

MARKET FUNDAMENTALS

	YOY Chg	Outlook
9.5% Vacancy Rate	▼	▲
157K YTD Net Absorption, SF	▲	▼
\$24.25 Asking Rent, PSF <small>(Overall, All Property Classes)</small>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
398K Tucson Employment	▲	▲
4.2% Tucson Unemployment Rate	▲	▲
4.6% U.S. Unemployment Rate	▲	▲

Source: BLS
2025Q3 data are based on latest available data

ECONOMY

Tucson's economy ended 2025 on stable footing, even as national and local labor markets cooled. Median household income continued to rise, supporting consumer activity, while some Q4 statistics were delayed by the fall federal government shutdown, obscuring a full real-time read. National unemployment reached about 4.6% by November, it's highest in four years, and Tucson's rate drifted into the mid-4% range but remained near its long-run average and below many peer metros. For Southern Arizona, slower hiring and higher borrowing costs were balanced by steady population gains and ongoing investment in logistics, manufacturing, and energy projects, setting the stage for gradual growth as conditions normalize in 2026.

SUPPLY & DEMAND

In Q4 2025, Tucson's office market showed modest improvement, with vacancy declining slightly as absorption increased relative to prior quarters. While overall vacancy remains above balanced levels, leasing momentum improved, supported by steady tenant demand.

Healthcare continued to be the primary driver of office absorption. Medical users accounted for the majority of leasing activity during the quarter, supported by strong balance sheets and long-term space requirements. The most notable lease transaction was ACP's 20,928 square foot (sf) property at 4801 East Broadway, reinforcing healthcare's role as the leading source of demand.

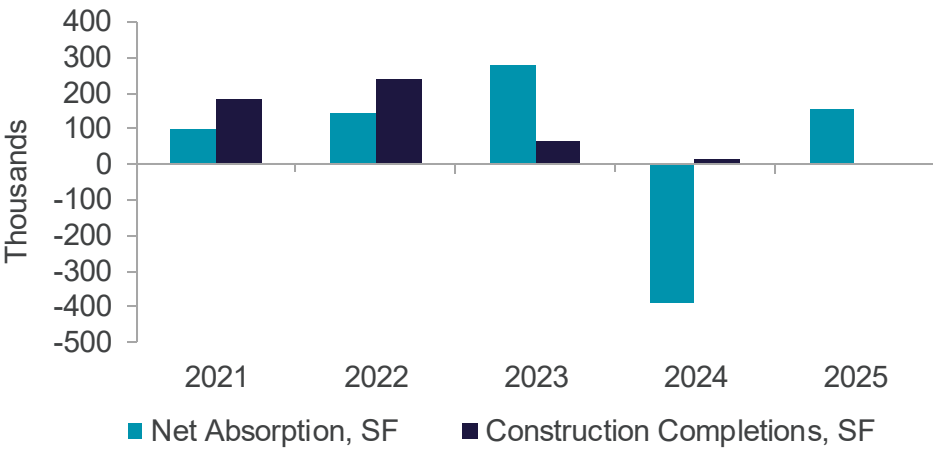
Submarket performance remained uneven. The Foothills continued to outperform due to low inventory and sustained demand, while East Tucson recorded higher-than-normal absorption. Downtown Tucson activity remained mixed, constrained by parking limitations and aging building stock. Construction activity remained limited, as high costs and rental rates that do not support new development continue to restrict speculative office projects, with new construction largely confined to medical office.

PRICING

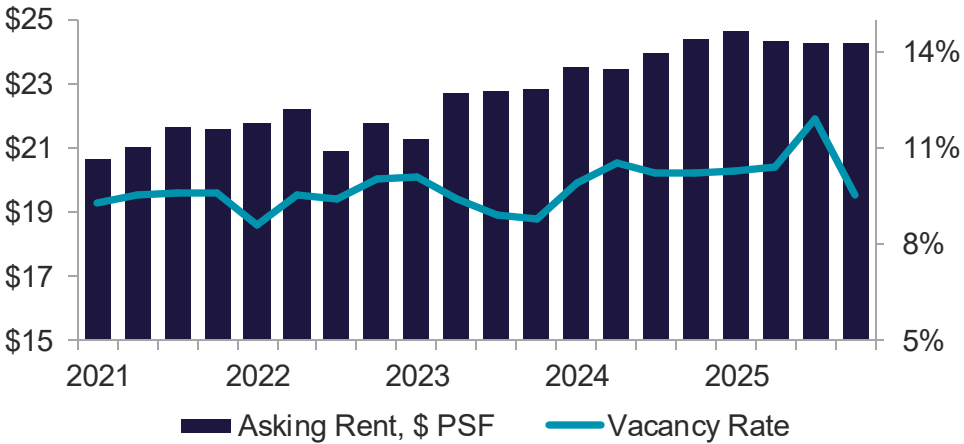
Lease rates remained largely unchanged in Q4. The Foothills experienced slight upward pressure due to limited availability, while other submarkets remained stable. Lease terms typically ranged from three to five years, with landlords offering property-specific incentive packages to facilitate transactions. Tenant demand continued to favor smaller, well-located spaces in newer or well-maintained buildings.

Sales activity remained subdued due to economic uncertainty and pricing expectations, with limited transaction volume. Investor activity was constrained, with most completed deals driven by owner-users. The most notable transaction was the sale of 1401 S Pantano Road, a 47,531 sf property sold at \$3,800,000 to Airtronics.

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	10,192,706	1,325,185	19,040	11.3%	-19,238	28,744	228,703	0	\$24.36	\$26.78
East	1,304,572	145,876	0	9.2%	72,286	67,407	35,368	0	\$20.45	\$20.57
Foothills	1,442,652	82,606	0	5.1%	-9,109	20,450	70,547	0	\$30.61	\$21.57
Green Valley / South	396,791	41,878	0	10.3%	-6,536	-8,790	18,483	0	\$27.28	0
North / Oro Valley	3,807,662	198,326	7,773	5.5%	136,256	143,780	104,464	7,199	\$21.77	\$24.57
Northwest	561,061	11,713	1,042	2.7%	1,061	-15,730	23,536	0	\$27.13	0
Southeast	781,713	156,507	0	18.3%	26,958	51,922	18,975	0	\$19.87	\$31.31
Southwest	2,420,418	153,567	0	6.4%	-611	-100,611	18,743	72,247	\$28.00	\$28.82
West	1,432,517	381,380	-3,837	22.8%	-4,965	2,976	48,498	3,788	\$19.52	\$19.46
DOWNTOWN TOTALS	6,517,194	222,120	4,145	3.4%	4,599	-32,794	71,850	0	\$23.55	\$27.27
TUCSON TOTALS	28,857,286	2,719,158	28,162	9.5%	200,701	157,354	639,167	83,234	\$24.25	\$25.04

KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4801 East Broadway Boulevard	Central	ACP	20,928	New Lease
340 North Commerce Park Loop*	Downtown	Undisclosed	9,800	New Lease
7090 North Oracle Road	Foothills	Undisclosed	6,015	New Lease
6700 North Oracle Road	North / Oro Valley	Tucson Certified Public Accountant Arthur Bantlin	5,717	New Lease
9430 East Golf Links Road	Southeast	Big O Tires	5,425	New Lease

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

KEY SALES TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
930 North Finance Center Drive	East	Hn And Frances C Berger Foundation / Gateway Center Associates Llc	62,766	\$3M / \$47.80
1401 South Pantano Road	Southeast	Agero / Airtronics, Inc	47,531	\$3.8M / \$79.95
2033 East Speedway Boulevard	Central	Michael Townsdin / Heather Zebas	12,406	\$1.95M / \$157.18
3055 North 1 st Avenue*	West	Margaret H Daly / Tsz P Hui	8,175	\$580K / \$70.95
3476 South Kino Parkway	Southwest	Bourn Investments LLC / Brandt Hazen	8,019	\$6.075M / \$757.58

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

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