

# MARKETBEAT

## TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



4Q08

### AT A GLANCE

- The Tucson industrial market is continuing to soften. Demand has continued to diminish across the investment, user, land and for lease markets, in large part due to reduced velocity in the rest of the country, as well as the tight credit arena.
- Corporate consolidation continues to fuel the slowdown. With belt tightening throughout the manufacturing and retail sectors, supporting warehouse/distribution operations are being scaled back, affecting demand locally. While we still see 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 continue to enjoy an advantage not seen in recent years, although often not to the level of their expectations. While space availability is increasing, true concessions are only a factor in the large space market (30,000 sq. ft. and up).
- Despite the increase in available space, user demand continues, although at a slower pace than last year. Still far below distress levels, vacancy rates are slowly increasing as the full impact of the nation's financial woes are felt in Tucson.

### ECONOMIC INDICATORS

| National          | 2007 | 2008  | 2009F |
|-------------------|------|-------|-------|
| GDP Growth        | 2.0% | 1.2%  | -1.5% |
| CPI Growth        | 2.9% | 4.2%  | 0.9%  |
| Regional          |      |       |       |
| Unemployment      | 3.7% | 4.7%  | 4.1%  |
| Employment Growth | 0.9% | -1.7% | -0.8% |

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

### BEAT ON THE STREET

"In these economic times, market balance has shifted to favor the buyer/tenant."

-Stephen D. Cohen, Principal



### MARKET HIGHLIGHTS

#### SIGNIFICANT 2008 NEW LEASE TRANSACTIONS

| BUILDING                   | TENANT   | SF      | PROPERTY TYPE |
|----------------------------|----------|---------|---------------|
| U of A Science & Tech Park | Raytheon | 548,677 | Office/MF     |
| 6950 S Country Club        | Solon    | 101,266 | W/D/MF        |
| 3360 E Hemisphere Loop     | Raytheon | 72,000  | OS            |
| U of A Science & Tech Park | Raytheon | 39,709  | HT            |

#### SIGNIFICANT 2008 SALE TRANSACTIONS

| BUILDING                       | BUYER                          | SF      | PURCHASE PRICE |
|--------------------------------|--------------------------------|---------|----------------|
| Muller Portfolio (6 buildings) | US REIF Tucson Commerce Center | 604,735 | \$46,212,500   |
| Intuit                         | Hidden Willows LP              | 135,760 | \$21,600,000   |
| 3701 E Columbia                | Symantec                       | 114,111 | \$15,600,000   |

#### SIGNIFICANT 2008 CONSTRUCTION COMPLETIONS

| BUILDING      | MAJOR TENANT | SF      | COMPLETION DATE |
|---------------|--------------|---------|-----------------|
| Century Park  | N/A          | 180,000 | 1/08            |
| 3761 E Farnum | N/A          | 65,000  | 9/08            |

#### SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| BUILDING                   | MAJOR TENANT   | SF      | COMPLETION DATE |
|----------------------------|----------------|---------|-----------------|
| South Rita Road            | Target         | 975,000 | 2/09            |
| Rockefeller Group Dist Ctr | N/A            | 113,546 | 5/09            |
| 6000 S Country Club        | N/A            | 99,200  | 1/09            |
| Oro Valley                 | Sanofi Aventis | 80,000  | 4/09            |

### MARKET STATISTICS

| MARKET/<br>SUBMARKET | OVERALL<br>VACANCY<br>RATE | YTD<br>ABSORPTION | DIRECT WEIGHTED AVERAGE<br>NET RENTAL RATE* |        |        |        |
|----------------------|----------------------------|-------------------|---|--------|--------|--------|
|                      |                            |                   | HT  | MF     | OS     | W/D    |
| Tucson               | 6.8%                       | (155,601)         | \$10.20                                     | \$6.36 | \$7.80 | \$5.40 |

\*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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