

# TUCSON

Retail Q3 2021

CUSHMAN & WAKEFIELD

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	YoY Chg	12-Mo. Forecast
<b>\$57.6K</b> Median HH Income	▼	▲
<b>0.9%</b> Population Growth	▼	▲
<b>6.5%</b> Unemployment Rate	▼	▼

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

## U.S. ECONOMIC INDICATORS Q3 2021

	YoY Chg	12-Mo. Forecast
<b>5.6%</b> GDP Growth	▲	▲
<b>11%</b> Consumer Spending Growth	▲	▲
<b>14.1%</b> Retail Sales Growth	▲	▲

Source: BLS, BOC, Moody's Analytics

## ECONOMY:

In the third quarter 2021, the Tucson market recorded employment of 384,600 jobs with a positive outlook, up 4.3% over the third quarter 2020. The unemployment rate improved from 7.9% in the third quarter 2020 down to 6.5%. Median household income in Tucson remains steady year-over-year (YOY) at \$57,600, in line with national figures. Population grew 0.9% YOY with a positive outlook, more than double the national gain of 0.4%. Due to pandemic-related supply chain issues, housing permits decreased 14.1% YOY in Tucson but remain up 28% year-to-date. Housing demand is stronger in recent years partly due to migration, but supply constraints limit the number of houses sold. Arizona is experiencing a very healthy recovery in retail sales, up 17.4% YOY even while factoring in a dip in July of this year.

## SUPPLY & DEMAND:

The vacancy rate for Tucson held steady at 6.2% in the third quarter of 2021, with expansion in the quick-serve restaurant (QSR) format. QSR growth was primarily within corporate franchises like McDonald's, Taco Bell, Starbucks, Chipotle, and Subway, which typically contain an 1,800 to 2,800 square feet (sf) footprint optimized for takeout and delivery. Locally operated independent restaurant growth was primarily driven by second-generation space from restaurants that did not survive the pandemic.

The largest sale transaction in the third quarter was the 278,719 sf La Encantada retail center at Skyline Drive & Campbell Avenue, purchased by local investors. High construction demand this quarter was hampered by significant cost increases and understaffing, with extreme prices as the sticking point preventing some deals from moving forward. Discount stores like Dollar General and Dollar Tree performed well. Grocery and other retailers increased focus on delivery and mobile order pickup as the new growth area. Shopping centers continued to embrace adaptive reuse with fitness centers, medical care, and dental care offices.

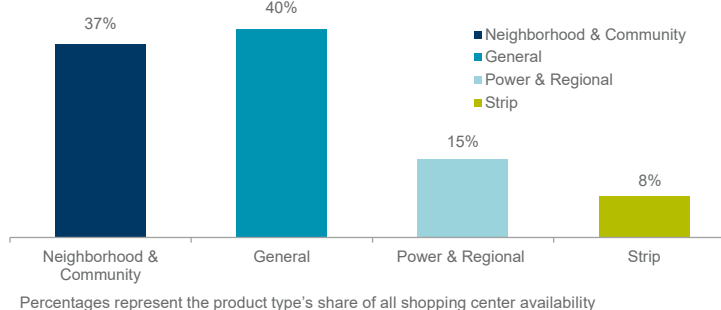
## PRICING:

Lease rates in Tucson remained steady at \$15.48 per square foot. Retail investors began speculating on commercial property in a similar manner to the 1970s as the market appears to be heading into an inflationary cycle. Internet-proof properties that include Grocery stores, restaurants, medical services and/or salon type service businesses are especially attractive. With interest rates remaining low and prices increasing, those who purchase fixed assets at fixed interest rates will likely see rent increases in the future.

## 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	9,603,857	0	811,409	8.4%	55,039	-37,045	0	\$15.22
Central West	7,297,875	0	403,561	5.5%	-139,773	-69,647	0	\$12.55
Downtown	1,904,178	0	71,405	3.7%	4,741	35,892	21,600	\$21.81
East	9,688,746	6,003	922,872	9.6%	60,908	57,560	3,125	\$15.44
Foothills	5,057,877	3,855	153,326	3.1%	12,683	15,988	2,000	\$21.65
North/Oro Valley	2,575,984	0	175,381	6.8%	19,178	32,228	0	\$19.01
Northeast	306,928	0	44,324	14.4%	1,917	6,617	0	\$18.74
Northwest	4,638,167	1,210	205,151	4.4%	167,517	163,142	13,200	\$15.00
South	6,802,315	0	345,066	5.1%	-18,564	-68,338	18,670	\$13.30
South/SW Outlying	1,834,226	0	73,528	4.0%	12,428	19,078	4,050	\$9.98
Southeast	1,859,015	0	90,960	4.9%	1,304	67,432	0	\$18.91
Southwest	2,957,047	0	96,425	3.3%	3,640	55,120	12,331	\$25.00
West	1,181,155	0	40,328	3.4%	-2,333	-19,325	0	\$14.11
<b>TUCSON TOTALS</b>	<b>55,707,370</b>	<b>11,068</b>	<b>3,433,736</b>	<b>6.2%</b>	<b>178,685</b>	<b>258,702</b>	<b>74,976</b>	<b>\$15.48</b>

\*Rental rates reflect full service asking

## KEY LEASE TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
North Pima Center 3749 West Ina Road	Northwest	Window Depot	24,049	New
Oracle Gateway 3820 North Oracle Road	Central West	Oak Street Health	12,116	New
Oracle Plaza 6250 North Oracle Road	Foothills	Dollar Tree	10,500	New
5385 East Broadway Boulevard	Central East	Cycle Gears	9,000	New

## KEY SALES TRANSACTIONS Q3 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
La Encantada 2805-2975 East Skyline Drive	Foothills	The Macerich Company / Town West Realty, Inc.	278,719	\$165.25M / \$592
Wilmot Plaza 6327-6337 East Broadway Boulevard	East	DSW Wilmot Plaza LP / DSW IREIF Wilmot Plaza Owner LLC	124,521	\$42.5M / \$341
Silverado Plaza 10380 East Broadway Boulevard	East	BRE DDR BR Silverado AZ LLC / Tucson Silverado LP	78,248	\$8.3M / \$106
700 West Wetmore Road Precision Toyota Building 1	Central East	Wn-amall LLC / Rowe Ents Inc	53,000	\$5.3M / \$100

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