



COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | RETAIL
4Q 2019

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 26 Retail transactions for a total of 94,761 square feet in fourth quarter 2019. The top CPI Retail transactions for the quarter were a 16,187 SF sale of 2727 E. McKellips Rd. for \$3.1 million in Mesa, Arizona, and the 5,000 SF sale of 1861 S. Mesa Dr. for \$1.55 million in Mesa, Arizona.

Vacancy Rate & Absorption

The Phoenix Retail market ended fourth quarter with a vacancy rate of 7.1%. This is a slight increase from the 6.9% vacancy rate last year. Fourth quarter net absorption was positive 718,902 SF. Absorption is down compared to last year's net absorption which was positive 1,600,000 SF. The General Retail sector, which is categorized as freestanding retail that is not in a center, had a vacancy rate of 4.0% at the end of fourth quarter, which is a decrease from the 4.4% reported during the same time period in 2018.


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

Average retail rental rates ended the fourth quarter at \$19.44 per square foot, from the \$18.60 per square foot during Q4 of 2018 last year. This represents a 1.4% increase in the average retail rental rates for the Phoenix market. Fueled by population growth as one of the fastest-growing in the U.S., Phoenix's rental rates are maintaining positive momentum.

 **Vacancy**
Up to 7.1%
Net Absorption
Positive 718,902 SF

 **Rental Rates**
Up - Averaging
\$19.44 Compared
to \$18.60 Q4 2018

 **CAP Rates**
Flat - Averaging 7.2%
Compared to same time
period in 2018 when
average was 7.2%

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Construction

1,047,668 SF were reported as still being under construction at the end of fourth quarter in the retail sector. This is up from the 916,709 SF previously reported as under construction in fourth quarter 2018. There is 860,000 SF of retail currently in development for various big box build-to-suits focusing on entertainment, grocery and gyms in fast-growing suburban family neighborhoods. One of the largest properties still under construction was the 165,000 SF shopping center anchored by a 123,000 SF Fry's at Baseline Rd. and Higley Rd. in Mesa, AZ.

Inventory

The Phoenix Retail inventory currently consists of 15,431 buildings that make up the 233,010,156 SF of total Retail inventory in Phoenix at the end of fourth quarter 2019.

For more information, contact:

Jason Price

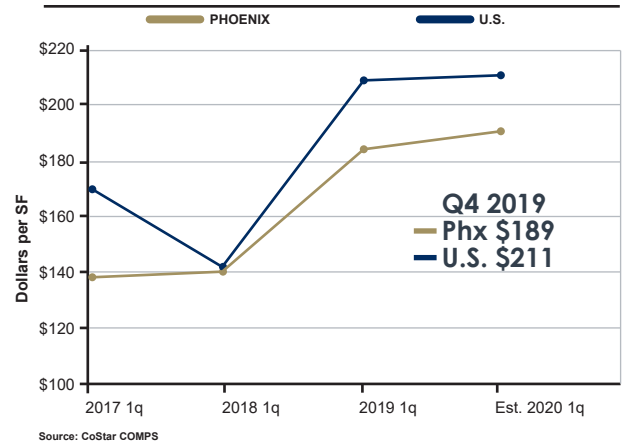
Director of Marketing & Research
480.214.1107
jprice@cpiaz.com



2323 W. University Drive, Tempe, AZ 85281 | 8777 N. Gainey Center Dr., Ste. 245, Scottsdale, AZ 85258
P (480) 966.2301 | F (480) 966.2307 | www.cpiaz.com

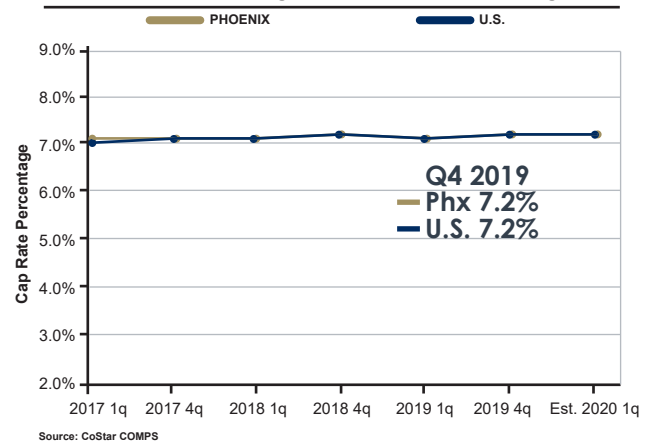
U.S. PRICE/SF COMPARISON

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



U.S. CAP RATE COMPARISON

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



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