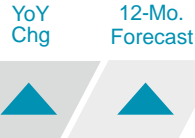


\$63.6K
Median HH Income



1.0%
Population Growth



3.8%
Unemployment Rate



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

U.S. ECONOMIC INDICATORS Q4 2022

0.4%
GDP Growth



8.5%
Consumer Spending Growth



8.4%
Retail Sales Growth



Source: BEA, Census Bureau

ECONOMY:

Tucson's fourth quarter of 2022 employment increased to 393,000 jobs, up 2.2% over Q4 2021. At 3.8%, the local unemployment rate matched that of the same quarter a year prior and is forecast 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:

Tucson retail vacancy rates held steady at 6.2% at year end, while absorption rates are below normal. Most of the Q4 absorption resulted from properties built to suit.

Significant restaurant activity continued across the spectrum including dessert concepts, health foods, and other new entries to the Tucson food scene. "Med-tail" is also very actively going into spaces that were traditionally more retail-oriented with concepts like injectables and med-spas. Larger med-tail companies like Action Behavioral, Archwell, and Oak Street looked for spaces of 6,000 to 10,000 square feet (sf). Quite a few new cannabis dispensary licenses have been issued in Tucson. Other categories with activity of note included car wash, auto parts, and grocery. Sprouts opened a new location in The Landing at Irvington and I-19. Fry's Marketplace shopping center at Gladden Farms is moving forward after 15 years on pause.

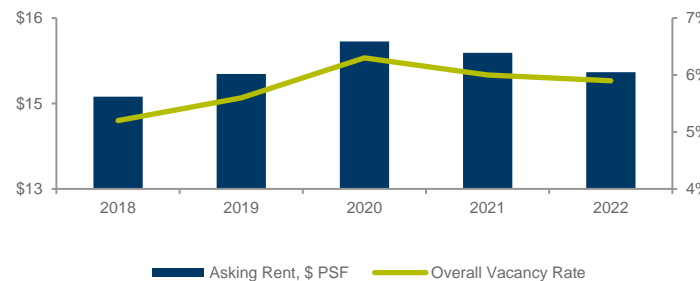
Hot submarkets with strong activity include SE Tucson (Houghton area), the I-19 corridor from the I-10 junction south to Sahuarita, The Bridges near I-10 in south central Tucson, and Oro Valley. With build-to-suit activity dominating construction, investment speculators and cash buyers have been sidelined by the uncertain interest rate environment. While there is over 205,000 sf under construction, 97% of it is pre-leased.

Sales transactions continued apace, though class A real estate trading hands represented the most notable activity, such as the Charles Schwab building at Campbell and Skyline.

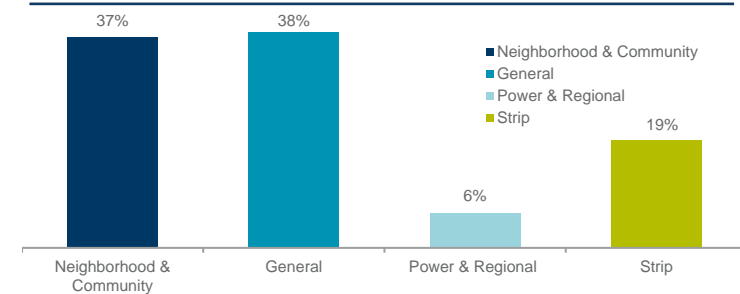
PRICING:

The average cap rate in the market was 5.6% with an average sales price of \$153 per square feet, up slightly from 12 months ago. Asking lease rates across the Tucson market are averaging \$15.08/SF and holding relatively steady, decreasing less than 1% in the past year.

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 (MNNJ)*
Central East	8,819,602	13,650	690,636	8.0%	-20,803	85,228	3,500	\$13.93
Central West	7,390,705	14,820	362,400	5.1%	1,271	-11,559	0	\$12.86
Downtown	1,921,292	0	74,505	3.9%	9,722	15,146	0	\$16.72
East	9,635,596	3,003	682,895	7.1%	-5,019	-4,882	3,000	\$16.42
Foothills	5,810,247	0	145,297	2.5	3,761	69,936	0	\$19.20
North/Oro Valley	2,577,930	0	172,426	6.7%	-35,258	-25,167	0	\$19.89
Northeast	315,833	0	56,728	18.0%	5,690	5,940	0	\$16.05
Northwest	4,665,821	0	341,193	7.3%	-4,452	-176,466	0	\$14.66
South	7,110,639	68,095	187,589	3.6%	-21,133	76,646	9,000	\$13.96
South/SW Outlying	1,953,928	0	39,612	2.0%	10,855	95,522	15,899	\$13.39
Southeast	1,866,209	0	62,664	3.4%	3,262	25,386	0	\$19.89
Southwest	3,035,715	0	93,244	3.1%	-72,934	-22,469	0	\$19.53
West	322,059	0	36,716	4.2%	-1,200	-1,588	0	\$10.37
TUCSON TOTALS	55,425,576	99,568	2,945,905	5.4%	-126,238	131,673	31,399	\$15.08

*Rental rates reflect full service asking

KEY LEASE TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1800 West Valencia Road	Southwest	Undisclosed	52,835	New
4415 North Oracle Road	Central West	Bullfrog Spas	14,500	New
6002-6050 North Oracle Road	Foothills	Sol Flower	9,408	New
1290 West Prince Road	Central West	A&R Event Center	8,380	New

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KEY SALES TRANSACTIONS Q4 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
11121 North Oracle Road	North/Oro Valley	Undisclosed / Undisclosed	60,000	Undisclosed
8360 North Thornydale Road	Northwest	Cortaro Thornydale LLC / FSLRO 8360 N Thornydale Tucson LLC	51,500	\$75.93
2140 West Grant Road	West	MA2, LLC / Wisconsin Mall Properties LLC	50,514	Undisclosed
501 West River Road	Foothills	Santa Cruz Lanes LLC / SCF RC Funding IV LLC	37,468	Undisclosed

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