



# Phoenix Retail Market

## Vaccine Rollouts Restore Confidence Among Consumers

A decrease in the number of positive COVID-19 cases and increase in the number of people vaccinated has helped restore confidence among consumers. Federal stimulus checks along with employment growth is putting money in the pockets of consumers and helped support the entertainment, service and restaurant industries. Vacant storefronts traditionally leased by grocers, gyms and discount retailers are being leased by different tenant groups such as schools, community organizations and medical groups. Consumer demand remains highest among grocery, drive-thru, pharmacy and hobby stores.

Net absorption this quarter was negatively affected by the closure of the Paradise Valley Mall in April which diminished 527,200 square feet. The outlook for malls lacks confidence as they were already struggling pre-pandemic and vacancy rates rising to almost 19%. Due to lower price points, long-term demand drivers in Phoenix continue to attract out-of-state investors, many of which are from California because of the close proximity and high spread in property value in comparison. Investors are particularly drawn to single-tenant triple net properties with large corporate backing.

### Current Conditions

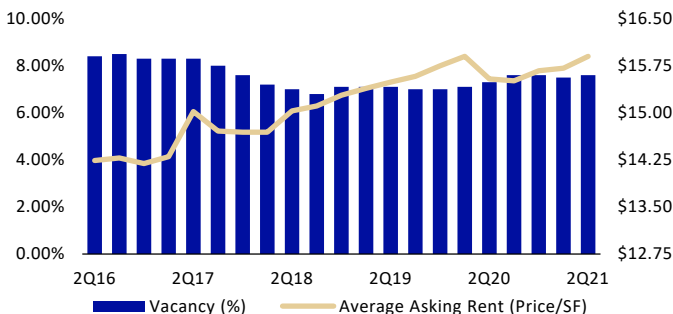
- Asking rates remain unaffected thus far despite COVID-19, experiencing a 2.3% increase year-over-year.
- Phoenix continues to be a hot spot for opportunistic out-of-state buyers due to the high-yield spread on retail assets.
- Developers continue to focus on build-to-suits in order to mitigate supply-side risks.

### Market Summary

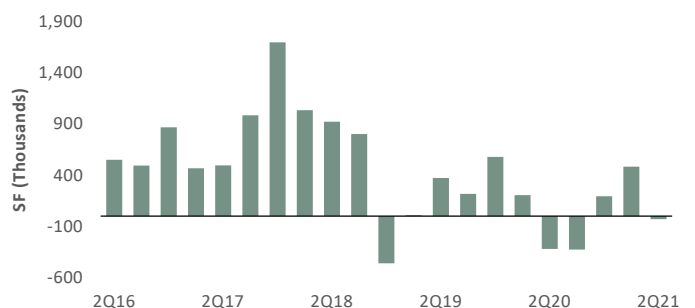
	Current Quarter	Prior Quarter	Year Ago Period	12-Month Forecast
Total Inventory	235 MSF	235 M SF	234 M SF	↑
Vacancy Rate	7.6%	7.5%	7.3%	↑
Quarterly Net Absorption (SF)	-29,877	483,696	-320,575	↑
Average Asking Rent/SF	\$15.90	\$15.71	\$15.54	↑
Under Construction (SF)	702,390	855,136	1,204,328	↓
Deliveries (SF)	314,886	338,074	276,745	↓

### Market Analysis

#### ASKING RENT AND VACANCY RATE



#### NET ABSORPTION



## RESEARCH Q2 2021

The Phoenix economy has proven to be one of the most resilient in the country in comparison to markets of similar size. One of the top markets in terms of employment growth, recovering 78% of jobs lost as a result of the pandemic. Market rent is \$19.72/SF and sale price \$200/SF, the highest mark either has hit over the past decade. Phoenix continues to experience some of the highest population growth in the country adding

an average of 220 people per day. This growth can be attributed to affordability and consistent job openings with many large corporations establishing a presence. Phoenix's labor pool is abundant, housing two of the largest private and public schools in the country with Arizona State University and Grand Canyon University.

### Notable Projects Under Construction

Building Name	Building Address	Submarket	Type	Square Feet
Sonoran Creek Marketplace	John Wayne Parkway & Edison Road	Pinal County	Speculative	75,000
SanTan Pavilions	1765 E. Williams Field Rd.	South East Phoenix	Speculative	52,000
QC Commons	NEC Ellsworth Road & Riggs Road	South East Phoenix	Speculative	35,710
99 <sup>th</sup> & Van Buren	N 99 <sup>th</sup> Avenue & Van Buren Road	South West Phoenix	Speculative	32,000
Tesla	9225 W. Glendale Ave.	Northwest Phoenix	Built-to-Suit	30,000

### Notable Deliveries 2021

Building Name	Building Address	Submarket	Type	Square Feet
Village Grove at Verrado	19600 W. Indian School Rd.	Northwest Phoenix	Build-to-Suit	124,070
NEC Apache Trail & Idaho Road	NEC Apache Trail & Idaho Road	South East Phoenix	Speculative	50,000
EOS Fitness	3025 W. Val Vista Rd.	South East Phoenix	Build-to-Suit	38,000
EOS Fitness	7540 S. Power Rd.	South East Phoenix	Built-to-Suit	26,400
The Edge Shopping Center	NWC 90 <sup>th</sup> Street & Loop 101	Scottsdale	Speculative	19,020
San Tan Gateway	SEC Hunt Highway & Thompson Road	Pinal County	Speculative	8,605

### Select Lease Transactions

Tenant	Building	Submarket	Type	Square Feet
Best Buy	9945 W. McDowell Rd.	South West Phoenix	Renewal	46,567
Avondale Nissan	10305 W. Papago Fwy.	South West Phoenix	Direct New	41,232
5 Star Fitness	2012 N. Scottsdale Rd.	Scottsdale	Direct New	34,816
Sportsman's Warehouse	800-890 N. 54 <sup>th</sup> St.	South East Phoenix	Direct New	32,019
Burlington	7545-7685 W. Bell Rd.	North	Direct New	30,000
Michaels	2811-2929 W. Ague Fria Fwy.	North	Direct New	23,658

### Select Sale Transactions

Building Address	Submarket	Sales Price	Price/SF	Square Feet
Life Time Fitness   24700 N. 67 <sup>th</sup> Ave.	Northwest Phoenix	\$34,000,000	\$188.89	180,000
Chauncey Lane Marketplace   17767 N. Scottsdale Rd.	Scottsdale	\$17,400,000	\$497.14	35,000
Avondale Nissan   10305 W. Papago Fwy.	South West Phoenix	\$15,800,000	\$383.20	41,232
18526 N. Scottsdale Rd.	Scottsdale	\$15,000,000	\$478.73	31,333
Avondale Auto Mall   10101 W. Papago Fwy.	South West Phoenix	\$13,500,000	\$342.77	39,85
CVS Pharmacy   4990 S. Arizona Ave.	South East Phoenix	\$9,044,000	\$695.00	13,013
Shops at the Point   10706 E. Point Twenty-Two Blvd.	South East Phoenix	\$8,965,000	\$577.57	15,522
Planet Fitness   915 S. Gilbert Rd.	South East Phoenix	\$6,100,000	\$203.33	30,000

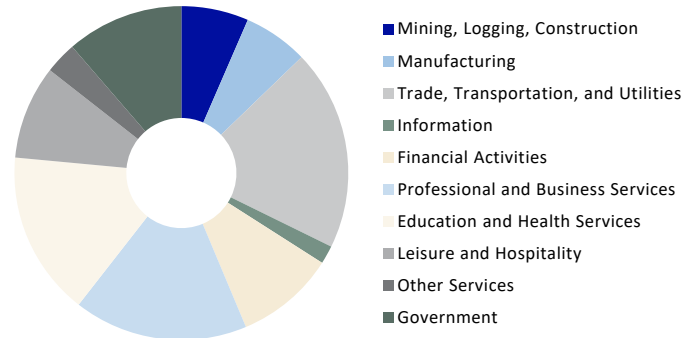
Submarket Statistics								
	Total Inventory (SF)	Under Construction (SF)	Total Vacancy Rate	Qtr Absorption (SF)	YTD Absorption (SF)	Quarterly Deliveries (SF)	All Service Type Rent (Price/SF)	Average NNN Asking Rent (Price/SF)
Airport Area	3,938,878	-	5.2%	(6,335)	(3,555)	-	\$17.03	\$20.39
Downtown Phoenix	8,178,863	4,500	6.6%	27,373	85,788	825	\$17.72	\$17.76
East Valley	2,635,345	-	7.6%	38,260	44,343	-	\$16.12	\$16.13
Maricopa County	828,328	-	2.0%	(3,300)	-6,800	-	\$12.30	\$14.85
North Phoenix	29,996,317	28,330	11.7%	-69,997	(196,113)	13,150	\$12.84	\$12.81
North Scottsdale	15,439,208	-	10.5%	(674,564)	(623,362)	-	\$20.73	\$20.71
North West Phoenix	48,510,247	209,780	6.1%	103,911	277,269	145,307	\$16.00	\$16.11
Pinal County	8,885,490	143,995	9.1%	133,068	150,711	11,262	\$13.08	\$13.35
Scottsdale	19,755,248	7,900	4.9%	125,906	106,916	-	\$23.50	\$23.84
South Mountain	8,304,524	20,259	8.0%	(8,067)	(141,797)	-	\$17.85	\$18.10
South West Phoenix	8,891,665	24,409	4.5%	46,785	72,017	2,208	\$17.26	\$16.43
South East Phoenix	80,375,784	263,217	7.6%	255,942	687,261	142,134	\$15.27	\$14.89
<b>Market</b>	<b>235,986,044</b>	<b>702,390</b>	<b>7.6%</b>	<b>(29,877)</b>	<b>453,819</b>	<b>314,886</b>	<b>\$15.90</b>	<b>\$15.82</b>

### Economic Overview

After the record unemployment high of 12.5% in April 2020, Phoenix’s unemployment rate has lowered to May 2021’s 6.2%. Unemployment numbers have gone up and down since the onset of the pandemic, closely tied to the number of COVID-19 cases within the metro. For some time, Phoenix was recovering faster than the national average, but since October 2020, it has stayed slightly higher than the national unemployment rate. Since April 2020, there has been a net total of 181,500 jobs added, with the top sector being leisure and hospitality, along with trade, transportation and utilities. Over 46% of the metro had received the first dose of two for the COVID-19 vaccine by the end of June 2021. As the vaccine continues to roll out, with more employees returning to the workplace in person, it is expected that more jobs may be needed in coming months as the economy recovers.

### Employment by Industry

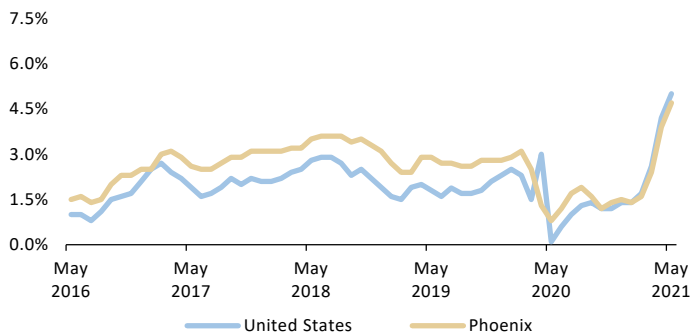
PHOENIX, 2020 ANNUAL AVERAGE



Source: U.S. Bureau of Labor Statistics

### Consumer Price Index (CPI)

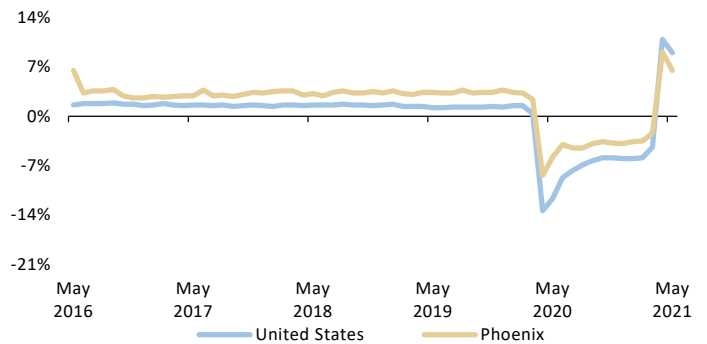
ALL ITEMS, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Payroll Employment

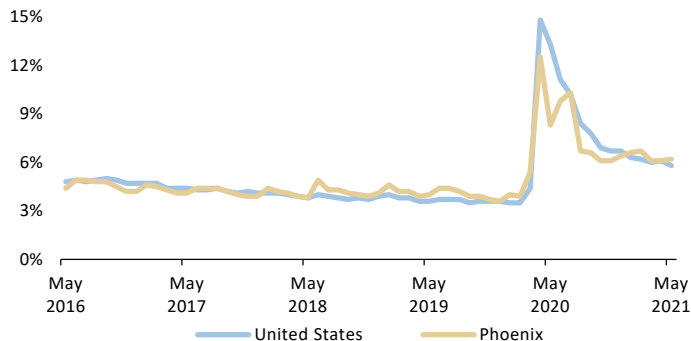
TOTAL NONFARM, NOT SEASONALLY ADJUSTED, 12-MONTH % CHANGE



Source: U.S. Bureau of Labor Statistics

### Unemployment Rate

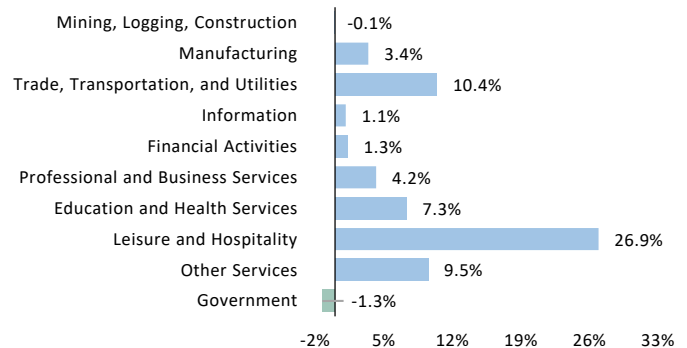
NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

### Employment Growth by Industry

PHOENIX, MAY 2021, 12-MONTH % CHANGE, NOT SEASONALLY ADJUSTED



Source: U.S. Bureau of Labor Statistics

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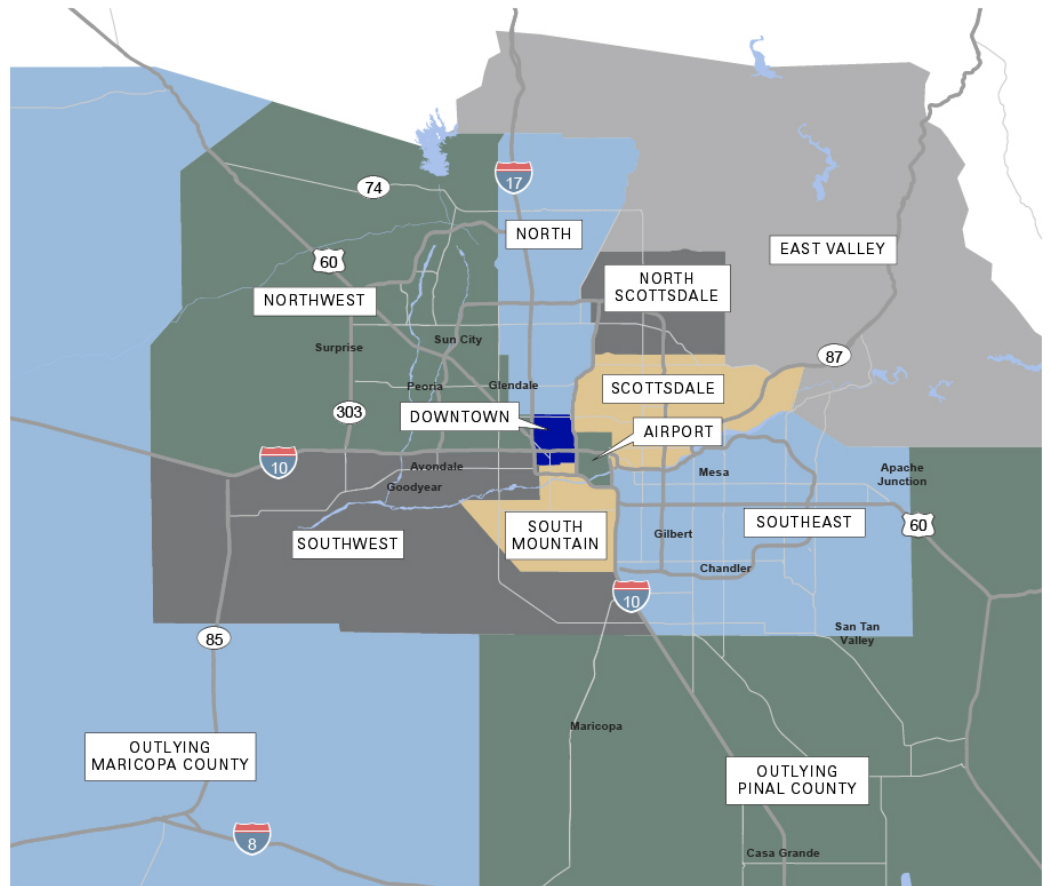
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