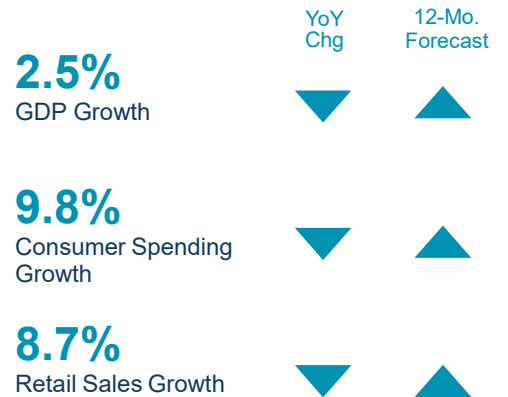


Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q2 2022



Source: BEA, Census Bureau

ECONOMY OR SUPPLY:

In Q2 2022, the Tucson market recorded an employment level of 389,100 jobs, up 3.0% over Q2 2021. The unemployment rate decreased from 5.5% in Q2 2021 to 3.2% in Q2 2022. Household growth was up 2.1% year-over-year (YOY). Nationally, retail sales were up 8.7% YOY. While inflationary pressures continued throughout the quarter, key commodities fueling increased building costs have begun to moderate from their peaks early in 2022.

SUPPLY OR DEMAND:

Retail vacancy rates are dropping everywhere except shopping malls with the primary absorption happening for leases under 5,000 square feet (sf). Restaurant spaces continue to be in high demand across the market, especially restaurant properties with drive-throughs. Drive-throughs may now serve both conventional “order at the window” customers as well as customers that order online and do a simple pick-up at the window. Online ordering expands demand for drive-throughs to operators such as Subway and Chipotle that have more involved ordering processes that benefit from the use of apps. Restaurant spaces larger than 4,000 sf continue to meet with lukewarm response from the market as takeout food continues to gain popularity and large building footprints are no longer needed.

Consumer spending has been trending away from soft goods into experiences, food, and entertainment driven by post-COVID demand. While the Northwest Tucson submarket is still a major growth node, Southeast and Southwest Tucson are also experiencing high demand for retail space as they are also growing edges of the Tucson market and have been undersupplied for many years. This includes the I-19 corridor as it extends past Sahuarita and Green Valley.

Notable lease transactions in Q2 include a Planet Fitness opening in a 20,911 sf space at the Valle Verde Center in the Sahuarita/Green Valley sub-market that sat empty for 12 years and LuxSpace, an 8,400 sf shared-space hair salon facility at Broadway Crossing (Broadway/Craycroft).

Randolph Plaza, a large Fry’s-anchored shopping center at 22nd and Alvernon sold for almost \$16.3 million.

While there is currently 150,000 sf of retail space under construction, only about 15% of it is available for lease with the rest being build-to-suit for auto parts stores and restaurants. In the investment sale market, Tucson is seeing a lot of activity from out-of-state investors, particularly California, because of higher cap rates. However, we are seeing cap rates going down as interest rates are climbing.

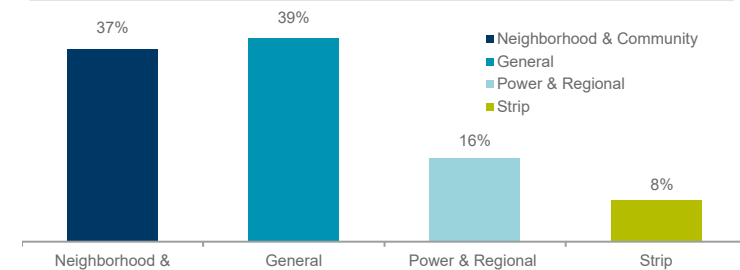
PRICING:

On average, retail lease rates are down slightly (-0.4%) over the previous 12 months. Tenants and landlords are finding more agreement, however, landlord concessions continue to tighten as they have been doing for five years.

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	9,768,213	13,650	678,925	7.1%	22,053	101,166	6,745	\$14.81
Central West	7,515,431	0	438,907	5.9%	-8,034	-23,439	0	\$13.39
Downtown	1,880,622	0	79,785	4.2%	1,537	10,913	21,600	\$22.41
East	9,720,578	6,003	869,321	9.1%	27,918	82,665	4,050	\$16.26
Foothills	5,793,823	5,701	142,107	2.6%	28,161	24,130	53,500	\$20.16
North/Oro Valley	2,576,130	0	188,576	7.3%	-21,375	-17,025	0	\$21.99
Northeast	315,833	0	62,668	19.8%	0	0	0	\$18.02
Northwest	4,663,467	0	330,425	7.1%	9,353	-165,418	5,000	\$13.72
South	7,151,163	8,770	240,580	3.5%	20,245	62,860	32,120	\$13.53
South/SW Outlying	1,927,609	0	51,667	2.7%	47,387	55,197	31,791	\$9.66
Southeast	1,843,215	0	66,354	3.6%	2,800	21,696	0	\$19.57
Southwest	2,984,104	0	43,126	1.4%	57,639	59,804	59,445	\$26.07
West	866,377	0	42,551	4.9%	-4,527	-223	0	\$9.31
TUCSON TOTALS	57,006,565	34,124	3,234,992	5.7%	183,157	212,326	214,251	\$15.22

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
860 East Broadway Boulevard	Downtown	Undisclosed	23,500	New
100 West Duval Mine Road	South/SW Outlying	Planet Fitness	20,911	New
4145-4165 West Ina Road**	Southwest	Undisclosed	9,500	New
5355-5455 East Broadway Boulevard	Central East	LuxSpace	8,400	New

*Renewal-not included in Leasing Activity Statistics **Represented by Cushman & Wakefield | PICOR

BARBI REUTER, RPA

Chief Executive Officer

+1 520 546 2744 / breuter@picor.com

KATE ZIMMERMAN

Social Media & Graphic Design Coordinator

+1 520 546 2743 / kzimmerman@picor.com

KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
902 West Irvington Road	South	William Metzler / The Durban Group	158,372	\$5.68
4052-4200 East 22nd Street	South	Landwin Management / A and C Properties, Inc	157,361	\$103.38
6200-6270 East Broadway Boulevard	East	Kivel Realty Investments / DSW IREIF SWC Wilmot Owner LLC	62,182	\$148.76
1739-1791 West Ajo Way	Southwest	The Common Group / Victory Assembly of God Pima County, Inc.	47,877	\$60.57

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

©2022 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.