

MARKETBEAT

TUCSON INDUSTRIAL REPORT



2Q09

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

AT A GLANCE

- The market can be characterized as lacking depth and velocity for both lease and sale activity. The limited number of pending transactions appears to be well below replacement cost with sellers who recognize the tectonic shift in values.
- Landlords approached by an interested tenant (singular by design) should heed the phrase, a “bird in the hand,” as the shallow market demonstrates the need to make any reasonable lease deal presented.
- Lease rates have declined from the first quarter, as vacancy increased and aggressive offers are pushing effective rents down. Concessions are also on the rise in this competitive, tenant-driven market.
- With ample, well-priced inventory, the land market shows limited movement.
- Building sales activity is minimal for user purchases, and virtually non-existent for investment purposes.

MARKET HIGHLIGHTS

SIGNIFICANT 2Q09 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	PROPERTY TYPE
2540 N Jackrabbit	Switchgear Solutions	45,731	W
10900 N Stallard Place	Secure Plane	27,000	HT
5657 S Wilmot	HVF West	25,608	W
2755 E Ganley	Sharp Steel	10,000	M

SIGNIFICANT 2Q09 SALE TRANSACTIONS

BUILDING	BUYER	SF	PURCHASE PRICE
3450 E 34th St	JDK Aviation Proertv. LLC	22,160	\$698,000
6737 E Outlook	Design & Display LLC	11,550	\$920,000
6771 E Outlook	Living the Dream Holdings, LLC	11,550	\$1,050,000

SIGNIFICANT 2Q09 CONSTRUCTION COMPLETIONS

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

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
Butterfield	Alliance Beverage	50,000	12/09

ECONOMIC INDICATORS

National	2008	2009	2010F
GDP Growth	1.1%	-3.0%	1.2%
CPI Growth	3.8%	-0.6%	1.7%
Regional			
Unemployment	5.1%	7.0%	7.1%
Employment Growth	-1.1%	-4.0%	-0.5%

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

BEAT ON THE STREET

“Given numerous options available to the few tenants and buyers shopping for space, building owners need to make the deal when given the rare opportunity in these times.”



-Russell W. Hall, SIOR, Principal

MARKET STATISTICS

MARKET/ BLDG TYPE	VACANCY RATE	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Greater Tucson	10.0%	\$8.05
High Tech	8.0%	\$8.40
Manufacturing	4.4%	\$5.40
Office Service	14.1%	\$7.80
Warehouse	12.3%	\$4.56

*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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