

MARKETBEAT

TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



1Q10

AT A GLANCE

- We have witnessed a further decline in market occupancy levels since the previous quarter, with overall vacancy inching up to 11.7%, based on CoStar's market tracking.
- As expected, owners are responding to increased vacancy conditions. We have seen yet another quarter of declining rents, creating favorable inducements for tenants to lease space.
- A bright spot in the market was the leasing of two significant spaces, with Highland Valley Partners taking the 162,478-square foot (SF) Eastgroup facility on South Palo Verde, and Schletter leasing a 65,000 sf freestanding building in Coronado Point.
- Market vacancy conditions continue to suppress land sale activity market-wide. New construction and land sales will be limited to companies requiring more specialized facilities or locations not available in the general market. A good example is the Alliance Beverage building nearing completion on South Palo Verde at the north entrance to Butterfield.

ECONOMIC INDICATORS

| | 2009 | 2010F | 2011F |
|-------------------|-------|-------|-------|
| National | | | |
| GDP Growth | -2.4% | 2.8% | 3.7% |
| CPI Growth | -0.3% | 1.9% | 2.1% |
| Regional | | | |
| Unemployment | 8.3% | 8.7% | N/A |
| Employment Growth | -4.8% | -0.7% | 3.0% |

Source: AZ DOC | Eller College | Economy.com | Moody's

BEAT ON THE STREET

"With PICOR now celebrating 25 years of service to the market, we are extremely upbeat about the future and our clients' prospects for success."

--Russell W. Hall, SIOR, Principal



MARKET HIGHLIGHTS

SIGNIFICANT 1Q10 NEW LEASE TRANSACTIONS

| BUILDING | TENANT | SF | PROPERTY TYPE |
|-------------------|--------------------------|---------|---------------|
| 6874 S Palo Verde | Highland Valley Partners | 162,478 | W |
| 3761 E Farnum | Schletter | 65,000 | W |
| 6161 S Palo Verde | Cactus Portable Storage | 45,908 | M |
| 555 E 18th | Maracana Indoor Soccer | 28,500 | W |

SIGNIFICANT 1Q10 SALE TRANSACTIONS

| BUILDING | BUYER | SF | PURCHASE PRICE |
|-------------------------|--------------------------|--------|----------------|
| 3909 N Runway Dr | Waste Management | 13,685 | \$2,200,000 |
| 6914-6918 Camino Martin | Camino Martin Partners | 12,000 | \$687,000 |
| 153 S Plumer | Aviva Childrens Services | 11,492 | \$1,055,000 |

SIGNIFICANT 1Q10 CONSTRUCTION COMPLETIONS

| BUILDING | MAJOR TENANT | SF | COMPLETION DATE |
|----------|--------------|----|-----------------|
| N/A | | | |

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| BUILDING | MAJOR TENANT | SF | COMPLETION DATE |
|-----------------------|-------------------|--------|-----------------|
| Butterfield | Alliance Beverage | 50,000 | 4/10 |
| 9018 E Camino Abril | N/A | 7,200 | 6/10 |
| 8198 S Camino de Café | N/A | 7,200 | 4/10 |

MARKET STATISTICS

| MARKET/ BLDG TYPE | OVERALL | TOTAL MARKET |
|-------------------|--------------|--|
| | VACANCY RATE | DIRECT WEIGHTED AVERAGE NET RENTAL RATE* |

| | | |
|-----------------------|--------------|---------------|
| Greater Tucson | 11.7% | \$4.83 |
| High Tech | 14.9% | \$6.60 |
| Manufacturing | 11.7% | \$4.80 |
| Office Service | 7.9% | \$5.65 |
| Warehouse | 12.2% | \$3.84 |

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



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

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