



# Phoenix Q2 Regional Profile

## INDUSTRIAL MARKET OVERVIEW

Jeff Hays commented on the PHX Industrial sector. "In general, the industrial market continues to improve in deal velocity, especially in the 25,000-100,000/sf range."

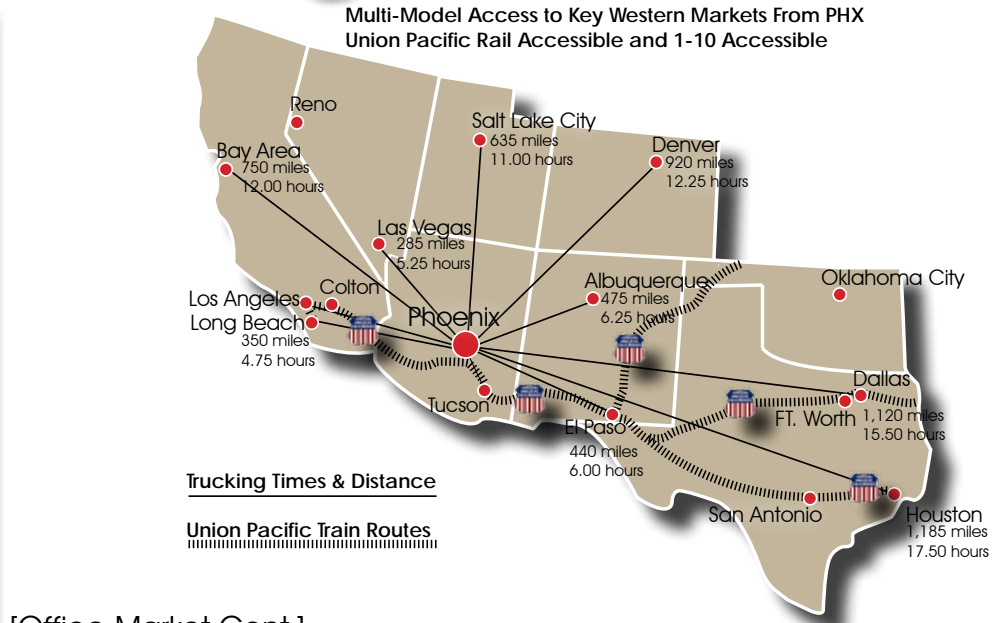
Hays has accumulated over 30 years of experience in Industrial sales, leasing and investments. In addition to office, warehouse and manufacturing listings, Jeff also handles specialized transportation properties, such as cross-dock, truckload and vehicle maintenance. Hays adds, "cross-dock facilities are more suitable for LTL (less than truckload), final mile delivery, and 3PL type uses, and are quoted for lease on a per door basis. Truckload properties typically require larger parcels of land (5-10 acres), and contain an office structure and/or maintenance building for the company's trailer and tractor repairs. While the LTL operator serves locals businesses in metro Phoenix and Arizona in general, truckload carriers are interstate operators which travel longer distances between destinations."

There have been several new cross-dock and maintenance facilities recently constructed in the Southwest Submarket, including Old Dominion Freight Line at 79th Ave & Van Buren, and R+L Carriers at 43rd Ave & Gibson Ln. The Phoenix leasing market ranges from \$350-\$500/door, depending on the age, size (# of doors/site), and general condition of the terminal.

## OFFICE MARKET OVERVIEW

Eric Butler, VP of Sales & Leasing, in CPI's Scottsdale Office Group commented on the second quarter office activity for Phoenix. "Demand for office space continues to improve, which has provided some lift, resulting in higher rental rates in most segments. We are observing increased competition between tenants. Landlords are receiving multiple bids on suites and offering less free rent up front compared to last quarter."

"Outside broker commissions in some areas are starting to return to pre-recession levels, helping Landlords with their bottom line profitability. Location and quality space continues to be the priority for users; however, there are fewer



## [Office Market Cont.]

choices for those types of space, which is driving up competition for nicer properties." Eric's carefully chosen team continues to be highly successful; they have implemented an innovative listing program designed to maximize exposure for listings, while incorporating an exclusive Buyer/Tenant assistance process to ensure a satisfying experience for Buyers and Tenants alike.

## RETAIL MARKET OVERVIEW

Thomas K. Semancik has been actively involved in the sale of commercial real estate in Arizona since 1993. Semancik commented on the PHX Q2 Retail sector activity. "The greater Phoenix Retail Investment Market in the second quarter is experiencing higher prices as vacancy drops. "B" and "C" properties are finally filling up after the great recession. Overall capitalization rates have risen slightly reflecting the sale of these "B" and "C" properties to latecomersto the marketplace."

"This trend is coupled with a divergent trend toward quality at the top; investors are aggressively paying for retail properties that meet all the right criteria for location, age and tenant mix. Many of these buyers are coming from California and the Pacific Northwest where prices have

skyrocketed, making Phoenix prices appear more affordable. A final influence in the current retail market is the re-emergence of investors completing IRS Section 1031 exchanges, which had diminished greatly in the downturn."

## LAND MARKET OVERVIEW

Donn Kinzle, Vice President of CPI's Land Group, commented on the PHX land sector for second quarter. "By projecting out the current demographic trends in Arizona over the next ten years, the data shows that land will be a very strong investment for the future. The primary driving force for all land sales in the second quarter of this year was the sale of single-family land parcels. Strengthening home prices and increased permitting continues to add a strong foothold for the local land markets. One interesting side note to the current Arizona land market is the addition of water rights. We are seeing investment groups that are investing in farm properties for water rights and certificates."

Donn possesses extensive experience within the commercial real estate land market. His rich and varied background spans over 25 years in Arizona and California.