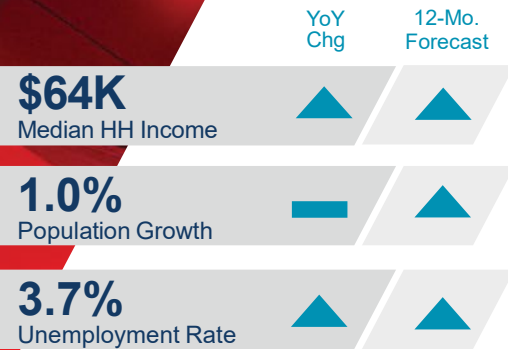


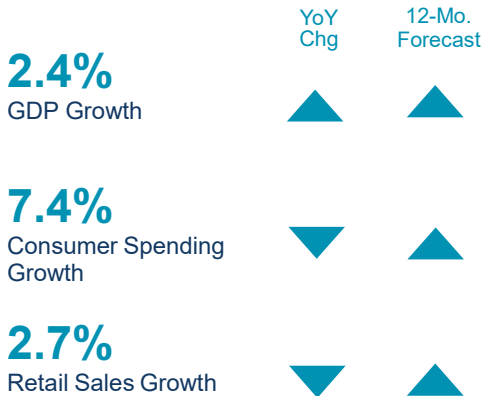
# TUCSON

Retail Q3 2023



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

## U.S. ECONOMIC INDICATORS Q3 2023



Source: BEA, Census Bureau

### ECONOMY:

In the third quarter of 2023, the US economy showcased consistent resilience, although predictions for its future varied. In Tucson, encouraging signs were observed. The median household income rose by 4.0% compared to the previous year, bolstering consumer spending. However, consumer confidence did wane slightly in September. Nationally, real GDP grew by 2.4%, demonstrating economic vigor despite some recessionary concerns. After a year of consistent decline in inflation, the consumer price index increased to 3.4%. This is notably lower than the 8.3% recorded the previous year. Metro Tucson's nonfarm employment experienced a positive, modest rise of 1.3%. Furthermore, Tucson's unemployment rate declined from 4.0% to 3.7%, indicating a robust labor market.

### SUPPLY AND DEMAND:

The Tucson retail market in Q3 continued to exhibit signs of stability, with the vacancy rate remaining unchanged at 5.6%. Amid consistent occupancy reflecting steady market conditions, nine out of 13 submarkets experienced positive absorption during the quarter, indicating healthy demand for retail space.

Despite lingering uncertainty in the broader economic landscape, the Tucson retail sector demonstrated resilience. Notable trends in user types included ongoing expansion in food and beverage operators, while medical-related uses and health and wellness concepts remained active. Consumer spending continued apace, a positive indicator for tenants and retailers.

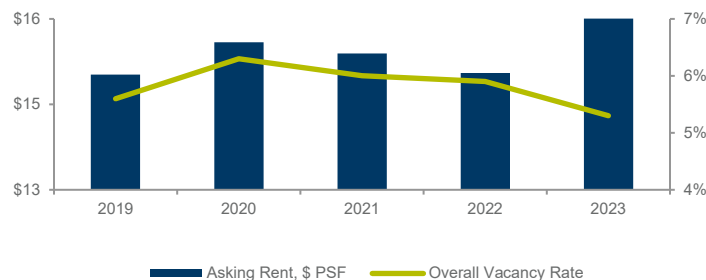
Marana and Vail continued to experience rapid retail development to keep pace with growth in residential rooftops, retailers' top driver. The Foothills submarket remained robust, characterized by limited vacancies and high demand. Notable sales included a 13,291 square foot (sf) suite in Craycroft Retail Plaza in the South submarket which sold for \$1.05 million/\$79.00 per square foot (psf). Another sale was a 12,390 sf suite within Grant Center in the Central East submarket, trading for \$3.45 million/\$136.01 psf.

Speculative new construction remained minimal primarily due to persistently high construction costs. The majority of development projects were driven by user-specific needs, primarily involving restaurant and drive-thru pad concepts, which continue to expand.

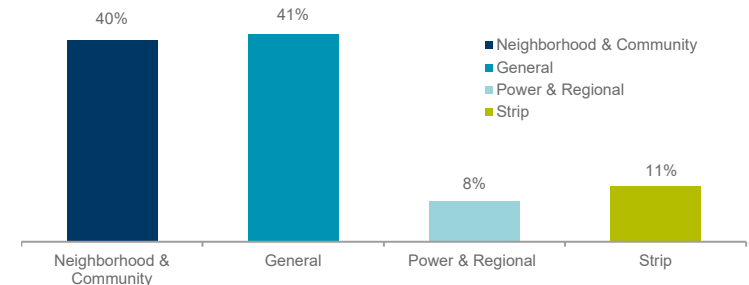
### PRICING:

The average lease rate stands at \$16.58 psf, which has risen consistently, especially in the more sought-after submarkets, such as the North/Oro Valley submarket which has a rental rate of \$20.76 psf, and the Southwest submarket which has a rental rate of \$20.66 psf. Investment sales pricing was also relatively stable, but off-corner property pricing may decline by year-end and into 2024, with hard-corner sites retaining their high demand and value. In this environment of higher cost of debt, cap rates have increased and the investment market has cooled. Class "A" property lease rates held steady at approximately \$20.00 psf, while Class "B" lease rates likewise reflected minimal change.

### RENT / VACANCY RATE



### AVAILABILITY BY PRODUCT TYPE



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central East	8,883,241	2,070	682,010	7.7%	-36,953	49,462	0	\$14.12
Central West	7,372,176	14,820	380,790	5.4%	-311	22,317	0	\$13.96
Downtown	1,914,297	0	43,464	2.3%	7,755	35,925	0	\$16.83
East	9,668,510	4,050	833,191	8.7%	96,592	109,889	13,944	\$18.74
Foothills	5,785,810	10,200	180,940	3.3%	23,704	-36,338	3,700	\$18.99
North/Oro Valley	2,567,623	0	207,773	8.1%	-19,516	-6,655	6,000	\$20.76
Northeast	324,067	0	62,581	19.3%	-149	1,479	0	\$16.98
Northwest	4,643,020	0	101,891	2.2%	154,874	234,758	0	\$16.39
South	6,937,851	50,000	217,299	3.9%	17,428	16,119	4,435	\$14.86
South/SW Outlying	1,965,537	0	68,193	3.5%	-2,247	-20,420	0	\$13.21
Southeast	1,911,875	0	53,298	2.8%	1,111	15,051	0	\$18.91
Southwest	3,111,015	0	60,722	2.0%	-369	148,579	7,486	\$20.66
West	888,603	0	37,198	4.2%	-4,972	-482	0	\$11.19
<b>TUCSON TOTALS</b>	<b>55,973,625</b>	<b>81,140</b>	<b>2,929,350</b>	<b>5.6%</b>	<b>236,947</b>	<b>569,684</b>	<b>35,565</b>	<b>\$16.58</b>

\*Rental rates reflect NNN asking

### KEY LEASE TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
5409-5441 East 22 <sup>nd</sup> Street	Central East	Blossom Living	14,027	New Lease
9095-9185 East Tanque Verde Road	Northeast	Workout Anytime	14,000	New Lease
3702-3744 South 16 <sup>th</sup> Avenue	South	Suvida Healthcare	8,940	New Lease
6211 East Speedway Boulevard	East	Undisclosed	7,564	New Lease
4385 West Ina Road	Marana	Hounds Town	6,640	New Lease

### KEY SALES TRANSACTIONS Q3 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1902 South Craycroft Road	South	Bay Investment Group / Paramjit S & Rajkamal Deol	13,291	\$1.05 M / \$79.00
2330 North Alvernon Way	Central	Andrew K Rogers III & Susan Rogers / Bob Principal Realty LLC	12,390	\$3.45 M / \$136.01
7960 East 22 <sup>nd</sup> Street	East	Christine Hazen Molina / Nicole Ragel	11,205	\$1.6 M / \$81.82
72 East Congress Street	Downtown	Bourn Companies / Rio Nuevo Multipurpose Facilities District	10,817	\$1.5 M / \$138.67
1028-1046 East Broadway Boulevard**	Central	Robert A Belman Revocable Trust / Wildcat Smoke Shop Inc	9,363	\$1.18 M / \$125.49

\*\*At least one party represented by Cushman & Wakefield | PICOR

### KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
4672 South Landing Way	Southwest	Main Event	40,350	Flip Master Funding VII, LLC. / Undisclosed
6003 West Linda Vista Boulevard	Northwest	N/A	22,280	Undisclosed / Undisclosed
1410 East Tucson Marketplace Boulevard	South	Dental Pros	10,000	Undisclosed / Undisclosed

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