



Industrial Market Report

PHOENIX METRO 2nd QTR. 2017

VACANCY

DOWN to 9.2%
NET ABSORPTION
POSITIVE 1,117,870 SF



RENTAL RATES

UP - Averaging \$7.05
Compared to \$6.93 last Qtr.



CAP RATES

DOWN - Averaging 7.00%
Compared to 7.18% Avg
for 1st three months last yr.



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TRANSACTIONS

Commercial Properties Incorporated (CPI) completed **293 Industrial transactions** for a total of **1.123 million square feet** at the end of second quarter 2017. The top CPI Industrial transactions for the quarter were the 35,943 SF sale of 1117-1131 W Fairmont Dr., for \$2.925 million in Tempe, AZ, and the 38,300 SF sale of 1410 N 27th Ln., for \$2.5 million in Phoenix, AZ.

VACANCY RATE & ABSORPTION

The Phoenix Industrial market ended second quarter 2017 with a **vacancy rate of 9.2%**. This is a 4.1% decrease from the 9.6% vacancy rate reported last quarter. Net absorption ended up at a **positive 1,117,870 square feet** at the end of second quarter 2017. Absorption was down compared to last quarter's net absorption previously reported at positive 1,631,732 square feet. The vacant sublease space in the Phoenix market ended the second quarter 2017 at 555,130 square feet. This is a decrease from last quarter which was previously reported at 816,786 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 second quarter 2017 **averaged out at \$7.05**, which is an increase of 1.7% from the \$6.93 average previously quoted for first quarter 2017. The Flex rental rate average was \$13.01 with the average Warehouse rental rates at \$6.19 at the end of second quarter 2017. Last quarter, the average rates were \$12.87 for Flex and \$6.07 for Warehouse.

CONSTRUCTION

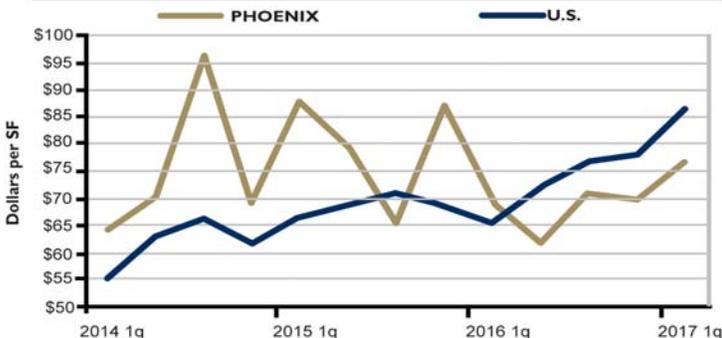
4,258,448 square feet were reported as still being under construction at the end of second quarter 2017 in the Industrial Sector. This is down compared to 4,527,935 square feet under construction last quarter. Some of the biggest projects still under construction were 7101 N Glen Harbor Blvd., a 1,000,000 SF building which is 100% pre-leased, and 16811 W Commerce Dr., a 540,349 SF facility which is 0% pre-leased.

INVENTORY

At the end of second quarter, there was a total of 319,740,700 SF of industrial inventory for Phoenix. This square footage is broken out into 10,096 buildings that make up the sector. This is an increase from the 318,899,546 SF of total Industrial inventory reported at the end of last quarter.

U.S. PRICE/SF COMPARISON

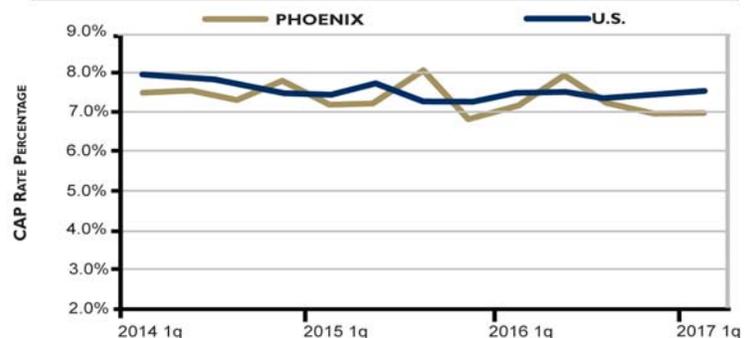
Based on Industrial Building Sales of 15,000 SF and Larger



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 2nd QTR. 2017

VACANCY
DOWN to 15.0%
NET ABSORPTION
+ 590,275 SF



TRANSACTIONS

Commercial Properties Incorporated (CPI) completed **100** office transactions for a total of **267,657 square feet** in second quarter 2017. The top CPI Office transactions for the quarter were a 12,912 SF sale of 1455 W Chandler Blvd., for \$3.3 million in Chandler, AZ, and a 6,092 SF sale of 21300 N John Wayne Pkwy., for \$1.15 million in Maricopa, AZ.

VACANCY RATE & ABSORPTION

Second quarter ended with a vacancy rate of 15.0%. This is 2.5% decrease from the 15.4% vacancy rate reported last quarter. Net absorption ended up at a positive 590,275 square feet at the end of second quarter. Absorption was down compared to last quarter's net absorption previously reported as positive 595,408 square feet. Vacant sublease space in the Phoenix market ended second quarter at 1,167,835 SF. Sublease space is down compared to the end of last quarter which was reported at 1,235,864 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 second quarter at \$23.86 full service. This is an increase of 1.3% from the \$23.55 per square foot average rental rates quoted last quarter. Class-A average rental rates at the end of second quarter were up to \$28.39, while the Class-B average rates increased to \$22.40 and the Class-C average rates were up to \$16.72. Last quarter, the average rates were \$28.23 for Class-A, \$22.15 for Class-B and \$16.59 for Class-C.

CONSTRUCTION

1,013,705 SF were reported as still under construction at the end of second quarter in the Office Sector. This is up from last quarter's 764,108 SF under construction figures. The largest projects still under construction at the end of second quarter were the 235,000 SF Liberty Center at Rio Salado, Building IV at 1870 W Rio Salado Pkwy., in Tempe that is 100% pre-leased, and the 135,500 SF Chaparral Commerce Center, Building A, in Scottsdale that is 100% pre-leased.

INVENTORY

At the end of second quarter, there was a total of 172,707,655 SF of Office inventory for Phoenix. This square footage is broken out into the 8,277 buildings that make up the sector. There are approximately 814 owner-occupied properties in the Office market that equate to 17,303,190 SF of Phoenix's Office space.

RENTAL RATES
UP - Averaging \$23.86
Compared to \$23.55 Last Qtr.



CAP RATES
LOWER - Averaging 7.78%
Compared to 7.96% Last Year



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U.S PRICE/SF COMPARISON

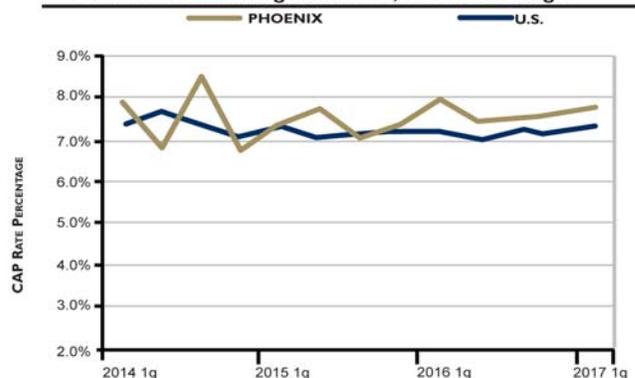
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S CAP RATE COMPARISON

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



Source: CoStar COMPS