

MARKET FUNDAMENTALS

	YOY Chg	Outlook
\$74.3K Median HH Income	▲	▲
0.6% Population Growth	▼	▲
4.2% Unemployment Rate	▲	▲

Source: BLS

ECONOMIC INDICATORS

	YOY Chg	Outlook
0.7% GDP Growth	▼	▲
1.6% Consumer Spending Growth	▼	▲
-0.4% Retail Sales Growth	▼	▬

Source: BEA, Census Bureau

ECONOMY

Tucson’s economy remained stable through Q3 2025. Median household income rose to \$74,000, up 3.2% year-over-year (YOY), supporting local spending and demand. Nonfarm employment reached 398,100 jobs, reflecting steady hiring, while the unemployment rate moved up to 4.2%. Populating growth moderated to 0.6% YOY but continues to exceed the national average, underpinning housing and service sector activity. Despite a softer national economic backdrop marked by elevated interest rates and persistent inflation, Tucson’s growing incomes, resilient job market, and ongoing household formation continue to provide a foundation for positive momentum as the region moves toward year-end.

SUPPLY & DEMAND

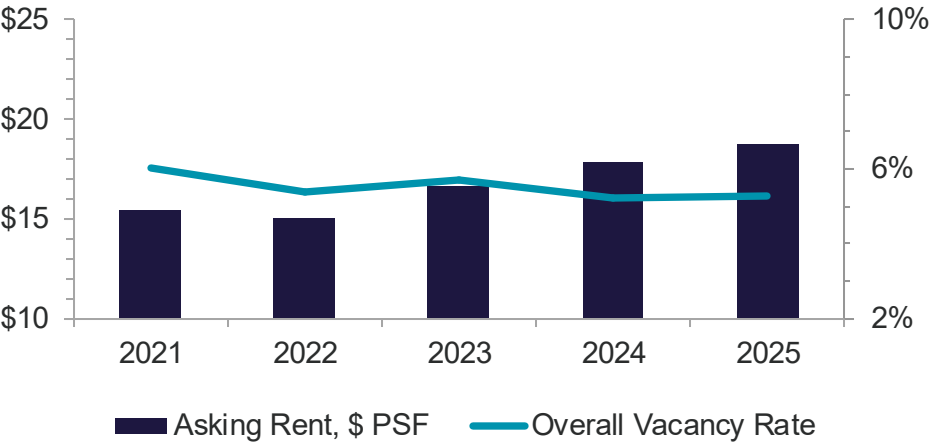
In Q3, Tucson’s retail market remained balanced amid cautious optimism, with vacancy rising slightly to 6.0% due to larger store closures. Tucson’s retail sector was defined by steady fundamentals, targeted expansion in niche segments, and cautious upward pressure on rates. Smaller-format availabilities under 4,000 square feet (sf) were limited with vacancy at just 2.1%, underscoring few options for shop space operators. Elevated construction costs and interest rates restrained speculative development, keeping new supply muted. Leasing activity is returning to rebound to pre-pandemic levels, with space demand centered on value, experiential, and fitness-oriented users.

Discounters and resale operators were actively backfilling big-box vacancies, while health, wellness, and indoor recreation tenants expanded their footprints. Infill and adaptive reuse projects gained traction as cost pressures discouraged large ground-up builds. Asking rents climbed 4.8% YOY, reflecting stronger momentum, though average rates still sat below national benchmarks. The affordability of Tucson’s retail space remained advantageous in attracting regional and national tenants. Supply constraints kept vacancy from climbing sharply and rent growth may accelerate if tenant demand persists.

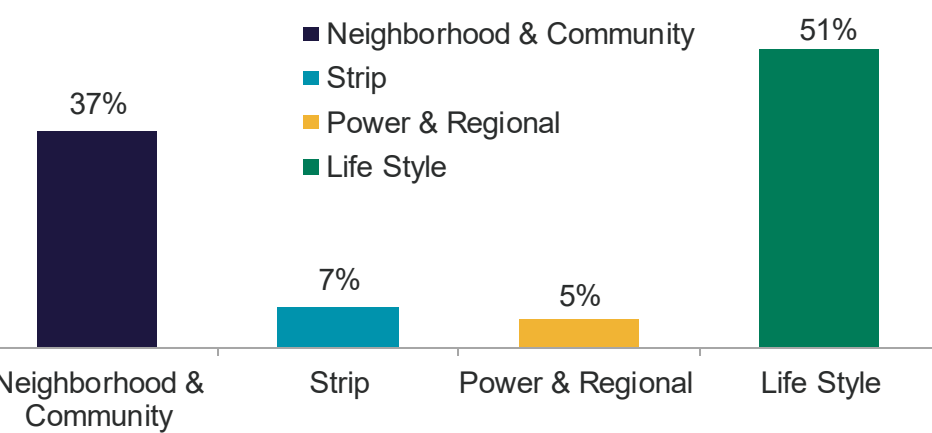
PRICING

Pricing reflected a market in equilibrium with steady rent growth and stability across most segments. Tucson’s average retail lease rates held near \$20 per sf in Q3. Roughly 20% below the U.S. average, but posted annual growth of 4.8%, outpacing national trends. Affluent submarkets such as Foothills and Oro Valley commanded notable premiums due to strong household incomes and luxury retail demand. Limited new construction and restrained supply applied modest upward pressure on rents, keeping market conditions balanced between landlords and tenants. Large-format may experience downward rate adjustments as vacancy builds, but smaller infills, fitness, and experiential users continued to lease at prevailing rents.

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	8,546,471	630,459	0	8.3%	-16,401	-1,736	5,026	\$14.76
Central West	7,282,382	524,607	0	8.0%	-8,487	-20,477	0	\$15.69
East	9,481,672	637,233	3,200	7.5%	85,095	32,256	3,500	\$17.34
Foothills	5,965,230	150,424	7,340	3.4%	7,066	-29,604	7,000	\$21.04
North/Oro Valley	2,651,298	393,702	4,000	16.0%	6,515	-19,515	66,900	\$29.90
Northeast	323,492	22,703	0	7.8%	-3,279	-4,270	0	\$23.80
Northwest	4,581,838	92,758	0	2.5%	62,692	89,956	0	\$21.00
South	7,085,802	319,388	65,760	5.9%	63,261	-92,907	110,748	\$12.47
South/SW Outlying	1,891,230	78,856	0	4.6%	21,959	15,148	6,500	\$18.45
Southeast	1,921,864	41,945	0	2.8%	5,920	3,810	0	\$27.53
Southwest	3,117,384	30,140	0	2.0%	-11,807	-11,997	0	\$17.07
West	893,329	21,706	0	2.7%	2,874	18,665	0	\$16.00
DOWNTOWN TOTALS	1,826,893	101,561	6,367	6.5%	-5,558	-16,255	2,400	\$22.26
TUCSON TOTALS	55,568,885	3,045,482	86,667	6.0%	209,850	-39,926	202,074	\$19.79

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	Type
2520 South Harrison Road**	East	Spirit Halloween Superstores, LLC	26,500	New Lease
815-855 East Grant Road	Central West	O'Reilly Auto	22,500	New Lease
750 West Calle Arroyo Sur**	South/SW Outlying	Boot Barn	20,175	New Lease
3686-3696 West Orange Grove Road	Northwest	La Roca Church	11,820	Renewal
11695 North Oracle Road	North/Oro Valley	Happy Joe's Pizza & Ice Cream	7,300	New Lease

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

KEY SALES TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
9550 East Golf Links Road**	Southeast	Leyenda en Tiempo LLC / Bob Speedway LLC	87,401	\$5.7M / \$65.43
6363 East 22 nd Street	East	Integra CRE LLC / NNN Reit	50,188	\$5.2M / \$104.71
4650 South Landing Way*	Southwest	Fundamental Income / Starwood Property Trust Inc	48,622	\$2.2B
5415-5455 North Kolb Road	Foothills	Antzis Investment / Lynn Morrison LLC	32,276	\$10M / \$312.15
2920-2932 East Broadway Boulevard**	Central East	Lmg Investments Limited Partnership / JP Family Trust	12,900	\$2M / \$155.04

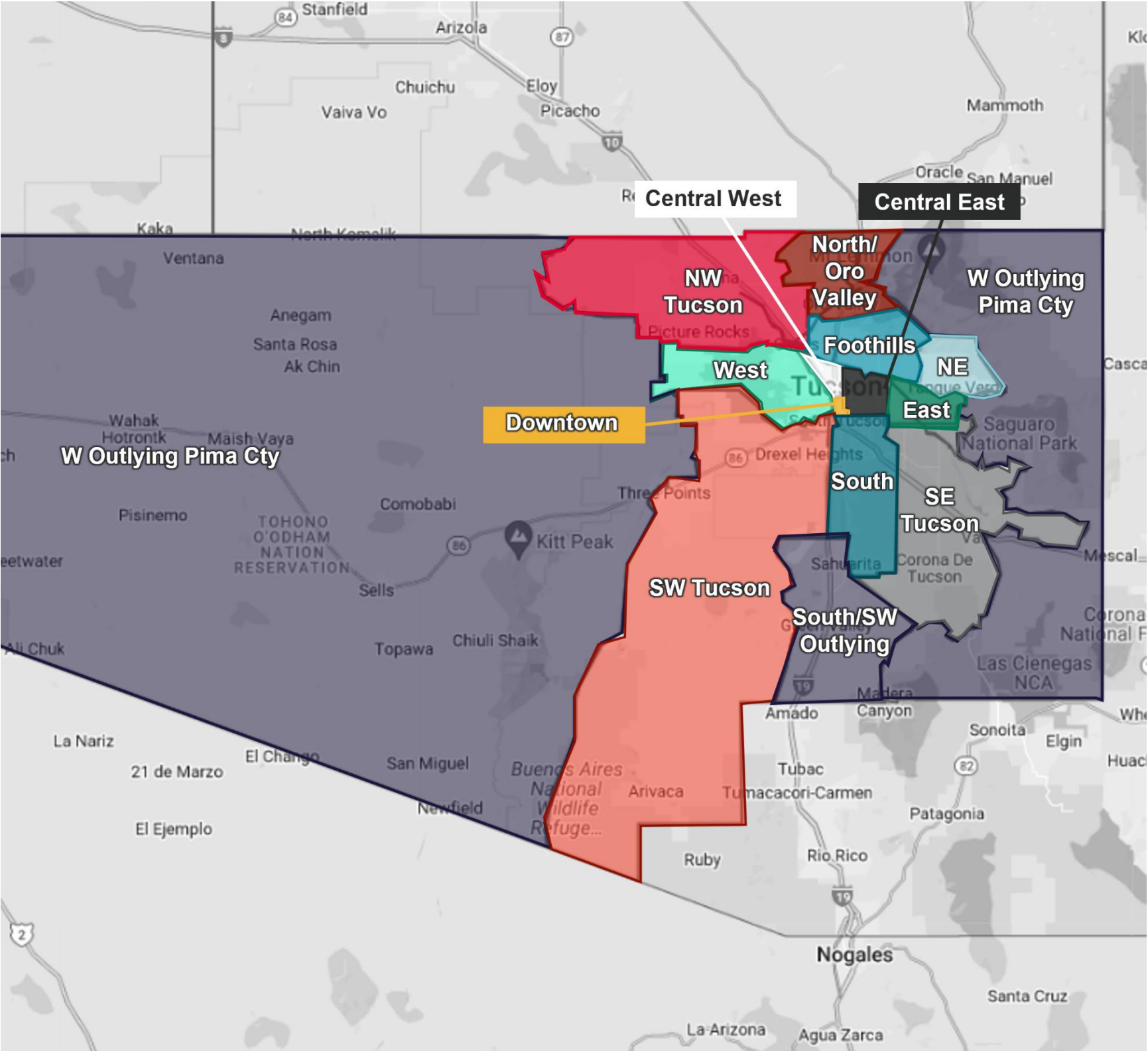
*Part of a Portfolio

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KEY CONSTRUCTION COMPLETIONS 2025

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
12114 North Tangerine Farms Road	Northwest	Undisclosed	20,433	Barclay Group
North Oracle Road & First Avenue	North/Oro Valley	Undisclosed	16,388	Manhattan Construction Group / Undisclosed
4545 East Valencia	South Tucson	Undisclosed	15,280	Duff Real Estate LLC

RETAIL SUBMARKETS



Source: Costar

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