

Phoenix Retail

Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



Notable Transactions

Dick's Sporting Goods
7000 E. Mayo Blvd., North Scottsdale
41,000 s.f. Leased

Sportsman's Warehouse
10145 W. McDowell Rd., Loop 101/I-10
31,000 s.f. Leased

Goodwill
15190 N. Cotton Ln., N. Goodyear/Litchfield
25,000 s.f. Leased

HomeGoods
4811-4905 E. Ray Rd., Ahwatukee Foothills
25,000 s.f. Leased

Planet Fitness
7539-7575 W. Peoria Ave., Glendale
23,000 s.f. Leased

The Phoenix retail market ended the third quarter with strong leasing activity, modest net absorption, and steady rental rates. Total vacancy increased by 20 basis points to 9.0%, as a result of multiple 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 5.4%, a 20 basis point decrease from the 5.6% recorded this time last year.

The overall retail vacancy level of 9.0% represents a 30 basis point decrease from the third quarter 2015. Submarkets in Phoenix with the highest direct vacancy rates include Carefree at 15.0%, North Phoenix/ I-17 Corridor at 13.8%, and Red Mountain/Mesa at 13.7%. Submarkets with the least vacant space include Gila River and NE Outlying at 0.0%, Laveen at 2.5% and South Buckeye at 2.8%. Submarkets with the highest net absorption included Gateway Airport at 147,000 sf and Chandler at 143,000 sf. So far in 2016 over 1.2 million sf of new construction has been delivered, the majority of which was delivered in East Valley submarkets. Another one million sf of retail product is currently under construction, of which close to half is located in East Valley.

Asking rental rates market wide for retail properties remained steady in the second quarter at \$14.52 per square foot on a triple net basis. Asking rates remain highest in the Scottsdale submarket cluster, where they average \$19.92 per square foot and are growing steadily each quarter. By contrast, the lowest rates are found in the Maricopa County submarket cluster, which reported an average asking rent of \$10.44 per square foot.

→ Continued, page 2

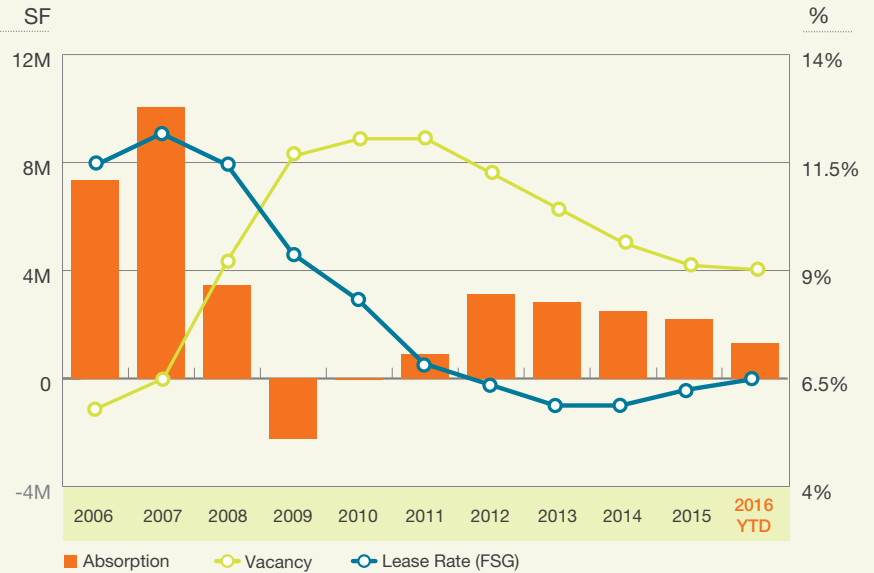
Retail investment sales trends improved this quarter, as sale prices per square foot increased and cap rates decreased. The average sale price in the third quarter for retail investment assets was \$265 per square foot, up from \$220 per square foot in the second quarter. Cap rates decreased from 6.8% in the second quarter to 6.3% in the third quarter. Total dollar volume for retail asset sales was \$282 million from 103 transactions.

Data Source: CoStar

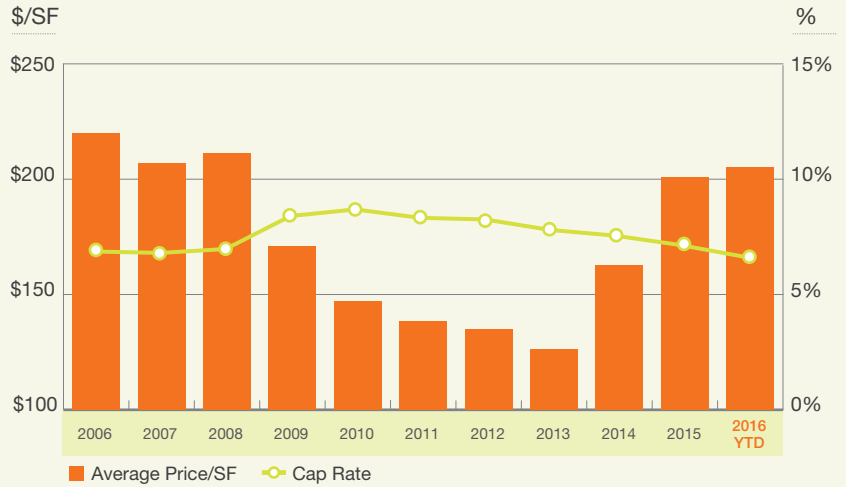
Market Breakdown

	3Q 2016	2Q 2016	3Q 2015	Annual % Change
Vacancy Rate	9.0%	8.8%	9.3%	-3.2%
Availability Rate	10.4%	10.5%	10.6%	-1.9%
Asking Lease Rate	\$14.52	\$14.52	\$14.40	0.8%
Leased SF	866,964	1,238,786	1,828,435	-52.6%
Sold SF	1,297,613	2,457,264	3,933,567	-67.0%
Net Absorption	175,801	414,954	761,387	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	San Francisco 415.229.8888	Silicon Valley 408.970.9400	San Diego 858.509.1200	Portland 503.221.9900
Orange County 949.557.5000	Redwood City 650.769.3600	Sacramento 916.751.3600	Seattle 206.296.9600	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.