

MARKETBEAT

TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q08

AT A GLANCE

- Like many regions around the country, Tucson is seeing a softening market. Demand has diminished significantly across the investment, user, land and for lease markets, in large part due to reduced velocity in surrounding markets, as well as the tight credit arena.
- Corporate consolidation is also fueling the slowdown. With belt tightening throughout the manufacturing and retail sectors, supporting warehouse/distribution operations are being scaled back, effecting demand locally. While we are seeing few businesses close their doors, division closings and consolidations are making an impact and putting space on the market in Tucson.
- On the user side, tenants and buyers enjoy an advantage not seen in recent years. With more availability and downward pressure on lease rates and values, opportunities are fairly abundant.
- Despite the increase in space availability, user demand continues, although at a slower pace than last year. Vacancy rates are still way below distress levels, and we see some indication that users who have been on the sidelines as the economy declines are tired of waiting and exploring the market for opportunities to expand their facilities.

ECONOMIC INDICATORS

National	2006	2007	2008F
GDP Growth	2.8%	2.0%	1.9%
CPI Growth	3.2%	2.9%	4.4%
Regional			
Unemployment	3.9%	3.7%	4.4%
Employment Growth	2.8%	2.0%	-0.5%

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

BEAT ON THE STREET

"In this time of decelerating leasing velocity, the market balance has shifted from the landlord's favor to the tenant's."

-Robert Glaser, CCIM SIOR, Principal



MARKET HIGHLIGHTS

SIGNIFICANT 3Q08 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	PROPERTY TYPE
UASTP Bldg 9040	Raytheon	39,709	HT
7775 N Casa Grande Hwy	Lasertel	37,312	M
3340-3440 Global Loop	High Throughput Genomics	12,600	HT

SIGNIFICANT 3Q08 SALE TRANSACTIONS

BUILDING	BUYER	SF	PURCHASE PRICE
7775 N Casa Grande Hwy	2030 East, LLC	68,304	\$8,750,000
3450 S Broadmont	Tin Cup Properties	43,823	\$4,180,000
6737 E Outlook	Raymond & Debra Croghan	23,100	\$2,400,000

SIGNIFICANT 3Q08 CONSTRUCTION COMPLETIONS

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
3761 E Farnum	LBS Door Plant	65,000	9/08
3745 N Business Center	N/A	10,005	7/08

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
South Rita Road	Target	975,000	2/09
6000 S Country Club	N/A	99,200	1/09
Oro Valley	Sanofi Aventis	80,000	12/08

MARKET STATISTICS

MARKET/ SUBMARKET	OVERALL VACANCY RATE	YTD LEASING ACTIVITY	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*			
			HT	MF	OS	W/D
Tucson	6.0%	1,019,100	\$10.80	\$6.96	\$8.40	\$6.00

*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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