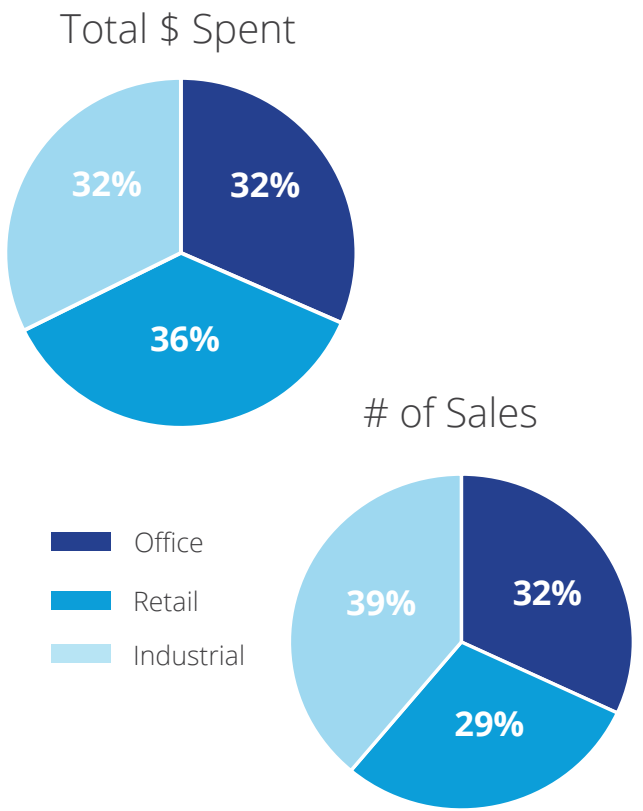
Phoenix Investment Sales

2023 Q4 Report

Quarterly Highlights

- Maricopa County ranked #1 for the 4th consecutive year in Lightcast's 2023 Talent Attraction Scorecard (counties > 100,000 people).
- Phoenix metro labor force expanded by 43,900 employees, a1.8% year-over-year increase (as off 11/2023).
- The record-breaking industrial deliveries of 27.9 million square feet in 2023 resulted in a year-end vacancy of 6.7%, 370 bps increase from a year earlier; while active pre-leasing on these new deliveries fueled the 15.9 million SF of positive net absorption year-to-date. The year ended with a 12.5% year-over-year rental rate increase to $1.06 per month, NNN, and 39.7 million square feet under construction. Despite increases in availability, investors, developers, and the economic developer community remain bullish this space will absorb quickly by the new and expanding businesses throughout metro Phoenix.
- As leases of offices that are currently available for sublease reach maturity, they roll into direct availability, and thus, the year ended with another quarter of negative net absorption, totaling -1.7 million SF for the year, i.e., 19.4% vacancy. Despite increased availability, rental rates continue to grow, ending 2023 at $29.66 PSF, up 2.6% year-over-year. Class A offices saw the largest rental growth, up 3.2%, at $32.61 PSF. Class A rates in five submarkets grew by more than 6%; Tempe, Scottsdale Central, Scottsdale South, Chandler, and Camelback Corridor, averaging 7.3%. Total office deliveries for the year reached 740,128 SF, of which Cavasson in Scottsdale Airpark (150,000 SF, 50% preleased to Meritage Homes) was the sole completion in 4Q23.
- The medical office sector, benefitting by the overall growth throughout metro Phoenix market, ended the year with 399,960 SF positive net absorption. This allowed the year-to-date vacancy to decrease by 90 bps, ending 2023 at 11.8%. Concurrently, rental rates increased 5.3% year-over-year, ending at $25.66 PSF. Construction costs have dampened speculative development, and greatly increased rents for newly developed properties, as well as sales prices of the newest MOBs.
- Greater Phoenix retail sector has never been healthier in terms of vacancy (4.4%), rental rates (4.22% increase), absorption (2.95 million SF), deliveries (1.36 million SF), and under construction (1.73 million SF). As shown in these statistics, leasing activity outpaces deliveries, enabling vacancy to decrease 110 bps year-over-year; and rental rates ending the year at $16.56 PSF, NNN, steadily increasing each quarter. The region's robust population growth and limited new supply of retail space helped create this formula of tight occupancy and rent growth.

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



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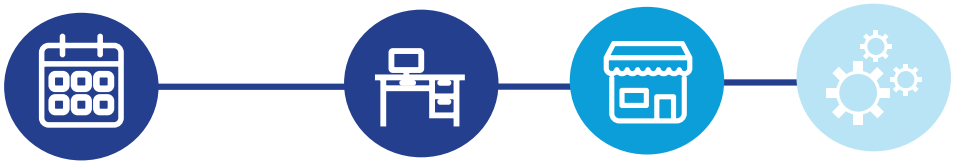
Monthly Snapshots



October	Office	Retail	Industrial	Total
TOTAL AMOUNT	$65,187,760	$92,152,566	$118,625,000	$275,965,326
PER SQUARE FOOT	$156	$126	$183	
NUMBER OF TRANSACTIONS	6	8	15	29
November				
TOTAL AMOUNT	$71,058,750	$38,550,000	$98,272,615	$207,881,365
PER SQUARE FOOT	$135	$208	$146	
NUMBER OF TRANSACTIONS	7	2	9	18
December				
TOTAL AMOUNT	$153,753,054	$201,150,000	$80,060,000	$434,963,054
PER SQUARE FOOT	$213	$241	$203	
NUMBER OF TRANSACTIONS	10	11	4	25
4th Quarter				
TOTAL AMOUNT	$289,999,564	$331,852,566	$296,957,615	$918,809,745
PER SQUARE FOOT	$168	$192	$177	
NUMBER OF TRANSACTIONS	23	21	28	72

Market Makers

October

Office

5222 E Baseline
5222 E Baseline Rd, Gilbert, AZ
Size/Percent Leased: 62,480 SF / 100.0%
Sales Price: $12.0M ($192 PSF)

Retail

Northsight Crossing
14651-14987 N Northsight Blvd, Scottsdale, AZ
Size/Percent Leased: 112,113 SF / 100.0%
Sales Price: $27.4M ($244 PSF)

Industrial

Deer Valley Four
23005-23025 N 15th Ave, Phoenix, AZ
Size/Percent Leased: 110,679 SF / 95.0%
Sales Price: $22.4M ($202 PSF)

November

Scottsdale Northsight
14350 N 87th St, Scottsdale, AZ
Size/Percent Leased: 138,693 SF / 69.0%
Sales Price: $26.5M ($191 PSF)

South Mountain Crossing
3510-3648 W Southern Ave, Phoenix, AZ
Size/Percent Leased: 89,389 SF / 100.0%
Sales Price: $11.5M ($129 PSF)

BTS for TruDoor and Assa Abloy
5858 W Lower Buckeye Rd, Phoenix, AZ
Size/Percent Leased: 248,750 SF / 100.0%
Sales Price: $20.5M ($82 PSF)

December

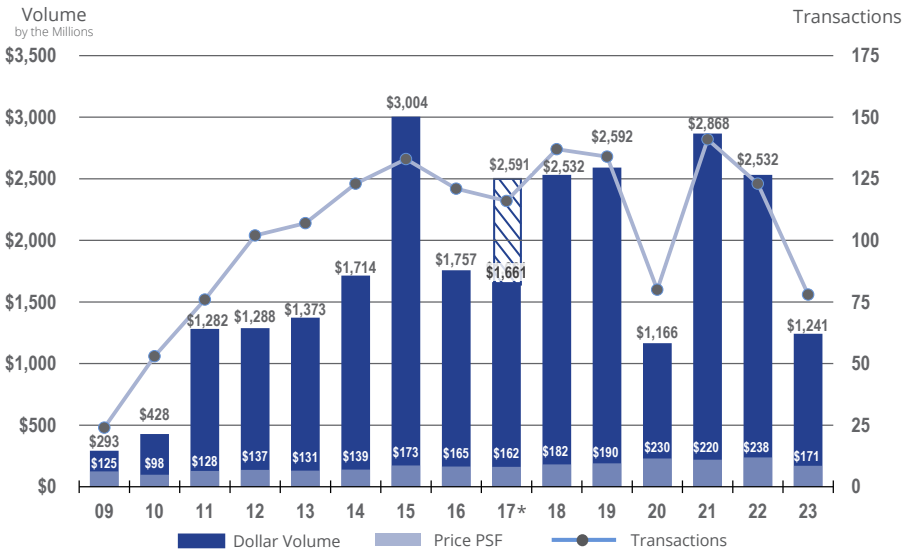
Blackhawk Corporate Center
2902, 3010 W Agua Fria Fwy,
20401 N 29th Ave, Phoenix, AZ
Size/Percent Leased: 252,350 SF / 96.0%
Sales Price: $46.0M ($182 PSF)

Palm Valley Pavilions West
1380-1474 N Litchfield Rd, Goodyear, AZ
Size/Percent Leased: 232,577 SF / 100.0%
Sales Price: $59.0M ($254 PSF)

Gateway University I & II
1605-1791 W University Dr, Tempe, AZ
Size/Percent Leased: 268,409 SF / 99.0%
Sales Price: $48.3M ($180 PSF)

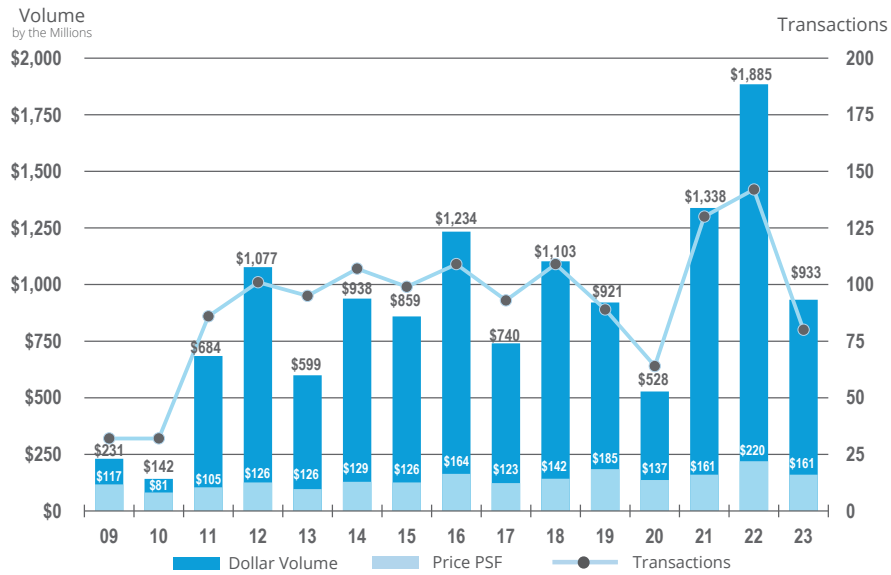
Historical Volume vs. Avg PSF and Number of Transactions

Office

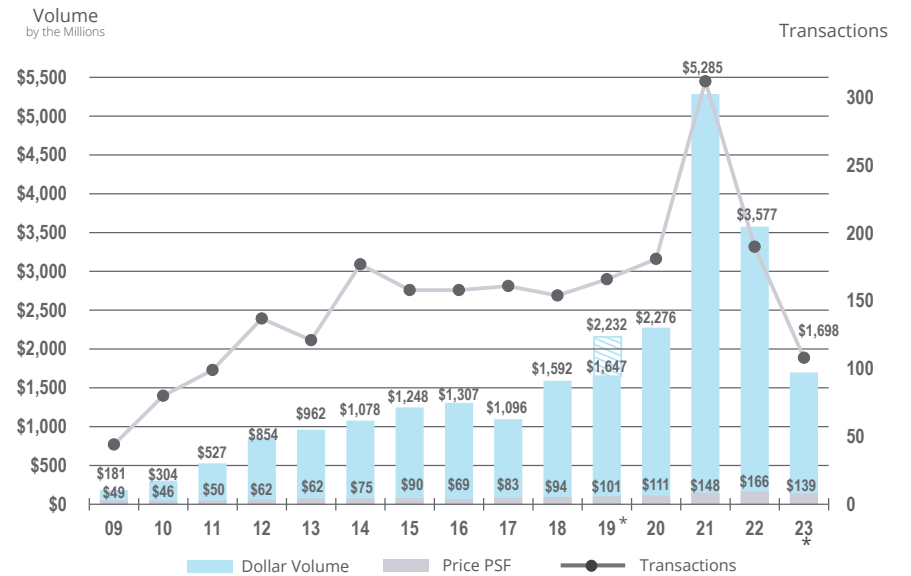


* 2017 sales exclude State Farm @ Marina Heights which if included totals $2.591 B; 117 sales; $211 PSF and if excluded totals $1.661 B; 116 sales; $162 PSF

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 Competing on the Global Stage

Prospective companies considering locations in Arizona are coming from throughout Europe, India, Korea, Japan, and other Asian countries. While Arizona is unable to write checks like other sates to compete for these employers, our Economic Developers are proficient to work smarter and be innovative well ahead of the competing communities. With an enviable 40% success rate in landing prospects, Sandra Watson, CEO of Arizona Commerce Authority reports (**link**) that 61 competitive projects were secured since July 2023, representing 13,000 jobs and $4.6 billion of investment. They are tracking 400 projects, 52 of which are “mega-projects”, representing more than 140,000 jobs and $340 billion of investment. What may look like an overnight success from afar is a result of our communities successfully and continuously dealing with hyper-growth for more than 50 years – honing our skills and collaborating among thousands of community members to assure we plan our growth, transportation systems, education, and infrastructure; while retaining our western quality of life.

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