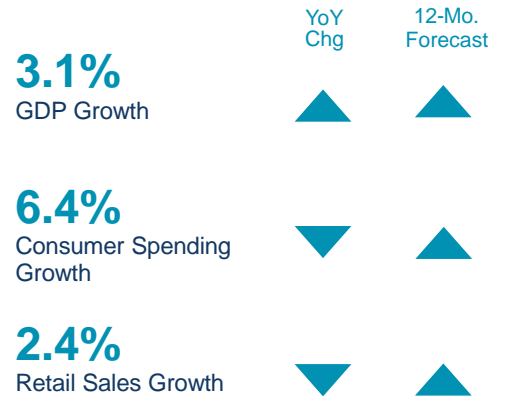


Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q1 2024



Source: BEA, Census Bureau

ECONOMY

As we ended 2024's first quarter (Q1), the U.S. economy signaled continued resilience, with mixed expectations ahead. The narrative was bright for Tucson, where household income rose appreciably 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 2024, the Tucson retail market demonstrated strength with a stable 5.8% vacancy rate, reflecting ongoing recovery from post-pandemic challenges. Over the past year, the market absorbed 110,000 square feet (sf), contributing to the minor reduction of metro-wide vacancy levels.

Key user types such as entertainment, fitness/wellness, healthcare, and auto parts continued to drive significant lease activity, responding to strong consumer spending despite inflation concerns. Tucson's rent growth surged by 5.3% over the last 12 months, surpassing the national average and indicating increased market dynamism. Affordability remained a key advantage, with average rents at \$16.68 per sf, significantly below the national level.

New leases of note included Dollar Tree leasing 13,650 sf in the former Walgreens building in the Foothills submarket, Tetra Tech leasing 13,000 sf in the former Bedroxx Bowling in Marana, and Super Sale Bin Store leasing 12,000 sf in the Northwest submarket.

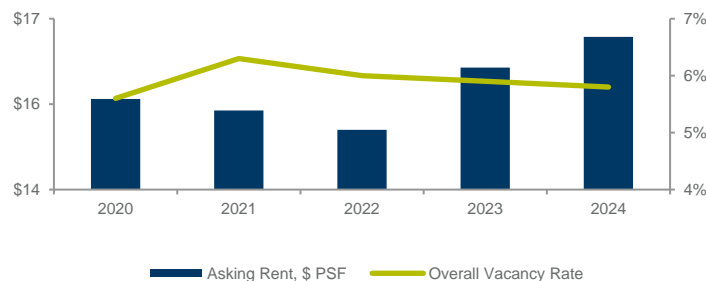
Top sales for Q1 included Ashley Furniture acquiring the former Sam Levitz building for \$11 million, an investor purchasing Century Theaters at Tucson Marketplace at the Bridges, and a real estate investor acquiring Pinecrest Center for \$3.5 million.

New project growth faced challenges due to increased construction costs, with less than 20% of retail construction being speculative construction. However, 38,058 sf of new projects were delivered in Q1, with more underway.

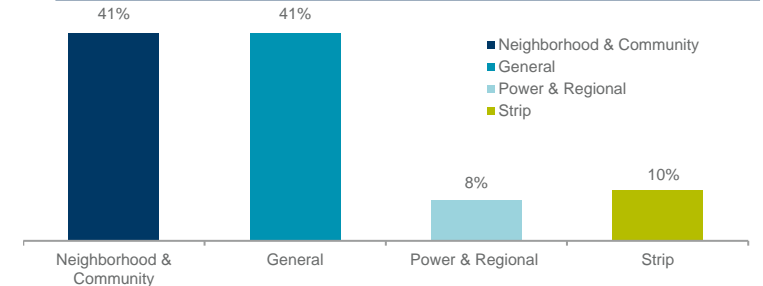
PRICING:

Oro Valley retained its position as the submarket with the highest rent, averaging \$27.29 per square feet (psf), followed by the Southwest submarket at \$20.35 psf, which experienced significant increases in asking rent, reflecting strong demand in the area. Sale pricing remained attractive to investors, typically below replacement cost, particularly appealing amid concerns of future inflation. Increased interest rates have predictably caused cap rates to elevate as the investment market responds to the new cost of capital. The coming year is expected to see more investment opportunities as the ultra-low interest rate notes drawn in 2020 approach their five-year maturities.

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	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central East	8,904,503	2,864	749,530	9.1%	16,664	16,664	0	\$12.72
Central West	7,453,007	23,720	398,456	6.3%	-28,138	-28,138	0	\$12.43
Downtown	1,853,665	3,801	63,345	4.2%	-3,101	-3,101	0	\$15.82
East	9,921,520	9,704	873,400	9.8%	-27,909	-27,909	7,000	\$16.96
Foothills	5,904,179	3,460	188,202	3.8%	-14,060	-14,060	0	\$18.46
North/Oro Valley	2,580,814	4,000	248,891	10.4%	-40,151	-40,151	22,000	\$27.29
Northeast	324,067	0	25,393	8.4%	-5,455	-5,455	0	\$15.94
Northwest	4,650,705	0	136,033	3.5%	-4,167	-4,167	9,058	\$18.25
South	7,091,336	50,000	234,547	4.7%	76,203	76,203	0	\$14.35
South/SW Outlying	1,951,406	0	89,815	5.2%	6,747	6,747	0	\$13.67
Southeast	1,980,069	0	47,174	3.0%	7,297	7,297	0	\$17.92
Southwest	3,111,022	0	67,356	2.8%	3,486	3,486	0	\$20.35
West	893,843	0	36,795	4.7%	-9,040	-9,040	0	\$12.68
TUCSON TOTALS	56,620,134	97,549	3,158,937	5.8%	-21,624	-21,624	38,058	\$16.68

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
406-425 East Wetmore Road	Central	Best Buy	50,712	Renewal
7140-7250 East Broadway Boulevard	East	HomeGoods	29,000	Renewal
2175 West Ina Road**	Foothills	Dollar Tree Stores, Inc	13,576	New Lease
4385 West Ina Road	NW Tucson/Oro Valley	Tetra Tech	13,000	New Lease
3757-3773 West Ina Road	Northwest	Super Sale Bins Store	12,000	New Lease

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

KEY SALES TRANSACTIONS Q1 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
100 North Pantano Road	East	Sam Levitz Furniture Co Inc. / Ashley Furniture Industries, Inc.	87,386	\$11M / \$126.16
1300 East Tucson Marketplace Boulevard	South	Spirit Realty Capital, Inc. / Realty Income Corporation	45,272	NA/NA
4805-4897 East Speedway Boulevard	Central	Richard H. & Barbara T. Huff / Soma Commercial	44,957	\$3.5M / \$77.85
7090 North Oracle Road	Foothills	Jakosky Properties / Litwin Management	41,590	\$12M / \$290.50
1390 East Tucson Marketplace Boulevard	South	Spirit Realty Capital, Inc. / Realty Income Corporation	29,900	NA/NA

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
4750 South Landing Way	Southwest	N/A	7,486	Undisclosed / Undisclosed
2943 North Campbell Avenue	Central	N/A	4,164	Undisclosed / Undisclosed

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