

U.S. ECONOMIC UPDATE

The arrival of the COVID-19 pandemic has created an economic shock that has likely pushed the global economy and the U.S. into recession. Policies initiated to “flatten the curve” of potential infection include the voluntary and mandated shutdown of large sectors and regions of the economy. Retail establishments, restaurants, passenger transportation, schools and leisure activities have almost all grinded to a halt while customers self-quarantine and practice social distancing.

RECORD-SETTING LAYOFFS, DECLINING EMPLOYMENT

Over the last three weeks (ending on April 4th), a cumulative 16.8 million people have applied for unemployment benefits—by far the largest number of applications in history since record-keeping began in 1967. Initial unemployment claims are a highly reliable leading indicator of trends in labor markets and therefore the economy at large. Given the size of the increase, along with other high-frequency data trends that are similarly bleak, it is widely believed that the U.S. economy has entered a recession. This was reinforced in early April when the Labor Department reported that payroll employment in the U.S. fell by 701,000 jobs in March, one of the largest declines in history. It's all but certain that even more jobs will be lost in the months ahead.

Given the way these events have unfolded and the huge number of layoffs, the current thinking among economic forecasters is that the second quarter of 2020 will see one of the largest real GDP declines in U.S. history. What is less clear is what the economic trajectory will be following Q2. As of this writing (April 7th), hopeful signs are emerging that policy steps to “flatten the curve” are beginning to work in certain areas, but many unknowns remain. It is too soon to say if these signs are sustainable and how they will impact the trajectory of the economy.

We continue to monitor developments extremely closely and are working around the clock to publish data and insight as quickly as possible.

To view our latest perspective on the coronavirus and its potential impact on CRE and the economy, access Cushman & Wakefield's [COVID-19 resource page](#).

TRENDS AND INSIGHTS

Cushman & Wakefield Covid-19 Webinar Replay

Learn more on the evolving COVID-19 situation and its implication for **real estate occupiers and investors**.

[Click to Replay](#)

COVID-19: A Wholly Unprecedented Policy Response

On March 27, 2020, an enormous \$2.2 trillion emergency coronavirus stimulus package was signed into law by President Trump. The legislative package—the Coronavirus Aid, Relief and Economic Security (CARES) Act—is the largest rescue package in U.S. history. [Click for Summary](#)

Lessons From Landlords In China's Post Covid-19 Recovery Phase

With local infections down, China is getting back to work. As the lights are turned back on in offices across the country, landlords and tenants alike are inevitably finding themselves in a new paradigm. [Click for Article](#)

2020 Asia Pacific Office Outlook

In this report, you will find detailed but succinct analysis of the trends in each of the region's key Grade A office markets over the next two years that we hope will help refine your organization's CRE strategy.

[Click for Article](#)

CUSHMAN & WAKEFIELD
WEEKLY COVID-19 UPDATES

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YoY Chg

6.1%
Vacancy Rate



58K
Net Absorption, SF



\$0.54
Asking Rent, PSF



Overall, Net Asking Rent

**ECONOMIC INDICATORS
Q1 2020**

YoY Chg

392K
Tucson
Employment



4.3%
Tucson
Unemployment Rate



3.6%
U.S.
Unemployment Rate



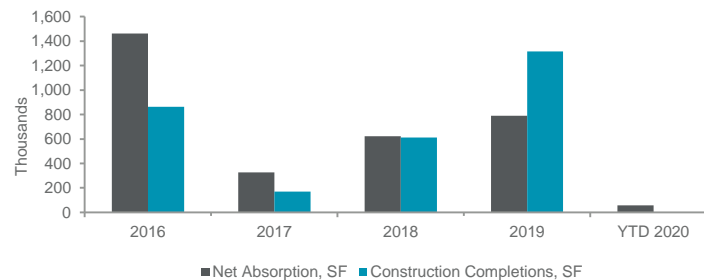
Source: BLS

UNCERTAINTY AHEAD BUT STRONG FOOTING BENEATH

Although it is too early to accurately predict the path forward, it is clear that the U.S. industrial market is well positioned to weather the current disruption. Years of conservative development and historically strong absorption has provided the U.S. industrial market its strongest footing ever heading into an economic slowdown. At 4.9%, vacancy remains anchored near the all-time low of 4.8%. For perspective, that is 300 bps below the rate of industrial vacancy heading into the Global Financial Crisis and 160 bps below the rate prior to the “dot com” collapse of the early 2000’s. Demand heading into the current slowdown is also much stronger than prior periods with the rolling three-quarter average net absorption running 15.0% stronger than pre-2008, and 17.0% hotter than before the dot com bubble burst. Importantly, this is also the first slowdown where eCommerce will be an active driver of demand.

Locally, activity has largely held steady. Most escrows are proceeding to closing, and leases are being signed. At the end of the first quarter, vacancy in the 43.9 million square feet of industrial space in Tucson remained at 6.1%, with 58,090 square feet of positive net absorption during the quarter. Sales and leasing activity remained strong despite the virus’ impact on our general lives. The shift to warehouse shopping has accelerated with the stay-at-home restrictions. We continue to receive qualified inquiries on the industrial properties we are marketing and expect that to continue as long as the virus’ impact on the general economy is relatively short-lived.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT TUCSON

Industrial Q1 2020



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Downtown	4,136,816	139,899	3.4%	-22,653	-22,653	0	0	\$0.88	\$0.00	\$0.55
Northeast	2,712,329	214,122	7.9%	16,982	16,982	0	0	\$0.00	\$0.55	\$0.65
Northwest/Oro Valley	9,751,374	274,188	2.8%	-21,155	-21,155	0	0	\$0.38	\$0.68	\$0.68
Palo Verde	6,653,470	93,214	1.4%	59,761	59,761	0	0	\$0.00	\$0.55	\$0.53
Park/Ajo	3,956,836	487,560	12.3%	14,155	14,155	0	0	\$0.00	\$0.31	\$0.47
South/Green Valley	188,308	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
Southeast	7,116,741	358,524	5.0%	27,780	27,780	0	0	\$0.00	\$0.88	\$0.75
Southwest/Airport	9,329,869	1,120,526	12.0%	-16,780	-16,780	32,000	0	\$0.40	\$0.63	\$0.51
West Outlying	13,892	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
TUCSON TOTALS	43,859,635	2,688,033	6.1%	58,090	58,090	32,000	0	\$0.41	\$0.70	\$0.55

*Rental rates reflect weighted net asking \$psf/month

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

SUBTYPE	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Warehouse / Distribution	22,621,310	1,284,209	5.7%	-95,916	-95,916	32,000	0	\$0.55
Manufacturing	11,604,318	795,891	6.9%	117,636	117,636	0	0	\$0.41
Office Service / Flex	9,634,007	607,933	6.3%	36,370	36,370	0	0	\$0.70

KEY LEASE TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6671 East Littletown Road	Southeast	Arizona Auto Parts, Inc.	14,000	New
3741 North I-10 EB Frontage Road	Northwest	Red Bull Distribution Company	13,440	New
242 S Olsen Ave	Downtown	Justin's Route 66	8,598	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
2727 North Fairview Avenue PSE Archery Factory	Palo Verde	Precision Shooting Equipment/PSE Archery Pro Shop / Mulligan Holdings, LLC	142,416	\$5M / \$35
3650-3700 South Palo Verde Road	Palo Verde	Black Rock Ventures, LLC / Rio Partners, LLC	27,208	\$2.6M / \$95
1920 North Oracle Road	Northwest	Bonnie & Alfred Bianco / Daniel & Christina Duke	20,064	\$369.8K / \$18
1901 North 11th Street	Northwest	Bonnie & Alfred Bianco / Daniel & Christina Duke	17,624	\$419.1K / \$23

*Cushman & Wakefield | PICOR transaction

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