

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 retail market remained stable, with vacancy largely unchanged, reflecting balanced conditions and steady demand. Fundamentals were supported by limited new supply and moderated construction, though concessions increased as conditions softened. Smaller-format spaces remained constrained in higher-income submarkets, sustaining competitive conditions. Construction stayed limited as costs leveled, while permitting delays and cautious development kept supply muted.

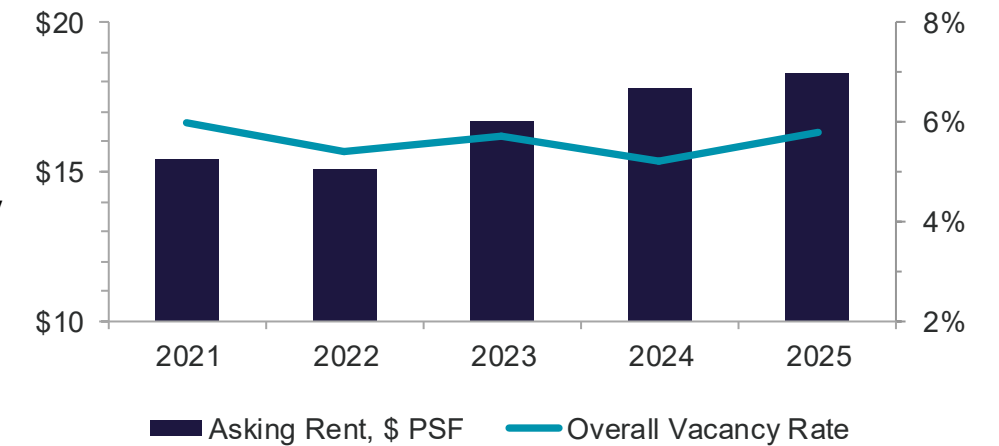
Leasing demand shifted, with restaurant activity slowing due to rising costs of construction and labor, as well as economic uncertainty. Fitness users continued expanding through large-format leases and with national operators. Perimeter submarkets, including Marana, Vail, and the Southwest area, led to activity, while overall conditions remained stable. Consumer spending showed caution with global uncertainty being sited, particularly across food, beverages, and entertainment, slightly tempering leasing. Adaptive reuse remained active, as repositioning space continued to outpace ground-up development.

PRICING

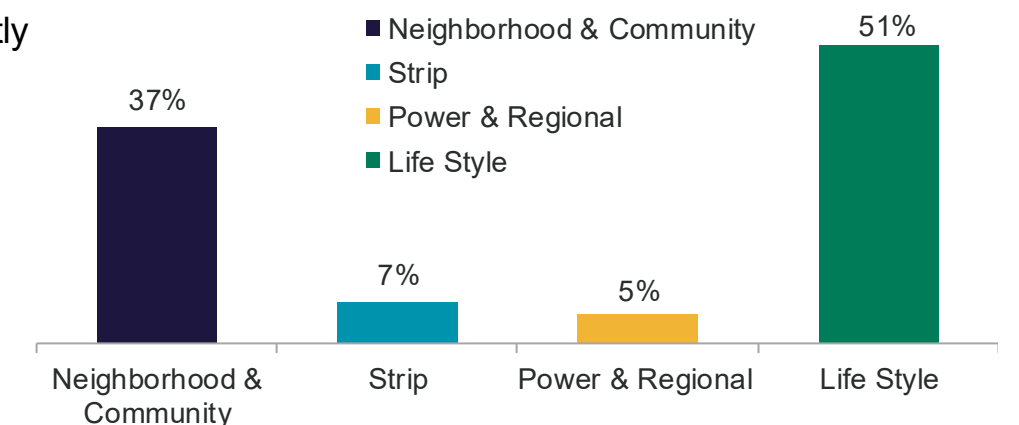
Retail lease rates remained flat, with minimal movement. Effective rents softened slightly as concessions increased. Core corridors and anchored centers maintained stronger pricing, while less competitive locations saw limited growth.

Investment activity remained steady, with demand shifting toward anchored centers supported by consistent performance. Sale pricing remained stable, tracking interest rates. Notable activity included Walmart's acquisition with 219,742 sf and adjacent shop space at Tucson Place (455-625 E Wetmore Road), where expansion into a Supercenter is underway, reinforcing investor interest in established large-format assets. Overall, pricing remained balanced, with steady demand for well-located properties.

OVERALL VACANCY & ASKING RENT



AVAILABILITY BY PRODUCT TYPE



Source: Costar

MARKET FUNDAMENTALS

	YOY Chg	Outlook
\$76.7K Median HH Income	▲	▲
0.5% Population Growth	▼	▲
4.5% Unemployment Rate	▲	▼

Source: BLS
*Q1 2026

ECONOMIC INDICATORS

	YOY Chg	Outlook
2.2% GDP Growth	▼	▲
2.2% Consumer Spending Growth	▼	▲
1.3% Retail Sales Growth	▼	—

Source: BEA, Census Bureau
*Q1 2026

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	8,521,184	716,737	0	9.0%	-60,470	-60,470	52,079	\$12.32
Central West	7,285,278	243,144	2,031	4.2%	191,428	191,428	0	\$14.19
East	9,961,066	1,048,898	0	11.4%	-204,730	-204,730	5,424	\$16.18
Foothills	5,958,651	99,197	0	2.2%	-11,568	-11,568	7,511	\$20.93
North/Oro Valley	2,699,342	339,322	4,000	13.3%	39,781	39,781	69,780	\$27.72
Northeast	362,585	20,739	0	7.1%	104	104	0	\$22.63
Northwest	4,595,643	185,599	0	4.6%	-44,758	-44,758	13,427	\$18.73
South	7,195,437	417,342	65,760	7.3%	-74,707	-74,707	102,774	\$13.06
South/SW Outlying	1,894,043	60,450	0	3.8%	634	634	3,360	\$17.57
Southeast	1,913,822	30,348	0	2.2%	5,334	5,334	12,627	\$28.82
Southwest	3,105,176	49,619	9,100	2.5%	3,030	3,030	0	\$14.68
West	906,478	22,627	0	3.1%	-921	-921	0	\$13.99
DOWNTOWN TOTALS	1,816,474	113,608	5,167	7.3%	10,098	10,098	0	\$19.86
TUCSON TOTALS	56,215,179	3,347,630	86,058	6.0%	-146,745	-146,745	266,982	\$18.51

KEY LEASE TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7125 East Broadway Boulevard	East	Planet Fitness	58,205	New Lease
2520 South Harrison Road*	East	Just Between Friends Franchise System, Inc.	26,500	Renewal
10805 North Oracle Road*	North/Oro Valley	Boot Barn	19,775	New Lease
4368-4380 North Oracle Road*	Central West	Barnes & Noble	16,056	New Lease
4386 North Oracle Road*	Central West	Ulta Beauty	9,937	Renewal

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

KEY SALES TRANSACTIONS Q1 2026

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
455-625 East Wetmore Road	Central West	Tucson Place Investors Llc / Walmart Inc.	219,742	\$6.9M / \$77.24
5441-5447 East 22 nd Street	Central East	OTTIMO 22 ND GROUP LLC / Cmg-vioc Re Iii Llc	89,725	\$676K / \$7.52
7109-7129 East Golf Links Road**	East	26 Palms Delaware Llc / Acquire Tucson LLC	65,789	\$4.9M / \$75.52
6964-7080 East 22 nd Street*	East	Tucson Newcrest LLC	57,235	\$12.8M / \$224.51
7111 East Golf Links Road**	East	Walgreens	15,413	\$6.3M / \$410.37

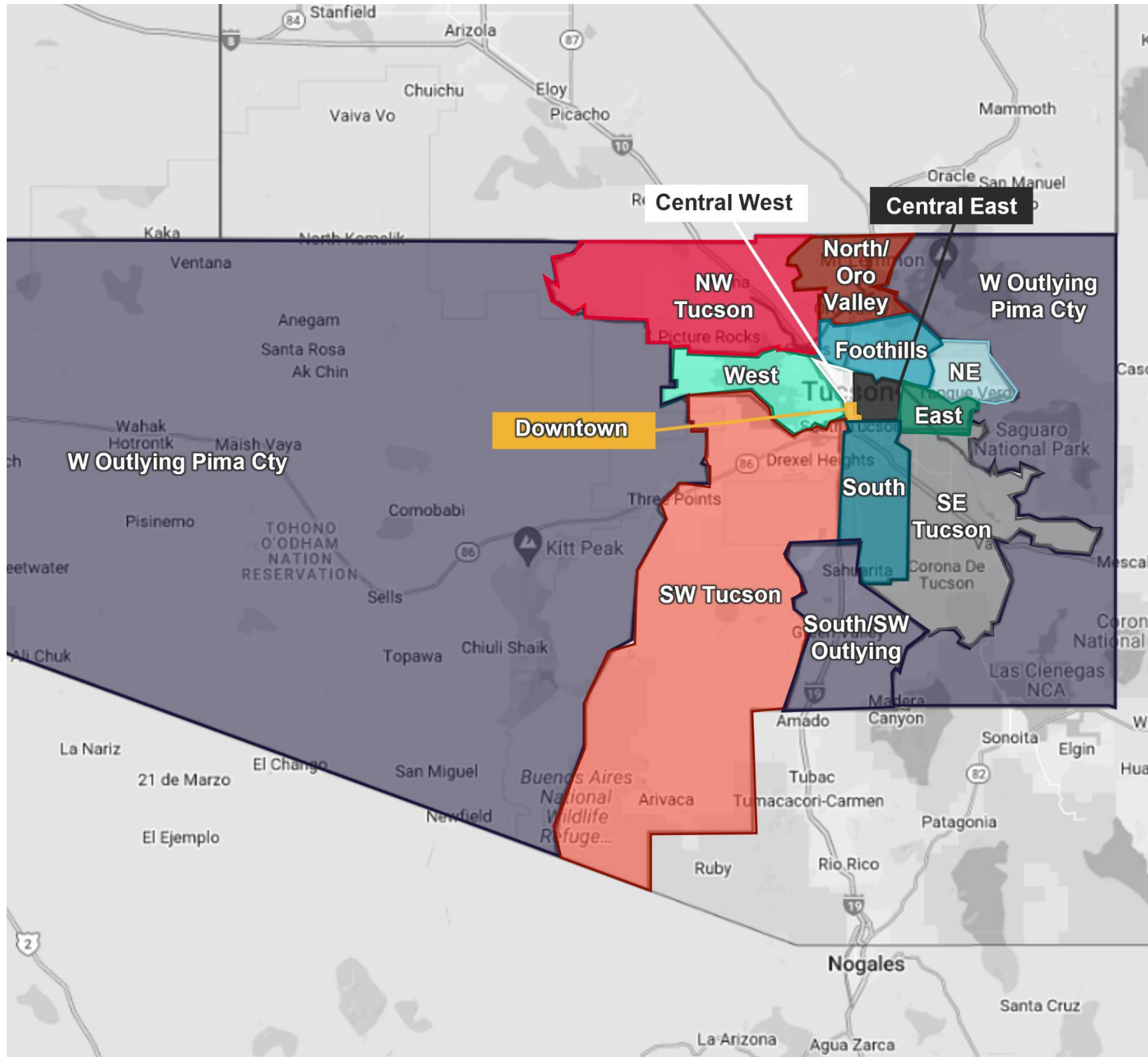
*At least one party represented by Cushman & Wakefield | PICOR

**Part of a 4-property portfolio

KEY CONSTRUCTION COMPLETIONS 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
3530 South Kino Parkway	South	Chick-Fila-A	5,144	Undisclosed
9210 East Valenica Road	Southeast	Chase	3,492	Undisclosed
1057 North Main Avenue	Downtown	Undisclosed	2,400	Undisclosed

RETAIL SUBMARKETS



Source: Costar

GREG FURRIER Principal, Retail Properties
+1 520 909 6111 / gfurrier@picor.com

NATALIE FURRIER Retail Properties
+1 520 955 7663 / nfurrier@picor.com

DAVE HAMMACK Principal, Retail Properties
+1 520 546 2712 / dhammack@picor.com

AARON LAPRISE Principal, Retail Properties
+1 520 546 2770 / alaprise@picor.com

ROB TOMLINSON Principal, Retail Properties
+1 520 546 2757 / rtomlinson@picor.com

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