

MARKETBEAT

TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



1Q09

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 1Q09 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	PROPERTY 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 Propertv. 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 PROJECTS UNDER CONSTRUCTION

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

MARKET/ SUBMARKET	OVERALL VACANCY RATE	YTD ABSORPTION	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
			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.

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

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