



COMMERCIAL PROPERTIES INC.

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CORFAC
International

PHOENIX METRO | INDUSTRIAL 4Q 2017

RESEARCH & MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed **202** Industrial transactions for a total of **1.087 million square feet** at the end of fourth quarter 2017. The top CPI Industrial transactions for the quarter were the 151,112 SF sale of a portfolio deal for \$12.3 million in **Tempe, AZ**, and the 34,470 SF sale of 2210 S. Roosevelt Street, for \$3.375 million in Tempe, AZ.

Vacancy Rate & Absorption

The Phoenix Industrial market ended fourth quarter 2017 with a vacancy rate of **7.8%**. This is a **12.3% decrease** from the 8.9% vacancy rate reported last quarter. Net absorption ended up at a positive **2,684,912 square feet** at the end of fourth quarter 2017. Absorption was up compared to last quarter's net absorption previously reported at positive 2,414,335 square feet. The vacant sublease space in the Phoenix market ended the fourth quarter 2017 at 1,076,489 square feet. This is an increase from last quarter which was previously reported at 858,139 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 fourth quarter 2017 averaged out at **\$7.21**, which is a slight decrease of **0.277%** from the \$7.23 average previously quoted for third quarter 2017. The Flex rental rate average was **\$12.65** with the average Warehouse rental rates at **\$6.47** at the end of fourth quarter. Last quarter, the average rates were \$12.70 for Flex and \$6.43 for Warehouse.



Vacancy

DOWN to **7.8%**
from 8.9% in Q3
Net Absorption
+2,684,912 SF



Rental Rates

DOWN to **\$7.21** Avg
Compared to \$7.23 Q3



CAP Rates

UP - Averaging **6.90%**
Compared to 6.85%
Avg Q3 2017

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PHOENIX METRO | OFFICE
4Q 2017

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 92 Office transactions for a total of 287,020 square feet at the end of fourth quarter 2017. The top CPI Office transactions for the quarter included the 15,816 SF sale of 15615 N. 71st St. for \$4.225 million in Scottsdale, AZ, and the 9,156 SF sale of 9132 E. Southern Ave. for \$1.81 million in Mesa, AZ.



Vacancy

Down to 14.7%
Net Absorption
Positive 898,494 SF

Vacancy Rate & Absorption

The Phoenix Office market ended fourth quarter 2017 with a vacancy rate of 14.7%. This is a decrease from the 15.0% vacancy rate reported last quarter. Net absorption ended up at a positive 3,898,494 square feet at the end of fourth quarter 2017. Absorption was up compared to last quarter's net absorption previously reported at positive 139,652 square feet. The vacant sublease space in the Phoenix market ended the fourth quarter 2017 at 1,321,543 square feet. This is a decrease from last quarter which was previously reported at 1,353,620 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

Up - Averaging
\$24.57 Compared
to \$24.09 Q3



CAP Rates

Up - Averaging
7.89% Compared to
7.70% Avg Q3 2017

Rental Rates

The Office rental rates for fourth quarter 2017 averaged out at \$24.57 full service, which is an increase from the \$24.09 average previously quoted for third quarter 2017. Class-A average rental rates at the end of third quarter were \$29.63 while the Class-B average rental rates were at \$22.71 and the Class-C average rates were at \$17.76. Last quarter, the average rates were \$28.85 for Class-A, \$22.58 for Class-B and \$17.16 for Class-C.

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PHOENIX METRO | OFFICE 4Q 2017

RESEARCH & MARKET REPORT

Construction

1,740,329 square feet were reported as still being under construction at the end of fourth quarter 2017 in the Office Sector. This is up compared to 1,504,676 square feet under construction last quarter. Some of the biggest projects still under construction were The Grand at Papago Park Phase II, a 352,481 SF building which is 0% pre-leased, and The Offices at Chandler Vividian, a 249,217 SF building which is 22% pre-leased.

Inventory

At the end of fourth quarter, there was a total of 173,740,500 SF of Office inventory in Phoenix. This square footage is broken out into 8,299 buildings that make up the sector. This is an increase from the 172,964,725 SF of total Office inventory reported at the end of last quarter.

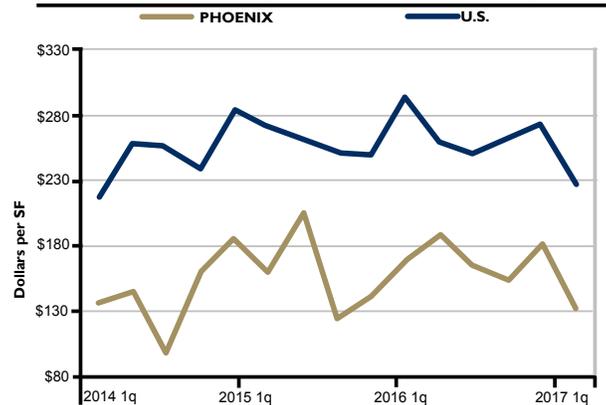
For more information, contact:

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U.S. PRICE/SF COMPARISON

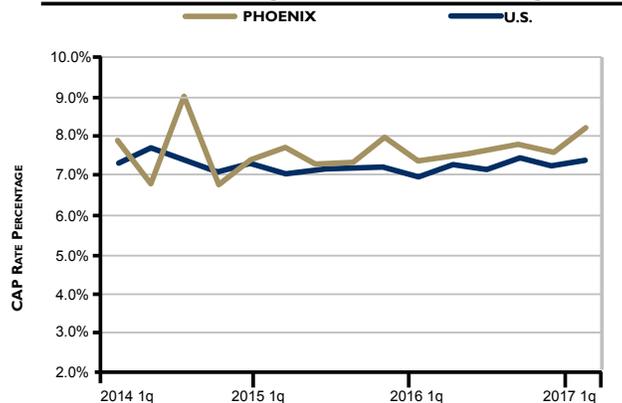
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S. CAP RATE COMPARISON

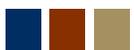
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

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PHOENIX METRO | RETAIL 4Q 2017

RESEARCH & MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 27 Retail transactions for a total of 127,742 square feet in fourth quarter 2017. The top CPI Retail transactions for the quarter were, a 14,400 SF sale of 5504-5524 N. 7th St. for \$2.16 million in Phoenix, Arizona, and the 7,260 SF sale of 8640 E. Main St. for \$880 thousand in Mesa, Arizona.

Vacancy Rate & Absorption

The Phoenix Retail market ended second quarter with a vacancy rate of 7.8%. This is a -7.1% decrease from the 8.4% vacancy rate last quarter. Fourth quarter net absorption was positive 1,371,431 SF. Absorption is down compared to the last quarter's net absorption which was positive 869,091 SF. The General Retail sector, which is categorized as freestanding retail that is not in a center, had a vacancy rate of 4.4% at the end of fourth quarter, resulting in a slight change from the 4.5% reported last quarter.

Sublease space in the Phoenix retail sector has decreased over the last four quarters. Currently, there are 532,396 SF of vacant sublease space available in the Phoenix market compared to the 571,487 SF that was available in Q3 2017. 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 fourth quarter at \$15.30 per square foot, from the \$15.12 per square foot previously quoted last quarter. This represents a 1.26% increase in the average retail rental rates for the Phoenix market.



Vacancy

Down to 7.8%
Net Absorption
Positive 1,371,431 SF



Rental Rates

Up - Averaging
\$15.31 Compared
to \$15.12 Q3

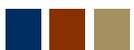


CAP Rates

Down - Averaging
7.30% Compared to
6.90% Q4 Avg 2016

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PHOENIX METRO | RETAIL 4Q 2017

RESEARCH & MARKET REPORT

Construction

1,079,532 SF were reported as still being under construction at the end of fourth quarter in the retail sector. This is down from the 1,409,096 SF previously reported as under construction last quarter. A few of the largest properties delivered were a 148,000 SF facility for Walmart Supercenter which is 100% occupied, and the 128,056 SF facility for Fry's at Canyon Crossroads which is now 98% occupied.

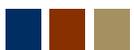
Inventory

The Phoenix Retail inventory currently consists of 14,448 buildings, and 1,960 centers that make up the 227,006,157 SF of total Retail inventory in Phoenix at the end of fourth quarter 2017.

For more information, contact:

Jason Price

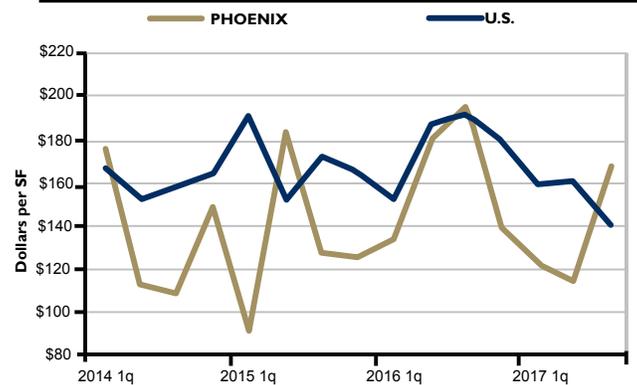
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U.S. PRICE/SF COMPARISON

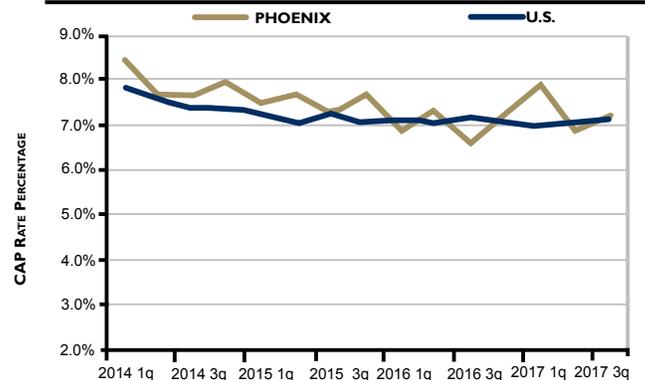
Based on Retail Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S. CAP RATE COMPARISON

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



Source: CoStar COMPS

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