

# Phoenix Retail

## Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



## Notable 2016 Transactions

**Mercardo Centro**  
4225 W Indian School Rd.,  
West Phoenix/Maryvale  
115,000 s.f. Leased

**Floor & Décor**  
7012-7040 E Hampton Rd.,  
Red Mountain/Mesa  
93,000 s.f. Leased

**Safeway**  
4747 E Greenway Rd., North Scottsdale  
61,000 s.f. Leased

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

**Fry's Grocery**  
101 E Washington St., Downtown  
55,000 s.f. Leased

The Phoenix retail market ended the year with strong leasing activity, rising net absorption, and a slight ease in rental rates. Total vacancy decreased by 20 basis points to 8.8%, a result of 689,000 square feet of positive net absorption and close to 1.2 million SF of leasing activity this quarter. With growing demand the market continues to tighten, and we expect increased competition for space and higher rates to continue in 2017. The Phoenix unemployment rate sits at 4.5%, a 60 basis point decrease from the 5.1% recorded this time last year.

The overall retail vacancy level of 8.8% represents the lowest vacancy rate recorded since the fourth quarter of 2008. Submarkets in Phoenix with the highest direct vacancy rates include Carefree at 15.2%, North Phoenix/ I-17 Corridor at 14.5% and Red Mountain/Mesa at 13.6%. Submarkets with the least vacant space include Gila River and NE Outlying at 0.0%, and Laveen and South Phoenix both at 2.5%. Submarkets with the highest net absorption included Gilbert at 227,000 SF and West Phoenix/Maryvale at 117,000 SF. During 2016, over 1.9 million SF of new construction was delivered, the majority of which was constructed in East Valley submarkets. Another 1.2 million SF of retail product is currently under construction, of which close to half is being built in East Valley.

Asking rental rates market wide for retail properties decreased slightly in the fourth quarter to \$14.40 per square foot on a triple net basis. Asking rates remain highest in the Scottsdale submarket cluster, where they average \$21.12 per square foot and are growing steadily each quarter. By contrast, the lowest

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**Contact**

**Mark Read**  
Executive VP, Brokerage  
Southwest  
602.513.5200  
[mread@kiddermathews.com](mailto:mread@kiddermathews.com)

Designated Broker  
Mark Read | LIC #00572743

rates are found in the Maricopa County submarket cluster, which reported an average asking rent of \$11.04 per square foot.

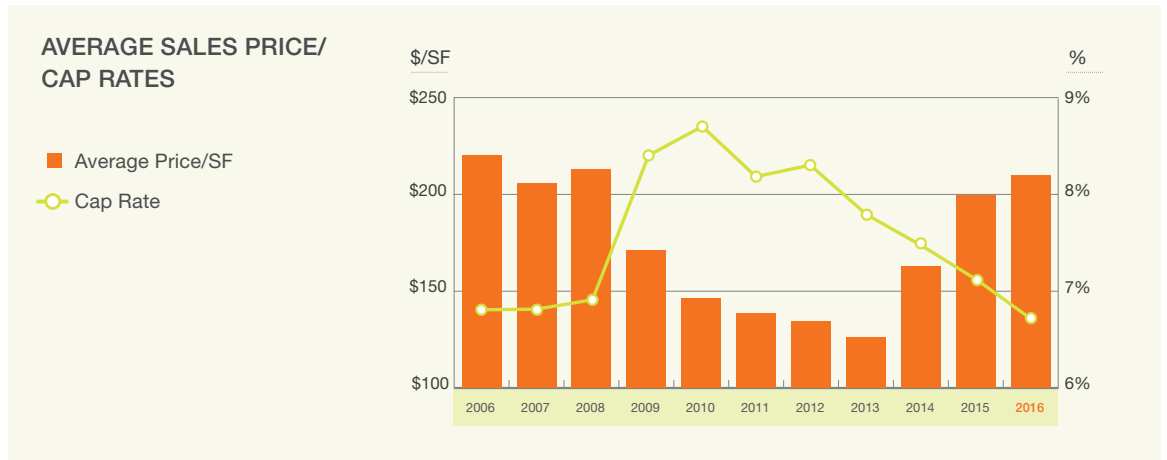
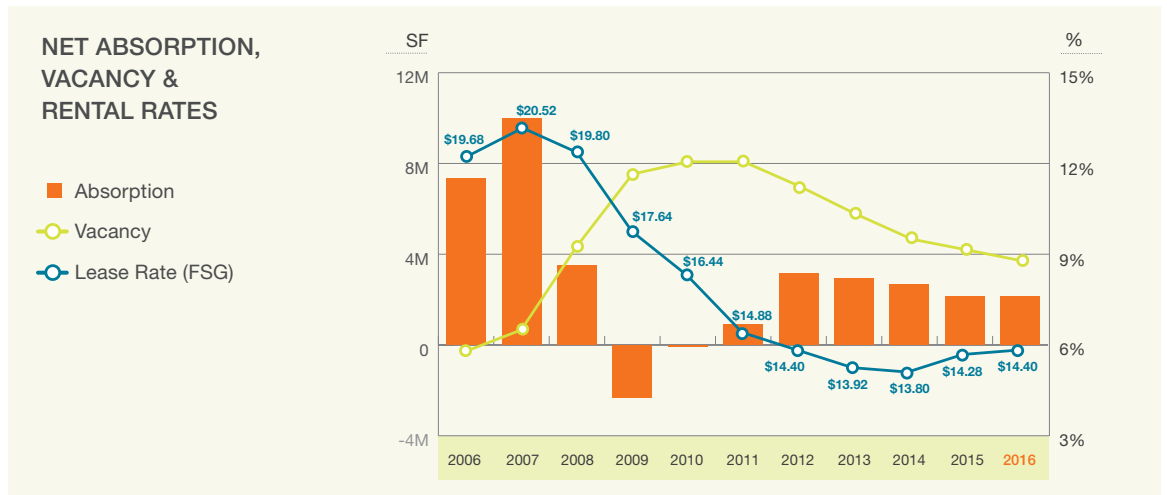
The average sale price in the fourth quarter for retail investment assets was \$195 per square foot, bringing the average price for the year

to \$210. Cap rates increased from 6.3% in the third quarter to 7.2% in the fourth quarter. Total dollar volume for retail asset sales in 2016 was \$1.8 billion from 569 transactions.

*Data Source: CoStar*

**Market Breakdown**

	2016	2015	2014	Annual % Change
Vacancy Rate	8.8%	9.1%	9.5%	-3.3%
Availability Rate	10.2%	10.5%	10.8%	-2.9%
Asking Lease Rate	\$14.40	\$14.28	\$13.80	0.8%
Leased SF	5,475,085	6,927,185	7,738,656	-21.0%
Sold SF	9,209,902	14,457,056	13,412,544	-36.3%
Net Absorption	2,117,895	2,146,469	2,667,653	N/A



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