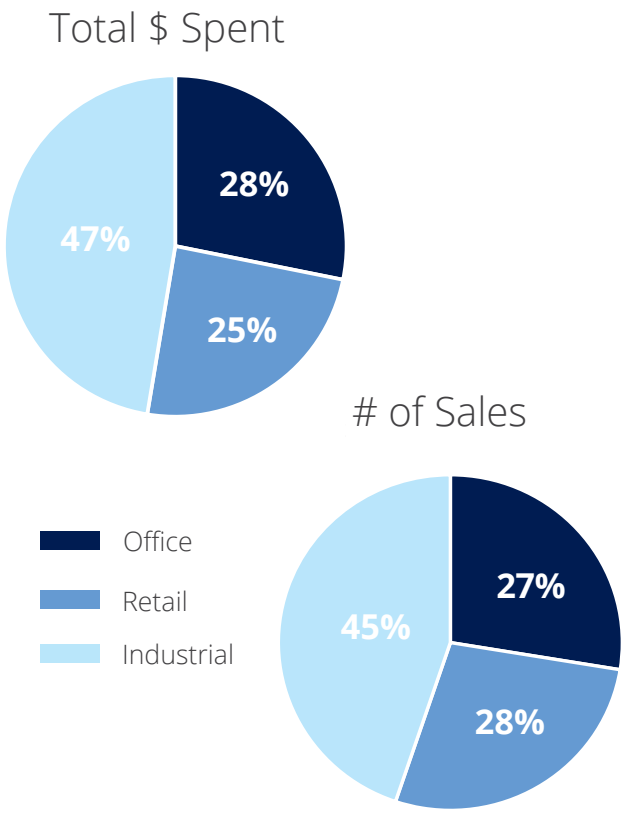
Phoenix Investment Sales

2024 Q1 Report

Quarterly Highlights

- The Phoenix MSA continues to see healthy population and employment growth and is in the spotlight with the $65 billion committed investment by TSMC along with the growth of numerous other innovation companies. The market is positioned to benefit immensely from this activity, that is creating rippling demand across the entire MSA.
- With a new record of 9.7 million SF of industrial deliveries, availability increased to 8.1% at the end of 1Q2024, a 510-bps year-over-year increase. Rental rates continue to increase – posting a staggering 10.3% increase year over year, ending at $1.09 NNN.
- There were 26 industrial sales totaling $356 million during 1Q2024 averaging $166 PSF. The number of sales and PSF were equivalent to 2023, but at 86% of the 2023 volume. Despite higher cost of capital, sellers are confident in the property values, and holding longer rather than coming off their pricing,
- More than 80% of the two million SF of retail properties under construction are in the far reaches of greater Phoenix – the West Valley, Southeast Valley and Northwest Valley, meeting pent-up demand from new residents. Simultaneously, vacancy has reached another historical low, at 4% - 120 bps less than one year ago, while average retail asking rents reached a historical high, growing 6.6% year-over-year to $16.95 PSF.
- Sales of retail properties during the 1st quarter of 2024 were 29% higher than the same period in 2023, and per square foot prices were 85% higher. Numerous value-add sales in 1Q2023 affected 1Q2023 numbers, but even without them, 2024 activity has demonstrated market participants have a firmer footing with price discovery.
- New office leases totaled 438,250 SF during 1Q2024, offset by more than one million SF of move outs, resulting in negative absorption of apx 573 KSF; while medical offices posted 64,281 SF of positive absorption – the 7th consecutive quarter of medical positive net absorption. Asking rents posted a 2.6% and 3.1% year-over-year increase to $29.87 and $25.47 PSF in general and medical offices, respectively. The shifting work environments brought down the average size of a new office lease by 23% less than one year earlier – at 4,043 SF. Only 711,673 SF of offices are under construction, three of which represent more than half this amount.
- 16 office sales totaling $212 million averaging $145 PSF, representing 77% of the 1st Quarter 2023 sales volume, at 64% of the average 1Q2023 price PSF. Only one was a medical office, which was a single-tenant property, and the highest PSF price of the quarter at $506 PSF. Seven properties were fully vacant at the time of the sale.

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



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Monthly Snapshots

January	Office	Retail	Industrial	Total
TOTAL AMOUNT	$99,730,400	$72,888,497	$87,464,312	$260,083,209
PER SQUARE FOOT	$129	$223	$148	
NUMBER OF TRANSACTIONS	8	7	10	25
February				
TOTAL AMOUNT	$68,950,000	$51,955,000	$175,219,999	$296,124,999
PER SQUARE FOOT	$163	$145	$181	
NUMBER OF TRANSACTIONS	4	4	10	18
March				
TOTAL AMOUNT	$43,500,000	$59,340,000	$94,118,468	$196,958,468
PER SQUARE FOOT	$162	$133	$159	
NUMBER OF TRANSACTIONS	4	5	6	15
1st Quarter				
TOTAL AMOUNT	$212,180,400	$184,183,497	$356,802,779	$753,166,676
PER SQUARE FOOT	$145	$163	$166	
NUMBER OF TRANSACTIONS	16	16	26	58

Market Makers

January

Office

The Corridors
1925-2095 W Pinnacle Peak Rd, Phoenix, AZ
Size/Percent Leased: 164,235 SF /100%
Sales Price: $32.9M ($200 PSF)

Retail

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

Industrial

Southbank Industrial Park
3930 E Watkins St, Phoenix, AZ
Size/Percent Leased: 101,932 SF / 100.0%
Sales Price: $20.3M ($199 PSF)

February

Koll Cotton Center (7 bldgs)
4050 E Cotton Center Blvd, Phoenix, AZ
Size/Percent Leased: 228,605 SF / 98.0%
Sales Price: $38M ($166 PSF)

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

Clarion Partners to ViaWest Group Portfolio
6 locations throughout Metro Phoenix
Size/Percent Leased: 428,453 SF / 98.0%
Sales Price: $71.1M ($166 PSF)

March

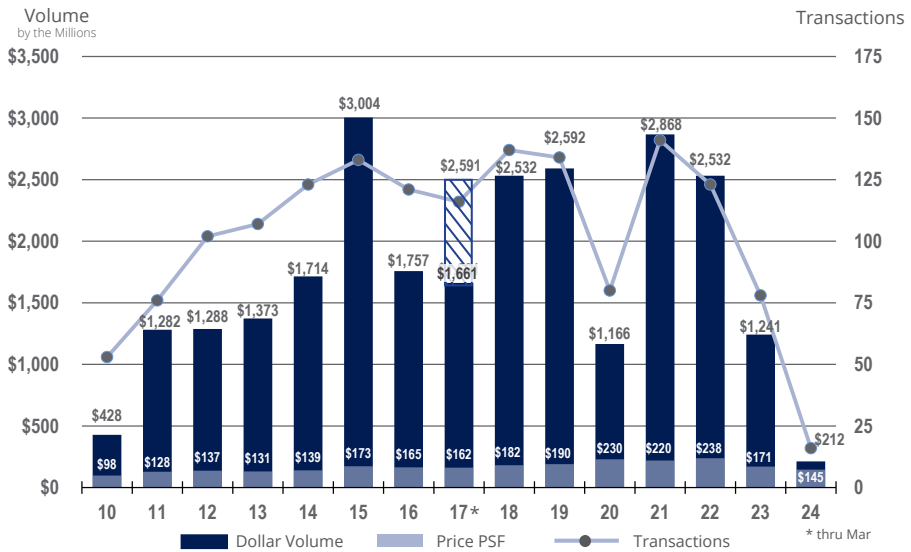
Cardiovascular Associates of Mesa
6309 E Baywood Ave, Mesa, AZ
Size/Percent Leased: 30,417 SF / 100.0%
Sales Price: $15.4M ($506 PSF)

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

Spectrum Labs
2801 S 35th St, Phoenix, AZ
Size/Percent Leased: 25,596 SF / 100.0%
Sales Price: $6.3M ($246 PSF)

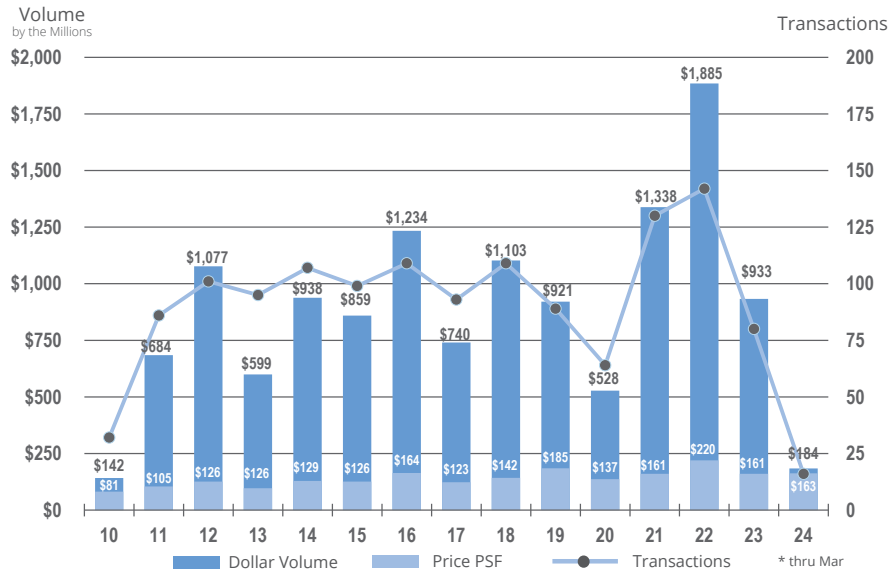
Historical Volume vs. Avg PSF and Number of Transactions

Office

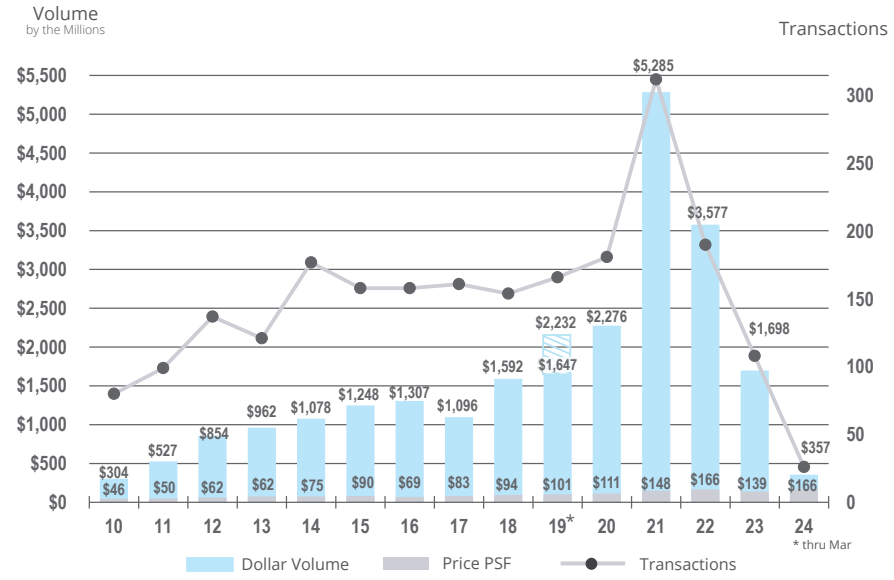


* 2017 sales exclude State Farm @ Marina Heights which if included totals $2.591 B; 117 sales; $211 PSF and if excluded totals $1.661 B; 116 sales; $162 PSF

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

Build it, and They will Come

The completion in late 2019 of Loop 202, Phase II of State Route 24 in August 2022, and Loop 303 fully connected between Interstates 17 and 10 in September 2023 enabled all areas inside, as well as several miles outside of their path to be fully connected to the entire metropolitan Phoenix area. If you haven't visited these areas recently, I recommend you do, as you will see cranes, earth moving equipment, pipes, and rows of new homes that weren't there on the 2024 versions of internet aerials. The majority of today's retail development activity is in these areas. Hospitals, schools, hotels, major employers, and the range of community services are moving forward with major projects. This phenomenon is not new to greater Phoenix, but what is new, is these communities are further on the "outskirts", and residents of these areas can enjoy a full "live, work, play, and educate" right there.

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