

ECONOMIC INDICATORS

National

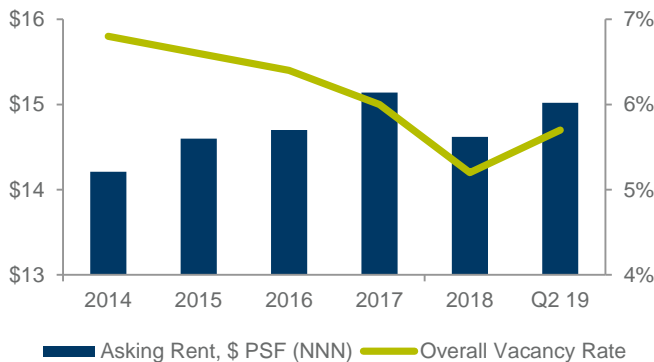
	Q2 18	Q2 19	12-Month Forecast
GDP Growth	2.9%	2.6%	▼
CPI Growth	2.7%	1.8%	▲
Consumer Spending Growth	4.7%	4.5%	▼
Retail Sales Growth	5.6%	3.3%	▼

Regional

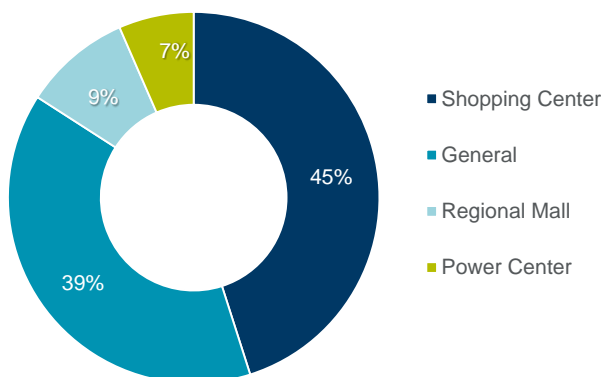
	Q2 18	Q2 19	12-Month Forecast
Median Household Income	\$52,800	\$54,100	▲
Population Growth YOY	1.1%	1.3%	■
Unemployment	4.4%	4.7%	▼

Q2 2019 data are based on latest available data. Growth rates are year-over-year. Source: BLS, BOC, Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Tucson's regional economy tracked positively alongside state and national metrics at the midpoint of 2019. While slightly behind the broader state's GDP of 3.2%, at 2.9%, Tucson's real GDP shined relative to such other western metro areas as San Diego, Salt Lake City, and Las Vegas. Consumer confidence remained strong in both the region and the US, despite tariff concerns. Tucson added 5,900 jobs over the year. Construction, manufacturing, education and healthcare sectors led Tucson's job growth. By mid-year, Tucson was nearing heights of employment not seen since the cycles of 1969 and 1998.

Market Overview

Over the past ten years, vacancy rates for Class A retail space have been substantially lower than the overall vacancy rate for retail space as a whole. Currently in the Tucson market, retail vacancy rates for Class A space are at a near all-time low at 3.1% while Class B and C retail space are both at 6.0%. Class A space has approximately half the vacancy of inferior space while average rents for Class A retail space are at \$24.95 per square foot (psf) per year and Class B rents average \$16.20 psf per year and Class C space is at \$15.00 psf per year. One of the factors that is allowing the low vacancy and high rents for Class A space is the current shift in merchandizing models away from onsite stock storage toward more of a showroom model. Retailers are increasingly reducing their onsite warehousing to smaller offsite storage. This allows them to either increase their showroom by 33-50%, or, they may reduce their overall footprint by the same factor and reduce occupancy costs. Customers who increasingly browse for products online anyway are more tolerant of after sale delivery rather than immediate onsite fulfillment. The typical modern customer has actually made the purchase decision online contingent upon actually seeing and feeling the product in a showroom environment. The emphasis amongst retailers now is to capitalize on the absolute best retail locations. This is certainly a large component of the disparity in price and vacancy between Class A space and that of B and C spaces.

Outlook

The retail outlook for the third Quarter is one of continued positive absorption marketwide and in the majority of submarkets. Continuing construction in the Southwest submarket will cause some disruption and re-tenanting of existing retail projects. This flux is not expected to be an ongoing issue.

MARKETBEAT

Tucson

Retail Q2 2019



SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVERAGE ASKING RENT (NNN)
Central East	1,164	8,563,580	5.4%	-324	22,001	15,860	\$14.10
Central West	767	7,267,736	3.9%	47,927	30,332	0	\$11.47
Downtown	317	1,878,440	5.2%	-11,055	-26,458	0	\$19.95
East	783	9,922,926	7.5%	9,985	-155,446	0	\$14.90
Foothills	295	5,233,508	3.6%	9,188	-33,698	0	\$20.54
North/Oro Valley	182	2,583,640	7.4%	12,534	14,157	5,280	\$20.35
Northeast	25	354,139	9.7%	0	-9,985	0	\$19.78
Northwest	281	4,231,243	5.0%	434	30,095	15,824	\$16.28
South	991	6,573,257	5.3%	-17,659	-17,334	2,640	\$14.20
South/SW Outlying	147	1,892,514	9.5%	-100,748	-127,311	0	\$13.53
Southeast	138	1,781,425	6.6%	-3,620	5,778	0	\$18.85
Southwest	194	2,691,691	6.3%	10,110	58,783	4,400	\$23.06
West	175	1,193,984	4.0%	6,194	13,268	0	\$11.76
TUCSON TOTALS	5,459	54,168,083	5.7%	(37,034)	-195,818	44,004	\$15.02

*Rental rates reflect gross asking \$psf/year

SUBUSE	TOTAL BLDGS/CTRS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CONSTRUCTION (SF)	OVERALL AVERAGE ASKING RENT (NNN)
General Retail	3,790	21,135,933	2.5%	33,019	122,065	28,204	\$15.25
Mall	6	5,074,637	3.8%	2,366	-190,453	0	\$12.00
Power Center	8	3,541,035	2.8%	4,938	-372	0	\$28.61
Shopping Center	560	24,416,478	9.2%	-77,357	-127,058	15,800	\$14.69

Key Lease Transactions Q2 2019

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
1201 W. Saint Marys Rd	20,100	Fallas	Lease	West
3970 W Ina Rd	8,039	Pride Wrestling and Fitness LLC	Lease	Northwest
3350 N Oracle Rd	7,650	Dirty T Automotive	Lease	Central West
1700 S 6th Ave	7,528	Meineke of Tucson	Lease	South Tucson

Key Sales Transactions Q2 2019

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Plaza Palomino	98,543	WCCR Plaza Palomino LLC/ PVP Investments LLC	\$4,950,000 / \$50	Central East
4695 N. Oracle Rd - Oracle Plaza	17,790	James Wezelman/Maqsood & Sons, LLC	\$3,000,000 / \$169	Central West
2210 S. 6th Ave	15,246	Beach Furniture & Appliances Inc./ South Beach, LLC	\$423,789 / \$28	South
10390 N. La Canada Dr	14,958	L2 Partners/ West Coast Capital Partners	\$1,310,000 / \$87	North/Oro Valley

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