



COMMERCIAL PROPERTIES INC.

Locally Owned. Globally Connected. 

PHOENIX METRO | OFFICE
1Q 2018

RESEARCH &
MARKET REPORT

Transactions

Commercial Properties Incorporated (CPI) completed 92 Office transactions for a total of 234,613 square feet at the end of first quarter 2018. The top CPI Office transactions for the quarter included the 5,272 SF sale of 2045 S. Vineyard Rd. for \$1.49 million in Mesa, AZ, and the 14,340 SF sale of 103 W. Highland Ave. for \$1.434 million in Phoenix, AZ.



Vacancy

Down to 14.3%
Net Absorption
Positive 248,547 SF

Vacancy Rate & Absorption

The Phoenix Office market ended first quarter 2018 with a vacancy rate of 14.3%. This is a decrease of 2.72% from the 14.7% vacancy rate reported last quarter. Net absorption ended up at a positive 248,547 square feet at the end of first quarter 2018. Absorption was down compared to last quarter's net absorption previously reported at positive 3,898,494 square feet. The vacant sublease space in the Phoenix market ended the first quarter 2018 at 1,762,261 square feet. This is an increase from last quarter which was previously reported at 1,321,543 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

Up - Averaging
\$25.00 Compared
to \$24.57 Q4

Rental Rates

The Office rental rates for first quarter 2018 averaged out at \$25.00 full service, which is an increase from the \$24.57 average previously quoted for fourth quarter 2017. Class-A average rental rates at the end of first quarter were \$30.16 while the Class-B average rental rates were at \$22.95 and the Class-C average rates were at \$17.92. Last quarter, the average rates were \$29.63 for Class-A, \$22.71 for Class-B and \$17.76 for Class-C.



CAP Rates

Down - Averaging
7.61% Compared to
7.64% Avg 2017

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Construction

2,918,300 square feet were reported as still being under construction at the end of first quarter 2018 in the Office Sector. This is up compared to 1,740,329 square feet under construction last quarter. Some of the biggest projects still under construction were The Grand at Papago Park - Phase II, a 352,481 SF building which is 0% pre-leased, and The Watermark - Phase I, a 284,000 SF building which is 7% pre-leased.

Inventory

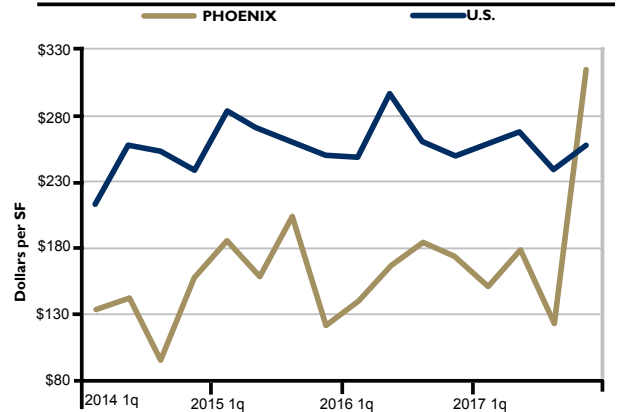
At the end of first quarter, there was a total of 178,512,176 SF of Office inventory in Phoenix. This square footage is broken out into 8,672 buildings that make up the sector. This is an increase from the 173,740,500 SF of total Office inventory reported at the end of last quarter.

For more information, contact:

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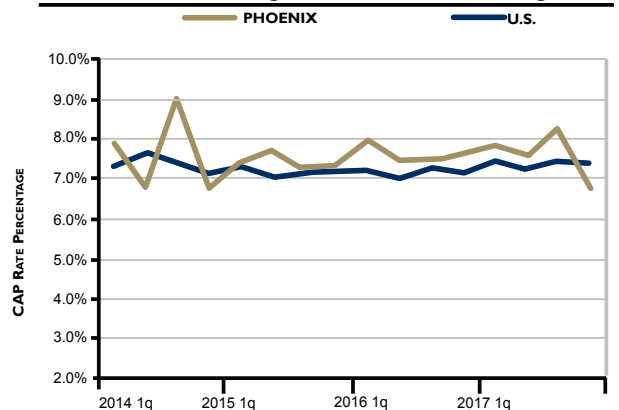
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U.S. PRICE/SF COMPARISON Based on Office Building Sales of 15,000 SF and Larger



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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