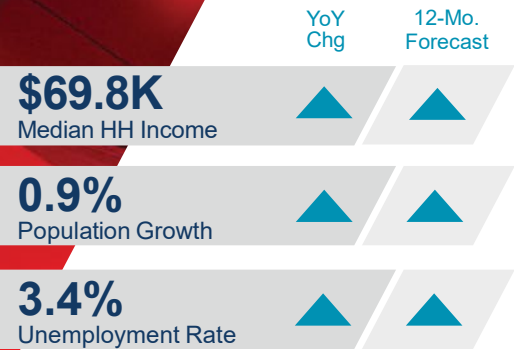


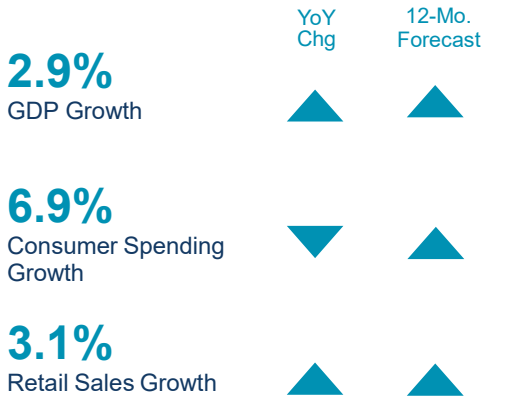
TUCSON

Retail Q2 2024



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

U.S. ECONOMIC INDICATORS Q2 2024



Source: BEA, Census Bureau

ECONOMY

As the second quarter (Q2) of 2024 concluded, the U.S. economy maintained its strength, though projections remained mixed. Tucson stood out with significant economic achievements. The median household income saw a notable rise of 4.5% year-over-year, reaching \$69,800, which boosted local consumer spending. Nationally, the real GDP growth rate edged up to 2.9%, reinforcing the resilience of the economy amid ongoing financial discussions. Despite a slight uptick in inflation to 3.4%, it was still a substantial moderation from the previous year's levels. In Tucson, the nonfarm employment sector expanded modestly by 0.9%, and, notably, the unemployment rate decreased to 3.4%, reflecting a tightening labor market. These trends underscore Tucson's growing economic vibrancy within the broader national context, signaling sustained growth and a stable employment environment.

SUPPLY OR DEMAND

During Q2 2024, the Tucson retail market maintained stability with a 5.7% vacancy rate and positive absorption of 52,500 square feet (sf) over the past 12 months. While this absorption is positive, it remains relatively modest. Existing inventory is being rapidly repurposed to meet modern consumer and market demands.

Factors supporting this positive absorption include the high cost of new construction, which limits the development of new retail spaces that could compete with second-generation spaces. Currently, less than 10% of new construction in the Tucson market is built on a speculative basis, a trend expected to persist for the next few years.

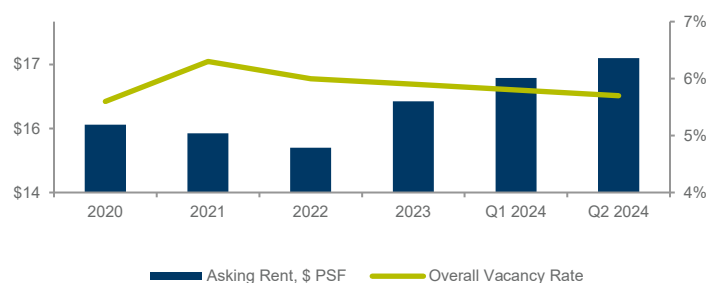
Primary users of retail space continue to be restaurants (including drive-thrus), fitness centers, entertainment venues, and discount retailers. Additionally, Tucson brokers and landlords have become creative in repurposing existing spaces to better suit consumer expectations and market demands.

Notable examples include the conversion of two Tucson Walgreens into Dollar Trees—specifically, 2175 W Ina Road (PICOR transaction) during Q1, and one of Q2's top leases at Desert Square Shopping Center, where a 26,593 sf Walgreens was converted into a Dollar Tree. Other examples of repurposing include Roadhouse Cinemas expanding into the former Bed Bath & Beyond space at Crossroads Festival Shopping Center, the Liver Institute leasing a former restaurant space in the CHROMA Shopping Center, and Midtown Mercantile, a retailer of antiques and repurposed merchandise, filling the former Bookman's space at Rancho Center.

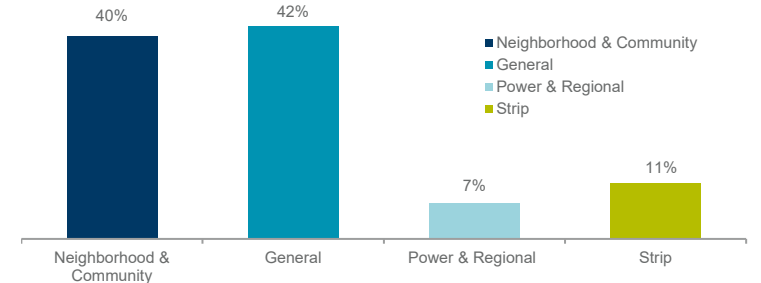
PRICING

Investment sales were stagnant due to high debt costs compared to seller expectations. However, the market is expected to loosen in early 2025 as five-year maturities from the COVID era roll in. Pad sales for build-to-suit transactions are accelerating, driven by consumer demand for convenient food options. Tucson's MSA forecasts a retail sales growth of 2.4% this year, 3.3% in 2025, and 3.5% in 2026. Despite no major inventory gains, Tucson has seen a significant 6.3% rent growth, indicating steady, positive rent growth and stable vacancy in the future.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR NET ABSORPTION	OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central East	9,011,826	2,864	719,883	8.6%	33,797		49,754	0	\$13.39
Central West	7,365,182	23,720	418,087	6.6%	-21,595		-47,769	5000	\$14.42
Downtown	1,841,079	1,200	87,212	5.4%	-21,266		-24,367	0	\$20.22
East	10,008,256	9,704	859,205	9.2%	14,177		-13,714	7,000	\$17.73
Foothills	5,908,312	3,460	163,021	3.4%	25,181		11,121	0	\$19.39
North/Oro Valley	2,562,929	4,000	266,169	11.0%	-17,278		-57,429	16,000	\$23.07
Northeast	324,710	0	18,433	6.3%	6,960		1,505	0	\$17.73
Northwest	4,651,860	0	126,477	3.3%	18,614		14,477	197,837	\$18.75
South	7,010,907	53,554	241,120	4.8%	-11,475		66,426	0	\$16.60
South/SW Outlying	1,902,763	0	99,683	5.8%	-9,868		-3,121	3360	\$14.74
Southeast	1,981,369	0	37,083	2.5%	11,391		18,688	0	\$18.72
Southwest	3,112,018	0	50,430	2.2%	16,926		20,412	0	\$15.71
West	890,694	0	39,588	5.0%	-2,793		-11,833	0	\$12.52
TUCSON TOTALS	56,571,905	98,502	3,126,391	5.7%	42,771		24,150	229,197	\$17.15

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3840-3860 West River Road	Foothills	Sprouts Farmers Market	27,225	Renewal
7109-7129 East Golf Links Road	East	Dollar Tree	26,593	New Lease
3302-3352 East Speedway Boulevard	Central East	Midtown Mercantile	13,548	New Lease
101 South La Canada Drive	South/SW Outlying	Bin Superstore	8,200	New Lease
2265 West Ina Road**	Foothills	ArchWell Health, LLC	6,964	New Lease

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

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
2950-2934 West Ina Road	Northwest	Barnyard Heritage, LLC / Alturas Heritage Plaza	112,641	\$17.5M / \$155.36
3660 South 16 th Avenue	South	Agree Limited Partnership / KHATOON LLC	76,062	\$4M / \$56.25
3950-3994 North Oracle Road	Central	Machado E & Z Family Trust / Park Valley Shops LLC	23,668	\$4M / \$188.02
501 West 22 nd Street**	South	Claude Marin / 18 th & Euclid LLC	16,223	\$385K / \$23.73
3232-3244 East Speedway Boulevard	Central East	Chroma Speedway Investors LLC / Habibs Holdings LLC	15,094	\$2.8M / \$185.50

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

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
8693 Silverbell Road	Northwest	The Learning Experience	9,058	Diamond Ventures / Diamond Ventures
4750 South Landing Way	Southwest	Undisclosed	7,486	Irvington Interstate Partners North LLC / Undisclosed
920 East Tucson Marketplace Boulevard	South	QuikTrip	4,435	BP Bridges Partners LLC / Undisclosed

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