



COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | OFFICE
4Q 2019

RESEARCH &
MARKET REPORT

Transactions


Commercial Properties Incorporated (CPI) completed 83 Office transactions for a total of 360,376 square feet at the end of fourth quarter 2019. The top CPI Office transactions for the quarter included the 121,632 SF sale of Rome Towers, 1760 E. Pecos Rd. for \$26 million in Gilbert, AZ, and the 7,477 SF sale of 8910 E. Raintree Dr. for \$1.85 million in Scottsdale, AZ.

Vacancy Rate & Absorption


The Phoenix Office market ended fourth quarter 2019 with a vacancy rate of 11.9%. This is a 0.83% decrease from the 12.0% vacancy rate reported last quarter. Net absorption ended up at a positive 1,310,415 square feet at the end of fourth quarter 2019. Absorption was up compared to last quarter's net absorption previously reported at positive 995,587 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 2019 averaged out at \$26.04, which is a 1.4% increase from the \$25.68 average previously quoted for third quarter 2019. 3-Star, Class-A average rental rates at the end of fourth quarter were \$31.56 while the Class-B average rental rates were at \$26.04 and the Class-C average rates were at \$24.84. Last quarter, the average rates were \$31.20 for Class-A, \$25.68 for Class-B and \$24.36 for Class-C.

 **Vacancy**
Down to 11.9%
Net Absorption
Positive 1,310,415 SF

 **Rental Rates**
Up - Averaging
\$26.04 Compared
to \$25.68 Q3

 **CAP Rates**
Down - Averaging
7.11% Compared to
same period in 2018
when Avg 7.2%

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Construction

3,741,993 square feet were reported as still being under construction at the end of fourth quarter 2019 in the Office Sector. This is down compared to 3,944,309 square feet under construction a year ago. Some of the biggest projects still under construction were a build-to-suit for Nationwide Insurance, a 460,000 SF office which is slated for delivery December 2020 and Choice Hotels Tech Center, a 150,000 SF office building which is expected to consist of 1.8 million SF upon full build out.

Inventory

At the end of fourth quarter, there was a total of 192,190,433 SF of Office inventory in Phoenix. This square footage is broken out into 8,901 buildings that make up the sector. This is an increase from the 189,324,534 SF of total Office inventory reported at the same time a year ago.

For more information, contact:

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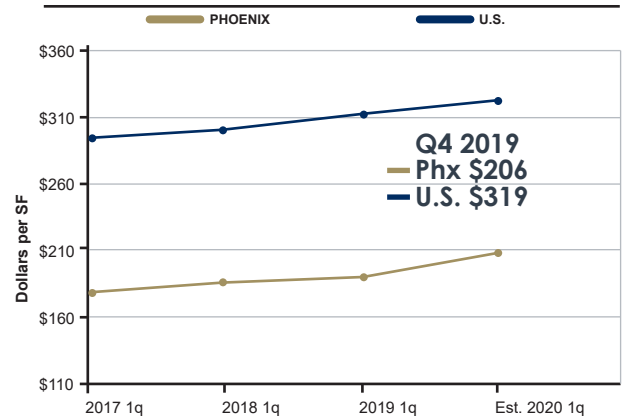
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U.S. PRICE/SF COMPARISON

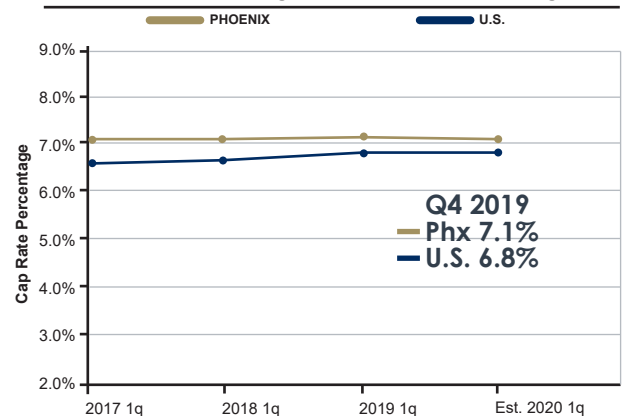
Based on Office Building Sales of 15,000 SF and Larger



Source: CoStar COMPS

U.S. CAP RATE COMPARISON

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



Source: CoStar COMPS

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