



COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | OFFICE
4Q 2022

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 117 Office transactions for a total of 341,952 square feet at the end of fourth quarter 2022. The top CPI office transactions for the quarter included the 62,500 SF sale of 9180 N Kyrene Rd., sold for \$3.14 million in Tempe, the 11,600 SF building at 3155 E Southern Ave., sold for \$2.73 million in Mesa, and the 13,072 SF sale of Building 3 in Dover Shores Office Park at 2222 S Dobson Rd. in Mesa, AZ which closed for \$1.57 million.

Vacancy Rate & Absorption

The Phoenix Office market ended fourth quarter 2022 with a vacancy rate of 15.0%. This is an increase from the 13.8% vacancy rate reported last year at this time. Net absorption ended up at a negative (-240,808) square feet at the end of fourth quarter 2022. Absorption was down compared to net absorption last year previously reported at negative (-176,005) 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 fourth quarter 2022 averaged out at \$28.52, which is an increase from the \$27.58 average previously reported during the same time period last year. Class-A average rental rates at the end of fourth quarter were \$33.82 while the Class-B average rental rates were at \$28.47 and the Class-C average rates were at \$27.23. During the same time period last year, the average rates were \$33.23 for Class-A, \$27.58 for Class-B and \$26.27 for Class-C.



Vacancy

Up to 15.0% from 13.8% in Q4 2021
Net Absorption (-240,808) SF



Rental Rates

Up - Averaging \$28.52 compared to \$27.58 during same time period last year



CAP Rates

Up - 7.2% Avg compared to same period in 2021 when Avg 7.1%

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Construction

1,331,089 square feet were reported as still being under construction at the end of fourth quarter 2022 in the Office Sector. This is down 5% compared to the 1,399,430 square feet under construction a year ago. Some of the biggest projects still under construction include Tempe's Rio Yards on the SWC of McClintock & Rio Salado Pkwy, a speculative project of 150,000 SF office which is expected to deliver late in 2023.

Inventory

At the end of fourth quarter, there was a total of 194,000,000 SF of Office inventory in Phoenix. This square footage is broken out into 9,040 buildings that make up the sector. This is an increase from the 192,943,400 SF of total Office inventory reported at the same time a year ago.

For more information, contact:

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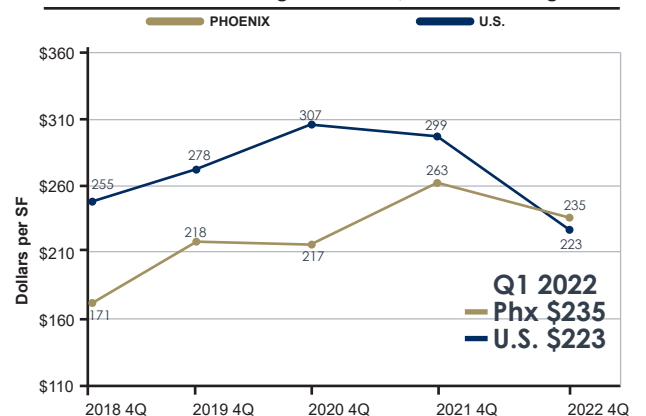
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U.S. PRICE/SF COMPARISON

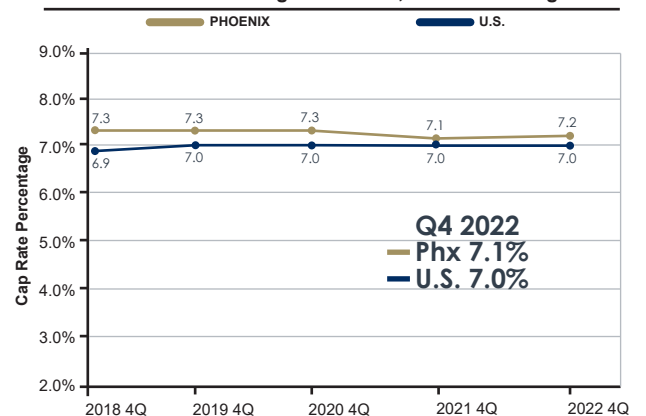
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar

U.S. CAP RATE COMPARISON

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



Source: CoStar

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