

YoY Chg      12-Mo. Forecast

**3.5%**  
Vacancy Rate



**310K**  
Net Absorption, SF



**\$0.67**  
Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q2 2022

YoY Chg      12-Mo. Forecast

**389.1K**  
Tucson  
Employment



**3.2%**  
Tucson  
Unemployment Rate



**3.6%**  
U.S.  
Unemployment Rate



Source: BLS

### ECONOMY OR SUPPLY:

In Q2 2022, the Tucson market recorded an employment level of 389,100 jobs, up 3.0% over Q2 2021. The unemployment rate decreased from 5.5% in Q2 2021 to 3.2% in Q2 2022. Household growth was up 2.1% year-over-year (YOY). Nationally, retail sales were up 8.7% YOY. While inflationary pressures continued throughout the quarter, key commodities fueling increased building costs have begun to moderate from their peaks early in 2022.

### SUPPLY AND DEMAND:

Overall market sales volume remains strong with \$68.1 million trading this quarter.

Vacancy rates for Tucson's available industrial space continues to drop, approaching 3.5%, representing just 1,578,300 square feet (sf). Vacancy rates this low mean that much of the available inventory is in older buildings which lack modern features or would require extensive renovation to meet the needs of many prospective tenants. The Northwest/Oro Valley submarket has the most available inventory with the South/Green Valley submarket having the least.

The southwest/Airport submarket has the most amount of construction being built with 305,545 sf underway out of a total of 536,084 sf in the entire market.

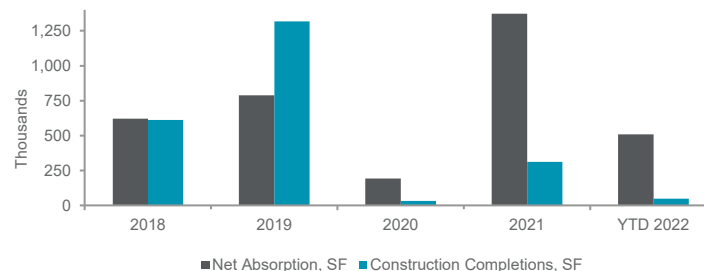
Rising construction costs continue to be the biggest negative influence to growth. Anecdotal evidence indicates that this may be a bigger concern for local businesses than for national firms seeking to establish or expand their presence in the Tucson market.

The top sale in Q2 was at 1800 South Research Loop, in the Northeast Submarket. The 999,858 sf facility brought \$93.71 per sf. The top lease was for 115,500 sf in the Southwest/Airport submarket at 6760 South Lisa Frank Avenue.

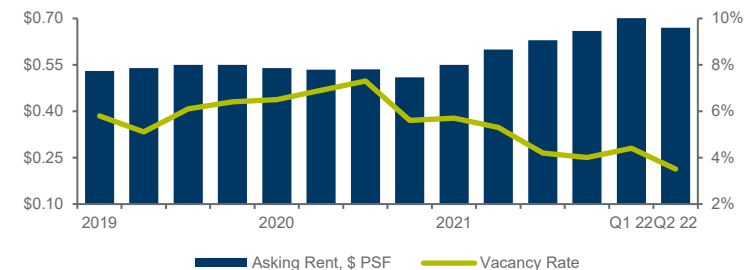
### PRICING:

Sales prices per square feet (psf) have increased consistently each quarter, now at \$116.00 psf Q2 (a 9% YOY increase). Lease rates in the northwest continue to climb with some multi-tenant spaces getting \$1.00 psf. Even the south side of Tucson is seeing \$0.70-\$0.80 where it may have been getting \$0.45-\$0.50 in the past. Owners are able to demand three to five years minimum terms as well.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT TUCSON

## Industrial Q2 2022



### 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)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Downtown	4,057,856	50,769	1.3%	2,862	-10,439	0	0	\$0.58	\$1.33	\$0.60
Northeast	2,755,229	85,864	3.1%	43,208	40,208	0	0	N/A	\$0.62	\$0.44
Northwest/Oro Valley	10,133,824	141,374	1.7%	14,715	390,213	220,000	0	\$1.18	\$0.75	\$0.73
Palo Verde	6,620,523	112,412	1.7%	-16,484	-40,110	10,539	0	N/A	\$0.63	\$0.16
Park/Ajo	3,892,471	82,470	2.1%	-1,444	-42,371	0	0	\$0.52	\$0.75	\$0.99
South/Green Valley	180,080	0	0.0%	0	0	0	0	N/A	N/A	N/A
Southeast	7,542,833	463,094	6.7%	241,216	241,815	0	0	\$0.80	\$0.88	\$0.93
Southwest/Airport	9,733,817	613,538	6.7%	25,844	-70,290	305,545	0	0.83	\$0.94	\$0.56
West Outlying	42,671	28,779	67.4%	0	0	0	0	N/A	N/A	N/A
<b>TUCSON TOTALS</b>	<b>44,959,304</b>	<b>1,578,300</b>	<b>3.5%</b>	<b>309,917</b>	<b>509,026</b>	<b>536,084</b>	<b>0</b>	<b>\$0.57</b>	<b>\$0.87</b>	<b>\$0.63</b>

\*Rental rates reflect weighted net asking \$psf/month

FX = Flex MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

TYPE	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Warehouse / Distribution	23,753,489	584,790	2.5%	312,176	628,746	536,084	0	\$7.58
Manufacturing	11,411,167	290,271	2.5%	46,816	-130,783	0	0	\$6.95
Office Service / Flex	9,794,648	703,239	7.2%	-49,075	11,063	0	0	\$10.43

\*Does not include renewals

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### KEY LEASE TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6760 South Lisa Frank Avenue*	Southwest/Airport	Thyssenkrupp Supply Chain Services	115,000	Direct
2900 East Elvira Road*	Southwest/Airport	Sion Power Corporation	101,277	Renewal
6760 South Lisa Frank Avenue*	Southwest/Airport	Ralph's Transfer Inc.	60,000	Direct

\*Represented by Cushman & Wakefield | PICOR

### KEY SALES TRANSACTIONS Q2 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
1800 South Research Loop*	Northeast	Goff Gerald W & Linda M / Low Book Sales	99,858	\$93.71
3301-3321 East Global Loop*	Southwest/Airport	Bond Filipenko Commercial Properties / Hughes Federal Credit Union	79,072	\$175.71
7475 East Old Vail Road	Southeast	Schomac Group Inc. / VanWest Partners	41,280	\$131.42

\*Cushman & Wakefield | PICOR transaction