

TUCSON

Retail Q1 2022

CUSHMAN & WAKEFIELD

PICOR

\$53.6K
Median HH Income

YoY Chg

12-Mo. Forecast



1.0%
Population Growth



3.6%
Unemployment Rate



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

U.S. ECONOMIC INDICATORS Q1 2022

4.1%
GDP Growth

YoY Chg

12-Mo. Forecast



11.3%
Consumer Spending Growth



11.2%
Retail Sales Growth



Source: BLS, BOC, 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. Despite higher consumer prices, consumer spending nationally increased 11.3% over the previous year, with retail sales up a commensurate 11.2%.

SUPPLY & DEMAND:

The Retail Real Estate market in Tucson is not immune to the rising tide of the housing market, general inflation, supply chain issues and now a war in addition to the ongoing pandemic. The market is strong but getting into it is made more difficult by all these factors.

The rise of consumer income by 3.7% and pent-up demand for leisure and entertainment activity is helping retail. Bankruptcies are the lowest they've been in 14 years. With vacancy rates estimated to be under 8%, and average lease rates is \$18 per square foot (psf) and climbing, quality retail inventory can be hard to find especially for specialty usage such as restaurants.

Purchase demand is strong for all retail properties, including single-tenant properties. Market sale price per square foot is averaging \$192 with a cap rate of 7%. Many sales had 90% plus occupancy rates, contributing to higher prices. The strongest Tucson submarkets for sales are the Foothills followed by East, Central East, and Southwest.

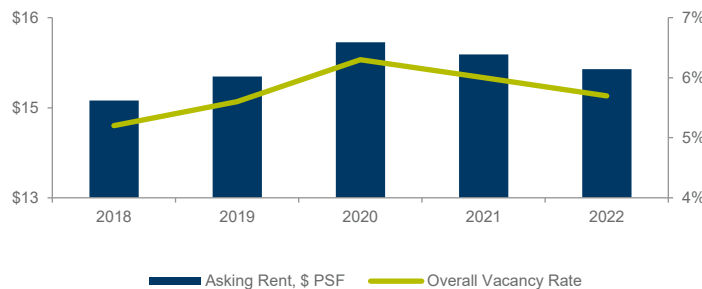
Major transactions include Larsen Baker acquiring 95,000 square feet (sf) by purchasing the El Rancho shopping center and adjacent buildings for \$14.1 million, Century Gateway 12 sold for \$4 million to a self-storage user, Center Point Plaza at 1992 Irvington Road sold for \$7.1 million, and Tucson Fiesta at 4215 N. Oracle Road sold for \$14.6 million.

PRICING:

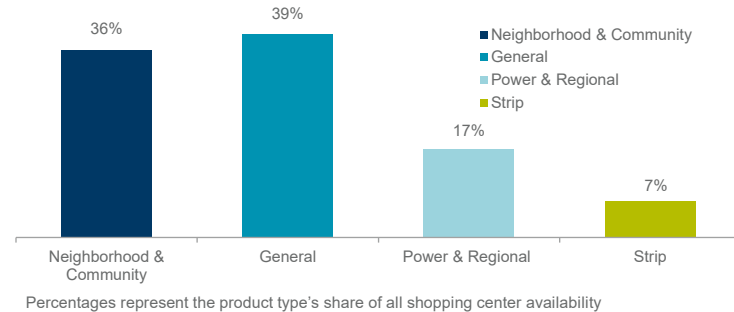
Construction costs are up by approximately 35% in recent months and currently there is 167,000 sf of new retail space under construction with no significant new construction started in the First Quarter.

Leasing activity shows restaurants, fast food, and discount retailers are the big drivers. The only major lease transaction of note in the First Quarter was Bookman's leasing 20,138 sf in North Mall Center at River & Stone to relocate their mid-town store from Rancho Center.

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 | 9,516,746 | 13,650 | 685,609 | 7.3% | 74,832 | 74,832 | 2,500 | \$15.18 |
| Central West | 7,399,654 | 0 | 423,520 | 5.7% | -16,650 | -16,650 | 800 | \$13.30 |
| Downtown | 1,891,264 | 0 | 73,962 | 3.9% | 9,376 | 9,376 | 21,600 | \$22.69 |
| East | 9,638,359 | 6,003 | 801,366 | 8.4% | 46,096 | 46,096 | 1,990 | \$15.13 |
| Foothills | 5,771,923 | 5,701 | 148,908 | 2.7% | -4,031 | -4,031 | 52,000 | \$20.33 |
| North/Oro Valley | 2,575,951 | 0 | 162,701 | 6.3% | 2,250 | 3,667 | 0 | \$19.26 |
| Northeast | 313,928 | 0 | 62,668 | 20.0% | 0 | 0 | 0 | \$18.74 |
| Northwest | 4,655,166 | 0 | 330,188 | 7.1% | -175,908 | -175,908 | 10,000 | \$14.02 |
| South | 6,998,548 | 8,770 | 256,460 | 3.8% | 30,925 | 30,925 | 21,445 | \$13.51 |
| South/SW Outlying | 1,921,955 | 0 | 73,615 | 3.8% | 9,810 | 9,810 | 36,598 | \$10.51 |
| Southeast | 1,843,215 | 0 | 66,354 | 3.6% | 13,396 | 13,396 | 0 | \$19.29 |
| Southwest | 2,983,924 | 0 | 95,505 | 3.2% | 4,165 | 4,165 | 13,139 | \$24.32 |
| West | 1,181,155 | 0 | 37,564 | 3.2% | 4,304 | 4,304 | 7,200 | \$10.60 |
| TUCSON TOTALS | 56,691,788 | 34,124 | 3,218,420 | 0 | -1,435 | -18 | 167,272 | \$15.14 |

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q1 2022

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|---------------------------------|-----------|--------------------------|--------|------|
| 4052-4200 East 22nd Street | South | Fry's Food & Drug Stores | 11,562 | New |
| 1700 South 6th Avenue | South | Tucson Auto Body Parts | 7,528 | New |
| 2816-2956 North Campbell Avenue | East | Fox Restaurant Concept | 7,052 | New |
| 6351 East Broadway Boulevard | East | Eyemart Express | 6,334 | New |

KEY SALES TRANSACTIONS Q1 2022

| PROPERTY | SUBMARKET | SELLER / BUYER | SF | PRICE / \$ PSF |
|--|--------------|---|--------|-----------------|
| Flowing Wells Plaza 1290 West Prince Road | Central West | Orchards At Arizona Ii LLC / Cavalier Investments LLC | 91,211 | \$7.12M / \$78 |
| Tucson Fiesta Shopping Center | Central West | EVT Tucson Fiesta LLC / Alturas Tucson Fiesta LLC | 93,005 | \$14.6M / \$157 |
| Oxford Plaza 6363 East 22nd Street | East | Albertsons / JBB Burley Properties LLC | 50,188 | \$4M / \$80 |
| San Xavier Plaza 1739-1791 West Ajo Way | Southwest | San Xavier Plaza LLC / Hundredaire Investments LLC | 47,877 | \$1.7M / \$36 |

ROB TOMLINSON / +1 520 546 2757 / rtomlinson@picor.com

GREG FURRIER / +1 520 546 2735 / gfurrier@picor.com

DAVE HAMMACK / +1 520 546 2712 / dhammack@picor.com

AARON LAPRISE / +1 520 546 2770 / alaprise@picor.com

ANDY SELEZNOV / +1 520 546 2775 / aseleznov@picor.com

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