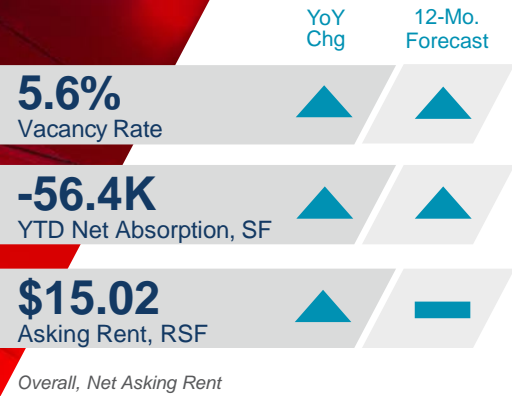


TUCSON

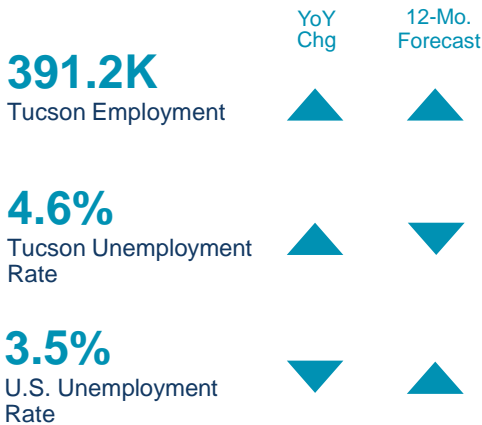
Retail Q4 2019

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U.S. ECONOMIC INDICATORS Q4 2019



Source: BLS

ECONOMY:

Tucson's regional economy continued to track positively alongside state and national metrics at the end of 2019. Personal income was up 5.4% year over year from \$446.6 M to \$470.7 M, consistent with the overall state of Arizona increase of 5.9% but behind the Phoenix area increase of 6.7%. Total non-farm employment continued to increase by 1.5% up to 387,200 jobs from the previous 2018 figure of 381,500 jobs. The employment categories experiencing the greatest growth were manufacturing, construction, healthcare, and leisure and hospitality. Similar increases are predicted for 2020 and 2021 with a flattening in growth occurring in 2022. Population growth in the Tucson area matched its prior modest annual increase of 0.8% and is expected to increase at that same rate through 2022.

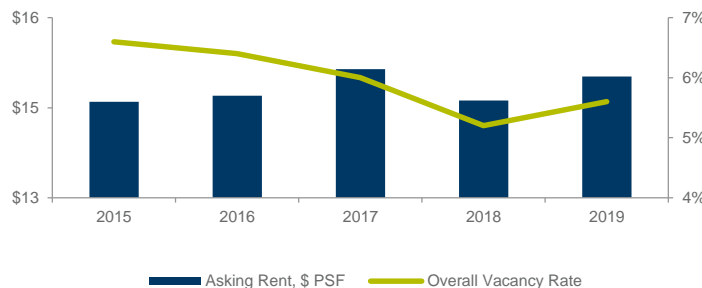
SUPPLY OR DEMAND: Retail and Office Use Convergence

At year end, the Tucson retail real estate market saw vacancy tick up nominally from 5.4% to 5.6%. While minor, vacancy increased in two consecutive quarters, the only vacancy increases experienced since 2014. Though growth in consumer confidence resulted in a 4.1% increase in national retail sales, the ongoing disruptive influences of online purchasing and conventional retailers' sluggishness to adopt an omni-channel merchandising model resulted in more store closures both locally and nationally. Greater retail space availability has aided office, medical, and personal service uses seeking visible, accessible, ground floor locations uses in occupying conventional retail space. As an example, two of the top three retail leases signed in Q4 2019 followed this trend of alternative use. For example, the 50,188 square foot (sf) former Albertson's at 22nd and Wilmot was leased to Chuze Fitness, and the 9,571 sf former Family Dollar in Green Valley converted to OneOncology, a medical tenant. In Q4 two furniture retailers opened, marking the first furniture sector openings since the start of the recession over ten years ago. At Home, a new entry to Tucson, leased 108,148 sf at Broadway/Rosemont and Ashley HomeStore took down 45,197 sf at Oro Valley Marketplace, formerly Target and Dicks Sporting Goods, respectively. This demand shift in the home furnishings sector has been fueled by Tucson's resurgent new housing market over the past two years.

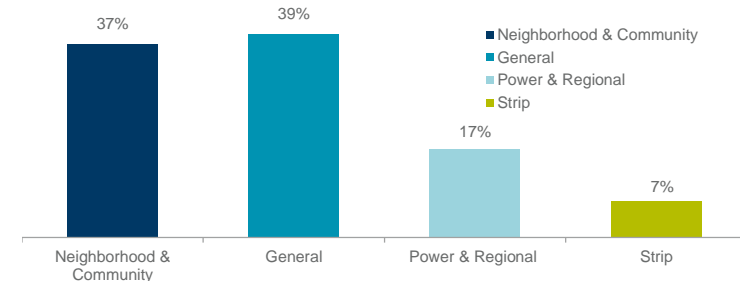
PRICING:

Overall average NNN asking rent for retail dipped slightly in Q4 2019 to \$15.02 per square foot (psf) from \$15.31 psf in the third quarter. This nominal drop in retail rental rates is consistent with the corresponding minor increase in vacancy. Moving into 2020, continued demand from opportunistic medical, office, and service uses is expected to improve retail vacancy, and a modest increase in average retail rental rates is expected as a result.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



TUCSON

Retail Q4 2019

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MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT(SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central East	8,668,994	0	455,969	5.3%	8,956	30,587	16,461	\$14.23
Central West	7,258,990	21,750	232,029	3.5%	-2,481	63,090	0	\$11.59
Downtown	1,865,008	0	121,098	6.5%	-27,583	-56,676	0	\$22.80
East	10,006,184	3,000	794,905	8.0%	11,545	-212,433	0	\$13.70
Foothills	5,176,617	33,012	107,816	2.7%	51,563	21,221	0	\$20.75
North/Oro Valley	2,541,586	0	235,207	9.3%	2,801	-24,781	858	\$19.25
Northeast	306,045	0	46,479	15.2%	-18,850	-38,885	0	\$22.86
Northwest	4,339,290	37,175	216,611	5.8%	53,061	15,798	7,800	\$16.18
South	6,619,632	14,560	298,219	4.7%	6,439	28,969	31,858	\$14.42
South/SW Outlying	1,825,547	0	74,268	4.1%	1,166	-21,143	0	\$10.75
Southeast	1,830,838	0	147,490	8.1%	-5,731	13,731	2,313	\$16.84
Southwest	2,744,563	0	164,558	6.0%	3,860	85,627	2,000	\$26.18
West	1,195,509	0	22,683	1.9%	3,105	38,402	0	\$18.60
TUCSON TOTALS	54,378,803	109,497	2,917,332	5.6%	87,851	-56,493	61,290	\$15.02

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6363 East 22nd Street	East	Chuze Fitness	50,188	New
Oro Valley Marketplace-11935 North Oracle Road	North/Oro Valley	Ashley HomeStore	45,197	New
Green Valley Village	South/SW Outlying	One Oncology	9,571	New
3000 South Camino Del Sol	South/SW Outlying	Naresh, LLC	4,543	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Rillito Marketplace	Central East	The Krausz Companies, Inc. / Epic Real Estate Partners	99,798	\$24.4M / \$43
Catalina Village	East	Kaufman Properties / Glasir Capital Partners	89,939	\$2.5M / \$28
9705-9725 North Thornydale Road	Northwest	CREMAC Commercial Finance LLC / Glenwood Development Company, LLC	63,635	\$3.2M / \$51
5755 West Arizona Pavilions Drive	Northwest	Larsen Baker, LLC / EPR Properties	45,595	\$8.5M / \$186

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