



# Phoenix retail market report

Q3 2022

**AVISON  
YOUNG**

# Retail market trends

## 01

### Capital market pricing approaches all-time high

The average retail transaction in the quarter was priced at \$226.99 psf, the highest price psf since Q2 2021 when the average was \$236.92. Total investment volume in Q3 2022 was \$526.2 million, compared to \$398.3 million in Q2 2021.

#### Our take on this trend...

Numerous class A retail sales lead the way to a higher average sales price than in recent quarters. Examples include the sale of the Ladlow's Fine Furniture in Scottsdale which sold for \$577 psf, as well as 7620 S. 59<sup>th</sup> Ave. in Phoenix that sold for \$468 psf.

## 02

### Power center in Surprise leads the way for upcoming deliveries

The Village at Prasada shopping center is set to become the first power center opened on the West Coast in over a decade. The 700,000-sf retail development is nearly fully leased ahead of its delivery in the second half of 2022.

#### Our take on this trend...

Pre-leasing demand has been so strong at the Village at Prasada that similar sized regional power center developments/marketplaces are now planned in Verrado (Buckeye), East Mesa and Laveen in the coming few years. At the end of the third quarter there was 1,673,140 sf of new retail space under construction. This is well above the 993,118 sf average amount of space under construction since 2009.

## 03

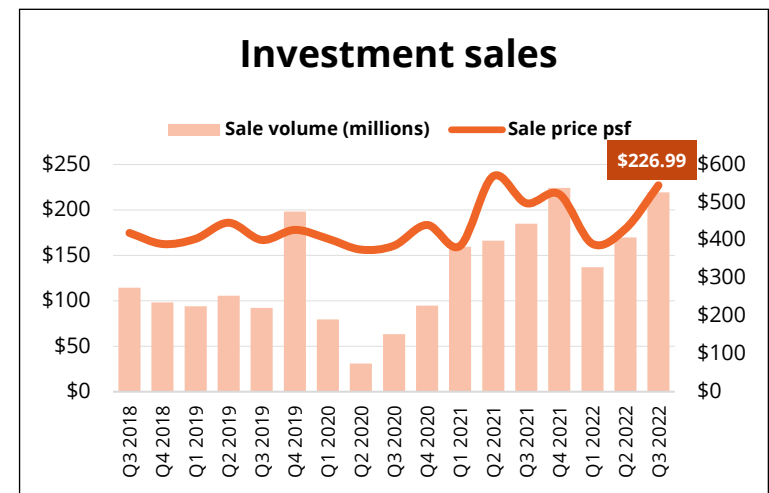
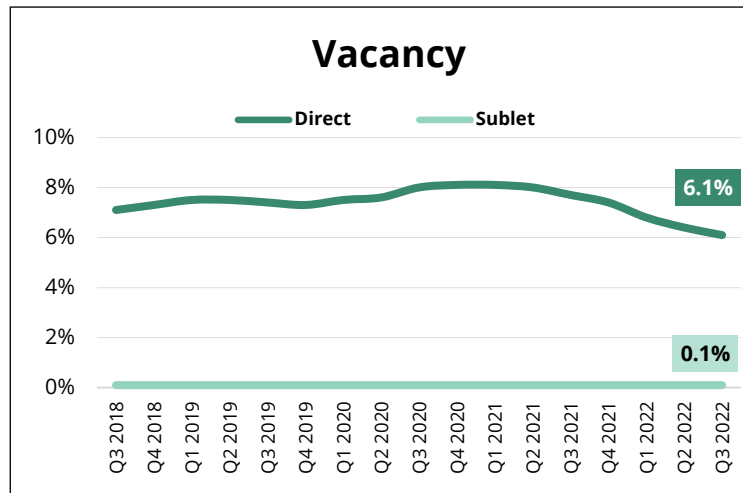
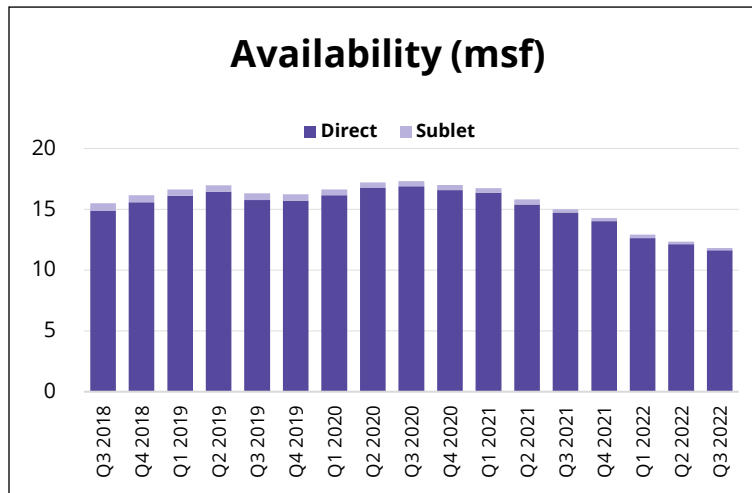
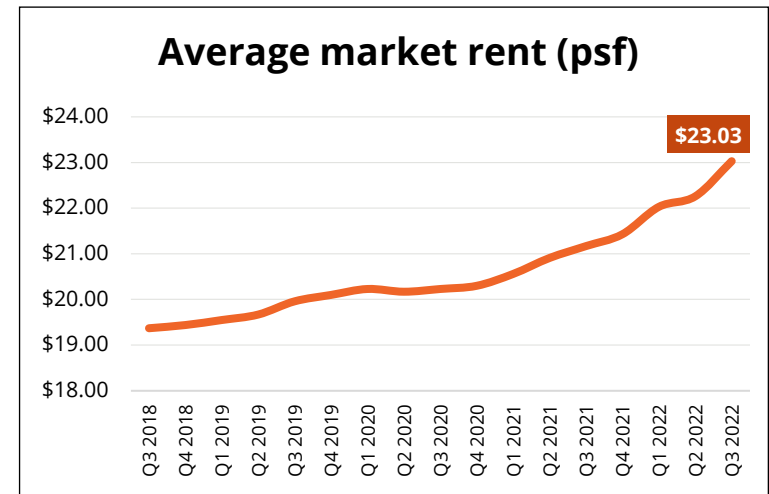
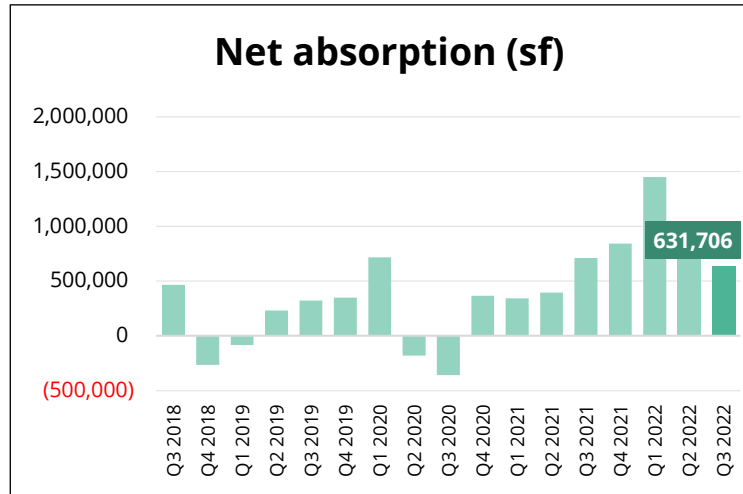
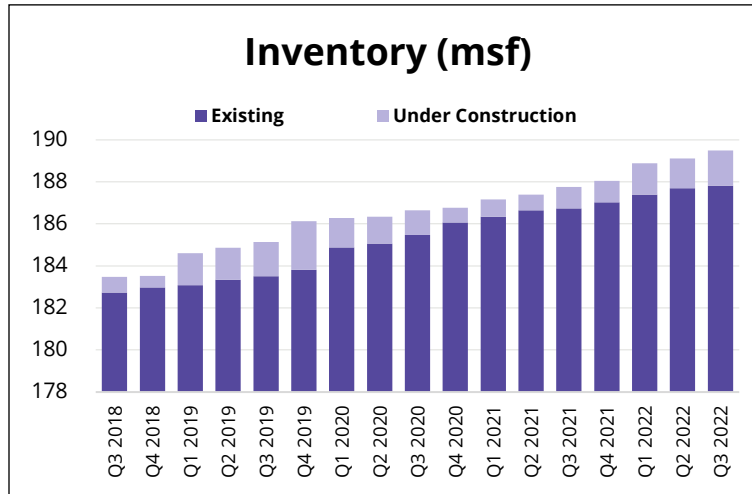
### Available retail space continues to decline

Total available space declined for the 8<sup>th</sup> consecutive quarter, down to 11,803,129 sf at the end of Q3. The total vacancy rate declined to 6.2% in the quarter, with less than 150,000 sf in vacant sublet space available across the valley.

#### Our take on this trend...

The vacancy rate for class A retail space was just 3.6%, compared to the overall market vacancy rate of 6.2%. Vacancy rates have not been this low since Q2 2007, as the market became oversupplied in the wake of the Great Financial Crisis.

# Retail market indicators



# Retail market activity

## Recent leasing activity

Tenant Name	Address	City	Sign Date	Size (sf)	Transaction Type	Lease Type
Costco	Verrado Way & I-10	Buckeye	Jul 2022	160,938	New	Direct
LifeTime Fitness	5796 S Val Vista Dr	Gilbert	Jul 2022	123,359	New	Direct
Hobby Lobby	1703-1751 W Bethany Home Rd	Phoenix	Jul 2022	60,000	New	Direct
O'Reilly Auto Parts	1005-1095 S Arizona Ave	Chandler	Aug 2022	30,233	New	Direct
Burlington	2031-2039 N Power Rd	Mesa	Sep 2022	29,781	New	Direct

## Recent sales activity

Property Name	Address	City	Sale Date	Sale Price	Size (sf)	Sale Price (psf)	Seller
The Promenade – Phase I	16203-16255 N Scottsdale Rd	Scottsdale	Aug 2022	\$53,331,221	250,154	\$219	ShopCore Properties
Lake Pleasant Pavilion	24890 N Lake Pleasant Pkwy	Peoria	Aug 2022	\$50,500,000	178,000	\$284	Blackstone
Ladlow's Fine Furniture	16000 N Scottsdale Rd	Scottsdale	Sep 2022	\$43,750,000	75,848	\$577	Ladlow's Fine Furniture
Canyon Trails Towne Center	781 S Cotton Ln	Goodyear	Sep 2022	\$41,000,000	202,196	\$203	TriGate Capital
7620 South 59 <sup>th</sup> Ave	7620 South 59 <sup>th</sup> Ave	Phoenix	Sep 2022	\$39,732,497	84,900	\$468	Ketchell Development Co.

## Notable construction projects

Property Name	Address	City	Est. Delivery	Size (sf)	Spec/BTS	Building Class	Owner
Village at Prasada	W Waddell Rd	Surprise	Q4 2022	700,000	BTS	A	SimonCRE
Queen Creek Crossing	NW E Queen Creek Rd & Ellsworth Rd	Queen Creek	Q2 2023	256,954	BTS	B	W Holdings
Estrella Commons	SEC Estrella Pkwy & I-10	Goodyear	Q1 2023	171,000	BTS	A	Evergreen Development Co.
TBA	75 <sup>th</sup> Ave & Glendale Ave	Glendale	Q2 2023	71,000	Spec	B	JC Tucker IV LLC

\*Survey consists of retail buildings greater than 10,000 sf.

# Retail market stats

By Submarket	Inventory (sf)	Vacancy	Q3 Absorption (sf)	Q3 Absorption (%)	Under Construction (sf)	Available Direct (sf)	Average Market Rent
Airport Area	3,458,820	4.80%	39,051	1.13%	-	207,134	\$19.40
Downtown Phoenix	5,576,763	5.30%	16,419	0.29%	-	296,536	\$22.88
East Valley	64,258,378	6.80%	59,348	0.09%	452,944	3,970,368	\$21.61
Outlying Maricopa County	373,372	1.60%	0	0.00%	-	5,841	\$0.00
N Phoenix	32,231,553	8.90%	222,429	0.69%	71,000	3,459,818	\$17.83
N Scottsdale	14,017,541	4.50%	64,668	0.46%	-	606,668	\$26.41
NW Phoenix	17,367,122	4.30%	84,593	0.49%	-	669,553	\$26.46
Pinal County	7,753,450	9.90%	-11,793	-0.15%	-	765,936	\$19.60
Scottsdale	15,872,179	4.10%	49,715	0.31%	39,356	641,782	\$32.52
South Mountain	5,741,593	6.80%	35,431	0.62%	-	393,353	\$23.53
W Phoenix	21,167,814	3.80%	71,845	0.34%	1,109,846	786,140	\$22.45
<b>Market Total</b>	<b>187,818,585</b>	<b>6.20%</b>	<b>631,706</b>	<b>0.34%</b>	<b>1,673,146</b>	<b>11,803,129</b>	<b>\$23.03</b>

By Class	Inventory (sf)	Vacancy	Q3 Absorption (sf)	Q3 Absorption (%)	Under Construction (sf)	Available Direct (sf)	Average Market Rent
Class A	31,141,420	3.60%	-20,116	-0.06%	908,367	2,132,337	\$26.28
Class B	115,925,778	6.90%	480,508	0.41%	764,779	8,813,682	\$21.91
Class C	40,751,387	6.00%	171,314	0.42%	0	857,110	\$17.83
<b>Market Total</b>	<b>187,818,585</b>	<b>6.20%</b>	<b>631,706</b>	<b>0.34%</b>	<b>1,673,146</b>	<b>11,803,129</b>	<b>\$23.03</b>

# Historical annual vacancy

**8.7%**

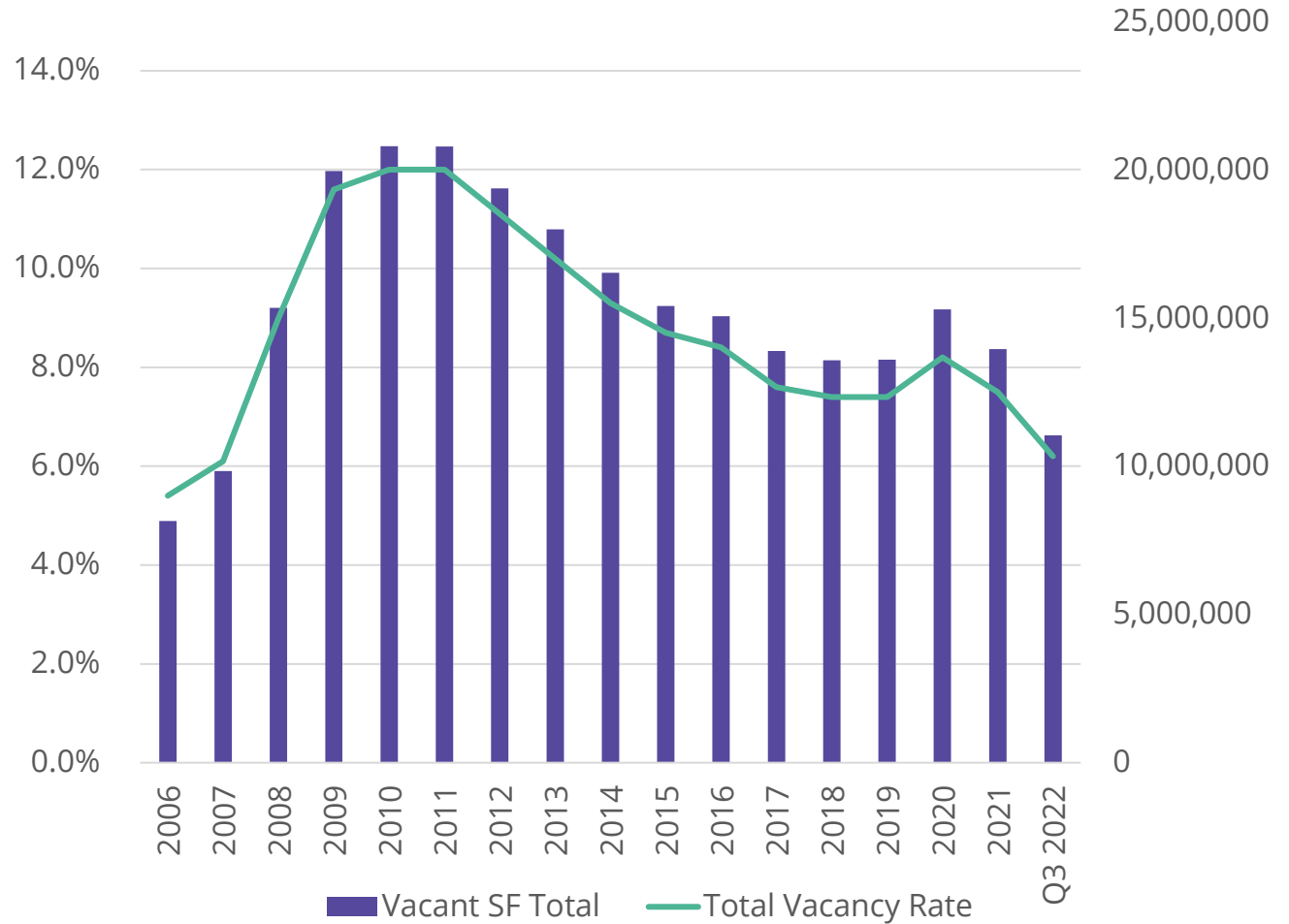
Average vacancy rate since 2006

**15.3 msf**

Average vacant space since 2006

**6.2%**

Current vacancy rate



# Retail quarterly deliveries

**317,004 sf**

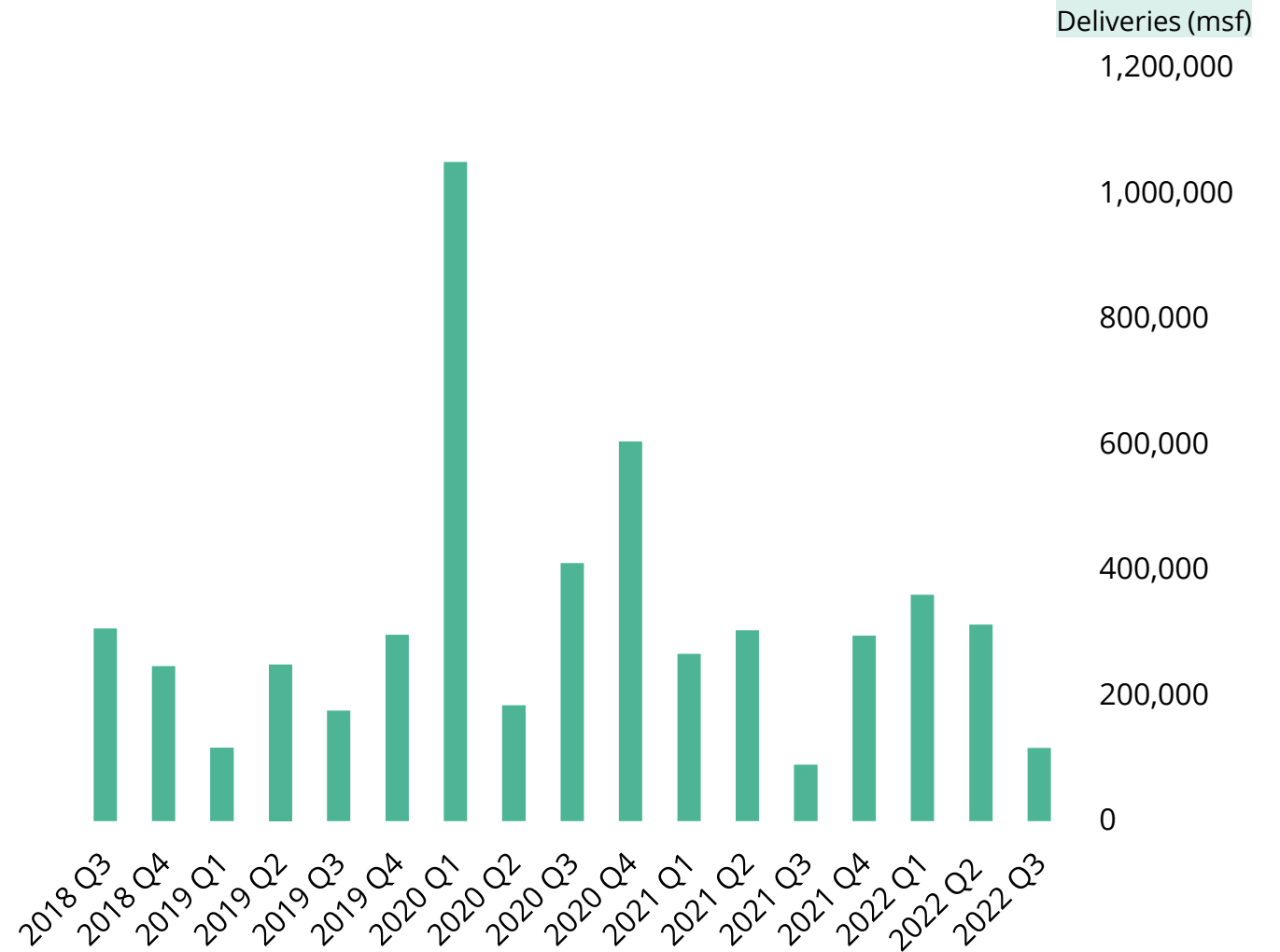
Average space added since Q3 2018

**5.4 msf**

Retail space added since Q3 2018

**116,500 sf**

Retail space delivered in Q3 2022



# Retail leasing activity

**1.2 msf**

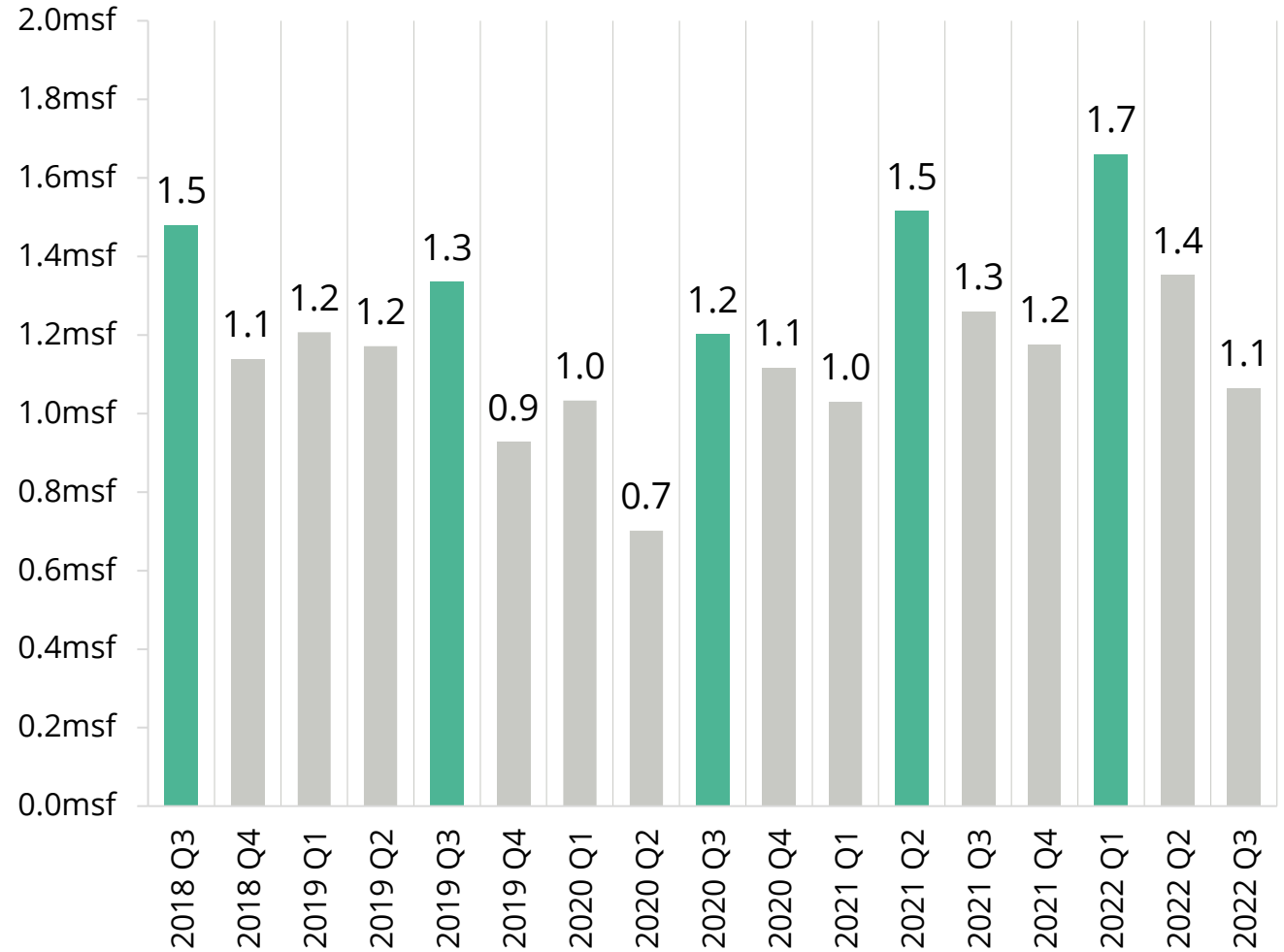
Average quarterly leasing activity since 2018

**-11.2%**

Q3 leasing activity below quarterly average

**20.4 msf**

Total retail space leased since 2018



Green highlight represents quarter with highest leasing activity each year



# Net absorption as a share of inventory

**6.88 msf**

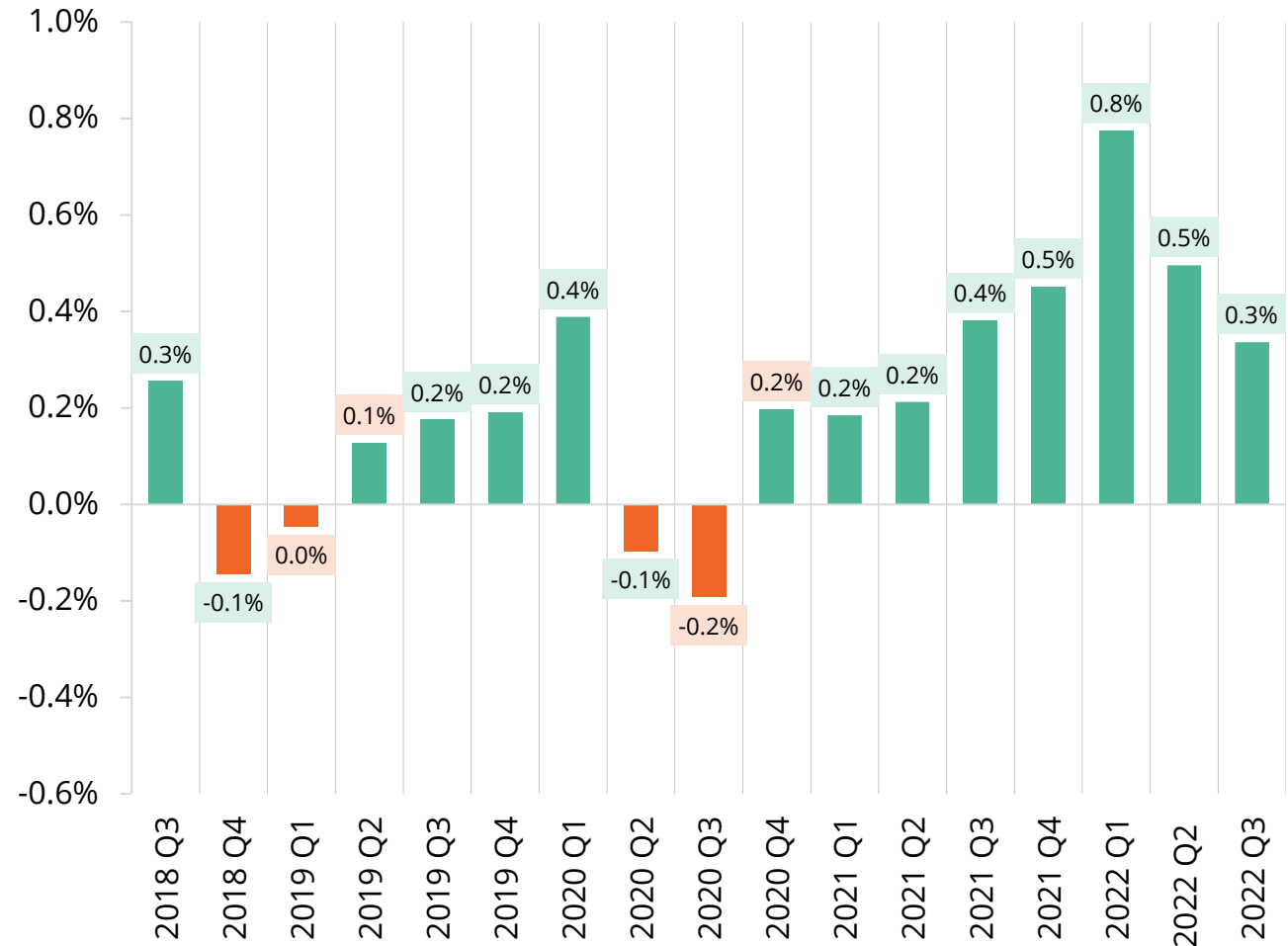
Total net absorption since Q3 2018

**0.34%**

Q3 2022 net absorption as % of inventory

**8 consecutive quarters**

Positive net absorption recorded



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**avisonyoung.com**

**David Genovese**

Principal, Managing Director  
+ 1 480 423 7900  
David.Genovese@avisonyoung.com

**Matt Milinovich**

Principal  
+ 1 480 423 7959  
Matt.Milinovich@avisonyoung.com

**James DeCremer**

Principal  
+ 1 480 423 7958  
James.DeCremer@avisonyoung.com

**David Jarand**

Principal  
+ 1 480 423 7957  
David.Jarand@avisonyoung.com

**Jerry Holdner**

Innovation & Insight Lead  
+ 1 949 374 7760  
Jerry.Holdner@avisonyoung.com