

MARKETBEAT

TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



1Q08

AT A GLANCE

- Year-to-date leasing activity is dominated by relatively larger leases and some movement in the marketplace by smaller tenants needing to expand.
- Representative transactions include the leasing of 101,266 square feet (sf) by SOLON, a solar panel manufacturing facility, the renewal of a large tenant in 548,677 sf in the University of Arizona Science & Technology Park, and a lease to Heating & Cooling Supply for 27,000 sf in South Friebus.
- The pace of leasing in early 2008 has been strong across the board. Because the major vacancies are larger, those spaces have significant activity. For instance, the four older IBM metal buildings of approximately 100,000 sf each are now substantially occupied after multiple years of vacancy. The market continues to be strong in the mid-10,000-sf to 30,000-sf range.
- Industrial land prices, after a significant rise in the last two to three years, seem to have stabilized.

ECONOMIC INDICATORS

National	2006	2007	2008F
GDP Growth	2.9%	2.2%	1.5%
CPI Growth	3.2%	2.8%	3.0%
Regional			
Unemployment	3.9%	3.7%	4.2%
Employment Growth	2.8%	2.0%	2.9%

BEAT ON THE STREET

"The Tucson industrial leasing market continues to be strong with many of the larger vacancies absorbing over the past several years. Some softening is occurring in spaces under 5,000 sf."

—Peter Douglas, SIOR

Principal, Commercial Sales Division



MARKET HIGHLIGHTS

SIGNIFICANT 1Q08 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	PROPERTY TYPE
U of A Science & Technology Park	Raytheon	548,677	Office/MF
6950 S Country Club	SOLON	101,266	W/D/MF
S Friebus	Heating & Cooling Supply	27,000	W/D

SIGNIFICANT 1Q08 SALE TRANSACTIONS

BUILDING	BUYER	SF	PURCHASE PRICE
Intuit	Hidden Hollow	135,760	\$21,600,000
Midpoint Plaza	Presson Corp	73,895	\$5,900,000
1780 E Benson Highway	Tin Cup Properties	14,300	\$1,500,000

SIGNIFICANT 1Q08 CONSTRUCTION COMPLETIONS

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
Century Park	N/A	180,000	1/08

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
South Rita Road	Target	975,000	6/08
Oro Valley	Sanofi Aventis	80,000	12/08
S Palo Verde	Davis Financial Advisors	70,000	7/08

MARKET STATISTICS

MARKET/ SUBMARKET	OVERALL VACANCY RATE	YTD LEASING ACTIVITY*	DIRECT WEIGHTED AVERAGE NET RENTAL RATE**			
			HT	MF	OS	W/D
Tucson	5.1%	160,652	\$12.00	\$8.40	\$12.00	\$8.40

*Represents 3Q07 net absorption, the most current data available

**Rental rates reflect \$psf/year

HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

*Market terms & definitions based on BOMA and NAIOP standards.

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