



COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | INDUSTRIAL
3Q 2018

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 223 Industrial transactions for a total of 732,160 square feet at the end of third quarter 2018. The top CPI Industrial transactions for the quarter were the 18,963 SF sale of 190 E. Corporate Pl. for \$2.03 million in Chandler, AZ, and the 16,887 SF sale of 3144 N. Colorado St. for \$1.82 million in Chandler, AZ.

Vacancy Rate & Absorption

The Phoenix Industrial market ended third quarter 2018 with a vacancy rate of 7.0%. This is a 2.94% increase from the 6.8% vacancy rate reported last quarter. Net absorption ended up at a positive 790,484 square feet at the end of third quarter 2018. Absorption was down compared to last quarter's net absorption previously reported at positive 2,717,578 square feet. The vacant sublease space in the Phoenix market ended the third quarter 2018 at 633,415 square feet. This is a decrease from last quarter which was previously reported at 706,127 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 third quarter 2018 averaged out at \$7.24, which is a slight decrease of 1.23% from the \$7.33 average previously quoted for second quarter 2018. The Flex rental rate average was \$12.84 with the average Warehouse rental rates at \$6.52 at the end of third quarter. Last quarter, the average rates were \$12.71 for Flex and \$6.47 for Warehouse.



Vacancy

Down to 7.0%
from 6.8% in Q2
Net Absorption
+ 790,484 SF



Rental Rates

Down to \$7.24 Avg
Compared to \$7.33 Q2



CAP Rates

Up - Averaging 6.95%
Compared to 6.93%
Avg in first six months
last year


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Construction

7,048,640 square feet were reported as still being under construction at the end of third quarter 2018 in the Industrial Sector. This is up compared to 6,665,374 square feet under construction last quarter. Some of the biggest projects still under construction were TEN - Warehouse I, a 1,100,000 SF building which is 0% pre-leased, and LINCOLN 40 Logistics, a 901,700 SF facility which is 0% pre-leased.

Inventory

At the end of third quarter, there was a total of 339,613,882 SF of industrial inventory for Phoenix. This square footage is broken out into 10,818 buildings that make up the sector.

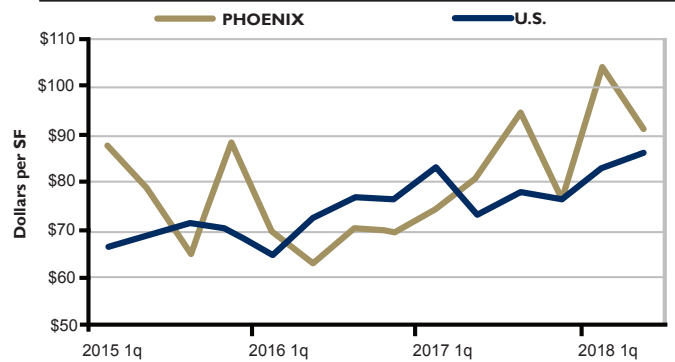
For more information, contact:

Jason Price

Director of Marketing & Research
480.214.1107
jprice@cpiaz.com

U.S. PRICE/SF COMPARISON

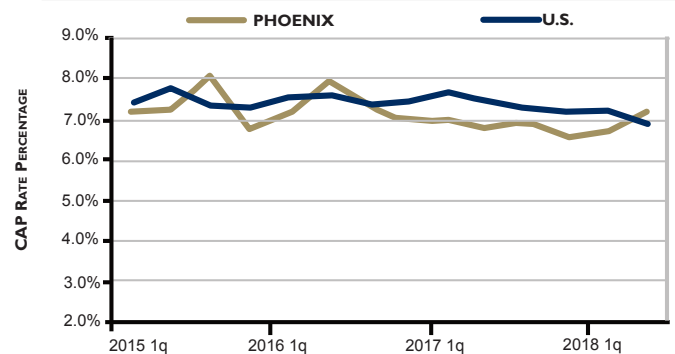
Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S. CAP RATE COMPARISON

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



Source: CoStar COMPS

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2323 W. University Drive, Tempe, AZ 85281 | 8777 N. Gainey Center Dr., Ste. 245, Scottsdale, AZ 85258
P (480) 966.2301 | F (480) 966.2307 | www.cpiaz.com