

COMMERCIAL REAL ESTATE REPORT Q4 2023

Phoenix-Mesa-Chandler, AZ Metro Area

Select a Metro Area
Phoenix-Mesa-Chandler, AZ Metro Area

Demographics and Economy

Demographics

1.4%	33.3%	2.7%	Net Migration in Arizona
population growth (2022)	share of renters (2022)	renter household formation (2022)	57,814 (2023)
U.S.: 0.4%	U.S.: 34.8%	U.S.: 2.4%	92,094 (2022)

Economy

10.8%	43,200	1.8%	3.3%
GDP growth (2022)	12-month job creation (December 2023)	1-year job growth (December 2023)	1-year wage growth (December 2023)
U.S.: 9.1%		U.S.: 1.7%	U.S.: 3.8%
\$61,170	3.8%	21.7%	International Migration in Arizona
Average wage per year (December 2023)	unemployment rate (November 2023)	share of workers teleworking (2022)	21,635 (2023)
U.S.: \$61,120	U.S.: 3.7%	U.S.: 17.9%	22,296 (2022)

Commercial Real Estate by Sector

1. Office

Demand for office space is **weaker than nationwide** as this area has a slower absorption of office space. Despite weak conditions, rent prices rose faster than nationwide. However, vacancy rate is higher in this area.

	Net Absorption SF	Net Absorption SF 12 Mo	Market Rent Growth 12 Mo	Market Rent/SF	Vacancy Rate
2023 Q4	42,202	-1,747,943	3.3%	\$29	15.9%
2022 Q4	-303,960	-1,459,369	5.3%	\$28	14.7%
	Inventory SF	Net Delivered SF	Net Delivered SF 12 Months	Total Sales Volume	Market Cap Rate
2023 Q4	195,405,712	150,000	714,222	\$298.05M	8.1%
2022 Q4	194,691,490	355,374	1,108,281	\$536.10M	7.8%

2. Multifamily

Demand for multifamily space is **stronger than nationwide** as this area has a faster absorption of multifamily space. Despite strong conditions, rent prices rose slower than nationwide and vacancy rate is higher in this area.

	Absorption Units	Absorption Units 12 Months	Market Asking Rent Growth 12 Months	Market Asking Rent/Unit	Market Effective Rent/Unit	Vacancy Rate
2023 Q4	2,782	10,173	-2.3%	\$1,550	\$1,529	10.8%
2022 Q4	1,392	2,926	-0.3%	\$1,587	\$1,571	9.3%
	Inventory Units	Net Delivered Units	Net Delivered Units 12 Mo	Market Cap Rate		
2023 Q4	380,554	4,585	17,508	4.6%		
2022 Q4	363,046	4,844	16,064	4.1%		

3. Retail

Demand for retail space is **stronger than nationwide** as this area has a faster absorption of retail space. As a result, rent prices rose faster than nationwide. However, vacancy rate is higher in this area.

	Net Absorption SF	Net Absorption SF 12 Months	Market Rent Growth 12 Months	Market Rent/SF	Vacancy Rate
2023 Q4	494,449	3,678,247	9.4%	\$25	4.5%
2022 Q4	1,294,960	4,290,705	7.5%	\$22	5.2%
	Inventory SF	Market Cap Rate	Total Sales Volume	Transaction Sale Price/SF	
2023 Q4	242,626,710	6.5%	\$413.40M	\$243	
2022 Q4	240,678,332	6.6%	\$594.21M	\$274	

4. Industrial

Demand for industrial space is **stronger than nationwide** as this area has a faster absorption of industrial space. As a result, rent prices rose faster than nationwide. However, vacancy rate is higher in this area.

	Net Absorption SF	Net Absorption SF 12 Months	Market Rent Growth 12 Months	Market Rent/SF	Vacancy Rate
2023 Q4	2,314,237	13,942,546	11.8%	\$13	7.9%
2022 Q4	7,265,412	25,055,538	16.4%	\$12	4.7%
	Inventory SF	Net Delivered SF	Net Delivered SF 12 Months	Market Cap Rate	Total Sales Volume
2023 Q4	447,986,428	8,858,550	29,425,049	6.3%	\$382.29M
2022 Q4	418,561,379	9,002,904	25,905,440	6.0%	\$666.63M

Sources: NAR analysis on data from the U.S. Census Bureau, U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, CoStar

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COMMERCIAL REAL ESTATE REPORT Q4 2023

Tucson, AZ Metro Area

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Tucson, AZ Metro Area

Demographics and Economy

Demographics

0.5%	34.7%	-1.2%	Net Migration in Arizona
population growth (2022)	share of renters (2022)	renter household formation (2022)	57,814 (2023)
U.S.: 0.4%	U.S.: 34.8%	U.S.: 2.4%	92,094 (2022)

Economy

7.7%	3,200	0.8%	4.5%
GDP growth (2022)	12-month job creation (December 2023)	1-year job growth (December 2023)	1-year wage growth (December 2023)
U.S.: 9.1%		U.S.: 1.7%	U.S.: 3.8%
\$50,740	4.1%	14.6%	International Migration in Arizona
Average wage per year (December 2023)	unemployment rate (November 2023)	share of workers teleworking (2022)	21,635 (2023)
U.S.: \$61,120	U.S.: 3.7%	U.S.: 17.9%	22,296 (2022)

Commercial Real Estate by Sector

1. Office

Demand for office space is **stronger than nationwide** as this area has a faster absorption of office space. As a result, rent prices rose faster than nationwide and vacancy rate is lower in this area.

	Net Absorption SF	Net Absorption SF 12 Mo	Market Rent Growth 12 Mo	Market Rent/SF	Vacancy Rate
2023 Q4	-19,648	290,715	3.0%	\$23	9.1%
2022 Q4	-192,363	-78,358	2.4%	\$23	9.9%
	Inventory SF	Net Delivered SF	Net Delivered SF 12 Months	Total Sales Volume	Market Cap Rate
2023 Q4	29,250,753	0	60,341	\$18.97M	10.4%
2022 Q4	29,190,412	2,264	210,096	\$17.79M	9.9%

2. Multifamily

Demand for multifamily space is **weaker than nationwide** as this area has a slower absorption of multifamily space. Despite weaker conditions, rent prices rose faster than nationwide. However, vacancy rate is higher in this area.

	Absorption Units	Absorption Units 12 Months	Market Asking Rent Growth 12 Months	Market Asking Rent/Unit	Market Effective Rent/Unit	Vacancy Rate
2023 Q4	58	1,040	1.4%	\$1,146	\$1,135	8.5%
2022 Q4	-406	-2,178	3.7%	\$1,130	\$1,121	8.4%
	Inventory Units	Net Delivered Units	Net Delivered Units 12 Mo	Market Cap Rate		
2023 Q4	83,851	238	1,264	5.5%		
2022 Q4	82,587	0	424	5.0%		

3. Retail

Demand for retail space is **stronger than nationwide** as this area has a faster absorption of retail space. Despite strong conditions, rent prices rose slower than nationwide and vacancy rate is higher in this area.

	Net Absorption SF	Net Absorption SF 12 Months	Market Rent Growth 12 Months	Market Rent/SF	Vacancy Rate
2023 Q4	-185,971	312,787	0.5%	\$18	5.7%
2022 Q4	-101,114	117,854	-0.8%	\$18	6.0%
	Inventory SF	Market Cap Rate	Total Sales Volume	Transaction Sale Price/SF	
2023 Q4	56,629,843	7.3%	\$51.21M	\$229	
2022 Q4	56,494,193	7.3%	\$108.12M	\$213	

4. Industrial

Demand for industrial space is **stronger than nationwide** as this area has a faster absorption of industrial space. Despite strong conditions, rent prices rose slower than nationwide and vacancy rate is higher in this area.

	Net Absorption SF	Net Absorption SF 12 Months	Market Rent Growth 12 Months	Market Rent/SF	Vacancy Rate
2023 Q4	251,193	557,495	4.0%	\$11	5.9%
2022 Q4	802,165	1,410,505	7.6%	\$10	3.3%
	Inventory SF	Net Delivered SF	Net Delivered SF 12 Months	Market Cap Rate	Total Sales Volume
2023 Q4	49,927,571	244,889	1,888,365	9.0%	\$49.33M
2022 Q4	48,039,206	469,359	1,110,365	8.3%	\$62.49M

Sources: NAR analysis on data from the U.S. Census Bureau, U.S. Bureau of Labor Statistics, Bureau of Economic Analysis, CoStar

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