

# MARKETBEAT

## TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q09

### AT A GLANCE

- While the third quarter appears to have ushered in a slight improvement in leasing activity, volume is still well below average or healthy standards. The most active industry sectors apparent in the lease market include logistics, health care, and education, with construction-related firms, specifically, and small businesses, generally, hit the hardest.
- Lease rates have continued to tick down in consecutive quarters, driven downward by decreased demand.
- Vacancy rates had been increasing steadily, and while up in the third quarter, absorption seems to have slowed the velocity considerably. Vacancies climbed the most this quarter in smaller bay spaces, due in large part to the toll the economy has taken on small businesses.
- On the sale side of the market, activity for both user and investor sales has been anemic, and land sales have been virtually non-existent.

### MARKET HIGHLIGHTS

SIGNIFICANT 3Q09 NEW LEASE TRANSACTIONS			
BUILDING	TENANT	SF	PROPERTY TYPE
2801-2949 E Elvira	Cyracom	30,000	OS
6855 S Lisa Frank	Towne Air Freight	17,711	W
3131-3139 S Dodge	Daniel's Moving	17,200	W
3741N EB I-10 Frontage	BeavEx Inc.	16,800	OS

SIGNIFICANT 3Q09 SALE TRANSACTIONS			
BUILDING	BUYER	SF	PURCHASE PRICE
4733 S Irving	SQP Construction	14,852	\$900,000
1871W Grant	UPS Ground	11,102	\$850,000
2585 N Jackrabbit	SVC Properties	10,400	\$380,000

SIGNIFICANT 3Q09 CONSTRUCTION COMPLETIONS			
BUILDING	MAJOR TENANT	SF	COMPLETION DATE
6203 S Campbell	N/A	15,000	8/09
6194 S Sears	N/A	6,000	8/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION			
BUILDING	MAJOR TENANT	SF	COMPLETION DATE
Butterfield	Alliance Beverage	50,000	12/09
9437 E Old Vail Rd	N/A	16,800	2/09

ECONOMIC INDICATORS			
National	2008	2009	2010F
GDP Growth	0.4%	-2.6%	1.8%
CPI Growth	3.8%	-0.5%	1.7%
Regional			
Unemployment	5.1%	7.4%	8.2%
Employment Growth	-1.1%	-4.0%	-0.5%

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

MARKET STATISTICS		
MARKET/ BLDG TYPE	VACANCY RATE	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*

<b>Greater Tucson</b>	<b>10.7%</b>	<b>\$7.88</b>
High Tech	15.5%	\$8.25
Manufacturing	10.0%	\$5.25
Office Service	7.1%	\$7.20
Warehouse	11.5%	\$4.80

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

### BEAT ON THE STREET

"Although we believe the worst is not yet behind us in the sales arena, positive momentum in Tucson's leasing activity indicates the 'for lease' market has seen the bottom."



-- Robert S. Glaser, CCIM SIOR



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

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