

YoY Chg 12-Mo. Forecast

**4.5%**

Vacancy Rate



**152.7K**

Net Absorption, SF



**\$0.67**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q1 2022

YoY Chg 12-Mo. Forecast

**388.4K**

Tucson Employment



**3.6%**

Tucson Unemployment Rate



**3.6%**

U.S. Unemployment Rate



Source: BLS, Moody's Analytics

### ECONOMY:

The Tucson metro area closed Q1 2022 with reported employment of 388,400 jobs, a 4.0% increase over the previous year. Household income dropped negligibly from \$54,100 Q1 2021 to \$53,600. Regional unemployment stood at 3.6%, nearly identical to the national average and down from 4.9% at year-end. Population in greater Tucson saw 1.0% annual growth, double the national average, and household formation was up 2.1% year-over-year. In the housing market, the February median sales price for Tucson single family homes increased 23.4% to \$356,500 over the previous February.

### SUPPLY & DEMAND:

The vacancy rate for Tucson's approximately 45 million square feet (msf) of industrial space is just 4.5%. This means that what spaces are available are predominantly lacking some feature that would make them more attractive. Many of the remaining spaces have a degree of functional obsolescence or are back-office space/call center. However, low vacancy rates continue driving up rent prices and lengthening lease terms.

This also means that new construction is seeing a high amount of demand translating into relatively quick leasing activity. One 75,000 square foot (sf) building was fully leased before construction was completed, and another 220,000 sf facility scheduled for completion in the fall of 2022 has already leased 165,000 sf.

The construction pipeline has about 1 to 1.5 msf, which should be finished in the next 18 months.

In addition to Tucson's strong distribution and warehouse tenants, activity is increasing for manufacturing. Some of this activity is from existing companies bringing manufacturing back to the country, spillover from the very active Phoenix market as well as companies relocating from California seeking a better manufacturing environment, and even organic growth of existing groups.

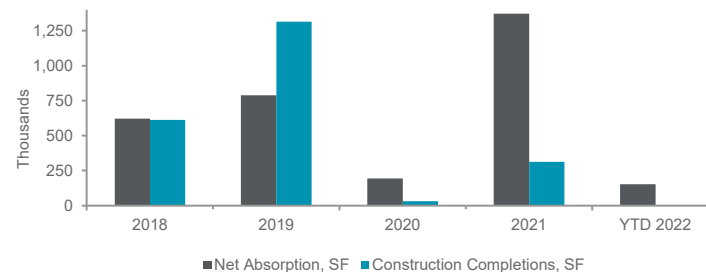
One sale that shows the rapid rise of values is a building on Julian Drive that was once a factory outlet. Tech company Comsovereign bought the building in January of 2021 for \$6.3 million. The same building was sold in the first quarter of 2022 with a 10-year lease-back by Comsovereign for \$16 million.

### PRICING:

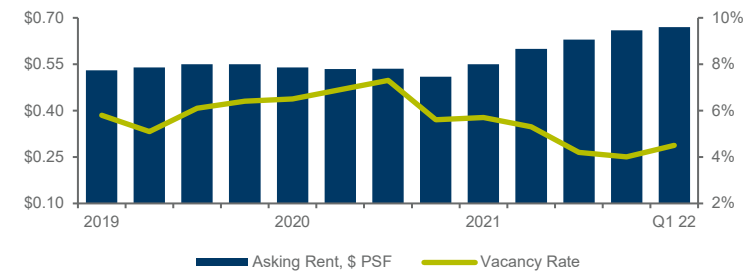
Soaring materials and labor cost are driving new construction prices up. Lease rates in newly constructed buildings are around \$0.75 to \$0.80 per square foot (psf) per month. Where existing buildings were getting \$0.45 to \$0.50 psf, landlords are now able to demand \$0.60 to \$0.65 psf for the same spaces.

Purchase prices on existing buildings, when one comes on the market, are \$90 to \$100 psf or more compared to recent prices in the \$60 to \$70 range. This is primarily a result of new construction costs pushing prices well above \$120 psf and climbing.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT TUCSON



## Industrial Q1 2022

### 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	4,086,068	48,991	1.2%	-13,301	-13,301	0	0	\$0.58	\$0.00	\$0.62
Northeast	2,773,693	127,855	4.6%	-1,783	-1,783	0	0	\$1.05	\$0.61	\$0.55
Northwest/Oro Valley	10,082,771	199,734	2.0%	401,290	401,290	0	0	\$1.27	\$0.75	\$0.67
Palo Verde	6,664,188	89,168	1.3%	-21,266	-21,266	0	0	N/A	\$0.61	\$0.23
Park/Ajo	3,892,951	75,026	1.9%	-40,927	-40,927	0	0	\$0.52	\$0.57	N/A
South/Green Valley	188,308	0	0.0%	0	0	0	0	N/A	N/A	N/A
Southeast	7,380,110	734,935	10.0%	-23,638	-23,638	50,000	0	\$0.80	\$0.88	\$0.93
Southwest/Airport	9,840,534	700,195	7.1%	-147,661	-147,661	305,545	0	\$0.46	\$0.92	\$0.58
West Outlying	46,394	28,779	62.0%	0	0	0	0	N/A	N/A	N/A
<b>TUCSON TOTALS</b>	<b>44,955,017</b>	<b>2,004,683</b>	<b>4.5%</b>	<b>152,714</b>	<b>152,714</b>	<b>355,545</b>	<b>0</b>	<b>\$0.56</b>	<b>\$0.85</b>	<b>\$0.60</b>

\*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	11,369,698	320,800	2.8%	(227,599)	(227,599)	305,545	0	\$0.56
Manufacturing	23,764,666	871,058	3.7%	318,930	318,930	50,000	0	\$0.60
Office Service / Flex	9,820,653	812,825	8.3%	61,383	61,383	0	0	\$0.85

\*Does not include renewals

### KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3480 East Britannia Drive*	Southwest/Airport	Solar Industries, Inc.	30,000	Direct
6360 South Tucson Boulevard*	Southwest/Airport	Motion Industries	23,476	Direct
3981 North Business Center Drive	Northwest/Oro Valley	Undisclosed	20,250	Direct

\*Cushman & Wakefield | PICOR transaction

### KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
5120 South Julian Drive	Palo Verde	AZComs, LLC / Schnitzer Properties, LLC	140,000	\$16M / \$114
101 East Ventura Avenue	Northwest/Oro Valley	Broadwood Properties LLC / Arizona Packout LLC	24,576	\$900K / \$36
6781 East Outlook Drive	Southeast	Gary E. & Judith Schnurr / 6781 Outlook LLC	14,545	\$1.5M / \$103
2030 N Forbes Boulevard	Northwest/Oro Valley	MAORI LLC / Boron Properties LLC	13,200	\$1.3M / \$98

\*Cushman & Wakefield | PICOR transaction

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