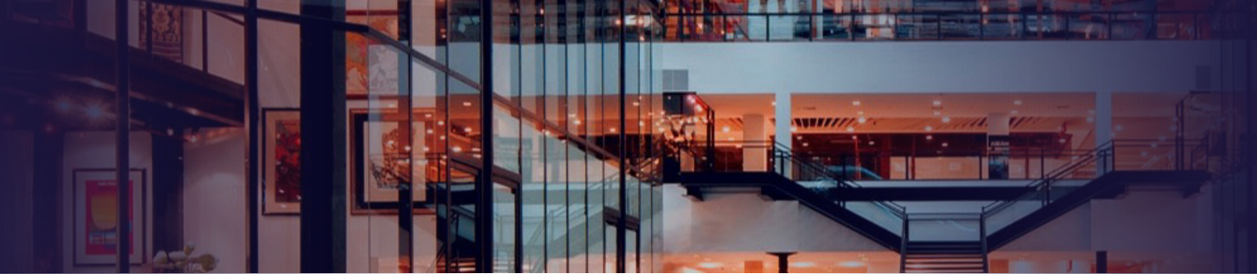
MARKETBEAT
TUCSON
RETAIL Q3 2026



CUSHMAN & WAKEFIELD PICOR

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ECONOMY

Tucson's economy continued to expand modestly in the third quarter (Q3) of 2026, though the signals were mixed. Unemployment rose to 5.0% from 4.3% a year ago, above both the U.S. (4.2%) and Phoenix (4.4%). This can be read as a softening labor market, or as an expanding labor force drawing more residents into the job search. Household fundamentals were stronger. Median household income rose 4.8% to $79,200, outpacing national growth of 3.9%, and household formation grew 0.9% to 457,000, nearly double the U.S. rate. Incomes still trail the national median of $88,400 by about 10%. That gap is a constraint, but it also points to relative affordability and rent headroom, which supports multifamily and value-oriented retail demand. Moody's Analytics expects unemployment to ease toward 4.5% by Q3 2027. The main headwind remains financing: the 10-year Treasury rose to 4.64% from 4.26% a year ago.

SUPPLY & DEMAND

In Q3 2026, Tucson’s retail market softened slightly, with vacancy rising to 5.6%, up from 5.3% in Q2. Despite the increase, vacancy remained below year-ago levels (6.0% in Q3 2025), while year-to-date absorption reached approximately 200,000 square feet (sf), significantly exceeding total absorption in 2025, already surpassing the 141,596 sf absorbed in all of 2025.

Demand was driven by fitness, discount retailers, and experiential concepts, including Just Between Friends Tucson and Fiery Crab Seafood & Bar Restaurant . Notable leasing activity included 29,627 sf lease at ABC Broadway/Kolb Center, alongside continued expansion by value-oriented retailers and entertainment users. Construction remained limited, with key activity including the 23,463 sf Trader Joe’s project at 2120 E. Broadway Boulevard. Nearly all of the 257,061 sf of retail space under construction was preleased, reflecting developers’ focus on build-to-suit and tenant-backed projects.

PRICING

Average asking rents reached $19.44 per square foot (psf) NNN, after $18.32 NNN in Q2, reflecting continued pricing strength amid limited new supply. Premium areas, including the Foothills and Oro Valley, continued to commanded higher rents, while older neighborhood and strip centers faced greater vacancy and pressure to offer concessions. Although rent growth remained strong, it is expected to moderate in 2027 based off BEA, Census Bureau.

Retail investment activity remained elevated, supported by demand for single-tenant net-lease properties and stable, income-producing assets. Average property values rose approximately 8% since the beginning of the year, while cap rates compressed to roughly 7.6% from 7.9% at year-end 2025. Notable transactions included the sale of the $6.1 million investment sale, a 153,511 sf property at 5850 E. Broadway Boulevard, to Bourn Companies. Private investors drove most activity, and with little new construction in the pipeline, demand for existing, well-located retail centers should remain firm heading into 2027.

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
$79.2K Median HH Income	▲	▲
0.2% Population Growth	▲	▲
5.0% Unemployment Rate	▲	▼

Source: BLS

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.6% GPD Growth	▼	▲
1.5% Consumer Spending Growth	▼	▲
1.0% Retail Sales Growth	▼	–

Source: BEA, Census Bureau

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TUCSON
RETAIL Q3 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	8,571,960	710,380	17,787	8.8%	30,136	-30,334	1,768	$12.10
Central West	7,277,454	215,176	2,031	3.5%	27,968	180,225	0	$16.08
East	9,997,031	1,061,434	0	10.8%	-47,955	-260,560	0	$15.52
Foothills	5,961,727	130,281	2,500	3.3%	-33,584	-45,152	102,511	$20.25
North/Oro Valley	2,710,292	268,372	4,000	10.3%	72,065	113,231	60,280	$25.25
Northeast	323,385	19,339	0	6.8%	1,400	1,504	2,887	$24.51
Northwest	4,606,600	152,445	0	4.1%	42,640	-6,368	21,603	$19.66
South	7,368,362	350,579	15,760	6.0%	223,208	148,501	2,761	$12.71
South/SW Outlying	1,894,031	44,327	0	3.2%	15,732	16,757	8,310	$18.75
Southeast	1,904,579	28,913	0	2.7%	8,075	13,409	45,279	$34.32
Southwest	3,121,704	49,749	11,800	2.9%	-2,830	200	11,662	$19.47
West	893,313	19,160	0	3.0%	3,467	2,546	0	$17.30
DOWNTOWN TOTALS	1,808,031	125,505	0	7.4%	-12,902	-2,804	0	$16.74
TUCSON TOTALS	**56,438,469**	**3,175,660**	**53,878**	**5.6%**	**327,420**	**131,155**	**257,061**	**$19.44**

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7125 East Boadway Boulevard	East	Undisclosed	29,627	New Lease
2520 South Harrison Road*	East	Just Between Friends Tucson	26,500	New Lease
4080-4180 West Ina Road	Northwest	Undisclosed	25,088	New Lease
1802 South Craycroft Road	South	Undisclosed	16,000	New Lease
7625 North La Cholla Boulevard	Foothills	Fiery Crab Seafood & Bar Restaurant	11,638	New Lease

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

KEY SALES TRANSACTIONS Q2 2026

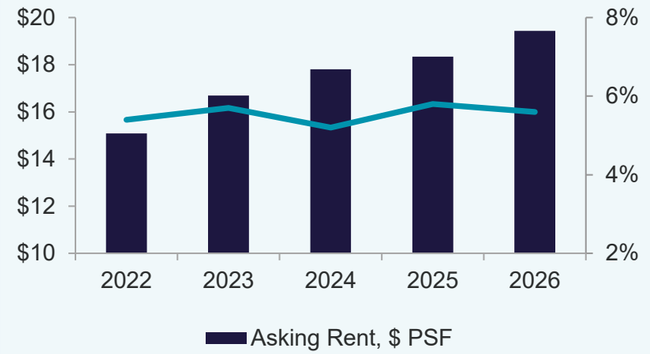
PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / $ PSF
5850 East Broadway Boulevard**	East	Walker, Arthur W. / Bourn Companies	153,511	$6.1M / $38.37
5255 East Broadway Boulevard**	Central East	Sunbelt Investment Holdings, Inc. / WinCo Foods	130,000	$18M / $128.30
625 West Auto Mall Drive	Central West	Watson Chevrolet / Courtesy Chevrolet	115,707	$29.5M / $254.95
8360 North Thornydale Road	Northwest	OJALA Holdings / NETSREIT Corp	51,352	$5.4M / $106.97
3959-3979 North Oracle Road	Central West	Red Mountain Group / Evelyn M Abbott	29,720	$7.2M / $243.94

*** Part of a 2 property portfolio*

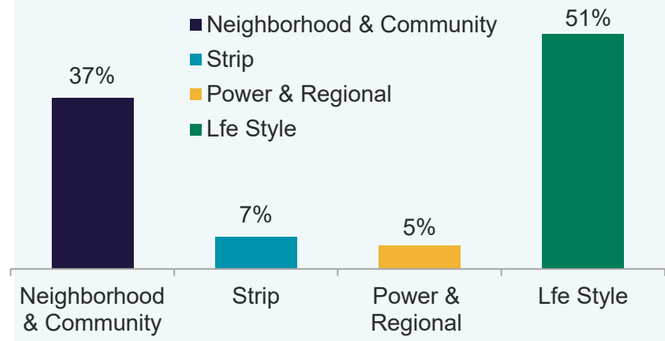
KEY CONSTRUCTION COMPLETIONS YTD 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1500 East Tucson Marketplace Boulevard	South	Bass Pro Shops	100,974	Undisclosed
2120 East Broadway Boulevard	Central	Trader Joe's	23,463	Undisclosed
3105 North Campbell Avenue	Central	Jennifer Whitman	14,877	Jennifer Whitman / Campbell Hedrick Associated Developers, LLC

SPACE DEMAND / DELIVERIES



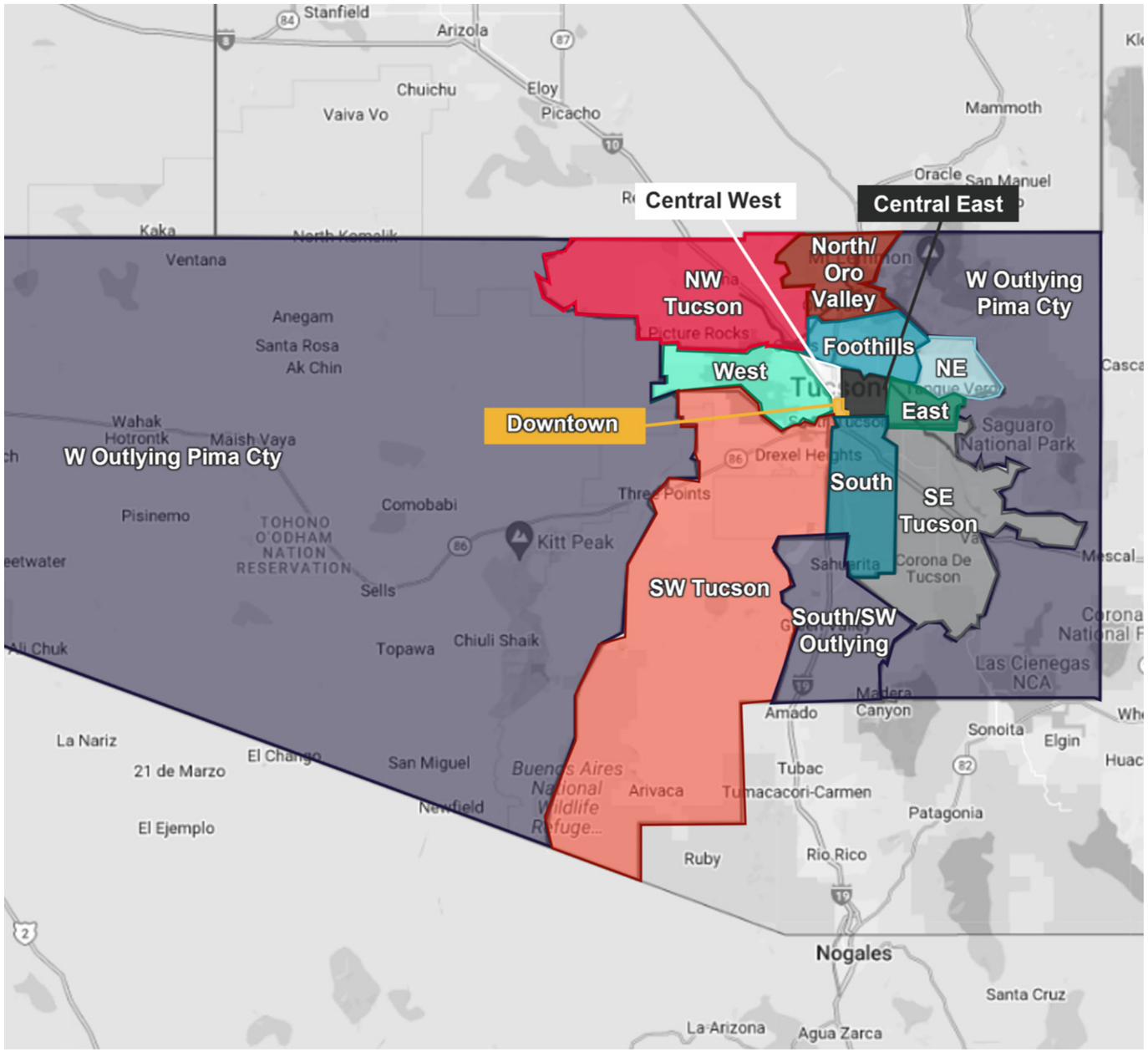
OVERALL VACANCY & ASKING RENT



Source: Costar

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RETAIL SUBMARKETS



Source: Costar

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