MARKETBEAT

TUCSON

INDUSTRIAL Q2 2026

MARKET FUNDAMENTALS

	YOY Chg	Outlook
7.8% Vacancy Rate	▲	▲
243K YTD Net Absorption SF	▲	▲
$0.92 Asking Rent, PSF *(Overall, Net Asking Rent)*	▲	—

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 industrial market remained stable, with vacancy holding at 7.8% as recently completed projects continued to lease. Demand remained steady, supported by consistent absorption despite a modest increase in vacancy over the past year.

Defense, mining, and manufacturing users continued to drive leasing activity throughout the market. Notable transactions included a 43,065-square-foot(sf) renewal at 1625 S. Euclid Avenue by Walnut Industries, Inc. As well as a new 31,405-sf lease at 6223 S. Palo Verde Road by Midstate Mechanical, LLC, reflecting continued expansion among industrial occupiers.

Development activity slowed during the quarter as most large projects completed within the past year remain in lease-up mode. While no major projects were delivered in Q2 2026, Provident is expected to begin construction on a new Class A logistics development at the southwest corner of Valencia and Palo Verde.

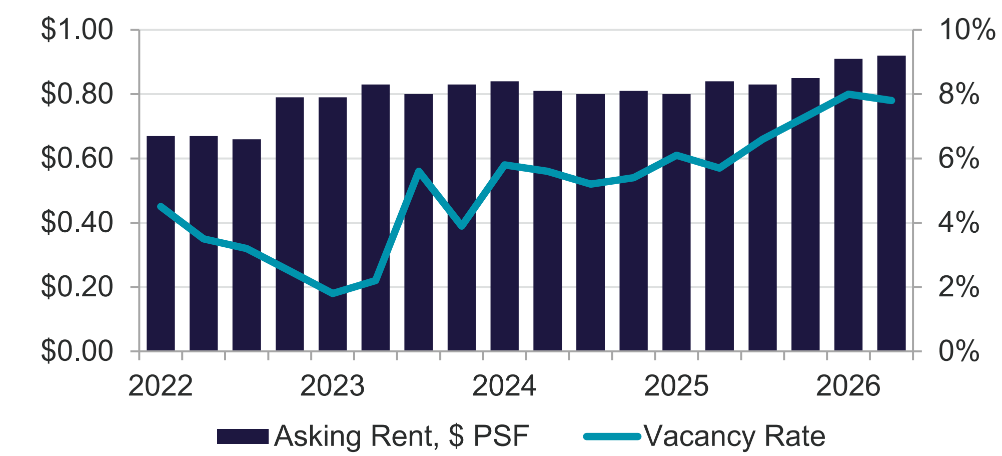
PRICING

Average asking rents remained stable at $11.02 per square foot (psf) per year, or $0.92 psf per month NNN, with market conditions generally balanced as newer industrial projects competed for tenants. Limited available inventory of owner-user buildings under 20,000 square feet and investment properties continued to support strong pricing when placed on the market.

Sales activity remained healthy, with sale pricing showing modest upward pressure. A notable transaction during the quarter was the sale of 3430 E. 36th Street, a 123,394-square-foot industrial property that traded for $8.6 million. Continued expansion by major regional manufacturers, including companies relocating operations from California and expanding cross-border distribution, is expected to support future industrial demand. In addition, interest from companies based in Mexico, particularly, Sonora, remains strong, however, largely tempered due to uncertainty around USMCA negotiations. We expect that once these negotiations are finalized, increased clarity will lead to industrial sale and leasing activity.

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	2,920,866	54,655	3.3%	-9,543	-16,013	0	0	$0.83	$0.93
NW Tucson/Oro Valley	12,565,894	943,304	8.8%	-35,392	310,037	7,600	0	$1.00	$1.15
Palo Verde	6,989,770	566,438	9.2%	-27,700	-14,821	0	0	$0.93	$1.01
Park/Ajo	4,182,495	271,549	7.6%	-10,213	-13,337	0	0	$0.81	$1.02
S Pima/Green Valley	674,620	0	0	0	0	0	0	0	0
Southeast Tucson	8,186,788	729,472	10.0%	58,821	-43,877	0	6,200	$1.07	$0.49
SW Tucson/Airport	12,916,424	1,447,488	12.5%	54,002	16,398	184,080	373,811	$0.96	$0.96
W Outlying Pima County	46,894	0	0	0	0	0	0	0	0
Downtown	4,180,470	89,281	3.2%	28,701	4,972	0	0	$0.84	0
TUCSON TOTALS	**52,682,685**	**4,102,187**	**7.8%**	**58,676**	**243,359**	**191,680**	**380,011**	**$0.92**	**$0.93**

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

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1625 South Euclid Avenue*	Park/Ajo	Walnut Industries, Inc.	43,065	Renewal
6223 South Palo Verde Road*	SW Tucson/Airport	Midstate Mechanical, LLC	31,405	New Lease
2701-2731 East Elvira Road	SW Tucson/Airport	Undisclosed	24,744	New Lease
3850 East 44th Street*	Palo Verde	Better Box Arizona LLC	20,364	Renewal
3231 East Valencia Road	SW Tucson/Airport	BASF Corporation	16,993	New Lease

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

KEY SALES TRANSACTIONS Q2 2026

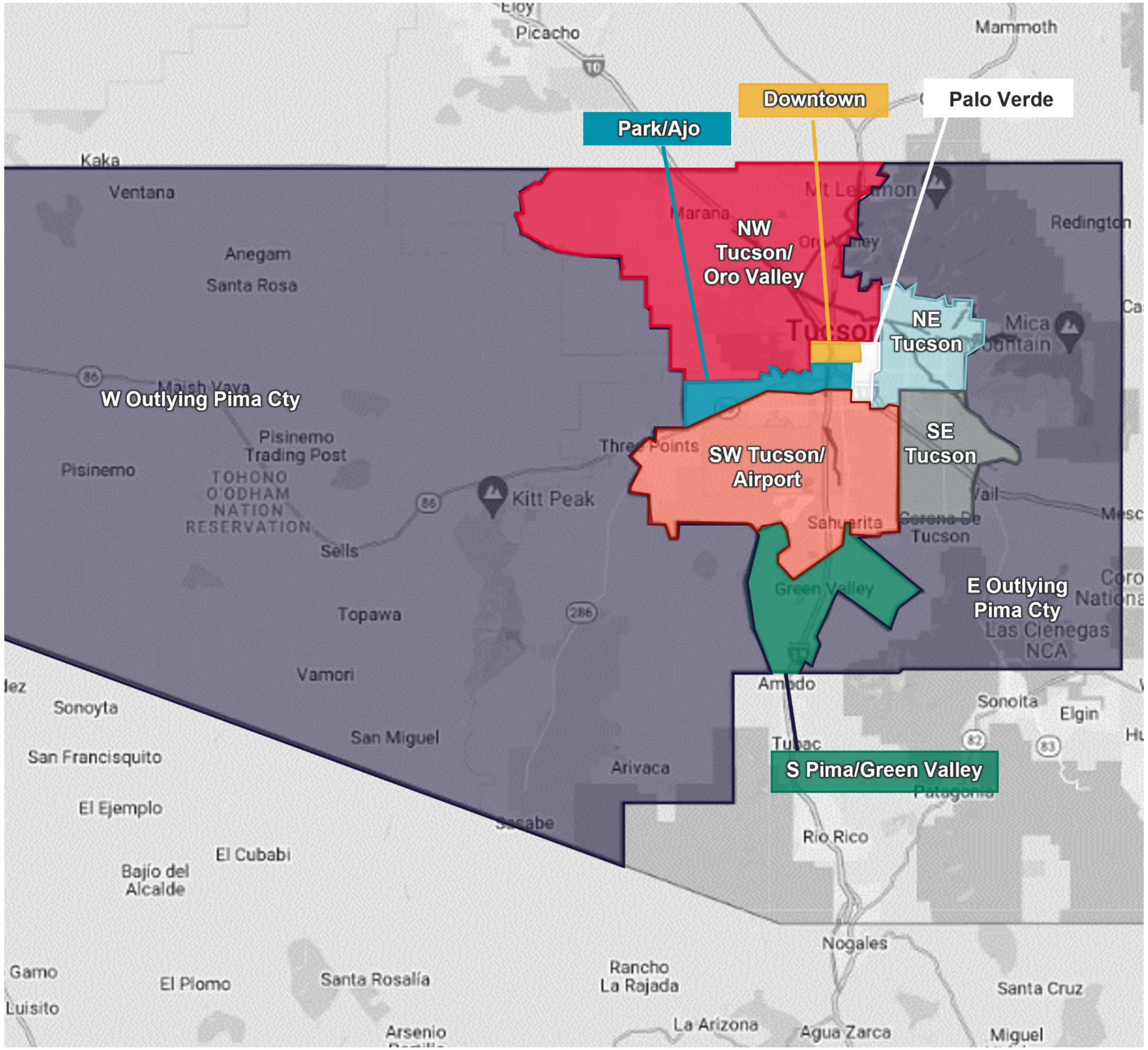
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
3430 East 36th Street*	Palo Verde	36th & Palo Verder Investors, LLC / Arto 3430 LLC	123,394	$8.6M / $69.98
5575 South Houghton Road*	Southeast	L&M Family Ventures LLC / PCA Properties LLC	31,042	$4.2M / $136.91
4771 South Overland Drive	Palo Verde	Goettl Air Conditioning / Randolph Berg	19,926	$3.4M / $170.63
451 North Bonita Avenue*	Downtown	Brickyard Investments / Jason Douglas	19,464	$2.7M / $143.34
3391 East Hemisphere Loop	SW Tucson/Airport	HEMISPHERE LOOP LLC / Hemisphere Loop 3391 LLC	16,500	$2M / $121.21

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

KEY CONSTRUCTION COMPLETIONS YTD 2026

PROPERTY	SUBMARKET	Major Tenant	SF	Owner/Developer
4501 East Los Reales Road	SW Tucson/Airport	N/A	214,867	Lincoln Property Company
4401 East Los Reales Road	SW Tucson/Airport	N/A	158,944	Lincoln Property Company

INDUSTRIAL SUBMARKETS



Source: Costar

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