

	YoY Chg	12-Mo. Forecast
<b>2.5%</b> Vacancy Rate	▼	▬
<b>591K</b> Net Absorption, SF	▼	▼
<b>\$9.48</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q4 2022

	YoY Chg	12-Mo. Forecast
<b>393K</b> Tucson Employment	▲	▲
<b>3.8%</b> Tucson Unemployment Rate	▬	▲
<b>3.7%</b> U.S. Unemployment Rate	▼	▲

Source: BLS

### ECONOMY:

During the fourth quarter, employment in Tucson increased to 393,000 jobs, up 2.2% over Q4 2021. At 3.8%, the local unemployment rate remained flat compared to one year ago and is forecasted to increase in the year ahead. Household formation grew 1.9% year-over-year (YOY) with median household income increasing 5.8% YOY from \$60,100 to \$63,600. Nationally, consumer spending grew at a healthy 8.5% rate and retail sales were similarly up 8.4% YOY. Inflation persisted over 7.0%, high relative to recent years, while consumer and corporate balance sheets remain cash strong.

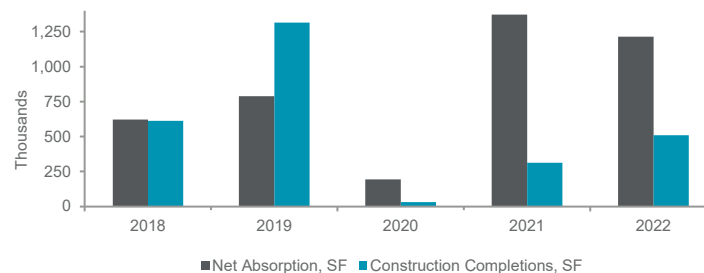
### SUPPLY AND DEMAND:

The Tucson industrial market remained stable at year end, with market-wide vacancy approaching a historic low of 2.5%. Net absorption in Q4 was estimated at 590,980 square feet (sf), about half in newly constructed projects. Demand is being driven primarily by logistics, distribution, manufacturing, and the cannabis industry. Despite the low vacancy rate, only two new developments broke ground; Southern Arizona Logistics Center at Tangerine and I-10 with a proposed total of 1.7 million square feet (msf), and Tucson Commerce Center at Valencia and Alvernon with a proposed total of 780,000 sf. Land sales remained slow due to lack of inventory and rising construction and financing costs. Several notable investment sales transactions closed this quarter, notably the Amazon delivery station at I-19 and I-10 sold at a 4.3% cap rate, and the Destech building at 410 E. Irvington Rd conveyed as a sale-leaseback at a 5.9% cap rate. Sion Battery, TuSimple, and American Battery Factory (ABF) have announced expansions and new projects in greater Tucson. Sion will add 111,000 sf to their existing plant, creating 150 new jobs by 2026. TuSimple is adding 35,000 sf to their facility. ABF has selected Tucson as the site of their first giga factory in the United States with 2.0 msf under roof and an investment of \$1.2 billion. Rainbird is also under construction with a 100,000 sf expansion to their Tucson facilities.

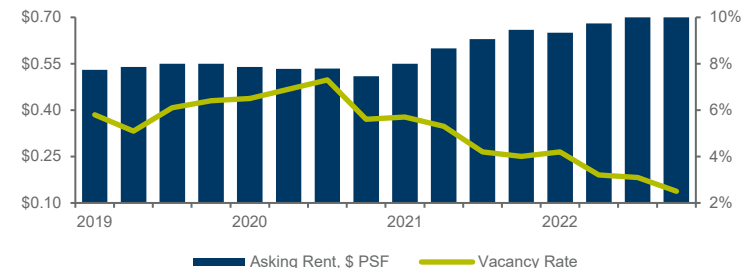
### PRICING:

Lease rates continued to achieve historic highs. The average lease rate quoted for new construction was \$0.80 per square foot (psf), and existing buildings were averaging \$0.65-0.70 psf. Because new construction won't deliver until the latter part of 2023 and construction costs remain high, pressure on rates for new and existing industrial property will continue throughout 2023. Given the extremely low inventory of buildings for sale or lease, pricing will continue to inflate in 2023, as construction costs rise and timelines are extended. Investment sale inventory is limited, as owners are enjoying record cash flows and challenged to locate alternate investments. Land sale activity is healthy with prices rising as buildable site inventory has greatly diminished in the recent years. Constraints previously mentioned include construction costs and relatively high cost of debt.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT TUCSON

## Industrial Q4 2022



### MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR 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	4,048,852	58,548	1.4%	4,263	0	0	\$6.72	\$16.00	\$11.11
Northeast	2,732,939	96,185	3.5%	-12,614	0	0	\$7.40	\$8.59	N/A
Northwest/Oro Valley	10,437,694	207,529	2.0%	139,457	1,789,475	0	\$9.32	\$11.21	\$5.60
Palo Verde	6,630,066	295,410	4.0%	-1,230	0	0	\$6.20	\$7.79	\$8.28
Park/Ajo	3,964,415	41,916	1.1%	45,096	0	0	\$7.68	\$11.23	\$10.16
South/Green Valley	180,080	0	0.0%	0	0	0	N/A	N/A	N/A
Southeast	7,473,533	132,874	1.8%	230,134	0	0	N/A	N/A	\$9.67
Southwest/Airport	9,811,006	299,560	2.8%	144,669	836,606	0	\$9.66	\$11.24	\$7.08
West Outlying	42,671	0	0.0%	28,779	0	0	N/A	N/A	N/A
<b>TUCSON TOTALS</b>	<b>45,321,256</b>	<b>1,132,022</b>	<b>2.5%</b>	<b>590,980</b>	<b>2,626,081</b>	<b>509,859</b>	<b>\$7.83</b>	<b>\$11.00</b>	<b>\$8.65</b>

\*Rental rates reflect weighted net asking \$psf/month

FX = Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

TYPE	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	24,167,092	496,148	2.1%	420,432	898,403	2,626,081	0	\$8.65
Manufacturing	11,132,597	72,690	0.7%	31,042	87,038	0	0	\$7.83
Office Service / Flex	10,021,567	563,184	5.6%	139,506	229,035	0	0	\$11.00

\*Does not include renewals

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### KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1625 South Euclid Avenue*	Park/Ajo	Walnut Industries, Inc.	43,065	Direct
1859 West Grant Road*	NW Tucson/Oro Valley	GroundProbe North America LLC	15,000	Direct
3000 East Valencia Road	SW Tucson/Airport	Dreamstyle Remodeling, LLC	14,902	Direct

\*Represented by Cushman & Wakefield | PICOR

### KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
9821 West Tangerine Road	NW Tucson/Oro Valley	Cottonwood Properties Inc./ Norman Marana AZ LLC	60,437	\$314.38
3400 East Britannia Drive	SW Tucson/Airport	Oakfield Realty Partners LLC / Undisclosed	58,115	Undisclosed
401 East Irvington Road*	Park/Ajo	Davidson Rohrbacker Investments, LLC / Starpoint Properties LLC	55,339	\$105.81

\*Represented by Cushman & Wakefield | PICOR

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