

Industrial Q2 2021

	YoY Chg	12-Mo. Forecast
5.6% Vacancy Rate	▼	▬
110K Net Absorption, SF	▲	▬
\$0.60 Asking Rent, PSF	▲	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2021

	YoY Chg	12-Mo. Forecast
377K Tucson Employment	▲	▲
6.8% Tucson Unemployment Rate	▼	▼
5.9% U.S. Unemployment Rate	▼	▼

Source: BLS, Moody's Analytics

ECONOMY:

In Q2 2021, the Tucson market recorded nonfarm employment of 380,400 jobs. The unemployment rate improved dramatically from 8.3% in May 2020 to 6.8%, as the effects of the pandemic began to normalize. Median household income decreased by 11.9% compared to Q2 2020. Arizona's April retail sales grew 45.5% year-over-year with housing permits up a full 71.0%. Single family home sales volume was up 12.0% year-over-year through June and the median sales price increased 25.1% for the same period.

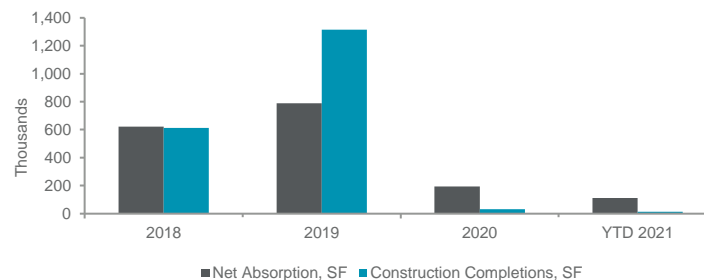
SUPPLY & DEMAND:

Industrial and flex space of all types remained the darling during tumultuous pandemic times and for the foreseeable future, with e-commerce and expanded consumer buying power driving logistics and fulfillment demand and a 5.5% vacancy rate in the market. Construction and home building have driven supplier and contractor activity with 256,000 square feet of positive absorption during the second quarter. Overall market vacancy has remained at a steady level for three consecutive quarters. Limited inventory has been the impetus for speculative and build-to-suit construction by Harsch, Daybreak, and other developers, with opportunity in the spec industrial market in Tucson not seen in recent times. Improved business park sales are at a high point not previously seen, both for small lots for end-users and larger parcels or assemblages for major employers and warehousing operations.

PRICING:

A feverish investment climate with inbound money from out-of-state seeking yield has pushed sale prices up and cap rates down, with some sales in the 6% range and pricing up 10%-15% over the previous year. Sales volume for the first half of 2021 more than doubled that of the same period in 2020, despite the limited inventory. Given the tight market, sellers are challenged to place their proceeds. User buildings are moving as quickly as they can be listed for sale, close to or at asking prices. With quality leasable inventory depleting, many landlords are positioned to recast leases and drive increased value. Inflationary pressures are on the horizon, thus structuring leases properly is a key factor for savvy landlords.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT TUCSON



Industrial Q2 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	4,111,222	69,100	1.7%	25,227	36,130	0	0	NA	\$1.50	\$0.58
Northeast	2,876,461	252,250	8.8%	-44,212	-58,695	0	0	\$1.38	\$0.59	\$0.55
Northwest/Oro Valley	9,672,102	281,058	2.9%	119,198	118,985	0	0	\$0.44	\$0.69	\$0.64
Palo Verde	6,637,373	223,602	3.4%	43,117	84,624	0	0	\$0.70	\$0.68	\$0.55
Park/Ajo	3,921,746	315,778	8.1%	-221,816	-214,052	30,000	0	\$0.51	\$0.60	\$0.48
South/Green Valley	188,308	0	0.0%	0	0	0	0	N/A	N/A	N/A
Southeast	7,140,565	505,386	7.1%	-31,042	-31,042	0	0	\$0.80	\$0.88	\$0.75
Southwest/Airport	9,553,498	839,686	8.8%	-35,271	174,386	346,225	0	\$0.41	\$1.00	\$0.49
West Outlying	17,615	0	0.0%	0	0	0	0	N/A	N/A	N/A
TUCSON TOTALS	44,118,890	2,486,860	5.6%	-144,799	110,336	376,225	0	\$0.47	\$0.88	\$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	22,733,451	998,919	4.4%	108,539	469,804	376,225	0	\$0.51
Manufacturing	11,571,112	598,320	5.2%	-156,288	-176,117	0	0	\$0.47
Office Service / Flex	9,814,327	889,621	9.1%	-97,050	-183,351	0	0	\$0.88

*Does not include renewals

KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6850 South Brosius Avenue Bldg 1 - Phase II*	Southwest/Airport	FedEx Supply Chain, Inc.	55,350	New
1800 South Research Loop, Suite 120*	Northeast	Phantom Space Corporation	32,000	New
1120 South Swan Road	Palo Verde	The Furniture Exchange	23,800	New

*Cushman & Wakefield | PICOR transaction

KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
3675 East Britannia Drive	Southwest/Airport	Gemstone Properties / U.S. Department of Veterans Affairs	85,588	\$9.1M/\$107
3000 East Valencia Road	Southwest/Airport	3000 East Valencia, LLC / Valencia Tech Park LLC	60,300	\$3.6M/\$60
1641 West Commerce Court	Southwest/Airport	Tucson First Investment Company, LLC / Miller Sales Engineering Inc	40,000	\$2.73M/\$68
2850 East Valencia Road	Southwest/Airport	3000 East Valencia, LLC / Valencia Tech Park LLC	29,667	\$1.29M/\$44

*Cushman & Wakefield | PICOR transaction

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