

# Phoenix Retail

## Market Forecast

Trends

Absorption



Vacancy



Rental Rate



New Construction



## Notable Transactions

**Undisclosed**  
147 S Dobson Road  
Red Mountain / Mesa  
58,000 s.f. Leased

**Burlington**  
4609-4735 Ray Road  
Ahwatukee Foothills  
42,000 s.f. Leased

**American Freight**  
7307-7445 W Indian School Road  
West Phoenix / Maryvale  
27,500 s.f. Leased

**American Freight**  
4961 W Bell Road  
N Phoenix / I-17 Corridor  
25,700 s.f. Leased

**Undisclosed**  
4412-4422 E University Drive  
Red Mountain / Mesa  
23,600 s.f. Leased

The Phoenix retail real estate market experienced almost 725,000 square feet of positive net absorption, leasing activity was nearly 1.3 million square feet, and rental rates continued to increase during the second quarter of 2017. Overall, strong tenant demand bolstered by positive job and population growth enabled absorption to outpace supply additions for the sixth straight year.

The market's strong demographic trends bode well for retail demand growth moving forward. Phoenix's population is growing at nearly three times the national rate and job growth continues to consistently outpace the national average. Furthermore, the metro's single-family housing market is finally back on firm footing. Home prices increased by about 7% last year and are well-positioned to finally return to pre-recession levels in 2017.

The effects of these positive demographic trends on the Valley's retail market are particularly visible in fast growing, up-and-coming population centers in the southeast. For example, Queen Creek, which has experienced a population expansion of 23% since 2010, has one of the tightest vacancy rates in the metro. Rent growth in this submarket has also vastly outperformed as Queen Creek posted annual rent gains of 11%.

The Phoenix retail market ended the quarter with strong leasing activity, rising net absorption, and an increase in rental rates. Total vacancy decreased by 10 basis points to 8.7%, a result of 724,528 square feet of positive net absorption and close to 1.3 million square feet 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 the second half of 2017. The Phoenix unemployment rate sits at 4.3%, a 10 basis point decrease from the 4.4% recorded this time last year.

The total overall retail vacancy level of 8.7% represents the lowest vacancy rate recorded since the fourth quarter of 2008. During the first half of 2017, over one million square feet of new construction was delivered, the majority of which was constructed in East Valley submarkets. Another 877,893 square feet of retail product is currently under construction, of which close to half is being built in East Valley.

→ Continued, page 2

**Offices**

Seattle  
206.296.9600

Bellevue  
425.454.7040

South Seattle  
206.248.7300

Tacoma  
253.722.1400

Olympia  
360.705.2800

Portland  
503.221.9900

San Francisco  
415.229.8888

Redwood Shores  
650.769.3600

Silicon Valley  
408.970.9400

Sacramento  
916.970.9700

Roseville  
916.751.3600

Los Angeles  
213.880.5250

Long Beach  
562.472.0071

Commerce  
323.727.1144

Orange County  
949.557.5000

Inland Empire  
909.764.6500

San Diego  
858.509.1200

Carlsbad  
760.430.1000

Reno  
775.301.1300

Phoenix  
602.513.5200

**Contact**

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

Designated Broker  
Mark Read | LIC #00572743

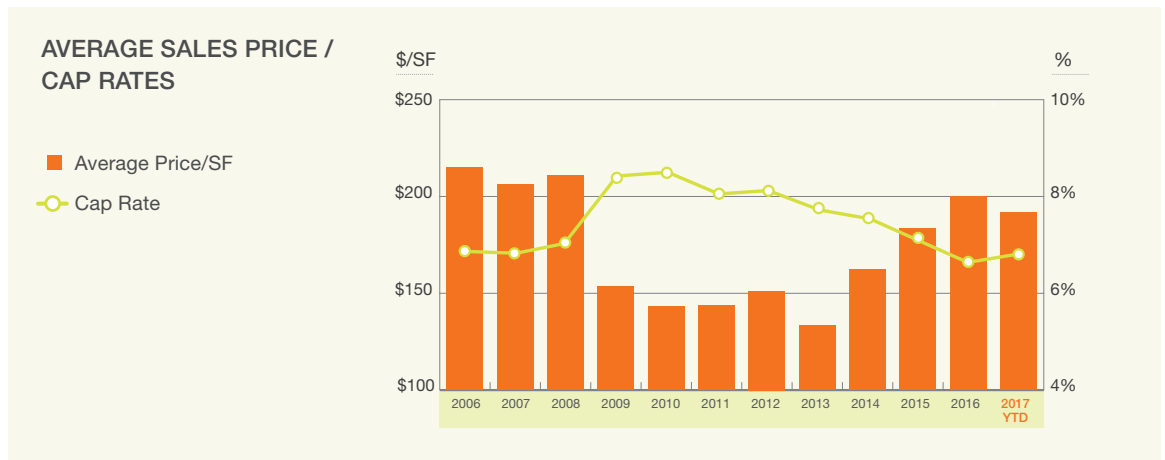
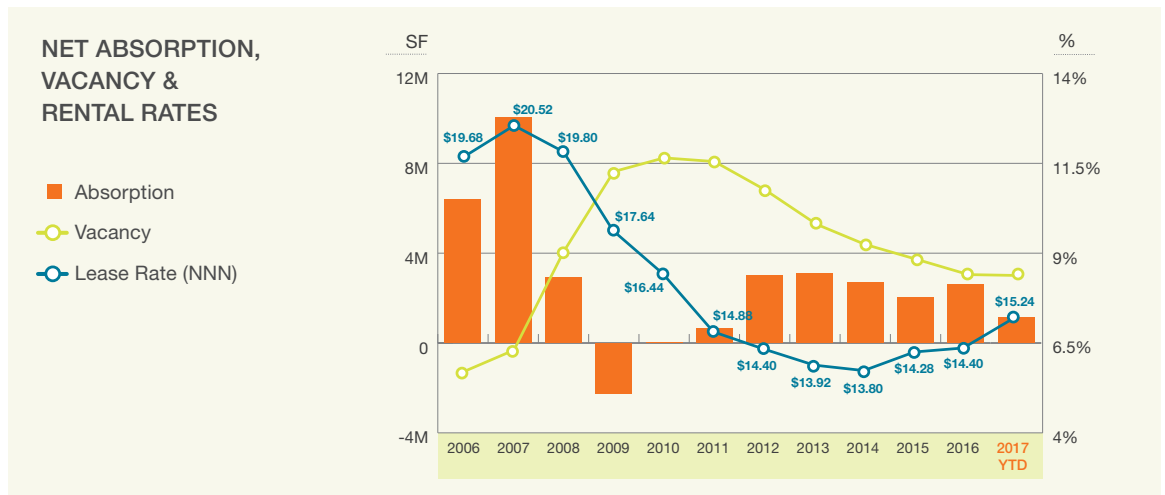
Asking rental rates market wide for retail properties increased slightly in the second quarter to \$15.24 per square foot on a triple net basis. Asking rates remain highest in the Scottsdale submarket cluster, where they average \$21.12 per square foot and are growing steadily each quarter. By contrast, the lowest 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 second quarter for retail assets was \$191.91 per square foot, bringing the average price for the year to \$191.85. Cap rates decreased from 6.82% in the first quarter to 6.74% in the second quarter. Total dollar volume for retail asset sales in the second quarter of 2017 was \$300 million from 194 transactions.

*Data Source: CoStar*

**Market Breakdown**

	2Q17	1Q17	4Q16	Annual % Change
Vacancy Rate	8.7%	8.8%	8.7%	0.0%
Availability Rate	10.3%	10.3%	10.4%	0.96%
Asking Lease Rate	\$15.24	\$14.52	\$14.52	4.96%
Leased SF	1,277,736	1,495,673	1,809,476	29.39%
Sold SF	2,356,906	2,111,165	2,812,085	-16.19%
Net Absorption	724,528	395,136	612,166	N/A



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.