

	YoY Chg	12-Mo. Forecast
5.6% Vacancy Rate	▲	▬
-154K Net Absorption, SF	▼	▲
\$0.81 Asking Rent, PSF	▬	▲

Overall, Net Asking Rent

ECONOMIC INDICATORS Q2 2024

	YoY Chg	12-Mo. Forecast
405K Tucson Employment	▲	▲
3.4% Tucson Unemployment Rate	▼	▬
4.1% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY:

As the second quarter (Q2) of 2024 concluded, the U.S. economy maintained its strength, though projections remained mixed. Tucson stood out with significant economic achievements. The median household income saw a notable rise of 4.5% year-over-year, reaching \$69,800, which boosted local consumer spending. Nationally, the real GDP growth rate edged up to 2.9%, reinforcing the resilience of the economy amid ongoing financial discussions. Despite a slight uptick in inflation to 3.4%, it was still a substantial moderation from the previous year's levels. In Tucson, the nonfarm employment sector expanded modestly by 0.9%, and, notably, the unemployment rate decreased to 3.4%, reflecting a tightening labor market. These trends underscore Tucson's growing economic vibrancy within the broader national context, signaling sustained growth and a stable employment environment.

SUPPLY & DEMAND:

During Q2 2024, Tucson's industrial vacancy rates rose to 5.6% from a historic low of 1.8% in Q1 2023, driven largely by the completion of four large speculative warehouses. Despite this increase, demand for logistics and warehouse space continued to be high; even with these new deliveries, demand still outpaced existing inventory.

Leasing activity continued to be active, driven by logistics occupiers and businesses seeking space near Tucson International Airport and in the Northwest submarket. Noteworthy transactions this quarter included an undisclosed tenant leasing Flint Development's new 129,637 square feet (sf) building at 3780 E Valencia in the Tucson Commerce Center and a sublease of 60,000 sf at 300 S Toole in Downtown Tucson. In terms of investment sales, Flint Development closed significant transactions with the sale of 3610 E Valencia for \$39 million to W.P. Carey Inc., 3780 E Valencia for \$40 million to Tucson Bridge Investment Group, and 6690 S Alvernon for \$38 million.

Tucson industrial construction activity remained relatively restrained, with only one notable project underway, a 20,900 sf industrial building at 4736 S Butterfield, scheduled for completion by September 2024. The Southwest Tucson/Airport submarket continued to lead in growth, supported by distribution centers for Amazon, FedEx, and HomeGoods, contributing to a 20% increase in inventory since 2019.

PRICING:

The average lease rate in Tucson, at the highest level, was \$0.81 per square feet (psf) per month, significantly lower than rates in California where rents may exceed \$1.50 psf per month. Tucson's affordability, coupled with its strategic location near key trade routes such as the U.S./Mexico border and Ports of Los Angeles and Long Beach, enhances its appeal to new tenants and investors alike. Overall, Tucson's industrial market remained healthy with active leasing activity, sustained demand for space, and ongoing investor interest. Tucson's outlook for the next quarter remains positive, driven by demand and strategic developments in key submarkets.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT TUCSON

Industrial Q2 2024



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (IND)	OVERALL WEIGHTED AVG NET RENT (OS)
Downtown	4,160,130	54,066	3.9%	-52,352	-13,549	0	0	\$0.56	0
E Outlying Pima County	18,464	0	0	0	0	0	0	0	0
Northeast	2,830,360	-19,883	2.8%	-10,237	-35,289	0	0	\$0.91	\$0.85
NW Tucson/Oro Valley	12,355,620	1,207,482	10.3%	-49,808	-68,170	0	0	\$0.88	\$0.96
Palo Verde	6,820,476	92,444	3.1%	82,849	-52,154	20,900	0	\$0.94	\$0.79
Park/Ajo	4,210,059	31,411	3.5%	-42,160	-38,550	0	0	\$0.95	\$0.98
S Pima/Green Valley	674,620	0	0	0	0	0	0	0	0
Southeast Tucson	7,733,828	326,683	5.8%	5,698	-237,070	0	0	\$0.58	\$0.86
SW Tucson/Airport	12,343,906	1,157,731	9.8%	-88,760	206,183	0	0	\$0.85	\$0.90
W Outlying Pima County	46,394	0	0	0	0	0	0	0	0
TUCSON TOTALS	51,193,857	2,849,934	5.6%	-154,770	-238,599	20,900	0	\$0.81	\$0.89

*Rental rates reflect weighted net asking \$psf/year

IND = Industrial OS = Office Service/Flex

KEY LEASE TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3780 East Valencia Road	SW Tucson/Airport	Undisclosed	129,637	New Lease
300 South Toole Avenue	Downtown	Undisclosed	60,000	Sublease
3391 East Hemisphere Loop	SW Tucson/Airport	Competitive Engineering, Inc.	16,500	New Lease
4385 West Ina Road	NW Tucson/Oro Valley	Tucson Indoor Soccer	13,717	New Lease
6363 South Country Club**	SW Tucson/Airport	Vortex Industries	10,600	New Lease

**At least one party represented by Cushman & Wakefield | PICOR

KEY SALES TRANSACTIONS Q2 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
3610 East Valencia Road	SW Tucson/Airport	Flint Development / W.P. Carey Inc.	302,443	\$39M / \$131.10
3780 East Valencia Road	SW Tucson/Airport	Flint Development / Bridge Investment Group	259,274	\$40M / \$155.17
6690 South Alvernon Way	SW Tucson/Airport	Flint Development / Bridge Investment Group	244,889	\$38M / \$158.31

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