Retail Capital Markets

2024 Year End Report

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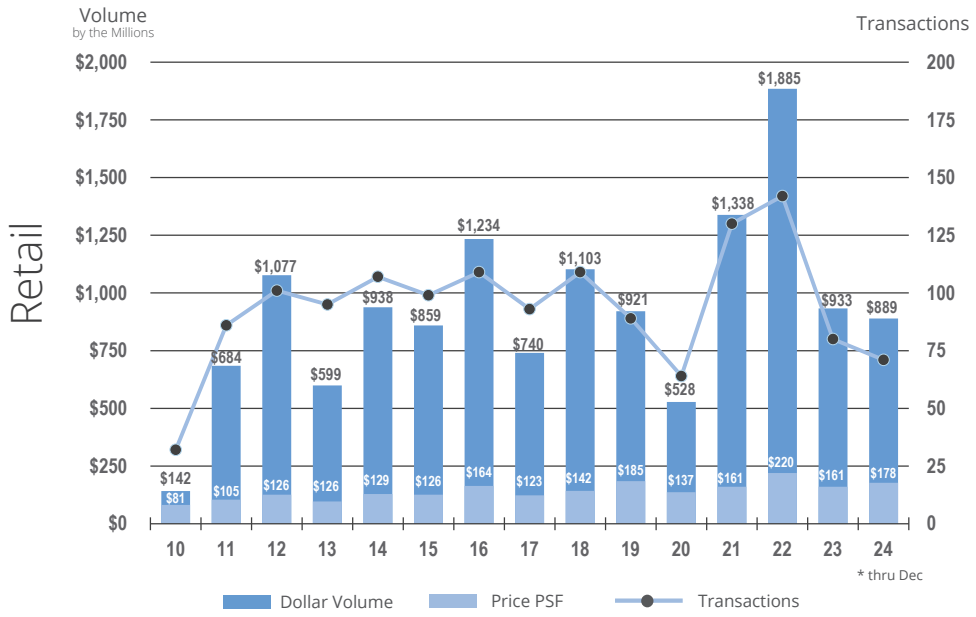
Statistics Snapshot | **2024**

Metropolitan Phoenix

Interest rates and uncertainty in an election year didn't stop greater Phoenix from being a **top 10 market for investors** during 2024. Industrial sales **fully bounced back** in the fourth quarter, office sales **grew** over 2023, and retail cap rates **remained stable** despite the 10-year U.S. treasury levels. Return to office mandates are on the tip of everyone's tongue, with a **steady office recovery** in 2025 anticipated by most prognosticators. TSMC has made good the promise of the **ripple effect** of this major chip supplier opening their first U.S. plant. **Many new businesses** are setting up shop, and **thousands of homes** and related community needs are **expanding** throughout the region. ASU also continues to deliver, earning its **10th** consecutive year as being recognized as the **#1 innovation school in the U.S**.

RETAIL | QUICK STATS

	CURRENT	2024 v 2023
VACANCY	4.1%	↓
LEASE RATES	$17.43	↑
NET ABSORPTION	1,497,778	↓
COMPLETIONS	1,269,776	↓

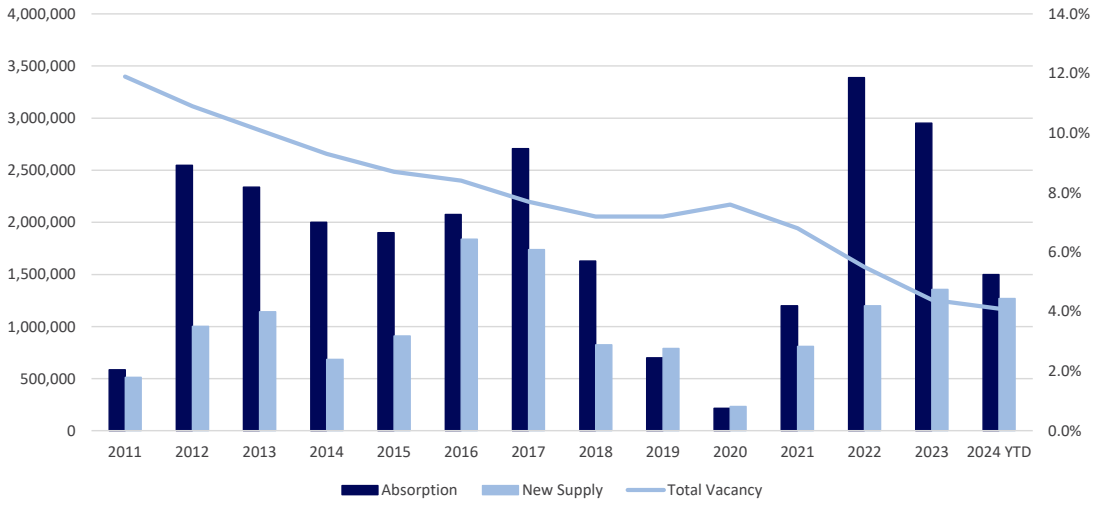


Metro Phoenix was highlighted in 2024

- Arizona saw a massive expansion in its boisterous semiconductor industry. Taiwan-based Sunlit Chemicals opened its first $100 million U.S. factory in Arizona, which will be a crucial partner to other semiconductor companies in the state.
- TSMC's total investment in Phoenix is expected to reach $165 billion. The expansion includes plans for three new fabrication plants, two advanced packaging facilities and a major R&D team center, solidifying this project as the largest single foreign direct investment in U.S. history.
- The U.S. Commerce Department announced the selection of Arizona and ASU as the site of the third CHIPS for America research and development (R&D) flagship facilities.
- Arizona ranks as the No. 6 growth state of 2024, following South Carolina, Texas, North Carolina, Florida and Tennessee.
- The NCAA Men's Basketball Final Four championship game was held in Glendale, AZ and delivered a $3m positive economic impact.
- Phoenix's tech scene boomed in 2024, with industry giants expanding throughout the city such as Intel, GoDaddy and Microchip.
- Arizona State University, recognized as the #1 innovation university for the 10th year in row by US News & World Report.

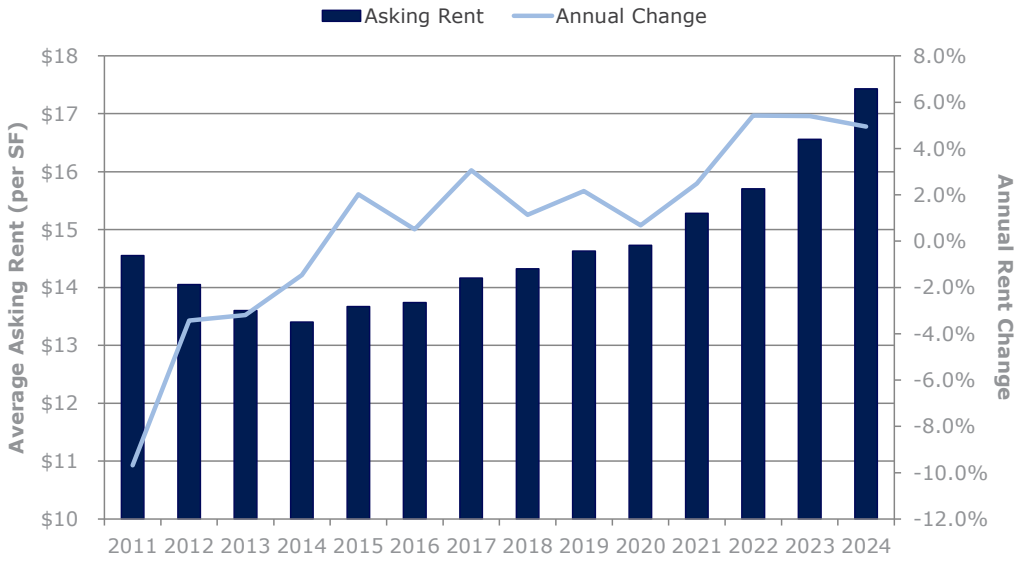
Historical Absorption, Deliveries and Vacancy Rates | **2011 - 2024**

Retail



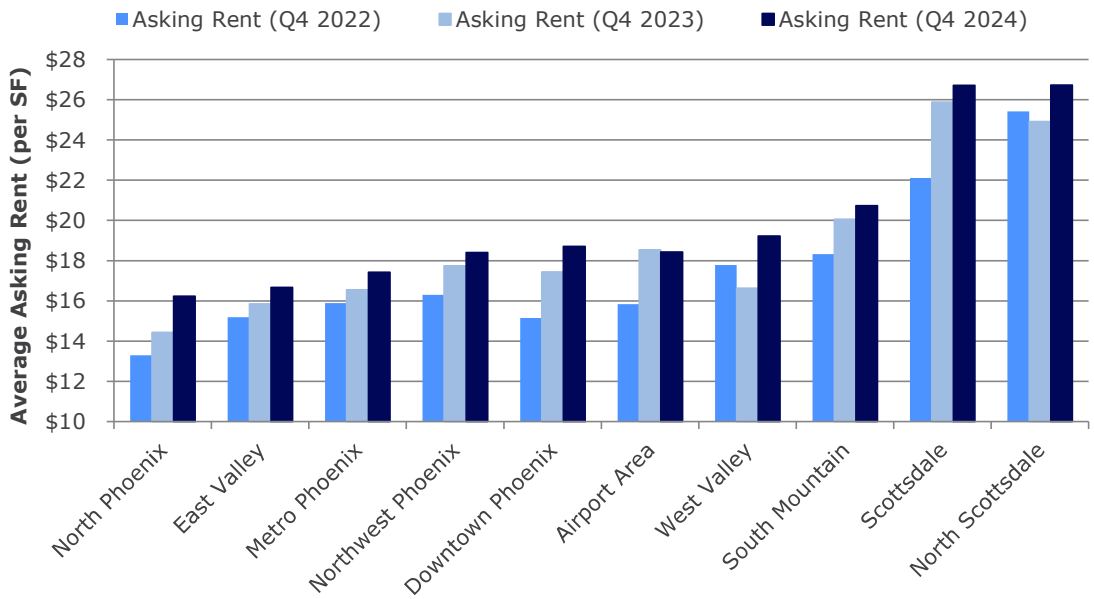
Asking Rents| **2011 - 2024**

Retail



Asking Rents by Submarket| **Q4 2022, 2023, 2024**

Retail



Market Makers

Feature:
February

2024 retail sales volume saw another year of “normal” volume

2024 retail sales remained steady due to limited supply. Cap rates for Class A & B multi-tenant centers ranged from 5.5% to 8.0%, with few distress sales. Trends included institutional interest in ethnic-oriented centers and small suite strips, and new developments on city outskirts.

JAN

420, 501 S Mill Ave, Tempe, AZ
Size/Percent Leased: 38,816 SF / 100%
Sales Price: $22.2M ($572 PSF)

FEB

4021-4970 S Gilbert Rd, Chandler, AZ
Size/Percent Leased: 57,334 SF / 100.0%
Sales Price: $29.5M ($515 PSF)

MAR

10105-10155 E Via Linda, Scottsdale, AZ
Size/Percent Leased: 118,751 SF / 95.8%
Sales Price: $26.5M ($223 PSF)

APR

7119-7129 E Shea Blvd, Scottsdale, AZ
Size/Percent Leased: 69,482 SF / 96.6%
Sales Price: $22.1M ($319 PSF)

MAY

1930-1950 W Indian School Rd, Phoenix, AZ
Size/Percent Leased: 113,252 SF / 99.0%
Sales Price: $15.6M ($138 PSF)

JUNE

7525-7865 W Bell Rd, Peoria, AZ
Size/Percent Leased: 343,857 SF / 100.0%
Sales Price: $91.0M ($265 PSF)

JULY

4907-4965 W Bell Rd, Glendale, AZ
Size/Percent Leased:166,823 SF / 92.1%
Sales Price: $23.2M ($139 PSF)

AUG

20004, 20008, 20062 S Ellsworth Rd,
Queen Creek, AZ
Size/Percent Leased: 50,741 SF / 100%
Sales Price: $31.7M ($626 PSF)

SEPT

NWC of Shea Blvd and 32nd St, Phoenix, AZ
Size/Percent Leased: 83,787 SF / 97%
Sales Price: $16.8M ($201 PSF)

OCT

5833 W Thunderbird Rd, 13631 N 59th Ave,
Glendale, AZ
Size/Percent Leased: 22,115 SF / 79%
Sales Price: $5.9M ($268 PSF)

NOV

8831-8921 N 19th Ave, Phoenix, AZ
Size/Percent Leased: 101,269 SF / 99%
Sales Price: $17.0M ($168 PSF)

DEC

1817-1939 E Baseline Rd, Gilbert, AZ
Size/Percent Leased: 51,303 SF / 98%
Sales Price: $14.0M ($273 PSF)

Value-Add Market Makers

Retail value-add sales volume dropped to less than half of 2023 levels

Nine sales represent less than 10% of total retail investment sales dollars spent: two will be demolished for multi-family developments; four were low occupancy/low PSF priced for lease-up; and three were user/buyer sales.

FOOD CITY PLAZA

1811-1931 N Scottsdale Rd, Tempe, AZ
Size/Percent Leased: 79,634 SF / 100%
Sales Price: $20.9M ($263 PSF)

City of Tempe purchased with intent to demo the center and RFP the site for affordable MF housing.

FORMER 99CENT STORE PORTFOLIO

4433 E Main St, Mesa, AZ
& 7830 N 12th St, Phoenix, AZ
Size/Percent Leased: 61,842 SF / 0%
Price: $6.9M ($112 PSF)

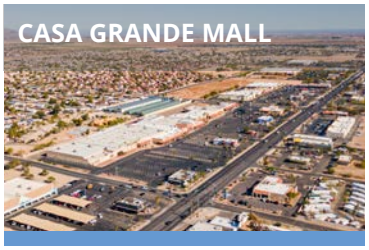
Aldi purchased these vacant buildings from 99 Cent Stores to remodel as Aldi stores.

6343, 6515 E SOUTHERN AVE

6343, 6515 E Southern Av, Mesa, AZ
Size/Percent Leased: 131,488 SF / 0%
Sales Price: $3.2M ($24PSF)

Seritage auctioned the former Sears store and auto center, which was purchased by the next door car dealership with the intent to use the auto center, and parking field.

CASA GRANDE MALL



1214-1272 E Florence Blvd, Casa Grande, AZ
Size/Percent Leased: 143,076 SF / 15%
Sales Price: $7.7M ($54 PSF)

The new Phoenix-based investor is redeveloping the site with new national and regional retailers. Hobby Lobby opened in 2Q2025, and other parts of this center are currently in redevelopment.

SUN VILLAGE FAIR

808, 820 W Warner Rd, 2055-2095 N Alma School Rd Chandler, AZ
Size/Percent Leased: 180,763 SF / 15%
Sales Price: $12.5M ($69 PSF)

This former Fry's/PetSmart-anchored retail center was 15% leased at time of sale, and was purchased for $69 PSF giving the new owner a low basis to be able to offer low rent to fill the vacancy.

NORTHPOINT VILLAGE CENTER

1042-1150 N Higley Rd Mesa, AZ
Size/Percent Leased: 119,218 SF / 72%
Sales Price: $10.6M ($89 PSF)

The center was 73% leased at time of sale, and purchased for $89 PSF giving the new owner a low basis to be able to offer low rent to fill the vacancy.

SIGNAL BUTTE MARKETPLACE

10633-10745 E Apache Trl,
Apache Junction, AZ
Size/Percent Leased: 116,350 SF / 28%
Sales Price: $8M ($69 PSF)

The center was 28% leased at time of sale, and purchased for $69 PSF ($14 PSF to the land area) giving the new owner a low basis to be able to offer low rent to fill the vacancy; or make the site available for redevelopment.

DESERT GLEN SHOPPING CENTER

5350 W Bell Rd, Glendale, AZ
Size/Percent Leased: 45,421 SF / 28.8%
Sales Price: $5.4M ($119 PSF)

The center was 29% leased at time of sale. The buyer intends to occupy 60% of the property for an Ammo store, and lease the remainder.

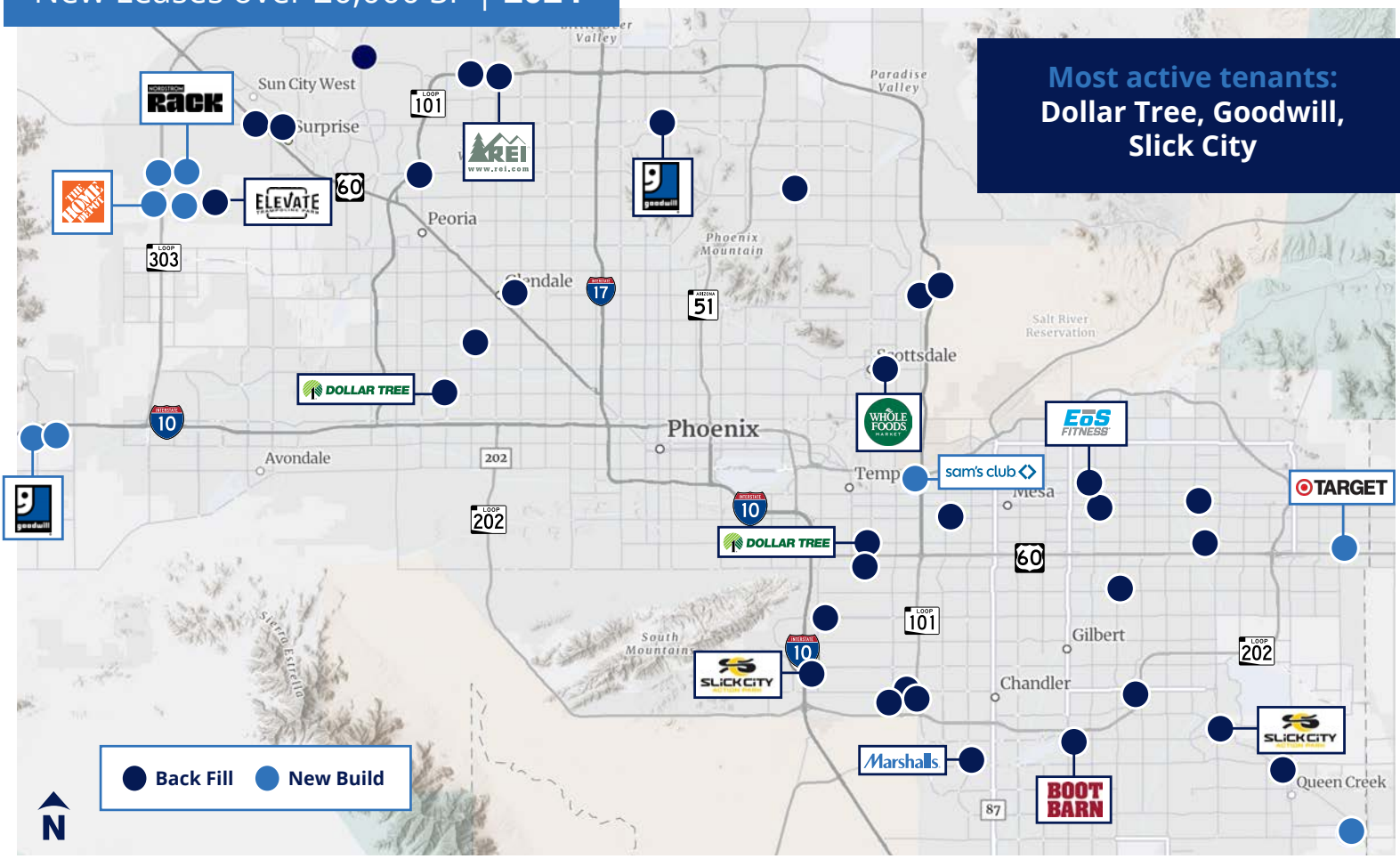
5015, 5025 N 7TH AVE

5015, 5025 N 7th Ave, Phoenix, AZ
Size/Percent Leased: 47,998 SF / 0%
Sales Price: $9.9M ($206 PSF)

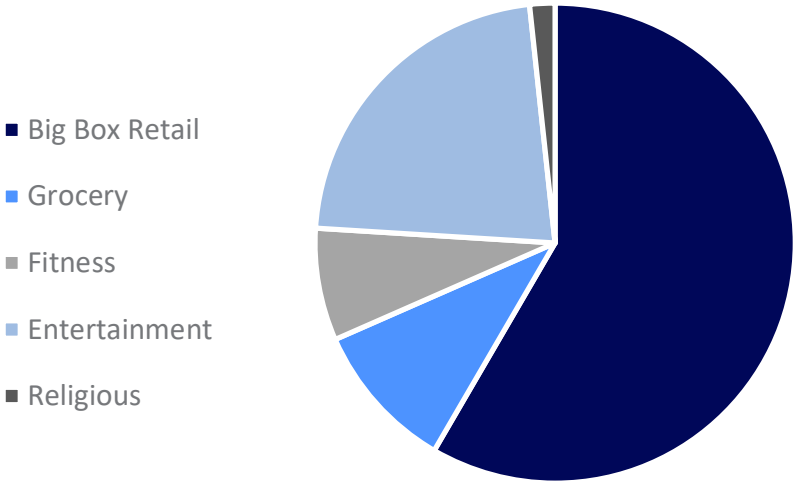
The retail center, built in 1957 will be demolished to use the 3.85-acre site for an apartment project. The sale was based upon land value at $59 PSF.

New Retail Leases | **2024**

New Leases over 20,000 SF | **2024**



New Lease Types | **2024**

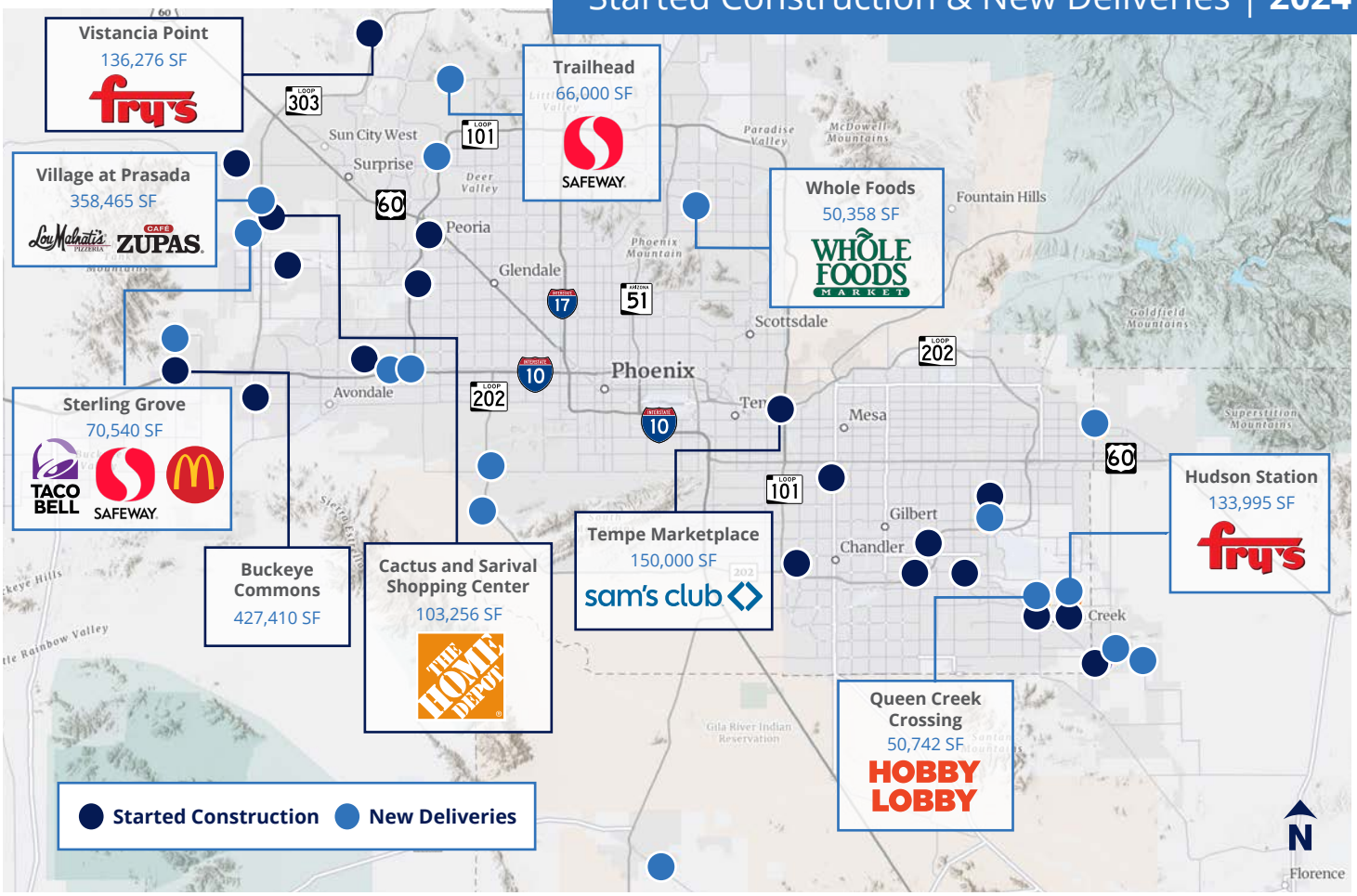


There were **44 new retail leases** totaling **1.94 million SF** in 2024 that were **larger than 20,000 SF.**

As depicted on the map above, **36%** of the leases signed were **new construction**. **Six** of these nine leases are located in the **West Valley**.

Sam's Club, Home Depot, and **Target** were among the largest leases, but also **13 fitness and entertainment venues** represented **30%** of the largest leases completed in 2024.

Started Construction & New Deliveries | **2024**



- There were **15 retail projects** delivered in 2024 totaling **1.06 million square feet**, the largest of which was Village at Prasada in Surprise, anchored by Sprouts and Fat Cats, **totaling 358,465 SF**.
- **Hobby Lobby**, **Safeway** (2), **Fry's**, **Mountainside Fitness**, and **Whole Foods** were among other anchors that were delivered in new centers in 2024.
- New construction starts in 2024 totaled only **1.3 million square feet**, a decline of **900,000** from the starts in 2023.
- **One-half** of the 2024 new construction starts come from **seven anchors**: Sam's Club, Home Depot (2), Dick's, Aldi, EOS Fitness, and Fry's.

Investment Trends of Multi-Tenant Arizona Retail Properties | **2024**

Overview

Retail cap rates in Arizona remained generally stable in 2024 for both asking and closing prices. Deal volume increased in the second half with 25 sales, compared to 14 in the first half of the year. The 39 multi-tenant sales in 2024 totaled $595 million, averaged 98.8% occupancy, $195 PSF, and a 7.35% cap rate.

Available at Year End 2024

At the end of 2024, there were 30 multi-tenant retail properties for sale throughout Arizona that were larger than 20,000 SF, of A and B quality, and 80% occupied or higher – up from 22 properties at the start of the year.

# of Properties	On the Market
9	less than 90 days
6	three to six months
15	longer than six months

In 2024, average asking cap rates were 6.88%, with the higher-quality and grocery-anchored centers at the lower cap rates, slightly lower than the 6.94% asking cap for similar properties during the second half of 2023.

Of the 15 properties in the market the longest, 10 were repriced, 1 was under contract; and 4 had a local tenant mix and appeared to be overpriced.

Sold During 2024

On average, it took about six months to complete a sale after a property was offered to the market.

The lowest cap rate was 5.5% for The Plant, a Sprouts-anchored center in Gilbert near Chandler Airpark, which sold for $515 PSF. Casas Adobes Plaza in Tucson, anchored by Whole Foods at Ina & Oracle, sold at a 6.0% cap rate and $549 PSF. Four additional trophy, grocery-anchored centers sold at cap rates in the low 6 cap range, with prices between $300 and $500 PSF.

In 2024, asking cap rates averaged 6.88% (ranging from 5.50% to 8.70%), while closed deals averaged 7.35% - a 6.86% spread. The gap between asking and selling prices was 28.3%, with the widest differences coming from properties that remained on the market the longest, between 6 to 12 months.

Smaller multi-tenant strip centers (10,000–35,000 SF) followed similar patterns. Asking cap rates averaged 6.51%, with closing cap rates at 6.88% - a difference of 5.68% - and price gaps reaching up to 18.18%.

Multi-Tenant; >80% occ; >$1 M; A & B Quality	>20,000 SF	10,000 to 30,000 SF
# Sales	39	18
Total Dollars	$595.2 M	$104.5 M
Per Sq Ft	$195	$291
Avg Asking Cap	6.88%	6.51%
Avg Closing Cap	7.35%	6.88%
Difference	6.86%	5.68%

What Retail Investors Can Expect | **2025**

New Retail Developments Continue to be Well Below Historical Levels

In 2024, new construction starts totaled only 1.3 million square feet across 18 projects. Half of this was consisted of seven anchor tenants; with the remaining developments ranging between 20,000 to 40,000 SF. Similarly, only 1.1 million square feet were delivered in 2024, with more than 65% coming from a dozen anchors. Modest levels of new developments and deliveries are expected to continue in 2025.

Closures = Opportunities for Other Users

Of the 44 new leases larger than 20,000 SF, only nine were new buildings. The remaining 35 were backfills of vacant spaces. Many of these were generic, stand-alone buildings at high-traffic intersections and offered ideal, quick-turnaround opportunities for grocers, merchandisers, fitness, and indoor entertainment users. This trend will continue in 2025.

Expect High Occupancies to Persist Despite New Deliveries

With just 1.1 million square feet delivered in 2024 and a 1.3 million square foot pipeline, most new retail development is occurring on the outskirts of metro Phoenix to support residential growth. Store closures have fueled backfilling, while high construction costs have limited new developments unless they are pre-leased. This all points to occupancies remaining high in 2025.

Rising Costs Continue to Drive Rental Growth by 5% or Higher

High construction and tenant improvement costs have driven developers and landlords to seek historically high rents for both new builds and second-generation spaces. These pressures have fueled 5% to 5.5% annual rent growth over the past three years, a trend expected to continue in 2025.

Fitness and Entertainment Continue to be a Big Factor in Leasing Space

Indoor entertainment and fitness venues signed 30 leases totaling 1.47 million square feet during 2023 and 2024. These highly visible locations near residential and employment hubs are well-suited for such uses. While growth may eventually level off, we project at least 10 new indoor entertainment and fitness venues will open across greater Phoenix in 2025.

Value-Add Opportunities Always Exist, but are Not Always Obvious

The nine highlighted value-add sales during 2024 included multi-family redevelopment, distressed property renovation/re-merchandising, and user/buyer opportunities. There are fewer obsolete centers in the inventory, but as merchandising shifts and centers age, obsolescence can creep in. Value-add investors will make key acquisitions in 2025 whether to re-merchandise, redevelop, or backfill as a user/buyer.

Greater Phoenix Continually Attracts New Retail Investors

New-to-market investors are regularly discovering the benefits of investing in greater Phoenix, and pricing has remained relatively steady despite the higher cost of capital.

Retail 101 Rules are as Critical as Ever

Location and site design are always in style. Neighborhood and regional demographics, traffic patterns, accessibility, cost of living, and tenant synergy being more important than ever.

About Us

The Colliers Difference

We are enterprising. Colliers International is an industry leading global real estate company with more than 23,000 skilled professionals operating in 70 countries.

We see beyond the bricks and mortar to analyze how property acquisition, ownership and disposition can accelerate the success of your financial portfolio.

We don't just talk about our values, we live them. Our values reflect the essential character and quality of our relationships with our clients that guide the strategic decisions related to our business.

We distinguish our property marketing services in two ways: We segment your prospects, and we drive prospects through a "transaction filter" to make the best use of marketing resources.

We offer a more informed decision-making advantage. Colliers valuation and advisory services' research-driven reports provide insight into property fundamentals, competition and the overall market dynamics affecting value.

Warner Retail Team

The Warner Retail Team has the experience and track record to successfully sell assets nationwide. Each of our team's capabilities combined with Colliers' unsurpassed network of retail professionals - including 400 dedicated retail professionals in 163 offices throughout the United States - results in best-in-class marketing platforms, cutting-edge technologies, and unmatched buyer relationships to fully expose each asset we list to the right buyer pool.

$1 BILLION / $14 BILLION
annual team / total team transaction volume

500+ TRANSACTIONS
sold across the U.S.

#1 RETAIL INVESTMENT SALES TEAM
at Colliers

What to Watch in 2025 and beyond

AZ & U.S. Commercial Real Estate

Phoenix Commercial Real Estate Market Update: 2025 Outlook Observations from the CCIM IREM Forecast
(Real Estate Daily News Service, January 22, 2025)

Will 2025 be a pivotal year of recovery in commercial real estate?
(World Economic Forum, January 6, 2025)

Real Estate in Focus: 2025 Trends to Watch
(MCSI, January 8, 2025)

AZ & U.S. Housing Market

2025 housing market predictions from Arizona Association of REALTORS
(AZBigMedia, January 29, 2025)

Metro Phoenix forecast to be one of top 10 U.S. housing markets in 2025
(AZ Central, December 12, 2024)

The outlook for the US housing market in 2025
(J.P. Morgan, February 10, 2025)

Arizona Economy

Arizona's economy: Headed into uncharted waters
(AZBigMedia, February, 13, 2025)

Phoenix is one of the best big cities for jobs and wages. Here's why
(AZ Central, January 23, 2025)

Regional Report: 2025 Economic Outlook
(Greater Phoenix Economic Council, January 24, 2025)

U.S. Economy

Economic Forecast for the US Economy
(The Conference Board, February 12, 2025)

The US economy is poised to beat expectations in 2025
(Goldman Sachs, November 20, 2024)

Economic Forecast For 2025 And Beyond: Growth With Continued Inflation
(Forbes, December 30, 2024)

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