

MARKET FUNDAMENTALS

5.7%

Vacancy Rate

-103K

YTD Net Absorption SF

\$0.84

Asking Rent, PSF

(Overall, Net Asking Rent)

YOY Chg

Outlook

399K

Tucson Employment

4.1%

Tucson Unemployment Rate

4.2%

U.S. Unemployment Rate

Source: BLS

YOY Chg

12-Month Forecast

ECONOMY

Tucson’s economy remained resilient in the second quarter (Q2). Median household income climbed to \$74,500, up 4.5% year-over-year, supporting steady local spending. Nonfarm employment rebounded to 399,200 jobs, while the unemployment rate edged up to 4.1%. Population growth continued at 0.7% year-over-year, outpacing the national average and fueling household formation, which reached 451,300. Despite modest national economic growth and persistent inflation, Tucson’s rising incomes, expanding households, and stable job market continue to underpin the region’s positive outlook.

SUPPLY & DEMAND

Tucson’s industrial market remained tight in Q2 2025, with vacancy persisting at 5.7%. Most available space was in large-bay buildings or projects, while small bays under 50,000 square feet (sf) remained near full occupancy. Significant speculative construction is underway in the Airport and Northwest submarkets, including Butterfield Logistics Center set to deliver 194,879 sf in Q3, Corona Commerce Center with 146,963 sf in Q4, and Drexel Commerce Center bringing 191,252 sf in Q1 2026. Expect almost 900,000 sf completed by year-end, reflecting optimism in response to absorption trends. Construction activity continued despite cost pressures on materials and labor.

A \$3.6 billion data center development in southeast Tucson, potentially the largest economic development project in the region’s history, cleared its first approval with Pima County and will move through City of Tucson review stages in Q3. Key leases included Energy Logistics Inc at 777 E MacArthur (34,680 sf), EPIX Interiors at 2301 N Forbes (15,000 sf), and Sundt Construction expanding to 2700 E Drexel Commerce Center (32,681 sf).

User and investor sales remained muted due to cautious sentiment in an elevated interest rate environment. Land deals slowed, but pricing for existing assets held steady. New leases and sales were most active in the Airport, Northwest, and Marana submarkets, and longer lease terms remained common.

PRICING

Average asking rents held steady at \$0.84 per square feet (psf) per month, with new speculative space quoting up to \$1.00 psf. Construction costs remained high, with increases in steel, copper, and concrete prices. Tariff uncertainty added volatility in both pricing and project advancement, and labor shortages and loan rates continued to pressure development budgets. Some developers relied on modular design and early procurement to control costs.

SPACE DEMAND / DELIVERIES

Year	Net Absorption, SF (Thousands)	Construction Completions, SF (Thousands)
2021	1,400	300
2022	600	950
2023	400	1,500
2024	200	50
2025	-100	50

OVERALL VACANCY & ASKING RENT

Year	Asking Rent, \$ PSF	Vacancy Rate (%)
2021	\$0.50	5.5%
2022	\$0.65	4.5%
2023	\$0.80	2.5%
2024	\$0.85	5.5%
2025	\$0.84	5.7%

Better never settles

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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	437,359	0	0	0	0	0	0	0	0
Northeast	3,255,188	6,938	2.9%	-3,128	1,708	0	0	\$0.87	\$0.76
NW Tucson/Oro Valley	12,561,699	1,267,277	12%	-28,264	-31,601	0	0	\$0.97	\$0.95
Palo Verde	7,303,778	285,949	5.9%	-28,343	-166,774	194,879	20,900	\$0.94	\$1.01
Park/Ajo	4,647,881	10,025	2.4%	24,904	-384	0	0	\$0.98	\$0.86
S Pima/Green Valley	1,093,515	0	0	0	0	0	0	0	0
Southeast Tucson	9,079,825	213,620	4.1%	92,184	93,184	0	0	\$0.57	0
SW Tucson/Airport	12,766,213	1,193,015	11.2%	-23,858	-110,637	338,165	0	\$0.82	\$0.76
W Outlying Pima County	465,289	0	0	0	0	0	0	0	0
Downtown	439,782	-20,317	1.4%	0	111,904	0	0	\$0.73	0
TUCSON TOTALS	52,050,529	2,956,507	5.7%	59,036	-102,600	533,044	20,900	\$0.84	\$0.87

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

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2929 East Corona Road**	SW Tucson/Airport	Alorica Inc.	101,436	Renewal
777 East MacArthur Circle	Park/Ajo	Energy Logistics Inc	34,680	New Lease
2700 East Commerce Center Plaza	SW Tucson/Airport	Sundt Construction	32,681	New Lease
2301 North Forbes Boulevard**	NW Tucson/Oro Valley	EPIX Interiors	15,000	New Lease
3761 East Tennessee Street	Palo Verde	Greenspring Realty Partners	13,613	New Lease

*Renewals not included in leasing statistics

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

KEY SALES TRANSACTIONS Q2 2025

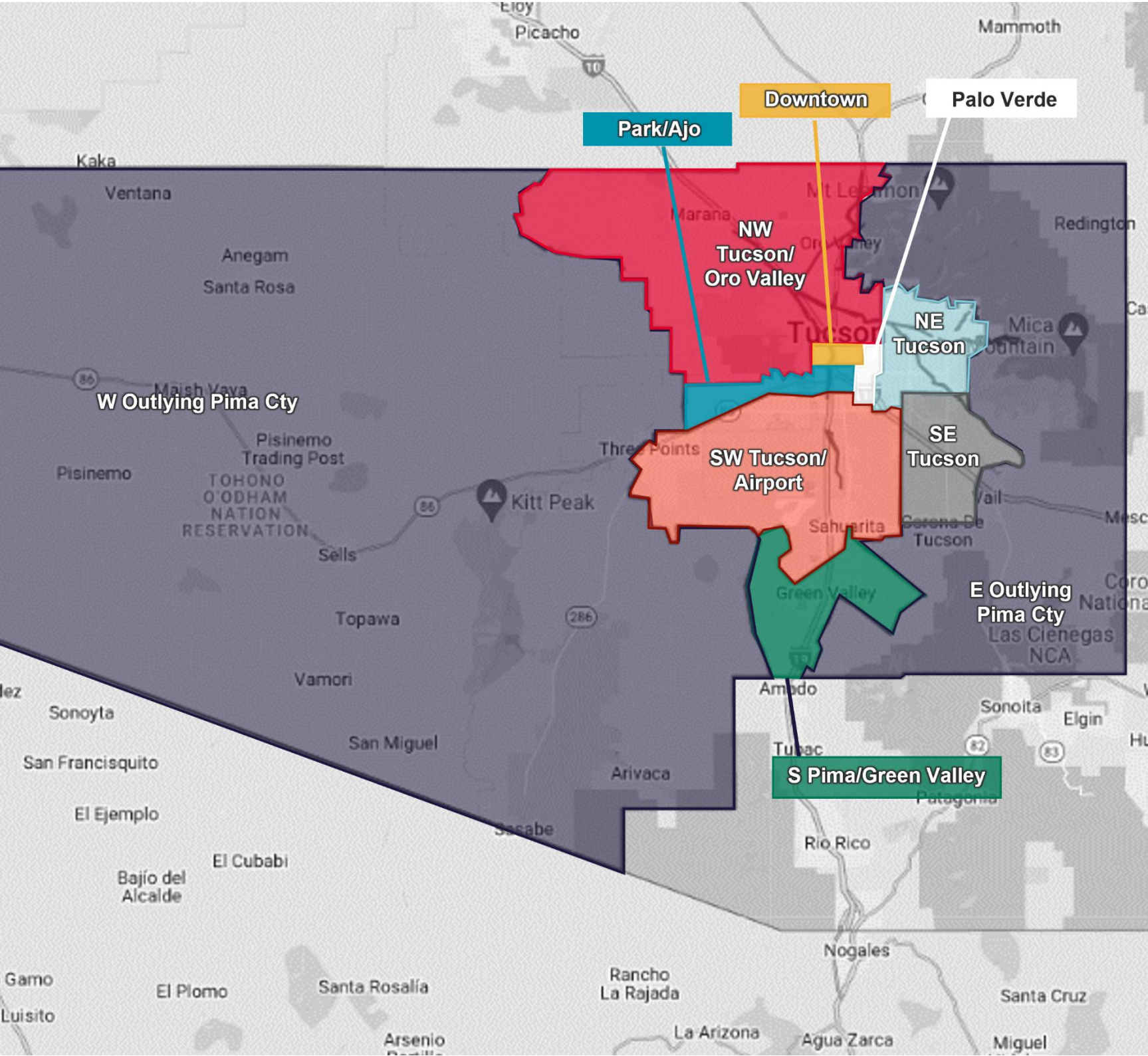
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
1701 West Grant Road	NW Tucson/Oro Valley	Store Master Funding VI LLC / Titan Machinery Inc.	23,386	\$3M / \$130.12
2802 North El Burrito Avenue**	NW Tucson/Oro Valley	Ray Bolinger / BRD Realty LLC	18,386	\$1.25M / \$69.89
1441 East 17 th Street	Downtown	Barrio San Antonio, LLC / F5Phantom LLC	17,706	\$1.5M / \$84.72
102 West 29 th Street	Park/Ajo	Diamond Ventures / Steven P. Lancaster Trust	13,671	\$2.3M / \$175.19
2010 W McMillan Street	NW Tucson/Oro Valley	2964 W Sago LLC / A D S Precision Machining	8,750	\$1.2M / \$137.14

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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

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Source: Costar