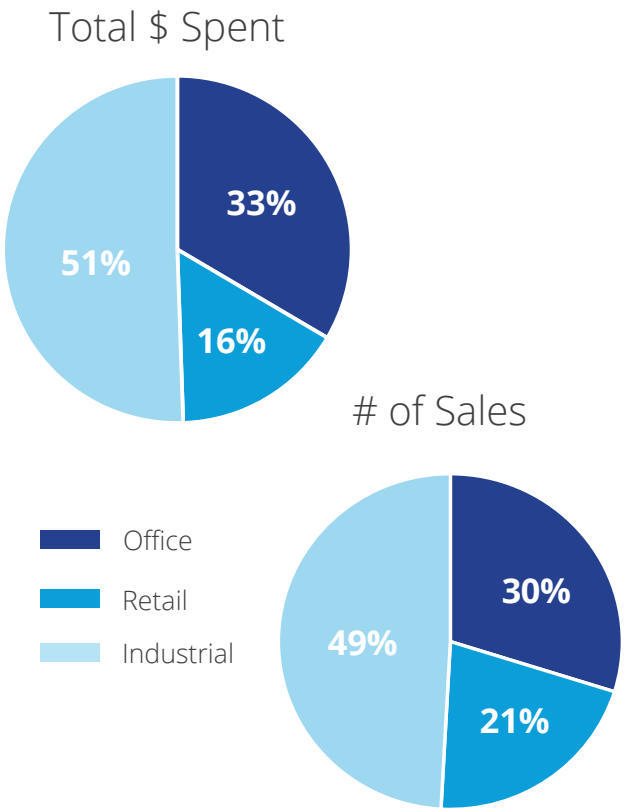
Phoenix Investment Sales

2023 Q1 Report

Quarterly Highlights

- For the third consecutive year, Maricopa County led the nation in population growth as more high-paying employers, like Taiwan Semiconductor Manufacturing Co, come to the Valley of the Sun.
- The tech industry in metro Phoenix experienced the fastest salary growth in the nation in 2022 according to Dice. Furthermore, CompTIA expects Arizona to see 24% more jobs created in the tech sector through 2033.
- According to Greater Phoenix Economic Council, 47 prospective tenants in the market looking for space over 200,000 square feet, an increase of 46% compared to the previous quarter.
- The industrial sector in greater Phoenix continues to lead in all categories from leasing activity to rental market growth. The first quarter reported 4.8 million SF of positive net absorption, 4.5 million SF of new inventory delivered, and 46.8 million SF under construction. Vacancy remains at a historical level - hovering around 3.0%, while the average rental rates have increased 31.4% year-over-year to $0.99 per SF.
- While retail sales larger than 20,000 SF and $1 million were stunted by lack of supply, during 1Q2023 105 properties that were less than 20,000 SF ranged as high as $2,493 per SF, averaging $290 per SF with cap rates as low as 3.74%. Retail fundamentals continue to be strong in occupancy (5.2%), rental growth (2.1% y-o-y) and net absorption (1.2 million SF).
- Despite having very strong leasing activity in the first quarter (332,723 SF of direct leasing), the overall greater Phoenix office market could not recover from a few large move outs - resulting in 459,000 SF of negative absorption. Direct vacancy remains at 14.0%, while rental rates grew to $29.10 per SF, an increase of 3.5% year-over-year. Medical office occupancies and rents continue to have solid fundamentals.

Direct Quarterly Sales (over 20,000 SF & $1 M)



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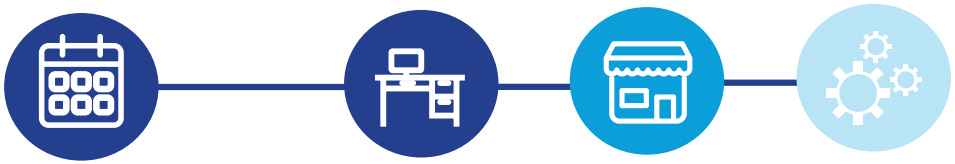
Monthly Snapshots



	Office	Retail	Industrial	Total
January				
TOTAL AMOUNT	$72,460,000	$36,500,000	$66,606,948	$175,566,948
PER SQUARE FOOT	$198	$138	$193	
NUMBER OF TRANSACTIONS	4	3	5	12
February				
TOTAL AMOUNT	$80,980,000	$42,090,000	$149,171,040	$272,241,040
PER SQUARE FOOT	$347	$193	$151	
NUMBER OF TRANSACTIONS	6	5	13	24
March				
TOTAL AMOUNT	$120,825,000	$21,125,000	$201,802,530	$343,752,530
PER SQUARE FOOT	$195	$143	$169	
NUMBER OF TRANSACTIONS	7	2	11	20
1st Quarter				
TOTAL AMOUNT	$274,265,000	$130,815,000	$413,770,735	$818,850,735
PER SQUARE FOOT	$225	$88	$166	
NUMBER OF TRANSACTIONS	17	12	28	57

Market Makers

Jan

Office

West Valley Medical Center
140 N Litchfield Rd, Goodyear, AZ
(part of a 5-bldg national portfolio - $36.4M)
Size/Percent Leased: 35,369 SF /100%
Sales Price: $13.8M ($390 PSF)

Retail

Sprouts Center
5225-5235 E Southern Ave, Mesa, AZ
Size/Percent Leased: 57,345 SF / 100%
Sales Price: $18.5M ($323 PSF)

Industrial

Warner Commerce Center
1320, 1330 W Warner Rd, Tempe, AZ
Size/Percent Leased: 197,000 SF / 0.0%
Sales Price: $42.4M ($215 PSF)

Feb

Banner Health at The Grove
4200 E Camelback Rd, Phoenix, AZ
Size/Percent Leased: 70,000 SF /100%
Sales Price: $48.5M ($693 PSF)

Gateway Airport Crossing
5221-5229 S Power Rd, Mesa, AZ
Size/Percent Leased: 28,894 SF / 90%
Sales Price: $11.8M ($408 PSF)

Frito-Lay
7575 W Golden Ln, Peoria, AZ
Size/Percent Leased: 157,554 SF / 100%
Sales Price: $28.6M ($182 PSF)

March

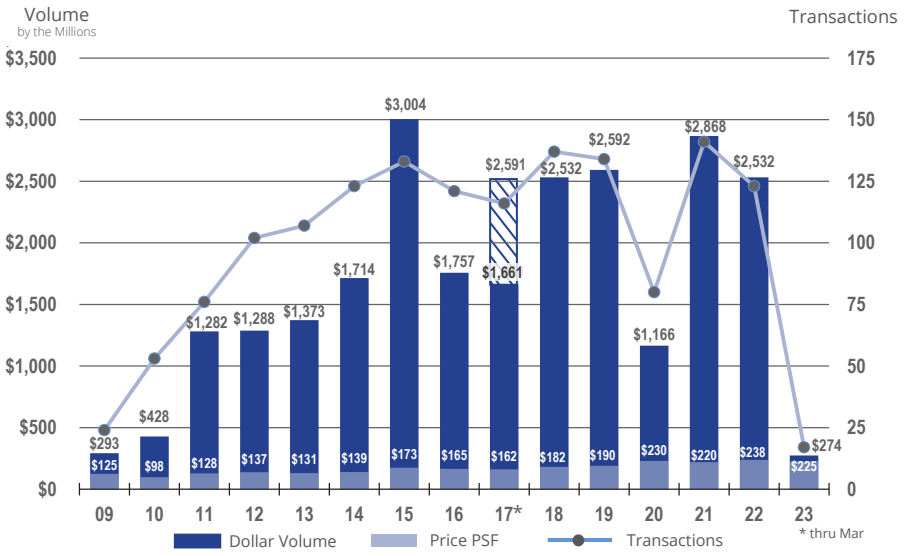
Southern Sunset Plaza
1250-1342 S Country Club Dr, Mesa, AZ
Size/Percent Leased: 200,091 SF / 86%
Sales Price: $30.0M ($150 PSF)

Crossroads Plaza
6750 W Peoria Ave, Peoria, AZ
Size/Percent Leased: 112,838 SF / 91%
Sales Price: $14.7M ($131 PSF)

Gateway Technology Commerce Center
7535 E Ray Rd, Mesa, AZ
Size/Percent Leased: 138,914 SF / 100%
Sales Price: $25.4M ($183 PSF)

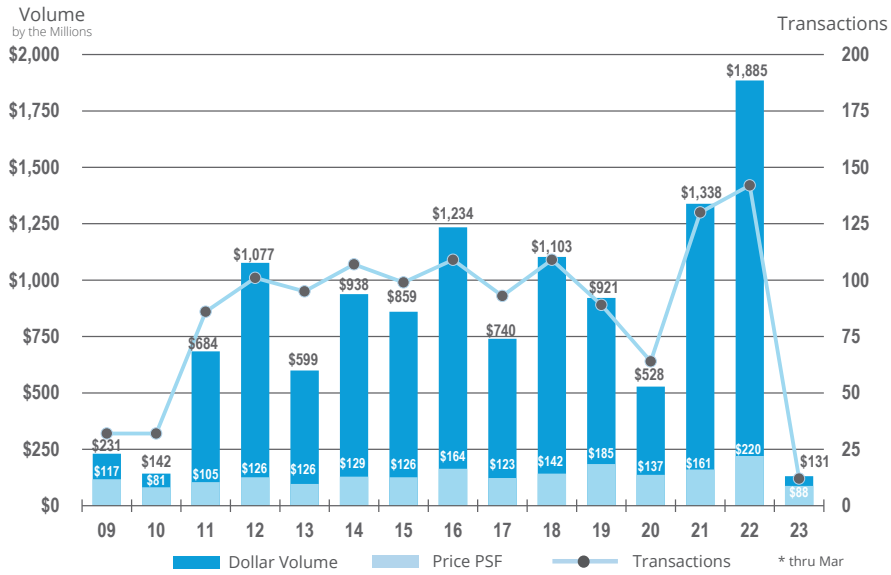
Historical Volume vs. Avg PSF and Number of Transactions

Office

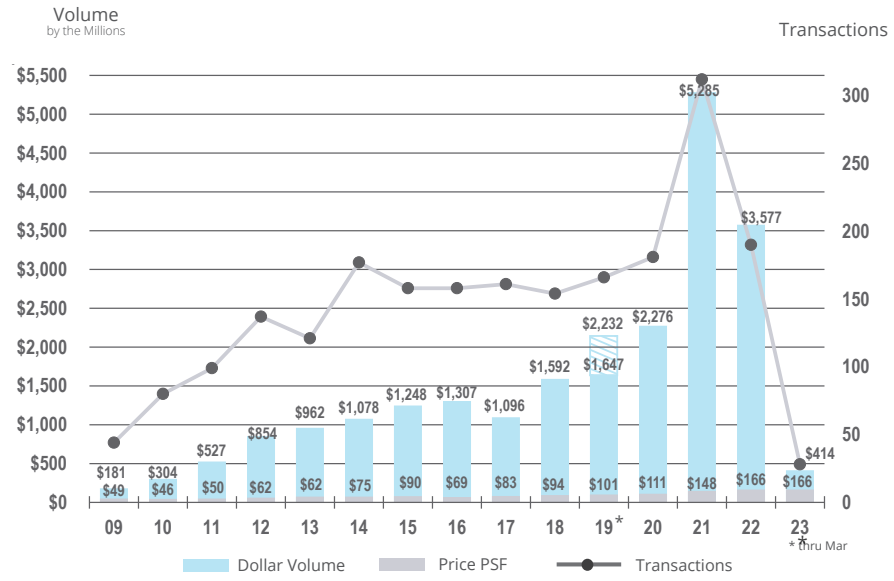


* 2017 sales exclude State Farm @ Marina Heights which if included totals $2.591 B; 117 sales; $211 PSF and if excluded totals $1.661 B; 116 sales; $162 PSF

Retail



Industrial



* 2019 sales exclude the GLP/Blackstone Group portfolio, which if included would total $2,232B; 177 sales; $103 PSF and if excluded would total $1.647B; 166 sales; $101 PSF

Trend Spotting

Optimizing Use of Underutilized Offices

For the past decade the Phoenix marketplace has groomed older retail centers that were no longer useful as configured. Some were remodeled, and some were bladed to make way for other uses. Today, retail properties are at all time high occupancies, with increasing rents, and a shift of uses that are meeting today's needs. National attention has moved to looking at underutilized offices for their location, site size, and building configuration to imagine what other uses may be in store. Several Kierland office properties sold for their redevelopment potential; investors are eying single-story offices that could be converted to last-mile distribution centers, as just two recent examples. To keep our community fabric strong, we can find uses for offices that no longer serve their intended purpose, and express creativity while producing investor returns.

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