MARKETBEAT
TUCSON
INDUSTRIAL Q3 2026

CUSHMAN & WAKEFIELD | PICOR

Written by: Andrew Keim

Andrew Keim
Industrial Properties
+1 520 271 8950
akeim@picor.com

C&W | PICOR INDUSTRIAL TEAM:

Stephen D. Cohen
Principal, Industrial Properties
+1 520 546 2750 / scohen@picor.com

Robert Glaser, CCIM, SIOR
Principal, Industrial Properties
+1 520 546 2707 / rglaser@picor.com

Paul Hooker, CCIM, SIOR
Principal, Industrial Properties
+1 520 546 2704 / phooker@picor.com

Andrew Keim
Industrial Properties
+1 520 271 8950 / akeim@picor.com

Jerry LoCoco, J.D.
Industrial Properties
+1 520 546 2734 / jlococo@picor.com

Kameron Norwood
Investment Sales & Leasing
+1 520 546 2792 / knorwood@picor.com

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%.. 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 industrial market remained stable, with vacancy declining slightly to 7.7% as demand continued across key user groups. Year-to-date net absorption reached 379,171 square feet (sf), reflecting continued leasing activity throughout the market. Aerospace and defense and mining users remained active, while demand for small-bay industrial space continued to support the market.

The Northwest and Airport submarkets remained in areas of heightened activity during the quarter, supported by continued demand from industrial users. The largest lease transaction was Growers House Holdings LLC, for 36,212 sf at 3635 East 34th Street, reflecting continued demand for functional industrial space in well-located submarkets. Small-bay space remained particularly competitive, with lease rates expected to increase as available inventory remains limited.

Development activity remained constrained as substantial vacancy still exists in recently completed new industrial construction coupled with rising construction costs, and elevated financing costs continued to limit new starts. Industrial construction costs increased again in 2026 after remaining relatively flat the prior year, driven primarily by tariffs on metals, followed by higher labor costs. High financing costs continue to hold back new construction, while tighter lending standards are limiting funding for marginally capitalized projects.

PRICING

Average asking rents increased to $0.92 per square foot (psf) per month NNN, with small-bay rates expected to increase as demand remains strong for limited available product. Rising construction costs and constrained development continue to support pricing for functional industrial properties, while higher financing costs are limiting the pace of new construction.

Investment sale activity remained selective as lenders tightened funding for marginally capitalized projects. A notable transaction during the quarter was the sale of a 14-property portfolio, sold by Equus Capital Partners to Everview Partners L.P. for $165.75 million. Rising construction costs, tighter lending standards, and elevated financing costs continue to influence investment decisions and temper new industrial development.

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
7.7% Vacancy Rate	▲	▲
379K YTD Net Absorption, SF	▲	▼
$0.92 Asking Rent, PSF *(Overall, All Property Classes)*	▲	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
405K Tucson Employment	▼	▲
5.0% Tucson Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate	▼	▲

Source: BLS

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TUCSON
INDUSTRIAL Q3 2026

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	42,722	0	0	0	0	0	0	0	0
Northeast	2,922,978	133,294	5.1%	-90,085	-86,012	0	0	$0.88	$1.03
NW Tucson/Oro Valley	12,584,821	786,350	7.8%	38,771	404,829	7,679	12,760	$1.06	$1.30
Palo Verde	7,024,508	508,773	7.7%	29,892	72,718	0	0	$0.90	$1.10
Park/Ajo	4,182,891	315,979	8.1%	-54,398	-27,893	0	0	$0.78	$1.10
S Pima/Green Valley	681,183	0	0	0	0	0	0	0	0
Southeast Tucson	8,526,362	853,772	10.5%	-41,038	-114,107	0	9,350	$1.06	$0.57
SW Tucson/Airport	13,160,925	1,413,158	11.8%	160,393	152,415	0	575,213	$0.86	$1.20
W Outlying Pima County	53,457	0	0	0	0	0	0	0	0
Downtown	4,129,489	83,702	2.9%	-28,680	-22,779	0	0	$0.87	0
TUCSON TOTALS	**53,309,336**	**4,095,028**	**7.7%**	**14,855**	**379,171**	**7,679**	**597,323**	**$0.92**	**$1.05**

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

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3635 East 34th Street*	Palo Verde	Growers House Holdings, LLC	36,212	Renewal
2700 East Commerce Center Plaza	SW Tucson/Airport	Undisclosed	32,501	New Lease
2717 East Corona Road	SW Tucson/Airport	Undisclosed	24,480	New Lease
2701-2731 East Elvira Road*	SW Tucson/Airport	Diamondback Minerals LLC	24,368	New Lease
2155 North Forbes Boulevard*	NW Tucson/Oro Valley	Trane U.S. Inc	16,795	Renewal

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

KEY SALES TRANSACTIONS Q3 2026

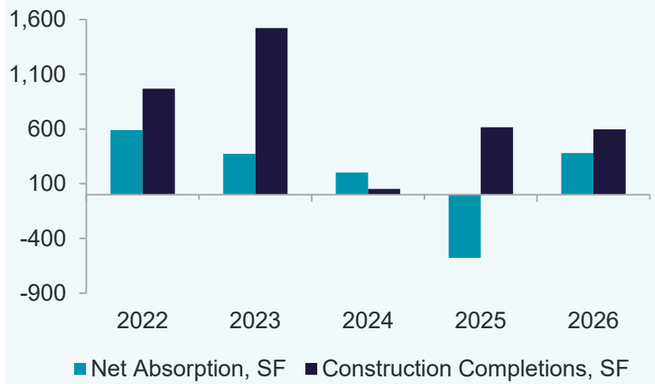
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
Equus Shallow Bay 14-Property Portfolio**	Various	Equus Capital Partner, Ltd. / Everview Partners, L.P	1,245,437	$165.75M / $133.09
6270 South Country Club	SW Tucson/Airport	Westmed Inc / Precision Metal Fabrication	82,764	$4.5M / $54.37
3648 East Ajo Way	Palo Verde	Copenhagen Imports / Arizona Steel & Ornament Spl	61,427	$6.9M / $113.27
909 East 17th Street	Downtown	Dumas Products / Hfe International	32,357	$2.9M / $90.00
1701 West Grant Road	NW Tucson/Oro Valley	Titan Machinery / Sonsray Properties, LLC	23,386	$1.75M / $74.83

***Part of a property portfolio*

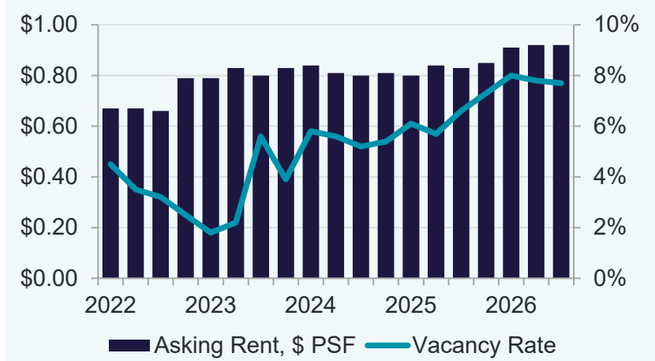
KEY CONSTRUCTION COMPLETIONS YTD 2026

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

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: Costar

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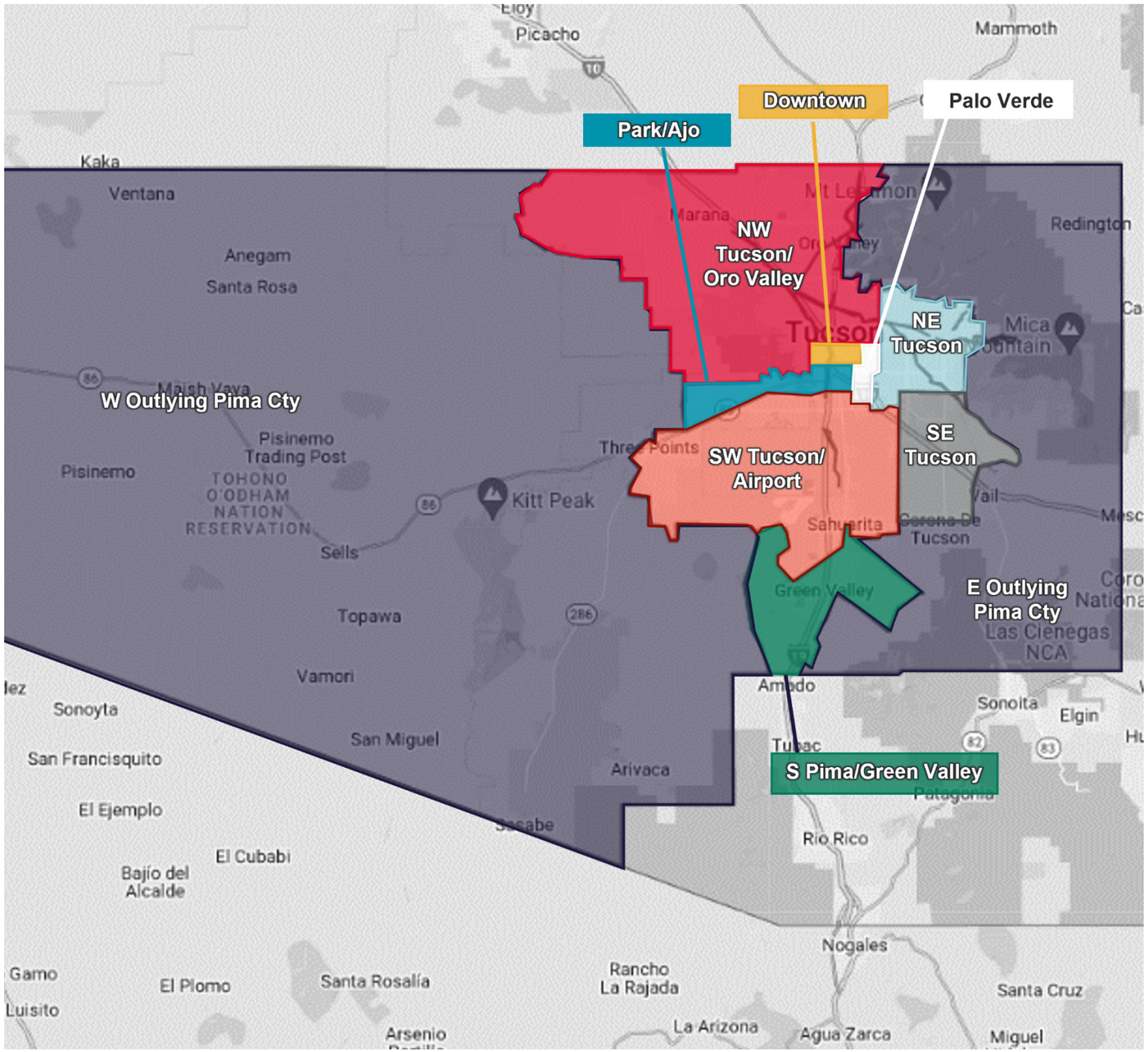
INDUSTRIAL SUBMARKETS



Source: Costar

ARACELY CASTILLON
Research Lead
Tel: +1 520 748 7100
acastillion@picor.com

KATE ZIMMERMAN
Marketing Manager
Tel: +1 520 546 2743
kzimmerman@picor.com

CUSHMAN & WAKEFIELD | PICOR
5151 E Broadway Blvd., Suite 115
Tucson, AZ 85711
Tel: +1 520 748 7100
info@picor.com

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