

	YoY Chg	12-Mo. Forecast
<b>3.2%</b> Vacancy Rate	▼	▼
<b>30K</b> Net Absorption, SF	▼	▬
<b>\$7.98</b> Asking Rent, PSF	▲	▲

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q3 2022

	YoY Chg	12-Mo. Forecast
<b>394K</b> Tucson Employment	▲	▲
<b>3.3%</b> Tucson Unemployment Rate	▼	▲
<b>3.5%</b> U.S. Unemployment Rate	▼	▲

Source: BLS

### ECONOMY:

In the third quarter of 2022 employment in the Tucson metropolitan area totaled 394,200 jobs, up 2.9% over Q3 2021. The unemployment rate dropped from 4.6% in Q3 2021 to 3.3% in Q3 2022. Household formation grew 1.9% year over year (YOY). Nationally, consumer spending was up 7.9% and retail sales were up a strong 8.9% YOY. As the Fed works to moderate inflation, many economists expect it to linger. Within Arizona, statewide growth is expected to far outpace the U.S. in the long run.

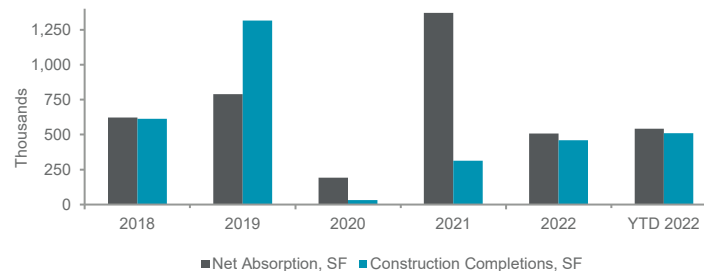
### SUPPLY AND DEMAND:

At just 3.2%, the vacancy rate for industrial space for lease in Tucson is at a record low. Even with the addition of 2 million square feet (msf) of new construction, the available inventory is lagging behind growth in the economy. Demand from the burgeoning cannabis industry is closely followed by strong demand in the manufacturing, mining, and logistics sectors. The number of manufacturers showing strong interest in Tucson and Southern Arizona is at a record high, much of which is considering relocation from California. Companies considering relocation to Phoenix or Texas are now including Tucson on their list of desirable locations. The increased appetite for domestic manufacturing space is a trend and strategic opportunity for the region. Demand for industrial space has vacant call center operators and building owners contemplating conversion of built-out office space into industrial uses. Although expensive, conversion would add to the industrial inventory and solve the problem of call center operations moving to at-home work, post-pandemic. Sale volume moderated in Q3 to \$38.6 million after a strong Q2 of \$65.6 million, due to a lack of available investment properties, not buyers' interest.

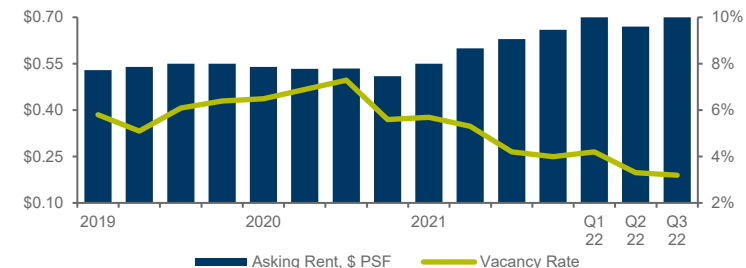
### PRICING:

Lease rates for the significant Q3 transactions ranged from \$0.69 to \$0.72 per square feet per month (psf), typically with three percent annual escalations. In the Tucson industrial investment market, year-to-date average cap rates have fallen to 6.2% from the previous year's 7.4% with average sale price psf at \$104, closely following a record high in 2021. Notable Q3 leases includes HomeGoods at 6700 South Pella Drive for 236,700 sf, with a three-year renewal at \$0.72 psf per month with 3% annual escalations. Bekins leased 43,680 sf at 6818 South Country Club Road in a five-year lease starting January 1, 2023, at \$0.73 psf with 3% annual escalations. Maya Tea leased 33,150 sf at 2861 North Flowing Wells Road in an expansion of their current space beginning January 2023 at \$0.69 psf per month. Significant Q3 sales include: 109,229 sf at 5580 South Nogales Highway sold for 7.3 million; 112 acres at Tangerine & I-10 for \$4,250,000 for a spec development project; a multi-tenant building at 4275 South Santa Rita, for \$3,350,000 and a single tenant building at 955 West Grant for \$2.95 million.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT TUCSON

## Industrial Q3 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	4,060,555	71,573	1.8%	-23,080	-23,883	0	0	\$7.47	\$16.00	\$12.24
Northeast	2,732,939	92,623	3.4%	-6,759	33,449	0	0	N/A	\$7.14	N/A
Northwest/Oro Valley	10,120,715	161,236	1.6%	12,749	397,539	1,498,063	220,000	\$9.73	\$11.79	\$7.44
Palo Verde	6,619,454	196,558	3.8%	-145,268	-180,248	10,539	10,539	N/A	\$7.79	\$9.40
Park/Ajo	3,933,829	87,012	2.2%	-4,542	-46,913	0	0	\$8.40	\$9.00	\$10.80
South/Green Valley	180,080	0	0.0%	0	0	0	0	N/A	N/A	N/A
Southeast	7,478,303	321,561	5.1%	2,520	238,912	0	0	N/A	N/A	\$10.80
Southwest/Airport	9,812,357	472,146	5.4%	194,236	123,176	1,045,926	229,320	N/A	\$11.02	\$8.09
West Outlying	42,672	28,779	67.4%	0	0	0	0	N/A	N/A	N/A
<b>TUCSON TOTALS</b>	<b>44,980,904</b>	<b>1,431,488</b>	<b>3.2%</b>	<b>29,856</b>	<b>542,032</b>	<b>2,554,528</b>	<b>459,859</b>	<b>\$7.91</b>	<b>\$10.85</b>	<b>\$7.98</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	24,143,403	737,062	3.1%	-29,379	430,229	2,554,528	459,859	\$7.98
Manufacturing	11,124,324	98,782	0.9%	6,841	57,346	0	0	\$7.91
Office Service / Flex	9,713,177	595,644	6.1%	26,006	600,432	0	0	\$10.85

\*Does not include renewals

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### KEY LEASE TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
6700 South Pella Drive*	Southwest/Airport	HomeGoods	263,937	Renewal
6818 South Country Club Road*	Southwest	Bekins	43,680	Direct
2861 North Flowing Wells Road	Northwest/Oro Valley	Maya Tea	33,150	Direct

\*Represented by Cushman & Wakefield | PICOR

### KEY SALES TRANSACTIONS Q3 2022

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
West Tangerine Road & I-10*	Northwest	Venture West Real Estate Services, LLC / Tribeca Strategic Advisors, LLC	4,908,776	\$0.87
5580 South Nogales Highway*	SW Tucson/Airport	Waa Nogales Hwy LLC / Schnitzer Properties Management, LLC	109,229	\$69.10
100 East 6th Street	Downtown	Undisclosed / Mark Berman	59,291	\$94.45

\*Represented by Cushman & Wakefield | PICOR

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