

# FIRST QUARTER 2015 PHOENIX RETAIL

**Voit**  
REAL ESTATE SERVICES

## MARKET CHANGE

Compared to Previous Quarter:

Vacancy

DOWN



Net Absorption

POSITIVE



Lease Rates

FLAT



Transactions

DOWN



Deliveries

UP



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VOIT Real Estate Services

## HIGHLIGHTS

- **Encouraging Numbers** - The Phoenix retail market continued to improve in the first quarter of 2015. Both vacancy and availability continued to decrease, exhibiting some of the lowest rates seen since 2008. The Phoenix market also posted almost 900,000 square feet of positive absorption in the first quarter, marking the sixtieth consecutive quarter of positive absorption, for a total of 10.8 million square feet. While these are encouraging indications, continued stability and job growth will be needed in coming quarters to further the recovery.
- **Construction** - There was 548,729 square feet of retail construction underway at the end of the first quarter of 2015. The Phoenix retail market delivered 699,018 million square feet of retail space in 2015 so far; while an increase, it is still low compared to historical averages.
- **Vacancy** - Vacancy dropped in the first quarter, as the Phoenix economy continued its move to recovery. Direct/sublease space (unoccupied) finished the first quarter of 2015 at 9.60%, a drop from the previous year's rate of 10.49%. The lowest vacancy rate of all submarkets was found in Northwest Phoenix, at 6.69%.
- **Availability** - Direct/sublease space available for the first quarter of 2015 came in at 10.97%, down from the previous quarter rate of 11.24% and a 6.56% decrease when compared to the prior year's rate of 11.74%.
- **Lease Rates** - The average asking triple-net lease rate per month per square foot in Phoenix in the first quarter was \$13.80, flat from the previous quarter. As vacancy rates continue to decrease, look for asking lease rates to begin to increase gradually in some submarkets in coming quarters, as consumer spending increases.
- **Absorption** - The Phoenix retail market posted 896,724 square feet of positive net absorption in the first quarter of 2015, marking the sixtieth consecutive quarter of positive

net absorption, and giving the market a total of just over 10.8 million square feet of positive absorption for the last 16 quarters.

- **Transaction Activity** - Leasing activity checked in at 808,060 square feet, a decrease from the previous quarter's figure of 1.5 million square feet. Sales decreased compared to fourth quarter's posting of 3.3 million square feet, down to around 2.0 million square feet. This statistic can have some lag time in being reported, so look for these figures to end up somewhat higher in the next report. Details of the largest transactions can be found on the back page of this report.
- **Unemployment** - The unemployment rate in the Phoenix-Mesa-Glendale Metropolitan area was 5.8% in January 2015, a decrease from January 2014's rate of 6.8%. Sectors with strong job growth included professional and business services, retail trade, health care and manufacturing. Phoenix has created a new niche for itself in high tech manufacturing. Phoenix's projected total annual employment growth will be among the strongest in the nation. According to Arizona Department of Administration, February 2015 added 2,000 professional and business services jobs, 5,900 in leisure and hospitality, 1,400 in health care and 1,300 in manufacturing. The largest job gain was in government adding 15,800 jobs. The number of jobs increased in 2014 and we anticipate this trend continuing through 2015.
- **Overall** - The Phoenix retail market's future is looking brighter as it continues to gain traction. We are seeing decreases in the amount of vacant and available space, as well as stabilization in average asking lease rates. The market has posted positive absorption figures for four years consecutively and with few deliveries in the pipeline to apply upward pressure on vacancy, we foresee 2015 being yet another year of growth as the market enters into single digit vacancy for the first time since 2008.

## FORECAST

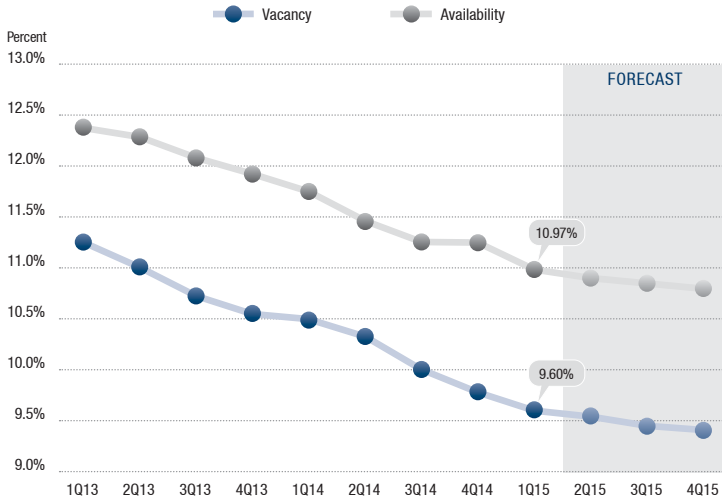
- **Construction** - We anticipate a small amount of retail construction in the near future, giving demand further opportunity to catch up to supply. Expect power centers, which have among the lowest vacancy and availability rates currently, to lead the way as development gradually returns.
- **Employment** - We anticipate job growth of around 2.6%, or 59,000 jobs, in the Phoenix Metropolitan area over the year. Look for industries like professional & business services, and education & health services to lead the way in employment growth, along with a new sector of high tech manufacturing, to grow rapidly with large companies opening plants and factories.
- **Lease Rates** - Expect average asking lease rates to increase by 1% to 3% over the next four quarters.
- **Vacancy** - We anticipate vacancy rates continuing to descend in the coming quarters, dropping by about 20 basis points, to around 9.40%, by the end of the fourth quarter of 2015.

## OVERVIEW

	1Q15	4Q14	1Q14	% of Change vs. 1Q14
Total Vacancy Rate	9.60%	9.78%	10.49%	(8.48%)
Availability Rate	10.97%	11.24%	11.74%	(6.56%)
Average Asking Lease Rate	\$13.80	\$13.80	\$13.80	0.00%
Sale & Lease Transactions	2,905,822	4,869,662	4,554,858	(36.20%)
Gross Absorption	2,213,905	2,313,262	2,249,982	(1.60%)
Net Absorption	896,724	821,963	234,832	N/A

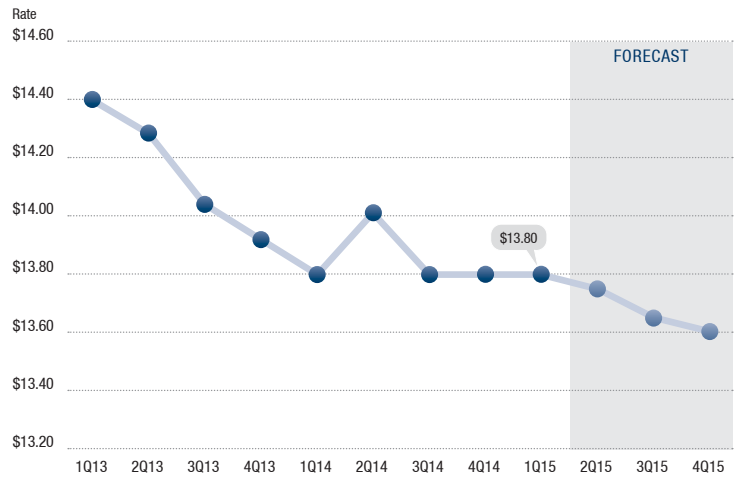
## VACANCY & AVAILABILITY RATE

VACANCY – UNOCCUPIED SPACE | AVAILABILITY – ALL SPACE BEING MARKETED



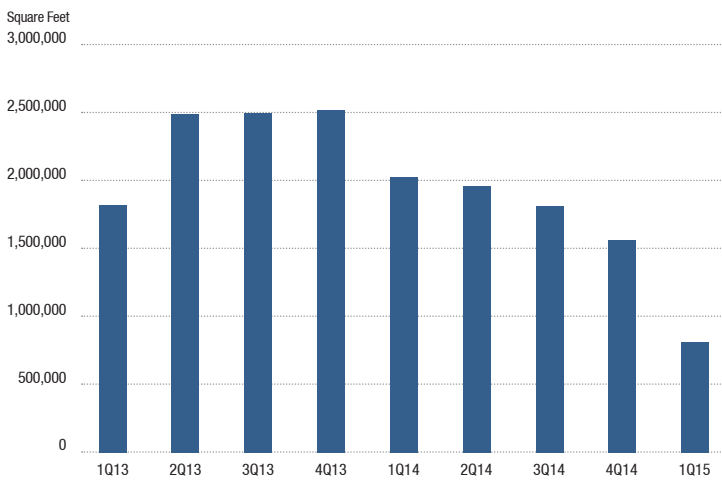
## AVERAGE ASKING TRIPLE-NET LEASE RATE

MONTHLY OCCUPANCY COST ON A PER SQ. FT. BASIS



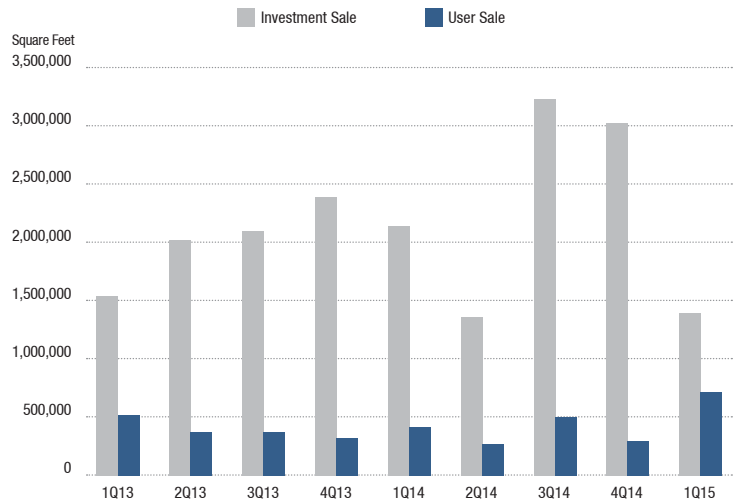
## LEASE TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT LEASED IN A QUARTER



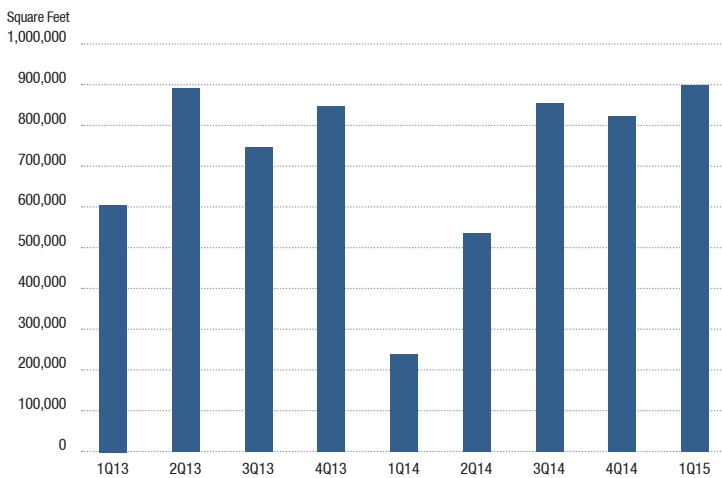
## SALES TRANSACTIONS

TOTAL AMOUNT OF SPACE THAT SOLD IN A QUARTER

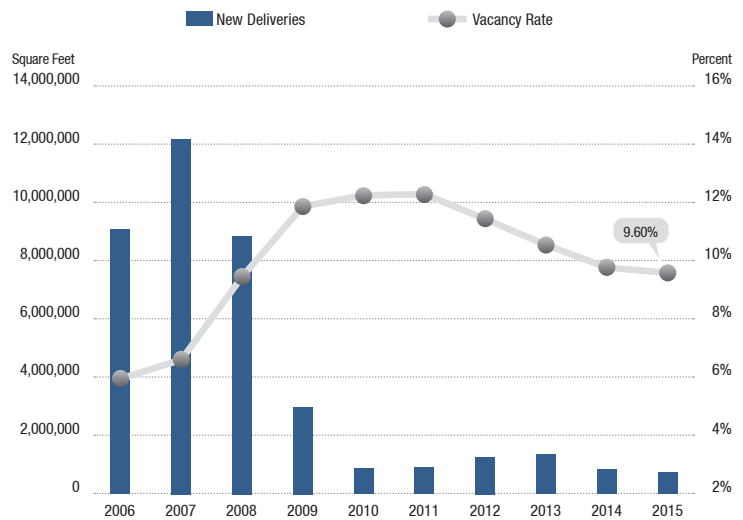


## NET ABSORPTION

CHANGE IN THE AMOUNT OF OCCUPIED SPACE FROM ONE QUARTER TO THE NEXT



## ANNUAL NEW DELIVERIES VS. VACANCY RATE



	INVENTORY			VACANCY & LEASE RATES						ABSORPTION			
	Number of Bldgs.	Net Rentable Square Feet	Square Feet U / C	Square Feet Planned	Square Feet Vacant	Vacancy Rate 1Q2015	Square Feet Available	Availability Rate 1Q2015	Average Asking Lease Rate	Net Absorption 1Q2015	Net Absorption 2014	Gross Absorption 1Q2015	Gross Absorption 2014
<b>Airport Area</b>													
Airport Area	404	3,811,166	0	0	331,903	8.71%	475,728	12.48%	\$12.85	(610)	(73,621)	15,502	109,999
South Tempe / Ahwatukee	241	1,515,004	0	18,500	71,049	4.69%	98,799	6.52%	\$8.10	(1,924)	24,871	0	87,924
<b>Airport Total</b>	<b>645</b>	<b>5,326,170</b>	<b>0</b>	<b>18,500</b>	<b>402,952</b>	<b>7.57%</b>	<b>574,527</b>	<b>10.79%</b>	<b>\$12.44</b>	<b>(2,534)</b>	<b>(48,750)</b>	<b>15,502</b>	<b>197,923</b>
<b>Downtown Phoenix</b>													
Downtown Phoenix	732	6,461,750	8,000	182,425	909,479	14.07%	969,328	15.00%	\$12.50	11,939	(72,864)	42,845	265,506
<b>Downtown Phoenix Total</b>	<b>732</b>	<b>6,461,750</b>	<b>8,000</b>	<b>182,425</b>	<b>909,479</b>	<b>14.07%</b>	<b>969,328</b>	<b>15.00%</b>	<b>\$12.50</b>	<b>11,939</b>	<b>(72,864)</b>	<b>42,845</b>	<b>265,506</b>
<b>East Valley</b>													
Chandler	756	16,410,821	100,363	610,249	1,704,340	10.39%	1,938,928	11.81%	\$13.95	185,705	56,450	332,746	612,967
Gateway Airport	118	2,710,453	0	585,991	188,199	6.94%	321,136	11.85%	\$15.93	(14,572)	18,736	1,020	65,336
Gilbert	709	13,779,504	13,700	2,658,469	1,096,318	7.96%	1,185,413	8.60%	\$15.19	387,631	116,195	462,532	454,627
Queen Creek	65	1,362,637	23,796	286,592	85,843	6.30%	76,416	5.61%	\$17.51	65	44,081	3,000	61,567
Red Mountain / Mesa	1,720	28,817,246	16,394	1,182,914	4,182,271	14.51%	4,635,464	16.09%	\$11.95	235,874	99,083	418,797	1,237,786
Tempe	479	8,044,518	0	463,204	519,672	6.46%	576,414	7.17%	\$15.65	(14,494)	156,830	32,025	573,598
<b>East Valley Total</b>	<b>3,847</b>	<b>71,125,179</b>	<b>154,253</b>	<b>5,787,419</b>	<b>7,776,643</b>	<b>10.93%</b>	<b>8,733,771</b>	<b>12.28%</b>	<b>\$13.37</b>	<b>780,209</b>	<b>491,375</b>	<b>1,250,120</b>	<b>3,005,881</b>
<b>North Phoenix</b>													
East Phoenix	701	8,393,136	0	51,559	820,917	9.78%	1,073,623	12.79%	\$13.46	40,951	190,572	102,310	578,479
Glendale	780	11,316,215	0	291,139	1,173,043	10.37%	1,416,425	12.52%	\$11.05	99,947	296,104	141,122	566,926
N. Phoenix / I-17	825	15,879,440	0	178,479	2,412,159	15.19%	2,762,707	17.40%	\$12.25	(26,437)	233,544	59,176	603,512
Sun City	228	3,541,413	0	121,730	362,341	10.23%	391,357	11.05%	\$14.81	(7,763)	36,665	12,790	118,853
<b>North Phoenix Total</b>	<b>2,534</b>	<b>39,130,204</b>	<b>0</b>	<b>642,907</b>	<b>4,768,460</b>	<b>12.19%</b>	<b>5,644,112</b>	<b>14.42%</b>	<b>\$12.43</b>	<b>106,698</b>	<b>756,885</b>	<b>315,398</b>	<b>1,867,770</b>
<b>North Scottsdale</b>													
Carefree	134	1,751,662	0	17,100	236,092	13.48%	248,561	14.19%	\$20.23	(19,941)	15,534	5,911	60,201
Fountain Hills	80	690,395	0	85,265	71,320	10.33%	86,641	12.55%	\$14.30	8,810	7,599	13,721	25,914
North Scottsdale	542	14,967,434	35,155	150,136	880,102	5.88%	1,115,969	7.46%	\$17.36	121,896	84,777	208,756	499,971
<b>North Scottsdale Total</b>	<b>756</b>	<b>17,409,491</b>	<b>35,155</b>	<b>252,501</b>	<b>1,187,514</b>	<b>6.82%</b>	<b>1,451,171</b>	<b>8.34%</b>	<b>\$17.90</b>	<b>110,765</b>	<b>107,910</b>	<b>228,388</b>	<b>586,086</b>
<b>Northwest Phoenix</b>													
Anthem	117	2,512,350	4,307	105,624	139,428	5.55%	148,549	5.91%	\$15.40	(802)	8,423	5,762	71,536
Central Peoria / Arrowhead	421	9,919,460	0	213,293	665,101	6.71%	734,587	7.41%	\$14.50	6,838	53,871	23,450	385,397
Deer Valley	130	2,033,282	0	27,019	198,386	9.76%	210,315	10.34%	\$24.45	(2,191)	50,647	2,166	91,182
Surprise	269	4,874,472	25,000	1,263,196	291,638	5.98%	293,980	6.03%	\$16.77	20,865	114,747	24,031	231,882
<b>Northwest Phoenix Total</b>	<b>937</b>	<b>19,339,564</b>	<b>29,307</b>	<b>1,609,132</b>	<b>1,294,553</b>	<b>6.69%</b>	<b>1,387,431</b>	<b>7.17%</b>	<b>\$16.34</b>	<b>24,710</b>	<b>227,688</b>	<b>55,409</b>	<b>779,997</b>
<b>Scottsdale</b>													
Central Scottsdale	848	15,561,733	195,886	626,453	1,058,818	6.80%	1,114,021	7.16%	\$23.33	(65,673)	274,508	84,550	718,649
South Scottsdale	369	4,038,596	0	22,060	356,016	8.82%	491,735	12.18%	\$14.15	9,348	118,736	19,158	207,729
<b>Scottsdale Total</b>	<b>1,217</b>	<b>19,600,329</b>	<b>195,886</b>	<b>648,513</b>	<b>1,414,834</b>	<b>7.22%</b>	<b>1,605,756</b>	<b>8.19%</b>	<b>\$20.46</b>	<b>(56,325)</b>	<b>393,244</b>	<b>103,708</b>	<b>926,378</b>
<b>South Mountain</b>													
Ahwatukee Foothills	167	3,178,420	0	225,900	290,694	9.15%	347,179	10.92%	\$15.84	26,006	(48,187)	44,672	54,934
Laveen	70	1,380,816	18,600	609,048	68,217	4.94%	68,217	4.94%	\$21.67	3,655	40,345	7,660	72,023
South Mountain	99	2,049,576	0	50,497	189,237	9.23%	197,581	9.64%	\$21.43	(75,634)	5,574	10,845	64,864
<b>South Mountain Total</b>	<b>336</b>	<b>6,608,812</b>	<b>18,600</b>	<b>885,445</b>	<b>548,148</b>	<b>8.29%</b>	<b>612,977</b>	<b>9.28%</b>	<b>\$17.09</b>	<b>(45,973)</b>	<b>(2,268)</b>	<b>63,177</b>	<b>191,821</b>
<b>West Phoenix</b>													
Goodyear	212	3,314,984	13,013	299,783	464,952	14.03%	575,929	17.37%	\$12.85	16,683	51,207	33,547	153,086
Loop 101 / I-10	138	2,658,474	0	1,111,465	173,770	6.54%	186,184	7.00%	\$16.52	3,153	52,436	8,032	82,208
N. Goodyear / Litchfield	191	4,473,815	27,314	1,874,012	223,437	4.99%	229,207	5.12%	\$16.89	(895)	121,905	2,892	224,534
North Buckeye	4	49,063	0	0	0	0.00%	0	0.00%	\$0.00	3,085	(3,085)	3,085	2,635
South Buckeye	134	1,422,860	31,426	365,604	30,731	2.16%	38,731	2.72%	\$21.58	(1,267)	95,258	2,100	98,855
Tolleson	232	2,542,389	25,000	204,615	123,043	4.84%	137,648	5.41%	\$12.84	13,465	51,230	29,338	98,693
West Phoenix / Maryville	461	8,041,018	0	70,655	681,006	8.47%	759,261	9.44%	\$9.78	(60,783)	40,860	18,686	215,498
<b>West Phoenix Total</b>	<b>1,372</b>	<b>22,502,603</b>	<b>96,753</b>	<b>3,926,134</b>	<b>1,696,939</b>	<b>7.54%</b>	<b>1,926,960</b>	<b>8.56%</b>	<b>\$12.41</b>	<b>(26,559)</b>	<b>409,811</b>	<b>97,680</b>	<b>875,509</b>
<b>Maricopa County</b>													
NE Outlying	1	4,722	0	0	0	0.00%	0	0.00%	\$13.56	0	0	0	0
W Outlying	105	712,568	0	0	56,565	7.94%	75,400	10.58%	\$13.56	394	(365)	2,512	13,303
<b>Maricopa County Total</b>	<b>106</b>	<b>717,290</b>	<b>0</b>	<b>0</b>	<b>56,565</b>	<b>7.89%</b>	<b>75,400</b>	<b>10.51%</b>	<b>\$13.56</b>	<b>394</b>	<b>(365)</b>	<b>2,512</b>	<b>13,303</b>
<b>Pinal County</b>													
Apache Junction	133	1,588,693	0	100,581	117,977	7.43%	142,686	8.98%	\$10.09	(8,086)	(17,086)	7,584	49,361
Outlying Pinal County	755	7,747,007	10,775	2,528,956	709,445	9.16%	733,618	9.47%	\$10.84	1,486	26,193	31,582	228,685
<b>Pinal County Total</b>	<b>888</b>	<b>9,335,700</b>	<b>10,775</b>	<b>2,629,537</b>	<b>827,422</b>	<b>8.86%</b>	<b>876,304</b>	<b>9.39%</b>	<b>\$10.73</b>	<b>(6,600)</b>	<b>9,107</b>	<b>39,166</b>	<b>278,046</b>
<b>Phoenix Total</b>	<b>13,370</b>	<b>217,557,092</b>	<b>548,729</b>	<b>16,582,513</b>	<b>20,883,509</b>	<b>9.60%</b>	<b>23,857,737</b>	<b>10.97%</b>	<b>\$13.80</b>	<b>896,724</b>	<b>2,271,773</b>	<b>2,213,905</b>	<b>8,988,220</b>
Malls	169	17,022,186	141,689	2,958,212	1,159,440	6.81%	1,279,583	7.52%	\$27.84	128,964	(4,387)	175,666	402,523
Power Centers	765	30,709,625	7,751	3,556,481	1,500,661	4.89%	1,947,598	6.34%	\$25.92	223,278	203,858	324,934	641,628
Shopping Centers	4,667	104,456,465	102,013	4,922,884	14,504,381	13.89%	15,662,507	14.99%	\$13.32	107,624	1,534,394	1,023,120	5,561,872
Specialty Centers	48	2,120,717	0	837,800	127,578	6.02%	127,578	6.02%	\$11.52	(2,000)	44,681	0	84,587
General Retail	7,721	63,248,099	297,276	4,307,136	3,591,449	5.68%	4,840,471	7.65%	\$13.16	438,858	493,227	690,185	2,297,610
<b>Phoenix Total</b>	<b>13,370</b>	<b>217,557,092</b>	<b>548,729</b>	<b>16,582,513</b>	<b>20,883,509</b>	<b>9.60%</b>	<b>23,857,737</b>	<b>10.97%</b>	<b>\$13.80</b>	<b>896,724</b>	<b>2,271,773</b>	<b>2,213,905</b>	<b>8,988,220</b>

Lease rates are on a triple-net basis.

**MAJOR TRANSACTIONS****Sales Transactions**

Property Address	Submarket	Square Feet	Sale Price Per SF	Buyer	Seller
1204 N. 91st Ave. – 2 Properties	Glendale	186,600	\$71.81	Starta Equity Group, Inc.	Legacy Tolleson, LLC
1818 E. Baseline Rd. – 2 Properties	Tempe	118,293	\$100.60	Menin Development, Inc.	Hudson Retail Center, LLC
7227 S. Central Ave. – 3 Properties	South Mountain	107,275	\$37.29	HH Southgate, LLC	MLcfc 2006-3 Southgate Center
4315-4357 W. Bell Rd. – 3 Properties	N. Phx/I-17 Corridor	103,000	\$90.29	Phillips Edison & Company	Bilak Investments
4216-4242 W. Bethany Home Rd. – 3 Properties	N. Phx/I-17 Corridor	95,027	\$104.15	Oakmead Village, LLC	Michael A. Pollack Real Estate Inv.
910 E. Pecos Rd. – 5 Properties	Gilbert	88,382	\$110.88	CIRE Partners	Exit Realty Exclusive

**Lease Transactions**

Property Address	Submarket	Square Feet	Transaction Date	Tenant	Owner
Ocotillo & Gilbert Rd.	Gilbert	123,000	Mar-2015	Fry's Marketplace	City of Chandler
Loop 101 & 75th Ave.	Ctrl Peoria/Arrowhead	40,000	Mar-2015	Mountainside Fitness	Store Capital
750 N. Gilbert Rd.	Gilbert	35,959	Feb-2015	Smart & Final	Brixton Capital AC, LLC
3029 N. Alma School Rd.	Chandler	33,236	Jan-2015	AZ Elite Sports	Michael A. Pollack Real Estate Inv.
3434 W. Greenway Rd.	N. Phx/I-17 Corridor	28,985	Feb-2015	Goodwill	Weingarten Realty Investors
13811-13823 N. Tatum Blvd.	North Scottsdale	28,289	Feb-2015	Smart & Final	Paradise Valley Ace, LLC

**SUBMARKETS****AIRPORT AREA**

Airport Area, South Tempe, Ahwatukee

**DOWNTOWN PHOENIX**

Downtown Phoenix

**EAST VALLEY**

Chandler, Gateway Airport, Gilbert, Queen Creek, Red Mountain, Mesa, Tempe

**NORTH PHOENIX**

East Phoenix, Glendale, North Phoenix / I-17, Sun City

**NORTH SCOTTSDALE**

Carefree, Fountain Hills, North Scottsdale

**NORTHWEST PHOENIX**

Anthem, Central Peoria, Arrowhead, Deer Valley, Surprise

**SCOTTSDALE**

Central Scottsdale, South Scottsdale

**SOUTH MOUNTAIN**

Ahwatukee Foothills, Laveen, South Mountain

**WEST PHOENIX**

Goodyear, Loop 101 / I-10, North Goodyear, Litchfield, North Buckeye, South Buckeye, Tolleson, West Phoenix, Maryville

**MARICOPA COUNTY**

Northeast Outlying, West Outlying

**PINAL COUNTY**

Apache Junction, Outlying Pinal County

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