Economy

Tucson Median household income is up 2.6% over the past year and US consumer spending growth is up 4.1%. Labor and materials costs continue to increase, effectively increasing development cost. Recent openings of Gunnison Project Copper Mine and South 32 Mine in Patagonia has spurred growth in Southern Arizona Mining and the businesses that support the mining industry. Recent residential master planned communities such as Lazy K, Rocking K, and Gladden Farms continue to move forward, spurring job growth in the construction industry and absorption of industrial property for contractors and construction supplies distributors. Tucson population growth has grown 1.4% over the past year. California residents and companies are increasingly moving to Tucson as California costs continue to rise. US unemployment continued to decrease to 3.7%.

Market Overview

Vacancy rates trended up by almost 1% to 9.0% during the previous quarter. The southwest and southeast Tucson Metropolitan area as well as the Green Valley/South submarkets remain strong with vacancy rates at 2.7% or lower. Higher vacancy rates continue to prevail in East Tucson (14.3%), Northwest Tucson (12.7%) and Central Tucson (12.7%). Market rent remained stable from Q3 2018 to Q3 2019 at $18.88 SF.

Vacancies were at 8.6% while overall absorption increased by 25,810 SF in the recent quarter. Year to date, over 516,000 SF have leased in 2019. Construction has slowed from over 300,000 SF in Q3 2018 to 153,000 SF in Q3 2019.

Outlook

Indications from the marketplace hint at growth trends remaining level with more than a few bright spots. The professional and medical office space markets will continue positive steps towards expansion in the central and northwest markets led by the Pima Medical Campus; Innovation Park in the northwest continues to fill availability, while La Cholla Corporate is seeing the last few plots of land developed across from the Foothills Mall. The Foothills Mall continues its march towards multi-use redevelopment under the Bourn Companies banner. The Bridges, in the south market area, is revving up towards ground-breaking with their mixed-use project including 65 acres of office and flex development. Flexible office space is in higher demand, driven by multiple national firms continuing to review and choose Southern Arizona as a new home. Use types include research and development, proto-typing, data centers and call centers. What used to be more of a niche market - Flex space - is emerging as a driver for growth in our metropolitan area.
### MarketBeat

**Tucson**  
**Office Q3 2019**

**Cushman & Wakefield**  
Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 11,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of $8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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### Inventory & Vacancy Rates

<table>
<thead>
<tr>
<th>Submarket</th>
<th>Inventory (SF)</th>
<th>Sublet Vacant (SF)</th>
<th>Direct Vacant (SF)</th>
<th>Overall Vacancy Rate</th>
<th>Current QTR Overall Net Absorption (SF)</th>
<th>YTD Overall Net Absorption (SF)</th>
<th>YTD Leasing Activity (SF)**</th>
<th>Overall Average Asking Rent (All Classes)*</th>
<th>Overall Average Asking Rent (Class A)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>10,121,037</td>
<td>40,354</td>
<td>1,243,934</td>
<td>12.7%</td>
<td>13,806</td>
<td>-22,584</td>
<td>216,214</td>
<td>$18.53</td>
<td>$23.27</td>
</tr>
<tr>
<td>Downtown</td>
<td>5,614,974</td>
<td>1,364</td>
<td>260,166</td>
<td>4.7%</td>
<td>-1,449</td>
<td>163,410</td>
<td>35,942</td>
<td>$22.93</td>
<td>$27.23</td>
</tr>
<tr>
<td>East</td>
<td>1,258,929</td>
<td>4,922</td>
<td>174,860</td>
<td>14.3%</td>
<td>-7,169</td>
<td>-27,098</td>
<td>34,462</td>
<td>0</td>
<td>$15.43</td>
</tr>
<tr>
<td>Foothills</td>
<td>1,354,626</td>
<td>0</td>
<td>65,709</td>
<td>4.9%</td>
<td>-8,856</td>
<td>10,603</td>
<td>36,052</td>
<td>0</td>
<td>$21.85</td>
</tr>
<tr>
<td>Green Valley/South</td>
<td>360,287</td>
<td>0</td>
<td>9,665</td>
<td>2.7%</td>
<td>9,788</td>
<td>5,107</td>
<td>206</td>
<td>0</td>
<td>$20.63</td>
</tr>
<tr>
<td>North/Oro Valley</td>
<td>3,675,455</td>
<td>4,995</td>
<td>280,010</td>
<td>7.8%</td>
<td>-5,215</td>
<td>10,256</td>
<td>58,979</td>
<td>$20.51</td>
<td>$26.00</td>
</tr>
<tr>
<td>Northwest</td>
<td>484,658</td>
<td>0</td>
<td>61,404</td>
<td>12.7%</td>
<td>2,635</td>
<td>8,313</td>
<td>6,243</td>
<td>0</td>
<td>$19.98</td>
</tr>
<tr>
<td>Southeast</td>
<td>522,060</td>
<td>0</td>
<td>11,824</td>
<td>2.3%</td>
<td>7,476</td>
<td>9,102</td>
<td>17,298</td>
<td>0</td>
<td>$18.19</td>
</tr>
<tr>
<td>Southwest</td>
<td>2,012,781</td>
<td>0</td>
<td>17,449</td>
<td>0.9%</td>
<td>13,468</td>
<td>168,565</td>
<td>27,537</td>
<td>0</td>
<td>$11.99</td>
</tr>
<tr>
<td>West</td>
<td>1,556,042</td>
<td>0</td>
<td>135,974</td>
<td>8.7%</td>
<td>1,326</td>
<td>317</td>
<td>83,178</td>
<td>0</td>
<td>$15.55</td>
</tr>
</tbody>
</table>

**TUCSON TOTALS**  
26,960,849  
51,635  
2,260,995  
8.6%  
25,810  
325,991  
516,111  
153,484  
$18.88  
$24.38

*Rental rates reflect gross asking $/psf/year
**Does not include Renewals

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### Key Lease Transactions Q3 2019

<table>
<thead>
<tr>
<th>Property</th>
<th>SF</th>
<th>Tenant</th>
<th>Transaction Type</th>
<th>Submarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>100-150 N. Tucson Blvd*</td>
<td>12,000</td>
<td>Florence Immigrant and Refugee Rights Project, Inc</td>
<td>New</td>
<td>Central</td>
</tr>
<tr>
<td>6377 E. Tanque Verde Rd</td>
<td>11,154</td>
<td>Arizona Endovascular Center</td>
<td>New</td>
<td>Central</td>
</tr>
<tr>
<td>300 S. Craycroft Rd*</td>
<td>10,362</td>
<td>ICR, Inc.</td>
<td>New</td>
<td>Central</td>
</tr>
<tr>
<td>7458-7464 N. La Cholla Blvd</td>
<td>8,403</td>
<td>Golder Engineering</td>
<td>New</td>
<td>North/Oro Valley</td>
</tr>
</tbody>
</table>

*C&W | PICOR transaction

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### Key Sales Transactions Q3 2019

<table>
<thead>
<tr>
<th>Property</th>
<th>SF</th>
<th>Seller/Buyer</th>
<th>Price / $/PSF</th>
<th>Submarket</th>
</tr>
</thead>
<tbody>
<tr>
<td>2202 N. Forbes Blvd</td>
<td>58,367</td>
<td>Tenet Healthcare/ Holusloa Companies</td>
<td>$2,600,000 / $44</td>
<td>West</td>
</tr>
<tr>
<td>833 N. Silverbell Rd</td>
<td>35,000</td>
<td>Wells Fargo Home Mortgage/ Harvest Commercial Capital, LLC</td>
<td>$2,450,000 / $70</td>
<td>Northwest</td>
</tr>
<tr>
<td>181 S. Tucson Blvd - Broadmoor Center</td>
<td>20,496</td>
<td>David Crane Denton/ Hector Jimenez</td>
<td>$900,000 / $44</td>
<td>Central</td>
</tr>
<tr>
<td>1891 N. Oracle Rd</td>
<td>9,044</td>
<td>Kenneth H Huey Jr. / Daniel Kennedy</td>
<td>$520,841 / $57</td>
<td>West</td>
</tr>
</tbody>
</table>

*C&W | PICOR transaction

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### About Cushman & Wakefield

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For more information, contact:  
Barbi Reuter, President  
Tel: +1 520 546 2744  
breuter@picor.com

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### Inventory & Vacancy Rates

- **Class A**
  - Inventory (SF): 3,437,816
  - Sublet Vacant (SF): 34,453
  - Direct Vacant (SF): 591,887
  - Overall Vacancy Rate: 18.2%
  - Current QTR Overall Net Absorption (SF): -32,835
  - YTD Overall Net Absorption (SF): 125,720
  - YTD Leasing Activity (SF)**: 89,759
  - Overall Average Asking Rent (All Classes)*: $24.86
  - Overall Average Asking Rent (Class A)*: $24.38

- **Class B**
  - Inventory (SF): 18,459,035
  - Sublet Vacant (SF): 15,488
  - Direct Vacant (SF): 1,556,574
  - Overall Vacancy Rate: 8.5%
  - Current QTR Overall Net Absorption (SF): 102,950
  - YTD Overall Net Absorption (SF): 249,409
  - YTD Leasing Activity (SF)**: 383,775
  - Overall Average Asking Rent (All Classes)*: $18.25
  - Overall Average Asking Rent (Class A)*: $18.30

- **Class C**
  - Inventory (SF): 5,063,998
  - Sublet Vacant (SF): 1,694
  - Direct Vacant (SF): 112,534
  - Overall Vacancy Rate: 2.3%
  - Current QTR Overall Net Absorption (SF): -49,138
  - YTD Overall Net Absorption (SF): 42,577
  - YTD Leasing Activity (SF)**: 0
  - Overall Average Asking Rent (All Classes)*: $0
  - Overall Average Asking Rent (Class A)*: $0