MARKETBEAT
TUCSON
OFFICE Q3 2026



CUSHMAN & WAKEFIELD | PICOR

Written by: Alexis Corona



Alexis Corona
Commercial Properties
+1 520 546 2729
acorona@picor.com

C&W | PICOR OFFICE TEAM:

Richard M. Kleiner, MBA
Principal, Office Properties
+1 520 440 2745 / rkleiner@picor.com

Thomas J. Nieman
Principal, Office Properties
+1 520 546 2728 / tnieman@picor.com

Alexis Corona
Office Properties
+1 520 546 2729 / acorona@picor.com

Molly Mary Gilbert, CCIM
Office Properties
+1 520 546 2766 / mgilbert@picor.com

Jesse Jones
Office Properties
+1 520 546 2751 / jjones@picor.com

Ryan McGregor
Office Properties
+1 520 546 2748 / rmcgregor@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 office market continued to improve, with vacancy declining to 7.4% and year-to-date net absorption reaching 446,969 Square Feet (SF). Medical office demand remained strong, supporting continued leasing activity across the market. Lease rates generally remained in the low $20s Per Square Foot (PSF).

Healthcare users continued to drive leasing activity, with TMC Health leasing a total of 20,685 SF at 2424 N. Wyatt Drive for its urology and cardiology services. The Northwest submarket remained in high demand. Downtown also showed signs of improvement, with a new 6,000 sf lease signed during the quarter following limited activity in recent quarters.

Development activity included the completion of Pain Institute of Southern Arizona's Northwest/Oro Valley location. New medical development remains challenging as construction costs continue to rise, with office-to-medical conversions costing approximately $100 PSF. Limited existing building availability in Oro Valley is prompting some healthcare users to consider land purchases for new construction.

PRICING

Average asking rents reached $21.84 PSF, while Class A asking rents averaged $27.52 psf. Medical office demand continued to support pricing, with well located, improved properties seeing slightly higher per-square-foot values. Rising construction costs remain a consideration for users evaluating conversions or new medical facilities

Investment activity remained steady, with sales primarily consisting of smaller owner-user transactions and no major office building deals reported during the quarter. Medical properties continued to attract out-of-state investors, contributing to tightening capitalization rates. Bourn Companies' acquisition of 333 acres at Innovation Park in Oro Valley for $21.25 million was a notable land transaction, with Cushman & Wakefield | PICOR representing seller Venture West Group. Adaptive reuse also continued, as Bourn Companies welcomed its first tenants at The Works.

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
7.4% Vacancy Rate	▲	–
446K YTD Net Absorption, SF	▲	▼
$21.84 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

© 2026 Cushman & Wakefield | PICOR

TUCSON
OFFICE 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)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)**	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central	10,476,205	1,003,694	51,910	10.9%	137,712	202,392	180,193	35,050	$19.25	$28.17
East	1,301,187	223,753	0	16.1%	-42,867	-78,017	37,764	25,769	$12.22	0
Foothills	1,353,788	64,305	3,487	4.7%	-30,810	5,014	49,632	0	$26.13	$22.67
Green Valley / South	313,959	47,214	0	11.8%	-14,776	-5,336	10,840	0	$25.10	0
North / Oro Valley	3,977,166	185,648	53,069	6.2%	-108,516	-16,024	92,401	26,334	$22.87	$27.45
Northwest	482,401	8,442	0	1.5%	-88,179	4,313	11,953	0	$21.36	0
Southeast	762,328	2,513	0	0.4%	107,536	171,948	66,095	0	$34.32	0
Southwest	2,753,399	162,767	0	6.3%	-8,150	-9,200	1,720	0	$21.89	$29.92
West	1,350,293	136,117	30,049	11.6%	253,361	208,987	22,405	3,788	$13.69	0
DOWNTOWN TOTALS	6,477,747	186,328	34,324	4.5%	-83,538	-37,108	19,993	9,369	$21.59	$29.38
TUCSON TOTALS	**29,248,473**	**2,020,781**	**172,839**	**7.4%**	**121,773**	**446,969**	**492,996**	**100,310**	**$21.84**	**$27.52**

KEY LEASE TRANSACTIONS Q2 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5431 East Williams Boulevard	Central	DaVita	23,838	New Lease
2424 North Wyatt Drive*	Central	TMC One Urology	11,173	Renewal
6425 East Broadway Boulevard	Central	LJA Engineering, Inc.	10,367	New Lease
2424 North Wyatt Drive*	Central	Tucson Medical Network	9,512	New Lease
5350-5390 East Erickson Drive*	Central	TMC Pain Clinic	7,355	Renewal

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

KEY SALES TRANSACTIONS Q2 2026

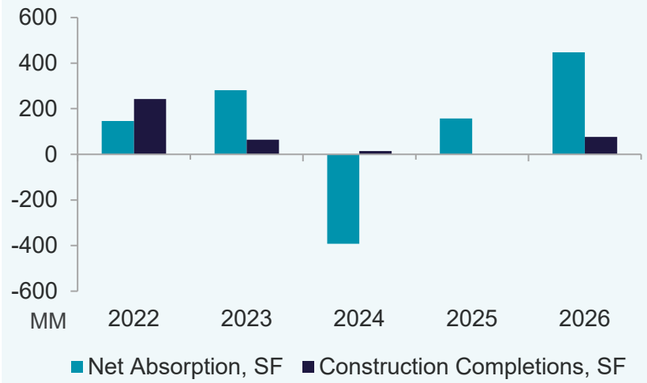
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / $ PSF
2300 South Houghton Road**	Southeast	Silia Realty Trust/Blue Owl Capital	44,686	$12.3M / $276.00
1650 East Fort Lowell Road	Central	Catholic Community Services of Southern Arizona/Sarah Schram	21,411	$3M / $141.90
2121 North Craycroft Road**	Central	Silia Realty Trust/Blue Owl Capital	20,000	$5.4M / $271.17
4881 East Grant Road**	Central	Elliott Bay Capital Trust, LLC/REDICO | One Orchard	14,770	$5.7M / $386.62
6325 East Tanque Verde Road	Central	Urological Associates of Southern Arizona/Planned Parenthood	10,899	$2.5M / $229.38

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

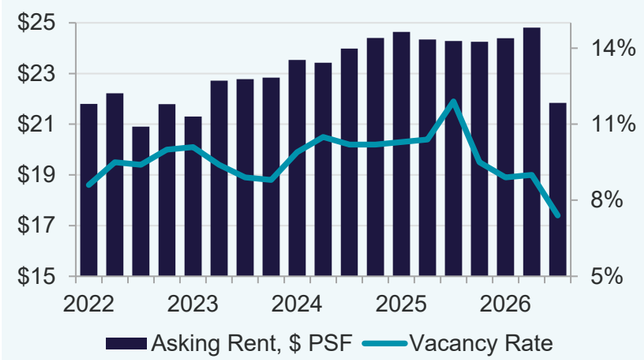
KEY CONSTRUCTION COMPLETIONS YTD 2026

PROPERTY	SUBMARKET	Major Tenant	SF	Owner/Developer
820 East Tucson Marketplace Boulevard	Southwest	Tucson Rehabilitation Hospital	72,247	MYCON General Contractors, Inc.

SPACE DEMAND / DELIVERIES



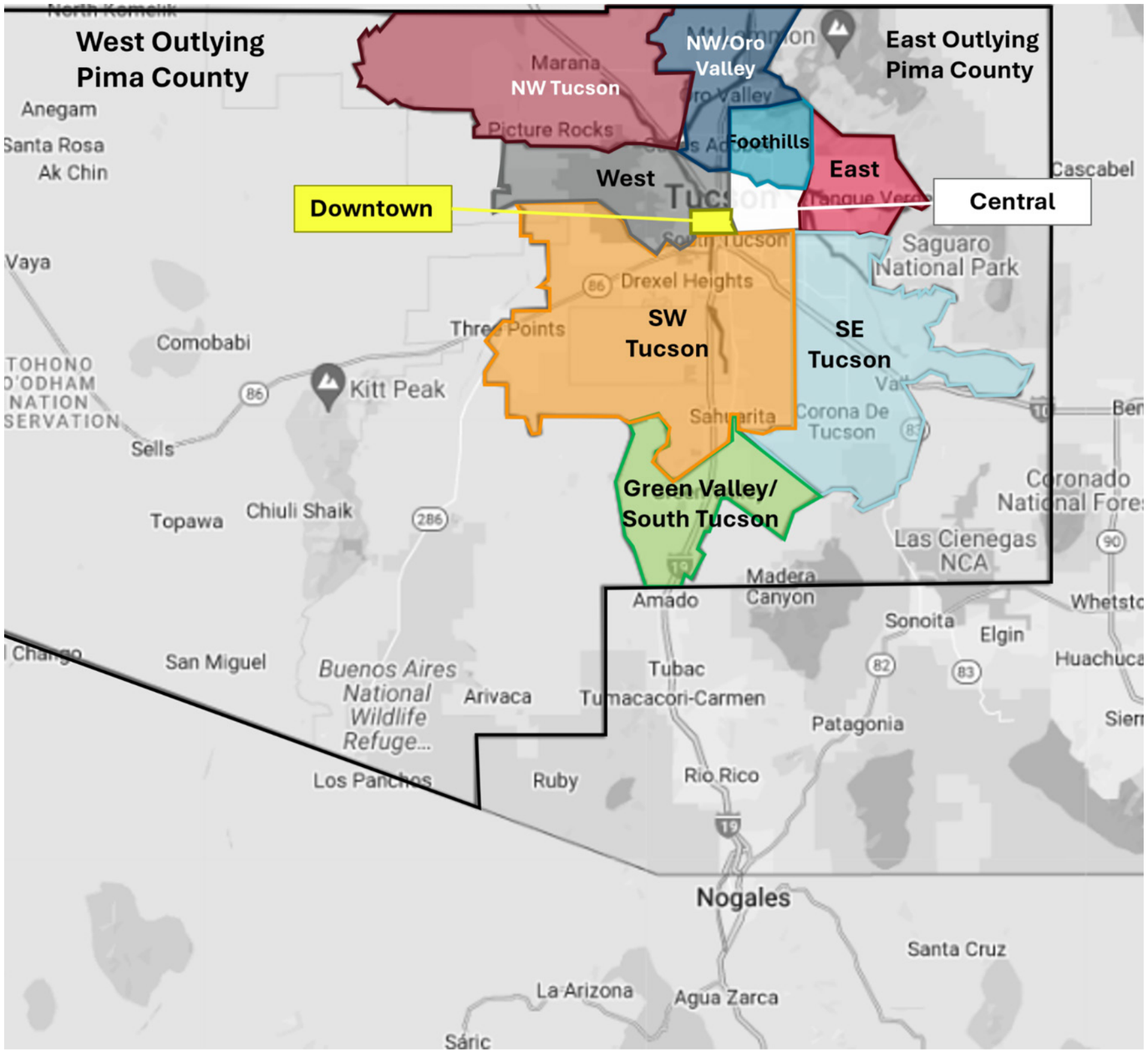
OVERALL VACANCY & ASKING RENT



Source: Costar

© 2026 Cushman & Wakefield | PICOR

OFFICE 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

Independently Owned and Operated / A Member of the Cushman & Wakefield Alliance

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for occupiers and investors with approximately 53,000 employees in over 350 offices and nearly 60 countries. In 2025, the firm reported revenue of $10.3 billion across its core service lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com.

©2026 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.