

Industrial Q1 2021

	YoY Chg	12-Mo. Forecast
5.5% Vacancy Rate	▼	▼
256K Net Absorption, SF	▲	▲
\$0.51 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2021

	YoY Chg	12-Mo. Forecast
373.1K Tucson Employment	▼	▲
7.0% Tucson Unemployment Rate	▲	▼
6.0% U.S. Unemployment Rate	▲	▼

Source: BLS, Moody's Analytics

ECONOMY:

In Q1 2021, the Tucson market recorded nonfarm employment of 373,100 jobs. The unemployment rate increased from 4.8% in Q1 2020 to 7.0% in Q1 2021, but a strong improvement from the 7.9% unemployment rate in Q4 2020. Median household income rose 15.5% to \$64,900 compared to Q1 2020. Residential home sales inventory remains very low, with limited supply forcing pricing up 25.5% year over year.

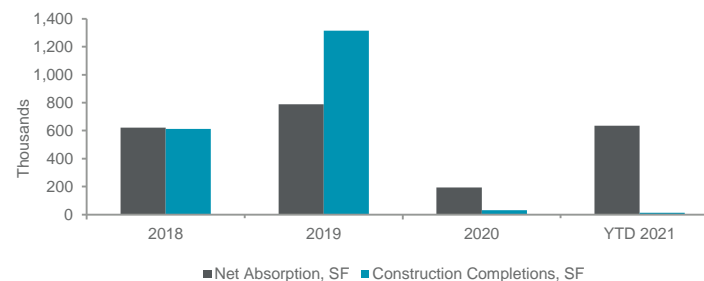
SUPPLY & DEMAND:

Amid robust demand for warehouse and logistics space driven by surging e-commerce and the marijuana industry, market absorption continued with limited supply of available space. According to ULI, the nation's warehouse demand is expected to grow 70% in the next decade, with Arizona well positioned. Tucson's industrial market inventory totals 44.3 million square feet (sf). Delivery of new inventory is lagging demand and creating development opportunities; although this report reflects a then current 300,000 sf under construction, we record 575,000 sf in progress to date in two submarkets. Overall net absorption for the quarter was 256,077 sf, against a historical average 456,000 sf per year. Land sales were brisk, with new construction slated for larger-bay speculative and larger warehouse buildings. Recent economic development wins for the region include Becton, Dickinson (BD) purchase of 32 acres for construction, Amazon's sortation center expanding its Tucson footprint, and Edmund Optics' new assembly facility.

PRICING:

Tucson industrial asking rates for leased space are just under the national average and on a steady growth curve. We predict continued rent growth in the year ahead. Investment buyers are clamoring for opportunities to buy, and sales volume for the quarter exceeded \$25 million, averaging \$97.00 per sf. This sales volume is only held back by the lack of available inventory. In one recent multi-tenant offering in the \$1.5-\$2 million range, six offers were received within 24 hours and escrow opened above asking price.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT TUCSON



Industrial Q1 2021

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	4,122,046	109,411	2.7%	69,179	10,903	0	0	\$0.00	\$1.50	\$0.57
Northeast	2,839,818	250,269	8.8%	-19,517	-14,483	0	12,237	\$1.38	\$0.57	\$0.60
Northwest/Oro Valley	9,768,447	410,113	4.2%	-4,182	-213	0	0	\$0.44	\$0.63	\$0.75
Palo Verde	6,624,111	256,719	3.9%	-148,380	41,507	0	0	\$0.70	\$0.69	\$0.55
Park/Ajo	3,921,746	95,462	2.4%	299,599	7,764	30,000	0	\$0.55	\$0.60	\$0.48
South/Green Valley	188,308	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
Southeast	7,175,373	447,344	6.2%	7,780	0	0	0	\$0.00	\$0.88	\$0.75
Southwest/Airport	9,649,455	869,431	9.0%	431,067	210,599	270,000	0	\$0.40	\$0.78	\$0.46
West Outlying	13,892	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
TUCSON TOTALS	44,303,196	2,438,749	5.5%	256,077	256,077	300,000	12,237	\$0.43	\$0.77	\$0.51

*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	22,883,449	1,154,505	5.0%	361,265	361,265	300,000	12,237	\$0.51
Manufacturing	11,737,103	486,379	4.1%	-18,887	-18,887	0	0	\$0.43
Office Service / Flex	9,682,644	797,865	8.2%	-86,301	-86,301	0	0	\$0.77

*Does not include renewals

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3550-3600 East Corona Road	Southwest/Airport	Amazon	270,000	New
300 South Toole Avenue	Downtown	Sam Levitz	59,675	New
3350 East Mossman Road	Southwest/Airport	Goodwill Industries	32,670	New

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
5120 South Julian Drive	Palo Verde	Warehouseone, LLC/ COM Sovereign Corp	140,000	\$6.1M / \$44
4750 South Park Avenue	Park/Ajo	Mulcahy Properties LLC / ACE Hardware Corporation	76,574	\$2.3M / \$30
3741 East Technical Drive	Palo Verde	Gerald & Thelma Nathanson / Garrett Cunningham	35,210	\$1.5M / \$42
1601 West Commerce Court	Southwest/Airport	Tucson First Investment Company, LLC / Michael R. Wattis	30,370	\$1.8M / \$60

MARY J. UTERMOHLEN

Marketing Coordinator

+1 520 546 2708 / mary@picor.com

BARBI REUTER, RPA

Chief Executive Officer

+1 520 546 2744 / breuter@picor.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

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 50,000 employees in 400 offices and 60 countries. In 2020, the firm had revenue of \$7.8 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.

©2021 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

picor.com | cushmanwakefield.com