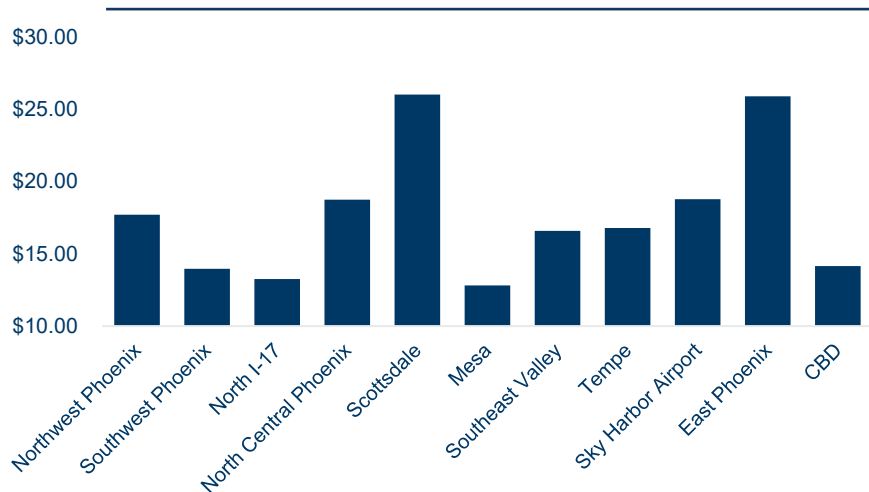
OVERALL VACANCY & ASKING RENT NNN



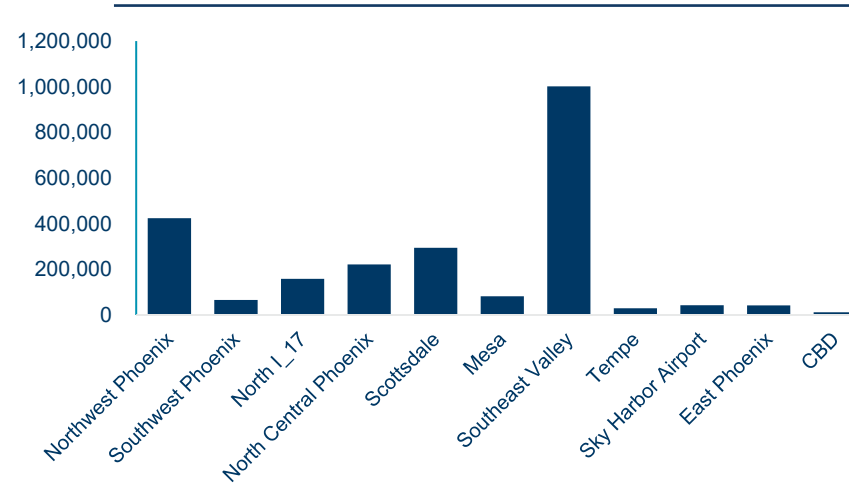
MARKET STATISTICS

Submarket	Inventory	Direct Vacant	Sublet Vacant	Total Direct Vacancy Rate	Under Construction	Overall Absorption	2022 YTD Overall Absorption	NNN Direct Asking Rate
Northwest Phoenix	26,881,298	1,144,141	17,271	4.3%	182,156	149,937	424,032	\$17.69
Southwest Phoenix	3,958,267	176,543	-	4.5%	46,116	19,815	65,637	\$13.96
North I-17	18,919,623	1,499,512	11,558	7.9%	-	31,538	158,276	\$13.25
North Central Phoenix	9,678,855	708,339	15,011	7.3%	-	40,120	221,403	\$18.73
Scottsdale	14,916,529	598,322	24,421	4.0%	-	10,096	294,035	\$26.00
Mesa	8,082,885	732,457	1,200	9.1%	-	22,365	82,191	\$12.81
Southeast Valley	39,000,897	2,297,073	7,993	5.9%	250,002	413,480	1,001,376	\$16.58
Tempe	6,751,048	432,656	1,820	6.4%	18,500	-32,109	29,618	\$16.78
Sky Harbor Airport	1,094,807	18,342	-	1.7%	-	2,800	42,376	\$18.77
East Phoenix	6,419,324	240,139	2,101	3.7%	-	31,830	41,707	\$25.88
CBD	480,229	10,672	-	2.2%	-	1,685	11,811	\$14.14
Total	136,183,762	7,858,196	81,375	5.8%	496,774	691,557	2,372,462	\$16.90

NNN DIRECT ASKING RATE



2022 YTD OVERALL NET ABSORPTION



KEY LEASE TRANSACTIONS

PROPERTY	SF	TENANT	TRANSACTION TYPE	CITY	SUBMARKET
Power Ranch Center	56,921	Shoppers Supply	Direct	Gilbert	Southeast Valley
Christown Spectrum	30,000	Burlington	Dire	Phoenix	North I-17
Ahwatukee Plaza	28,500	KTR	Direct	Phoenix	Southeast Valley
Plaza 75	27,434	Black Friday Deals	Direct	Phoenix	Northwest Phoenix
Main & Lindsay	20,000	Goodwill	Direct	Mesa	Mesa

KEY SALES TRANSACTIONS

PROPERTY	SF	BUYER	SALE PRICE	PRICE PSF	CITY	SUBMARKET
East Thunderbird Square North	173,491	West Valley Properties	\$50,000,000	\$576.40	Scottsdale	Scottsdale
Laveen Park Place	108,570	Tradewinds Capital	\$40,300,000	\$371.19	Laveen	Southwest Phoenix
The Block at Pima Center	37,958	Amanda Wong	\$23,500,000	\$619.11	Scottsdale	Scottsdale
The Pavilions	129,601	Jasleen, Inc.	\$22,000,000	\$169.75	Mesa	Southeast Valley
Greenfield Gateway	67,709	Kevin Lee	\$18,900,000	\$279.14	Mesa	Southeast Valley

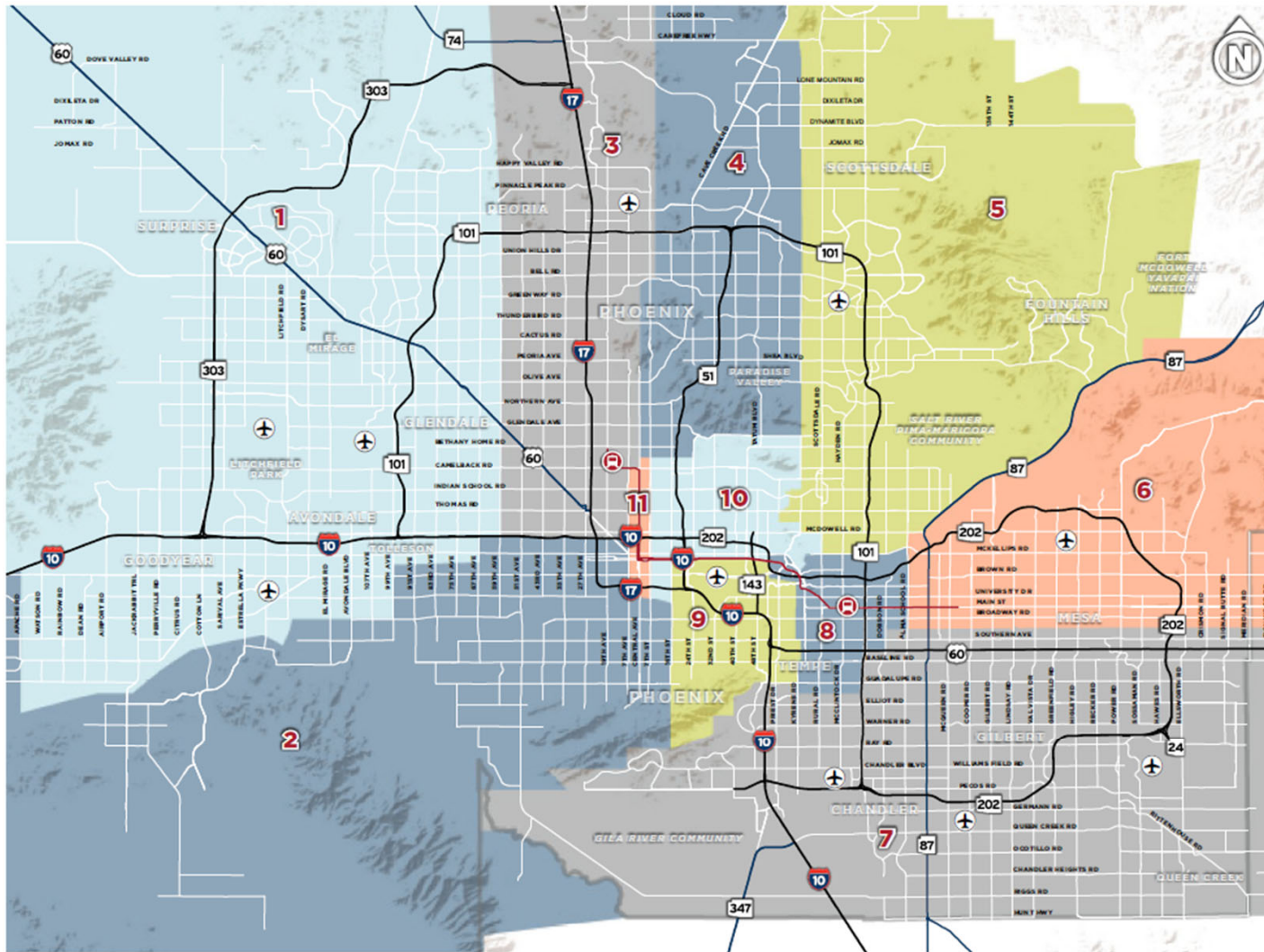
Outlook

- PAD activity for drive-thrus is still strong. Preference for most owners is to ground lease their properties
- Suburban markets remain strong in regards to tenant demand
- Construction costs have significantly hampered new development
- NNN single-tenant deals remain attractive for investors, but cap rates have increased due to rising interest rates
- 1031 exchange buyers are fewer as capital markets have slowed due to current market conditions
- Quick-service restaurants, boutique fitness facilities and technology-savvy retailers will continue to gain popularity as consumers continue to crave more personal and experiential dining, working and shopping experiences
- Continued proliferation of medical services within local shopping centers, as consumers recognize the importance of medical amenities as part of the community

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RETAIL SUBMARKETS



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- 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