

	YoY Chg	12-Mo. Forecast
5.8% Vacancy Rate	▲	▼
-88K Net Absorption, SF	▼	▲
\$0.84 Asking Rent, PSF	▲	▬

Overall, Net Asking Rent

ECONOMIC INDICATORS Q1 2024

	YoY Chg	12-Mo. Forecast
402K Tucson Employment	▲	▲
4.1% Tucson Unemployment Rate	▲	▲
3.8% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY:

At the close of the first quarter of 2024, the U.S. economy signaled continued resilience, with mixed expectations ahead. The narrative was bright for Tucson, where household income rose by 2.9% over the year, reaching \$68,500, playing a role in propelling consumer spending. Robust real GDP expansion of 3.1% nationally bolstered talk of a soft landing. Inflation, which had been steadily retreating, settled at a CPI increase of 3.0%, a notable deceleration versus the 5.7% posted a year earlier. Tucson's nonfarm employment charted moderate growth, with a 0.7% increase. Meanwhile, Tucson's unemployment rate ticked up negligibly to 4.1%, indicative of a stable labor market. Amid economic optimism and stable employment, Tucson mirrored the broader national trends toward sustained economic growth.

SUPPLY & DEMAND:

In Q1, Tucson's industrial sector continued to perform strongly. Leasing activity remained robust, driving a 3.6% increase in rental rates, reaching an average of \$0.84 per square foot (sf). Notable leasing activity occurred in the Airport, Palo Verde, and Southeast submarkets. However, despite substantial new construction deliveries in Q4, the vacancy rate remained tight at 5.8% across a total inventory of 51 million sf.

Construction highlights featured The Campbell Landing projects in the Airport Submarket were also delivered, consisting of four 10,000 sf buildings.

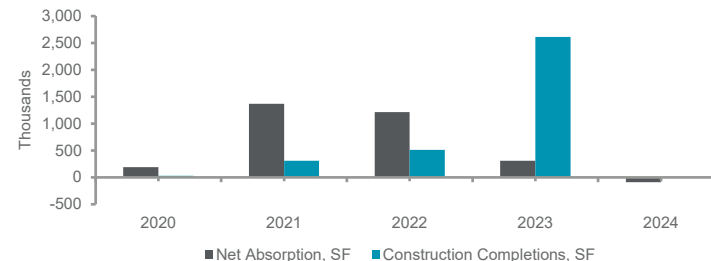
Key lease transactions featured Belden Inc leasing a 302,443 sf building at Tucson Commerce Center, the ILS Company securing a building of 115,000 sf at the Tucson Commerce Center, along with Pool & Electric Products leasing 53,767 sf in Southwest Tucson. Sale highlights included two purchases by a records management company, a 38,631 sf manufacturing building for \$2.5 million and a secondary warehouse building for \$1.9 million. In addition, a logistics provider purchased a 26,800 sf truck terminal in Oro Valley for \$1.8 million.

Tucson's appeal to e-commerce and logistics tenants continued apace due to its strategic location near international trade corridors and key markets. Nearshoring trends also contributed positively, with collaborations between Tucson and neighboring Mexican cities driving economic benefits on both sides of the border.

PRICING:

Despite an overall slowdown in investment sales, local investors remained active, especially in key submarkets like Northwest Tucson/Oro Valley, Palo Verde, and Southeast Tucson. Limited supply, bolstered by rising rental income, could drive up prices in investment sales due to strong demand. If interest rates rise, this will likely raise cap rates and hold back price increases. Nonetheless, property owners enjoyed significant income growth in their industrial investment assets, with user buildings also seeing price increases in Q1 2024.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	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 (IND)	OVERALL WEIGHTED AVG NET RENT (OS)
Downtown	4,156,259	101,610	2.4%	12,949	12,949	0	0	\$0.81	0
E Outlying Pima County	18,464	0	0	0	0	0	0	0	0
Northeast	2,829,306	49,869	1.8%	-23,502	-23,502	0	0	\$0.83	\$0.81
NW Tucson/Oro Valley	12,335,507	1,106,184	9.0%	4,176	4,176	0	0	\$0.79	\$1.02
Palo Verde	6,811,666	211,759	3.1%	-135,003	-135,003	0	0	\$0.82	\$0.83
Park/Ajo	4,087,759	62,632	1.5%	3,560	3,560	0	0	\$0.90	\$0.98
S Pima/Green Valley	674,620	0	0	0	0	0	0	0	0
Southeast Tucson	7,733,828	401,523	5.2%	-242,768	-242,768	0	0	\$0.84	\$0.86
SW Tucson/Airport	12,350,132	1,050,207	8.5%	292,743	292,743	0	40,000	\$0.85	\$0.80
W Outlying Pima County	46,394	0	0	0	0	0	0	0	0
TUCSON TOTALS	51,043,935	2,983,784	5.8%	-87,845	-87,845	0	40,000	\$0.84	\$0.90

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

IND = Industrial OS = Office Service/Flex

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3610 East Valencia Road**	SW Tucson Airport	Belden Inc	302,443	Lease
3780 East Valencia Road**	SW Tucson Airport	The ILS Company, LLC	115,414	Lease
3600 East 36 th Street**	Palo Verde	Pool & Electric Products, LLC	53,767	Lease
6221 South Palo Verde Road**	SW Tucson Airport	AZ HT Restoration LLC dba Servpro	33,558	Lease
1861 West Grant Road**	NW Tucson/Oro Valley	Enthusiast Motors, LLC	10,800	Lease

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

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1440 South Euclid Avenue	Park/Ajo	20 th Street 691, LLC / Assured 4, LLC	38,631	\$2.5M / \$65.99
602 East 24 th Street	Park/Ajo	20 th Street 691, LLC / Assured 4, LLC	26,800	\$1.9M / \$72.79
601 West Flores Street	Northwest Tucson	Yellow / Unis	20,613	\$1.8M / \$90.89

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