



Industrial Market Report

PHOENIX METRO 1st QTR. 2017

VACANCY

UP to 9.6%
NET ABSORPTION
POSITIVE 1,283,439 SF



RENTAL RATES

UP - Averaging \$6.93
Compared to \$6.87 last Qtr.



CAP RATES

FLAT - Averaging 7.33%
Compared to 7.33% last yr.



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TRANSACTIONS

Commercial Properties Incorporated (CPI) completed **227** Industrial transactions for a total of **1.21 million square feet** at the end of first quarter 2017. The top CPI Industrial transactions for the quarter were a 42,001 SF sale of 3249 & 3259 E Harbour Dr., for \$4.8 million in Phoenix AZ, and a 69,142 SF sale of 1210-1220 W 25th St., for \$4.35 million in Tempe, AZ.

VACANCY RATE & ABSORPTION

The Phoenix Industrial market ended first quarter 2017 with a vacancy rate of 9.6%. This is 1.05% increase from the 9.5% vacancy rate reported last quarter. Net absorption ended up at a positive 1,631,732 square feet at the end of first quarter 2017. Absorption was down compared to last quarter's net absorption previously reported at positive 2,512,230 square feet. The vacant sublease space in the Phoenix market ended the first quarter 2017 at 816,786 square feet. This is a decrease from last quarter which was previously reported at 1,184,430 square feet of vacant sublease space. The figures above include buildings that are owner occupied as well, which affects the actual vacancy numbers. Check with your CPI broker for an accurate representation of the vacancy rates in the submarket around your properties.

RENTAL RATES

The Industrial rental rates for first quarter 2017 averaged out at \$6.93, which is an increase of 0.9% from the \$6.87 average previously quoted for fourth quarter 2016. The Flex rental rate average was \$12.87 with the average Warehouse rental rates at \$6.07 at the end of first quarter 2017. Last quarter, the average rates were \$12.67 for Flex and \$6.05 for Warehouse.

CONSTRUCTION

4,527,935 SF were reported as still being under construction at the end of first quarter 2017 in the Industrial Sector. This is up compared to 4,304,479 SF under construction last quarter. Some of the biggest projects still under construction were Conair, a 1,000,000 SF building which is 100% pre-leased, and 5333 W Lower Buckeye Rd., a 474,082 SF facility which is 0% pre-leased.

INVENTORY

At the end of first quarter, there was a total of 318,899,546 SF of industrial inventory for Phoenix. This square footage is broken out into 10,064 buildings that make up the sector. This is an increase from the 316,722,407 SF of total Industrial inventory reported at the end of last quarter.



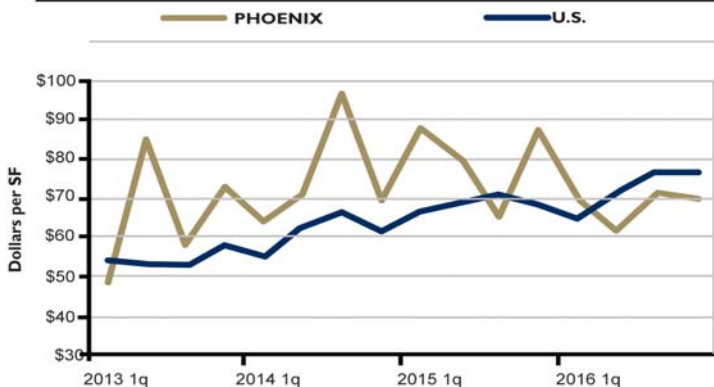
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U.S PRICE/SF COMPARISON

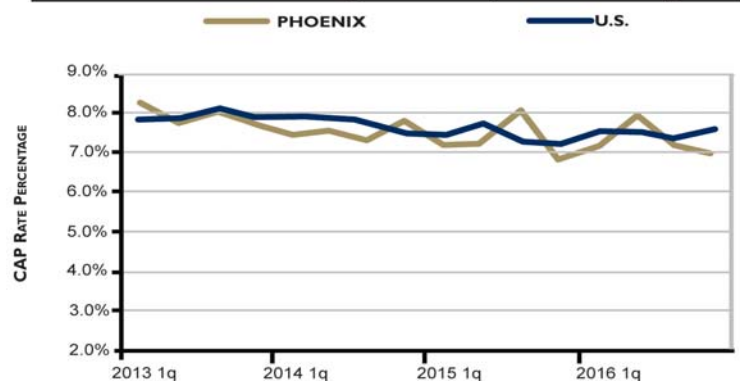
Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S CAP RATE COMPARISON

Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar COMPS



Office Market Report

PHOENIX METRO 1st QTR. 2017

VACANCY
DOWN to 15.4%
NET ABSORPTION
+ 1,053,043 SF



RENTAL RATES
UP - Averaging \$23.10
Compared to \$22.76 Last Qtr.



CAP RATES
UP - Averaging 7.71%
Compared to 7.54% in 2015



TRANSACTIONS

Commercial Properties Incorporated (CPI) completed **83** office transactions for a total of **1,587,526 square feet** in third quarter 2016. The top CPI Office transactions for the quarter were, a 24,356 SF sale of Duskfire Professional Center - 1 W Elliot Rd & 51 W Elliot Rd., for \$1.4 million in Tempe, AZ, and a 3,495 SF sale of The Presidio - 1120 S Dobson Rd., for \$1.135 million in Chandler, AZ.

VACANCY RATE & ABSORPTION

with a vacancy rate of 15.4%. This is 1.3% increase from the 15.2% vacancy rate reported last quarter. Net absorption ended up at a positive 595,408 square feet at the end of first quarter 2017. Absorption was down compared to last quarter's net absorption previously reported at positive 740,287 square feet. Vacant sublease space in the Phoenix market ended third quarter 2016 at 1,056,554 SF. Sublease space is up compared to the end of last quarter which was reported at 903,880 SF of vacant sublease space. The figures above include buildings that are owner occupied as well, which affects the actual vacancy numbers. Check with your CPI broker for an accurate representation of the vacancy rates in the submarket around your properties.

RENTAL RATES

The average Office rental rates ended third quarter 2016 at \$23.10 full service. This is an increase of 1.49% from the \$22.76 per square foot average rental rates quoted last quarter. Class-A average rental rates at the end of third quarter were up to \$28.04, while the Class-B average rates were up as well at \$21.75. Class-C average rates were also up at \$16.44.

CONSTRUCTION

2,047,897 SF were reported as still under construction at the end of third quarter 2016 in the Office Sector. This is up from last quarter's 1,791,033 SF under construction figures. The largest projects still under construction at the end of third quarter were the 443,000 SF building at 600 E Rio Salado Pkwy, Bldg. E, that is 100% pre-leased, and the 290,785 SF facility at 2701 E Ryan Rd - The HUB Chandler - that is 0% pre-leased.

INVENTORY

At the end of third quarter, there was a total of 169,983,117 SF of Office inventory for Phoenix. This square footage is broken out into the 8,231 buildings that make up the sector. There are approximately 795 owner-occupied properties in the Office market that equate to 13,521,128 SF of Phoenix's Office space.

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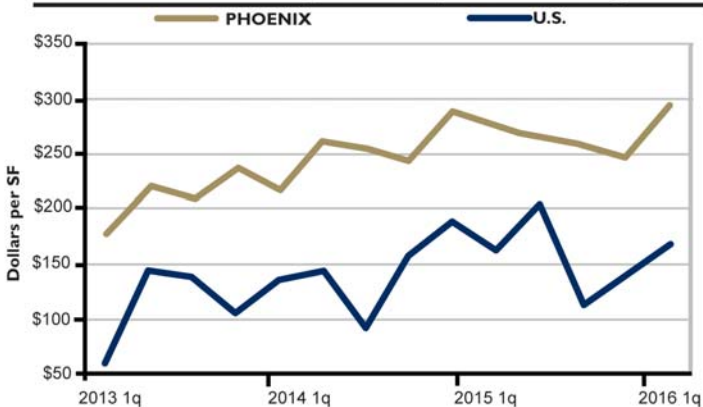
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U.S PRICE/SF COMPARISON

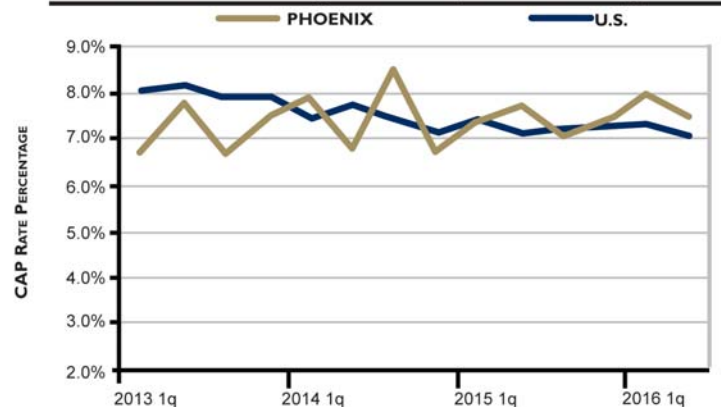
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S CAP RATE COMPARISON

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS



Retail Market Report

PHOENIX METRO 3RD QTR. 2016

VACANCY

Up to 9.0%
NET ABSORPTION
+203,471 SF



RENTAL RATES

UP - Averaging \$14.60
Compared to \$14.52 4th Qtr., 2015



CAP RATES

DOWN - Averaging 7.07%
Compared to 7.58% in 2015



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TRANSACTIONS

Commercial Properties Incorporated (CPI) completed **28** Retail transactions for a total of **2,594,241 square feet** in third quarter 2016. The top CPI Retail transactions for the quarter were, a 49,975 SF sale of a former auto dealership at 1600 W Main Street for \$3.5 million in Mesa, Arizona, and the 14,083 SF sale of 825 S Cooper Road for \$1.78 million in Gilbert, Arizona.

VACANCY RATE

The Phoenix Retail market ended third quarter 2016 with a vacancy rate of 9.0%. This is a 2.27% increase from the 8.8% vacancy rate last quarter. Third quarter net absorption was positive 203,471 SF. Absorption is down compared to the last quarter's net absorption which was positive 640,044 SF. The General Retail sector, which is categorized as freestanding retail that is not in a center, had a vacancy rate of 4.6% at the end of third quarter, resulting in no change since last quarter.

Sublease space in the Phoenix retail sector has decreased over the last four quarters. Currently, there are 639,644 SF of vacant sublease space available in the Phoenix market compared to the 750,437 SF that was available in Q4 2015. The figures above include buildings that are owner occupied as well, which affects the actual vacancy numbers. Check with your CPI broker for an accurate representation of the vacancy rates in the submarket around your properties.

RENTAL RATES

Average retail rental rates ended the third quarter at \$14.60 per square foot, from the \$14.53 per square foot previously quoted last quarter. This represents a 0.482 % increase in the average retail rental rates for the Phoenix market.

CONSTRUCTION

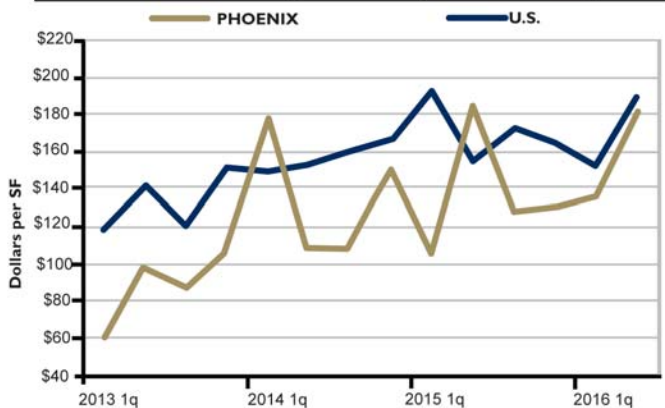
991,497 SF were reported as still being under construction at the end of third quarter in the retail sector. This down from the 1,039,753 SF previously reported as under construction last quarter. A few of the largest properties delivered were a 123,000 SF facility for Fry's Marketplace at 2724 S Signal Butte Rd., which is 100% occupied, and the 102,000 SF facility for Living Spaces at 15530 E Williams Field Rd which is also 100% occupied.

INVENTORY

The Phoenix Retail inventory currently consists of 13,977 buildings, and 1,961 centers that make up the 222,129,368 SF of total Retail inventory in Phoenix at the end of third quarter 2016.

U.S PRICE/SF COMPARISON

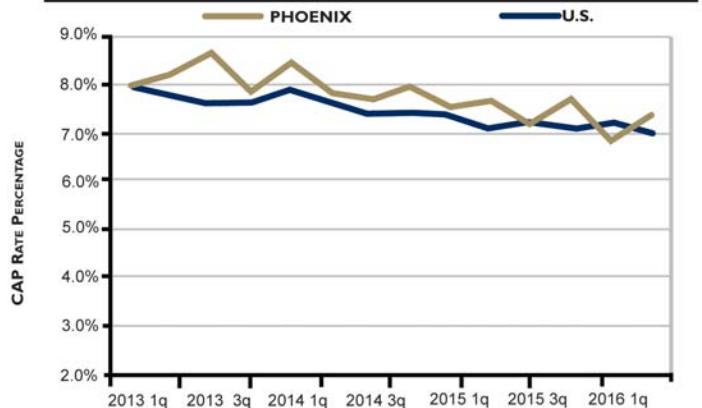
Based on Retail Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S CAP RATE COMPARISON

Based on Retail Building Sales of 15,000 SF and Larger



Source: CoStar COMPS



Office Market Report

PHOENIX METRO 1st QTR. 2017

VACANCY
UP to 15.4%
NET ABSORPTION
+ 595,408 SF



RENTAL RATES
UP - Averaging \$23.55
Compared to \$23.37 Last Qtr.



CAP RATES
UP - Averaging 7.64%
Compared to 7.37% last Year



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TRANSACTIONS

Commercial Properties Incorporated (CPI) completed **98** office transactions for a total of **436,286 square feet** in first quarter 2017. The top CPI Office transactions for the quarter were a 42,128 SF sale of 8322 & 8324 E Hartford Dr., for \$12.125 million in Scottsdale, AZ, and a 63,448 SF sale of 3715 & 3719 W Anthem Way for \$3.911 million in Phoenix, AZ.

VACANCY RATE & ABSORPTION

First quarter 2017 ended with a vacancy rate of 15.4%. This is 1.3% increase from the 15.2% vacancy rate reported last quarter. Net absorption ended up at a positive 595,408 square feet at the end of first quarter 2017. Absorption was down compared to last quarter's net absorption previously reported at positive 1,024,722 square feet. Vacant sublease space in the Phoenix market ended first quarter 2017 at 1,235,864 SF. Sublease space is up compared to the end of last quarter which was reported at 1,217,055 SF of vacant sublease space. The figures above include buildings that are owner occupied as well, which affects the actual vacancy numbers. Check with your CPI broker for an accurate representation of the vacancy rates in the submarket around your properties.

RENTAL RATES

The average Office rental rates ended first quarter 2017 at \$23.55 full service. This is an increase of 0.77% from the \$23.37 per square foot average rental rates quoted last quarter. Class-A average rental rates at the end of first quarter were up to \$28.23, while the Class-B average rates increased to \$22.15, and the Class-C average rates were down to \$16.59. Last quarter, the average rates were \$27.96 for Class A, \$21.98 for Class B and \$16.73 for Class C.

CONSTRUCTION

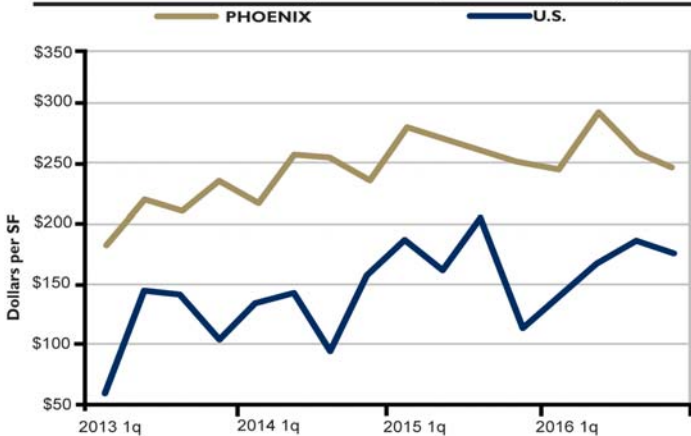
764,108 SF were reported as still under construction at the end of first quarter 2017 in the Office Sector. This is up from last quarter's 533,263 SF under construction figures. The largest projects still under construction at the end of first quarter were the 235,000 SF building at Liberty Center at Rio Salado - 600 E Rio Salado Pkwy, Bldg. IV, that is 100% pre-leased, and the 152,540 SF facility at Waypoint 4 - 1130 NE Alma School Rd., that is 0% pre-leased.

INVENTORY

At the end of first quarter, there was a total of 172,367,678 SF of Office inventory for Phoenix. This square footage is broken out into the 8,263 buildings that make up the sector. There are approximately 821 owner-occupied properties in the Office market that equate to 17,120,071 SF of Phoenix's Office space.

U.S PRICE/SF COMPARISON

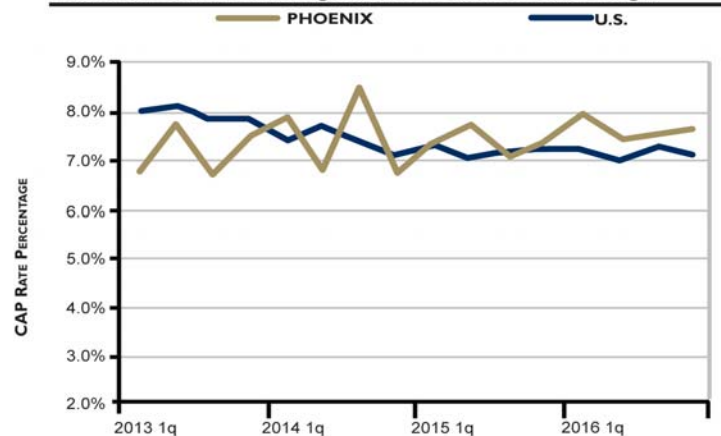
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S CAP RATE COMPARISON

Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS