



COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | OFFICE
2Q 2022

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 132 Office transactions for a total of 401,849 square feet at the end of second quarter 2022. The top CPI office transactions for the quarter included the 21,064 SF sale of 8322 E Hartford Dr. sold for \$6.5 million, the adjacent 21,064 SF building at 8324 E Hartford Dr. sold for \$5.7 million at Sonoran Corporate Center in Scottsdale, and the 18,781 SF sale of The Commons at Superstition Springs at 7415 E Southern Avenue in Mesa, AZ which closed for \$3.25 million.

Vacancy Rate & Absorption

The Phoenix Office market ended second quarter 2022 with a vacancy rate of 14.3%. This is an increase from the 14.0% vacancy rate reported last year at this time. Net absorption ended up at a positive 560,306 square feet at the end of second quarter 2022. Absorption was up compared to net absorption last year previously reported at negative (-397,187) square feet. 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 Office rental rates for second quarter 2022 averaged out at \$27.98, which is an increase from the \$26.71 average previously reported during the same time period last year. Class-A average rental rates at the end of second quarter were \$33.36 while the Class-B average rental rates were at \$27.41 and the Class-C average rates were at \$20.34. During the same time period last year, the average rates were \$32.27 for Class-A, \$26.01 for Class-B and \$19.19 for Class-C.

Vacancy

Up to 14.3% from
14.0% in Q2 2021
Net Absorption
Positive 564,306 SF

Rental Rates

Up - Averaging
\$27.98 compared to
\$26.71 during same
time period last year

CAP Rates

Flat - 7.1% Avg
compared to same
period in 2021 when
Avg 7.1%

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Construction

2,204,851 square feet were reported as still being under construction at the end of second quarter 2022 in the Office Sector. This is up 5.3% compared to the 2,092,970 square feet under construction a year ago. Some of the biggest projects still under construction include Tempe's The Beam on Farmer, a 184,000 SF speculative office which is expected to deliver in late 2022. Another speculative project is Rio Yards in Tempe, a 150,000 SF office which is expected to deliver in 2023.

Inventory

At the end of second quarter, there was a total of 195,032,931 SF of Office inventory in Phoenix. This square footage is broken out into 9,053 buildings that make up the sector. This is an increase from the 193,444,742 SF of total Office inventory reported at the same time a year ago.

For more information, contact:

Jason Price

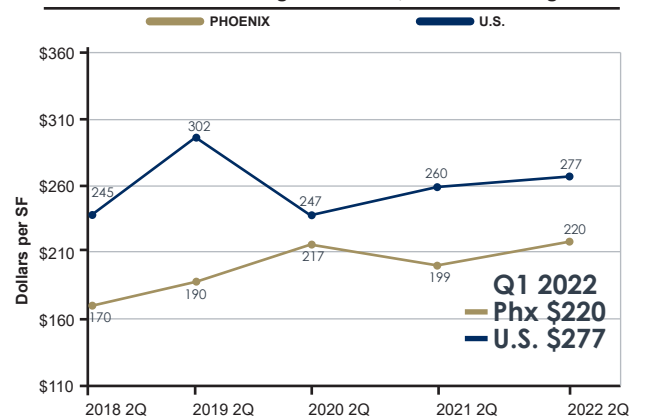
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U.S. PRICE/SF COMPARISON

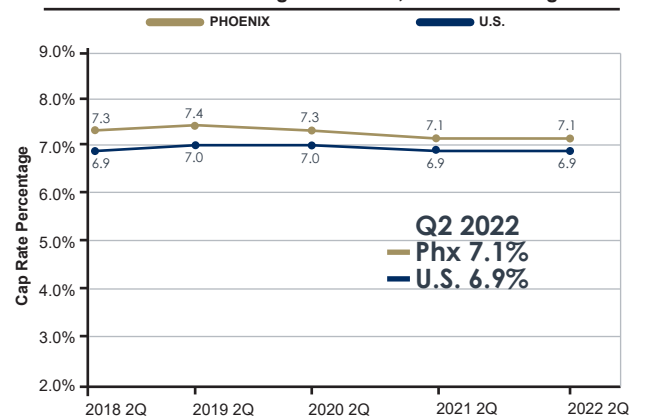
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar

U.S. CAP RATE COMPARISON

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




Source: CoStar

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COMMERCIAL PROPERTIES INC.

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PHOENIX METRO | INDUSTRIAL
2Q 2022

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 356 Industrial transactions for a total of 2,060,902 square feet at the end of second quarter 2022. The top CPI Industrial transactions for the quarter were the 285,365 SF sale of 2901 N 29th Dr. for \$16 million in Phoenix, the 92,485 SF sale of 700,720 & 734 N Golden Key St. for \$13.25 million in Gilbert, and the 112,375 SF sale of 2915 E Washington St. for \$10.1 million in Phoenix, Arizona.

Vacancy Rate & Absorption

The second quarter vacancy rate of 4.1% represents a 29% decrease from the 5.8% vacancy rate reported during the same time last year. Net absorption ended up at a positive 6,116,678 square feet at the end of second quarter 2022. Absorption was up compared to the positive 5,830,670 square feet of net absorption reported in second quarter of 2021.

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 Q2 2022 averaged out at \$10.80 annual or \$0.90 monthly, which is an increase of 15% from the \$9.36 annual or \$0.78 monthly average reported during the same time period last year. The Flex rental rate average was \$15.95 annual or \$1.33 monthly with the average Warehouse rental rates at \$10.30 annual or \$0.86 monthly at the end of Q2 2022. A year ago, the average rates were \$14.44 annual or \$1.20 monthly for Flex and \$8.80 or \$0.73 monthly for Warehouse.

 **Vacancy**
Down to **4.1%** from
5.8% in Q2 2021
Net Absorption
Positive **+6,116,678 SF**

 **Rental Rates**
Up to **\$10.33 Avg**
Compared to \$9.36
during same time
period last year

 **CAP Rates**
Down Slightly - **5.6%**
Avg Compared to
same time period in
2021 when Avg 5.7%

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PHOENIX METRO | INDUSTRIAL 2Q 2022 | RESEARCH & MARKET REPORT

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.

42,595,112 square feet were reported as under construction in the Industrial Sector at the end of Q2 2022. This is a 68% increase compared to the 25,336,554 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 square feet under construction in the Southeast Valley.

Inventory

At the end of second quarter, there was a total of 404,035,172 SF of Industrial inventory for Phoenix. This square footage is broken out into 11,328 buildings that make up the sector.

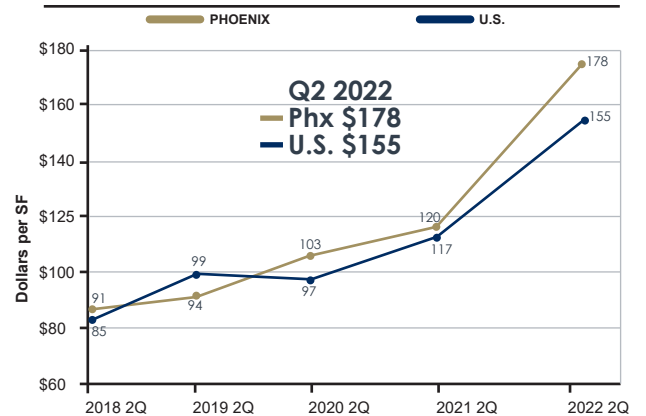
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U.S. PRICE/SF COMPARISON

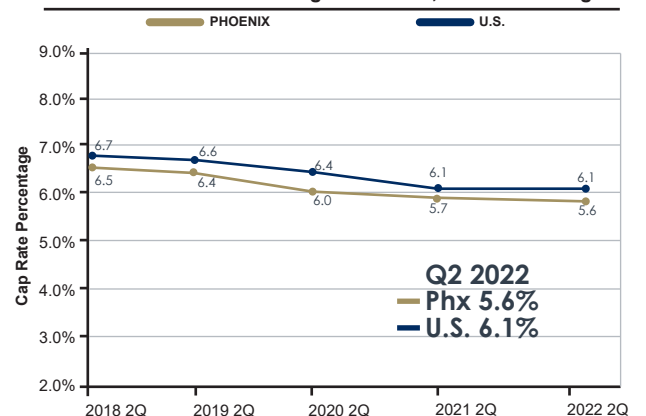
Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar

U.S. CAP RATE COMPARISON

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



Source: CoStar

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