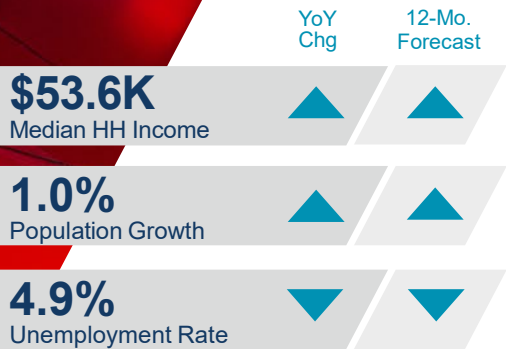


# TUCSON

Retail Q4 2021

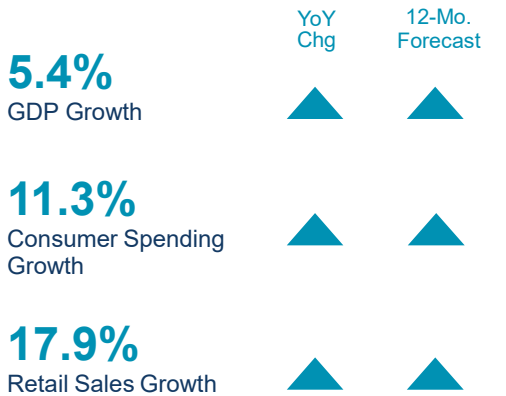
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PICOR



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

## U.S. ECONOMIC INDICATORS Q4 2021



Source: BLS, BOC, 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. Nationally, retail sales were up 17.9% over the previous year with consumer spending up 11.3%.

### SUPPLY & DEMAND:

As with the rest of 2021, Tucson's retail market posted stronger activity than predicted in the fourth quarter. Bullish growth by food-based concepts continued with restaurants, quick serve, and fast-food uses driving activity on outparcels. Service and medical-based tenants were also populating retail centers and paying top rents. With positive net absorption for the year of nearly 300,000 square feet (sf), vacancy rates held steady at a very low 6.0%.

Big box retail struggled throughout the year, with demand low for 40,000-50,000 sf spaces. Many users in the larger format have been overhauling their concepts leaving disruption in the market. New construction activity has occurred at Irvington and I-19; however, most activity was seen in smaller, corner projects.

The investment market continued to run red hot, with capital waiting on the sidelines of the market looking for placements. Prices were appreciating signaling money chasing limited supply. A and B quality product saw interest from multiple investors and typically sold at full price. The Tucson retail market experienced more of the same in user buildings, with pent up demand and not enough supply. This upward pressure has caused bidding wars and multiple buyers.

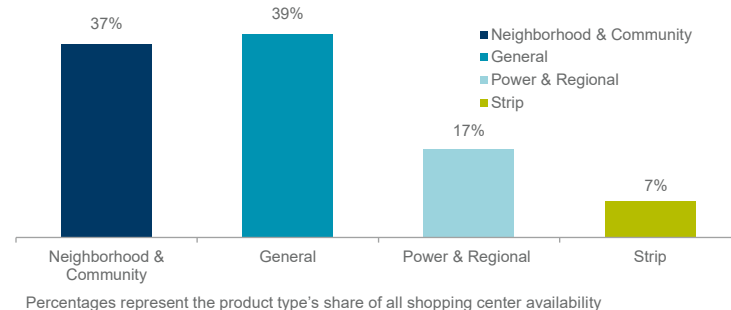
### PRICING:

Retail rents continued to rise, though some of the market wasn't well-positioned and still struggling. Despite that, Q4 21 still brought slight rent growth. While inflation did not yet greatly affect retail rents in Q4 21, new construction lease rates are heavily affected by the costs of construction. As a result, some owners will try bigger increases in leases to keep up with CPI or inflation. Average price per square foot sold rose 37.3% from \$182 in 2020 to \$250 in 2021, in part due to the significant pricing achieved through the La Encantada and Wilmot Plaza sales in Q3. Cap rates have continued to compress from a high of 8.8% in 2010 to 2021's 6.3%.

### 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	9,586,351	0	805,426	8.4%	4,063	-31,230	2,500	\$15.14
Central West	7,399,661	0	400,770	5.4%	2,791	-66,856	0	\$13.29
Downtown	1,890,655	0	85,220	4.5%	-13,815	22,077	21,600	\$21.73
East	9,635,967	6,003	928,193	9.7%	-6,971	52,239	3,125	\$15.35
Foothills	5,764,597	5,701	173,259	3.1%	-21,779	609	52,000	\$20.79
North/Oro Valley	2,585,292	0	171,551	6.6%	3,830	36,058	0	\$19.37
Northeast	313,928	0	62,668	20.0%	-18,344	-11,727	0	\$18.74
Northwest	4,638,187	0	148,007	3.2%	56,954	221,496	23,200	\$14.14
South	6,807,263	0	299,854	4.4%	48,443	-19,895	10,200	\$13.62
South/SW Outlying	1,847,298	0	94,792	5.1%	-21,264	-2,186	4,050	\$10.10
Southeast	1,843,215	0	89,252	4.8%	-11,842	55,590	0	\$19.05
Southwest	2,972,107	0	98,765	3.3%	6,760	61,880	0	\$24.32
West	1,181,155	0	43,128	3.7%	-2,800	-22,125	7,200	\$14.68
<b>TUCSON TOTALS</b>	<b>56,465,676</b>	<b>11,704</b>	<b>3,400,885</b>	<b>6.0%</b>	<b>26,026</b>	<b>295,930</b>	<b>123,875</b>	<b>\$15.39</b>

\*Rental rates reflect full service asking

### KEY LEASE TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4881 North Stone Avenue	Foothills	Bookmans	20,138	New
5335 East 29th Street	South	Blind Echo, LLC	12,611	New
Old Spanish Trail Crossing 9545 East Old Spanish Trail, Ste 175	East	Big 5 Sporting Goods	10,800	New
Fiesta Mercado 2940 South 6th Avenue	South	Undisclosed	9,932	New

### KEY SALES TRANSACTIONS Q4 2021

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Broadway Crossing 5355-5455 East Broadway Boulevard	Central	SDR Associates, LLP / Larsen Baker, LLC	86,500	\$14.9M / \$172
3939-3949 West Costco Drive	Northwest	Grh Marana, LLC & Hco Marana LI / Rock Solid Building, LLC	83,042	\$4.1M / \$49
5043 South Country Club Road	South	Lazydays Land Holdings, LLC / Capital Automotive Real Estate Services, Inc.	73,722	\$7.34M / \$99
Fry's Food Store 10450 North La Cañada Drive	North/Oro Valley	The Midtown National Group / Fryaz, LLC	60,659	\$9.46M / \$156

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