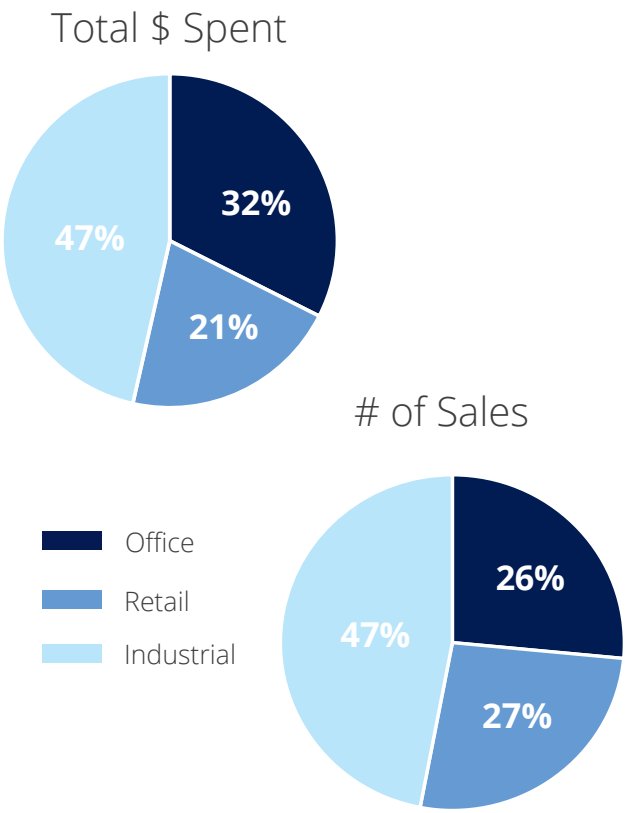
Phoenix Investment Sales

2024 Q2 Report

Quarterly Highlights

- Top rankings from multiple national publications have kept the high beam on the Phoenix MSA, including the #1 ranking for "Large Metros for Manufacturing Hub" published in June by Business Facilities 20th Annual Ranking Report, followed by Dallas, Philadelphia, and Detroit. As of May 2024, Phoenix metro had expanded its labor force by another 54,600 employees, a 2.2% increase over May 2023.
- With 10.0 million SF of industrial deliveries in the second quarter – 19.7 million year-to-date – vacancies increased to 9.0%, a 600 bps increase year-over-year. This increase in vacancies has been predicted, as has continued increases in asking rents – 9.9% year-over-year growth at $1.12 NNN; as well as continued investor interest - $983 million industrial sales volume year to date, with $627 million in the second quarter alone. More deliveries are scheduled during the rest of 2024, which will increase availability into double digits. Leasing activity continues to be brisk, and there has been little to no stress by industrial investors.
- At $440 million, two-thirds of year-to-date office sales totaling $652 million occurred in the second quarter. These 22 sales averaged just over 50% occupancy and $155 PSF. The highest PSF deals and lowest caps were reported for medical offices, or very well located and fully occupied general offices. Eight sales exceeded $25 million and accounted for 54% of year-to-date sales volume. Office rental rates have continuously increased, ending the second quarter 1.7% higher than a year earlier, while sublease offerings converted to direct vacancy that offset any new leasing.
- Retail availability of just 3.8% is driving the Phoenix retail marketplace, enabling rents to climb by a staggering 32.9% during the past five years, and 6.5% year-over-year. There is only 2.3 million SF under construction, and only 1.7 million SF delivered during the past 12 months – just one-half the historical average. These projects are all on the outskirts where pent up demand from new housing fill the parking lots at each grand opening. Of the 38 sales, 25 were 90% to 100% occupied. A lack of product has held down sales volumes, with $470 million of sales during the first half, of which 61% closed in the second quarter.

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



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Monthly Snapshots

April	Office	Retail	Industrial	Total
TOTAL AMOUNT	$191,394,860	$54,450,000	$243,350,773	$489,195,633
PER SQUARE FOOT	$220	$215	$131	
NUMBER OF TRANSACTIONS	7	5	14	26
May				
TOTAL AMOUNT	$124,071,750	$59,266,462	$161,905,792	$345,244,004
PER SQUARE FOOT	$136	$114	$176	
NUMBER OF TRANSACTIONS	9	8	10	27
June				
TOTAL AMOUNT	$124,575,000	$171,960,333	$224,760,624	$521,295,957
PER SQUARE FOOT	$118	$218	$145	
NUMBER OF TRANSACTIONS	6	9	15	30
2nd Quarter				
TOTAL AMOUNT	$440,041,610	$285,676,795	$630,017,189	$1,355,735,594
PER SQUARE FOOT	$158	$182	$151	
NUMBER OF TRANSACTIONS	22	22	39	83

Market Makers

April

Office

24th at Camelback
2375 E Camelback Rd, Scottsdale, AZ
Size/Percent Leased: 308,827 SF / 75.6%
Sales Price: $86.1M ($279 PSF)

Retail

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

Industrial

KKR Portfolio to Blackstone
5 Bldgs in Metro Phoenix, AZ
Size/Percent Leased: 539,560 SF / 95.8%
Sales Price: $87.0M ($161 PSF)

May

The Beam on Farmer
433 S Farmer Ave, Tempe, AZ
Size/Percent Leased: 180,910 SF / 35.0%
Sales Price: $56.2M ($311 PSF)

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

Packaging Corporation of America
10100 N 151st Ave, Waddell, AZ
Size/Percent Leased: 364,700 SF / 0.0%
Sales Price: $73.9M ($203 PSF)

June

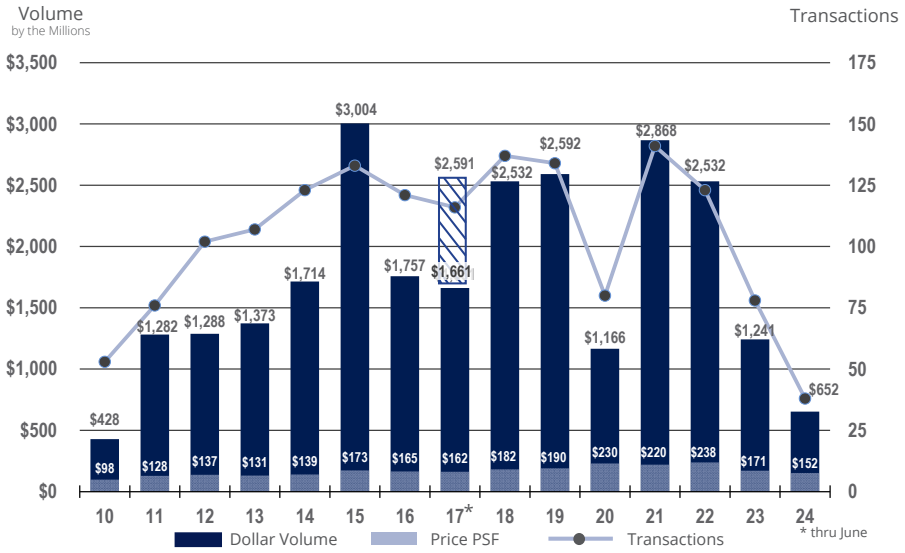
Cotton Flex Center
4625 & 4675 E Cotton Center Blvd, Phoenix, AZ
Size/Percent Leased: 147,627 SF / 98.6%
Sales Price: $29.2M ($198 PSF)

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

Goodyear Airport 85
1685 & 2250 S Litchfield Rd, Goodyear, AZ
Size/Percent Leased: 725,303 SF / 100.0%
Sales Price: $108.1M ($149 PSF)

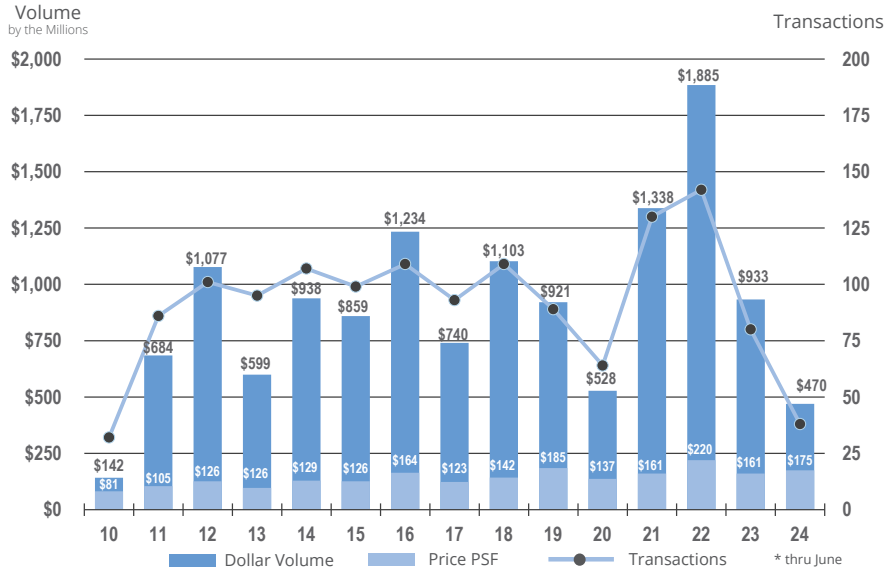
Historical Volume vs. Avg PSF and Number of Transactions

Office

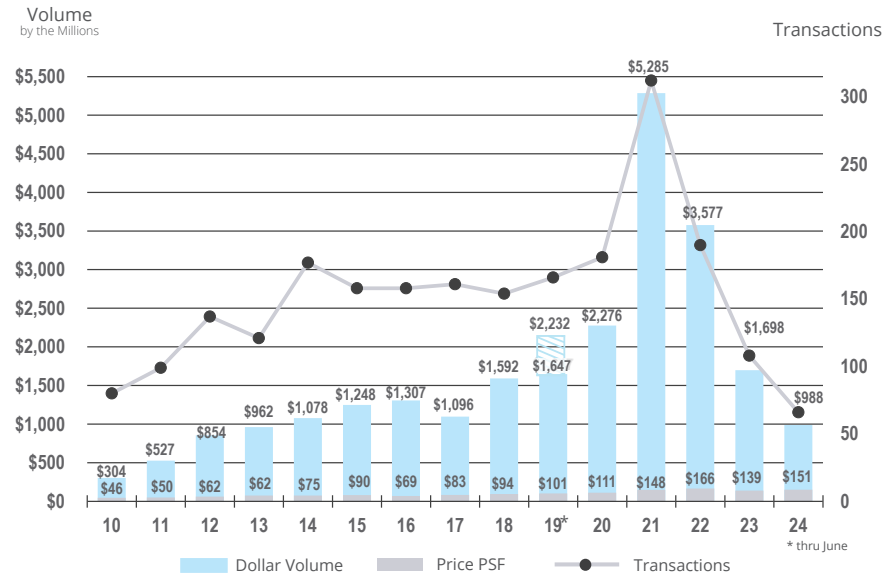


* 2017 sales exclude State Farm @ Marina Heights which if included totals $2.591 B; 117 sales; $211 PSF and if excluded totals $1.661 B; 116 sales; $162 PSF

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

Arizona is Special

Traveling this summer reminded me of all the different looks and cultures of the United States, and that Arizona is a very special place. It is like we are a chain of islands where instead of being surrounded by water, we are surrounded by the natural world of mountains, deserts, forests, and lakes that are our playground. Our islands are the Valley of the Sun of greater Phoenix, the area between the Tucson Mountains and Santa Catalinas of greater Tucson; and a few other populated areas such as Casa Grande, Prescott-Prescott Valley, Yuma, and Flagstaff – each being a young, thriving community with the range of activities to sustain a robust economy and enjoyable lifestyle. We have a common ground of cooperation to marshal our resources while our growth continues with new residents, new and expanding businesses, more jobs, opportunities – and possibilities. As shown in the stats of this report, optimism among real estate investors is strong – even in sectors that are experiencing adjustments from overbuilding, or workplace trends.

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