

FIGURES | PHOENIX RETAIL MARKET | Q3 2025

Tight Vacancy Facilitates Robust Rent Growth in Phoenix Retail

▼ 5.1%
Vacancy Rate

▲ 358,329
SF Net Absorption

▼ 1,229,718
SF Construction

▲ \$18.86
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- The Phoenix retail sector recorded 358,329 sq. ft. of positive net absorption and 1,506,969 sq. ft. of gross absorption in Q3 2025.
- Vacancy decreased by 10 basis points (bps) to 5.1% in Q3 2025.
- New deliveries totaled 269,621 sq. ft. while 1,229,718 sq. ft. remained under construction.

More than 350,000 sq. ft. of positive net absorption was recorded during the third quarter, which caused vacancy to decline by 10 bps to 5.1%. This rate was roughly 110 bps below the metro’s trailing 5-year average, highlighting the strong retail performance in recent quarters. Strong demographics, continued income growth and low unemployment fuel robust tenant demand. These strong demand drivers coupled with a modest development pipeline have kept retail vacancy historically low. The average asking rent increased by 2.6% quarter over-quarter to \$18.86 per sq. ft. in Q3 2025. This marks a 6.0% gain over the past year and a 6.3% jump over the past three years. Gross absorption remained strong at 1.5 million sq. ft., this marks the 20th consecutive quarter that gross absorption eclipsed the 1 million sq. ft. threshold. Deliveries outpaced groundbreakings resulting in overall construction activity to fall quarter-over-quarter.

FIGURE 1: Supply and Demand



Source: CoStar Group.

Availability and Vacancy

Vacancy declined marginally in Phoenix during Q3 2025, finishing the three-month span at 5.1%, which is 400 bps below the metro’s long-term average of 9.1%. The Apache Junction and West Phoenix submarkets posted the largest quarterly declines in vacancy, as each of the rates fell by at least 200 bps during the quarter to 8.8% and 3.9%, respectively. Vacancy also declined by 80 bps in the Airport Area submarket, ending the quarter at 7.4%. In contrast, the Downtown Phoenix, East Valley and Northwest Phoenix submarkets each saw local vacancy rise by at least 10 bps during Q3 2025. Vacancy remained tightest in the North Scottsdale submarket at 3.4%.

In the third quarter of 2025, Phoenix retail availability declined by 20 bps to 5.7%. Availability in the Apache Junction and Airport Area submarkets each fell by at least 110 bps during the third quarter. However, the Downtown Phoenix, East Valley, Northwest Phoenix and South Mountain submarkets each recorded local availability increases of at least 10 bps during Q3 2025. At 3.6%, availability remained the tightest in the North Scottsdale submarket, while the Airport Area recorded the metro’s highest availability rate at 8.1%.

Lease Rates

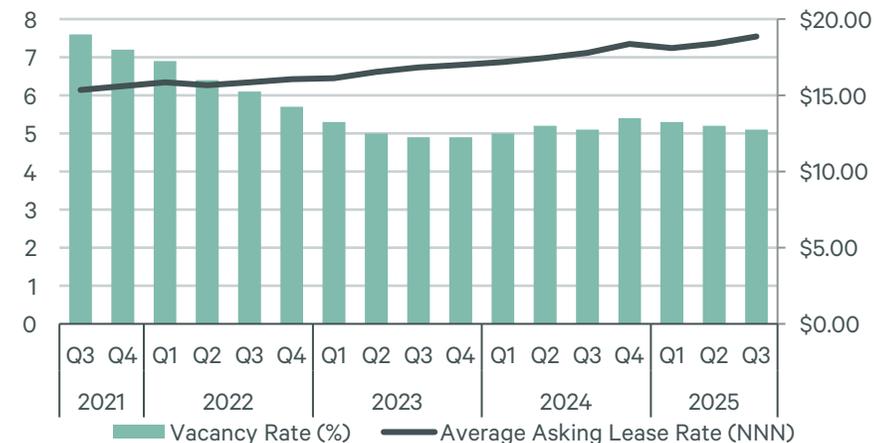
The average direct asking NNN lease rate was \$18.86 in Q3 2025, up \$0.47 from the previous quarter. This amounts to a 2.6% quarter-over-quarter jump and a 6.0% increase over the past year. Asking rents rose the most in the Apache Junction submarket, as the local rate increased by 16.0% during Q3 2025. Overall, seven of the metro’s ten submarkets recorded a quarter-over-quarter increase in asking rents. North Scottsdale recorded the metro’s highest average asking rate at \$29.22 per sq. ft., while Apache Junction registered the lowest asking rate at \$14.21 per sq. ft.

Net Absorption and Leasing Activity

The Phoenix market experienced 358,329 sq. ft. of positive net absorption in Q3 2025. The West Phoenix submarket garnered the lion’s share of tenant demand, recording over 240,000 sq. ft. of positive net absorption. The North Phoenix submarket posted more than 80,000 sq. ft. of net absorption in Q3 2025. Tenant demand was softer this quarter in the Downtown Phoenix submarket, as the area registered 16,326 sq. ft. negative net absorption for the quarter.

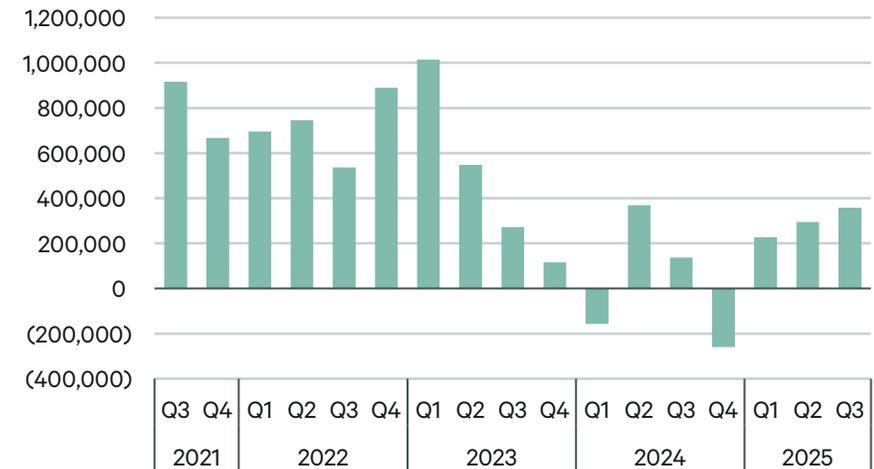
The Phoenix metro retail sector recorded more than 1.5 million sq. ft. of gross leasing activity. Notable deals include Target for 145,000 sq. ft., Amped Fitness for 57,526 sq. ft., EOS Fitness for 43,723 sq. ft., Shine Bright Academy for 24,870 sq. ft., Cavender’s for 23,673 sq. ft., USA Rec Sports for 20,393 sq. ft. and Gram’s Grocery Outlet for 12,500 sq. ft.

FIGURE 2: Overall Vacancy and Lease Rate



Source: CoStar Group.

FIGURE 3: Net Absorption (Sq. Ft.)



Source: CoStar Group.

Development Activity

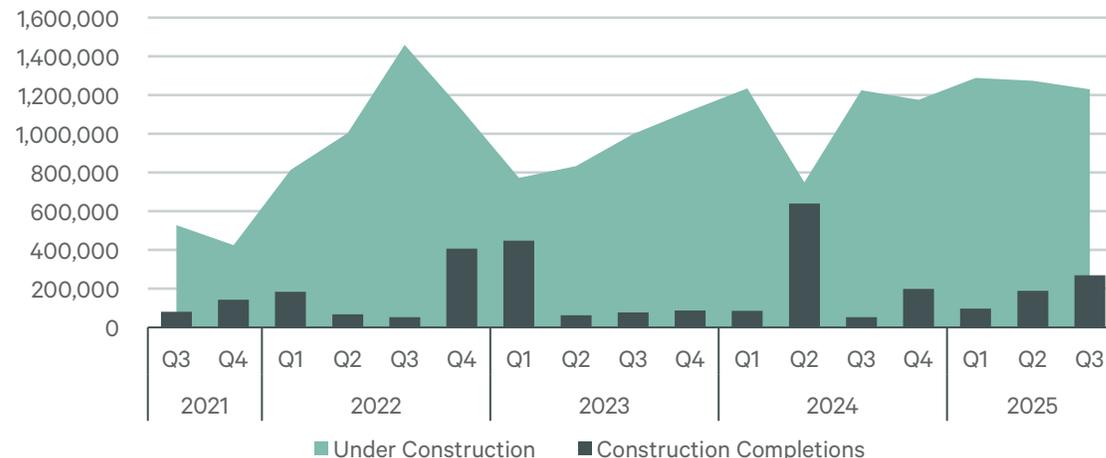
Supply additions have been modest in this recent expansion cycle, as elevated debt, land and construction costs have made it much more difficult for new speculative projects to pencil. Sams Club at Tempe Marketplace completed during the quarter and helped lift the delivery total to 269,621 sq. ft. in Q3 2025. The amount of under construction product fell to 1,229,718 sq. ft. A notable project that broke ground during the third quarter is The Shops and Pads at 99th in Tolleson totaling roughly 84,000 sq. ft. Overall, just over 160,000 sq. ft. broke ground during the third quarter. Entering Q4 2025, nearly 89% of the development pipeline has already been preleased, which should help limit supply side pressure in the near-to-mid term in the Phoenix retail sector.

CBRE Economic House View

CBRE has revised its U.S. growth outlook upward, a shift from the more pessimistic view held in the spring. Greater clarity around trade policy and private sector resilience should equate to 1.6% GDP growth this year. Much of this growth should be frontloaded as higher inflation—peaking in the low-3% range by early 2026—creates some headwinds during the latter half of this year. The labor market is flashing important signals such as falling job openings and weak hiring by firms.

Despite the modest growth outlook and expectations for further rate cuts, 10-year Treasury yields are holding steady in the low 4% range. A combination of higher inflation and excessive U.S. debt levels should keep yields near this level through 2027. This environment—with Treasury yields fluctuating between 4% and 4.5% and moderate economic growth—is fostering some recovery in commercial real estate (CRE) capital markets. Investment volumes are on track to exceed 2023 and 2024 levels.

FIGURE 4: Under Construction and New Supply (Sq. Ft.)



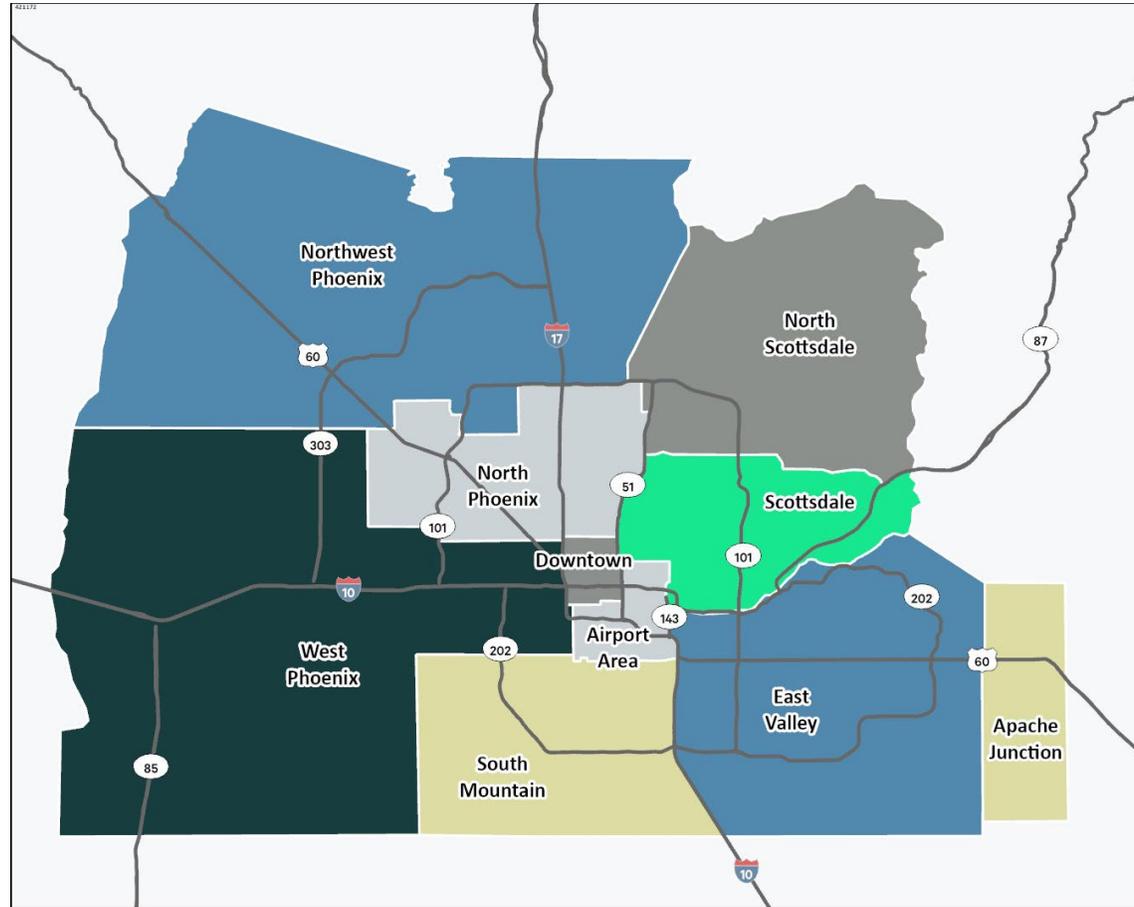
Source: CoStar Group.

FIGURE 5: Submarket Stats

	Net Rentable Area	Availability %	Vacancy %	Net Absorption Q3 2025	Net Absorption 2025 YTD	Gross Activity Q3 2025	Under Construction	Construction Completions	Avg. Direct Asking Lease Rate (\$PSF/NNN)
Airport Area	2,873,637	8.1	7.4	22,852	25,834	39,867	0	0	\$15.39
Apache Junction	1,384,070	7.2	8.8	23,007	49,934	32,253	4,000	0	\$14.21
Downtown Phoenix	2,239,435	7.7	5.2	(16,326)	15,029	23,656	0	0	\$26.13
East Valley	55,240,252	5.9	5.7	(9,298)	282,322	609,176	310,480	179,052	\$19.05
North Phoenix	25,275,157	7.4	6.5	80,334	52,691	242,798	4,551	0	\$16.58
North Scottsdale	11,475,756	3.6	3.4	8,245	(5,339)	71,925	92,000	0	\$29.22
Northwest Phoenix	15,881,655	4.8	4.0	2,754	101,371	52,426	42,974	14,522	\$20.39
Scottsdale	13,279,311	5.5	4.3	3,969	84,023	93,803	0	0	\$19.72
South Mountain	5,564,610	5.4	3.7	(621)	(34,768)	24,963	0	0	\$17.25
West Phoenix	17,801,870	4.4	3.9	243,413	306,657	313,102	775,713	76,047	\$18.89
Phoenix Total	151,015,753	5.7	5.1	358,329	877,754	1,503,969	1,229,718	269,621	\$18.86

Source: CoStar Group.

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all retail shopping centers in Phoenix Metro. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Zach DiSalvo

Associate Research Director
+1 858 646 4780
zach.disalvo@cbre.com

Carlos Pietri

Sr. Field Research Analyst
+1 602 735 5640
carlos.pietri@cbre.com

© Copyright 2025. All rights reserved. This report has been prepared in good faith, based on CBRE’s current anecdotal and evidence based views of the commercial real estate market. Although CBRE believes its views reflect market conditions on the date of this presentation, they are subject to significant uncertainties and contingencies, many of which are beyond CBRE’s control. In addition, many of CBRE’s views are opinion and/or projections based on CBRE’s subjective analyses of current market circumstances. Other firms may have different opinions, projections and analyses, and actual market conditions in the future may cause CBRE’s current views to later be incorrect. CBRE has no obligation to update its views herein if its opinions, projections, analyses or market circumstances later change.

Nothing in this report should be construed as an indicator of the future performance of CBRE’s securities or of the performance of any other company’s securities. You should not purchase or sell securities—of CBRE or any other company—based on the views herein. CBRE disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CBRE as well as against CBRE’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

