

# COMMERCIAL REAL ESTATE REPORT Q3 2022

Phoenix-Mesa-Chandler, AZ Metro Area

## Demographics and Economy

### Demographics

1.6%	32.8%	-1.8%	50.0%
population growth (2020-2021) U.S.: 0.7%	share of renters (2021) U.S.: 34.5%	renter household formation (2021) U.S.: 2.6%	share of inbound moves (Jan-Sept 2022)

### Economy

1.5%	92,300	4.1%	6.7%
GDP growth (2021) U.S.: 5.9%	12-month job creation (September 2022)	1-year job growth (September 2022) U.S.: 3.9%	1-year wage growth (September 2022) U.S.: 4.8%
\$59,367	3.5%	23.4%	48.4%
Average wage per year (September 2022) U.S.: \$49,100	unemployment rate (September 2022) U.S.: 3.5%	share of workers teleworking (2021) U.S.: 17.9%	inbound businesses moves (Jan-Sept 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 Months	Market Rent Growth 12 Months	Market Rent/SF	Vacancy Rate
Q3 2022	-815,204	-310,958	3.4%	\$28	14.8%
Q3 2021	-199,727	-1,531,744	3.6%	\$27	14.2%
	Inventory SF	Net Delivered SF	Net Delivered SF 12 Months	Total Sales Volume	Market Cap Rate
Q3 2022	193,672,085	411,957	947,190	\$804,372,096	7.1%
Q3 2021	192,708,895	295,728	2,090,504	\$1,004,548,032	7.1%

### 2. Multifamily

Demand for multifamily space is **weaker than nationwide** as this area has a slower absorption of multifamily space. As a result, rents 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
Q3 2022	623	1,585	2.8%	\$1,586	\$1,574	8.3%
Q3 2021	2,192	14,535	21.3%	\$1,543	\$1,537	5.0%
	Inventory Units	Net Delivered Units	Net Delivered Units 12 Mo	Market Cap Rate		
Q3 2022	356,052	3,377	13,860	3.9%		
Q3 2021	342,192	2,146	11,108	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
Q3 2022	800,519	4,350,130	8.3%	\$22	5.6%
Q3 2021	959,024	1,323,977	4.8%	\$20	6.9%
	Inventory SF	Market Cap Rate	Total Sales Volume	Transaction Sale Price/SF	
Q3 2022	237,230,320	6.5%	\$1,084,079,616	\$262	
Q3 2021	236,058,312	6.7%	\$905,410,944	\$230	

### 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
Q3 2022	4,835,866	23,765,952	16.4%	\$11	4.6%
Q3 2021	7,163,911	26,306,980	11.3%	\$10	5.0%
	Inventory SF	Net Delivered SF	Net Delivered SF 12 Months	Market Cap Rate	Total Sales Volume
Q3 2022	408,492,432	6,089,046	23,055,732	5.6%	\$1,191,655,424
Q3 2021	385,436,700	4,960,701	17,486,641	5.7%	\$1,906,831,744

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

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# COMMERCIAL REAL ESTATE REPORT Q3 2022

Tucson, AZ Metro Area

## Demographics and Economy

### Demographics

0.6%	35.0%	1.0%	48.9%
population growth (2020-2021) U.S.: 0.7%	share of renters (2021) U.S.: 34.5%	renter household formation (2021) U.S.: 2.6%	share of inbound moves (Jan-Sept 2022)

### Economy

-1.9%	7,400	1.9%	4.8%
GDP growth (2021) U.S.: 5.9%	12-month job creation (September 2022)	1-year job growth (September 2022) U.S.: 3.9%	1-year wage growth (September 2022) U.S.: 4.8%
\$47,821	4.1%	17.9%	45.2%
Average wage per year (September 2022) U.S.: \$49,100	unemployment rate (September 2022) U.S.: 3.5%	share of workers teleworking (2021) U.S.: 17.9%	inbound businesses moves (Jan-Sept 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. Despite strong conditions, rent prices rose slower than nationwide. However, vacancy rate is lower in this area.

	Net Absorption SF	Net Absorption SF 12 Months	Market Rent Growth 12 Months	Market Rent/SF	Vacancy Rate
Q3 2022	167,264	403,701	0.4%	\$23	9.8%
Q3 2021	47,098	-126,465	5.7%	\$23	10.6%
	Inventory SF	Net Delivered SF	Net Delivered SF 12 Months	Total Sales Volume	Market Cap Rate
Q3 2022	28,811,427	18,500	182,604	\$81,412,328	8.5%
Q3 2021	28,628,823	-17,952	162,485	\$48,364,460	8.5%

### 2. Multifamily

Demand for multifamily space is **weaker than nationwide** as this area has a slower absorption of multifamily space. As a result, rents 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
Q3 2022	-306	-1,263	5.5%	\$1,090	\$1,082	7.1%
Q3 2021	489	1,473	18.6%	\$1,034	\$1,031	4.4%
	Inventory Units	Net Delivered Units	Net Delivered Units 12 Mo	Market Cap Rate		
Q3 2022	82,258	96	943	4.9%		
Q3 2021	81,315	710	1,186	5.2%		

### 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
Q3 2022	53,115	388,417	0.1%	\$18	5.9%
Q3 2021	170,117	207,580	2.0%	\$18	6.2%
	Inventory SF	Market Cap Rate	Total Sales Volume	Transaction Sale Price/SF	
Q3 2022	56,312,035	7.2%	\$66,520,372	\$154	
Q3 2021	56,043,826	7.0%	\$320,723,392	\$321	

### 4. Industrial

Demand for industrial space is **weaker than nationwide** as this area has a slower absorption of industrial space. As a result, rents rose slower than nationwide. However, vacancy rate is lower in this area.

	Net Absorption SF	Net Absorption SF 12 Months	Market Rent Growth 12 Months	Market Rent/SF	Vacancy Rate
Q3 2022	4,231	1,053,907	7.1%	\$10	3.9%
Q3 2021	777,836	1,743,568	6.8%	\$9	4.6%
	Inventory SF	Net Delivered SF	Net Delivered SF 12 Months	Market Cap Rate	Total Sales Volume
Q3 2022	45,737,313	97,825	764,561	7.9%	\$39,352,192
Q3 2021	44,972,752	300,434	309,153	7.7%	\$58,308,000

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

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