

MARKETBEAT

TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



3Q10

AT A GLANCE

- Admiral Michael Mullen, Chairman of the Joint Chiefs of Staff, spoke to a local business audience recently, noting, "We live in an extraordinary time of change." We are ready to see change in local market conditions, as economic slowing persists in the Tucson industrial sector. Tenants and buyers recognize the opportunity to apply leverage in this environment, resulting in continued pressure on lease rates and sales prices.
- While market-wide vacancy dipped from 11.4% to 10.9% in the third quarter, positive absorption is expected to be reversed before the end of 2010.
- Sales activity increased in the third quarter, equaling the first two quarters combined, with nearly all owner/user purchases using SBA and seller financing due to scarce availability of institutional capital at favorable terms.
- On the positive side, one or two high-paying employment announcements are expected in the near term, municipal Development Services is moving toward a more user-friendly model, and renewable energy users have nearly fully subscribed the University of Arizona's Solar Zone, accounted for 41.3% of mid-year 2007 totals.

ECONOMIC INDICATORS

National	2009	2010F	2011F
GDP Growth	-2.6%	2.7%	3.1%
CPI Growth	-0.3%	1.6%	1.6%
Regional			
Unemployment	8.3%	8.8%	8.9%
Employment Growth	-5.1%	-1.5%	-0.1%

Source: Moody's | Economy.com

BEAT ON THE STREET

"Renewable energy users are the bright spot on the horizon for Tucson's market growth, along with an expanding biotech sector."

--Peter Douglas, SIOR



For industry-leading intelligence to support your real estate and business decisions, go to Cushman & Wakefield's Knowledge Center at www.cushmanwakefield.com.



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

Please consider your environmental responsibility before printing this report.

MARKET HIGHLIGHTS

SIGNIFICANT 3Q10 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	PROPERTY TYPE
7825 N Hartman	State Industrial Supply	22,468	W
7775 N Casa Grande Hwy	Lasertel	21,265	W
2595 N Fairview	Sparkletts Water	12,000	W
3850 N Business Center	Solar City	11,130	W

SIGNIFICANT 3Q10 SALE TRANSACTIONS

BUILDING	BUYER	SF	PURCHASE PRICE
401 E Irvington	Davidson Rohrbacker Inv.	57,649	\$2,000,000
4021 E Columbia	Stanley Dybvig	35,360	\$2,160,000
1580 E Hanley	University of AZ	27,464	\$3,050,000

SIGNIFICANT 3Q10 CONSTRUCTION COMPLETIONS

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

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
N/A			

MARKET STATISTICS

MARKET/ BLDG TYPE	OVERALL VACANCY RATE	TOTAL MARKET DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Greater Tucson	10.9%	\$4.83
High Tech	13.1%	\$6.60
Manufacturing	11.0%	\$4.80
Office Service	7.7%	\$5.65
Warehouse	11.3%	\$3.84

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

*The market terms and definitions in this report are based on NAIOP standards.

This report contains information available to the public and has been relied upon by Cushman & Wakefield on the basis that it is accurate and complete. Cushman & Wakefield accepts no responsibility if this should prove not to be the case. No warranty representation, express or implied, is made to the accuracy or completeness of the information contained herein, and same is submitted subject to errors, omissions, change of price, rental or other conditions, withdrawal without notice, and to any special listing conditions imposed by our principals.

©2010 Cushman & Wakefield, Inc. All rights reserved.