



# 4

## **Retail Market Report**

METRO PHOENIX 2021

**NAI**Horizon

## AT A GLANCE

**Q4 Vacancy: 6.6%**

**Q4 SF Construction: 934K SF**

**Q4 SF Leased: 1.29M SF**

The final quarter of 2021 produced another strong 90-day period for retail real estate in Metro Phoenix as recovery from the pandemic carried on and businesses established a new normal.

Continued net in-migration is driving demand for new retail outlets and supporting existing retail concepts. More quick service restaurants (QSRs) opened than closed, gyms and hair/nail salons are making a comeback and consumer spending remains robust and by some estimates, increased by as much as 25% from the beginning of this year through November. With regional unemployment at sub 3% and as noted in the economic outlook for this quarter, Phoenix has regained 100% of the jobs it lost in the pandemic. People have money in their purses and pockets and they are spending it. Further, tourism – which is always good for retail, has for the most part returned to pre-pandemic levels.

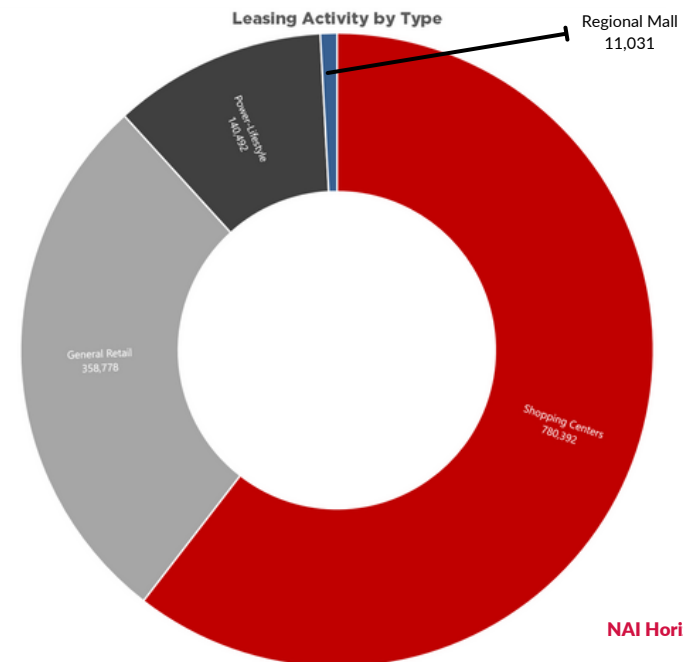
While labor is in short supply across all industries, the lack of workers is impacting retail real estate more than any other sector, unfortunately with no relief in sight.

### 4th Quarter Data

The 4th quarter vacancy rate declined a full percentage point from a year earlier, dropping to 6.6% compared with 7.6% at the end of 2020. Net absorption was positive 1.1 million square feet during the 4th quarter – the first time that net absorption was greater than a million square feet in a single quarter since the first quarter 2018.

New retail under construction at the close of the quarter was 934,343 square feet with the majority of that – 416,680 square feet, underway where most of the housing is being built in the Phoenix metro area – East Valley. The biggest new retail delivery during the fourth quarter was a Fry’s Marketplace in Queen Creek, featuring a sprawling, 127,400-square-foot grocery store. It was the second Fry’s Marketplace to open in 2021.

The average triple net asking lease rate was \$16.38 per-square-foot (psf), up slight from the beginning of 2021 when it was \$15.79 psf. Scottsdale commanded the highest rents, at \$25.22 psf, while North Phoenix had the most affordable retail rents, with an average NNN asking rate of \$13.88. In terms of vacancy rates by product type, Regional Malls continue to suffer above average vacancy, clocking in at 16.3% while General Retail (3.4%) is outperforming Power/Lifestyle Centers (5.0%) and Shopping Centers (8.2%). At the close of the year, the existing supply of retail inventory in the Phoenix area exceeded 177 million square feet. The East Valley had the greatest amount of inventory, at nearly 64 million square feet.



# Q4 Retail Market Report

## METRO PHOENIX 2021

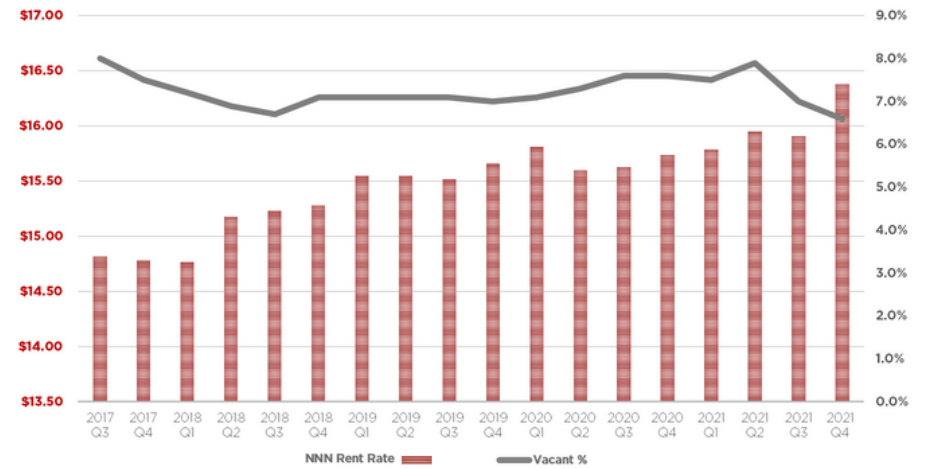
### Biggest Leases

Sports entertainment occupier Pickelball Kingdom was the largest lease in the 4th quarter, followed by dog training and boarding facility Mak Pack, online and previously owned vehicle dealer Carvana and household furnishings store operator Mega Furniture. See below for the details.

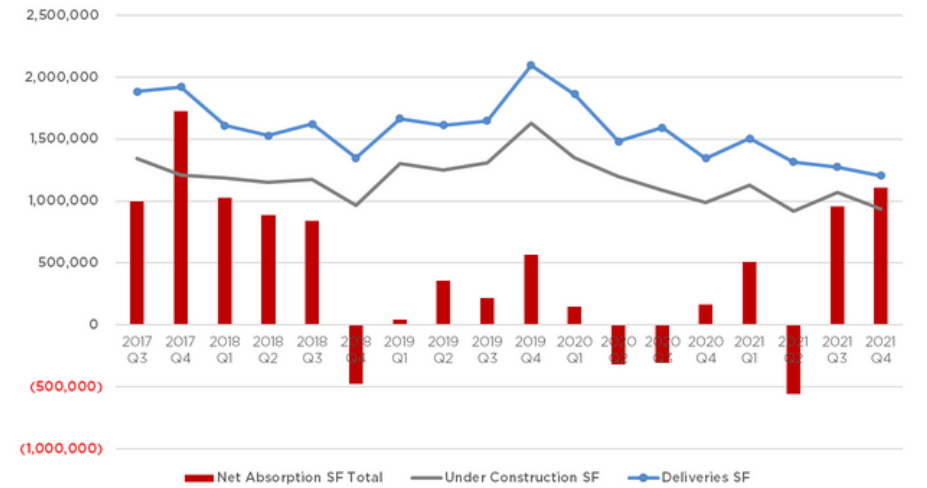
### Biggest Sales

The biggest retail sales in the Phoenix Metro Market during the 4th quarter (by dollar amount and square footage) were \$65 million, \$50.2 million, \$41.65 million and \$25.1 million, respectively. See below for the details

MARKET RENTAL RATES (NNN) & VACANCY



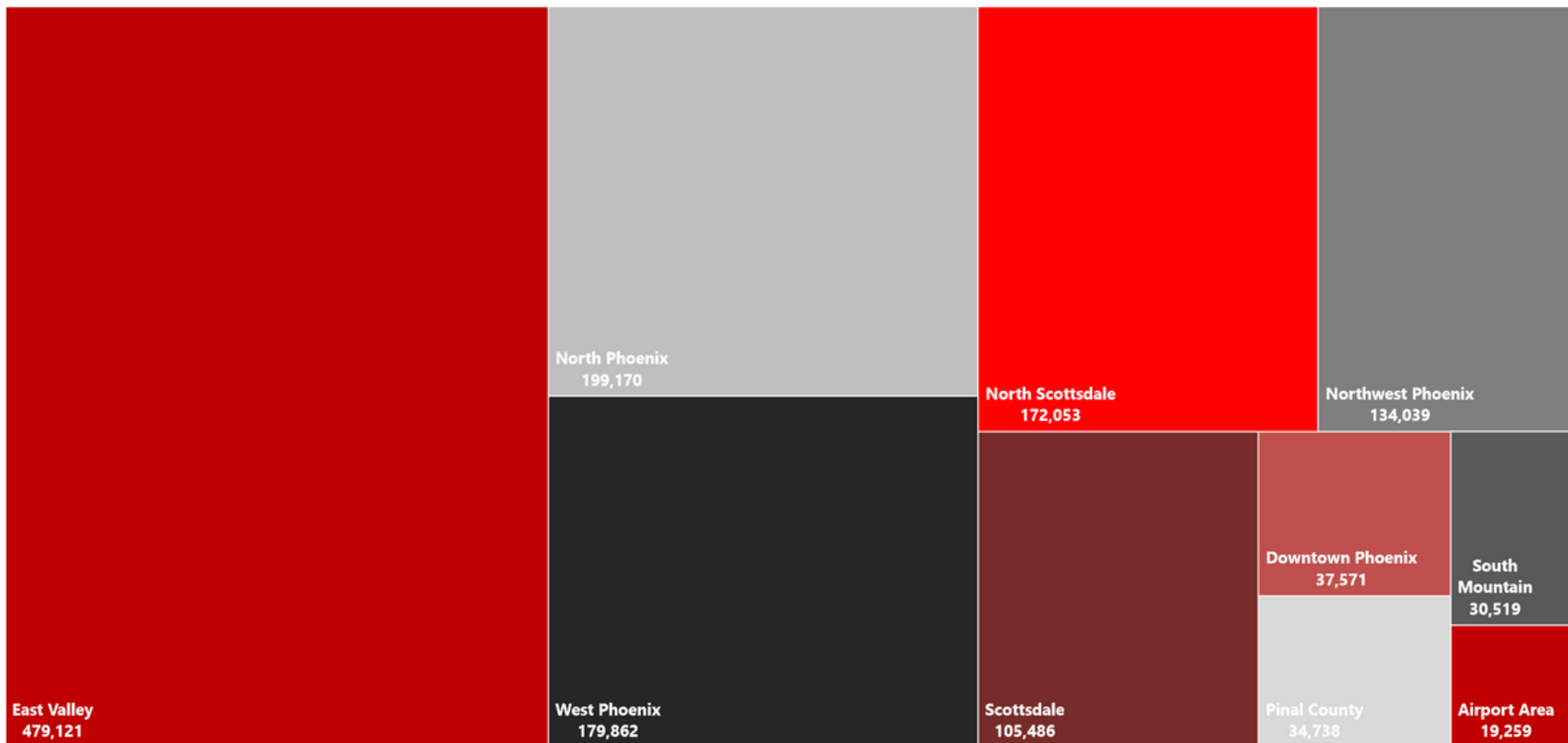
Supply and Demand - Deliveries & Net Absorption



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## LEASING ACTIVITY IN SF




# Q4 Retail Market Report

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## Q4 Top Leases

**1**  **4940-4980 W Ray Rd**


Submarket	Chandler
Tenant	Pickleball Kingdom
Size	37,108 SF
Move Date	Feb 2022

**2**  **3050 S Gilbert Rd**

Submarket	Gateway Airport/ Loop 202
Tenant	Mak Pack
Size	30,133 SF
Move Date	Jun 2022

**3**  **8705 E McDowell Rd**

Submarket	South Scottsdale
Tenant	Carvana
Size	29,865 SF
Move Date	May 2022

**4**  **4900-5052 S Power Rd**

Submarket	Gilbert
Tenant	Mega Furniture
Size	28,428 SF
Move Date	Feb 2023

Photos & Information provided by CoStar

## Q4 Top Sales

**1**  **Arcadia Crossing - Phoenix**


Sale Price	\$65,000,000
Location	SEC 44th St & Thomas
Size	453,457 SF
Price/SF:	\$143.34

**2**  **Gilbert Gateway Towne Center - Mesa**

Sale Price	\$50,200,002
Location	NWC Power Rd & Ray Rd
Size	269,495 SF
Price/SF:	\$304.32

**3**  **Arcadia Fiesta - Phoenix**

Sale Price	\$41,650,001
Submarket	32nd St & Indian School
Size	162,035 SF
Price/SF:	\$257.04

**4**  **Ocotillo Plaza - Chandler**

Sale Price	\$25,100,000
Location	Alma & Queen Creek
Size	115,628 SF
Price/SF:	\$217.08



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## Submarket Performance

Submarket	RBA		Vacant SF		Vacant %		Net Absorption		Under Construction		Avg NNN Rate	
Airport Area	5,770,952	▲	303,314	▲	5.3%	▲	(4,549)	▲	3,000	-	\$18.36	▲
Downtown Phoenix	8,419,825	▲	420,234	▼	5.0%	▼	33,499	▼	4,500	-	\$18.51	▲
East Valley	78,175,818	▼	5,311,769	▼	6.8%	▼	532,373	▲	416,680	▲	\$15.72	▲
North Phoenix	40,435,993	▲	3,984,595	▼	9.9%	▼	168,030	▲	93,647	▲	\$13.88	▲
North Scottsdale	16,836,321	-	936,071	▼	5.6%	▼	114,949	▼	-	-	\$19.75	▲
Northwest Phoenix	20,985,539	▲	960,002	▼	4.6%	▼	123,342	▲	43,000	▲	\$16.36	▲
Pinal County	11,301,972	▲	985,593	▼	8.7%	▼	14,043	▲	174,095	▲	\$14.88	▲
Scottsdale	20,112,365	▲	976,784	▲	4.9%	▲	72,227	▲	11,000	▼	\$25.22	▲
South Mountain	6,891,723	-	495,649	▼	7.2%	▼	20,385	▼	7,200	▼	\$18.21	▲
West Phoenix	25,544,818	-	1,168,529	▼	4.6%	▼	71,176	▲	181,221	▲	\$17.00	▲
All Submarkets	235,363,421	▲	15,597,800	▼	6.6%	▼	1,106,143	▲	934,343	▼	\$16.38	▲
Overall Total 3Q21	235,110,420	▼	16,450,942	▼	7.0%	▼	954,224	▲	1,068,193	▲	\$15.91	▼
Overall Total 2Q21	236,290,096	▲	18,584,842	▲	7.9%	▲	(555,488)	▼	920,478	▼	\$15.95	▲
Overall Total 1Q21	236,000,305	▲	17,739,563	▲	7.5%	▲	506,650	▲	1,129,103	▼	\$15.79	▲

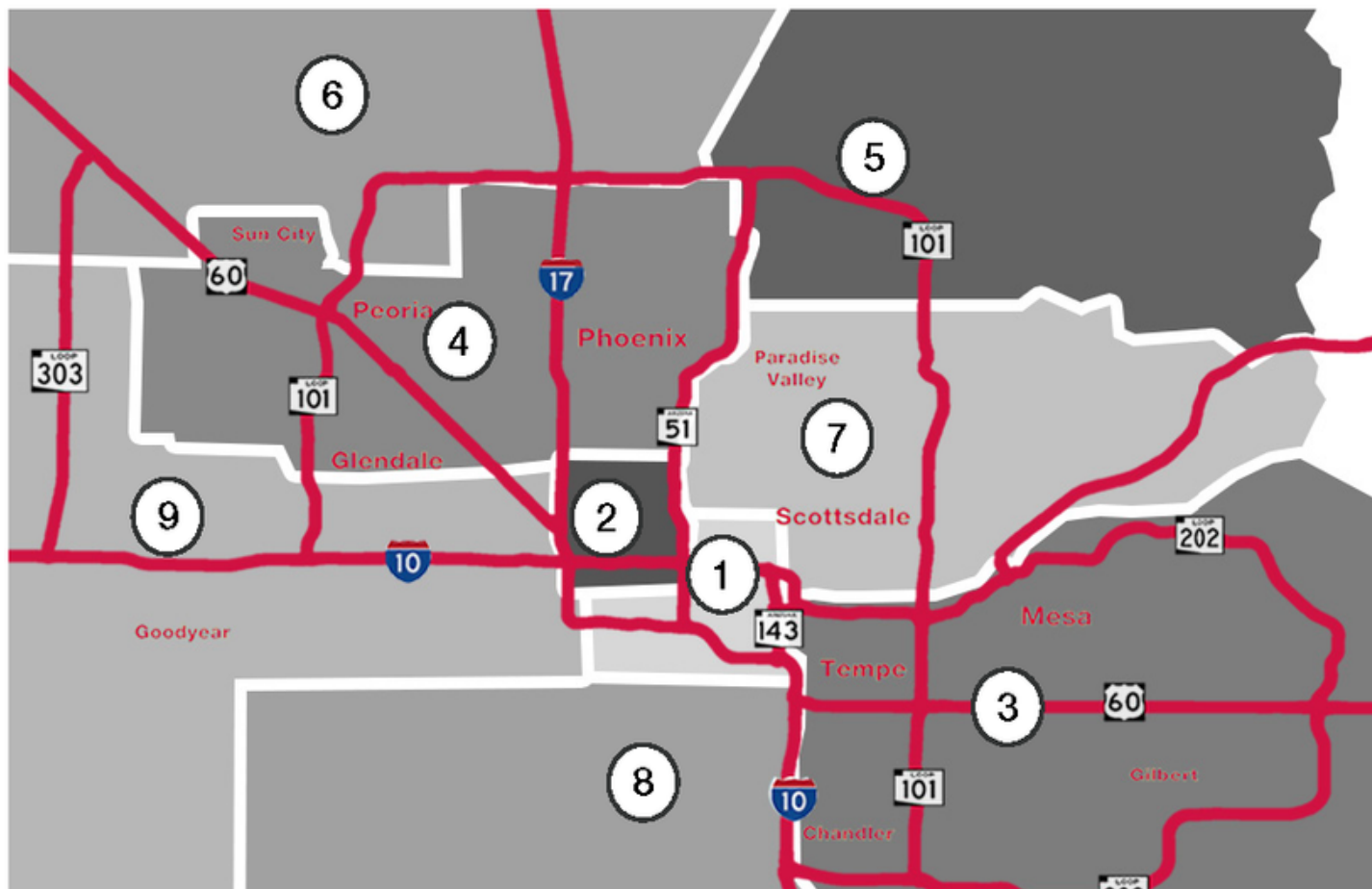
Submarket	RBA	Vacant SF	Vacant %	Net Absorption	RBA Delivered	RBA Under	Avg NNN
Power/Lifestyle	33,824,831	1,688,032	5.0%	141,852	-	-	\$23.25
Regional Mall	14,510,580	2,364,207	16.3%	24,248	9,197	-	\$10.20
General	78,909,795	2,720,140	3.4%	451,062	236,902	448,259	\$19.55
Shopping Center	108,079,378	8,825,421	8.2%	488,981	26,200	486,084	\$15.29



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## Phoenix Retail Submarkets



- ① Airport Area
- ② Downtown Phoenix
- ③ East Valley
- ④ North Phoenix
- ⑤ North Scottsdale
- ⑥ Northwest Phoenix
- ⑦ Scottsdale
- ⑧ South Mountain
- ⑨ West Phoenix



## About NAI Horizon

Exceptional global commercial real estate solutions begin with local market leadership and expertise. Established in 1992, NAI Horizon is a full-service commercial real estate company serving Arizona with offices located in Phoenix and Tucson. NAI Horizon is passionate about the commercial real estate business, providing Brokerage and Property Management Services for local, national and international clients. NAI Horizon is a member of the NAI Global commercial real estate network providing real estate solutions to more than 300 offices worldwide. For more information visit [www.naihorizon.com](http://www.naihorizon.com).

## About NAI Global

Advisory Services | Leasing | Property Management  
Property & Note Sales | Tenant Representation

NAI Global is a leading global commercial real estate brokerage firm. NAI Global offices are leaders in their local markets and work in unison to provide clients with exceptional solutions to their commercial real estate needs. NAI Global has more than 300 offices in 43 countries strategically located throughout North America, Latin America and the Caribbean, Europe, Africa and Asia Pacific, with 5,100 local market professionals, managing in excess of 1.1 billion square feet of property and facilities. Annually, NAI Global completes in excess of \$20 billion in commercial real estate transactions and a gross revenue of \$1.5 billion.

NAI Global professionals achieve extraordinary results for clients locally and globally through creativity, collaboration and the consistent delivery of exceptional knowledge and service that only market-leading firms can provide. NAI Global provides a full range of corporate real estate services, including brokerage and leasing, property and facilities management, real estate investment and capital market services, due diligence, global supply chain and logistics consulting and related advisory services.

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