



ECONOMY

Tucson's economic momentum continued into the first quarter of 2025 with median household income rising to \$74,400, a 4.5% year-over-year (YOY) increase. Despite a slight dip in nonfarm employment, the unemployment rate remains below the national average at 3.9%. Population growth was steady at 1.1% year-over-year, surpassing the national rate. While the broader U.S. economy is cooling, Tucson's diversified economic base and population growth position it to weather national shifts effectively. Metro Tucson remains well-equipped as national economic activity stabilizes.

SUPPLY & DEMAND

Tucson's industrial market exhibited stability in Q1 2025, with vacancy slightly increasing to 5.7%. This rise is attributed to an uptick in sublease availability as some businesses that expanded rapidly are now contracting. Logistics, distribution, and manufacturing continue to drive demand, though smaller users are hesitant in the current political climate.

The Northwest submarket remains in high demand with little to no vacancy. The Airport area, featuring new speculative product, was another hot spot. A significant development this quarter is the groundbreaking of Drexel Commerce Center in January 2025, signaling continued confidence in the market.

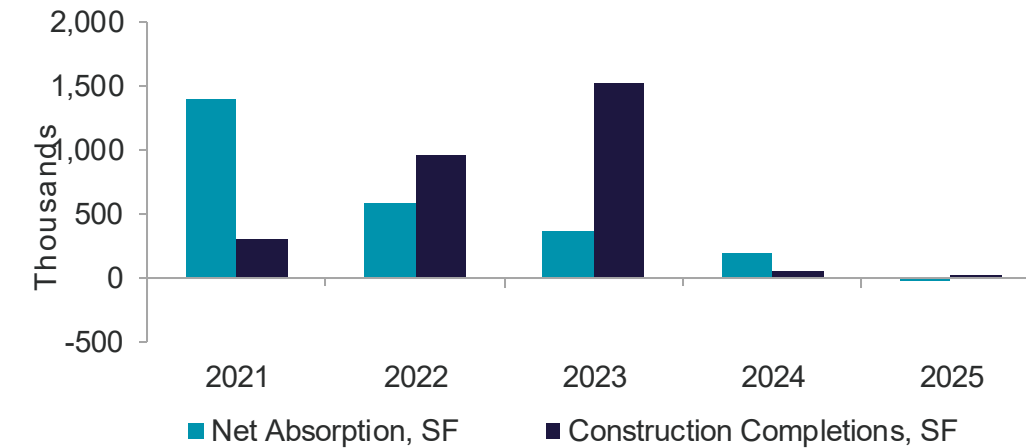
Key lease transactions included Kilgore Manufacturing's 13,952 sf lease in the Airport submarket and Western United Electrical Supply's 12,107 sf lease in Oro Valley.

Shallow bay lease rates are rising given demand pressures and new spec developments commanding higher rates. Older properties' rates remain stable, resulting in an average lease rate of \$0.80 per sf. Construction costs have slightly decreased, leading to more active building of speculative developments.

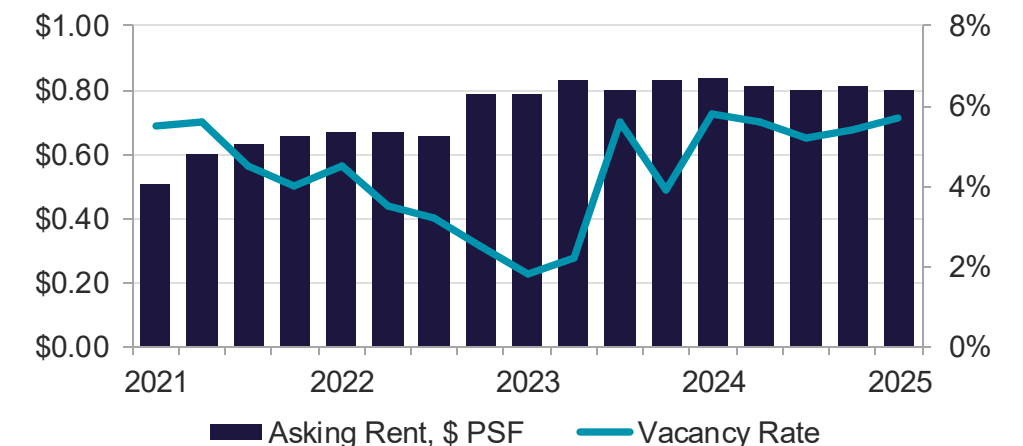
PRICING

Investment sales activity remained subdued, primarily due to high interest rates. Land purchases were moving at a slower pace, while sale pricing for existing properties remained steady. The most active submarkets for investment continued to be NW Tucson/Oro Valley, Palo Verde, and Southeast Tucson, though overall transaction volume was lower than in previous quarters. Notable sales included FJM's acquisition of 6898-6910 N Camino Martin in NW Tucson/Oro Valley for \$2.5M and JCBP LLC's sale of 990 S Cherry Ave in Downtown to AC Pro for \$2.1M. The logistics and distribution sectors are performing well, driven by e-commerce demand, though international trade and cross-border activities have moderated in the current political climate.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET FUNDAMENTALS

	YOY Chg	Outlook
5.7% Vacancy Rate	▼	▲
-5K YTD Net Absorption SF	▲	▬
\$0.80 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
397K Tucson Employment	▼	▲
3.9% Tucson Unemployment Rate	▬	▲
4.1% U.S. Unemployment Rate <i>Source: BLS</i>	▲	▲

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)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (IND)	OVERALL WEIGHTED AVG NET RENT (OS)
E Outlying Pima County	18,464	0	0	0	0	0	0	0	0
Northeast	2,835,293	45,031	2.8%	4,836	4,836	0	0	\$0.86	\$0.84
NW Tucson/Oro Valley	12,141,038	1,231,097	10.5%	6,107	6,107	0	0	\$0.89	\$0.92
Palo Verde	6,877,611	260,789	6.0%	-140,086	-140,086	194,879	20,900	\$0.97	\$0.97
Park/Ajo	4,215,009	32,365	2.9%	-10,767	-10,767	0	0	\$0.85	\$0.84
S Pima/Green Valley	674,622	0	0	0	0	0	0	0	0
Southeast Tucson	8,670,838	308,987	5.2%	9,774	9,774	0	0	\$0.57	\$0.79
SW Tucson/Airport	12,364,428	1,070,904	10.2%	13,002	13,002	146,963	0	\$0.79	\$0.74
W Outlying Pima County	46,394	0	0	0	0	0	0	0	0
Downtown	4,178,238	20,904	2.3%	111,904	111,904	0	0	\$0.70	0
TUCSON TOTALS	52,021,935	2,970,077	5.7%	-5,230	-5,230	341,842	20,900	\$0.80	\$0.85

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

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6424 South Tucson Boulevard	SW Tucson/Airport	Kilgore Manufacturing	13,952	New Lease
1601 North 15 th Avenue**	NW Tucson/Oro Valley	Western United Electrical Supply Corporation	12,107	New Lease
201 East 37 th Street**	Park/Ajo	UMP Technologies	11,340	New Lease
1800 South Research Loop**	Northeast	HFE International, LLC	7,650	New Lease
3840 South Palo Verde Road**	Palo Verde	AZ Toy Brokers, LLC	5,540	New Lease

*Renewals not included in leasing statistics

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

KEY SALES TRANSACTIONS Q1 2025

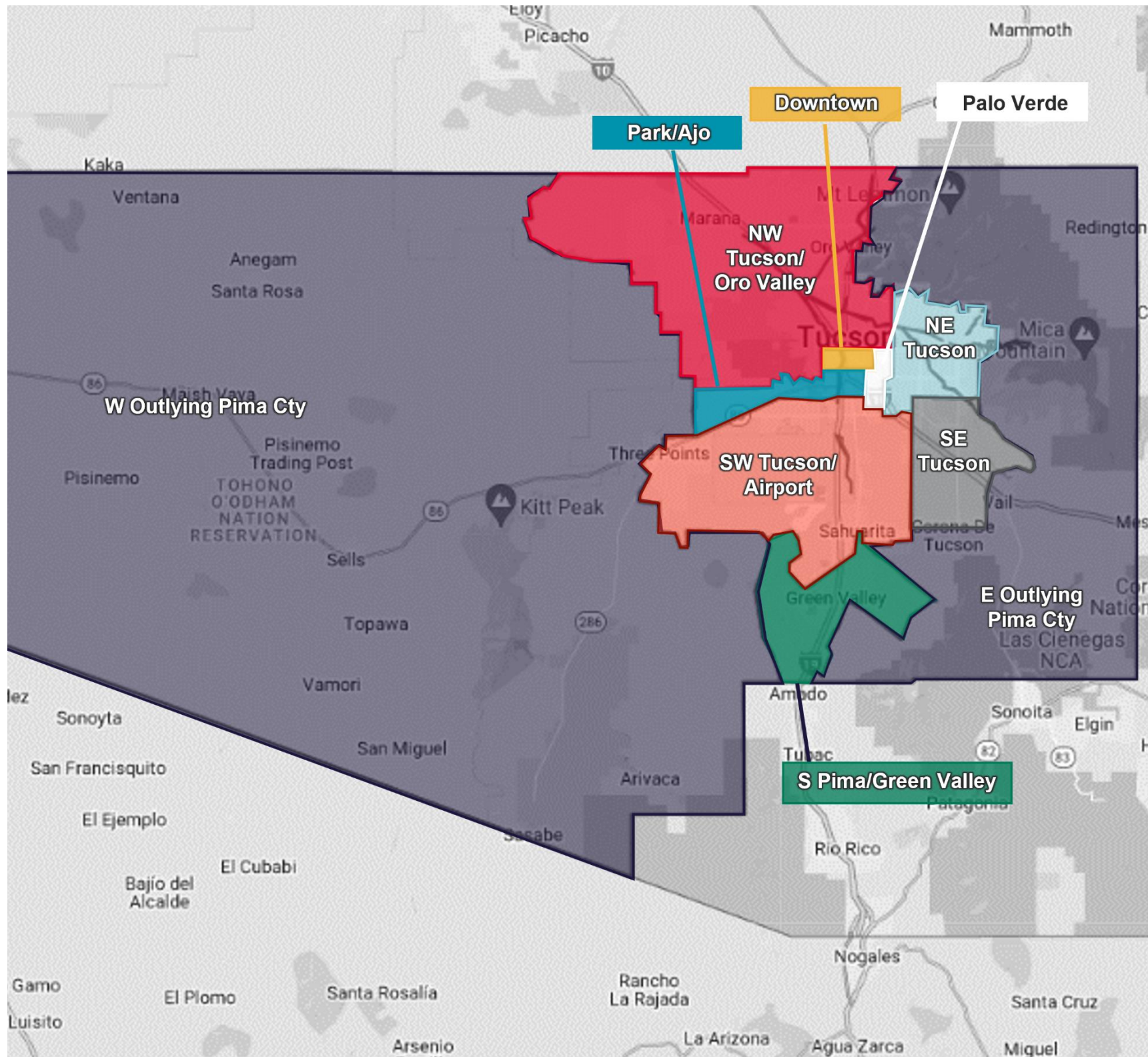
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
6898-6910 North Camino Martin**	NW Tucson/Oro Valley	One Acorn Ventures, LLC / FJM Merced Associates, L.P.	26,400	\$2.5M / \$95.64
990 South Cherry Avenue**	Downtown	JCBP LLC / AC Pro	21,518	\$2.1M / \$97.67
2275 East Ginter Road	SW Tucson/Airport	Obc Tucson LLC / 2275 E Ginter Rd, LLC	14,412	\$2M / \$141.22
2720 South Dodge	Palo Verde	Reddy Ice LLC / Ice Ice Baby LLC	13,596	\$1.7M / \$128.31
3820-3830 East 40 th Street	Palo Verde	CL & LL Properties Inc/Unknown	7,600	\$699K / \$91.99

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

KEY CONSTRUCTION COMPLETIONS YTD 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
4736 South Butterfield Drive	Palo Verde	Avanti	20,900	BUTTERFIELD 35,LLC

INDUSTRIAL SUBMARKETS



BARBI REUTER, RPA
Chief Executive Officer
Tel: +1 520 546 2744
breuter@picor.com

KATE ZIMMERMAN
Marketing Manager
Tel: +1 520 546 2743
kzimmerman@picor.com

Independently Owned and Operated / A Member of the Cushman & Wakefield Alliance

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of \$9.4 billion across its core services of lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.

©2025 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Source: Costar