

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.4% Vacancy Rate	▲	—
-106K YTD Net Absorption, SF	▼	—
\$24.34 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▲	—

ECONOMIC INDICATORS

	YOY Chg	Outlook
399K Tucson Employment	▼	▲
4.1% Tucson Unemployment Rate	▲	▲
4.2% U.S. Unemployment Rate <small>Source:BLS</small>	▲	▲

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

In Q2 2025, Tucson’s office market experienced a modest increase in vacancy, reaching 10.4%. However, occupancy rates remained stronger than the national average of 14.2%. The absence of new office construction reinforced limited supply, especially for smaller, well-located spaces. Demand was primarily driven by strong activity in the healthcare and behavioral health sectors, the latter of which saw renewed office needs as therapists returned to in-person care following years of telehealth experimentation.

Medical leases included 10,222 square feet (sf) at 2424 N Wyatt on the TMC Hospital Campus and 9,199 sf at 2856 E Fort Lowell. Most other occupiers this quarter leased spaces under 2,500 sf, continuing the trend toward smaller suite activity.

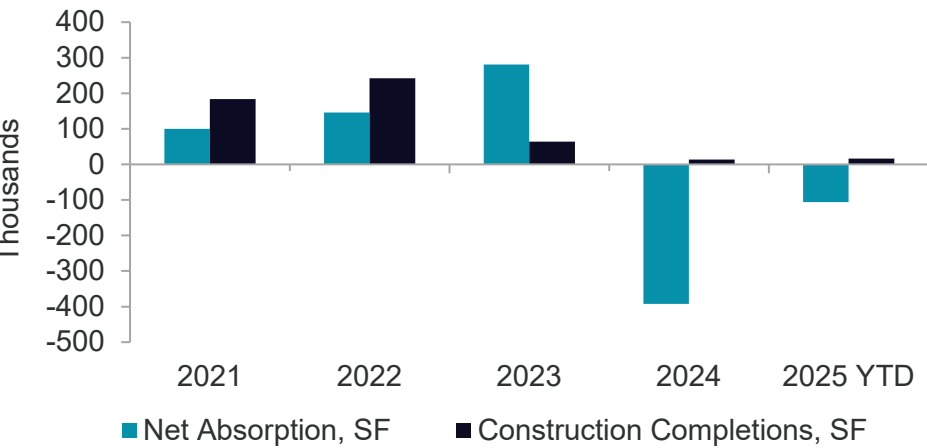
Suburban markets—especially those near healthcare hubs—performed best, while Downtown Tucson’s higher vacancy and slower absorption persisted, except in certain historic neighborhoods like Barrio Viejo and El Presidio. High interest rates and limited financing options continued to delay new construction, with developers favoring pre-leased and medically-oriented projects. Average lease sizes remained around 2,700 sf, with large blocks facing slower interest and activity.

PRICING

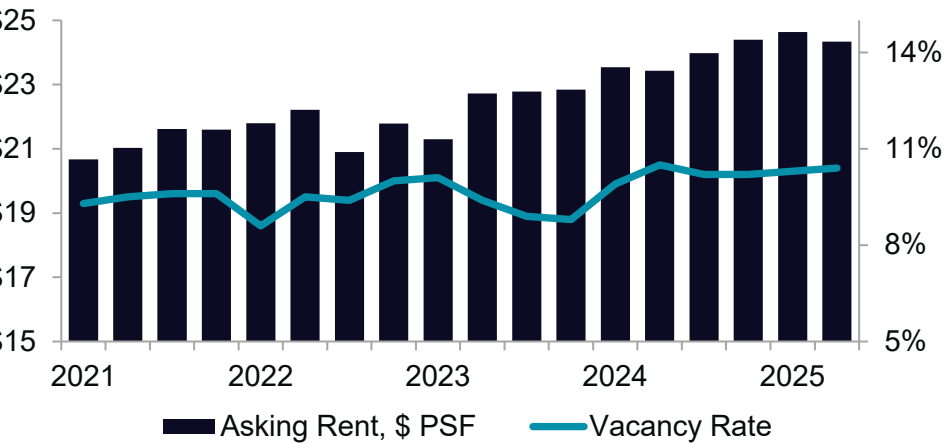
Lease rates averaged \$24.34 per square feet (sf) in Q2 2025, up slightly from last quarter, driven by inflation and ongoing buildout costs. Top-tier medical and Class A spaces commanded rates near \$30 sf. Tenant improvement costs remained elevated but began to level off. In this climate, landlords are as aggressive and creative as possible to structure deal terms that work.

Low inventory has pushed sale prices higher, especially for small office condos, which remain in high demand. Notable sales this quarter included 5411 E Williams and 6130 N La Cholla. High interest rates and uncertainty around the impact of new ,significant federal legislation tempered broader investment activity, though owner-users remained active.

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	10,440,393	1,281,616	25,716	10.5%	-30,748	31,650	111,157	0	\$24.01	\$26.79
East	1,341,416	212,988	0	16.8%	-6,058	-21,519	4,165	0	\$21.71	\$21.00
Foothills	1,476,251	130,543	0	6.6%	-2,460	-18,997	17,560	0	\$30.91	0
Green Valley / South	415,288	37,856	0	7.5%	-7,413	-16,475	0	0	\$26.08	0
North / Oro Valley	3,862,835	362,816	21,196	8.3%	37,519	-36,265	32,698	0	\$22.25	\$26.86
Northwest	567,451	26,975	0	3.8%	-7,326	-28,408	10	0	\$26.80	0
Southeast	748,849	199,391	0	22.4%	10,654	5,580	1,454	0	\$18.26	0
Southwest	2,374,482	55,756	7,373	2.5%	-2,800	-21,880	0	0	\$27.48	\$29.25
West	1,530,358	241,244	153,368	22.1%	-6,612	-30,007	32,126	0	\$19.67	\$21.05
DOWNTOWN TOTALS	6,249,029	204,055	28,162	3.5%	-41,927	30,247	25,958	0	\$26.23	\$27.34
TUCSON TOTALS	29,006,352	2,753,240	235,815	10.4%	-57,171	-106,074	225,128	0	\$24.34	\$25.38

KEY LEASE TRANSACTIONS Q2 2025

333 East Wetmore Road**	West	Undisclosed	27,787	New Lease
5151 East Broadway Boulevard*	Central	Spoke Coworking Tower Suites, LLC	13,238	New Lease
2424 North Wyatt Drive*	Central	Tucson Orthopaedic Institute	10,222	Renewal
2856 East Fort Lowell Road	Central	Undisclosed	9,199	New Lease
700 E Broadway Boulevard	Downtown	Resilient Health, Inc.	6,152	Renewal

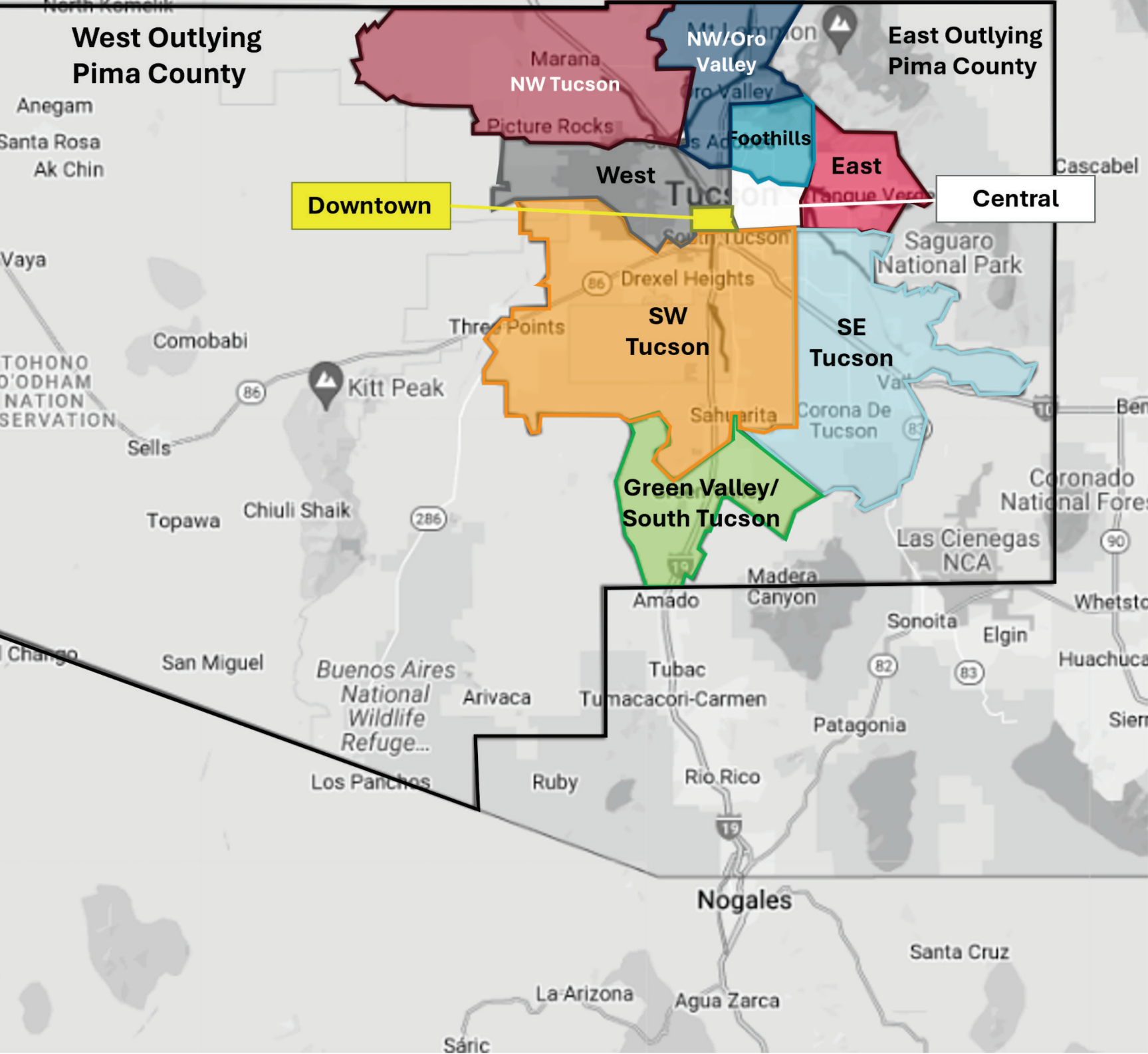
*At least one part represented by Cushman & Wakefield | PICOR **Lease includes three different transactions Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
5411 East Williams Boulevard	Central	Bourn Companies / Texas Instruments	125,000	\$11.6M / \$92.80
6130 N La Cholla Boulevard*	North / Oro Valley	CWRP La Cholla Oro MOB Owner, LLC / AG-CW LA Cholla Oro MOB Owner, LLC	67,731	\$13.3M / \$196.37
1055 North La Canada Drive*	Green Valley/South	Northwest Healthcare Properties / MLL Capital	23,746	\$2.9M / \$124.71
4892 North Stone Avenue	North / Oro Valley	Northwest Healthcare Properties / MLL Capital	18,746	\$3.1M / \$168.03
4881 East Grant Road*	Central	AEH Investors V LLC & PMH Investors V LLC / Elliott Vay Medical Properties Holdings III, LLC	15,000	\$5.5M / \$366.67

*At least one party represented by Cushman & Wakefield | PICOR – or was on the advisory team

OFFICE 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