



# COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

## PHOENIX METRO | INDUSTRIAL 2Q 2018

## RESEARCH & MARKET REPORT

### Transactions

Commercial Properties Incorporated (CPI) completed 267 Industrial transactions for a total of 1.071 million square feet at the end of second quarter 2018. The top CPI Industrial transactions for the quarter were the 56,634 SF sale of 8515 E. Anderson Dr. & 17301 N. Perimeter Dr. for \$9.9 million in Scottsdale, AZ, and the 46,674 SF sale of 2401 W. 1st St. for \$3.5 million in Tempe, AZ.

### Vacancy Rate & Absorption

The Phoenix Industrial market ended second quarter 2018 with a vacancy rate of 6.9%. This is a 4.16% decrease from the 7.2% vacancy rate reported last quarter. Net absorption ended up at a positive 2,567,359 square feet at the end of second quarter 2018. Absorption was up compared to last quarter's net absorption previously reported at positive 1,323,625 square feet. The vacant sublease space in the Phoenix market ended the second quarter 2018 at 713,282 square feet. This is a decrease from last quarter which was previously reported at 811,726 square feet of vacant sublease space.

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 Industrial rental rates for second quarter 2018 averaged out at \$7.33, which is a slight increase of 0.68% from the \$7.28 average previously quoted for first quarter 2018. The Flex rental rate average was \$12.75 with the average Warehouse rental rates at \$6.57 at the end of second quarter. Last quarter, the average rates were \$12.85 for Flex and \$6.50 for Warehouse.



### Vacancy

Down to 6.9%  
from 7.2% in Q1  
Net Absorption  
+2,567,359 SF



### Rental Rates

Up to \$7.33 Avg  
Compared to \$7.28 Q1



### CAP Rates

Down - Averaging  
6.70% Compared to  
7.00% Avg in first three  
months last year

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### Construction

6,665,374 square feet were reported as still being under construction at the end of second quarter 2018 in the Industrial Sector. This is up compared to 6,630,296 square feet under construction last quarter. Some of the biggest projects still under construction were TEN - Warehouse I, a 1,100,000 SF building which is 0% pre-leased, and LINCOLN 40 Logistics, a 901,700 SF facility which is 0% pre-leased.

### Inventory

At the end of second quarter, there was a total of 337,955,732 SF of industrial inventory for Phoenix. This square footage is broken out into 10,785 buildings that make up the sector.

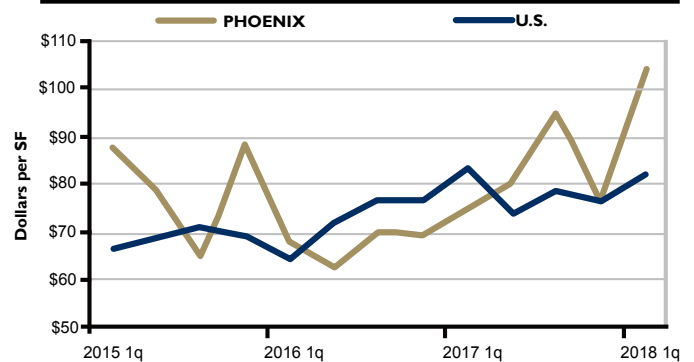
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### U.S. PRICE/SF COMPARISON

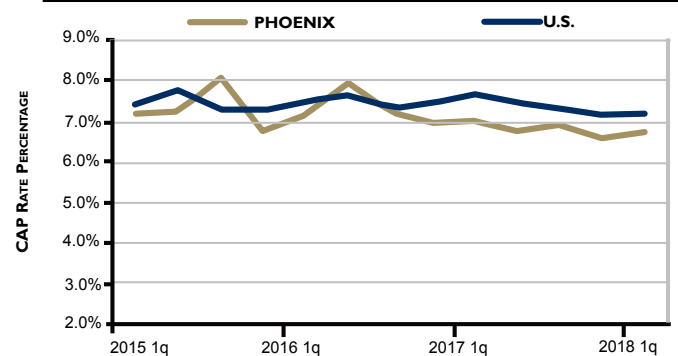
Based on Industrial Building Sales of 15,000 SF and Larger



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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