



COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | INDUSTRIAL
3Q 2021

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 274 Industrial transactions for a total of 900,632 square feet at the end of third quarter 2021. The top CPI Industrial transactions for the quarter were the 33,090 SF sale of 7201 W Oakland St. for \$4.85 million in Chandler, AZ, and the 28,016 SF sale of 1815 S. 39th Ave. for \$3.35 million in Phoenix, AZ.

Vacancy Rate & Absorption

The third quarter vacancy rate of 5.2% represents a 32% decrease from the 7.7% vacancy rate reported during the same time last year. Net absorption ended up at a positive 6,607,076 square feet at the end of third quarter 2021. Absorption was up compared to the positive 2,983,881 square feet of net absorption reported in Q3 of 2020.


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

Increased demand on shipping and manufacturing created the need for more space and has attributed to the Industrial sectors rental rate growth in Phoenix. The Industrial rental rates for third quarter 2021 averaged out at \$9.49 annual or \$0.79 monthly, which is an increase of nearly 10% from the \$8.63 annual or \$0.72 monthly average reported during the same time period last year in third quarter 2020. The Flex rental rate average was \$14.56 annual or \$1.21 monthly with the average Warehouse rental rates at \$8.90 annual or \$0.74 monthly at the end of Q3 2021. A year ago, in third quarter 2020, the average rates were \$13.79 annual or \$1.14 monthly for Flex and \$7.98 or \$0.67 monthly for Warehouse.

 **Vacancy**
Down to 5.2% from
7.7% in Q3 2020
Net Absorption
Positive +6,607,076 SF

 **Rental Rates**
Up to \$9.49 Avg
Compared to \$8.63
during same time
period last year

 **CAP Rates**
Lower - Averaging 5.9%
Compared to same
time period in 2020
when Avg 6.1%

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Construction

New growth continued throughout Q3 as shipping and manufacturing demands increased. The Southwest Valley and Southeast Valley experienced growth with the benefit of Phoenix's affordability, West Coast proximity, and the major transportation routes access to Interstate 10, Interstate 8, and Interstate 17 freeways, along with the BNSF and Union Pacific railroads. 27,128,878 square feet were reported as under construction at the end of third quarter 2021 in the Industrial Sector. This is a 92% increase compared to the 14,104,195 square feet under construction last year in Q3 2020. Some of the biggest projects still under construction were Power 202 Business Park, a 330,500 SF speculative project near Gateway Airport, and Elliot 202 Industrial Park, which is a 1 million SF facility.

Inventory

At the end of third quarter, there was a total of 386,292,164 SF of Industrial inventory for Phoenix. This square footage is broken out into 11,220 buildings that make up the sector. This is a 4.3% increase from the 370,418,923 SF of total Industrial inventory reported during the same time period a year ago.

For more information, contact:

Jason Price

Director of Marketing & Research

480.214.1107

jprice@cpi.az.com



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.cpi.az.com

U.S. PRICE/SF COMPARISON

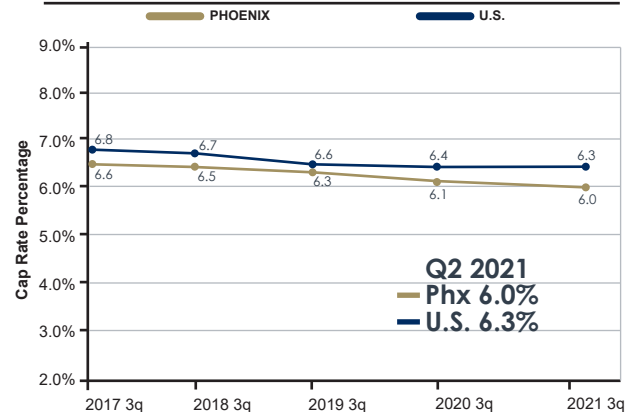
Based on Industrial Building Sales of 15,000 SF and Larger



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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