

AT A GLANCE

- The Tucson industrial market is recovering slowly, with positive absorption advancing at a very slow pace. Companies who delayed expansions and relocations during the past two years are now moving forward; however, this activity is limited.
- Rents are continuing to decline, although many property owners are reluctant to recognize this, and are losing deals as a result. Business failures seem to have stopped, and the recovery could reveal a shortage of suppliers in an expanding market. It should be noted that a 300,000 square foot, single-occupant building is currently on the market but not reflected in the vacancy statistics, as the owner is still occupying a portion of the building until it is sold or leased.
- Land sales are at a standstill, with no demand for new construction. Lender requirements and restrictions are stifling the sale of leased investments as well, and few owners want to sell into the current environment. It is likely to be an uneventful year in 2011, with the local economy limping along towards recovery.
- [Click here](#) for PICOR's year end absorption study.

MARKET HIGHLIGHTS

SIGNIFICANT 2010 NEW LEASE TRANSACTIONS

| BUILDING | TENANT | SF | PROPERTY TYPE |
|----------------------|--------------------------|---------|---------------|
| 6874 S Palo Verde | Highland Valley Partners | 162,478 | W |
| 3761 E Farnum | Schletter | 65,000 | W |
| 6161 S Palo Verde | Cactus Portable Storage | 45,908 | M |
| 3925 N Benan Venture | Mygrant Glass | 32,932 | M |

SIGNIFICANT 2010 SALE TRANSACTIONS

| BUILDING | BUYER | SF | PURCHASE PRICE |
|--------------------|-----------------------|--------|----------------|
| 4100 E Michigan St | Friedman Recycling | 65,340 | \$1,547,000 |
| 401 E Irvington | Davidson Rohrbacker | 57,649 | \$2,000,000 |
| 4021 E Columbia | Stanley Dybvig | 35,360 | \$2,160,000 |
| 1580 E Hanley | University of Arizona | 27,464 | \$3,050,000 |

SIGNIFICANT 2010 CONSTRUCTION COMPLETIONS

| BUILDING | MAJOR TENANT | SF | COMPLETION DATE |
|---------------------|-------------------|--------|-----------------|
| 3535 E Columbia | Alliance Beverage | 50,000 | 4/10 |
| 1621 W Modern Ct | N/A | 8,800 | 10/10 |
| 9018 E Camino Abril | N/A | 7,200 | 7/10 |
| 8198 S Camino Cafe | N/A | 7,200 | 7/10 |

SIGNIFICANT PROJECTS UNDER CONSTRUCTION

| BUILDING | MAJOR TENANT | SF | COMPLETION DATE |
|------------------|------------------|--------|-----------------|
| W Burlingame | Sargent Controls | 70,000 | 6/11 |
| 3770 S Broadmont | Xcel Delivery | 15,000 | 5/11 |

ECONOMIC INDICATORS

| National | 2009 | 2010 | 2011F |
|-------------------|-------|-------|-------|
| GDP Growth | -2.6% | 2.8% | 2.8% |
| CPI Growth | -0.3% | 1.6% | 1.5% |
| Regional | | | |
| Unemployment | 8.3% | 8.8% | 9.2% |
| Employment Growth | -5.1% | -1.2% | 0.0% |

Source: Moody's | Economy.com

BEAT ON THE STREET

"While it's a slow climb, the Tucson industrial market is recovering."

-- Stephen D. Cohen, Principal



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MARKET STATISTICS

| MARKET/BLDG TYPE | OVERALL VACANCY | TOTAL MARKET DIRECT WEIGHTED AVG NET RENTAL RATE* |
|-----------------------|-----------------|---|
| Greater Tucson | 11.1% | \$4.65 |
| High Tech | 13.7% | \$6.60 |
| Manufacturing | 7.1% | \$4.80 |
| Office Service | 15.3% | \$5.65 |
| Warehouse | 11.6% | \$3.36 |

*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.

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