

September 2015

Phoenix Commercial Land Sales Activity is on the Rise

Recent Trends

Commercial land sales have been on a steady increase in both sales and pricing since the recession. From 2006-07, which were peak years, to 2008-09, land sales fell more than 80% in volume. Pricing peaked in 2007-08, then fell 75-80% in value during the recession as development came to a halt. Since 2011 there has been a steady increase in sales and pricing for commercial land. This follows the recovery in commercial property activity (leasing and sales). Industrial build-to-suit construction is seeing continued demand. After more than 7 million SF of industrial space was delivered in 2014, the forecast is only 4.5 million SF of deliveries in 2015. Approximately half is spec. We do not anticipate a large uptick in demand or pricing for industrial land until spec buildings are leased. Commercial land (office & retail) has also seen increased demand. Vacancies are down and rents are on an upward trend. Although we do not expect a return to 2005-07' values anytime soon, commercial land should increase in value as housing and jobs continue to recover.

Market Impact

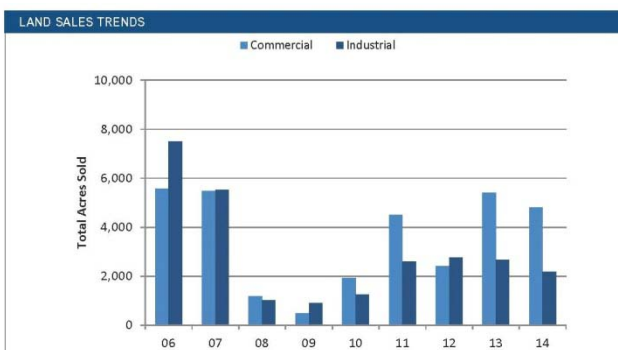
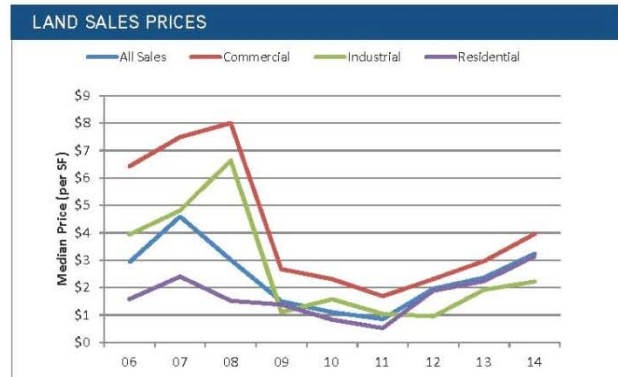
The trends in commercial and industrial land vary significantly by submarket. Industrial land sales have been primarily in the SE Valley along the 202 corridor and in the SW Valley along the I-10 and 303 corridors. Office land has traded most actively in Tempe and SE Valley where new construction is concentrated. Retail land is more widely varied but is primarily occurring in areas that are seeing the most household growth (Gilbert, Chandler, Peoria, Surprise, etc...) or infill projects in high traffic areas.

Opportunities

Industrial land along freeway corridors presents an attractive investment opportunity, especially along 303 corridor. However deals need to be underwritten at low basis with lengthy hold periods given the significant supply of industrial land in the PV303 project controlled by Sunbelt Holdings. Retail and office land in secondary markets is also an opportunity, especially in locations where adaptive reuse may be granted by the municipality.

Everest Insight

Multifamily and industrial land has reached pre-recession levels in most infill markets given brisk pace of construction and low vacancies. Office and retail have lagged due to higher vacancy levels in existing buildings. Going forward we anticipate leveling off for pricing of industrial land. With retail and office land we expect greater demand and sales activity once housing permits are nearer historical levels (+/- 30,000 SFD permits per year).



Source: Colliers

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