

ECONOMIC INDICATORS

National

	Q3 15	Q3 16	12-Month Forecast
GDP Growth	2.0%	2.4%	▲
CPI Growth	1.4%	1.2%	▲
Consumer Spending Growth	3.1%	2.8%	▲
Retail Sales Growth	2.0%	2.9%*	▲

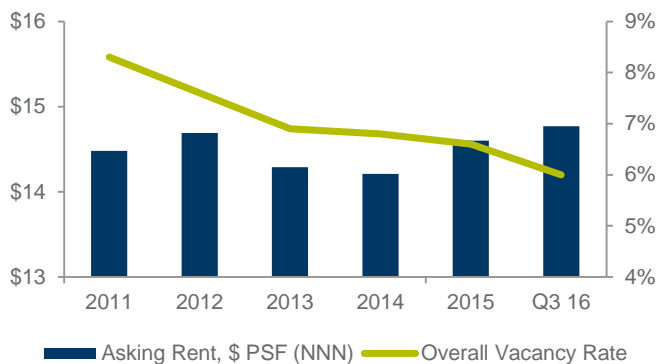
\*Based on Moody's baseline estimates

Regional

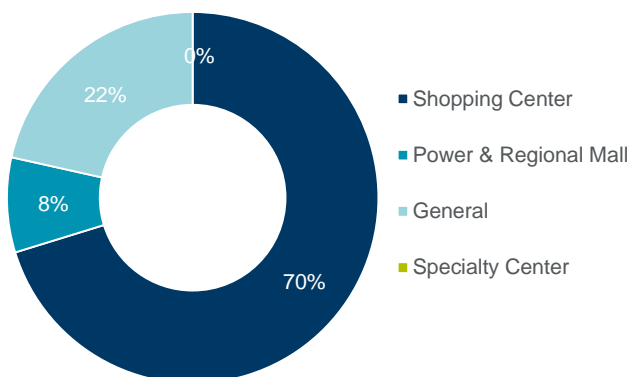
	Q3 15	Q3 16	12-Month Forecast
Household Income	\$46,981	\$48,523	▲
Population Growth	0.4%	0.4%	▲
Unemployment	5.2%	4.9%	▼

Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

Greater Tucson was recently named the third fastest-growing metro area over 500,000 population by Bloomberg, with July year-over-year job growth of 4.2% in July, 2016 and total employment of 378,050. The national housing recovery has improved Tucson's prospects for population growth and is expected to spur construction. Arizona was the only state in the U. S. to experience month-over-month construction job gains in July 2016, and was one of three states to report year-over-year growth. Nationally, September consumer confidence was at the highest level since 2007.

Market Overview

Positive net absorption of 173,291 square feet (SF) in Q3 brought vacancy down 40 basis points to 6.0%, matching its strongest performance since 2008 and nearing an all-time low. With smaller lease signings prevalent, improvement was largely widespread and organic. Anchored environments continued their long-standing success and well-positioned projects like Park Place Mall trade area's Wilmot Plaza reported some of the strongest rents and lease-ups in recent years. The southwest submarket posted continued strong demand from retailers, entertainment venues, and restaurants. Dominant demand for retail centers came from medical and service providers. For instance, the 14,000-SF pad under construction at Wilmot Plaza was pre-leased to Southern Arizona Urgent Care, Body Central Physical Therapy, Massage Envy, and Aspen Dental. Former video and clothing spaces converted to TMCOne medical clinic space and urgent care uses.

New dining retailers to the market included signings with Black Bear Diner at the to-be-constructed Fashion Park (I-19 and Irvington) and 6095 E Broadway across from Park Place. Popeye's opened its first Tucson unit in decades. Tucson is internationally recognized as a city of gastronomy by UNESCO. Accordingly, local eateries surged with Truland at Ina/Oracle, Bird at Casas Adobes, Bisbee Breakfast Club at Swan/Sunrise and Broadway/ Country Club, and the downtown food scene finding its place in the market as well.

Investment sales activity remained strong with investors chasing yield finding value in the Tucson market. Stable, healthy demand for net-leased property and a low cost of capital resulted in the top four sales of the quarter combining for \$75.3 million in volume averaging \$371.09 per SF.

Outlook

Fall festivals and entertainment including Tucson Fashion Week, Tenwest, the new Film Fest Tucson, Roadrunner Professional Hockey, and others bring increased vibrancy to the city core. Tucsonans' confidence is noticeably stronger with robust job growth and uncertainty over DMAFB missions in the rear view. Looking ahead, collaboration between public and private sectors has facilitated numerous hiring decisions and recent employment announcements will add future, positive impact, with more expected. Future opportunities will arise from innovation and tech in the sharing economy, as well as wage growth's positive impact on retail spending.

# MARKETBEAT

## Tucson

Retail Q3 2016



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	1,161	8,392,463	8.0%	29,883	-40,664	21,950	\$13.94
Central West	759	6,999,380	4.8%	-15,162	47,843	0	\$13.59
Downtown	312	1,770,031	6.4%	2,570	-24,754	0	\$19.71
East	774	9,778,872	7.3%	36,921	132,709	7,350	\$13.83
Foothills	281	4,740,710	5.9%	18,285	50,692	9,043	\$18.79
North/Oro Valley	173	2,452,299	8.0%	22,434	33,470	13,844	\$16.97
Northeast	25	353,098	10.7%	302	5,015	0	\$12.40
Northwest	269	3,873,358	4.9%	13,861	31,344	101,448	\$16.34
South	973	6,341,880	4.9%	4,636	53,857	102,988	\$12.86
South/SW Outlying	136	1,679,315	5.5%	12,862	-5,159	0	\$14.07
Southeast	113	1,482,331	2.3%	-1,879	10,192	0	\$19.87
Southwest	171	2,404,726	3.8%	47,821	16,754	100,000	\$15.08
West	133	869,250	2.9%	757	61,383	0	\$17.92
<b>TUCSON TOTALS</b>	<b>5,280</b>	<b>51,137,713</b>	<b>6.0%</b>	<b>173,291</b>	<b>372,682</b>	<b>356,623</b>	<b>\$14.77</b>

\*Rental rates reflect gross asking \$psf/year

	TOTAL BLDGS/CTRS	INVENTORY (SF)	OVERALL VACANCY RATE	CURRENT OVERALL NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT (NNN)
General Retail	3,640	18,924,921	3.5%	70,727	193,058	36,437	\$13.76
Mall	6	5,198,367	2.9%	1,559	-5,112	0	\$24.00
Power Center	8	3,229,454	3.3%	-3,181	-32,838	204,436	\$21.31
Shopping Center	552	23,283,282	9.3%	104,186	217,574	115,750	\$14.67

### Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
7140-7250 E. Broadway Blvd	21,580	Beall's Outlet	Lease	East
4910 N. 1 <sup>st</sup> Ave	16,043	Walgreens	Renewal	Foothills
4601 E. Broadway Blvd	12,343	Community Partnership of S. AZ	Renewal	Central East
2424 E. Grant Rd	8,379	America's Mattress	Lease	Central East

### Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Wilmot Plaza	138,215	Bourn Companies / DSW Wilmot Plaza LP	\$47,300,000 / \$342	East
Plaza Centro	23,734	Oasis Tucson / Crow Holdings Capital	\$8,700,000 / \$367	Downtown
San Dorado	20,603	Rooney Holdings, Inc. / Enos Ranchos, LLC	\$11,282,000 / \$548	North/Oro Valley
Plaza Antigua	20,251	Oakdale Farms, Inc. / The Kroenke Group	\$7,975,000 / \$394	Central East

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