



Office Market Report

COMMERCIAL PROPERTIES INCORPORATED

PHOENIX METRO THIRD QUARTER 2011

VACANCY
DOWN to 21.1%
NET ABSORPTION
+ 882,680

CAP RATES
DOWN

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TRANSACTIONS

Commercial Properties Incorporated completed 73 office transactions for a total of 161,706 square feet in third quarter 2011. Year to date, the Commercial Properties Incorporated team has completed 255 transactions, for a total of 649,332 square feet sold and leased.

VACANCY RATE & ABSORPTION

The Phoenix Office market, as a whole, ended the third quarter 2011 with a vacancy rate of 21.1%. The vacancy rate was down from 21.2% from second quarter, with the third quarter net absorption totaling positive 882,680 square feet at the end of third quarter compared to second quarter's net absorption total of a positive 147,813 square feet. The vacant sublease space in the Phoenix market increased, ending third quarter at 1,255,442 square feet compared to the 1,023,016 square feet of vacant sublease space that was available at the end of second quarter. 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 around your property.

RENTAL RATES

The Office rental rates ended the third quarter at an average for all classes at \$20.63 per square foot. This is a decrease of 1.4% in comparison to the \$20.93 per square foot average rental rates quoted for second quarter. Across all sector, A,B, and C, the rental rates declined at the end of third quarter. Class-A average rental rates were \$23.80 with the average Class-B rental rates coming in at \$18.83, and Class-C at \$14.35 for the end of third quarter.

CONSTRUCTION

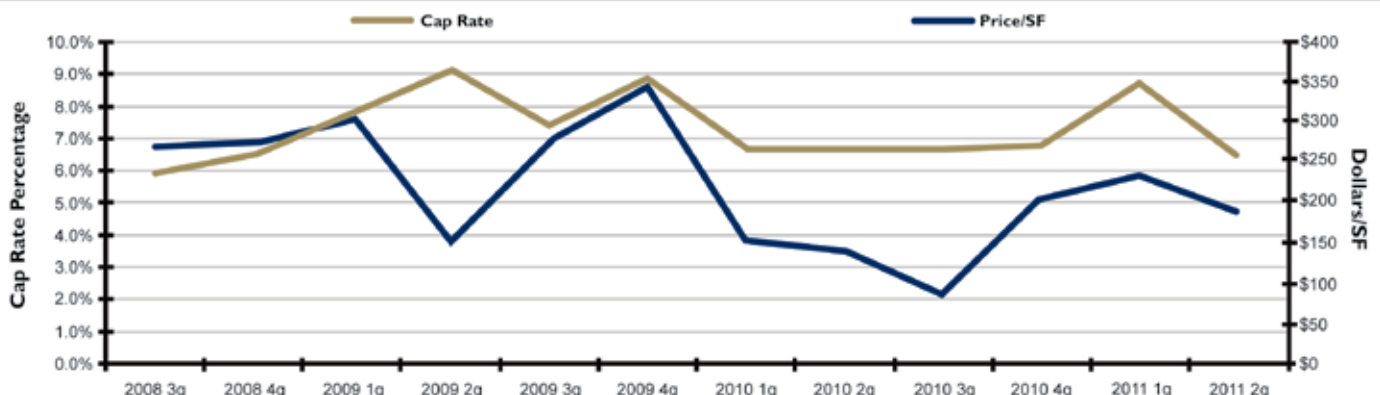
327,037 square feet were reported as still being under construction at the end of third quarter in the Office Sector compared to 582,969 square feet under construction in second quarter 2011. Some of the biggest projects under construction are the 210,202 square foot FBI Regional Headquarters at 21711 N. 7th Street, and Salvation Army Phoenix Divisional Headquarters 71,250 square foot building at 2707 E. Van Buren Street.

INVENTORY

At the end of third quarter 2011, there were 155,844,883 square feet of total Office space in Phoenix. This square footage is broken out into the 8,005 buildings that make up the sector. Comparatively, this is an increase from second quarter's 155,826,491 total Office square feet which consisted of 7,998 buildings, a difference of 7 more buildings now in the Office inventory at the end of third quarter 2011.

The Optimist Sales Index

Average of Two Highest Price/SF's and Two Lowest Cap Rates Per Quarter



Source: CoStar COMPS®

