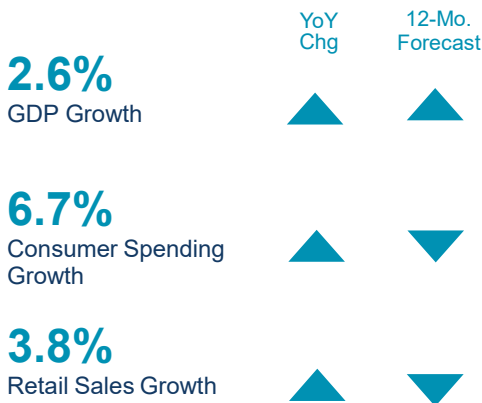


Source: BLS (Economic Indicators are representative of specific county or MSA.)

U.S. ECONOMIC INDICATORS Q4 2023



Source: BEA, Census Bureau

ECONOMY:

In the first quarter of 2023, the US economy demonstrated higher than expected job growth. With robust hiring each month, somewhat tempered in March at 236,000 jobs, the labor market showed remarkable resilience. Job growth in a tight labor market is expected to drive the next interest rate hike from 25 to 50 basis points (bps). Focusing on Arizona and the Tucson MSA, upward revisions in employment data for 2021 and 2022 reflected a healthy regional economy. Tucson's nonfarm employment rose from 392.5k in Q4 2022 to 398.4k in Q4 2023, while the unemployment rate increased from 3.4% to 3.9%. The consumer price index dropped for an eighth straight month to 5.7, and Tucson's outlook remained positive, with median household income up 3.6% year-over-year (YOY) and population growth at a steady pace.

SUPPLY AND DEMAND:

The Tucson retail market in Q4 continued to demonstrate resilience, maintaining a vacancy rate of 5.7%. Similar to the previous quarter, the market exhibited stability, with positive net absorption reaching 310,000 square feet (sf) for the year. Consumer spending and employment growth continued to support the retail sector, along with the limited supply available in the market.

Key contributors to demand included expansions of gyms, entertainment, restaurants, healthcare, and auto stores. Limited store closures also played a role in sustaining tight market conditions. Growth areas continue to be the outer edges of the market, including Oro Valley, Marana, Vail, and Sahuarita.

Top leases in Q4 included a 12.79 acre ground lease by Bass Pro Shop at The Bridges development, the building delivery date is still to be determined. Rail Yard leased 36,518 sf in Crossroads Festival Shopping Center, Parts Authority leased 13,300 sf at 4491 E Speedway Blvd, and Petco renewed their lease at 5355-5455 E Broadway Blvd for 13,010 sf.

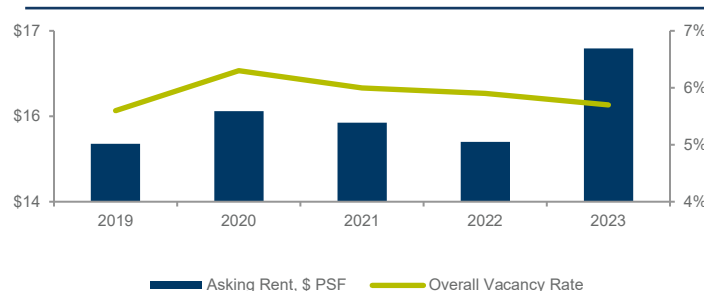
Top sales included transactions such as 70,949 sf at Oracle Wetmore Shopping Center which were purchased by Acacia Real Estate Group Inc. for \$13 million, indicating continuing demand for quality, well-positioned real estate, despite increased debt costs.

Although no construction projects were completed this quarter, several projects are underway for 2024, totaling 45,329 sf. The construction activity remains at an all-time low, primarily attributed to high construction costs. Despite this challenge and the ongoing supply constraints, there is a sustained and robust demand in the market.

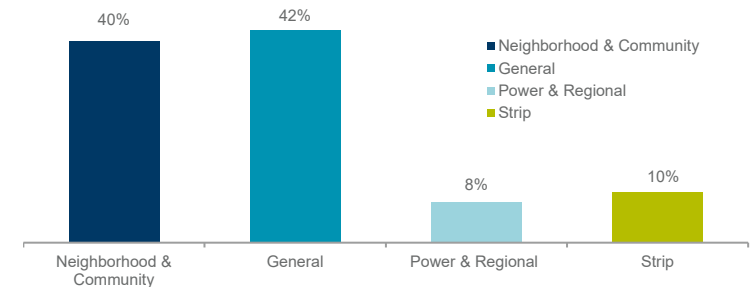
PRICING:

The average lease rate for Q4 stood at \$16.58 per square foot (psf) maintaining a gradual increase, which still makes Tucson more affordable compared to larger markets. Oro Valley remained the submarket with the highest rent, averaging \$22.48 psf, followed by the Southwest submarket at \$20.35 psf. Similar to the previous quarter, construction costs and debt challenges affected the investment market.

RENT / VACANCY RATE



AVAILABILITY BY PRODUCT TYPE



SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central East	8,894,982	2,864	767,779	8.7%	-83,914	-37,226	1,500	\$13.94
Central West	7,381,170	14,820	379,218	5.3%	1,572	23,889	0	\$13.74
Downtown	1,906,226	1,200	62,845	3.4%	-20,581	15,344	0	\$15.92
East	9,834,750	4,050	849,155	8.7%	-723	100,166	8,990	\$18.17
Foothills	5,765,761	5,955	171,647	3.1%	17,238	-19,100	0	\$19.89
North/Oro Valley	2,571,205	4,000	208,740	8.3%	-4,967	-8,622	10,500	\$22.48
Northeast	324,067	0	19,938	6.2%	42,743	44,222	0	\$14.05
Northwest	4,649,130	0	130,674	2.8%	-31,283	203,475	9,058	\$17.46
South	6,995,014	50,000	310,750	5.2%	-82,213	-68,182	4,435	\$15.38
South/SW Outlying	1,966,712	0	96,562	4.9%	-28,369	-48,789	3,360	\$14.34
Southeast	1,980,069	1,436	53,035	2.8%	-2,373	13,878	0	\$17.67
Southwest	3,115,055	0	63,356	2.0%	-2,584	143,439	7,486	\$20.35
West	88,603	0	26,715	3.0%	10,483	10,001	0	\$13.64
TUCSON TOTALS	55,472,744	84,325	3,140,414	5.7%	-184,971	372,495	45,329	\$16.69

*Rental rates reflect NNN asking

KEY LEASE TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
1590 E Tucson Marketplace Blvd	South	Bass Pro Shops Outdoor World	557,132	New Lease
4811 East Grant Road	Central East	Rail Yard	36,518	New Lease
4491 East Speedway Boulevard	Central East	Parts Authority	13,300	New Lease
5355-5455 East Broadway Boulevard	Central East	Petco	13,010	Renewal
1290 West Prince Road	Central West	Family Dollar	10,832	Renewal

KEY SALES TRANSACTIONS Q4 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
4368-4380 North Oracle Road**	Central West	Black Lion Investment Group / Acacia Real Estate Group Inc	70,949	\$13M / \$184.69
4240 North 1st Avenue	Central East	Centerbridge Partners LP / Prairie Hill Holdings, LLC	47,075	Undisclosed / Undisclosed
4525 North Oracle Road	Central West	NETSTREIT Corp. / Orion Real Estate Group	44,289	\$4M / \$105.14
4246-4282 North 1st Avenue	Central East	Centerbridge Partners LP / Prairie Hill Holdings, LLC	42,414	Undisclosed / Undisclosed
4386 North Oracle Road**	Central West	Black Lion Investment Group / Acacia Real Estate Group Inc	20,568	\$10M / \$528.97

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

KEY CONSTRUCTION COMPLETIONS YTD 2023

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
4672 South Landing Way	Southwest	Main Event	40,350	Flip Master Funding Vii, LLC. / Undisclosed
6003 West Linda Vista Boulevard	Northwest	N/A	22,280	Undisclosed / Undisclosed
1410 East Tucson Marketplace Boulevard	South	Dental Pros	10,000	Undisclosed / Undisclosed

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