

MARKETBEAT

TUCSON RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



MID-YEAR 2009

Retail expenditures in the 2nd quarter appeared to follow the national trend into positive territory after a subdued 1st quarter. Durable goods, staples, home appliances and other household necessities rebounded from the sales vacuum of 2008 as consumers could either no longer postpone purchases or became comfortable with market and employment conditions.

Vacancy saw an expected upward trend in the first quarter following major retailers such as Mervyn's and Circuit City closing their doors, leaving behind large vacancies. New tenants are committed to these anchor stores, which will bolster the market in 2009/2010. At the close of the second quarter, overall vacancy in the Tucson area rose to 7.8%, up from 7.2% in the first quarter and 6.4% at year end of 2008 (CoStar).

Low price-point retailers continue to do well in the uncertain economic environment with discount retailers such as Wal-Mart, Dollar General, Family Dollar, 99cent Only, and Goodwill Industries continuing to look for space throughout Greater Tucson. Build-to-suit locations for discounters have begun to lose their appeal as occupancy costs in built locations have become more cost effective.

Due to various constraints, the Tucson retail real estate market has not been overbuilt. The market's current condition is a result of the overall national economic slowdown and concomitant loss of demand. Many other areas of the southwest are experiencing this same reduction in demand while also increasing new inventory. It is expected that, compared to similar markets, the Tucson retail real estate market will emerge from the recession early. Statistically speaking, Tucson is a much healthier market than most United States markets and significantly stronger than the Phoenix market.

ECONOMIC INDICATORS

NATIONAL	2008	2009 F	2010 F
GDP Growth	1.1%	-3.0%	1.2%
CPI Growth	3.8%	-0.6%	1.7%
Consumer Spending Growth	0.2%	-1.0%	0.6%
Retail Sales	-0.7%	-6.8%	3.6%

REGIONAL

Household Income	\$60,445	\$60,891	\$61,342
Population	1,026,506	1,048,796	1,070,723
Unemployment	5.1%	7.0%	7.1%

Source: Moody's | Economy.com, Arizona Department of Commerce, Claritas Inc.

KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
2020 W Prince Rd	Sam Levitz	220,000
4638 N Oracle Rd	Ultimate Electronics	33,959
Midvale Plaza	Big Lots	22,649
6200-6270 E Broadway	Staples	21,535
Marana Mercado	Mountain Rose Academy	16,200

Source: CoStar

KEY INVESTMENT TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
1390 W Irvington	Buffalo Wild Wings	6,121
1735 W Speedway Blvd	Circle K	2,979
2320 N Campbell Ave	Movie Theatre	28,518
7875 N Leilani Ln	Fletcher's Tire & Auto	5,594

Source: CoStar

MARKET SNAPSHOT – MID YEAR 2009

Location	GLA	Rent SQ FT / YR	Vacancy	YTD Absorption
Tucson	53,139,330	\$19.19	7.8%	-381,962

Source: CoStar

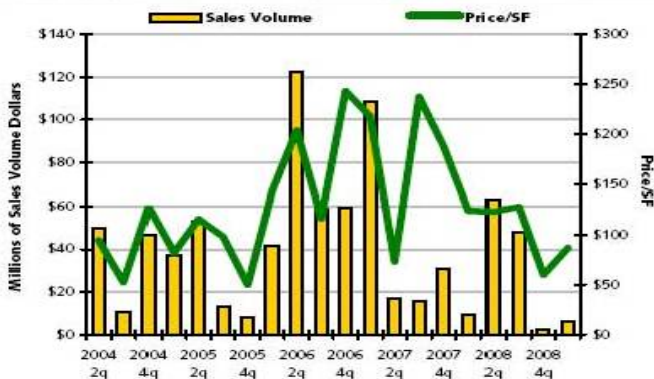
BEAT ON THE STREET

"Retailers have shown cautious optimism about Tucson, with underlying strength garnered from significant governmental linkages and the continued positive trend for Arizona's population growth."

- Greg Furrier, Principal gfurrier@picor.com
- Rob Tomlinson, Retail rtomlinson@picor.com
- Jeff Zellet, Retail jzellet@picor.com

SALES VOLUME & PRICE

Based on Retail Building Sales of 15,000 SF and Larger



Source: CoStar COMPS®



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*Market terms & definitions based on BOMA and NAIOP standards.

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