

MARKETBEAT

TUCSON RETAIL REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION



MID-YEAR 2011

Tucson experienced strong absorption of 271,031 square feet (sf) in the second quarter of 2011, compared to negative 127,927 sf in the first quarter. This resulted in the vacancy rate improving from 8.8% in the first quarter to 8.6% in the second quarter. A slight decline in rental rates occurred in the second quarter, resulting in an average rental rate of \$14.71 per square foot (psf) annually, which was a likely driver in the acceleration in leasing activity. In contrast to the past few years where rental rates have declined and vacancy has increased, this is a positive trend to see absorption improving in tandem with rental rates, pointing toward stronger market fundamentals.

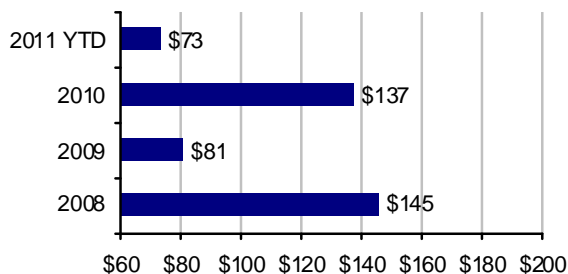
Two retail buildings totaling 148,954 sf were delivered to the market in the second quarter compared to one totaling 1,969 sf in the first quarter, for a total of 150,923 sf year-to-date.

Mattress Firm has made its way into the Tucson market absorbing some of the former Blockbuster spaces. In-N-Out Burger and Five Guys Burgers and Fries continue to expand, both adding new locations near the Tucson Mall. PetSmart, LA Fitness and Staples have continued their Tucson expansions as well, all adding new locations this year.

Retail tenants are more active than in recent years, and as national retailers remain more cautious than in the past boom times, frequency of market tours and national interest are up perceptibly. Tucson looks forward to an active third quarter coming out of the summer with an increased, but still cautious, release of pent up demand for space.

Source: CoStar/PICOR

INVESTMENT SALES PRICE (\$PSF)



Source: CoStar

ECONOMIC INDICATORS

	2010	2011F	2012F
NATIONAL			
GDP Growth	2.9%	2.7%	4.2%
CPI Growth	1.6%	3.0%	1.9%
Consumer Spending Growth	1.7%	2.7%	3.6%
Retail Sales	6.4%	8.1%	5.9%
REGIONAL			
Household Income	\$43,779	\$44,717	\$45,716
Population	985,610	1,006,930	1,035,040
Unemployment	9.04%	8.85%	8.67%

Source: U.S. Census Bureau; Moody's Analytics

KEY LEASING TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Golf Links/Harrison*	Circus Furniture	62,932
Marana Marketplace	PetSmart	20,625
Tucson Spectrum	LA Fitness	20,040
Marana Marketplace	Staples	18,125
4621-4679 E Speedway	Grand Buffet	15,562

Source: CoStar
* PICOR Represented Project

KEY INVESTMENT TRANSACTIONS

PROPERTY	TENANT	SQUARE FEET
Midvale Plaza	Walmart	97,444
1145 S Harrison	Walgreens	14,490
North Pima Center	Michaels, Ace	37,540
4220 E 22 nd St	Bill Breck Dodge	42,895

Source: CoStar

MARKET SNAPSHOT – MID-YEAR 2011

Location	GLA	Rent SQ FT / YR	Vacancy	YTD Absorption
Tucson Metro Area	50,992,447	\$14.71	8.6%	143,104

Source: CoStar

BEAT ON THE STREET

“Despite softness in second quarter retail demand, retail sales are expected to continue to improve in the third and fourth quarter causing overall positive absorption of retail space.”

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

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