

# MARKETBEAT

## TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



2Q08

### AT A GLANCE

- The fundamental Tucson industrial for-lease market remains well occupied. The velocity of demand has slowed compared to the same time period in 2007.
- 1.3 million square feet (msf) of leasing activity occurred through June, including two transactions over 100,000 square feet (sf). Smaller tenant activity led the way; however, with two-thirds of completed transactions under 10,000 sf.
- The overall market posted negative net absorption for the quarter of 57,000 sf, brought down by high-tech and business park space, while absorption for manufacturing and warehouse were positive.
- With reduced demand and limited pressure on pricing, land prices have stabilized after two to three years of double digit increases in value.
- Projects under construction include nine speculative buildings totaling 187,000 sf and 1.1 msf of build-to-suit activity, dominated by the Target distribution facility. Nine projects totaling 157,000 sf were completed in the second quarter, nearly exclusively speculative.

### ECONOMIC INDICATORS

National	2006	2007	2008F
GDP Growth	2.9%	2.2%	1.6%
CPI Growth	3.2%	2.9%	3.6%
Regional			
Unemployment	3.9%	3.7%	4.3%
Employment Growth	2.8%	2.0%	-0.5%

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

### BEAT ON THE STREET

"The foundation of Tucson's industrial market place is very well occupied. We forecast a nominal increase in vacancy in 2008, as national economic factors affect local businesses."

-Robert Glaser, CCIM SIOR, Principal



### MARKET HIGHLIGHTS

#### SIGNIFICANT 2Q08 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	PROPERTY TYPE
7830 N Business Park	Automation Plating/Krebs	19,250	M
5151 S Bantam	Kaman Industrial Technologies	18,271	M
2301 N Forbes	Southwest Building Materials	15,000	OS

#### SIGNIFICANT 2Q08 SALE TRANSACTIONS

BUILDING	BUYER	SF	PURCHASE PRICE
7750 N Business Park	Krebs Engineering	20,014	\$1,900,000
3162 N Freeway Ind Loop	Copper State Nut & Bolt	17,586	\$1,793,000
6781 E Outlook	Azmira Holistic Animal Care	15,000	\$1,989,800

#### SIGNIFICANT 2Q08 CONSTRUCTION COMPLETIONS

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
7620 N Hartman	N/A	27,024	5/08
1987 E Ajo	N/A	25,600	6/08

#### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
South Rita Road	Target	975,000	8/08
Oro Valley	Sanofi Aventis	80,000	12/08
3761 E Farnum	LBS Door Plant	68,600	7/08

### MARKET STATISTICS

MARKET/ SUBMARKET	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
			HT	MF	OS	W/D
Tucson	6.0%	805,572	\$11.36	\$7.36	\$9.42	\$6.44

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



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PICOR Commercial Real Estate Services,  
a Cushman & Wakefield Alliance Member  
1100 North Wilmot Road, Suite 200  
Tucson, AZ 85712  
(520) 748-7100  
[www.picor.com](http://www.picor.com)

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

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