

MARKETBEAT

TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



2Q10

AT A GLANCE

- Of note this quarter, market momentum shifted to the positive, with vacancy firming 0.3% to 11.4%, absorption positive, and overall leasing activity increasing slightly.
- Building owners have responded with aggressive inducements to tenants, frequently offering free rent and increased build-out allowances.
- Distribution and warehouse space is seeing higher interest and increased leasing activity than manufacturing, assembly or service space.
- In significant regional economic development news, Sargent Aerospace & Defense has chosen Tucson for its facility expansion, purchasing four acres for a proposed 70,000-sf building.
- While both investment and user sales activity are flat, primarily due to overall economic conditions, financing is available with stricter underwriting for those transactions that are occurring. Land sales activity remains minimal.

ECONOMIC INDICATORS

	2009	2010F	2011F
National			
GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Regional			
Unemployment	8.3%	9.2%	9.1%
Employment Growth	-5.1%	-1.4%	0.3%

Source: Moody's|Economy.com

BEAT ON THE STREET

"While a return to hiring will fuel a market comeback, economic development activity and firming vacancy are positive signs that the tide is turning."

--Robert Glaser, SIOR CCIM



MARKET HIGHLIGHTS

SIGNIFICANT 2Q10 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	PROPERTY TYPE
544 E 24th St	Not disclosed	22,880	W
6000 S Country Club	Keystone Automotive	16,678	W
10831 N Navinee	Oclaro, Inc.	14,745	OS
2045 N Forbes	Schlumberger Water Services	10,820	OS

SIGNIFICANT 2Q10 SALE TRANSACTIONS

BUILDING	BUYER	SF	PURCHASE PRICE
2202 N Dragoon St	Old Dominion Freight Line, Inc	8,100	\$785,000
1300 E Wieding Rd	Blue Belly Investments, LLC	7,000	\$345,000
851 E 47th St	Walter L & Jill D Pearson	5,254	\$365,000

SIGNIFICANT 2Q10 CONSTRUCTION COMPLETIONS

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
Alliance Beverage	Alliance Beverage	50,000	4/10

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
9018 E Camino Abril	N/A	7,200	7/10
8198 S Camino de Café	N/A	7,200	7/10

MARKET STATISTICS

MARKET/ BLDG TYPE	OVERALL VACANCY RATE	TOTAL MARKET DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
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Greater Tucson	11.4%	\$4.83
High Tech	14.3%	\$6.60
Manufacturing	11.2%	\$4.80
Office Service	8.4%	\$5.65
Warehouse	11.7%	\$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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