

MARKETBEAT

TUCSON OFFICE REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



1Q09

AT A GLANCE

- While sale, lease volume and velocity have slowed dramatically through the first quarter, the Tucson office market does not present a crisis. Lack of speculative development has insulated Tucson from a large overhang of vacant space.
- Vacancies have increased from 9.8% overall reaching 11.3% market-wide at the end of the first quarter. This number is not expected to increase substantially through the remainder of the recession.
- In a buyers market, rates have softened 10%-15% with concessions and incentives increasing. Landlords are tenacious in retaining tenants.
- Tucson is a shallow investment market and there has been virtually no office investment activity as owners adjust to the new realities of the value of their properties.
- The owner/user market which boomed for the last four years into fourth quarter 2008 has slowed considerably but still offers good opportunity and increased value with attractive financing available.
- The Tucson market certainly has its challenges but presents a better balance than many larger markets experiencing severe distress.

MARKET HIGHLIGHTS

SIGNIFICANT 1Q09 LEASE TRANSACTIONS			
BUILDING	TENANT	SF	BUILDING CLASS
6245 E Broadway	United Healthcare	10,276	B
8950 N Oracle	BHP Copper	7,824	A

SIGNIFICANT 1Q09 SALE TRANSACTIONS			
BUILDING	BUYER	SF	PURCHASE PRICE
10501 E Seven Generations	Civano Shipley LLC	11,853	\$500,000
1944 E Allen	University Medical Center	11,614	\$3,250,000
El Dorado Place - Unit 100	Manny's Family LLC	5,343	\$960,740

SIGNIFICANT 1Q09 CONSTRUCTION COMPLETIONS			
BUILDING	MAJOR TENANT	SF	COMPLETION DATE
3360 Hemisphere Loop	Raytheon	72,000	1/09
Aeroplex Office Building	Million Air	20,000	1/09
5975 E Grant - Bldg 3	N/A	19,344	2/09

SIGNIFICANT PROJECTS UNDER CONSTRUCTION			
BUILDING	MAJOR TENANT	SF	COMPLETION DATE
Oracle Ina Prof Plaza	Catalina Point Medical	93,000	6/10
2051 W. Sunset Road	M3 Engineering	75,000	10/09
Puente Nuevo Plaza	Rick Engineering	74,000	6/10

ECONOMIC INDICATORS

National	2008	2009F	2010F
GDP Growth	1.1%	-2.9%	1.8%
CPI Growth	3.8%	-1.0%	1.9%
Regional			
Unemployment	5.1%	6.3%	N/A
Employment Growth	-1.7%	-0.8%	N/A

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

BEAT ON THE STREET

Several new lenders, including a major life insurance company and pension plan, have announced plans to substantially increase their real estate lending activities for commercial investment properties. Substantial equity and strong credit history are essential to securing significant commercial financing.

MARKET STATISTICS

MARKET	INVENTORY	OVERALL VACANCY	DIRECT WTD. AVG. GROSS RENTAL RATE psf/yr
Central	8,595,603	10.6%	\$20.22
Downtown	3,445,379	5.7%	\$18.70
East	1,084,773	16.7%	\$19.11
Foothills	1,068,425	12.5%	\$23.18
South Green Valley	263,841	5.7%	\$20.27
North Tucson Oro Valley	3,059,377	14.3%	\$22.13
Northwest	455,364	20.4%	\$19.88
Northeast	24,361	41.0%	\$30.00
South east	546,133	17.9%	\$13.33
South west	1,416,286	22.6%	\$16.81
West	1,172,056	11.7%	\$18.20
Total	21,131,598	11.3%	\$19.68



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



*Market terms & definitions based on BOMA and 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 or 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.
©2009 Cushman & Wakefield, Inc. All rights reserved.

Please consider your environmental responsibility before printing this report.