



COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | INDUSTRIAL 4Q 2020

RESEARCH & MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 192 Industrial transactions for a total of 905,179 square feet at the end of fourth quarter 2020. The top CPI Industrial transactions for the quarter were the 109,510 SF sale of 1495 E. Baseline Rd. for \$13.25 million in Gilbert, AZ, and the 96,723 SF sale of 4001-4013 E. Broadway Rd., 4411 S. 40th St. for \$4.97 million in Phoenix, AZ.

Vacancy Rate & Absorption

The fourth quarter vacancy rate of 7.2% represents a -.02% decrease from the 7.3% vacancy rate reported during the same time last year. Net absorption ended up at a positive 8,622,315 square feet at the end of fourth quarter 2020. Absorption was up compared to the positive 1,459,339 square feet of net absorption reported in Q4 of 2019.


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 stay at home order increased demand on shipping and manufacturing which created the need for more space and has attributed to the Industrial sectors rental rate growth in Phoenix. The Industrial rental rates for fourth quarter 2020 averaged out at \$8.80 or \$0.73 monthly, which is an increase of 1.2% from the \$8.32 or \$0.69 monthly average reported during the same time period last year in fourth quarter 2019. The Flex rental rate average was \$13.98 or \$1.16 monthly with the average Warehouse rental rates at \$2.07 or \$0.68 monthly at the end of Q4 2020. A year ago, in fourth quarter 2019, the average rates were \$13.35 or \$1.11 monthly for Flex and \$7.68 or \$0.64 monthly for Warehouse.

 **Vacancy**
Down to 7.2% from
7.3% in Q4 2019
Net Absorption
Positive +8,622,315 SF

 **Rental Rates**
Up to \$8.80 Avg
Compared to \$8.32
during same time
period last year

 **CAP Rates**
Lower - Averaging 6.2%
Compared to same
time period in 2019
when Avg 6.3%

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Construction

Construction was deemed an essential service in Arizona during the COVID-19 pandemic and new growth continued throughout the year 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. 7,983,623 square feet were reported as under construction at the end of fourth quarter 2020 in the Industrial Sector. This is down compared to the 11,371,206 square feet under construction last year in Q4 2019. Some of the biggest projects still under construction were Elwood Logistics Center, a 1.3 mill SF speculative logistics in Goodyear, AZ, and Sky Bridge, located in Phoenix Mesa Gateway Airport, which is a 4 million SF customs facility. Two of the Phase I buildings by Sky Plus Developments have broke ground.

Inventory

At the end of fourth quarter, there was a total of 372,303,377 SF of industrial inventory for Phoenix. This square footage is broken out into 11,107 buildings that make up the sector. This is a 4.8% increase from the 355,006,818 SF of total Industrial inventory reported during the same time period a year ago.

For more information, contact:

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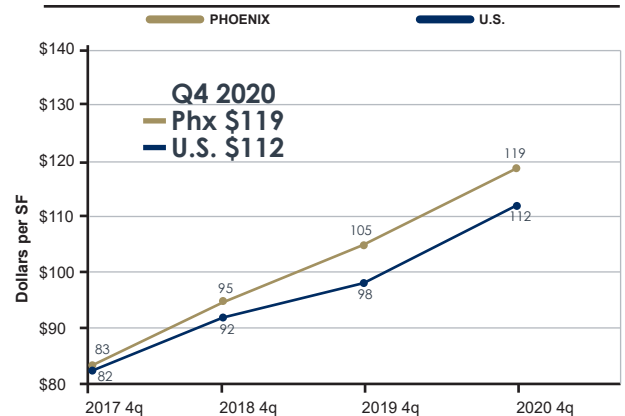
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U.S. PRICE/SF COMPARISON

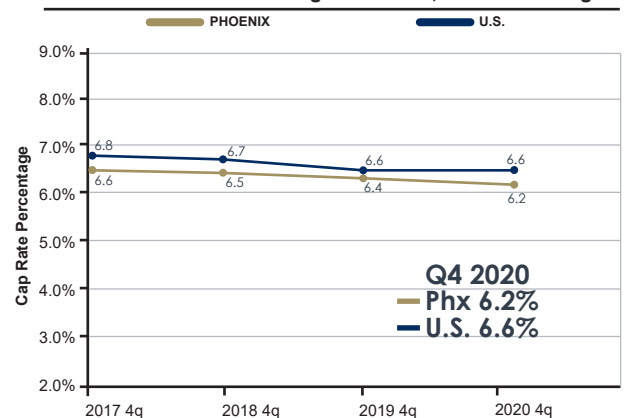
Based on Industrial Building Sales of 15,000 SF and Larger



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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