

TUCSON

Retail Q4 2020

CUSHMAN & WAKEFIELD

PICOR

\$59.2K
Median HH Income



1.0%
Population Growth



7.9%
Unemployment Rate



Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q4 2020

18.8M
GDP Growth



-4.7%
Consumer Spending Growth



5.3%
Retail Sales Growth



Source: BEA, Census Bureau

ECONOMY:

As of January 2021, Arizona leads the nation in the rate of new COVID-19 infections. This correlates with many small businesses closing over the last couple of months and increase in unemployment. Unemployment in the State of Arizona and Pima County rose to 7.8% and 7.9% respectively as compared to the U.S. at 6.7%. The highest rate of unemployment is among the younger workforce 16–19-year-olds with 20.1% and 20–24-year-olds with 9.4%. By educational attainment, unemployment is highest amongst those with a bachelor's degree or higher. Arizona has experienced a 3.3% increase in unemployment from last year and Pima County a 3.7% increase during the same time-period. Job gains by industry were greatest in Trade, Transportation & Utilities which added 6,100 jobs, Leisure & Hospitality which added 3,100 jobs, Financial Activities with 1,700 jobs and Construction with 6,000 jobs. The population in the state grew 1.5% in 2020.

SUPPLY OR DEMAND:

The ongoing effects of the current global pandemic have continued to beleaguer the retail real estate market. Some retail sectors have fared well in this economic environment. Home improvement and hardware stores, exercise equipment retailers, and restaurants with drive-throughs or delivery have navigated the turbulence of the COVID-19 pandemic. Restaurants with “grab 'n go” offerings are surviving and often experiencing overall business volume increases. Chipotle has announced plans to hire an additional 10,000 employees nationwide. Papa John's Pizza hired 20,000 at the onset of the pandemic and intends to employ another 10,000. Unfortunately, not all retailers have had the same experience. Retail uses reliant upon consumer gathering are especially challenged such as fitness, sit down restaurants, bars, nightclubs, theaters and performance venues. Issues of safety and separation are holding these sectors back while online entertainment options flourish. Additionally, garment retailers are also challenged by the reduced demand for office attire with work from home. This has pressured retailers to re-merchandise their stores to accommodate the trend toward casual wear.

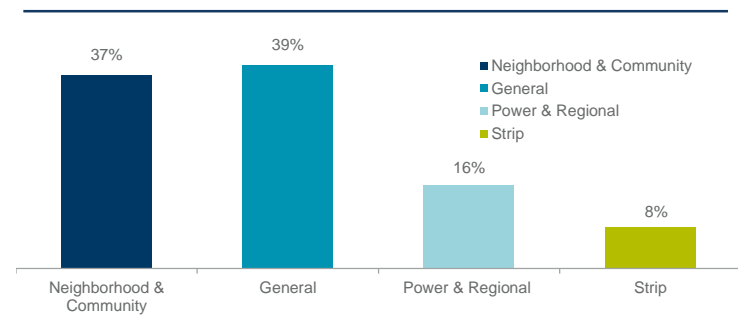
PRICING:

The Tucson retail vacancy rate has increased from 5.8% in February of 2020 to 6.3%. Average market lease rates during this same time period has gone from \$14.95 per square foot (psf) to \$15.47 psf. While increased rents may seem counterintuitive during these challenging times, many personal and medical services are upgrading into more traditional retail spaces. The result is both increasing vacancy and rents, reflecting the overall shift in the retail real estate market from a model of “shopping centers” to “consumer centers”. Whereas consumers in the past might have coupled a trip to the neighborhood grocery store with another conventional retailer, now they may align that grocery shopping experience with a visit to a physician, dentist, or personal services provider.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



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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	9,616,528	3,042	769,722	8.0%	-3,313	-297,754	0	\$13.74
Central West	7,279,048	12,912	321,986	4.6%	-60,237	-75,419	4,260	\$12.56
Downtown	1,856,392	0	100,132	5.4%	24,956	12,764	6,065	\$19.22
East	9,662,795	17,490	957,445	10.1%	-12,329	-29,127	10,000	\$16.82
Foothills	4,883,060	3,855	157,498	3.3%	-27,936	14,284	7,000	\$21.23
North/Oro Valley	2,593,649	2,736	204,873	8.0%	4,320	47,924	0	\$20.23
Northeast	301,578	0	50,941	16.9%	-3,450	-5,212	0	\$16.49
Northwest	4,447,641	3,797	222,740	5.1%	65,227	55,289	14,500	\$17.09
South	6,767,180	0	272,778	4.0%	72,326	108,048	2,500	\$13.44
South/SW Outlying	1,820,288	0	87,606	4.8%	-4,552	-10,538	0	\$9.70
Southeast	1,840,684	0	140,863	7.7%	4,745	22,121	6,807	\$17.99
Southwest	2,930,114	0	140,745	4.8%	3,521	37,218	8,534	\$28.32
West	1,231,244	0	23,403	1.9%	7,065	-720	0	\$19.67
TUCSON TOTALS	55,230,201	48,832	3,450,732	6.3%	70,343	-121,122	59,666	\$15.47

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
Tucson Spectrum 5185 South Calle Santa Cruz	Southwest	Burlington	40,062	New
114 South Camino Seco Road	East	Bowlero	28,049	Renewal*
Walgreens 10315 East Broadway Boulevard	East	Dollar Tree	14,490	New
Rancho Sahuarita Marketplace	South/SW Outlying	Northwest Hospital	4,800	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
Walgreens 4685 East Grant Road	Central East	DS Tucson AZ Landlord, LLC / Logit LLC and Silmit, LLC	15,589	\$7.4M / \$474
Walgreens 7114 North Oracle Road	Foothills	Walgreen Co / WBA Portfolio Owner NLP Galaxy, LLC	14,076	\$5.57M / \$396
5660 West Cortaro Farms Road	Northwest	Cortaro Commercial JV, LLC / Sonoma Heights, LLC	10,617	\$5.23M / \$493
Walgreens 7800 North Cortaro Road	Northwest	WAG Investors LLC / The Wayne & Kerry Laster Family Trust	13,905	\$4.93M / \$354

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