



Phoenix retail market report

Q3 2024

**AVISON
YOUNG**

Phoenix retail market trends

5.3%

High Demand Persists Amidst Low Vacancy Rates (%)

The Phoenix retail market continues to experience tight conditions, with demand for space significantly outpacing available inventory for tenants. This imbalance has resulted in heightened competition, increased rents, and limited availability, exacerbated by a lack of new small-space construction. As of Q3 2024, the vacancy rate stands at 5.3%, indicating a stabilization in this segment, although it represents a 40-basis point increase from Q4 2023. Notably, the vacancy rate has remained unchanged for the past two quarters, consistently recorded at 5.3%.

897,963 sf

Lower Leasing Activity Due to Limited Supply (SF leased)

In Q3 2024, leasing activity fell short of the average quarterly total of 1.09 million square feet recorded over the past eight years (Q3 2016 - Q3 2024), although it wasn't the lowest quarter on record. Prior to 2020, leasing activity was higher, but since then, the market has become extremely tight and competitive, with minimal new deliveries entering the market. While there is currently 2.5 million square feet in the pipeline, this consists primarily of pre-leased big box spaces, such as Sam's Club and Fry's, rather than single-tenant or smaller multi-tenant spaces. Consequently, significant changes in vacancy rates and new supply in the overall retail market are unlikely.

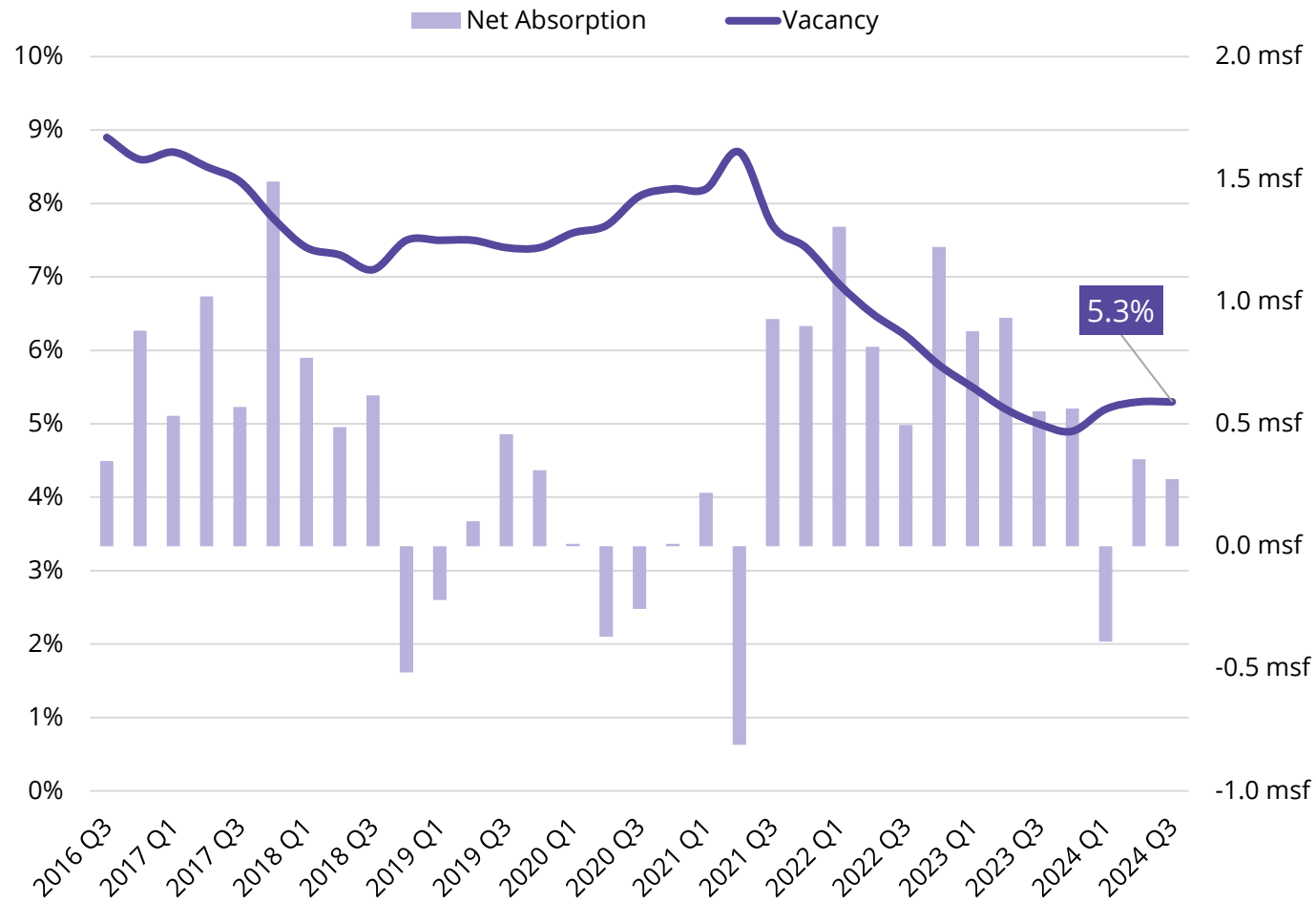
\$25.28

Aggressive Rent Growth Slows but Rents Remain High (\$)

Rents in the Phoenix retail market have reached historical highs, averaging \$25.28 per square foot. This increase is primarily driven by premier shopping centers and select submarkets, though rents have risen across all shopping center categories in the Valley. In the last quarter, asking rents valley-wide rose by an average of \$0.34 from the prior quarter.

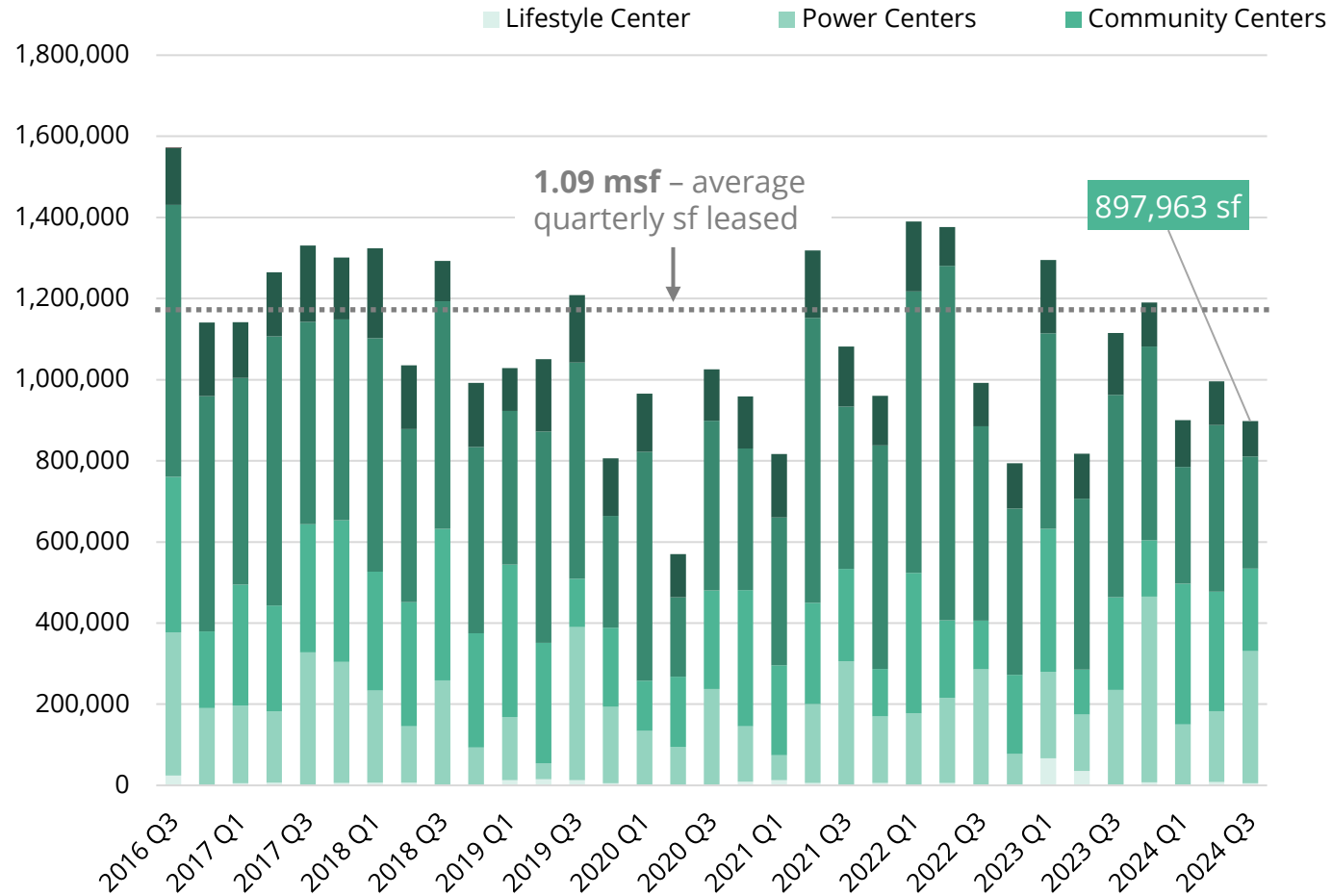
As of Q3 2024, rents are up 7.5% from Q3 2023, 15.6% from Q3 2022, and 29.7% from Q3 2020. This upward trend reflects a strong demand for retail space in Phoenix, indicating a competitive market.

Phoenix retail vacancy (%)



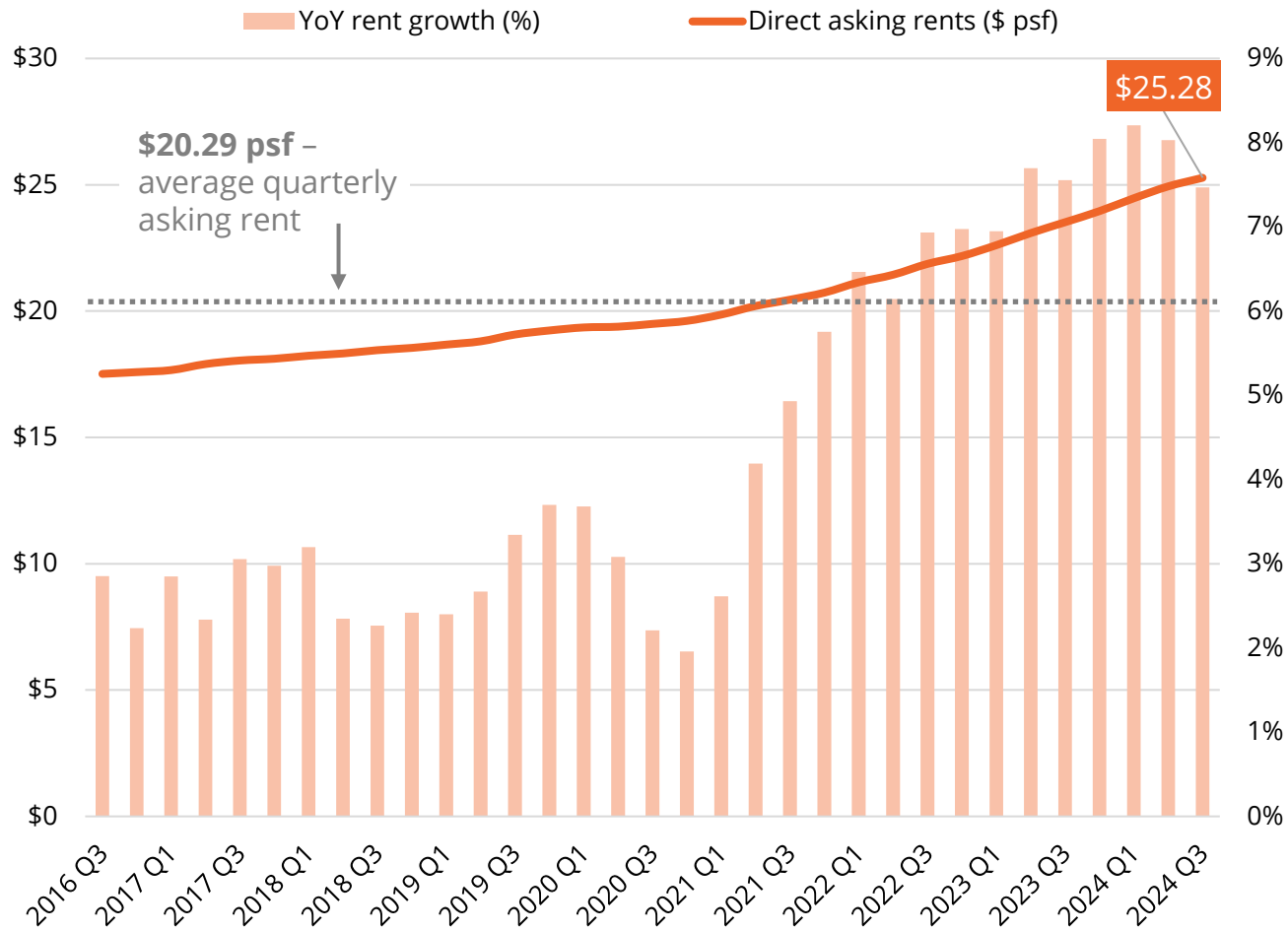
Net absorption in the Phoenix retail market shows positive momentum from the negative absorption recorded in Q1 2024 but is expected to remain low due to limited inventory. Although there is substantial inventory from larger projects in the pipeline, new construction for smaller tenants is minimal. With a tight vacancy rate of 5.3%, competition for leasing opportunities remains high.

Phoenix retail leasing activity (sf)



In Q3 2024, leasing activity reached nearly 900,000 square feet, with power centers accounting for over 36.3% of the total leased space for the quarter. This was followed by Neighborhood Centers, Community Centers, and Strip Centers, respectively. Notably, leasing activity among lifestyle centers remained virtually unchanged.

Phoenix retail asking rents (\$ psf)

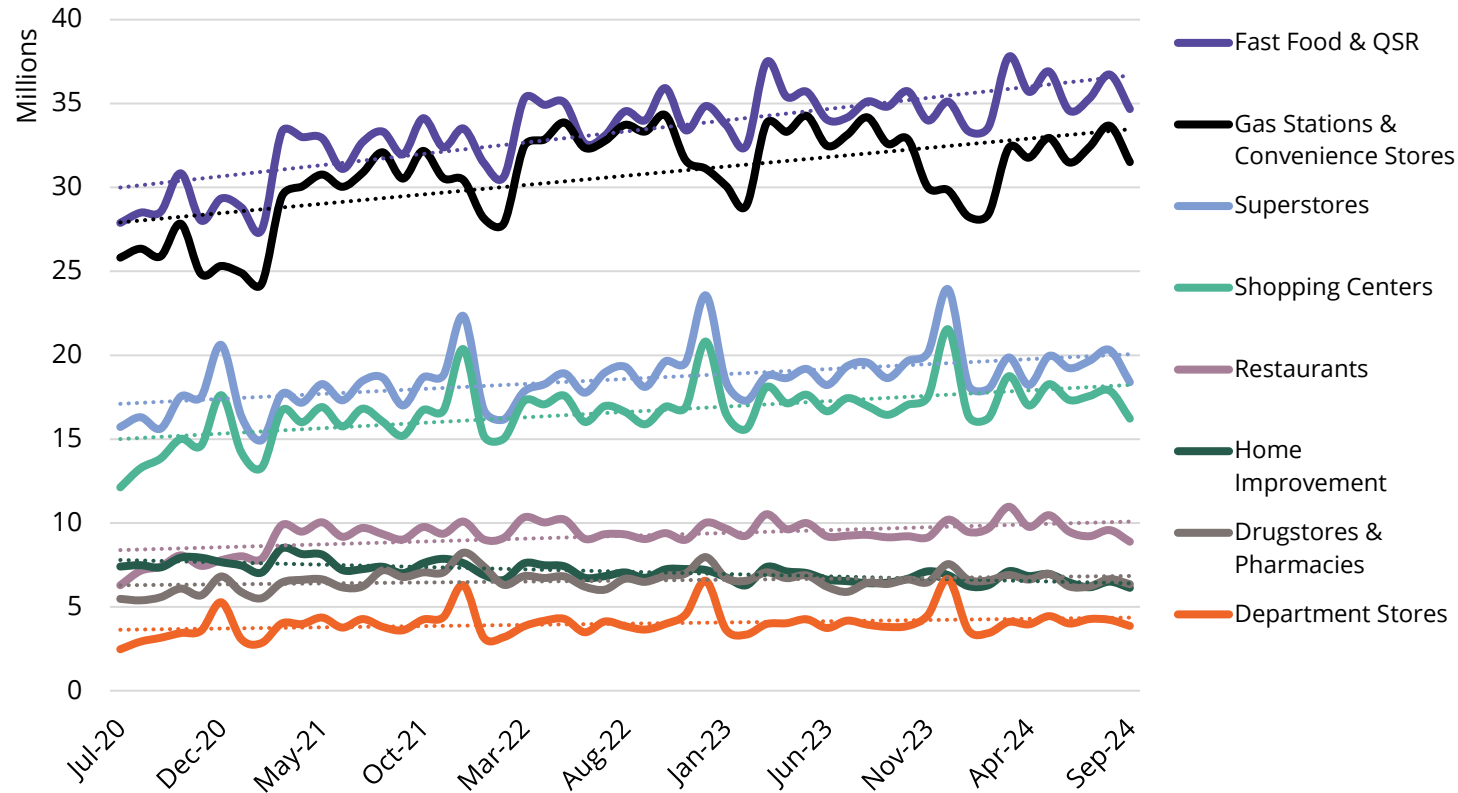


Year-over-year quarterly rents in the Phoenix retail market have consistently increased over the past eight years, with a significant rise since Q2 2021. Average annual growth was about 2.9% from 2016 to 2021 but surged to approximately 7.2% per year afterward. Although growth has slowed in Q3 2024, rents are still at historical highs, with the average asking rent over the last eight years at \$20.29 per square foot.

Appendix



Phoenix retail visitation (monthly visits)



Source: Placer.AI

The fast food/quick service and gas station sectors have primarily driven retail visitation in the Phoenix market. Notable performers include McDonald's and Circle K, which recorded average monthly visits of 7.6 million and 11.2 million, respectively, from Q3 2020 to Q3 2024.

Top Performers (Q3 2020 – Q3 2024):

Fast Food & QSR

McDonald's – 7.6M monthly visits

Gas Stations & Convenience Stores

Circle K – 11.16M monthly visits

Superstores

Walmart – 10.13M monthly visits

Shopping Centers

Tempe Marketplace – 1.1M monthly visits

Restaurants

Chipotle – 920.3K monthly visits

Home Improvement

The Home Depot – 2.98M monthly visits

Drugstores & Pharmacies

Walgreens – 4.03M monthly visits

Department Stores

Ross Dress for Less – 1.29M monthly visits

Note: Placer.AI has updated its visit duration metrics to include all visit times (over and under 10-minute durations), which accounts for the significant growth in visits to gas stations compared to last quarter's report.

Phoenix retail market leasing & development activity

Q3 2024 – Top leasing activity

Tenant	Address	Submarket	Sign date	Size (sf)	Transaction type	Lease type
Sam's Club	2100 E Rio Salado Pky	East Valley	July 2024	150,000	New Lease	Direct
Target	NEC Prasada Pkwy & Waddell Rd	West Phoenix	August 2024	147,000	New Lease	Direct
Home Depot	Verrado Way & I-10	West Phoenix	August 2024	110,000	New Lease	Direct
Home Depot	16636 W Jenan Dr	West Phoenix	August 2024	109,651	New Lease	Direct
Seafood City Supermarket	70,777	East Valley	July 2024	70,777	New Lease	Direct
Round1	3177 Chandler Village Blvd	East Valley	July 2024	70,777	New Lease	Direct
EOS Fitness	21391-21655 N Lake Pleasant Pky	Northwest Phoenix	August 2024	60,000	New Lease	Direct
Painted Tree Boutiques	2703-2817 S Market St	East Valley	September 2024	31,957	New Lease	Direct
Dollar Tree	12751-12875 W Bell Rd	Northwest Phoenix	July 2024	30,637	New Lease	Direct

Q3 2024 – Top projects under development

Project Name	Address	Est. Delivery Date	Building size (sf)	Developer
Buckeye Commons	Verrado Way & I-10	July 2025	427,410	Sunbelt Investment Holdings, Inc.
Prasada North	NEC Prasada Pkwy & Waddell Rd	November 2025	350,000	SimonCRE
Estrella Commons	SEC Estrella Pkwy & I-10	December 2024	171,000	Evergreen Development Co.
Sam's Club – Tempe Marketplace	2100 E Rio Salado Pky	August 2025	150,000	Vestar Development Co.
ASU Mill Avenue Retail	947 S Mill Ave	July 2024	130,000	Arizona State University
Fry's	11570 W Ashby Dr	December 2024	113,818	

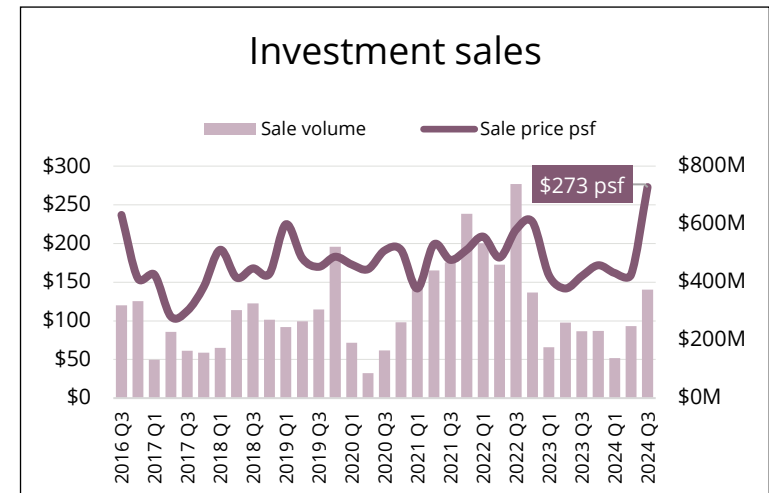
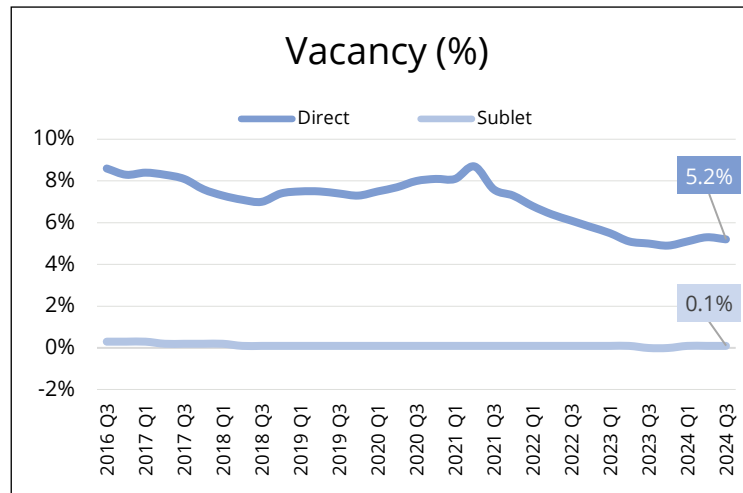
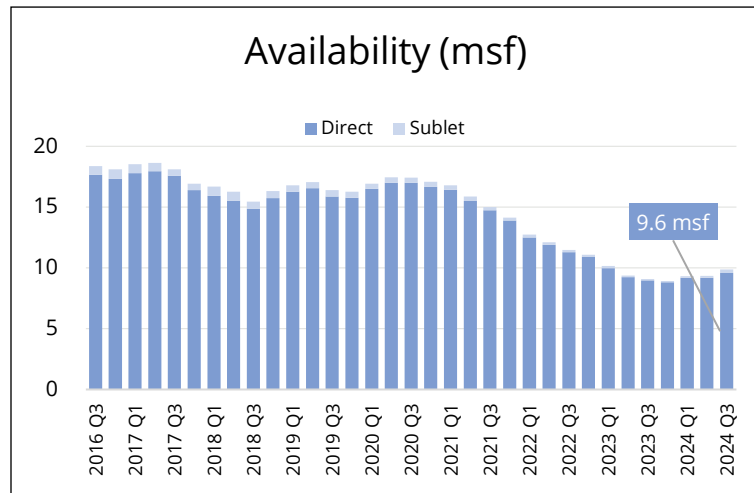
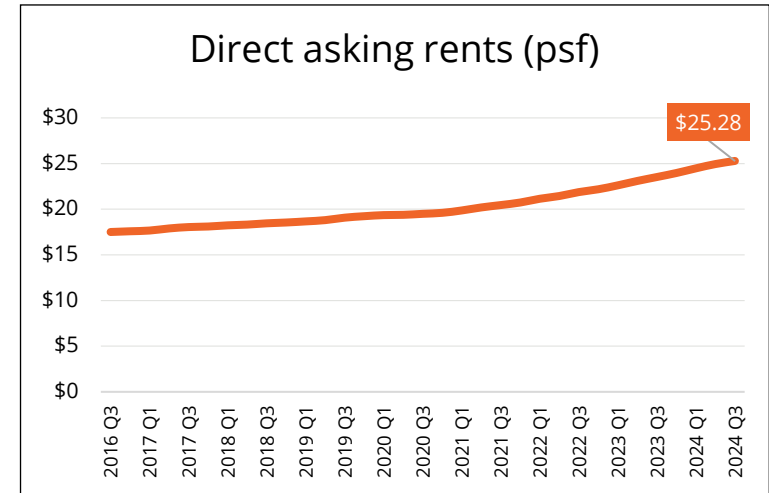
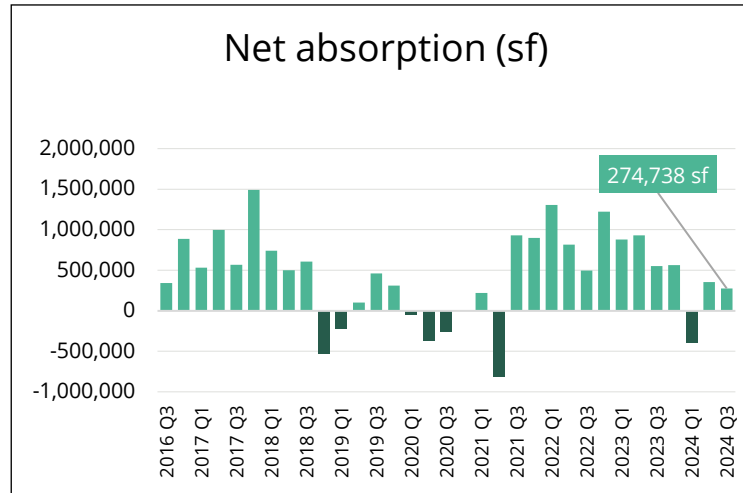
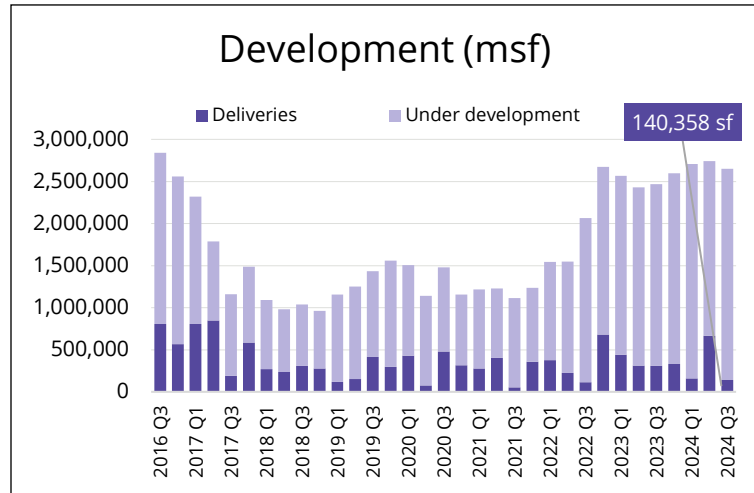
Phoenix retail market sales activity

Q3 2024 – Notable transactions

Name / Address	Sale date	Sale price	Size (sf)	Sale price psf	Buyer	Seller	Notes
Biltmore Fashion Park* 2502 E Camelback Rd	July 31, 2024	\$83.8M	506,000	\$331.24	RED Development, LLC	The Macerich Company	RED Development LLC has acquired Macerich's 50% stake in Biltmore Fashion Park, a 611,000-square-foot property, for \$110 million (\$360.07 per square foot), becoming the mall's sole owner.
AutoNation Honda Chandler 1150 s Gilbert Rd	July 3, 2024	\$31.44M	73,188	\$429.58	Legacy Automotive Capital	Sparrow Family Trust	Private individuals sold two dealerships to Legacy Automotive Capital for \$42.87 million: AutoNation Hyundai for \$11.43 million and AutoNation Honda for \$31.44 million.
Biltmore Fashion Park – Lifetime Athletic* 2580 E Camelback Rd	July 31, 2024	\$26.2M	105,000	\$498.97	RED Development, LLC	The Macerich Company	RED Development LLC acquired Macerich's 50% interest in Biltmore Fashion Park, a 611,000-square-foot property, for \$110 million (\$360.07 per square foot), becoming the sole owner.
Scottsdale North Marketplace 31307-31313 N Scottsdale Rd	August 6, 2024	\$23M	68,000	\$338.24	InvenTrust Properties Group	Holualoa Companies	InvenTrust Properties Corp. acquired Scottsdale North Marketplace, a 68,000-square-foot retail center in Scottsdale, AZ, for \$23 million (\$338.24 per square foot). Built in 2007 on 9.4 acres, the property was 98% occupied and anchored by AJ's Fine Foods at the time of sale.
Fountain Hills Plaza 16605 E Palisades Blvd	August 10, 2024	\$21.25M	111,289	\$190.94	First National Realty Partners	Whitestone REIT	First National Realty Partners acquired Fountain Hills Plaza, a 111,289-square-foot retail center in Phoenix, AZ, for \$21.25 million (\$190.44 per square foot). Built in 1986 and renovated in 2009, the property was 90% occupied and anchored by Bashas' at the time of sale, closing at a 7.50% cap rate.
Queen Creek Crossing – Hobby Lobby 20004 S Ellsworth Rd	August 1, 2024	\$20.6M	30,000	\$686.70	Imperial Delaware II, LLC	Vestar	CFI acquired three retail buildings totaling 50,742 square feet at Queen Creek Crossing in Queen Creek, AZ, for \$31.75 million (\$625.71 per square foot). Developed in 2024 on 5.58 acres, the property is anchored by Costco.

*Two separate transactions for the Biltmore Fashion Park shopping center.

Phoenix retail market indicators

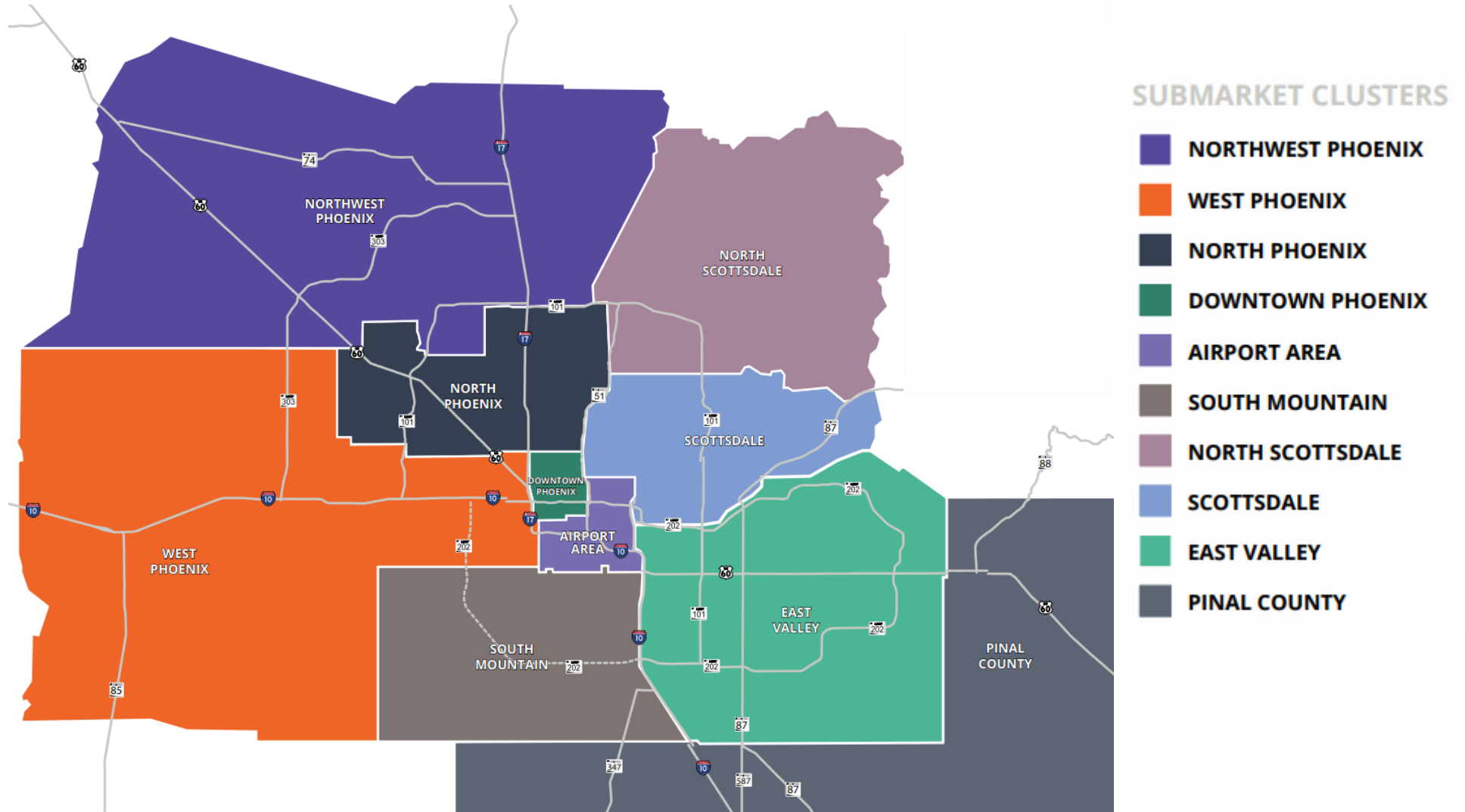


Phoenix retail market stats

Submarket cluster	Existing inventory sf	Deliveries sf (Q3)	Under development sf	Direct vacancy	Total vacancy	Net absorption sf (Q3)	Average direct asking rent (psf)
Airport Area Includes Airport Area and South Phoenix	4,002,513	0	0	6.0%	6.4%	(31,149)	\$20.25
Downtown Phoenix	5,611,785	0	108,000	5.5%	0.2%	7,639	\$23.96
East Valley Includes Chandler, Gateway Airport, Gilbert, Queen Creek, Red Mountain/Mesa, Tempe	65,413,389	67,000	712,042	6.1%	6.2%	128,526	\$23.70
North Phoenix Includes East Phoenix, Glendale, N Phoenix/I-17 Corridor, Sun City	32,801,804	0	64,269	6.0%	6.1%	17,751	\$20.14
Northwest Phoenix Includes Anthem, Central Peoria/Arrowhead, Deer Valley, Surprise/N Peoria	17,725,276	23,000	159,349	3.7%	3.7%	31,632	\$29.72
North Scottsdale Includes Carefree, Fountain Hills, North Scottsdale	14,307,815	50,358	155,045	3.3%	3.4%	110,332	\$30.36
Pinal County Includes Apache Junction and Outlying Pinal County	7,835,898		129,112	8.7%	8.7%	(6,775)	\$21.47
Scottsdale Includes Central Scottsdale and South Scottsdale	15,938,041	0	56,766	3.8%	4.0%	90,129	\$34.95
South Mountain Includes Ahwatukee Foothills, Gila River Outlying, Laveen, South Mountain	5,863,405	0	0	4.5%	4.8%	22,104	\$26.98
West Phoenix Includes Goodyear, Loop 101/I-10, N Goodyear/Litchfield, North Buckeye, South Buckeye, Tolleson, W Phoenix/Maryvale	22,774,128	0	1,128,531	3.1%	3.2%	(95,451)	\$25.75
Market total	192,274,054	140,358	2,513,114	5.1%	5.2%	274,738	\$25.27

Survey criteria: Retail buildings of 10k square feet or greater in size.

Phoenix retail submarket map



Retail insights glossary of terms

Demand

- **Leasing activity:** total square footage of relocations, renewals, expansions and subleases expressed when the leases are signed, not when tenants take physical occupancy of the space
- **Absorption:** period-over-period change in occupied square footage

Supply

- **Direct vacancy rate:** space operated by landlords that is ready for immediate occupancy
- **Sublease vacancy rate:** space operated by sublandlords that is ready for immediate occupancy
- **Total vacancy rate:** sum of direct vacancy rate and sublease vacancy rate
- **Availability rate:** space that is vacant plus space that will become vacant over an indefinite time horizon, including spaces that are occupied by vacating tenants and under-construction properties

Retail rents and concessions

- **Asking rents:** pricing guidance provided by landlords to tenants for available space
- **Base rents:** fair market value of market-level lease pricing based on representative executed leases
- **Free rent period:** months of free rent that are typically provided upfront by landlords to tenants as a concession to offset the total cost of a lease and/or the construction timeline of a retail suite
- **Tenant improvement allowance:** an allowance expressed in dollars per square foot provided from landlords to tenants to offset build-out, engineering, space planning and related permit costs
- **Net effective rent:** base rents discounted by the dollar values of tenant improvement allowance and free rent concessions

Capital markets

- **Investment volume:** retail sales dollars expressed when the transactions close and based on inventory thresholds; partial-interest sale dollar amounts are not grossed-up to reflect the 100% value of the sale
- **Asset pricing:** unweighted average per-square-foot asset pricing of market-level closed sales
- **Cap rate:** net operating income divided by sale price; this measurement of market-level investment returns is calculated as an unweighted average based on closed investment sales

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