

MARKETBEAT

TUCSON RETAIL REPORT

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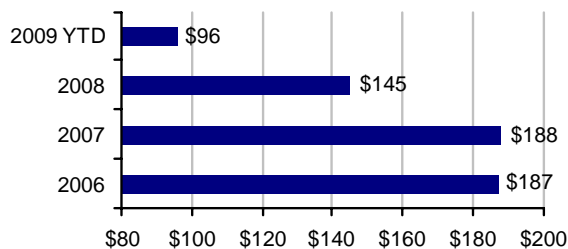
YEAR - END 2009

Net absorption of retail space in Tucson saw a strong positive shift in the fourth quarter with 165,688 square feet (SF) absorbed compared to negative (43,084) SF in the third quarter and negative (540,987) SF for the year. The vacancy rate remained unchanged from the third quarter, holding at 8.2%. The high absorption helped balance the 211,500 SF (3 buildings) delivered in the fourth quarter and added vacancy caused by the lack of retail spending, making the year total delivery of retail space 401,141 SF.

Tucson's rental rates continue to decline albeit, at a moderate pace from earlier in 2009. Tenant activity appears to be increasing, which is a sign that 2010 will be a more productive and stable market. Absorption has seen a steady increase since the second quarter, indicating rental rates are beginning to stabilize and may find equilibrium in the second half of 2010. Ultimate Electronics and Burlington Coat Factory have expanded to the Tucson market in 2009 and will be opening their doors in 2010.

The Tucson retail market continues to be healthier than Phoenix. During the "boom" period, Phoenix became significantly overbuilt. It is estimated that the Phoenix metro area has approximately 280 mid-big box spaces currently available compared to Tucson, which has only 10. Tucson is expected to emerge from the recession sooner than most other cities due to its growing population, above national average employment and a forecasted increase in demand for retail space and consumer spending.

INVESTMENT SALES PRICE (\$PSF)



Source: CoStar

ECONOMIC INDICATORS

NATIONAL	2008	2009	2010F
Real GDP Growth	0.4%	-2.5%	2.3%
CPI Growth	3.8%	-0.4%	1.7%
Consumer Spending Growth	-0.2%	-0.6%	1.0%
Retail Sales	-0.8%	-6.4%	2.6%
REGIONAL			
Household Income	\$60,445	\$60,891	N/A
Population	1,026,506	1,048,796	1,070,723
Unemployment	5.1%	7.6%	7.7%

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

KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
2020 W Prince Rd	Sam Levitz Furniture	220,000
3601 E Broadway Blvd	Burlington Coat Factory	65,000
4638 N Oracle Rd	Ultimate Electronics	33,959
Speedway Retail Center	Tres Amigos World Imports	29,600
3800 W Ina	Office Depot	28,654

Source: CoStar

KEY INVESTMENT TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
4302 N Oracle Rd	Home Depot	107,410
1280-1356 W Prince Rd	Flowing Wells Plaza	79,121
7800 N Cortaro Rd	Walgreen's	13,905
3900 W Costco Dr	Shops at Costco Plaza	11,488

Source: CoStar

MARKET SNAPSHOT – YEAR END 2009

Location	GLA	Rent SQ FT / YR	Vacancy	YTD Absorption
Tucson Metropolitan Area	52,202,400	\$17.95	8.2%	-320,987

Source: CoStar/PICOR

BEAT ON THE STREET

"Tucson's economy held steady compared to much of the nation due to a prominent government presence, population growth and a market that is not over built, as many are. 2010 will make it easier to look back on 2009."

- Greg Furrier, Principal gfurrier@picor.com
- Rob Tomlinson, Retail rtomlinson@picor.com
- Bryan Hague, Retail bhague@picor.com
- Jeff Zellet, Retail jjellet@picor.com



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

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