

# MARKETBEAT

## TUCSON RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



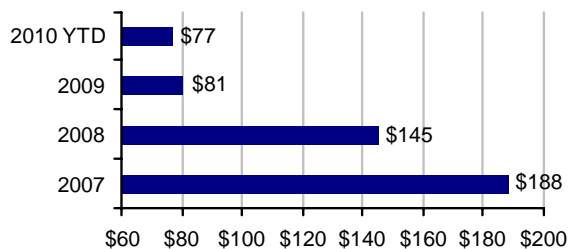
MID-YEAR: 2010

Tucson saw positive absorption of 62,639 square feet (sf) in the second quarter showing a positive shift from a slightly negative first quarter, posting negative 8,377 sf. This increase signals reason for positive expectations when compared to the negative 320,987 sf of absorption at the end of 2009. However, due to many of 2009's vacancies not being filled and 202,058 sf being delivered in the second quarter, the overall vacancy rate has increased to 8.8%.

Average triple-net lease rates have declined, averaging \$17.08 per square foot (psf) compared to \$17.95 psf at year-end 2009. This gives reason for the positive absorption due to the increase in leasing activity as landlords and tenants see increased agreement on economic terms. Aggressive leasing incentives continue to help landlords maintain occupancy, as the market is as tenant favored as it gets. Sale activity remains low in both the owner/user and investor markets, but has increased over 2009 levels. Buyers with cash can find attractive deals that would have never been considered a few years back.

Lease rates and occupancy levels continue to be stronger in Tucson than Phoenix. National and regional retailers are talking about expansion once again. The majority of rent relief requests have passed. Optimism and job growth will fuel this recovery, and both are showing signs of improvement.

### INVESTMENT SALES PRICE (\$PSF)



Source: CoStar

### ECONOMIC INDICATORS

NATIONAL	2009	2010F	2011F
Real GDP Growth	-2.4%	3.1%	3.9%
CPI Growth	-0.3%	1.8%	2.1%
Consumer Spending Growth	-0.6%	2.3%	3.1%
Retail Sales	-6.3%	6.0%	5.7%
REGIONAL			
Household Income	\$60,891	\$62,911	NA
Population	1,048,796	1,070,723	1,092,369
Unemployment	8.3%	9.2%	9.1%

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

### KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
18705 S Frontage	Ross Dress for Less	30,187
18705 S Frontage	Big Lots!	28,074
4144 N Oracle Rd.	99¢ Only	20,040
Tucson Spectrum Phase II	Dollar Tree	10,004
5510 E Broadway	BJ's Brewhouse	9,000

Source: CoStar

### KEY INVESTMENT TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Northgate Plaza	Wal-Mart Anchor	103,848
5100 E Grant Rd.	CVS Pharmacy	14,419
2150 W Orange Grove	Walgreens	13,905
5925 E Broadway Blvd.	Linens and Things	29,486

Source: CoStar

### MARKET SNAPSHOT – MID-YEAR 2010

Location	GLA	Rent SQ FT / YR	Vacancy	YTD Absorption
Tucson Metropolitan Area	51,107,019	\$17.08	8.8%	54,262

Source: CoStar

### BEAT ON THE STREET

**“The first half of 2010 was significantly stronger than the second half of 2009 and the market signals the second half of 2010 will continue to show movement in this positive direction.”**

- Greg Furrier, Principal [gfurrier@picor.com](mailto:gfurrier@picor.com)
- Rob Tomlinson, Retail [rtomlinson@picor.com](mailto:rtomlinson@picor.com)
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\*Market terms & definitions based on BOMA and NAIOP standards.

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