

# Phoenix Retail Market

## Phoenix Retail Continues to Show Resiliency Among Waning Economic Conditions

Despite a slowing U.S. economy, forecasts going into 2023 in the Phoenix market are overwhelmingly positive with every major statistical category performing stronger than the market has seen in the last two decades. Sales transaction volume in the first quarter of 2023 totaled \$369.0 million with the rolling four quarters volume remaining over \$2.0 billion. Leasing continued to stay strong with vacancy dropping for another consecutive quarter, sitting at 5.0% throughout the Metro. Investor and user optimism in the Phoenix market remains high due to consistently experiencing the highest population growth of any metro area along with a steadily decreasing vacancy rate.

Low vacancy, strong positive net absorption and over 3.1 million square feet of retail product currently under construction are all convincing data points for sustained growth in the market. Average rent growth in Phoenix over the last year is at 2.3%, coming in at \$17.05/SF for the first quarter of 2023. Net absorption exceeded 1.3 million square feet, influenced strongly by the 917,545 square feet of new product that entered the market with users already set in place for occupancy. Heightened retail development despite increasing inflation and construction costs is expected to keep net absorption strong throughout the Metro as retail users enter and expand within the market.

### Current Conditions

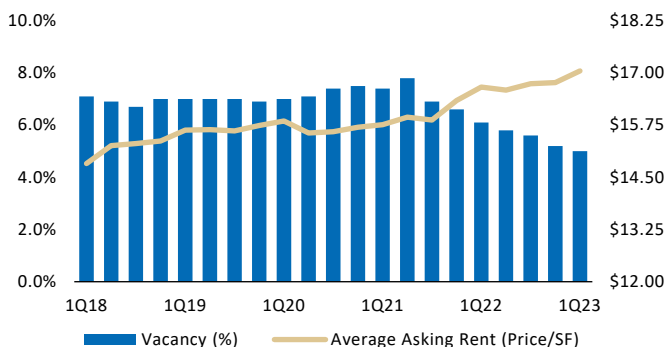
- Vacancy rate dropped for the seventh consecutive quarter and the lowest number in the last 20 years at 5.0%.
- Investment sales remain strong closing the quarter with an average cap rate of 6.0%.
- 12-month net absorption highest in last 16 years closing in on 4.5 million square feet.

### Market Summary

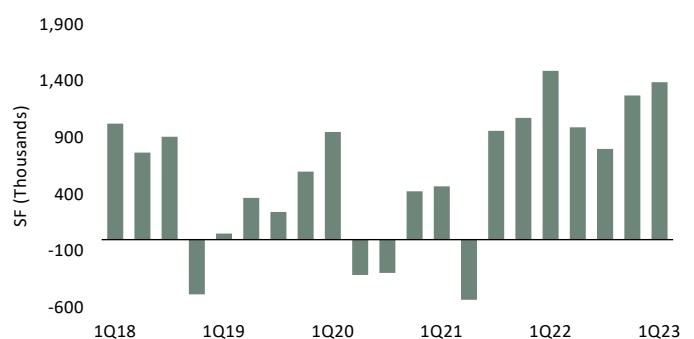
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	239 MSF	238 MSF	237 MSF	↑
Vacancy Rate	5.0%	5.2%	6.1%	↓
Quarterly Net Absorption (SF)	1,388,525	1,271,258	1,464,145	↓
Average Asking Rent/SF	\$17.05	\$16.77	\$16.66	↑
Under Construction (SF)	3,126,642	2,951,970	2,468,218	↓
Deliveries (SF)	917,545	651,954	502,139	↑

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



### Notable Projects Under Construction

Building Name	Building Address	Submarket	Type	Square Feet
Prasada North	NEC Prasada Parkway & Waddell Road	North West Phoenix	Speculative	400,000
Hudson Station	22101 E. Queen Creek Rd.	South East Phoenix	Speculative	197,830
Tempe Center	19 E. 9 <sup>th</sup> St.	Airport Area	Speculative	130,000
Safeway	NWC Peoria & Cotton Lane	North West Phoenix	Speculative	63,290

### Notable Deliveries 2023

Building Name	Building Address	Submarket	Type	Square Feet
Village at Prasada	West Waddell Road	North West Phoenix	Build-to-Suit	700,000
EoS Fitness	NWC Ellsworth Road & Riggs Road	South East Phoenix	Build-to-Suit	38,000
Marley Park Square – Lot 9	13670 Waddell Rd.	North West Phoenix	Build-to-Suit	29,294
Caliber Collision	10505 W. Roosevelt St.	South West Phoenix	Build-to-Suit	16,100

### Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Fry's Food Stores	SW Cactus Road & Sarival Road	North West Phoenix	Direct New	105,000
EoS Fitness	SW Cactus Road & Sarival Road	North West Phoenix	Direct New	103,256
At Home	1110-1320 W. Elliot Rd.	South East Phoenix	Direct New	84,000
Slick City	7586 W. Thunderbird Rd.	North West Phoenix	Direct New	34,425
Sprouts Farmer's Market	34750 N. North Valley Pky.	North Phoenix	Direct New	28,000

### Select Sale Transactions

Building Address	Submarket	Sales Price	Price/SF	Square Feet
Sprout's Center (Portfolio)   5225-5235 E. Southern Ave.	South East Phoenix	\$18,500,000	\$322.61	57,345
Glendale Palms (Portfolio)   6611 W. Bell Rd.	North West Phoenix	\$18,250,000	\$151.01	120,852
Crossroads Plaza   6750 W. Peoria Ave.	North West Phoenix	\$14,750,000	\$130.72	112,838
Coldwater Creek Plaza   1451 N. Dysart Rd.	South West Phoenix	\$6,300,000	\$416.67	15,120

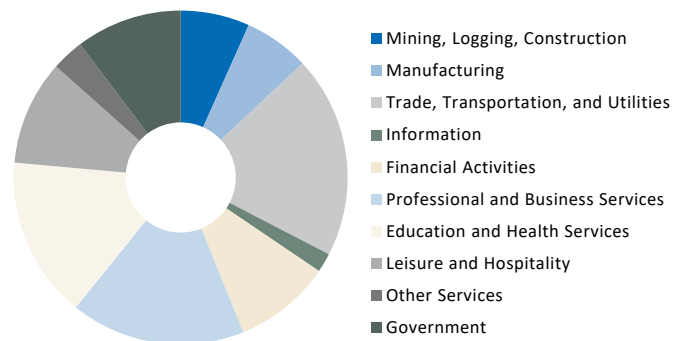
Submarket Statistics							
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	Quarterly Deliveries (SF)	All Service Type Rent (Price/SF)	Average NNN Asking Rent (Price/SF)
Airport Area	4,465,053	-	4.6%	(549)	-	\$20.70	\$21.95
Downtown Phoenix	8,406,904	114,865	5.0%	(30,555)	-	\$20.89	\$20.20
East Valley	2,693,747	-	3.3%	18,277	-	\$17.33	\$18.01
Maricopa County	845,609	-	0.5%	-	-	\$12.98	\$13.50
North Phoenix	30,063,127	15,034	7.8%	25,450	7,696	\$14.81	\$14.80
North Scottsdale	13,849,918	48,226	4.4%	(19,872)	-	\$25.95	\$24.25
North West Phoenix	50,697,709	1,453,202	3.7%	1,402,562	791,269	\$16.22	\$16.27
Pinal County	9,141,889	81,720	7.7%	610	-	\$17.98	\$17.41
Scottsdale	20,266,180	228,078	3.5%	6,967	5,950	\$27.57	\$27.85
South Mountain	8,418,506	72,834	5.1%	28,697	21,753	\$18.73	\$19.31
South West Phoenix	8,910,434	249,090	2.0%	38,278	18,700	\$21.43	\$21.91
South East Phoenix	81,685,206	863,593	5.4%	279,813	72,177	\$16.97	\$16.10
<b>Market</b>	<b>239,444,282</b>	<b>3,126,642</b>	<b>5.0%</b>	<b>1,388,525</b>	<b>917,545</b>	<b>\$17.48</b>	<b>\$17.05</b>

## Economic Overview

Like many other metro areas in the Sun Belt, Phoenix continues to benefit from demographic shifts in the U.S. Phoenix is an attractive option for those leaving coastal gateway markets for economic opportunities and a lower cost of living. Phoenix's diversified economy, young talent pool, numerous universities and community colleges, lower cost of doing business relative to gateway markets and strong population growth are major draws for employers and employees alike. Almost every industry experienced strong job growth over the last 12 months, with only the trade, transportation and utilities sector experiencing a 1.2% job growth contraction year over year. While the next several quarters appear economically murky, the Phoenix Metro is well-poised for a vibrant future.

## Employment by Industry

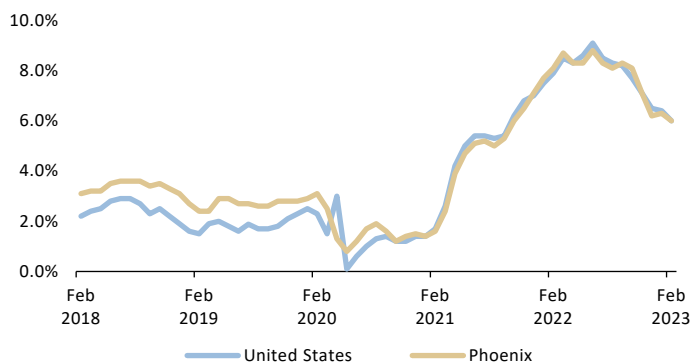
PHOENIX, 2022 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

## Consumer Price Index (CPI)

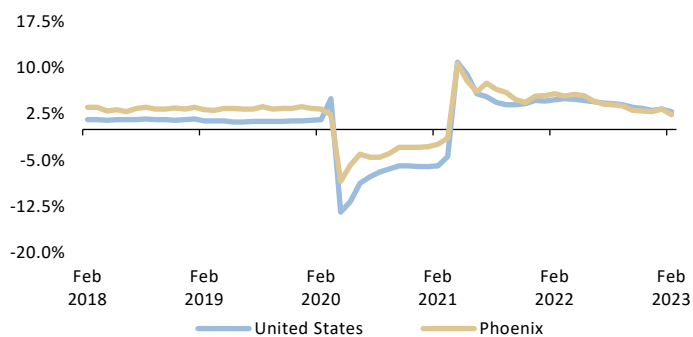
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

## Payroll Employment

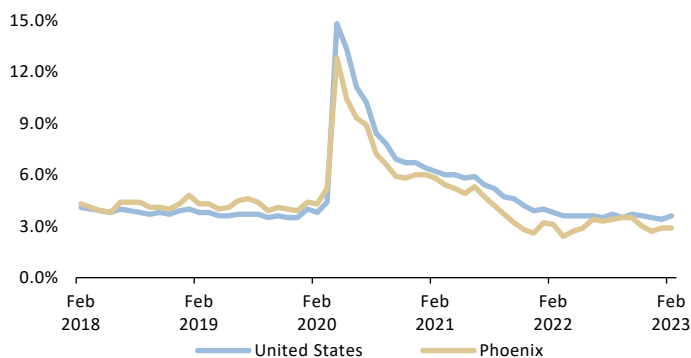
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

## Unemployment Rate

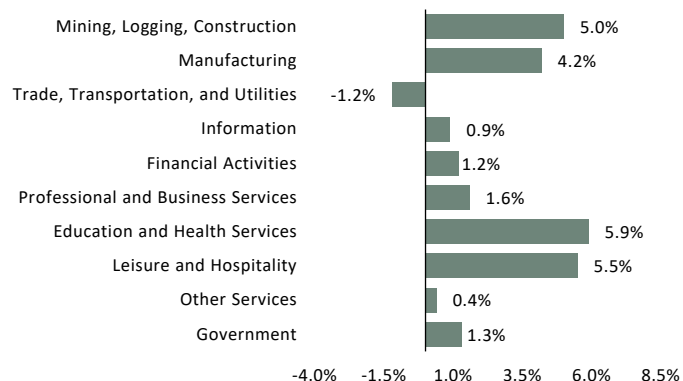
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

## Employment Growth by Industry

PHOENIX, FEBRUARY 2023, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

*For more information:*

**Arizona Office**

2555 E. Camelback Rd.,  
Suite 600  
Phoenix, AZ 85016  
t 602-952-3800

**Amelia Yates**

*Research Manager*  
amelia.yates@nmrk.com

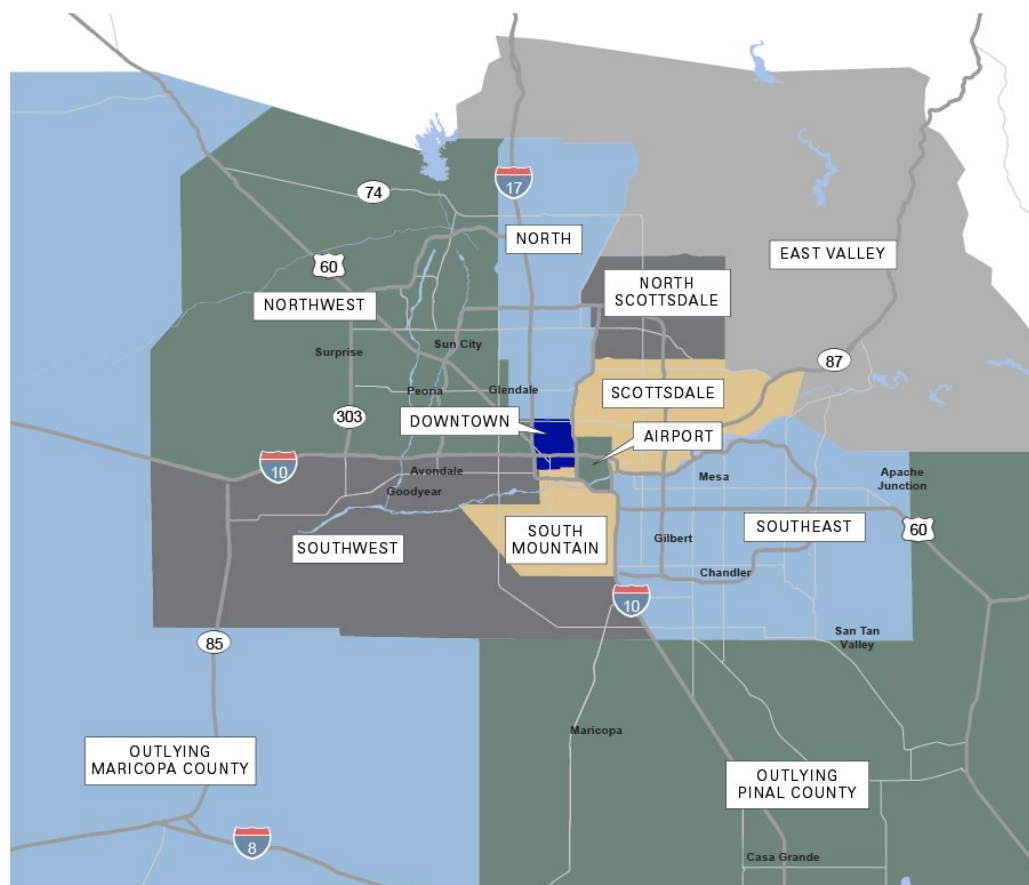
**Rich Lachowsky**

*Director, SLC Research and  
National Industrial*  
rich.lachowsky@nmrk.com

**Garner Blake**

*Research Coordinator*  
garner.blake@nmrk.com

[nmrk.com](http://nmrk.com)



All information contained in this publication (other than that published by Newmark) is derived from third party sources. Newmark (i) has not independently verified the accuracy or completeness of any such information, (ii) does not make any warranties or representations, express or implied, concerning the same and (iii) does not assume any liability or responsibility for errors, mistakes or inaccuracies of any such information. Further, the information set forth in this publication (i) may include certain forward-looking statements, and there can be no guarantee that they will come to pass, (ii) is not intended to, nor does it contain sufficient information, to make any recommendations or decisions in relation to the information set forth therein and (iii) does not constitute or form part of, and should not be construed as, an offer to sell, or a solicitation of any offer to buy, or any recommendation with respect to, any securities. Any decisions made by recipient should be based on recipient's own independent verification of any information set forth in this publication and in consultation with recipient's own professional advisors. Any recipient of this publication may not, without the prior written approval of Newmark, distribute, disseminate, publish, transmit, copy, broadcast, upload, download, or in any other way reproduce this publication or any of the information it contains with any third party. This publication is for informational purposes only and none of the content is intended to advise or otherwise recommend a specific strategy. It is not to be relied upon in any way to predict market movement, investment in securities, transactions, investment strategies or any other matter. If you received this publication by mistake, please reply to this message and follow with its deletion, so that Newmark can ensure such a mistake does not occur in the future.