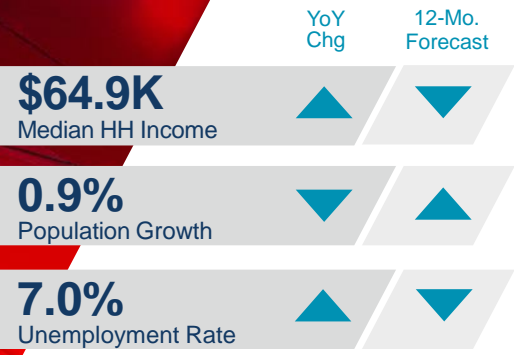


TUCSON

Retail Q1 2021

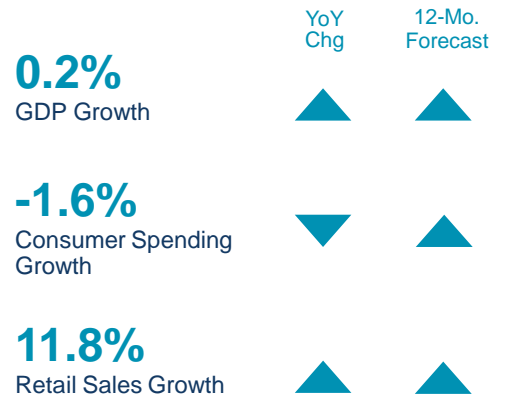
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Source: BLS, BOC, Moody's Analytics
(Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q1 2021



Source: BLS, BOC, 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. Nationally, while Q1 2021 consumer spending was down slightly over the previous year, retail sales were up 11.8%. The speed of vaccine uptake and achievement of herd immunity will dictate the return to pre-COVID norms.

SUPPLY & DEMAND:

While the COVID-19 pandemic has been highly disruptive to retail and entertainment operations, overall retail vacancies have only increased from 5.8% in Q4 2019 to 6.1% in Q1 2021. Vacancy has already ticked down from Q4 2020. Unsurprisingly, malls post the highest vacancy rate of 10.1%. The pandemic has accelerated trends that existed before, including the decline of department stores. The lowest vacancy rates are found in power centers (1.2%) and general retail (2.5%). In the first quarter, strip centers were the only retail real estate category with negative absorption, and it was negligible at only 4,947 square feet out of 4.3 million square feet (sf) in total inventory. Tucson-area retailers and the retail real estate industry are well-positioned for a dramatic surge in demand as pandemic issues are increasingly mitigated and our economy returns to normal.

PRICING:

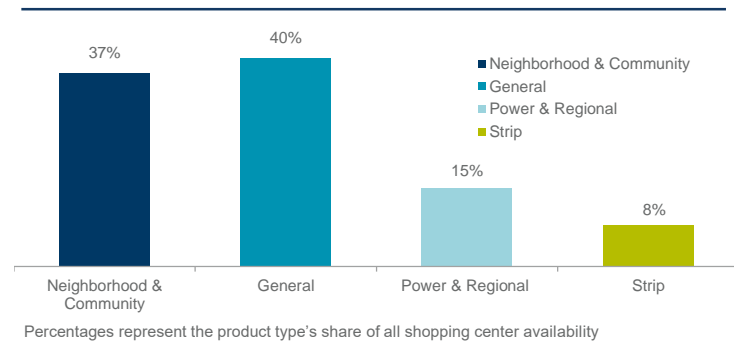
Tucson's overall retail real estate market has experienced twelve-month rent growth of 2.2%. Collections challenged retail investors heavily dependent on entertainment and certain restaurants, while grocery, drug, and home improvement anchored centers fared much better. Average rent at the end of Q1 was \$17.88 psf, up slightly from \$17.79 psf in 2020.

Tucson has not been a highly-liquid retail market, but sales velocity has been the highest on record in recent years. Sales volume slowed substantially in Q2 2020, but investment activity gained traction in recent months, with demand strongest for single-tenant investment properties. The largest trades in recent quarters have involved out of state investors chasing higher yields. Average sale prices have increased steadily, with 2021 at \$195 psf. Cap rates average 6.4% reflecting the low cost of debt and a flight to quality as retail investment dollars are increasingly attracted to high credit, internet-resistant tenants.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



TUCSON

Retail Q1 2021

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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	9,607,648	3,042	835,939	8.7%	-66,217	-66,217	0	\$14.29
Central West	7,286,589	12,912	279,501	4.0%	44,985	44,985	0	\$12.48
Downtown	1,867,049	0	102,723	5.5%	-2,591	-2,591	6,065	\$19.50
East	9,678,549	3,000	890,856	9.2%	91,079	91,079	0	\$16.24
Foothills	4,944,578	3,855	156,328	3.2%	12,986	12,986	0	\$22.53
North/Oro Valley	2,593,649	2,736	208,782	8.2%	-3,909	-3,909	0	\$19.29
Northeast	301,578	0	46,241	15.3%	4,700	4,700	0	\$17.92
Northwest	4,456,155	2,710	199,009	4.5%	35,318	35,318	0	\$16.36
South	6,783,152	0	241,960	3.6%	29,768	29,768	13,400	\$13.23
South/SW Outlying	1,826,497	0	84,949	4.7%	2,657	2,657	0	\$9.92
Southeast	1,856,911	0	136,766	7.4%	12,966	12,966	0	\$18.43
Southwest	2,952,787	0	99,255	3.4%	47,290	47,290	5,000	\$28.66
West	1,224,832	0	40,775	3.3%	-19,772	-19,772	0	\$14.84
TUCSON TOTALS	55,379,974	28,255	3,323,084	6.1%	189,260	189,260	24,465	\$15.47

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
9550 East Golf Links Road	Southeast	Bookman's	39,000	New
Embassy Plaza 3900 West Ina Road	Northwest	Wal-Mart	37,175	New
Rincon Plaza 9420 East Golf Links Road	Southeast	O'Reilly's Auto Parts	8,450	New
Pinecrest Center 4829 East Speedway Boulevard	Central East		6,397	New

*Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q1 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$PSF
18749-18755 South Nogales Highway	South/SW Outlying	Wadsworth Development Group / Zeitlin Capital	104,250	\$19.1M / \$183
Oracle Wetmore 4368-4380 North Oracle Road	Central West	Weingarten Realty Investors / Black Lion Investment Group	70,949	\$7.52M / \$106
3945 West Costco Place	Northwest	Brian R Puziss / Tionesta Springs LLC	48,170	\$7.2M / \$149
Walgreens 3180 North Campbell Avenue	Central East	M.H. Sherman Company / Bebe OlsonTrust	15,616	\$7.57M / \$485

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