













MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.3% Vacancy Rate		
-37K YTD Net Absorption, SF		
\$24.64 Asking Rent, PSF <small>(Overall, All Property Classes)</small>		

ECONOMIC INDICATORS

	YOY Chg	Outlook
397K Tucson Employment		
4.7% Tucson Unemployment Rate		
4.1% U.S. Unemployment Rate <small>Source: BLS</small>		

ECONOMY:

Tucson's economic momentum continued into the first quarter of 2025 (Q1 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

In Q1 2025, Tucson's office market experienced a slight uptick in vacancy, reaching 10.3%, indicating a modest but persistent upward trend. The availability of space is further influenced by 320,000 sf (square feet) of sublease space, reflecting ongoing reassessments of space needs. Despite these challenges, the market showed resilience with notable leasing activity, particularly in the healthcare sector.

The Foothills and Northwest Tucson submarkets performed well, with Northwest Tucson experiencing a 3.7% rent increase. Central and Downtown areas saw more leasing activity but higher vacancy rates, while Southwest Tucson posted positive absorption of 19,867 sf.

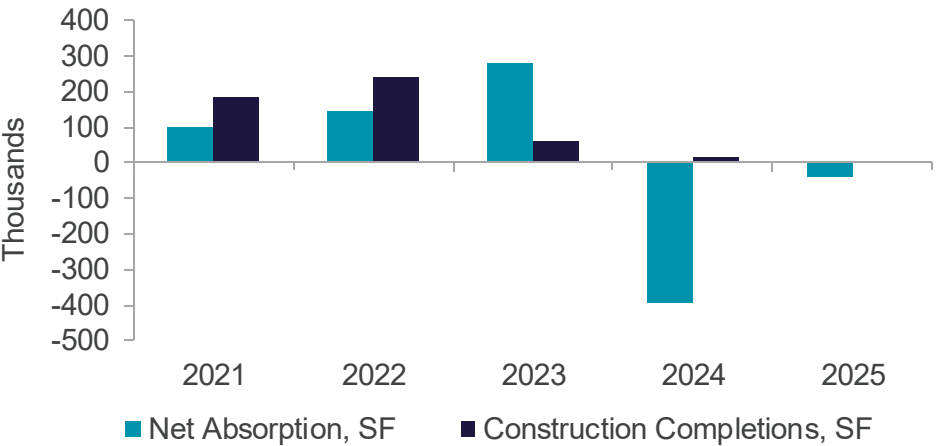
Significant leases this quarter included new TMC Health Cancer Center leases totaling 63,551 sf across multiple locations, and Bayada Home Health Care, Inc. leasing 6,432 sf at 5151 East Broadway Boulevard.

The average lease size stands at 2,700 sf, with smaller tenants, under 4,000 sf, showing more consistent activity, while larger spaces face slower absorption. High interest rates and limited access to capital continue to deter new construction starts, with developers preferring pre-leased or medical-oriented projects.

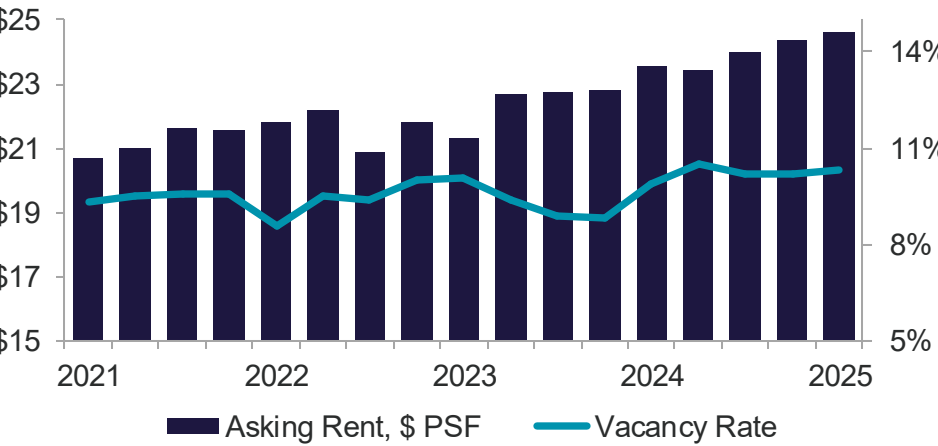
PRICING:

Professional office lease rates averaged \$23.49 per sf, up 2.0% year-over-year, with premium submarkets like the Foothills and select Class A properties reaching rates around \$30 per sf. Rising material and labor costs have driven tenant improvement expenses up by 30 to 40%, creating financial pressure for landlords. The investment sale market was muted, with \$105M in sales over the past year, significantly below the five-year average. Notable sales included Hemisphere Corporate Center and 800 E Wetmore. Medical properties and owner-user transactions dominated activity, highlighting the sector's resilience amid broader market challenges.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)**	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central	10,443,232	1,200,154	29,851	10%	57,629	57,629	44,969	0	\$24.94	\$26.57
East	1,314,609	155,984	0	13.1%	-14,980	-14,980	0	0	\$22.77	\$20.95
Foothills	1,464,175	128,116	0	6.4%	-17,604	-17,604	825	0	\$31.59	0
Green Valley / South	441,691	95,949	0	7.1%	-8,581	-8,581	0	0	\$27.07	0
North / Oro Valley	3,868,770	335,060	46,524	9.3%	-68,710	-68,710	15,306	0	\$26.05	\$26.85
Northwest	593,854	78,523	0	3.6%	-13,968	-13,968	0	0	\$30.18	0
Southeast	721,926	200,845	15,833	25.1%	0	0	0	0	\$18.41	0
Southwest	2,374,083	111,830	7,373	2.5%	-11,966	-11,966	0	0	\$28.47	\$29.20
West	1,526,807	194,686	153,368	22.5%	-22,914	-22,914	1,845	0	\$20.66	\$21.02
DOWNTOWN TOTALS	6,202,546	185,484	28,162	3.4%	-4,620	-4,620	8,253	0	\$23.98	\$26.44
TUCSON TOTALS	28,951,693	2,697,630	281,111	10.3%	-37,364	-37,364	71,198	0	\$24.64	\$25.17

KEY LEASE TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
603 North Wilmot Road**	Central	TMC Health Cancer Center	26,953	New Lease
2625 North Craycroft Road Suite 200A, 201, 221**	Central	TMC Health Cancer Center	16,076	New Lease
2625 North Craycroft Road, Suite 100**	Central	TMC Health Cancer Center	13,002	New Lease
1315 South La Cañada Drive**	Green Valley/South	TMC Health Cancer Center	10,769	New Lease
5151 East Broadway Boulevard Suite 800, 810, 820**	Central	Bayada Home Health Care, Inc	6,432	New Lease

\*Renewals not included in leasing statistics

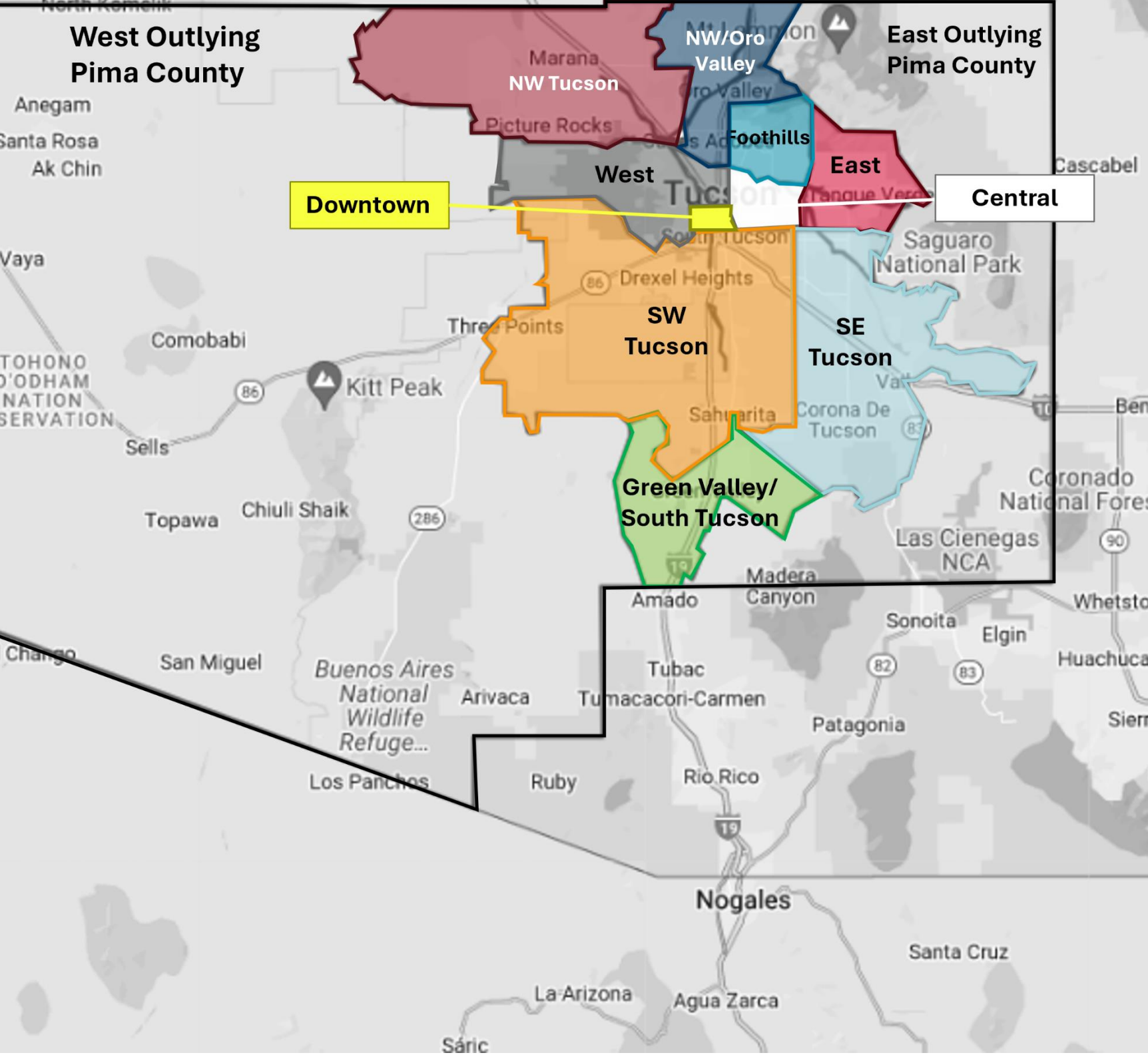
\*\* At least one party represented by Cushman & Wakefield | PICOR

KEY SALES TRANSACTIONS Q1 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
3360 East Hemisphere Loop	Southwest	Scottsdale Investment Management / Preissman Perris LLC	72,000	\$13.7M / \$190.33
800 East Wetmore Road*	Central	Wetmore 800 LLC / Wetmore Tucson, LLC	38,464	\$2.4M / \$62.39
4701-4749 North 1st Avenue*	East	North First 19, LLC / First Ave Partners LLC	25,932	\$1.75M / \$67.48
1575 East River Road*	Foothills	Rabb Investments LLC / Safme Holdings LLC	10,000	\$2.3M / \$226.40
3719 N Campbell Ave	Central Tucson	3719 Campbell Partners LLC / 4-D Properties LLP	8,205	\$2.0M / \$247.10

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OFFICE SUBMARKETS



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