

MARKETBEAT

TUCSON INDUSTRIAL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



4Q09

AT A GLANCE

- The industrial market stabilized during the fourth quarter, with less than a tenth of a percent drop in occupancy. There was negative absorption of 93,848 square feet during this period.
- Lease rates have continued to tick down in consecutive quarters, driven downward by continued negative absorption.
- Vacancies climbed the most this quarter in warehouse space, followed by manufacturing space. High tech and office service space showed slightly positive absorption during the quarter.
- The sale side of the market continues to be lackluster, with little activity for both user and investor sales. Sale prices continue to dip, although not as quickly as seen in the first part of the year.
- Land sales have been virtually non-existent. Prices have not dropped as much as one might expect, as the inventory is balanced, and the owners are patient.

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Regional			
Unemployment	5.1%	7.6%	7.7%
Employment Growth	-1.1%	-4.0%	-0.5%

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

BEAT ON THE STREET

"2009 was a year many would like to forget, but the Tucson industrial market is poised for a strong recovery when the national economy allows."

--Stephen D. Cohen, Principal



MARKET HIGHLIGHTS

SIGNIFICANT 2009 NEW LEASE TRANSACTIONS

BUILDING	TENANT	SF	PROPERTY TYPE
2929 E Corona	APAC	101,436	OS
777 E MacArthur	St. Clair Technologies	27,436	W
6000 S Country Club	Earthgrains	16,678	W
4340 E Tennessee	Freightliner/Sterling	14,000	W

SIGNIFICANT 2009 SALE TRANSACTIONS

BUILDING	BUYER	SF	PURCHASE PRICE
3470 E Universal Way	American Red Cross	60,000	\$5,300,000
6550 S Country Club	Pima County	50,156	\$3,700,000
6951 E Southpoint	CARF	38,425	\$3,650,000

SIGNIFICANT 2009 CONSTRUCTION COMPLETIONS

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
8190 S Camino de Café	N/A	3,600	12/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

BUILDING	MAJOR TENANT	SF	COMPLETION DATE
Butterfield	Alliance Beverage	50,000	2/10
9018 E Camino Abril	N/A	7,200	1/10
8198 S Camino de Café	N/A	7,200	1/10

MARKET STATISTICS

MARKET/ BLDG TYPE	VACANCY RATE	DIRECT WEIGHTED AVERAGE NET RENTAL RATE*
Greater Tucson	10.8%	\$7.53
High Tech	15.8%	\$7.80
Manufacturing	9.7%	\$5.25
Office Service	6.5%	\$6.96
Warehouse	12.0%	\$4.20

*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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