

	YoY Chg	12-Mo. Forecast
<b>5.9%</b> Vacancy Rate	▲	▼
<b>309.9K</b> YTD Net Absorption, SF	▼	▲
<b>\$0.83</b> Asking Rent, PSF	▲	—

*Overall, Net Asking Rent*

### ECONOMIC INDICATORS Q4 2023

	YoY Chg	12-Mo. Forecast
<b>399K</b> Tucson Employment	▲	▲
<b>4.0%</b> Tucson Unemployment Rate	▲	▲
<b>3.7%</b> U.S. Unemployment Rate	—	▲

Source: BLS

### ECONOMY

In the fourth quarter of 2023, the United States economy continued to exhibit positive signs, though forecasts remained mixed. Tucson's indicators were optimistic. The median household income in Tucson experienced a 3.3% increase year-over-year, reaching \$68,400, contributing to an uptick in consumer spending. On a national scale, real GDP experienced a healthy 2.6% growth, affirming the economy's strength amid lingering recession worries. Inflation, which had been steadily decreasing over the year, saw the consumer price index rise to 3.3%, a significant reduction from the previous year's 7.1%. Employment in Tucson's nonfarm sector saw a modest but positive growth of 1.0%. Additionally, Tucson's unemployment rate marginally increased from 3.9% to 4.0%, reflecting a dynamic job market.

### SUPPLY AND DEMAND

In 2023, the Tucson industrial market experienced a significant surge in supply, witnessing the addition of nearly 1.9 million square feet (sf) primarily delivered by Flint Development. Despite this substantial supply boost, the Q4 vacancy rate remained tight at 5.9%. The year also showcased a positive year-to-date net absorption of 309,926 sf, underscoring the Tucson market's resilience.

Leasing activity remained robust, with expectations for gradual rental rate increases throughout 2024. Landlords sought longer lease terms, even for smaller incubator industrial products. Warehouse and logistics users, along with growing interest from manufacturing and mining users contributed to the market's strength. The Airport submarket stood out as the strongest submarket driven by new deliveries of available space.

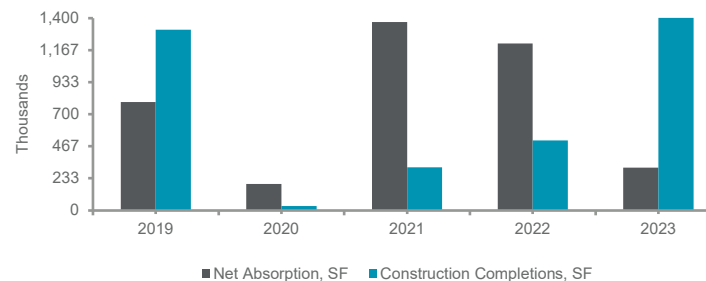
Construction highlights included the completion of Flint Developments final building at Tucson Commerce Center, 244,889 sf building, in the SW/Airport submarket in Q4. Their Southern Arizona Logistics Center project is still underway, with two buildings totaling 946,435 sf estimated to be delivered in 2024. Additionally, the four Campbell Landing buildings are anticipated to be delivered in Q1 2024, adding over 10,000 sf.

Major lease transactions included NEFAB Packaging West leasing the 81,050 sf at 2020 W Prince Rd, an online resale shop securing 60,000 sf at 300 S Toole Ave, and Artisan Design Group Investments leasing 33,311 sf on Lisa Frank Ave. Noteworthy sales included Gen Digital acquiring a 136,235 sf building at 3701 E Columbia for \$13 million and Ventana Medical Systems acquiring a 112,500 sf building at 2090 E Innovation Park for \$25 million.

### PRICING:

Lease rates reflected gradual increases driven by low inventory and high demand. Despite the climb, Tucson remained affordable compared to larger cities, with an average lease rate of \$0.83 psf per month. The demand for investment sales remained strong, but limited supply drove price hikes. Higher interest rates have led to increased yield requirements from buyers, yet property owners are enjoying significant net operating income growth, making them inclined to retain their properties. User buildings also saw an increase in prices.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



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 Tucson	4,159,497	122,059	4.67%	-1,575	-43,866	0	0	\$0.94	0	0
Northeast Tucson	2,829,305	26,367	2.68%	18,225	56,422	0	0	\$0.87	\$0.84	\$0.81
NW Tucson/Oro Valley	11,550,920	571,744	10.87%	98,044	197,519	0	0	0	\$0.98	\$0.60
Palo Verde	5,992,684	121,832	3.58%	-13,329	69,711	0	0	0	\$0.71	\$0.72
Park/Ajo	4,080,976	67,792	3.43%	-36,374	-25,876	0	0	\$0.76	\$0.98	\$0.84
South Pima/Green Valley	216,224	0	0	0	0	0	0	0	0	0
Southeast Tucson	6,301,209	91,755	3.07%	-80,735	28,156	0	0	0	\$0.89	0
SW Tucson Airport	11,487,482	817,573	12.97%	65,534	27,859	40,000	244,889	\$0.86	\$0.94	\$0.80
<b>TUCSON TOTALS</b>	<b>46,618,297</b>	<b>1,819,121</b>	<b>5.9%</b>	<b>49,790</b>	<b>309,926</b>	<b>40,000</b>	<b>244,889</b>	<b>\$0.85</b>	<b>\$0.89</b>	<b>\$0.75</b>

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

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

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
2020 West Prince Road**	NW Tucson/Oro Valley	NEFAB Packaging West, LLC	81,050	Warehouse/Distribution
300 South Toole Avenue	Downtown	Undisclosed	60,000	Warehouse/Distribution
6855 South Lisa Frank Avenue**	SW Tucson/Airport	Artisan Design Group Investment, LLC	33,311	Warehouse
3645 South Country Club Road	Palo Verde	Undisclosed	10,800	Warehouse
1840 East Valencia Road	Southwest	Aero Experts, LLC	10,000	Manufacturing

\*Renewals not included in leasing statistics \*\*At least one party represented by Cushman & Wakefield | PICOR

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3701 East Columbia Street	Palo Verde	Gen Digital / Carter Funds	136,235	\$13M / \$95.42
2090 East Innovation Park Drive	NW Tucson/Oro Valley	Richard L Cunningham / Ventana Medical Systems, Inc.	112,500	\$25M / \$222.22
1601 North 15 <sup>th</sup> Avenue	NW Tucson/Oro Valley	Crescent Realty Corp / Drachman & Main, LLC	39,448	\$4.6M / \$116.61

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