




# COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | INDUSTRIAL  
1 Q 2023

RESEARCH &  
MARKET REPORT

## Transactions

Commercial Properties Incorporated (CPI) completed 288 Industrial transactions for a total of 1,054,697 square feet at the end of first quarter 2023. The top CPI Industrial transactions for the quarter were the 34,400 SF sale of 1530 W 10th Place for \$6.6 million in Tempe, the 31,227 SF sale of 4615 E Broadway Rd for \$5.35 million in Phoenix, and the 20,374 SF sale of 12336 W Butler for \$3.3 million in El Mirage, Arizona.

## Vacancy Rate & Absorption

The first quarter vacancy rate of 4.3% represents a decrease from the 4.4% vacancy rate reported during the same time last year. Net absorption ended up at a positive 6,490,035 square feet at the end of first quarter 2023. Absorption was down compared to the positive 7,203,077 square feet of net absorption reported in first quarter of 2022.


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

In spite of new construction, demand continues to outpace supply of industrial space and has attributed to the sectors rental rate growth in Phoenix. The industrial rental rates for Q1 2023 averaged out at \$12.29 annual or \$1.02 monthly, which is a 14.6% increase of from the \$10.72 annual or \$0.89 monthly average reported during the same time period last year. The Flex rental rate average was \$16.83 annual or \$1.40 monthly with the average Warehouse rental rates at \$11.73 annual or \$0.98 monthly at the end of Q1 2023. A year ago, the average rates were \$15.41 annual or \$1.28 monthly for Flex and \$9.97 or \$0.83 monthly for Warehouse.

 **Vacancy**  
Down to **4.3%** from  
4.4% in Q1 2022  
Net Absorption  
Positive **+6,490,035 SF**

 **Rental Rates**  
Up to **\$12.29 Avg**  
Compared to \$10.72  
during same time  
period last year

 **CAP Rates**  
Down Slightly - **5.4%**  
**Avg** Compared to  
same time period in  
2022 when Avg 5.5%

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### Construction

Phoenix remains one of the best markets for job growth and has evolved into a vibrant financial, technology, manufacturing, and business services market. The diversified economy, relative affordability, and business-friendly regulations have resulted in major corporate HQ relocations, business expansions, and continuous population growth fueling demand.

54,751,280 square feet were reported as under construction in the Industrial Sector at the end of Q1 2023. This is a 34% increase compared to the 40,905,366 square feet under construction at this time last year. Some of the biggest projects still under construction were Gateway Grand, a speculative 2.1 million SF project near Phoenix-Mesa Gateway Airport, and multiple Facebook data centers in development adding to the approximately 8 million SF under construction in the Southeast Valley.

### Inventory

At the end of first quarter, there was a total of 425,241,699 SF of Industrial inventory for Phoenix compared to 398,949,970 SF a year ago. This square footage is broken out into 11,507 buildings that make up the sector.

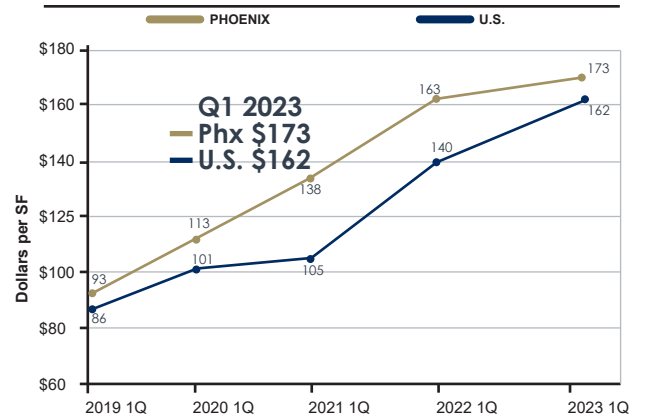
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### U.S. PRICE/SF COMPARISON

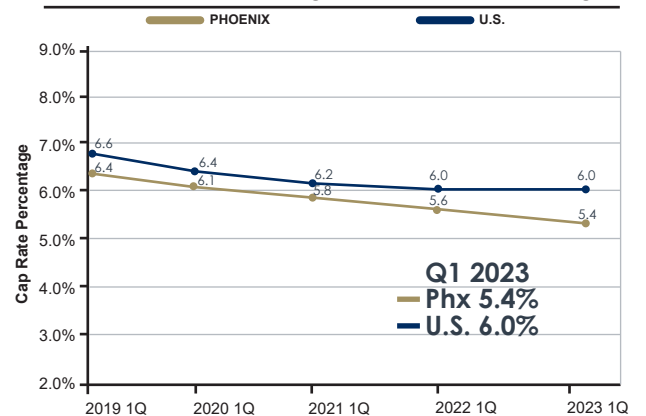
Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar

### U.S. CAP RATE COMPARISON

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



Source: CoStar

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