MARKETBEAT

TUCSON

INDUSTRIAL Q4 2025

CUSHMAN & WAKEFIELD

PICOR

MARKET FUNDAMENTALS

	YOY Chg	Outlook
7.3% Vacancy Rate	▲	▲
-578K YTD Net Absorption SF	▼	▲
$0.85 Asking Rent, PSF *(Overall, Net Asking Rent)*	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
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

Tucson's industrial market remained active in Q4 2025, though vacancy increased to 7.3% as new construction delivered. As a result, net absorption declined, driven primarily by the delivery of new space late in the quarter. Recent completions contributed to higher availability, while overall leasing activity remained steady. Demand continued to be supported by traditional industrial users, with a minor increase in value-add manufacturing and assembly activity.

Leasing activity featured several larger transactions. Border States completed an 81,962-square-foot (sf) lease at 763 E MacArthur Circle, while an additional 70,000 sf lease was executed at 6630 S Memorial Pl, reinforcing demand for well-located distribution space. The Airport and Northwest submarkets remain the most active targeted by users seeking proximity to transportation infrastructure.

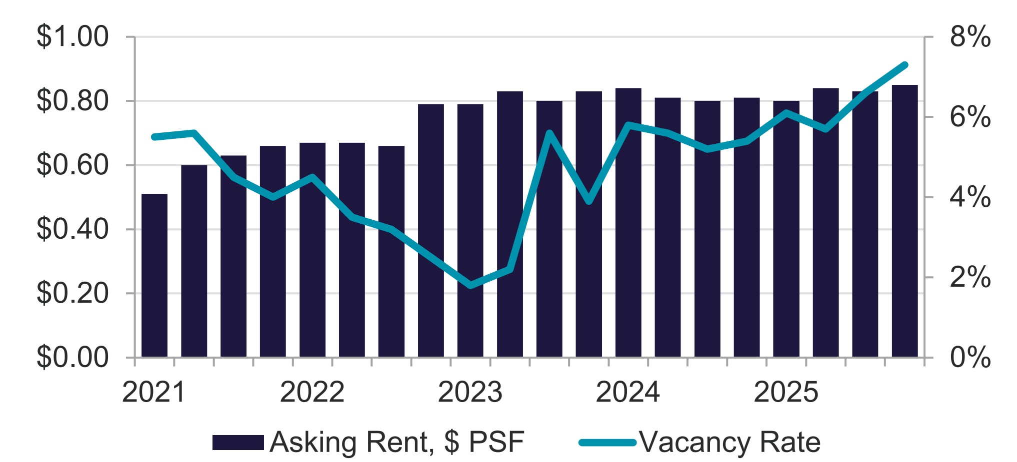
Construction activity included the completion of Lincoln Property Company's two industrial buildings at 4501 E Los Reales, with 214,867 sf and 4401 E Los Reales with 158,944 sf. While Tucson industrial development continues, instability in labor and material costs challenge new construction, contributing to cautious project starts despite sustained tenant interest. E-commerce and logistics demand persisted, while international trade discussions gained momentum, suggesting potential future activity.

PRICING

Lease rates and terms remained steady in Q4, supported by limited availability of functional space despite rising vacancies. Sale pricing also held firm, as constrained supply and depreciation benefits continued to support values. Land pricing increased in well-located areas, with owner-users outpacing investor demand, while investment activity remained muted. Single-tenant and sub 20,000 sf buildings, particularly those with yard space, attracted strong interest.

SPACE DEMAND / DELIVERIES

OVERALL VACANCY & ASKING RENT



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)	YTD CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (IND)	OVERALL WEIGHTED AVG NET RENT (OS)
E Outlying Pima County	18,464	0	0	0	0	0	0	0	0
Northeast	2,882,166	46,141	2.6%	3,213	29,210	0	24,984	$0.89	$0.85
NW Tucson/Oro Valley	12,573,934	1,239,559	10.9%	98,046	-25,491	0	0	$0.93	$0.99
Palo Verde	7,105,733	596,971	9.2%	-31,657	-242,070	0	215,779	$0.95	$1.02
Park/Ajo	4,239,163	284,842	7.7%	-210,478	-223,925	0	0	$0.94	$0.69
S Pima/Green Valley	674,620	0	0	0	0	0	0	0	0
Southeast Tucson	8,157,311	702,875	9.6%	-9,089	-344,795	0	0	$0.60	$0.40
SW Tucson/Airport	12,359,348	899,906	8.8%	180,161	150,106	338,165	373,811	$0.93	$0.79
W Outlying Pima County	46,894	0	0	0	0	0	0	0	0
Downtown	4,164,775	53,965	2.3%	-8,989	78,843	0	0	$0.71	0
TUCSON TOTALS	**52,222,408**	**3,824,259**	**7.3%**	**21,207**	**-578,122**	**338,165**	**614,574**	**$0.85**	**$0.79**

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

KEY LEASE TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
763 East MacArthur Circle	Park/Ajo	Border States	81,962	New Lease
6630 South Memorial Plaza	Southeast	Undisclosed	70,000	New Lease
3160 East Transcon Way	SW Tucson/Airport	Airport Submarket Xcimer Energy Inc	22,700	New Lease
3000 East Valencia Road	SW Tucson/Airport	Davis Kitchens	14,902	New Lease
2810 East Airport Drive	SW Tucson/Airport	Undisclosed	13,000	New Lease

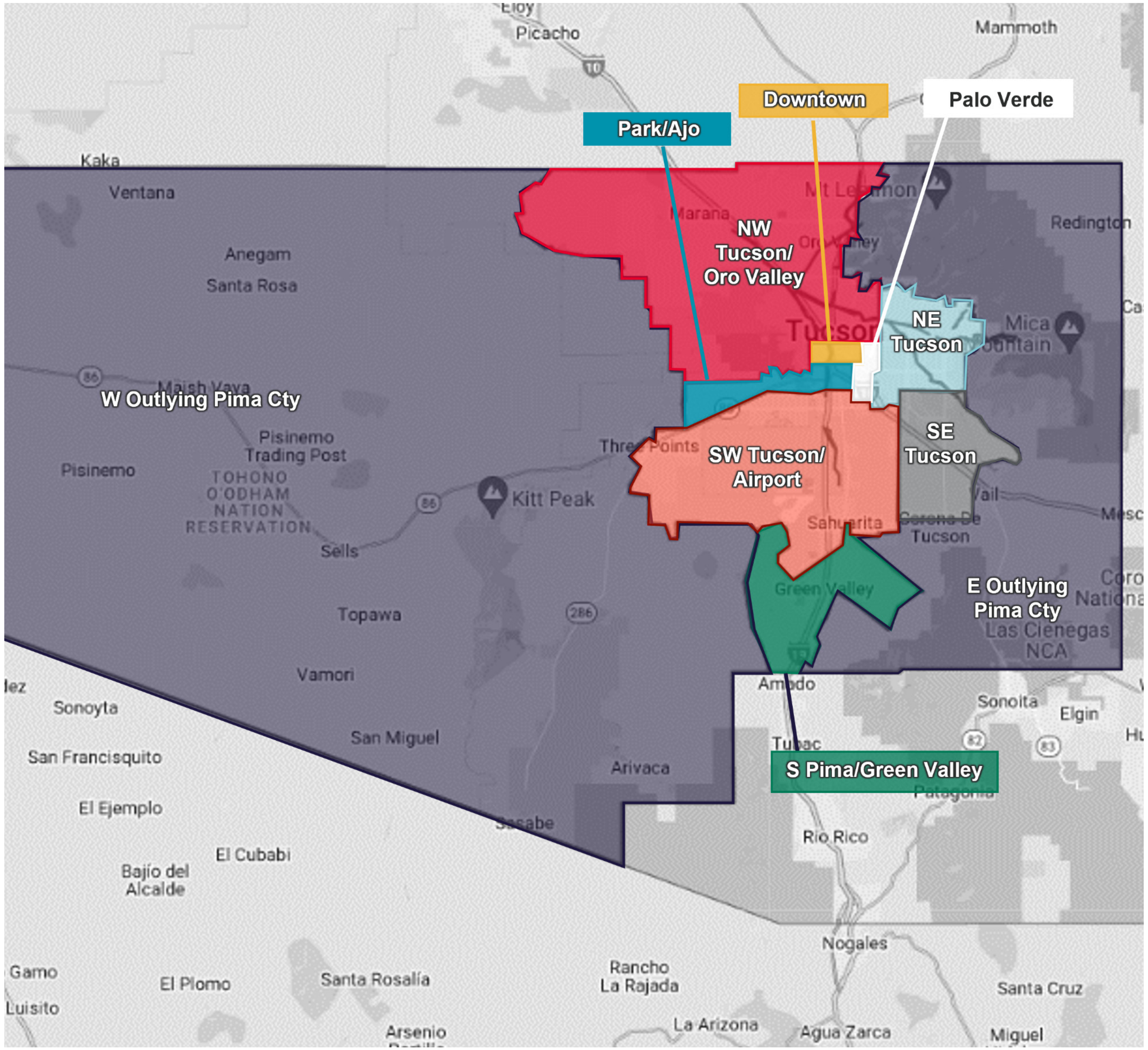
KEY SALES TRANSACTIONS Q4 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
625 West Rillito Street	NW Tucson/Oro Valley	Postcraft Company / Richard & Mary Werschky Family Trust	25,200	$1.8 M / $71.43
5455 South Nogales Highway	SW Tucson/Airport	RSA Investments LLC / C.G Real Estate Investors Limited Partnership LLLP	12,800	$3.1M / $248.57
1700 West Grant Road	NW Tucson/Oro Valley	Waahe Construction LLC	8,000	Undisclosed
3702 East 37th Street	Palo Verde	Reasons Aviation, LLC / Francisco and Josefa Gonzalez Trust	6,530	$925K / $141.65
3231 East 46th Street	Palo Verde	Xtremeone LLC / Basileus Capital LLC	5,867	$650K / $110.79

KEY CONSTRUCTION COMPLETIONS YTD 2025

PROPERTY	SUBMARKET	Major Tenant	SF	Owner/Developer
4501 East Los Reales	SW Tucson/Airport	N/A	214,867	Lincoln Property Company
3725 East Columbia Street	Palo Verde	N/A	194,879	TPA Group

INDUSTRIAL SUBMARKETS



Source: Costar

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