

# TUCSON

Retail Q2 2021

CUSHMAN & WAKEFIELD

PICOR

**\$58.4K**  
Median HH Income

YoY Chg 12-Mo. Forecast



**0.8%**  
Population Growth



**6.8%**  
Unemployment Rate



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

## U.S. ECONOMIC INDICATORS Q2 2021

**13.2%**  
GDP Growth

YoY Chg 12-Mo. Forecast



**16.6%**  
Consumer Spending Growth



**31.0%**  
Retail Sales Growth



Source: BLS, BOC, 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:

Tucson's Q2 retail vacancy held steady at 6.2% amid a resurgence in demand for consumer goods, entertainment, and travel as vaccine availability and guidance opened the door for spending like it's 2019. Summer midweek waitlists at restaurants have become a thing. With continued strength in class A space, class B and C properties saw improved absorption and declining vacancies. Among the sizzling regions in the retail market include the Central East submarket (Campbell Ave corridor, and the University area), Foothills submarket (Oracle Rd and Ina Rd), and a return to the Downtown submarket. Medical and service-based users have increased appetites for neighborhood-based locations, with competition between multiple clinic brands entering the Tucson market.

Construction has been largely limited to new and redevelopment sites, add- most quick serve restaurants (QSR) operators are expanding, including Salad and Go at Craycroft Rd and Speedway Blvd, the first of a likely ten units.

## PRICING:

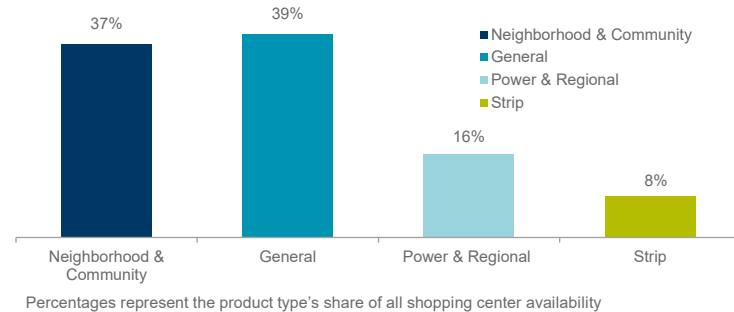
With favorable interest rates, exchange buyers, and heady demand, the investment market is on fire. Pandemic-proof businesses like food delivery and household consumables are among the most attractive categories for leased investments. Offerings of single-tenant NNN buildings move like hotcakes with multiple offers, even for vacant sites in premium locations. Marketwide cap rates trend in the 5.7-6.5% range, depending on credit, location, and term, with significant compression over a year earlier, as much as 75 to 100 bps.

In the lease market, rents are expected to remain steady until vacancy drops to the mid 5.0% range. Owners of high-quality centers with low vacancy have been able to push rates.

## RENT / VACANCY RATE



## AVAILABILITY BY PRODUCT TYPE



### 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	9,708,431	0	797,158	8.2%	-25,467	-92,084	0	\$15.12
Central West	7,291,239	12,912	245,315	3.5%	30,385	75,370	0	\$12.39
Downtown	1,900,785	0	70,081	3.7%	34,807	31,151	6,065	\$19.94
East	9,684,921	6,003	898,069	9.3%	-46,697	-3,348	0	\$15.30
Foothills	5,044,766	3,855	164,955	3.3%	-9,681	3,305	0	\$20.82
North/Oro Valley	2,593,649	0	180,936	7.0%	15,009	11,100	0	\$19.14
Northeast	301,578	0	46,241	15.3%	0	4,700	0	\$18.74
Northwest	4,468,035	1,210	214,030	4.8%	-16,764	-4,975	3,000	\$16.38
South	6,787,488	0	320,032	4.7%	-79,542	-49,774	0	\$13.86
South/SW Outlying	1,826,497	0	75,922	4.2%	-1,007	1,650	20,247	\$10.00
Southeast	1,851,114	0	92,264	5.0%	44,502	57,468	0	\$18.45
Southwest	2,952,787	0	97,565	3.3%	1,690	48,980	14,100	\$25.00
West	1,224,832	0	37,020	3.0%	2,780	-16,992	0	\$14.90
<b>TUCSON TOTALS</b>	<b>55,636,122</b>	<b>23,980</b>	<b>3,239,588</b>	<b>5.9%</b>	<b>-49,985</b>	<b>66,551</b>	<b>43,412</b>	<b>\$15.49</b>

\*Rental rates reflect full service asking

### KEY LEASE TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5355-5455 East Broadway Boulevard	Central East	Davis' Kitchen	42,219	New
4726-4758 East Grant Road	Central East	United Healthcare Services/OptumCare	17,967	New
7131-7201 East 22nd Street	East	D2	14,400	New
3248-3260 North Freeway Industrial Loop	Northwest/Oro Valley	Relentless Athletics	6,116	New

### KEY SALES TRANSACTIONS Q2 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
7050-7082 East Golf Links Road	Southeast	Rolling Hills Station LLC / MROF I SPE I-Rolling Hills LLC	65,385	\$7.36M / \$112
2617-2651 North Stone Avenue	Central West	Stone & Kelso, LLC / Danny Builders LLC	36,513	\$2.44M / \$67
4491 East Speedway Boulevard - Pep Boys	Central East	170 Center, Inc / 2419 29th Street LLC	22,815	\$3.75M / \$164
7008-7026 East Golf Links Road - Rolling Hills Shopping Center	Southeast	Rolling Hills Station LLC / MROF I SPE I-Rolling Hills LLC	20,887	\$2.56M / \$123

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