

MARKETBEAT TUCSON

Office Q1 2022



YoY Chg 12-Mo. Forecast

8.6%
Vacancy Rate



324K
YTD Net Absorption, SF



\$21.80
Asking Rent, PSF



(Overall, All Property Classes)

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 AND DEMAND:

The lifting of pandemic restrictions at the start of the year has been prompting decisions about office space utilization in Tucson, however, there is still some disconnect between what employers and employees think about the prospect of returning to the office, and it will take some time to bring the two together. January saw a lot of activity involving companies and individuals moving back into the market to re-establish their presence. Interest slowed down a bit in February but kicked back up again at the end of March. On the other hand, some larger office spaces, mainly call centers, have come on the market as companies make the decision to permanently work from home because they've discovered a model that works for them. However, even these large vacancies are not having a negative effect on rising lease rates.

Tucson's retirement demographic ensures that the medical field continues to be a hot market. Demand remains strong for new clinical offices as well as medical firms such as hospice and homecare agencies seeking office space to utilize as a home base for meeting, training and interviewing.

Major leasing activity included 30,087 square feet (sf) at 300 S. Craycroft Rd. leased by Brookline College, the former home of the University of Phoenix.

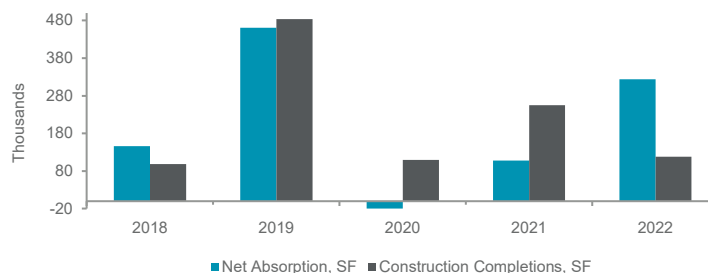
The Refinery at UA Tech Park at The Bridges is leasing up with about 50% occupancy. It's marketed as an ideal place for tech startups that desire proximity to the technology resources of the University of Arizona.

PRICING:

Higher building material costs, lengthy timelines for permitting, and contractor labor shortages continue to be a barrier to new construction.

The investment sale market continues to be strong as outside investors seek property. Significant sales transactions include 7202 E. Rosewood which sold for \$3.2 million, 6992 E. Broadway Blvd. for \$3.2 million (both investor sales) and 1630 E. River Rd. sold for \$2 million in an owner/user transaction.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central	10,540,172	17,093	1,155,959	11.1%	241,881	241,881	91,401	0	\$21.47	\$22.71
Downtown	6,185,603	24,260	153,547	2.9%	12,669	12,669	8,197	0	\$21.31	\$28.98
East	1,310,827	23,222	93,384	8.9%	-15,234	-15,234	1,476	0	\$16.89	\$20.00
Foothills	1,366,300	41,222	107,050	10.9%	15,051	15,051	29,199	0	\$27.24	N/A
Green Valley/South	367,991	0	21,810	5.9%	-1,787	-1,787	327	0	\$21.90	N/A
North/Oro Valley	3,696,363	0	237,095	6.4%	24,423	24,423	22,486	27,988	\$25.58	\$25.78
Northwest	526,147	0	46,600	8.9%	-7,719	-7,719	1,019	0	\$18.17	N/A
Southeast	550,953	11,544	4,794	3.0%	0	0	0	45,000	\$17.50	N/A
Southwest	2,322,793	0	136,649	5.9%	56,172	56,172	31,970	120,000	\$29.35	\$31.00
West	1,761,223	134,556	258,744	22.3%	-1,326	-1,326	0	0	\$20.24	N/A
TUCSON TOTALS	28,628,372	251,897	2,215,632	8.6%	324,130	324,130	186,075	192,988	\$21.80	\$24.75

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	TENANT	SF	TYPE
300 South Craycroft Road**	Central	Brookline College	31,087	Direct
1600 East Idea Lane	Southwest	University of Arizona	30,000	Direct
2626 East River Road	Foothills	Banner Health	15,000	Direct
3302 East Sunrise Drive	Foothills	Nova Financial Holdings	7,500	Direct
6369 East Tanque Verde Road	Central	Del Sol Research Management	7,383	Direct

*Renewals not included in leasing statistics **Represented by Cushman & Wakefield | PICOR

KEY SALES TRANSACTIONS Q1 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
7202 East Rosewood Street Lovitt Touche Building	East	Lovitt & Touche, Inc. / CB 110 LLC and Paul Antonucci Ltd	48,830	\$3.2M / \$65.53
2501 East Elm Street	Central	Vishal & Sunny Patel / Peak Realty LLC	10,020	\$1.1M / \$109.78
6992 East Broadway Boulevard	Central	NFP / Terrazza International Ltd	9,103	\$3.2M / \$351.53
7890 North Cortaro Road Northwest Healthcare	Northwest	Humason Properties, LLC / DBI Commercial Real Estate Inc.	7,805	\$3.32M / \$425.24
6236 East Pima Street Pima Wilmot Office Plaza	Central	Pima Rock LLC / Pima SS LLC	7,541	\$1.05M / \$139

*Represented by Cushman & Wakefield | PICOR

BARBI REUTER, RPA

Chief Executive Officer

+1 520 546 2744 / breuter@picor.com

MARY J. UTERMOHLEN

Marketing Coordinator

+1 520 546 2708 / mary@picor.com

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