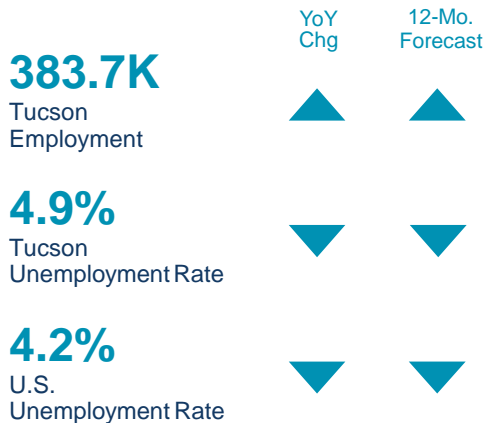


ECONOMIC INDICATORS Q4 2021



Source: BLS, Moody's Analytics

ECONOMY:

At year end, the Tucson metro area reported employment of 383,700 jobs, a 3.2% increase over the previous year. Household income rose 3.5% from \$51,800 Q4 2020 to \$53,600. Regional unemployment stood at 4.9%, 70 basis points (bps) higher than the national average but improved dramatically over the previous quarter. In good news for the state, Arizona had recovered all jobs lost during the pandemic by November. Housing remained strong with Tucson named a top ten "Hidden Gem" market by the National Association of Realtors and median sales prices up 20.8% over November 2020. Projected interest rate adjustments by the Fed in 2022 to check inflation may temper the frenetic pace of demand.

SUPPLY & DEMAND:

With annual net absorption of 1.4 million square feet (msf), a high not seen since 2006, Tucson's industrial inventory remained extremely limited, giving landlords a captive audience. All sub-markets are hot. The demand for warehouse inventory was still high, with e-commerce and cannabis industries contributing to demand locally and nationally. Properties that remained vacant tended to be burdened by functional obsolescence, further lowering the effective vacancy rate and strengthening new construction opportunities. Several new developers to the market are in various planning stages.

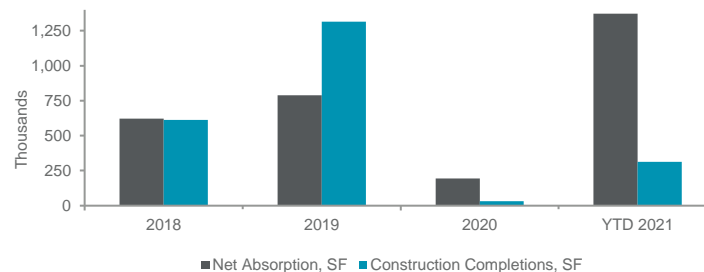
Near-shoring activity in Mexico has increased, as multinational manufacturing companies, currently operating in Asia, seek to get closer to U.S. consumer markets. Bordering Arizona to the south, the state of Sonora, Mexico is well-positioned to capture a share of this activity due to its proximity. As a result, Arizona could benefit from increased demand for warehousing and distribution space along the border to support operations. Automotive and other manufacturing growth in central Arizona will also have a spillover effect regionally.

It was an average year for construction completions with 561,000 square feet (sf) delivered. The largest of these was a 278,670 sf Amazon distribution center, followed by a 240,000 sf speculative metal building in Century Park. In December, Leonardo Electronics US Inc. (LEI) announced plans to build 120,000 sf of additional manufacturing and administrative space to their Oro Valley operations.

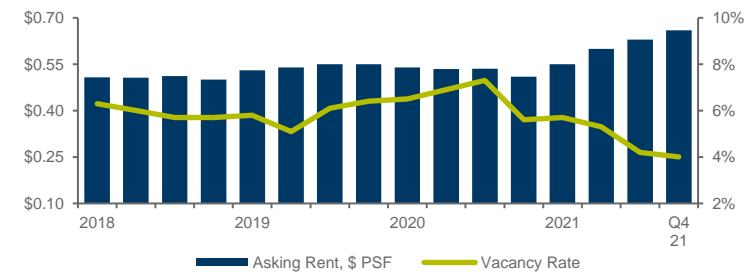
PRICING:

Supply constraints drove market-wide asking rents up 19.3% year-over-year in 2021, nearing the 2007 peak. In the driver's seat for pricing, landlords are holding out for three and five-year lease terms. Gone are short-term lease opportunities, unless there is a premium price attached. Sales volume in 2021 was at an all-time high totaling \$234.7M and exceeding 2007's previous high of \$208M, thanks in part to a significant portfolio sale. Quality investment and owner/user buildings that hit the market often receive multiple offers right out of the gate.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT TUCSON



Industrial Q4 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 | 4,084,186 | 43,308 | 1.1% | 20,347 | 78,406 | 0 | 0 | N/A | \$1.50 | \$0.64 |
| Northeast | 2,750,264 | 121,603 | 4.4% | 58,941 | -4,267 | 0 | 0 | \$1.05 | \$0.61 | \$0.55 |
| Northwest/Oro Valley | 9,684,398 | 175,779 | 1.8% | 25,062 | 173,322 | 0 | 0 | \$0.50 | \$0.69 | \$0.66 |
| Palo Verde | 6,667,103 | 118,553 | 1.8% | 21,538 | 179,813 | 0 | 0 | \$0.70 | \$0.62 | \$0.21 |
| Park/Ajo | 3,923,100 | 40,099 | 1.0% | 303,939 | 283,943 | 0 | 0 | \$0.52 | \$0.63 | \$0.62 |
| South/Green Valley | 188,308 | 0 | 0.0% | 0 | 0 | 0 | 0 | N/A | N/A | N/A |
| Southeast | 7,399,029 | 708,897 | 9.6% | 34,089 | 3,047 | 0 | 0 | \$0.80 | \$0.88 | \$1.00 |
| Southwest/Airport | 9,833,797 | 575,089 | 5.8% | 21,301 | 657,203 | 76,225 | 270,000 | \$0.47 | \$0.92 | \$0.60 |
| West Outlying | 17,615 | 0 | 0.0% | 0 | 0 | 0 | 0 | N/A | N/A | N/A |
| TUCSON TOTALS | 44,547,800 | 1,783,328 | 4.0% | 485,217 | 1,371,467 | 76,225 | 270,000 | \$0.54 | \$0.84 | \$0.56 |

*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 | 23,387,830 | 845,937 | 3.6% | 191,523 | 950,704 | 76,225 | 270,000 | \$0.56 |
| Manufacturing | 11,345,223 | 75,457 | 0.7% | 298,789 | 470,655 | 0 | 0 | \$0.54 |
| Office Service / Flex | 9,814,747 | 861,934 | 8.8% | (5,095) | (49,892) | 0 | 0 | \$0.84 |

*Does not include renewals

KEY LEASE TRANSACTIONS Q4 2021

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|------------------------------|----------------------|----------------------|--------|--------|
| 6360 South Tucson Boulevard* | Southwest/Airport | TireHub | 28,500 | Direct |
| 2125 East Beverly Drive* | Downtown | United Refrigeration | 16,520 | Direct |
| 3801 North Highway Drive* | Northwest/Oro Valley | Parker and Sons | 11,800 | Direct |

*Cushman & Wakefield | PICOR transaction

KEY SALES TRANSACTIONS Q4 2021

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$ PSF |
|--|-------------------|---|-----------|-----------------|
| Equus AZ Industrial Portfolio: 74 Industrial, Flex Properties* | Tucson & Phoenix | Reliance Management / Equus Capital Partners, Ltd. | 7,300,000 | \$1.15B / \$158 |
| 2650 East Elvira Road* | Southwest/Airport | Holualoa Elvira, LLC / Albany Road-East Elvira, LLC | 110,026 | \$16.2M / \$147 |
| 3535 East Columbia Street* | Palo Verde | Glazer Investments, Inc / Compass RE, LLC | 53,751 | \$6.5M / \$121 |
| 5575 South Houghton Road* | Southeast | Tucson Houghton, LLC / L&M Family Ventures, LLC | 31,042 | \$3M / \$98 |

*Cushman & Wakefield | PICOR transaction

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

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