

Phoenix Retail

Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



Notable Transactions

El Super
2223 W Camelback Road
Downtown Phoenix
46,000 s.f. leased

Asiana Market
1133-1155 S Dobson Road
Red Mountain/Mesa
35,140 s.f. leased

Ross Dress for Less
3049-3131 E Indian School Road
Central Scottsdale
30,190 s.f. leased

Planet Fitness
4907 W Bell Road
North Phoenix/I-17 Corridor
26,061 s.f. leased

The Phoenix retail real estate market started the year with strong leasing activity, high net absorption, and rising rental rates. Retail direct vacancy fell to 8.7%, a result of 646,000 square feet of positive net absorption and over 875,000 square feet of leasing activity this quarter. The strong local economy and job creation should drive real estate market growth for many quarters to come. The Phoenix unemployment rate sits at 5.0%, a significant decrease from the 5.7% recorded in December.

The overall retail vacancy level of 9.0% represents the lowest level recorded since third quarter 2008. Submarkets in Phoenix with the highest direct vacancy rates include North Phoenix/I-17 at 14.9%, Red Mountain/Mesa at 13.3%, and Carefree at 12.6%. Submarkets with the least vacant space include Gila River at 0.0%, South Buckeye at 3.4%, and South Phoenix at 4.0%. Direct net absorption of 646,000 square feet is a good indication of a healthy market. Submarkets with the highest net absorption included Gilbert at 169,000 square feet and Red Mountain/Mesa at 120,000 square feet. The first quarter saw 216,000 square feet of new construction delivered, the majority of which was delivered in East Valley submarkets. Another 846,000 square feet of retail product is currently under construction, of which more than half is located in East Valley.

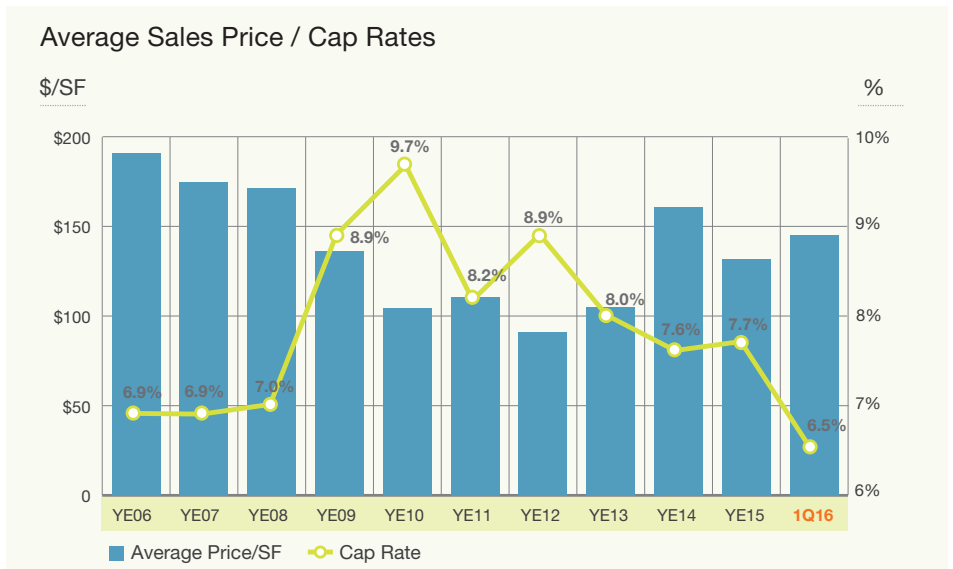
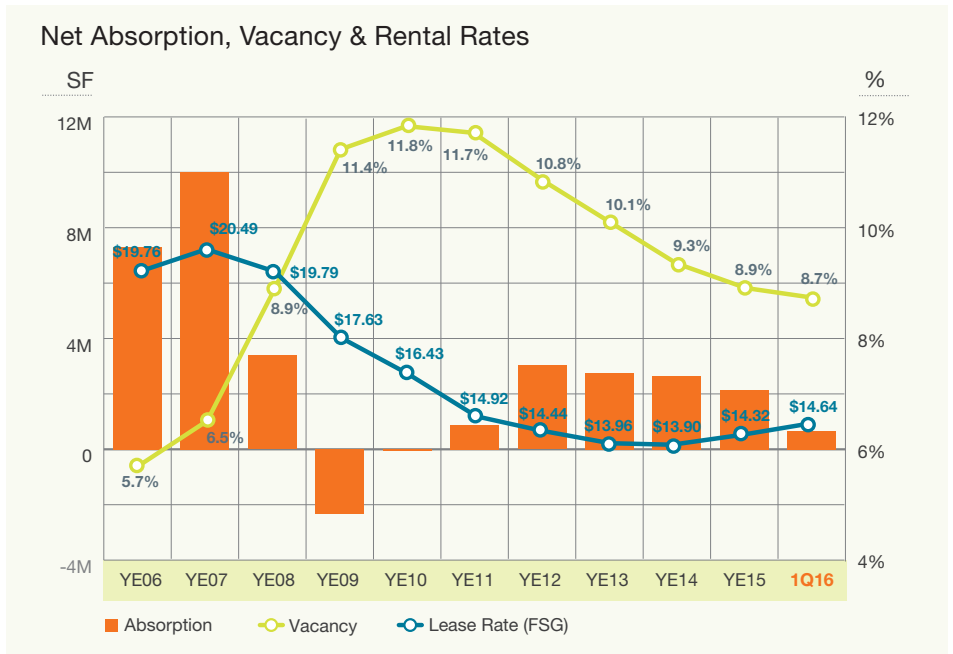
Asking rental rates market wide for retail properties increased in the first quarter to \$14.64 per square foot on a triple net basis. This represents a 6.1% increase in rates from first quarter 2015. Asking rates remain highest in North Buckeye, where they average \$24.96 per square foot and are growing steadily each quarter. By contrast, the lowest rates are found in the West Outlying

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submarket, which reported an average asking rent of \$10.08 per square foot.

Retail investment sale trends improved this quarter, as sale prices increased and cap rates decreased. The average sale price in the first quarter for retail investment assets was \$138 per square foot, up from \$125 per square foot in the fourth quarter. Cap rates decreased from 7.71% in the fourth quarter to 6.47% in the first quarter. Total dollar volume for retail asset sales was \$186 million from 24 transactions.

Data Source: CoStar



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1st Quarter 2016 Phoenix Retail Submarket Statistics

Submarket	Total Inventory	Direct Vacancy Rate	Sublet Vacancy Rate	Total Vacancy Rate	Total Available Rate	QTR Direct Net Absorption	YTD Direct Net Absorption	SF Under Construction	YTD Construction Completions	QTR Leasing Activity	YTD Leasing Activity	Average NNN Rental Rate
Airport Area	3,822,398	5.2%	0.0%	5.2%	8.0%	22,502	22,502	0	0	24,488	24,488	\$13.32
South Phoenix	1,551,689	4.0%	0.0%	4.0%	7.6%	6,241	6,241	0	0	16,040	16,040	\$14.76
Airport Area	5,374,087	4.8%	0.0%	4.8%	7.9%	28,743	28,743	0	0	40,528	40,528	\$13.44
Downtown Phoenix	6,792,662	11.2%	0.0%	11.2%	13.0%	89,232	89,232	15,521	0	36,150	36,150	\$14.40
Chandler	16,953,675	9.0%	0.2%	9.3%	11.1%	24,751	24,751	11,000	11,142	75,765	75,765	\$15.24
Gateway Airport	2,713,773	5.7%	0.7%	6.4%	11.7%	13,409	13,409	123,000	0	8,879	8,879	\$17.04
Gilbert	13,975,636	6.6%	0.4%	6.9%	7.7%	169,332	169,332	279,404	137,007	52,867	52,867	\$16.20
Queen Creek	1,495,894	5.6%	0.0%	5.6%	7.5%	7,042	7,042	102,121	0	3,670	3,670	\$18.48
Red Mountain/Mesa	29,079,069	13.3%	0.1%	13.3%	15.6%	120,209	120,209	0	0	101,396	101,396	\$12.72
Tempe	8,118,785	6.4%	0.0%	6.4%	7.2%	(5,637)	(5,637)	0	0	35,016	35,016	\$15.24
East Valley	72,336,832	9.8%	0.2%	10.0%	11.8%	329,106	329,106	515,525	148,149	277,593	277,593	\$14.16
East Phoenix	8,498,470	9.9%	0.0%	9.9%	13.1%	(9,758)	(9,758)	14,343	0	33,210	33,210	\$13.56
Glendale	11,249,836	10.9%	0.7%	11.6%	13.2%	22,210	22,210	0	0	32,427	32,427	\$11.88
N Phoenix/I-17	15,829,645	14.9%	0.2%	15.1%	18.3%	(27,987)	(27,987)	29,102	0	89,524	89,524	\$14.28
Sun City	3,604,989	10.7%	0.0%	10.7%	12.7%	14,855	14,855	0	0	20,961	20,961	\$13.32
North Phoenix	39,182,940	12.3%	0.3%	12.6%	15.2%	(680)	(680)	43,445	0	176,122	176,122	\$13.32
Carefree	1,745,140	12.6%	2.7%	15.3%	16.4%	4,179	4,179	0	0	7,480	7,480	\$19.08
Fountain Hills	712,273	8.5%	0.0%	8.5%	9.4%	1,256	1,256	0	0	0	0	\$15.36
North Scottsdale	15,076,683	6.0%	0.1%	6.1%	7.6%	(2,644)	(2,644)	11,661	0	55,103	55,103	\$18.24
North Scottsdale	17,534,096	6.7%	0.3%	7.1%	8.5%	2,791	2,791	11,661	0	62,583	62,583	\$18.24
Anthem	2,584,388	4.8%	2.1%	6.9%	7.4%	2,585	2,585	0	10,000	3,388	3,388	\$13.80
Central Peoria/ Arrowhead	10,229,508	5.4%	0.6%	6.1%	7.3%	68,653	68,653	0	0	38,953	38,953	\$15.00
Deer Valley	2,043,117	6.0%	0.0%	6.0%	6.9%	10,609	10,609	0	0	12,804	12,804	\$23.04
Surprise	4,961,638	4.3%	0.6%	4.9%	5.0%	2,832	2,832	0	0	12,021	12,021	\$16.56
Northwest Phoenix	19,818,651	5.1%	0.8%	5.9%	6.7%	84,679	84,679	0	10,000	67,166	67,166	\$16.08
Central Scottsdale	15,513,504	6.2%	0.5%	6.7%	7.2%	20,646	20,646	98,500	0	56,737	56,737	\$23.76
South Scottsdale	3,945,431	7.2%	0.2%	7.3%	9.4%	49,645	49,645	0	0	26,353	26,353	\$12.24
Scottsdale	19,458,935	6.4%	0.4%	6.8%	7.6%	70,291	70,291	98,500	0	83,090	83,090	\$20.16
Ahwatukee Foothills	3,169,826	7.8%	0.7%	8.5%	10.7%	4,002	4,002	0	0	6,322	6,322	\$15.72
Gila River	356,184	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0	0	-
Laveen	1,378,206	4.4%	2.8%	7.2%	7.5%	3,762	3,762	0	0	2,952	2,952	\$17.88
South Mountain	1,698,871	11.7%	0.0%	11.7%	13.1%	(6,850)	(6,850)	0	0	7,756	7,756	\$19.20
South Mountain	6,603,087	7.7%	0.9%	8.6%	10.1%	914	914	0	0	17,030	17,030	\$16.80
Goodyear	3,349,225	10.0%	2.4%	12.4%	16.3%	12,667	12,667	0	0	11,639	11,639	\$13.44
Loop 101/ I-10	2,790,304	5.3%	0.0%	5.3%	7.2%	57,594	57,594	26,255	58,229	4,150	4,150	\$17.16
N. Goodyear/ Litchfield	4,725,202	4.8%	0.0%	4.8%	4.6%	(20,089)	(20,089)	124,000	0	8,945	8,945	\$15.72
North Buckeye	49,063	4.8%	0.0%	4.8%	4.8%	0	0	0	0	0	0	\$24.96
South Buckeye	1,477,846	3.4%	0.0%	3.4%	4.5%	5,058	5,058	0	0	1,200	1,200	\$22.44
Tolleson	2,473,364	4.5%	0.0%	4.5%	5.3%	5,730	5,730	0	0	7,000	7,000	\$12.60
West Phoenix/ Maryvalle	8,202,835	7.4%	0.0%	7.4%	8.1%	196	196	0	0	32,764	32,764	\$11.16
West Phoenix	23,067,839	6.4%	0.3%	6.8%	7.9%	61,183	61,183	150,255	58,229	65,698	65,698	\$13.56
NE Outlying	4,722	0.0%	0.0%	0.0%	0.0%	0	0	0	0	0	0	-
W Outlying	745,969	8.8%	0.0%	8.8%	9.7%	(34,437)	(34,437)	0	0	0	0	\$10.08
Maricopa County	750,691	8.7%	0.0%	8.7%	9.6%	(34,437)	(34,437)	0	0	0	0	\$10.08
Apache Junction	1,655,290	4.9%	0.9%	5.9%	11.2%	2,732	2,732	0	0	2,675	2,675	\$11.16
Outlying Pinal County	7,950,474	8.2%	0.5%	8.6%	9.7%	11,793	11,793	11,370	0	46,731	46,731	\$11.16
Pinal County	9,605,764	7.6%	0.5%	8.1%	11.0%	14,525	14,525	11,370	0	49,406	49,406	\$11.16
Phoenix Total	220,525,584	8.7%	0.3%	9.0%	10.7%	646,347	646,347	846,277	216,378	875,366	875,366	\$14.64