MARKETBEAT

TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

AT A GLANCE

The Tucson market is experiencing its third consecutive quarter of softening conditions, while leasing demand is picking up slightly to capitalize on this tenant's market.

Activity remains stagnant in both the sale of investment property and undeveloped land. Comparing sales activity to the same quarter last year, the number of transactions dropped 68%, dollar volume was down 87%, the average price per square foot sold declined 30%, and the average cap rate increased from 7.0% to 9.2%.

Corporate consolidations took their toll on Tucson's market in past quarters. The greatest impact may have passed as the velocity of consolidations impacting Tucson operations appears to be slowing.

Both tenants and buyers continue to benefit from favorable market conditions, expecting and finding the opportunity to take advantage of lower lease rates and sales prices. Depending on building type, asking rents have declined 6% to 11% this quarter.

Expect vacancies to increase going forward in spaces of all sizes.

ECONOMIC INDICATORS							
National	2008	2009	2010F				
GDP Growth	1.1%	-2.9%	1.8%				
CPI Growth	3.8%	-1.0%	1.9%				
Regional							
Unemployment	5.1%	6.3%	N/A				
Employment Growth	-1.7%	-0.8%	N/A				

Source: AZ Department of Commerce, Moody's Economy.com

BEAT ON THE STREET

"Dramatic market-wide softening will continue for at least another quarter, as large blocks of space are opened to the market at reduced lease rates.'



-Peter Douglas, SIOR Principal

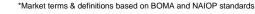
MARKET HIGHLIGHTS SIGNIFICANT 1009 NEW LEASE TRANSACTIONS

SIGNIFICANT TQUE	NEW LEASE IN	ANSACTION	<u></u>				
BUILDING	TENANT	SF PR	OPERTY TYPE				
153 S Plumer	Cangene	11,492	OS				
2700 E Executive	1st Choice Logistics	7,241	OS				
432 W Prince	Addictive Racing Motorsports	6,307	OS				
SIGNIFICANT 1Q09 SALE TRANSACTIONS							
BUILDING	BUYER	SF	PURCHASE PRICE				
3450 E 34th	JDK Aviation Property, LLC	22,160	\$698,000				
3830 N Highway Dr	Richards-Allen Family Trust	16,764	\$1,900,000				
40 W Plata	Bentzen Properties, LLC	10,775	\$675,000				
SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS							
BUILDING	MAJOR TENANT	SF	COMPLETION DATE				
South Rita Road	Target	975,000	2/09				
6000 S Country Club	N/A	99,200	1/09				
6970 S Palo Verde	N/A	31,800	2/09				
SIGNIFICANT PROJ	ECTS UNDER CO	ONSTRUCTIO	NC				
BUILDING	MAJOR TENANT	SF	COMPLETION DATE				
Rockefeller Group Dist Ctr	N/A	113,546	5/09				
Oro Valley	Sanofi Aventis	80,000	4/09				
3800-3810 S Evans	N/A	20,987	6/09				

MARKET STATISTICS								
	OVERALL		DIREC	T WEIGHT	ED AVERA	GE		
MARKET/	VACANCY	YTD	NET RENTAL RATE*					
SUBMARKET	RATE	ABSORPTION	HT	MF	OS	W/D		
Tucson	**6.8%	(155,601)	\$9.00	\$6.00	\$7.20	\$4.80		

*Rental rates reflect \$psf/year HT = High Tech MF = Manufacturing OS = Office Service W/D = Warehouse/Distribution

**Note: Current market vacancy and absorption figures are lower than those reflected in this table. Official statistics are updated semi-annually in the Metropolitan Tucson Land Use Study. This report reflects the most recently published data from 3Q08.



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