




COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | INDUSTRIAL
4Q 2023

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 206 Industrial transactions for a total of 853,727 square feet in fourth quarter 2023. The top CPI Industrial transactions for the quarter were the 49,577 SF sale by Jeff Hays & Sam Rutledge at 620 N 43rd Avenue in Phoenix for \$9.0M, the 42,333 SF sale by John G. Soldo, SIOR & Eric Jones at 730 W 22nd Street in Tempe for \$8.6M, and the 38,541 SF lease by The Leroy Breinholt Team at 8057 & 8063 E Pecos Road, in Mesa, Arizona.

Vacancy Rate & Absorption

The fourth quarter vacancy rate of 7.9% represents an increase from the 4.7% vacancy rate reported during the same time last year. Net absorption ended up at a positive 2,256,424 square feet at the end of fourth quarter 2023. Absorption was down compared to the positive 7,265,412 square feet of net absorption reported in fourth 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

Industrial rental rate growth may be normalizing in Phoenix. The industrial rental rates for Q4 2023 averaged out at \$13.32 annual or \$1.11 monthly, which is an 11.0% increase of from the \$12.00 annual or \$1.00 monthly average reported during the same time period last year. The Flex rental rate average was \$18.42 annual or \$1.53 monthly with the average Warehouse rental rates at \$12.85 annual or \$1.07 monthly at the end of Q4 2023. A year ago, the average rates were \$16.73 annual or \$1.39 monthly for Flex and \$11.49 or \$0.96 monthly for Warehouse.



Vacancy

Up to **7.9%** from
4.7% in Q4 2022
Net Absorption
Positive **+2,256,424 SF**



Rental Rates

Up to **\$13.32 Avg**
Compared to \$12.00
during same time
period last year



CAP Rates

UP - **6.4% Avg**
Compared to same
time period in 2023
when Avg 5.9%

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Construction

Phoenix industrial developers experienced strong demand in 2022. This fueled growth for construction in the West and East Valley. Industries seeking advanced manufacturing space for the semiconductor industry, data centers, distribution and logistics warehouses, manufacturing, and business services has resulted in speculative building with 40.8M square feet still under construction. The positive outlook for the market is with Phoenix's diversified economy, relative affordability, and business-friendly regulations, it will continue to benefit from major corporate HQ relocations, business expansions, and continuous population growth as the slowing construction starts will help balance the market by 2025.

40,888,475 square feet were reported as under construction in the Industrial Sector at the end of Q4 2023. This is a 15% decrease compared to the 48,400,0836 square feet under construction at this time last year. Some of the biggest projects still under construction were Camelback 303, a 1.75 million square foot park on Camelback Road & the NW corner of Loop 303, and multiple Facebook data centers in development adding to the approximately 8 million SF under construction in the Southeast Valley.

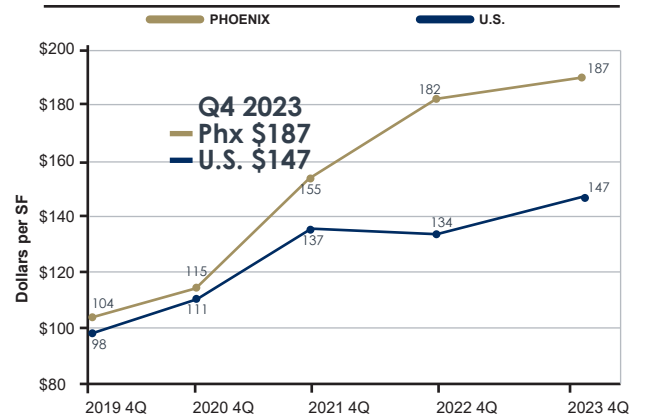
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U.S. PRICE/SF COMPARISON

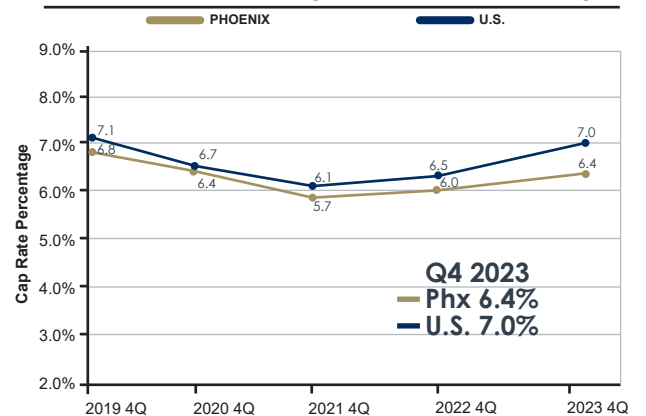
Based on Industrial Building Sales of 15,000 SF and Larger



Source: CoStar

U.S. CAP RATE COMPARISON

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



Source: CoStar

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