MARKETBEAT

Retail Snapshot 2Q 2016

Tucson

CUSHMAN & WAKEFIELD | PICOR

ECONOMIC INDICATORS

National

	2Q 15	2Q 16	12-Month Forecast
GDP Growth	2.7%	1.8%	▲
CPI Growth	0.0%	1.1%	▲
Consumer Spending	3.3%	2.8%*	▲
Retail Sale Growth	2.1%	2.6%	▲

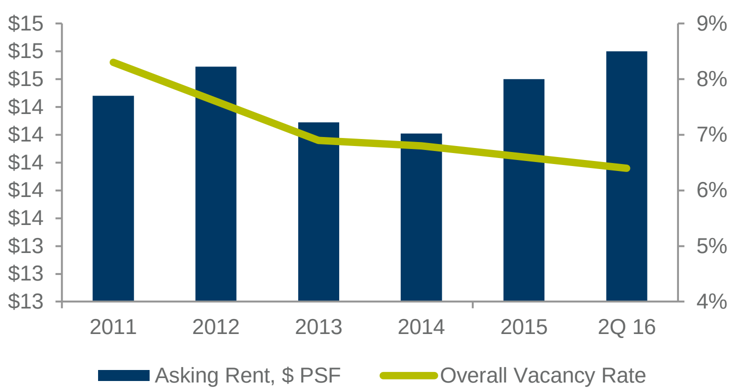
** Based on Moody's baseline estimates*

Regional

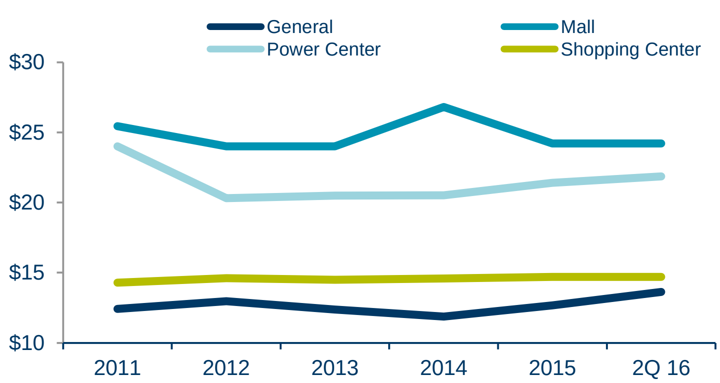
	2Q 15	2Q 16	12-Month Forecast
Household Income	$46,803	$48,236	▲
Population Growth	1.0%	1.01%	▲
Unemployment	5.5%	5.0%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Rent by Type



Economy

Preliminary Bureau of Labor Statistics data reported that Metro Tucson added 15,636 jobs year-over-year through May 2016, with total employment of 455,312 and a second quarter unemployment rate of 5.0%. Due to recent high-quality jobs announcements and expansion by current employers, the forecast is for continued improvement.

Economic optimism and consumer confidence were more-widely present, jump-started by Caterpillar's decision to locate downtown, forecasting creation of 600+ jobs at an estimated economic impact of $600 million. Tucson's steadily improving market performance was enhanced by this announcement and others, like the Comcast opening, expanded airline service, and downtown activity including attraction of an AHL professional hockey team, the Tucson Roadrunners, along with retail, residential and hotel construction, both planned and underway.

Market Overview

The Tucson retail market has remained relatively stable in the second quarter. Vacancy dropped by 0.2 percentage point from 1Q to 6.4%. Net absorption has remained steady and positive over the last two quarters.

The eastside Broadway/Houghton intersection has significantly transformed with the reopening of Safeway at the southeast corner late 1Q and with Galaxy Theatres' lease signing across the street in the former 53,564 square foot (SF) Bashas' space. Other large leases included Ace Hardware on Wetmore/First, and new Dollar Tree stores in Arizona Pavilions and Sahuarita. Fox Restaurants announced plans to open an eatery in the former Grant Road Lumber, a long-standing family business which recently closed. The new entertainment and dining concept will be called The Yard, and will include Culinary Dropout. Opening is scheduled for 2017. Prep & Pastry on East Grant has opened its second location, colocating with Sauce Pizza & Wine in a new building located next to Zinburger. The Tucson-based El Charro family of restaurants opened a new eatery and concept, Charro Steak, at Broadway and 5th in downtown Tucson.

Real Estate Daily News reported over 96,000 SF of new retail inventory broke ground at Tucson Marketplace, including a 53,678- SF Cinemark Theatre, a 12,550-SF Lin's Chinese Buffet, and a 30,000-SF Dave & Buster's. Tucson Premium Outlets' summer openings included Journey's, VF Outlet, Famous Wok and Johnny Rockets. Three Sports Authority stores in the Tucson Metro area closed, as part of the national bankruptcy liquidation.

Sales activity in the second quarter included 34 sales, 11 of which were sales over $1 million. With $42.2 million in total sales volume this quarter, the average sale price was $109.11 per SF. The quarter's largest sale was the 76,240-SF freestanding Burlington Coat Factory at 3660 S. 16th Avenue which sold for $7.5 million.

Outlook

Sales activity is projected to continue with strength from many California buyers continuing their pursuit of better yields than is achievable elsewhere. Money Magazine recently ranked Tucson number four for millennials. Combined with a growing food and entertainment scene, our employment growth prospects appear strong.

MARKETBEAT

Retail Snapshot 2Q 2016

Tucson

SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
Central East	1,160	8,453,217	8.8%	(14,423)	(73,338)	0	$13.31
Central West	762	7,012,769	4.6%	59,051	65,796	0	$13.59
Downtown	312	1,766,481	6.7%	(16,080)	(30,123)	0	$20.52
East	773	9,757,735	7.6%	65,200	91,998	0	$14.40
Foothills	280	4,725,560	6.0%	22,221	28,616	23,210	$18.65
North/Oro Valley	172	2,456,203	8.6%	9,428	7,245	3,844	$16.91
Northeast	25	353,098	11.1%	6,321	3,571	0	$12.42
Northwest	269	3,873,438	5.3%	(5,059)	14,692	0	$16.15
South	971	6,330,504	5.2%	8,438	46,430	0	$12.95
South/SW Outlying	138	1,697,568	6.4%	(11,103)	(20,812)	0	$14.54
Southeast	111	1,470,971	1.6%	3,679	14,862	2,019	$19.74
Southwest	171	2,410,737	5.9%	(43,238)	(34,158)	100,000	$15.70
West	133	870,454	3.2%	1,260	58,863	0	$17.79
TUCSON TOTALS	5,277	51,178,735	6.4%	85,695	173,642	129,073	$14.80

*Rental rates reflect gross asking $psf/year

SUBMARKET	TOTAL BLDGS*/ CTRS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
General Retail	3,636*	18,875,689	3.8%	103,875	122,131	29,073	$13.63
Mall	6	5,187,963	2.9%	(6,671)	(6,671)	0	$24.20
Power Center	8	3,231,348	3.2%	(43,130)	(29,697)	0	$21.86
Shopping Center	553	23,382,046	10.0%	31,621	87,879	100,000	$14.71
Specialty Center	2	501,689	0.0%	0	0	0	$16.42

Key Lease Transactions 2Q 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
50-190 S Houghton	53,564	Galaxy Theatres	New	East
406-425 E Wetmore	9,895	Ace Hardware	New	Central West
Cortaro Rd & Arizona Pavilions	9,835	Dollar Tree	New	Northwest
18805 S I-19 Frontage Rd	9,750	Dollar Tree	New	South/SW Outlying

Key Sale Transactions 2Q 2016

PROPERTY	SF	SELLER/BUYER	PRICE / $PSF	SUBMARKET
Burlington Coat Factory- 3660 S 16th Ave	76,240	2005-C4 DMM Portfolio Properties, LLC/ Agree LP	$7,500,000 / $98	South
1980-1990 W Orange Grove Rd (3 Prop)	74,445	La Cholla Plaza, LLC/ Pearland RJR, LLC	$6,450,000 / $87	Foothills
Acacia Square- 20-194 W Fort Lowell Rd	37,613	1031 Holder, LLC/ R. Legacy Irrevocable Trust UA	$1,450,000 / $38	Central West

Cushman & Wakefield | PICOR
1100 N Wilmot, Suite 200
Tucson, AZ 85712
picor.com

For more information, contact:
Greg Furrier, gfurrier@picor.com
Rob Tomlinson, rtomlinson@picor.com
Aaron LaPrise, alaprise@picor.com
Tel: +1 520 748 7100

About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. The firm's 43,000 employees in more than 60 countries provide deep local and global insights that create significant value for occupiers and investors around the world. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of $5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

Copyright © 2016 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources considered to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy. Alliance firms are independently owned and operated.