

MARKETBEAT

TUCSON RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



YEAR-END 2008

Spending at Tucson retail establishments followed the national downward trend during the fourth quarter. No unexpected store closures have been reported in the Tucson Metropolitan area.

Vacancy is expected to increase slightly, and the retail investment market will follow the national trend, experiencing further slowing in 2009.

Many tenants are upgrading their occupancy to previously more expensive retail environments while maintaining their current rental rates. Forward-thinking tenants are carefully expanding and taking advantage of the new flexibility found in many landlords.

Retail projects in outlying areas have suffered from a lack of new tenant activity. Tenants are demanding proven existing demographics, high-traffic counts and strong co-tenancies.

Tucson did not overbuild to the same degree as many markets in the US. Consequently, excess housing and commercial inventory will be absorbed more quickly, pointing to a shallow downturn.

Arizona was the second fastest growing state in the nation during 2008 and will continue its trend of strong net immigration, attracting additional consumers and retailers statewide.

ECONOMIC INDICATORS

NATIONAL	2007	2008	2009F
Real GDP Growth	2.0%	1.2%	-1.5%
CPI Growth	2.9%	4.2%	0.9%
Consumer Spending Growth	2.8%	0.2%	-2.0%
Retail Sales	4.1%	0.0%	-6.0%

REGIONAL

Household Income	\$59,634	\$60,445	NA
Population	1,003,918	1,014,023	1,048,796
Unemployment	3.7%	4.7%	4.1%

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

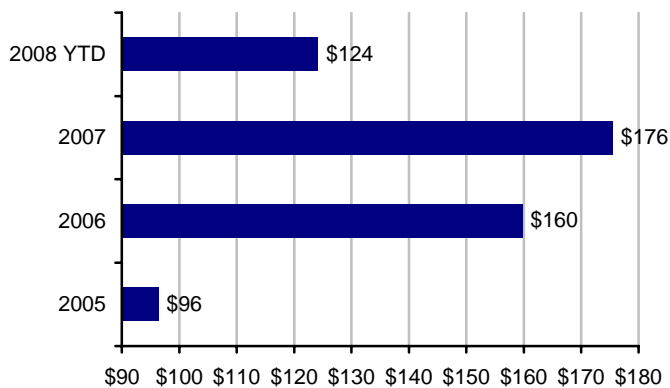
KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
La Cholla Plaza	Lee Lee Oriental Supermarket	51,242
Rillito Crossing	L A Fitness	45,050
Northmall Centre	Pacific Sales Kitchen & Bath	30,320
Tucson Spectrum	Best Buy	30,118
Monterey Village	Annabell's Attic	18,082

KEY INVESTMENT TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Cortaro / I-10	Wal-Mart	203,101
22 nd /Harrison Marketplace	Ross, Bed Bath & Beyond	140,652
Manzanita Plaza	Safeway	116,831
Madera Marketplace	Walgreens, Bank of America	38,147

INVESTMENT SALES PRICE PER YEAR



Source: CoStar Comps

MARKET SNAPSHOT – YEAR END 2008

Location	GLA	Rent SQ FT / YR	Vacancy	YTD Absorption
Tucson Metropolitan Area	52,840,987	\$19.67	6.4%	1,381,326

BEAT ON THE STREET

“Retailers have shown cautious optimism about Tucson, with underlying strength garnered from significant governmental linkages and the continued positive trend for Arizona’s population growth.”

- Greg Furrier, Principal gfurrier@picor.com
- Rob Tomlinson, Retail rtomlinson@picor.com
- Jeff Zellet, Retail jzellet@picor.com



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*Market terms & definitions based on BOMA and NAIOP standards.

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