

Phoenix Retail

Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



Notable Transactions

Thrifty Lots

8200 W. Peoria Ave., Glendale
58,000 s.f. Leased

Goodwill

Ocotillo & Gilbert Rd., Chandler
52,000 s.f. Leased

Goodwill

5016-5080 W. Olive Ave., Glendale
27,000 s.f. Leased

EOS Fitness

5016-5080 W. Olive Ave., Glendale
25,000 s.f. Leased

The Phoenix retail market ended the second quarter with just over one million square feet of leasing activity, high net absorption, and increasing rental rates. Retail direct vacancy held firm at 8.6%, a result of the considerable leasing activity this quarter balancing out almost half a million square feet of construction deliveries. With growing demand the market continues to tighten, and we expect increased competition for space and higher rates to continue in 2016. The Phoenix unemployment rate sits at 4.8%, a 40 basis point decrease from the 5.2% recorded this time last year.

The overall retail vacancy level of 8.6% represents the lowest level recorded since third quarter 2008. Submarkets in Phoenix with the highest direct vacancy rates include North Phoenix/I-17 at 15.0%, Carefree at 14.1%, and Red Mountain/Mesa at 13.4%. Submarkets with the least vacant space include Gila River at 0.0%, Laveen at 2.5%, South Buckeye at 3.5%, and South Phoenix at 3.6%. Direct net absorption of 544,000 s.f. is a good indication of a healthy market. Submarkets with the highest net absorption included Chandler at 184,000 s.f. and Gilbert at 174,000 s.f. The second quarter saw 445,000 s.f. of new construction delivered, the majority of which was delivered in East Valley submarkets. Another million s.f. 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 second quarter to \$14.52 per square foot on a triple net basis per year. This represents a 3.42% increase in rates from second quarter 2015. Asking rates remain highest in Scottsdale, where they average \$19.92 per square foot and are

→ Continued, page 2

growing steadily each quarter. By contrast, the lowest rates are found in the West Outlying submarket, which reported an average asking rent of \$9.96 per square foot.

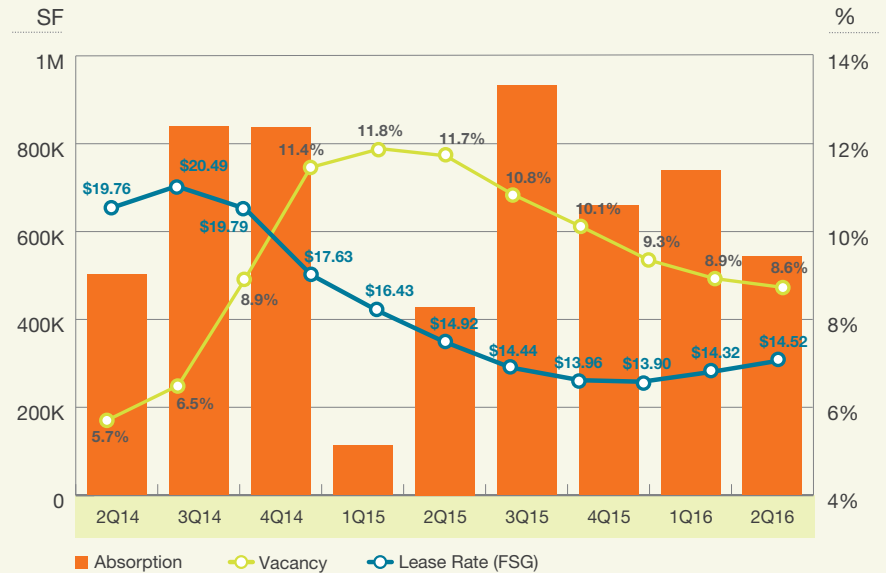
Retail investment sales trends improved this quarter, as sale prices increased in spite of capitalization rates increasing. The average sale price in the second quarter for retail investment assets was \$237 per square foot, up from \$173 per square foot in the first quarter. Cap rates increased from 6.60% in the first quarter to 7.01% in the second quarter. Total dollar volume for retail asset sales was \$249 million from 74 transactions.

Data Source: CoStar

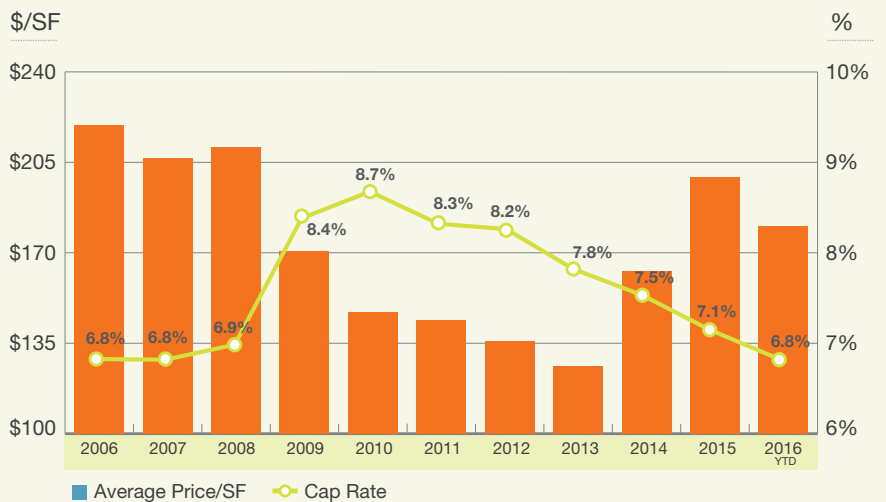
Market Breakdown

	2Q 2016	1Q 2016	2Q 2015	Annual % Change
Vacancy Rate	8.6%	8.6%	9.3%	-7.53%
Availability Rate	10.5%	10.6%	10.8%	-2.78%
Asking Lease Rate	\$14.52	\$14.40	\$14.04	3.42%
Leased SF	1,010,879	1,346,082	1,753,070	-42.34%
Sold SF	1,653,204	2,812,844	2,398,160	-31.06%
Net Absorption	543,505	739,198	428,231	N/A

Net Absorption, Vacancy & Rental Rates



Average Sales Price / Cap Rates



Contact

Mark Read
Executive Vice President, Brokerage
Southwest
602.513.5200 | mread@kiddermathews.com

Designated Broker: Mark Read | LIC #00572743

Offices

Phoenix
602.513.5200

Orange County
949.557.5000

San Francisco
415.229.8888

Redwood City
650.769.3600

Silicon Valley
408.970.9400

Sacramento
916.751.3600

San Diego
858.509.1200

Seattle
206.296.9600

Portland
503.221.9900

Reno
775.301.1300

This information supplied herein is from sources we deem reliable. It is provided without any representation, warranty or guarantee, expressed or implied as to its accuracy. Prospective Buyer or Tenant should conduct an independent investigation and verification of all matters deemed to be material, including, but not limited to, statements of income and expenses. CONSULT YOUR ATTORNEY, ACCOUNTANT, OR OTHER PROFESSIONAL ADVISOR.