

MARKET FUNDAMENTALS

	YOY Chg	Outlook
8.9% Vacancy Rate	▼	▬
69K YTD Net Absorption, SF	▲	▬
\$24.39 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▼	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
398K Tucson Employment	▲	▲
4.5% Tucson Unemployment Rate	▲	▼
4.3% U.S. Unemployment Rate	▲	▲

Source: BLS Q4 2025

ECONOMY

Tucson's economy entered 2026 on steady footing. Updated fourth quarter 2025 data, which is the latest available due to the federal government shutdown delaying first quarter (Q1) reporting, show median household income rising year over year to \$76,700, extending a gradual upward trend and supporting local spending. Employment had essentially flattened at just over 398,000 jobs, while the unemployment rate hovered in the mid 4% range based on early 2026 readings, up from earlier in the year yet still near the national level. Nationally, growth slowed and unemployment reached about 4.3% by late 2025, reflecting a softer labor market and more cautious consumers. Even in this environment, Tucson's income gains, relatively resilient job base, and ongoing household and population growth continue to support modest, steady momentum as 2026 progresses.

SUPPLY & DEMAND

In Q1 2026, Tucson's office market posted modest gains, with vacancy declining to 8.9% as leasing activity improved. Approximately 320,000 square feet (sf) was leased, contributing to year-to-date net absorption of 69,726 sf. While vacancy remains above equilibrium, overall demand showed measurable strengthening.

Healthcare continued to serve as the primary driver of activity, with additional contributions from financial and education users. Performance across submarkets remained uneven but favorable in select areas. The Northwest, Southwest, Foothills, and Downtown submarkets outperformed the broader market, maintaining low vacancy levels between 2% and 6% and attracting most of the tenant interest.

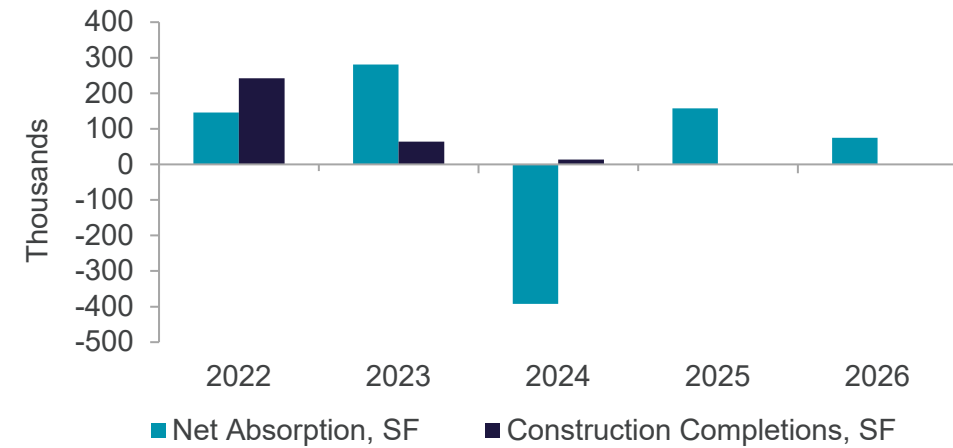
Development activity remained constrained. No new product was delivered during the quarter, and approximately 116,788 sf remains under construction. Elevated costs continue to limit speculative development, prompting increased interest in repositioning existing assets. The former Geico facility at 930-950 N Finance Drive exemplifies this trend, with its recent sale expected to lead to redevelopment.

PRICING

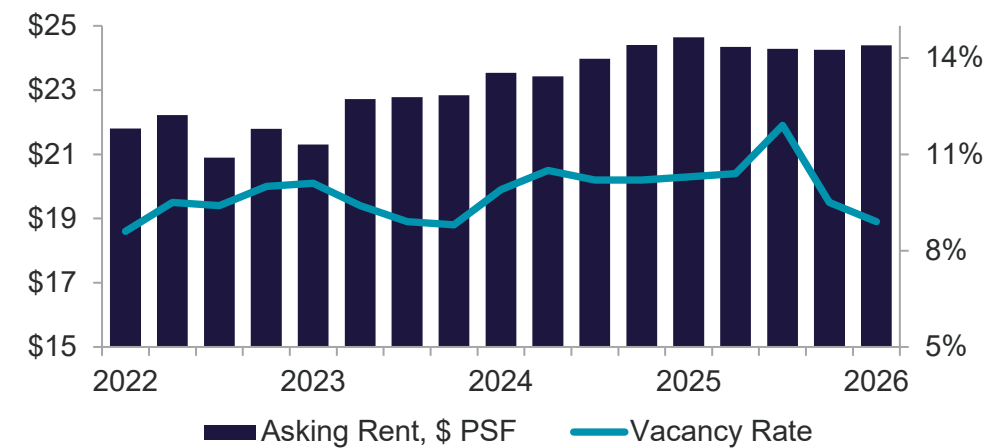
Rental rates increased modestly in Q1, with average asking rents reaching \$24.39 per square foot (psf). Market conditions reflected a relatively balanced negotiation environment though landlords continued to offer concessions consistent with a tenant-favorable landscape. Lease terms typically ranged from three to five years, with tenants prioritizing quality space in well-located submarkets.

Sales activity remained measured but stable, with average pricing near \$150 psf, slightly above prior levels. Notable transactions included the sale of 155 North Rosemont, a 51,404 sf asset near the Williams Centre, which traded at approximately \$169 psf. Investor activity continued to favor medical and healthcare-related assets, while broader economic uncertainty, including inflationary pressures, has tempered overall transaction volume.

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	10,145,725	1,179,398	41,018	10.7%	64,472	64,472	43,226	5,050	\$24.83	\$28.68
East	1,324,823	149,065	0	11.1%	-12,386	-12,386	2,073	0	\$20.33	\$22.50
Foothills	1,442,652	66,997	3,487	2.3%	12,445	12,445	17,942	0	\$30.82	\$23.50
Green Valley / South	398,567	42,840	0	8.1%	9,161	9,161	3,043	0	\$27.48	0
North / Oro Valley	3,837,229	191,726	33,116	4.9%	-11,182	-11,182	25,275	26,334	\$22.11	\$26.49
Northwest	561,061	9,154	3,228	2.0%	10,496	10,496	10,102	0	\$27.20	0
Southeast	781,713	137,187	0	17.4%	0	0	0	0	\$20.28	\$33.24
Southwest	2,509,636	134,247	0	4.8%	0	0	2,657	72,247	\$28.41	\$30.75
West	1,433,738	326,068	18,812	23.6%	7,827	7,827	2,034	3,788	\$19.21	\$17.91
DOWNTOWN TOTALS	6,538,138	224,386	26,436	4.1%	-11,107	-11,107	16,504	9,369	\$23.25	\$27.56
TUCSON TOTALS	28,973,282	2,461,068	126,097	8.9%	69,726	69,726	122,856	116,788	\$24.39	\$26.33

KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4561 South Butterfield Drive*	Palo Verde	VXI	11,260	New Lease
3430 East Sunrise Drive*	Foothills	RBC Capital Markets LLC	10,991	Renewal
3300 East Sunrise Drive	Foothills	Coldwell Banker	7,460	New Lease
5210 East Williams Circle	Central	Ausenco	7,443	New Lease
1668 South Research Loop*	Northeast	Mineral Seal Corporation	7,346	Renewal

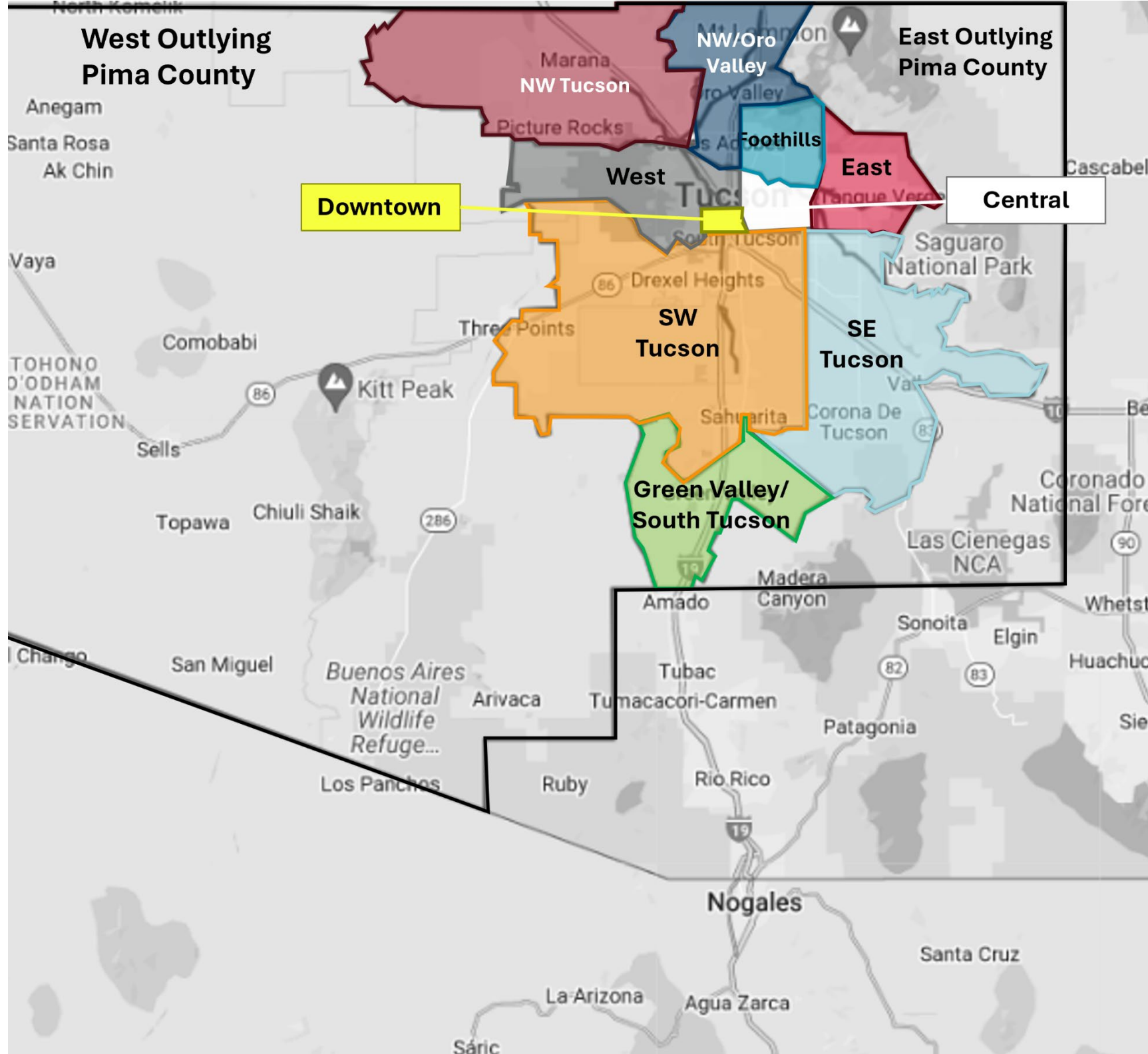
*At least one part represented by Cushman & Wakefield | PICOR

KEY SALES TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
155 North Rosemont Boulevard*	Central	Legacy Property Management/Centene Corporation	51,404	\$8.5M / \$165.36
5330 North La Cholla Boulevard	North Tucson/Oro Valley	Richard Rucker Southwestern Financial/Spencer Construction	17,019	\$3.2M / \$188.03
1200 North Country Club Road	Central	Horizon Moving Systems/Bejamin Schutt	11,065	\$1.7M / \$153.64
3100 North Campbell Avenue*	Central	Paul D & Mary J Bancroft/Southwest Autism Research & Resource Center	10,628	\$2M / \$194.49
2701 East Speedway Boulevard	Central	Economic Dev. Authority Tohono O'odham/Rafi Law Group	5,527	\$1.1M / \$206.26

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

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