

Q4 2024 MARKET REPORT

METRO PHOENIX

Retail Market Report

VACANCY ▼

NET ABSORPTION ▲

AVERAGE NNN ▲

NAI Horizon

2944 N 44th St, Suite 200, Phoenix, AZ 85018
602 955 4000 | naihorizon.com

Q4 2024

MARKET REPORT

PHX Q4 AT A GLANCE:

Vacancy: 4.8% ▼

Net Absorption: 45K SF ▲

Average NNN: \$19.28 ▲

As healthy as retail real estate has been in recent years, 2024 was a tough year for many brick-and-mortar retailers. Data from Coresight Research shows that over 7,100 stores in the U.S. closed from January through the end of November last year, a 69% increase from the same period a year earlier. It's the first time since the start of the pandemic that more stores closed than opened, and led by pharmacy closures.

CVS says it will close an additional 271 locations this year, on top of the 900 it already announced. Walgreens and Boots have also announced dozens of closures recently as drug stores struggle to stay afloat, and nearly 800 U.S. zip codes have lost pharmacies in the last decade. Macy's, with some 475 current stores, plans to close an additional 150 Macy's locations by the beginning of 2027.

Perhaps the biggest news in retail during the fourth quarter occurred when Albertsons officially terminated its planned sale to Kroger – then promptly sued the Cincinnati, Ohio-based business, alleging that Kroger did not fulfill its contractual obligations to ensure that the merger succeeded. The \$20 billion merger would have changed the landscape of grocery-anchored real estate. Albertsons owns Safeway, while Kroger owns Fry's Food and has 27 grocery stores in Phoenix.

4th Quarter Phoenix Retail Metrics

The overall vacancy rate for retail real estate concluded 2024 at 4.78, down slightly from 5% at the end of the third quarter.

Regional-retail growth is clearly driven by record numbers of new housing construction in the valley. In 2024, the Phoenix area issued 11,775 homebuilding permits in the first five months, which is a 57% increase from the same period in 2023. The number of new homes sold in the first five months of 2024 was 9,522, a 3% increase from the same period in 2023.

Regional-retail growth is clearly driven by record numbers of new housing construction in the valley.

Q4 2024 MARKET REPORT

4th Quarter Phoenix Market Metrics

RentCafe reported last September that by the end of 2024, 518,000 rental units (mostly apartments, but some SFR – single-family rental), were expected to be delivered to the Phoenix metro area, or up 9% from 2023 and 30% from 2022. Phoenix has the fourth-most apartments built of any city in the U.S., with approximately 20,000 more added in 2024.

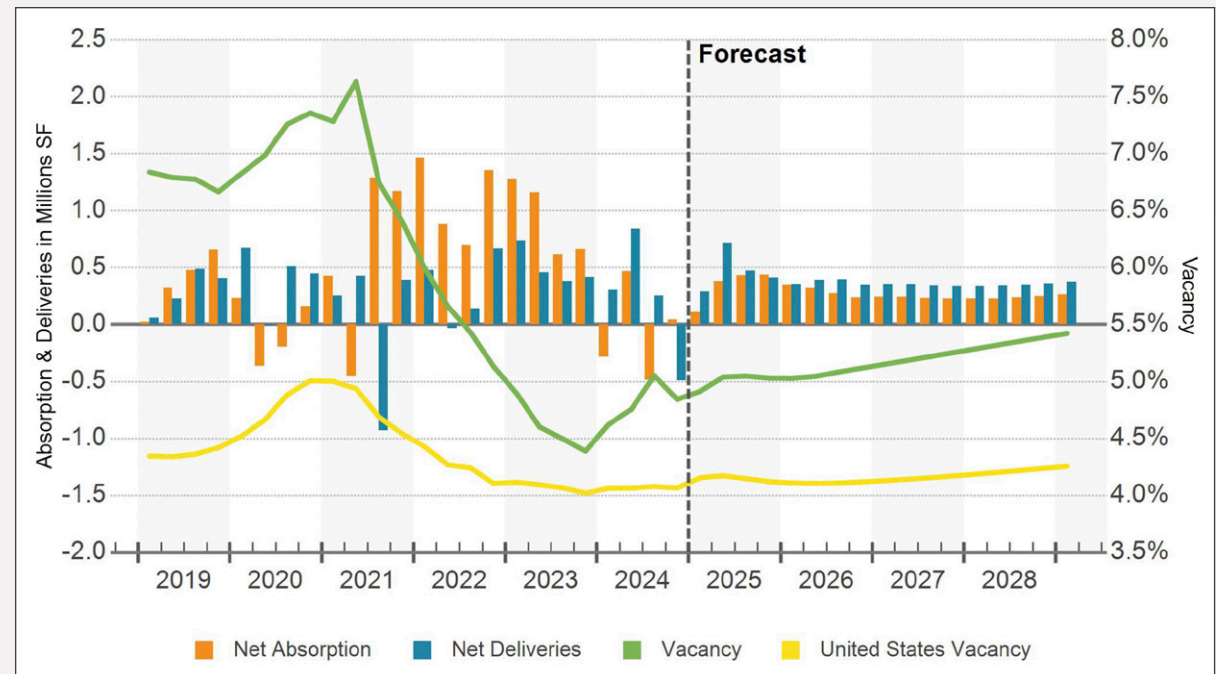
Valley-wide, net absorption of retail real estate in the fourth quarter was positive 45,427 square feet, with submarket growth strongest in the East Valley (163,625 SF) and Northwest Phoenix (78,939 SF). West Phoenix had the greatest amount of negative net absorption for the period, with -162,282 SF. Net absorption has been positive in 12 of the 14 recent quarters, and remarkably, in all but six quarters in the past 14 years.

Deal activity slowed a bit compared with the past few years, as 350 leases were signed in the quarter.

Forty-three new retail buildings were delivered in the recent period, adding 497,429 SF to the inventory. Developers had 105 retail real estate projects under construction at the end of the year, with nearly 2.5-million-square-foot pending completion.

Rents continued their upward ascent, coming in at NNN \$19.28 PSF (asking), an increase from \$18.85 PSF in the third quarter. That works out to a 25% rise in five years.

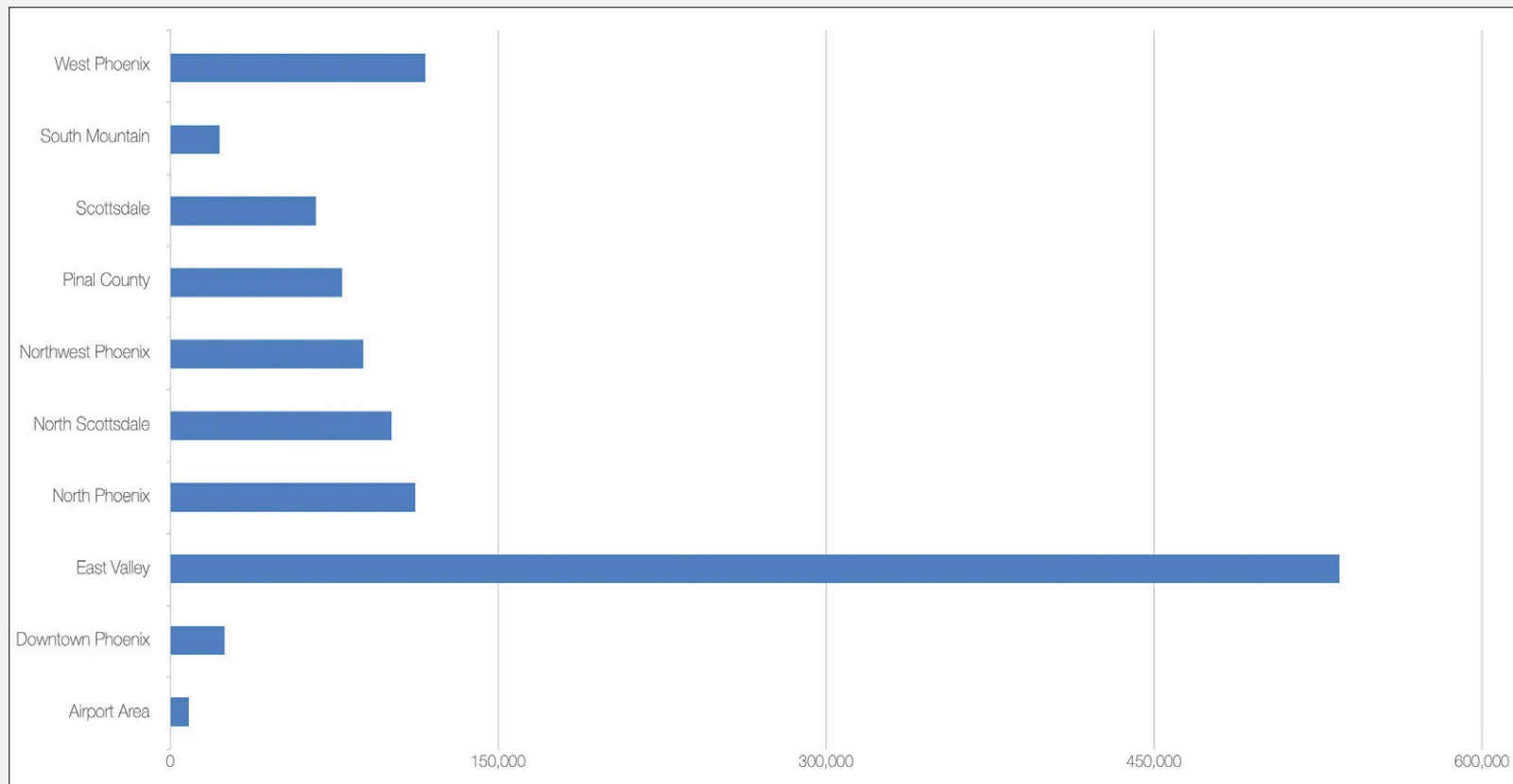
Net Absorption



Q4 2024 MARKET REPORT

4th Quarter Phoenix Market Metrics

Leasing SF: Submarket Clusters



Q4 2024 MARKET REPORT

4th Quarter Phoenix Market Metrics

Top Leases and Sales

Once again, the largest leases in the recent quarter were driven by population growth and related household needs and lifestyles. Categorically the leases represent the usual suspects, or “3Fs”: food, fun and fitness.

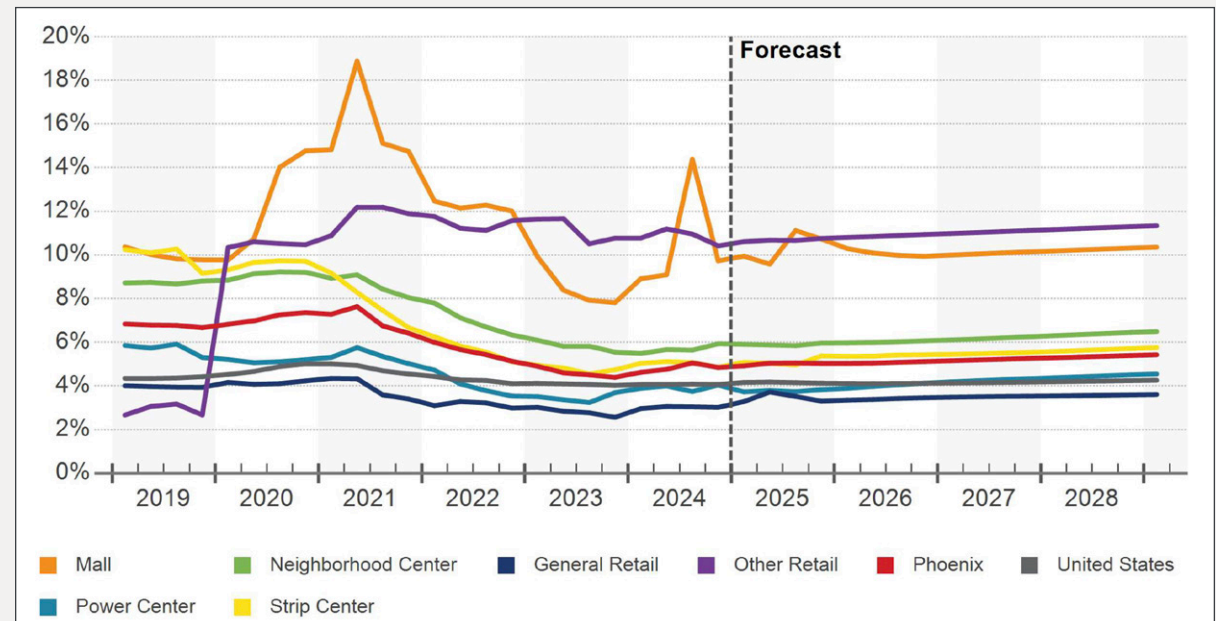
Safeway renewed 57,860 SF at Anthem Marketplace at Merrill Ranch in outlying Pinal County. The anchor tenant in one of Del Webb’s 18 retirement communities in Arizona, the center was built in 1999. Other tenants there include McDonald’s, Allstate Insurance, Wells Fargo and Banner Medical Group.

Retail investment sales have drawn attention from institutional investors, in large part because of the sector’s ongoing strength.

Elevate Trampoline Park committed to Patterson Landing in Gilbert for 36,000 SF, while Physiq Fitness took 32,306 SF at College Park Shopping Center in Tempe. Physiq has an existing location in Gilbert.

Retail investment sales have drawn attention from institutional investors, in large part because of the sector’s ongoing strength. In November, Blackstone spent \$4 billion

Metro Phoenix Leasing Vacancy Rate



on shopping-center owner Retail Opportunity Investments. The deal was Blackstone’s biggest bet on U.S. retail since 2011.

Three neighborhood-serving shopping centers in the Phoenix area sold in the fourth quarter, each of which is older retail product with very little vacancy. A 108,890-square-foot (built 2003) at 381 E. Warner Road in Tempe traded for \$232 PSF, or \$25.25 million and was fully leased. Mountainview Marketplace (built 1988), 122,697

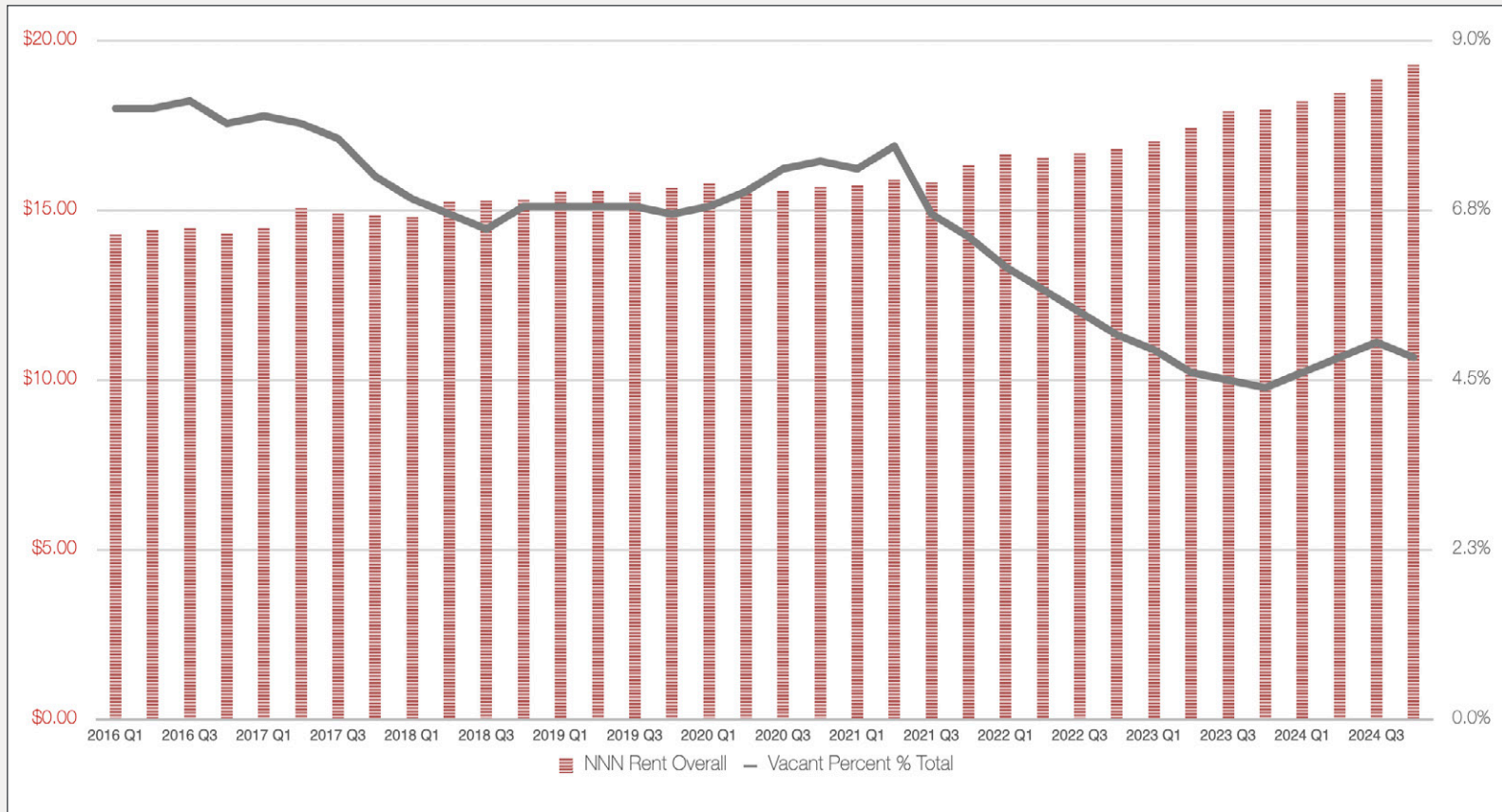
SF, on Thunderbird Road in Phoenix sold for \$22 million (\$179 PSF) with vacancy at 11.3%. El Monte Shopping Center (built 1962) in Phoenix garnered \$168 PSF for the 101,269-square-foot center, or \$17 million. It also was fully leased at the time of sale.

In the recent 12 months, 626 retail property sales in the metro region closed with an average Cap Rate of 6.3%, average price-per-foot \$247 and average vacancy of 6.6%.

Q4 2024

MARKET REPORT

Market Rental Rates (NNN) & Vacancy



Q4 2024

MARKET REPORT

Retail Submarkets

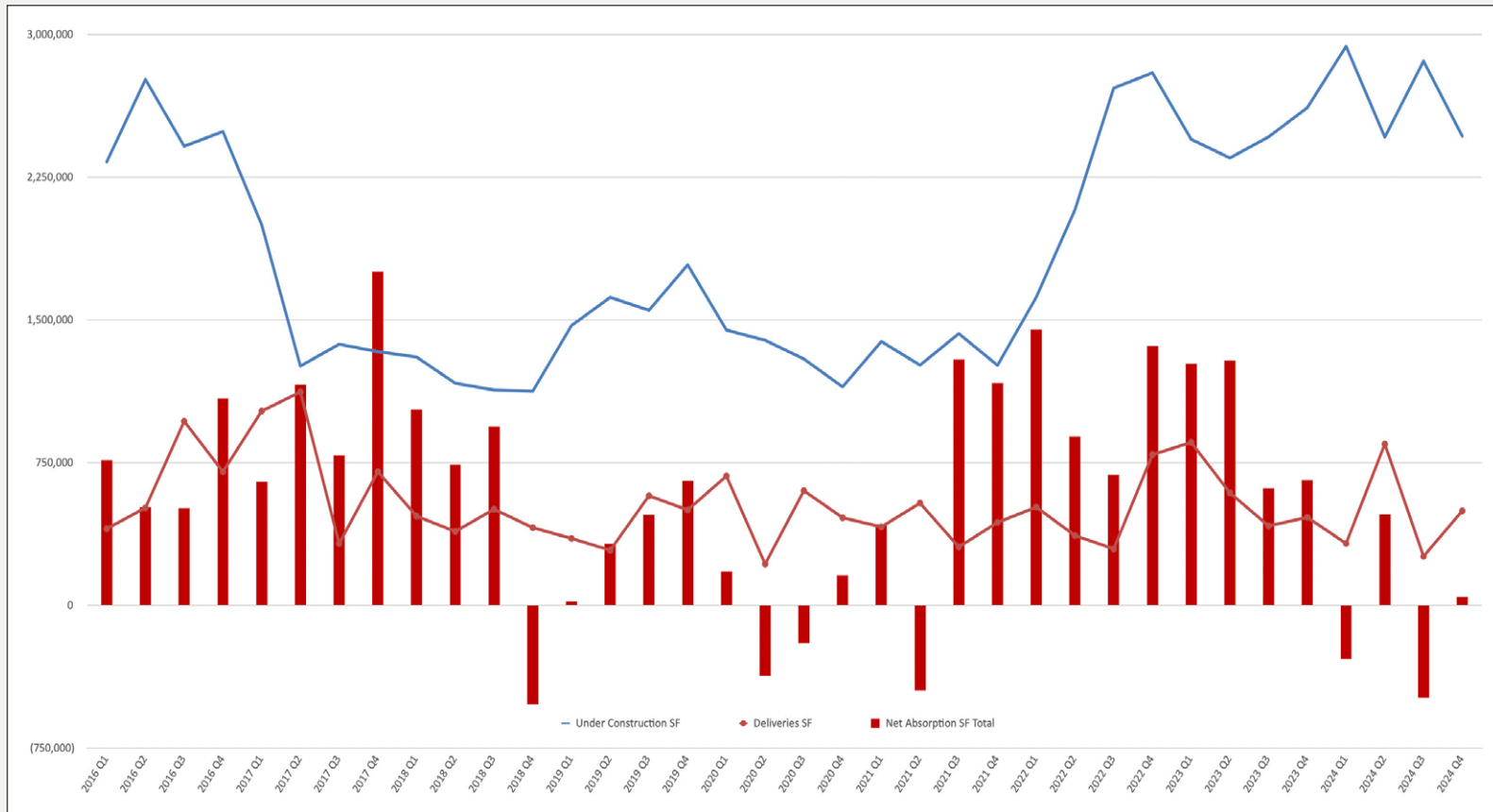
Submarket Snapshot

	RBA		Vacant SF		Vacant %		Net Absorption		Under Construction		NNN	
Airport Area	6,463,461	-	339,157	▲	5.2%	▲	(20,204)	▼	2,400	-	\$16.50	▲
Downtown Phoenix	8,651,659	-	410,758	▼	4.7%	▼	53,085	▲	108,000	-	\$22.17	▼
East Valley	81,459,028	▲	4,516,278	▼	5.5%	▼	163,625	▲	827,990	▼	\$18.04	▲
North Phoenix	40,491,231	▼	2,209,033	▼	5.5%	▼	(120,934)	▲	76,998	▼	\$17.93	▲
North Scottsdale	17,030,007	-	534,530	▼	3.1%	▼	43,606	▼	159,138	-	\$28.19	▲
Northwest Phoenix	21,755,636	▲	765,368	▲	3.5%	-	78,939	▲	277,227	▼	\$19.25	▲
Pinal County	11,858,416	▲	801,166	▲	6.8%	▲	57,216	▲	89,082	▼	\$17.18	-
Scottsdale	20,675,516	▲	891,937	▲	4.3%	▲	(26,849)	▼	-	-	\$23.39	▲
South Mountain	7,140,307	▲	344,466	▲	4.8%	▲	(22,036)	▼	664	▼	\$20.69	▲
West Phoenix	29,980,420	▲	1,103,694	▲	3.7%	▲	(162,121)	▼	930,329	▼	\$20.65	▲
All Submarkets	246,432,819	▼	11,925,743	▲	4.8%	▼	45,427	▲	2,465,828	▼	\$19.28	▲
2024 Q3	246,925,415	▲	12,463,766	▼	5.0%	▲	(485,486)	▼	2,860,406	▲	\$18.85	▲
2024 Q2	246,672,539	▼	11,725,404	▲	4.8%	▲	480,323	▲	2,460,634	▼	\$18.45	▲
2024 Q1	245,824,402	▲	11,357,590	▼	4.6%	▲	(281,282)	▼	2,937,852	▲	\$18.21	▲

Q4 2024 MARKET REPORT

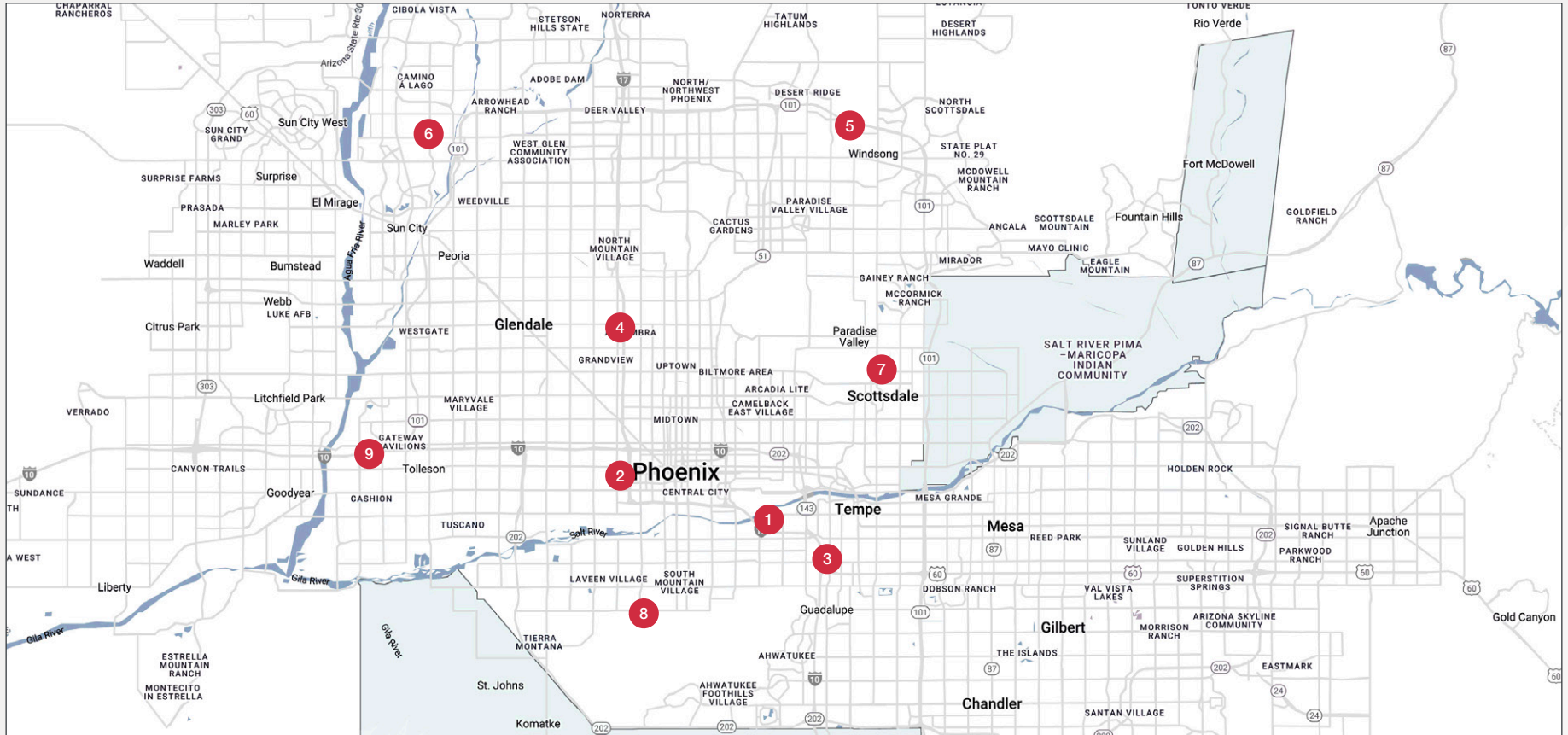
4th Quarter Phoenix Market Metrics

Supply, Demand, and Under Construction



Q4 2024 MARKET REPORT

Retail Submarkets

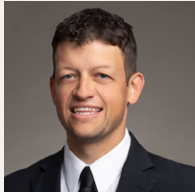


- 1 Airport Area
- 2 Downtown Phoenix
- 3 East Valley
- 4 North Phoenix
- 5 North Scottsdale
- 6 Northwest Phoenix
- 7 Scottsdale
- 8 South Mountain
- 9 West Phoenix

Q4 2024 MARKET REPORT

Phoenix

Retail Specialists



Matt Harper, CCIM
Managing Director
matt.harper@naihorizon.com



Michael Gaida
First Vice President
michael.gaida@naihorizon.com



Joan Krueger
First Vice President
joan.krueger@naihorizon.com



Sharon Reeves
First Vice President
sharon.reeves@naihorizon.com



Gabe Graumann, CCIM
Vice President
gabe.graumannr@naihorizon.com



Lance Sherwood
Senior Associate
lance.sherwood@naihorizon.com



Leah Motsinger
Senior Associate
leah.motsinger@naihorizon.com

NAI Horizon knows commercial real estate. With over 30 years in the Valley, NAI Horizon's extensive market insight allows us to match client needs with the right solutions. NAI Global member firms span the U.S. and 64 other countries, with more than 325 offices and more than 5,800 local market experts on the ground. Supported by the central resources of the NAI Global organization, member firms deliver market-leading services locally, and combine their in-market strengths to form a powerful bond of insights and execution for clients with multi-market interests.

 @naihorizon

 @naihorizon