

MARKET FUNDAMENTALS

	YOY Chg	Outlook
\$74.5K Median HH Income	▲	▲
0.7% Population Growth	▼	▲
4.1% Unemployment Rate	▲	▲

Source: BLS

ECONOMIC INDICATORS

	YOY Chg	Outlook
1.4% GDP Growth	▼	▲
2.4% Consumer Spending Growth	▼	▲
2.0% Retail Sales Growth	▼	▬

Source: BEA, Census Bureau

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

Retail vacancy rose to 6.0% in Q2 2025, up from 5.3%, due to several large-store closures. While elevated, the rate aligns with Tucson’s 5-year average and reflects a correction following strong recent performance. Discount retailers, fitness users, and entertainment concepts continued to expand. Late last quarter, Planet Fitness leased 28,000 square feet (sf) in East Tucson, while The Picklr signed 30,150 sf in Oro Valley, with a grand opening set for August 2025. Restaurants and medical users remained active, with adaptive reuse common for former big-box and pharmacy sites.

Hot submarkets included Oro Valley, Catalina Foothills, and the I-10 corridor, where high-income demographics drive demand. Experiential retail users remained active with Lava Island, an indoor playground, leasing 40,018 sf in the Foothills, and Slick City, a waterless indoor slide park, leasing 36,454 sf in East Tucson.

Recent construction totaled 187,000 sf delivered over the past year and 290,000 sf underway—over 96% preleased. High costs of new builds are driving redevelopment along major arterial corridors.

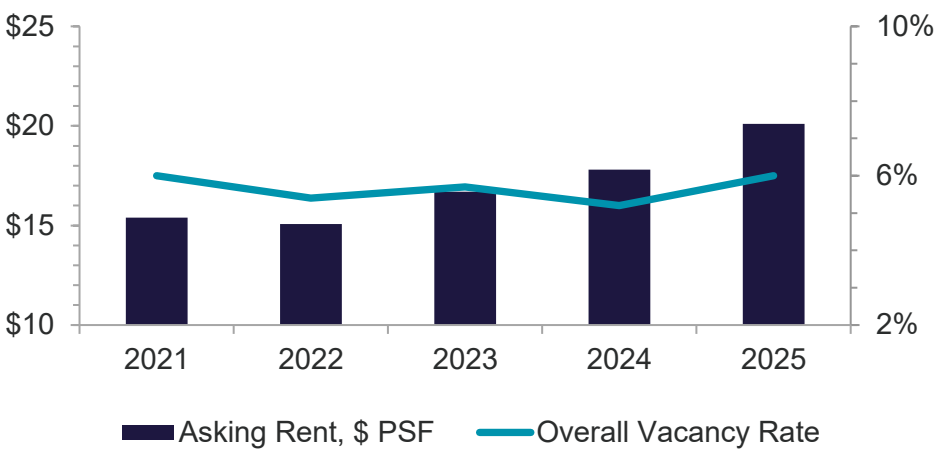
PRICING

Average lease rates rose 4.3% year-over-year to \$20.10 per sf, outpacing the national increase of 2.0%. Premiums of 20–25% remain in high-demand areas like Oro Valley and key eastside arterials.

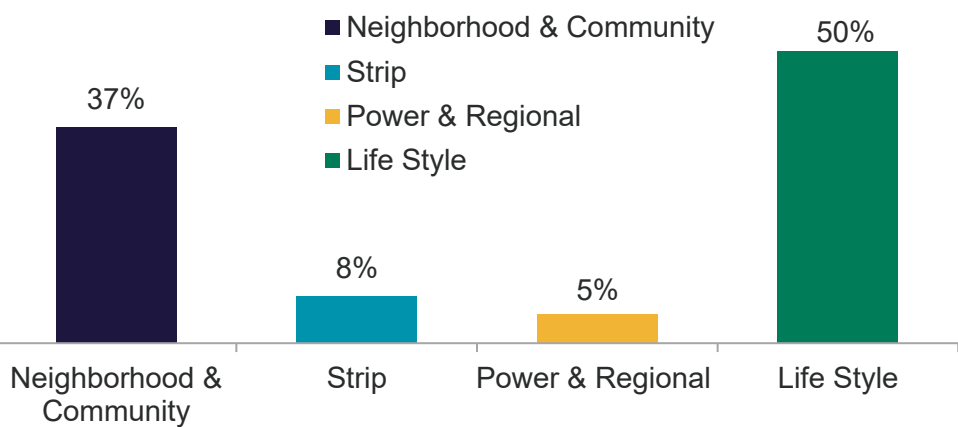
Investment volume reached \$331M over the past 12 months, led by private capital. Average sale pricing held steady at \$246 per sf, with cap rates around 6.3%. User buildings saw modest price growth and remained in demand among local buyers.

Notable Q2 sales included Plaza Escondida’s investment purchase for \$23M at 90,721 sf, a 19,538 sf strip center at 1702 E Speedway, and Costco’s 14,519 sf purchase at 3821 W Costco. Montesa Plaza also sold for \$13M in the Eastside corridor. While rent growth supported investment values, high interest rates and macro uncertainty continued to weigh on transaction volume.

OVERALL VACANCY & ASKING RENT



AVAILABILITY BY PRODUCT TYPE



Source: Costar

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)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central East	8,922,995	615,677	3,000	7.5%	29,073	14,665	0	\$15.67
Central West	7,435,668	507,181	0	7.3%	-67,187	-21,535	0	\$16.05
East	9,958,640	935,004	0	9.9%	5,558	-57,488	17,783	\$17.92
Foothills	5,967,622	166,370	3,460	3.3%	-6,216	-37,770	60,000	\$21.52
North/Oro Valley	2,600,770	411,525	4,000	16.5%	20,538	-37,338	63,537	\$29.15
Northeast	331,919	19,424	0	6.4%	-2,841	-991	0	\$23.57
Northwest	4,630,645	124,386	0	3.2%	27,719	16,265	43,379	\$21.19
South	7,277,255	259,408	65,600	5.0%	-116,322	-47,921	100,974	\$12.16
South/SW Outlying	1,882,294	99,340	0	5.8%	-10,589	-10,811	3,360	\$17.77
Southeast	1,997,021	38,345	4,250	2.6%	-1,270	-2,110	0	\$28.75
Southwest	3,128,660	17,133	1,200	1.1%	-2,400	-190	0	\$19.07
West	892,529	24,580	0	3.3%	15,791	15,791	0	\$15.77
DOWNTOWN TOTALS	1,832,859	94,503	6,367	6.1%	-8,263	-12,817	2,400	\$22.71
TUCSON TOTALS	56,858,877	3,312,876	87,877	6.0%	-116,409	-182,250	291,433	\$20.10

KEY LEASE TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	TENANT	SF	PRICE / \$ PSF
3742 West River Road	Foothills	Lava Island	40,018	New Lease
7255 East Broadway Boulevard	East	Slick City	36,454	New Lease
2520 South Harrison Road**	East	Just Between Friends	26,500	New Lease
7191 East Broadway Boulevard	East	DSW	23,440	Renewal
6228-6270 East Broadway Boulevard**	East	Ross	21,521	New Lease

**At least one party represented by Cushman & Wakefield | PICOR Renewals not included in leasing statistics

KEY SALES TRANSACTIONS Q2 2025

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
7850-7960 N Oracle Road	Foothills	Jakosky Properties / InvenTrust Properties Corp.	90,721	\$23M / \$253.52
1702 E Speedway Boulevard	Central East	Richard Lepie / Bricktop, LLC	19,538	\$750K / \$38.39
3821 W Costco Drive**	Northwest	D.D. Dunlap Companies Inc / Costco Wholesale Corporation	14,519	\$4.2M / \$289.69
4625 N Oracle Road	Central West	Dallin J Williams / Peak Dental Services	13,845	\$5M / \$362.10
1570 E Tucson Marketplace Boulevard	South	John Rittenour / Brent Belsher	9,175	\$4.2M / \$460.91

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

KEY CONSTRUCTION COMPLETIONS 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
North Oracle Road & First Avenue	North/Oro Valley	Undisclosed	16,388	Manhattan Construction Group / Undisclosed
16500 Avra Valley Road	Northwest	Dollar General Plus	10,566	Marana 30375 LLC / Undisclosed
2390 Craycroft Road	East	Circle K	5,000	Undisclosed / Undisclosed

A detailed map of Tucson, Arizona, and its surrounding regions. The map is color-coded to distinguish different areas:

- Central West:** A white box with a line pointing to the NW Tucson area.
- Central East:** A black box with a line pointing to the North/Oro Valley area.
- Downtown:** A yellow box with a line pointing to the central urban area.
- Neighborhoods:** NW Tucson, North/Oro Valley, Foothills, West, East, South, SE Tucson, SW Tucson, South/SW Outlying, and W Outlying Pima Cty.
- Geographical Features:** Tohono O'odham Nation Reservation, Kitt Peak, Saguaro National Park, and various mountains and valleys.
- Infrastructure:** Major highways (84, 87, 10, 86, 19, 82, 2) and local roads are shown.
- Other Labels:** Stanfield, Arizola, Chuichu, Eloy, Picacho, Mammoth, Oracle, San Manuel, Kaka, North Komelik, Ventana, Anegam, Santa Rosa, Ak Chin, Wahak, Hotrontk, Maish Vaya, Pisinemo, Comobabi, Sells, Topawa, Chiuli Shaik, La Nariz, 21 de Marzo, El Ejemplo, San Miguel, Newfield, Buena Vista National Wildlife Refuge, Arivaca, Tumacacori-Carmen, Rio Rico, Patagonia, Sonoma, Elgin, Huachuca, Santa Cruz, Agua Zarca, La Arizona, and Nogales.

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