

MARKETBEAT

TUCSON RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



YEAR-END 2010

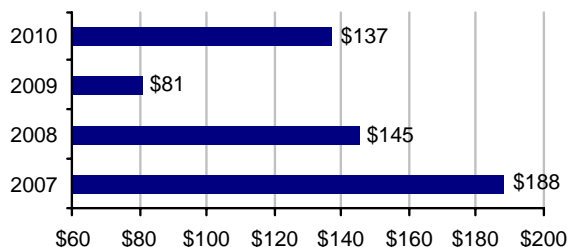
Tucson saw absorption of 61,244 square feet (sf) in 2010, with the third quarter being the strongest, showing 95,792 sf. This marks a positive change in direction compared to (540,987) sf in 2009. This trend has also carried over to sales activity: 2010 posted an average sales price for buildings 10,000 sf and above of \$137 per square foot (psf) compared to \$81 psf in 2009. The sales volume has also seen dramatic change, from \$36 million in 2009 to \$464.5 million in 2010.

Average triple-net lease rates have declined to \$15.13 psf year-end 2010, compared to \$17.08 psf mid-year 2010 and \$17.95 psf at year-end 2009. Lower contract rents for lease renewals in the past year have contributed to the overall decline in lease rates in 2010. Landlords and tenants have mutually agreed the economic conditions are not what they were a few years ago. The average rental rate is expected to stabilize in 2011 as space available continues to decline.

New construction levels remain low in both Tucson and Phoenix; however, Tucson remains stronger showing an 8.6% vacancy rate compared to 12.1% in Phoenix. Tucson was not as overbuilt during the boom times. With rental rates leveling this year and a lack of new construction to the market, 2011 should yield a year of increased absorption.

Source: CoStar/PICOR

INVESTMENT SALES PRICE (\$PSF)



Source: CoStar

ECONOMIC INDICATORS

	2009	2010	2011F
NATIONAL			
GDP Growth	-2.6%	2.8%	2.8%
CPI Growth	-0.3%	1.6%	1.5%
Consumer Spending Growth	-1.2%	1.7%	2.7%
Retail Sales	-6.3%	5.9%	5.0%
REGIONAL			
Household Income	\$44,592	\$43,575	\$43,452
Population	1,020,200	1,038,180	1,060,640
Unemployment	8.29%	8.83%	9.21%

Source: Moody's | Economy.com

KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
El Rio Plaza	Albertsons Grocery	60,080
I-19/Duval*	Ross Dress for Less	30,187
I-19/Duval*	Big Lots!	28,074
Golf Links/Harrison*	Gold's Gym	24,553
4144 N Oracle Rd.	99¢ Only	20,040

Source: CoStar

* PICOR Represented Project

KEY INVESTMENT TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Northgate Plaza	Wal-Mart Anchor	103,848
6100 E Broadway Blvd.	O'Rielly Chevrolet	103,424
El Rio Plaza	Albertsons Anchored	60,080
5925 E Broadway Blvd.	Peter Piper Pizza	29,486

Source: CoStar

MARKET SNAPSHOT – YEAR-END 2010

Location	GLA	Rent SQ FT / YR	Vacancy	YTD Absorption
Tucson Metro Area	50,801,371	\$15.13	8.6%	61,244

Source: CoStar

BEAT ON THE STREET

“Lease rates are leveling and absorption is increasing, showing signs for positive change in 2011.”

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

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