

	YoY Chg	12-Mo. Forecast
6.3% Vacancy Rate	▲	▬
-90.7K Net Absorption, SF	▼	▬
\$0.54 Asking Rent, PSF	▬	▬

Overall, Net Asking Rent

**ECONOMIC INDICATORS
Q2 2020**

	YoY Chg	12-Mo. Forecast
362.4K Tucson Employment	▼	▼
10.8% Tucson Unemployment Rate	▲	▼
13% U.S. Unemployment Rate	▲	▼

Source: BLS

ECONOMY:

The COVID-19 Pandemic and the associated effects of lockdown has significantly impacted the nation and Tucson's economy. In June 2020, Tucson (9.9%) and the State of Arizona (10.3%) had some of the lowest unemployment rates in the nation (11.2%). However, the recent closures are creating upward pressure on Tucson unemployment rates, and as federal bailout money begins to dry up, personal finances of citizens are being placed under strain. The hospitality industry is by far the most affected, as restaurants, hotels, as well as entertainment and tourism are similarly affected. Retail businesses are also being negatively impacted, with an acceleration of online shopping. All that said, there are some economic bright-spots, which include fast food (QSR), and other delivery services. Until COVID-19 subsidies and restrictions can safely be lifted locally and nationally, we will not see true economic health.

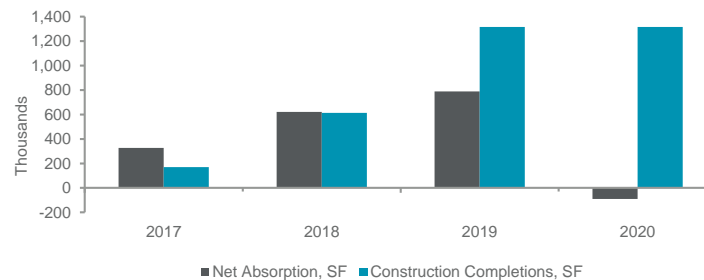
SUPPLY & DEMAND:

As COVID effects start to hit the market, supply seems to remain where it did in February. Prior to COVID the vacancy rate was steadily declining. We can attribute the flat vacancy rate to the number of industrial tenants shutting their doors and defaulting matching the number of new tenants entering the market and expansions. The demand seems to be fueled by the growing mining industry, growing housing development market, increased last mile distribution, and migration from other states, mostly California and the Pacific Northwest with new migrations from New York. Demand continues to be strong in the Northwest, Palo Verde, and Airport market. Demand in the downtown market has dipped slightly a bit but not much. We can attribute the downtown market demand decline to the shut downs as some downtown tenants serve the downtown restaurants, offices, and bars.

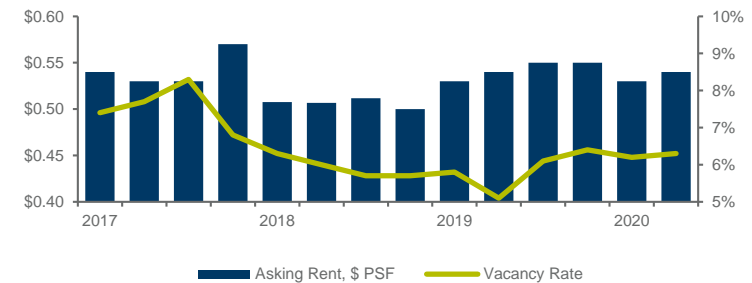
PRICING:

Rents for industrial buildings in the Northwest market have increases more than any other market, around 5% over the past year. Downtown rates have dropped around 2-5%. We can attribute the northwest market rate increases to the growing communities of Marana and Oro Valley and the decrease in Downtown rates to the downtown closures. The southern industrial markets are also seeing a slight increase in rental rates as vacancies remain low. Marana and Oro Valley continue to keep restaurants and shops open while Downtown keeps restaurants and shops closed. Sale pricing continue to rise, especially for smaller buildings. We expect the inventory to shrink, effectively pushing further demand for land, which will drive land prices higher once land activity picks up.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT TUCSON



Industrial Q2 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	4,138,730	142,299	3.4%	-2,265	-31,553	0	0	\$0.88	\$0.00	\$0.54
Northeast	2,836,122	253,738	8.9%	-40,499	-26,517	0	0	\$0.00	\$0.55	\$0.65
Northwest/Oro Valley	9,753,722	302,975	3.1%	-18,537	-44,942	0	0	\$0.49	\$0.69	\$0.74
Palo Verde	6,630,902	149,404	2.3%	-46,190	8,431	0	0	\$0.70	\$0.65	\$0.62
Park/Ajo	3,957,561	494,053	12.5%	-4,876	-2,721	0	0	\$0.55	\$0.62	\$0.47
South/Green Valley	188,308	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
Southeast	7,135,205	364,101	5.1%	-23,531	-2,331	0	0	\$0.00	\$0.88	\$0.75
Southwest/Airport	9,385,146	1,082,458	11.5%	28,690	8,910	32,000	0	\$0.40	\$0.64	\$0.51
West Outlying	13,892	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
TUCSON TOTALS	44,039,588	2,789,028	6.3%	-107,208	-90,723	32,000	0	\$0.43	\$0.73	\$0.53

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

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	22,612,707	1,356,372	6.0%	18,015	-27,330	32,000	0	\$0.53
Manufacturing	11,763,142	878,697	7.5%	-57,405	-13,588	0	0	\$0.43
Office Service / Flex	9,663,739	553,959	5.7%	-67,817	-49,805	0	0	\$0.71

*Does not include renewals

KEY LEASE TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4700 South Overland Drive	Palo Verde	Spectrum Plastics Group, Inc.	45,675	New
3350 East Mossman Road	Southwest/Airport	Goodwill Industries	20,000	New
2861 North Flowing Wells Road	Northwest/Oro Valley	Maya Tea Company	19,000	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
9538 East Old Vail Road	Southeast	Jah Tucson LLC / Old Vail Partners LLC	50,400	\$5.05M / \$100
706-736 East 46th Street*	Park/Ajo	El Gato Investment Two LLC / 46th St Investments	25,673	\$1.13M / \$43
2350 West Wetmore Road	Northwest/Oro Valley	USF Reddaway, Inc. / Estes Express Lines	11,249	\$1.5M / \$133
632 West Flores Street	Northwest/Oro Valley	Undisclosed	7,078	\$385K / \$54

*Cushman & Wakefield | PICOR transaction

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