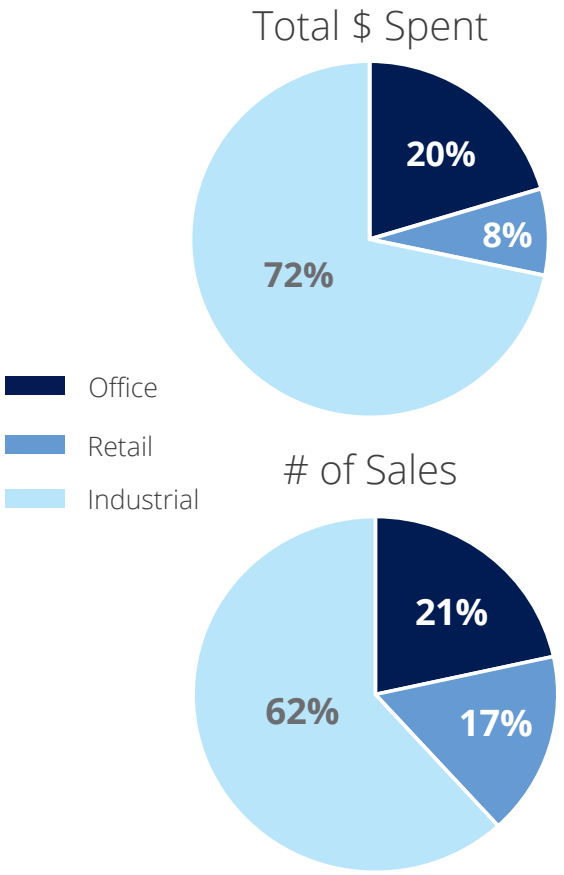
Phoenix Investment Sales

2024 Q4 Report

Quarterly Highlights

- For the 10th consecutive year, U.S. News & World Report named Arizona State University the Most Innovative University in the Country. Many companies choose to locate near and partner with the ASU on research and curricula. More than one-half of new Arizona residents that migrate from other states move from California, followed by Illinois and Florida, among others.
- 4Q2024 ended on a positive note for office absorption. At 358,188 SF, this was the highest positive net absorption since 2Q2022, which also posted a 3.2% year-over-year (Y-O-Y) increase in Class A asking rental rates at $33.66 PSF, and a 1% Y-O-Y increase overall at $29.95 PSF. Office deliveries were the lowest in more than 10 years, adding only 496,616 SF during 2024, helping to lower direct vacancy to 15.3% by year end. By year's end, the $1.53 billion through 83 sales ranged from $29 to $506 PSF, the sales volume was $290 million higher than the 73 sales in 2023 and averaged 7.3% lower PSF. Class A medical offices are currently the darling of office investments. There were 10 Class A medical office sales in 2024, averaging $277 PSF, at cap rates as low as a 5.5%.
- Industrial deliveries during 2024 set a market record: 34.8 million square feet. This caused vacancy to increase to 10.6% (compared with 6.7% at 4Q2023), yet 4Q2024 asking rental rates of $1.12 PSF increased by 5.7% over 4Q2023. 19.3 million SF of industrial space is under construction, the lowest level since 2021, and 20 million SF less than YE2023. Owners and investors remain confident in the long-term creditworthiness of cash flow from industrial investments as evidenced through the full year and 4Q2024 sales volumes of $3.86 billion and $1.71 billion averaging $156 and $167 PSF respectively. Sales in 4Q2024 showed a full bounce back from the lower 2023 volume of $1.67 billion ($139 PSF).
- By year end, retail vacancy hit another historical low at 4.1%, despite recent national chain store closure announcements. Rental rates grew by 5.25% Y-O-Y - and have averaged 4.5% growth during the past four years. We predict any new vacancy will backfill quickly due to continued population and job growth, combined with a modest construction pipeline and strong tenant demand. These key factors also drive a high level of confidence among existing owners and prospective investors. Due to the lack of supply, there were only 17 retail property sales during 4Q2024 (4, 3 and 10 sales in October, November and December respectively). By YE2024, 71 retail properties sold totaling $889 million ($178 PSF), a PSF increase of 11% compared with the $933 million over 80 sales in 2023 that averaged $161 PSF.

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



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Monthly Snapshots

October	Office	Retail	Industrial	Total
TOTAL AMOUNT	$128,265,110	$43,525,000	$429,879,793	$601,669,903
PER SQUARE FOOT	$199	$206	$177	
NUMBER OF TRANSACTIONS	5	4	20	29
November				
TOTAL AMOUNT	$96,795,000	$33,750,000	$361,330,380	$491,875,380
PER SQUARE FOOT	$251	$165	$142	
NUMBER OF TRANSACTIONS	5	3	13	21
December				
TOTAL AMOUNT	$257,024,750	$108,650,000	$923,182,129	$1,288,856,879
PER SQUARE FOOT	$120	$140	$175	
NUMBER OF TRANSACTIONS	12	10	30	52
4th Quarter				
TOTAL AMOUNT	$482,084,860	$185,925,000	$1,714,392,302	$2,382,402,162
PER SQUARE FOOT	$152	$156	$167	
NUMBER OF TRANSACTIONS	22	17	63	102

Market Makers

October

Office

24th At Camelback II
2325 E Camelback Rd, Phoenix, AZ
Size/Percent Leased: 306,877 SF / 87%
Sales Price: $97.9M ($319 PSF)

Retail

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

Industrial

TA Realty to Leon Capital Portfolio
Three locations in Tempe, AZ
Size/Percent Leased: 175,723 SF / 100%
Sales Price: $33.7M ($192 PSF)

November

Camelback Lakes
2710-2850 E Camelback Rd, Phoenix, AZ
Size/Percent Leased: 208,105 SF / 74%
Sales Price: $60.0M ($288 PSF)

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

Paloma Vista Logistics Center - Amazon
18900 W McDowell Rd, Buckeye, AZ
Size/Percent Leased: 1,056,353 SF / 100%
Sales Price: $118.2M ($112 PSF)

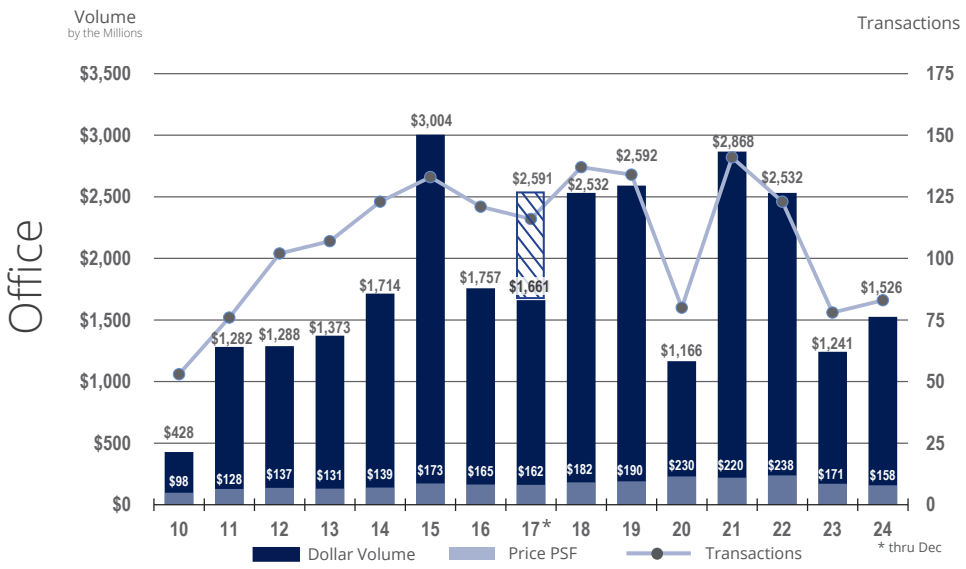
December

Scottsdale Financial Center III
7272 E Indian School Rd, Scottsdale, AZ
Size/Percent Leased: 158,556 SF / 73%
Sales Price: $42.2M ($266 PSF)

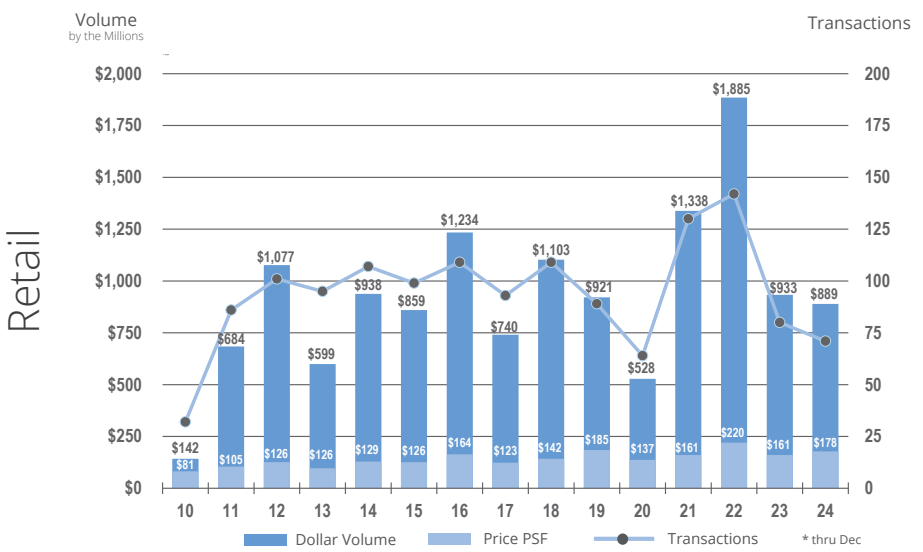
Township Plaza
1817-1939 E Baseline Rd, Gilbert, AZ
Size/Percent Leased: 51,303 SF / 98%
Sales Price: $14.0M ($273 PSF)

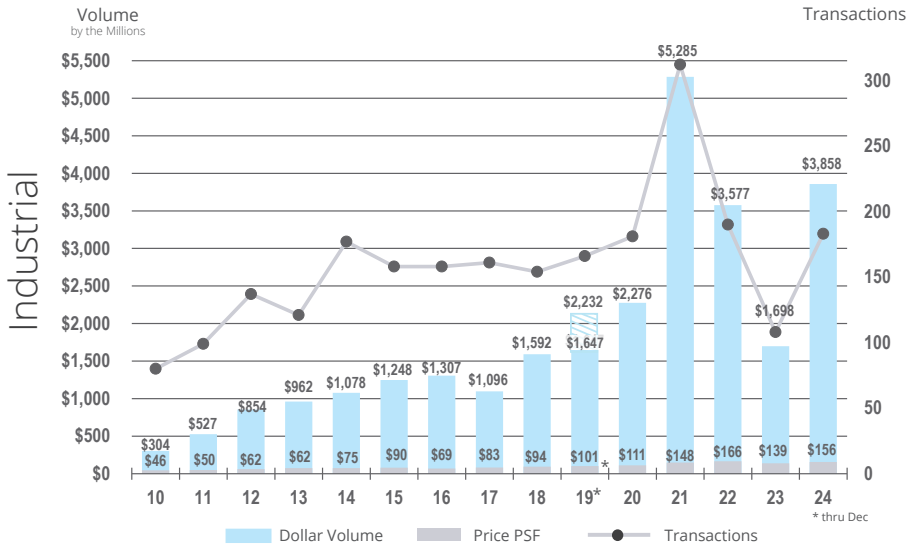
Broadway 101 Commerce Park II
2140-2360 W Broadway Rd, Mesa, AZ
Size/Percent Leased: 856,894 SF / 98%
Sales Price: $168.3M ($196 PSF)

Historical Volume vs. Avg PSF and Number of Transactions



* 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





* 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

RTO is the latest buzzword for office buildings, and it doesn't mean "Rent to Own"

"Return to Office" mandates are spreading across the country among all industries. Employers are requiring not just two or three days a week, but more often, every day. Businesses are actively solving their occupancy needs by purchasing empty Class A offices, such as U-Haul's purchase of the 550,000 SF high rise in Phoenix's Midtown; renovating existing facilities, such as JP Morgan Chase's 320,000 SF campus in central Florida that will house 2,300 employees; and developing new facilities such as JP Morgan Chase's new 2.4 MSF HQ in NYC. In addition, there are more than 6 MSF of active build-to-suits across the U.S. for Amazon, Intuitive Surgical, Chubb Insurance, Google, FM Global, among others.

Combined with the steady absorption in 2023 and 2024 by small and medium sized employers, the limited inventory of speculative construction, along with the conversion or demolition of obsolete offices to alternative uses; the RTO mandates are creating an uptick in overall occupancies and stimulating the long-awaited recovery in office markets.

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