# MARKETBEAT
# TUCSON
## OFFICE Q2 2026

### MARKET FUNDAMENTALS

| | YOY Chg | Outlook |
|---|---|---|
| **8.5%** Vacancy Rate | ▼ | — |
| **190K** YTD Net Absorption, SF | ▲ | — |
| **$24.81** Asking Rent, PSF | ▲ | — |

*(Overall, All Property Classes)*

### ECONOMIC INDICATORS

| | YOY Chg | 12-Month Forecast |
|---|---|---|
| **405.8K** Tucson Employment | ▼ | ▲ |
| **4.9%** Tucson Unemployment Rate | ▲ | ▼ |
| **4.2%** U.S. Unemployment Rate | — | ▲ |

*Source: BLS*

## ECONOMY

Tucson's economy remained on solid footing through the second quarter of 2026 (Q2 2026). Median household income rose year over year to $78,000, a faster gain than at the national level but still below the U.S. figure in absolute terms, helping to support local spending and demand. Household counts increased to 459,600 alongside 0.5% population growth, signaling steady household formation. Employment held essentially flat at about 405,800 jobs, and while Tucson's unemployment rate edged up to 4.9% compared with 4.2% nationally, overall job levels remain stable. Within a national backdrop of moderate GDP growth, firmer inflation, and slower retail sales gains, Tucson's rising incomes, expanding household base, and continued in-migration support a cautiously positive outlook for the remainder of 2026.

## SUPPLY & DEMAND

In Q2 2026, Tucson's office market continued to improve, with vacancy stay consistent at 8.5% and year-to-date net absorption totaling 190,925 square feet (sf). While vacancy remains above pre-pandemic levels, leasing activity remained steady and demand continued to strengthen.

Defense, government, and healthcare users remained the primary drivers of leasing activity. A new lease of 27,228-sf at 9070 S. Rita Road highlighted continued tenant demand. Vacancy continued to be higher in Class A and B properties than in Class C properties, reflecting tenant demand for more cost-effective space. Downtown and the Foothills continued to outperform the broader market, while Central Tucson experienced rising vacancy due to its aging inventory.

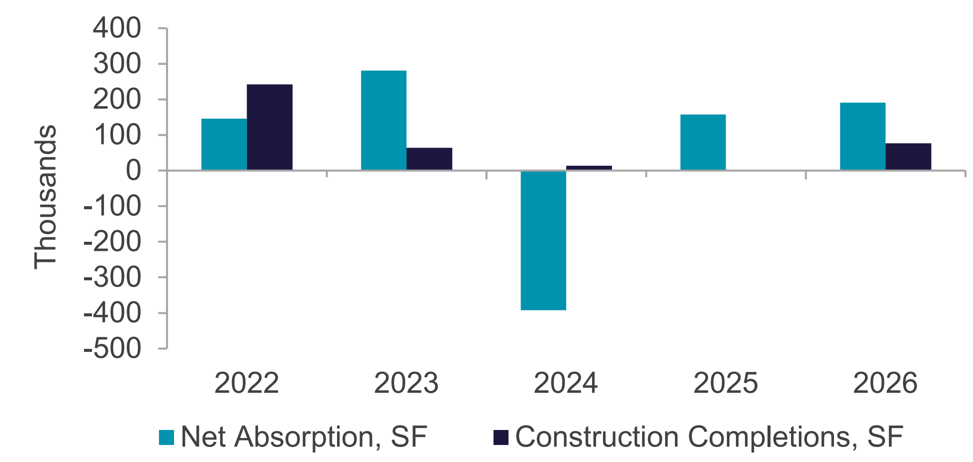
Development activity remained limited, with most new construction consisting of build-to-suit projects as speculative development continues to be constrained by construction costs. A notable completion during the quarter was the 72,247sf building at 820 E. Tucson Marketplace Boulevard to Tucson Rehabilitation Hospital.

## PRICING

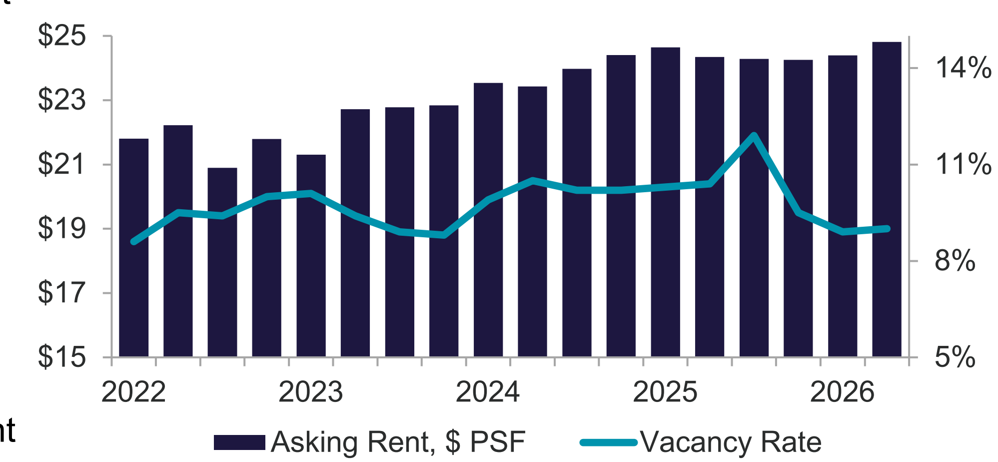
Average asking rents increased to $24.81 per square foot (psf), with rent growth continuing across the market as new, high-quality space remains limited. Market conditions remained relatively balanced, though tenants continued to seek value and landlords remained competitive in lease negotiations.

Investment sales continued to be led by medical and healthcare users, while capitalization rates increased from 7.6% to 8.4%, reflecting more conservative underwriting. Larger vacant office properties remained under pricing pressure, highlighted by the sale of 100-150 North Tucson Boulevard, a 120,000 sf call center to Larsen Baker for $27.50 psf. As well as 1010 North Finance Center Drive, a 48,672 sf sale for $96.41 psf.

### 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 | 10,322,543 | 1,209,893 | 47,000 | 11.7% | 45,004 | 35,433 | 98,758 | 35,050 | $23.14 | $29.40 |
| East | 1,382,768 | 212,511 | 0 | 16.5% | -54,249 | -66,635 | 25,192 | 25,769 | $15.45 | 0 |
| Foothills | 1,440,447 | 56,274 | 3,487 | 5.2% | 600 | 13,045 | 48,869 | 0 | $28.88 | $24.09 |
| Green Valley / South | 452,026 | 46,576 | 0 | 11.8% | -13,859 | -4,698 | 4,742 | 0 | $27.87 | 0 |
| North / Oro Valley | 3,789,680 | 196,914 | 51,072 | 7.6% | -14,111 | -25,293 | 67,199 | 26,334 | $25.63 | $28.34 |
| Northwest | 614,520 | 13,878 | 2,186 | 4.0% | -13,805 | -3,309 | 11,953 | 0 | $23.31 | 0 |
| Southeast | 839,952 | 2,540 | 0 | 3.6% | 158,227 | 84,184 | 74,347 | 0 | $37.51 | 0 |
| Southwest | 2,666,706 | 162,767 | 0 | 7.2% | 63,047 | 63,047 | 1,440 | 0 | $25.30 | $31.34 |
| West | 1,433,293 | 134,823 | 18,812 | 11.8% | 119,496 | 133,781 | 15,158 | 3,788 | $17.88 | $18.50 |
| DOWNTOWN TOTALS | 6,516,772 | 317,449 | 34,319 | 5.6% | -27,523 | -38,630 | 7,800 | 9,369 | $23.12 | $29.47 |
| **TUCSON TOTALS** | 29,458,707 | 2,353,625 | 156,876 | 8.5% | 182,326 | 190,925 | 355,458 | 100,310 | $24.81 | $26.86 |

## KEY LEASE TRANSACTIONS Q2 2026

| PROPERTY | SUBMARKET | TENANT | SF | TYPE |
|---|---|---|---|---|
| 9070 South Rita Road | Southeast | Undisclosed | 27,228 | New Lease |
| 2015 West River Road* | North/Oro Valley | Curriculum Associates, LLC | 20,328 | Renewal |
| 5151 East Broadway Boulevard* | Central | VeriFone, Inc. | 13,196 | Renewal |
| 5255-5285 East Williams Circle | Central | Undisclosed | 12,209 | Renewal |
| 177 North Church Avenue* | Downtown | Soundthinking Inc. | 12,062 | Renewal |

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

## KEY SALES TRANSACTIONS Q2 2026

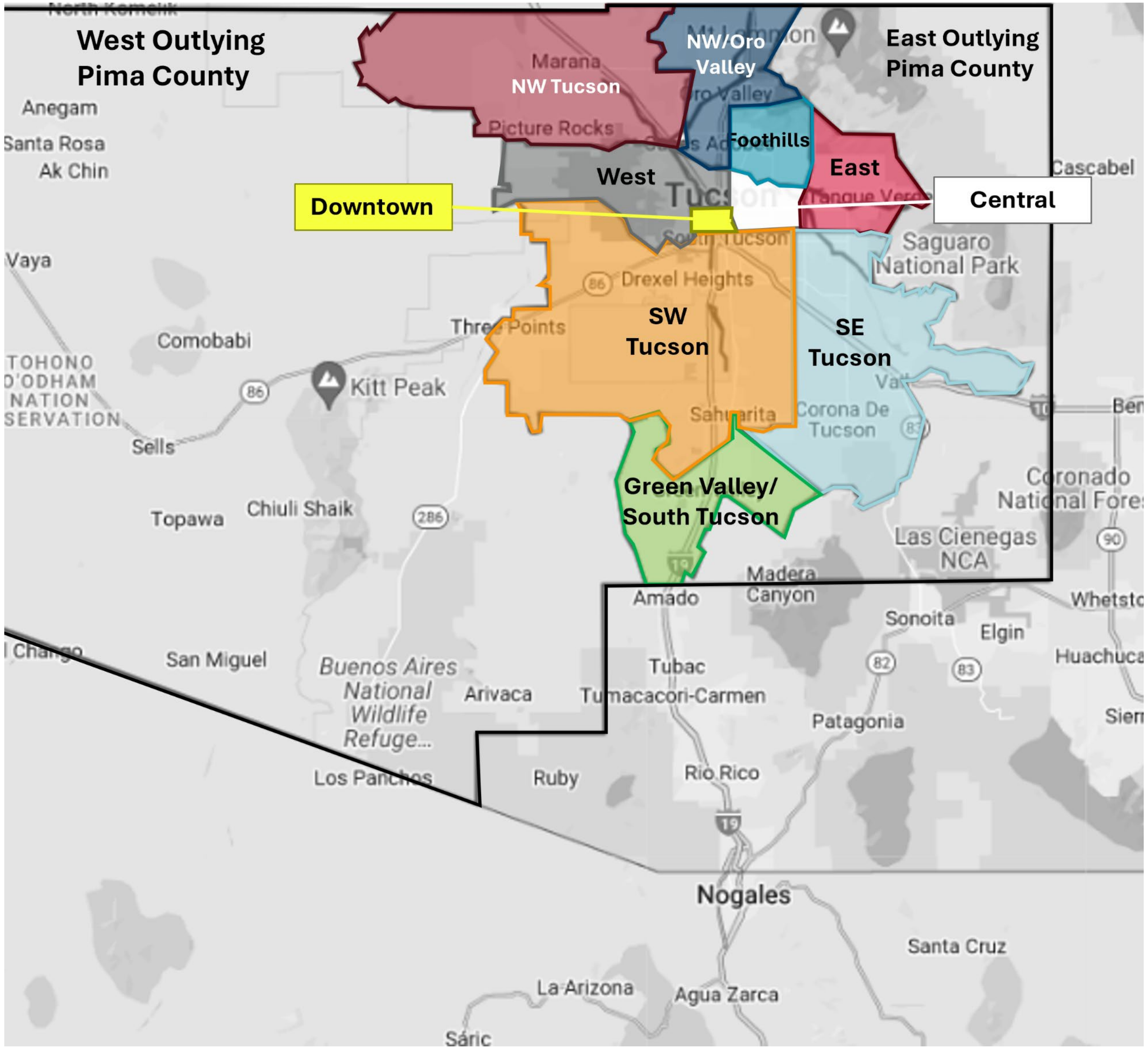
| PROPERTY | SUBMARKET | SELLER/BUYER | SF | PRICE / $ PSF |
|---|---|---|---|---|
| 100-150 North Tucson Boulevard* | Central | Engineering & Research Associates / Larsen Baker, LLC | 120,000 | $3.3M / $27.50 |
| 1010 North Finance Center Drive | East | Bp 1010 Investors Llc / Bp Fcd Investors Llc | 48,672 | $4.6M / $96.41 |
| 8467 East Broadway Boulevard | East | Pimacare Holdings LLC / RJC 7265 Ventures LLC | 18,171 | $1.4M / $82.38 |
| 2210 East Fort Lowell Road | Central | DFP Properties LLC / Blazing Saddles LLC | 14,500 | $2.1M / $144.83 |
| 1704 West Anklam Road* | Downtown | Vital Infrastructure / Tradewind Properties | 13,602 | $1.83M / $134.17 |

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

## KEY CONSTRUCTION COMPLETIONS YTD 2026

| PROPERTY | SUBMARKET | MAJOR TENANT | SF | OWNER/DEVELOPER |
|---|---|---|---|---|
| 820 East Tucson Marketplace Boulevard | Southwest | Tucson Rehabilitation Hospital | 72,247 | MYCON General Contractors, Inc. |

## OFFICE SUBMARKETS




Source: Costar

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