

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
\$70.9K Median HH Income	▲	▲
1.3% Population Growth	▲	▲
3.3% Unemployment Rate	▼	▲

Source: BLS

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
2.4% GDP Growth	▼	▲
7.0% Consumer Spending Growth	—	▲
1.7% Retail Sales Growth	▼	▲

Source: BEA, Census Bureau

ECONOMY

As Q3 2024 concluded, Tucson's economy demonstrated significant achievements. The median household income rose by 4.7% year-over-year (YOY) to \$70,900, boosting local consumer spending. The nonfarm employment sector expanded modestly by 0.2% YOY, reaching 403,400 jobs.

Notably, Tucson's unemployment rate decreased to 3.3%, lower than the national rate of 4.1%, reflecting a tightening local labor market, while Tucson's population growth outpaced the national average, growing at 1.3% YOY, compared to the U.S. rate of 0.5%. This trend underscores Tucson's continued economic strength and resilience, signaling sustained growth and a stable employment environment.

SUPPLY & DEMAND

The Tucson retail market remained stable in Q3 2024, with the vacancy rate holding at 5.7%. However, Q4 is expected to see negative absorption due to the recent and upcoming closures of several Big Lots, Conn's, 99 Cent Only, Dollar Tree, and Sam Levitz Furniture, which will add more than 200,000 square feet (sf) of vacant space.

Lease rates continue to hold steady. We expect to see rates for larger spaces decline due to the increase in supply. The discount/dollar store sector appears to be overbuilt, while quick-serve restaurants, "medtail," fitness centers, and "eater-tainment" venues demonstrate strong performance.

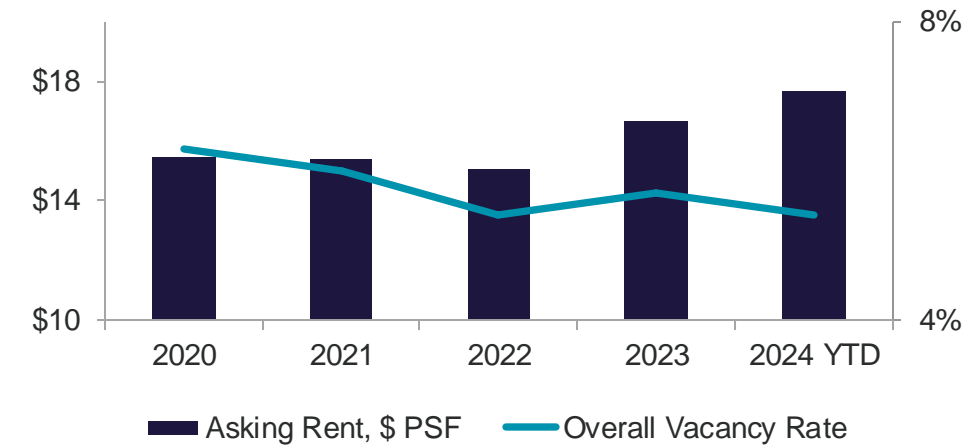
Current construction activity has tapered as many landlords and tenants are anticipating more competitive construction costs going into 2025. Home Depot opened its Houghton Rd store in September, and Fry's Food and Drug opened in October at Gladden Farms.

Top lease transactions include Caliber Collision leasing 27,808 sf property on Oracle and Limberlost and Burlington leasing 21,580 sf at Broadway and Kolb. Top sale transactions include Litwin Management purchasing a 92,910 sf portfolio at Casas Adobes Plaza for \$51M and Arileus Capital purchasing 36,784 sf on Broadway and Wilmot for \$3.9M.

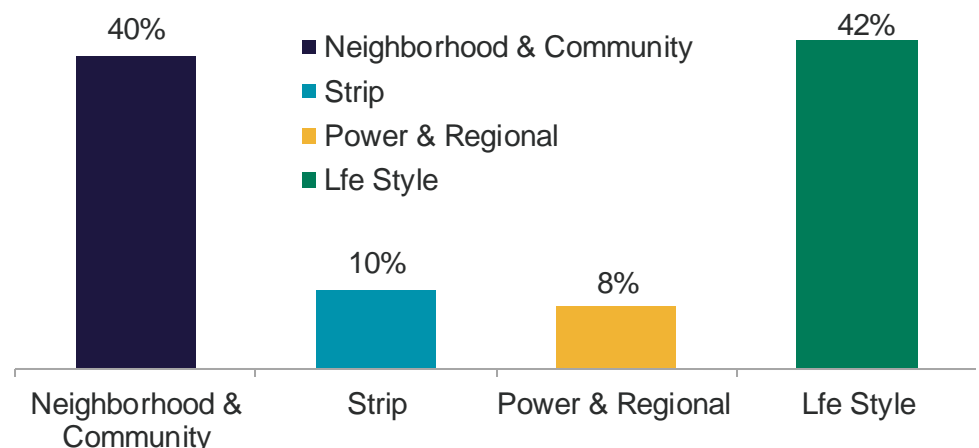
TRENDS

Investment sales volume has moderated. Flat pricing and mismatched seller-buyer expectations dominate the conversation, with the increased interest rates and cap rates to blame. Consumer spending is slowing, especially at discount stores. Food and beverage have been resistant to this trend. Adaptive reuse is gaining traction as a cost-effective alternative to new construction.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



Source: Costar.com

MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	SUBLET VACANT (SF)	DIRECT VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central East	8,840,153	2,864	682,820	7.8%	37,063	86,817	0	\$14.57
Central West	7,365,098	14,820	498,221	7.0%	-71,234	-119,003	0	\$15.43
East	9,888,603	5,654	848,246	8.6%	15,009	1,295	0	\$18.48
Foothills	5,886,955	3,460	132,111	2.3%	30,910	42,031	0	\$20.47
North/Oro Valley	2,562,989	4,000	360,555	14.2%	-94,386	-151,815	0	\$24.03
Northeast	324,710	0	23,491	7.2%	-5,058	3,553	0	\$18.71
Northwest	4,442,098	0	132,793	3.0%	-6,316	8,1131	0	\$20.20
South	7,125,319	51,200	173,546	3.2%	69,566	135,992	0	\$11.91
South/SW Outlying	1,902,875	0	101,389	5.3%	-1,706	-4,827	0	\$14.72
Southeast	1,883,042	0	36,929	2.0%	154	18,842	0	\$19.10
Southwest	3,120,395	0	16,973	0.5%	33,457	53,869	0	\$16.69
West	890,721	0	37,363	4.2%	2,225	-9,608	0	\$14.80
DOWNTOWN TOTALS	1,836,993	1,200	92,023	5.1%	-4,811	-29,178	0	\$20.76
TUCSON TOTALS	56,069,951	83,198	3,035,172	5.42%	4,873	90,276	0	\$17.68

*Rental rates reflect Triple Net asking \$PSF/Year

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3959-3979 North Oracle Road**	Central West	Caliber Collision	27,808	New Lease
7140-7250 East Broadway Boulevard	East	Burlington	21,580	New Lease
5975 East Broadway Boulevard**	East	DBAT Baseball and Softball Academy	18,400	New Lease
8705 East Speedway Boulevard	East	Dollar Tree	14,375	New Lease
5566 East Broadway Boulevard	East	Party City	14,000	Renewal

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

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Casa Adobes Plaza	Foothills	First Washington Realty, Inc/Litwin Management	92,910	\$51M / \$548.92
5975 East Broadway Boulevard**	East	Kivel Realty Investments/Arileus Capital	36,784	\$3.9M / \$106.70
75 North Abrego Drive	South/SW Outlying	Tractor Supply Company/JRW Investments	21,734	\$6.5 M / \$299.44
2332 North Stone Avenue**	Central West	Jh Associates Llc/Loops Commercial LLC	12,253	\$1.2M / \$102.02
140 West Duval Mine Road	South/SW Outlying	Cjr At Bullhead Llc/GV REI LLC	11,965	\$3.9M / \$333.05

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

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
8693 Silverbell Road	Northwest	The Learning Experience	9,058	Diamond Ventures
4750 South Landing Way	Southwest	N/A	145,741	Undisclosed

GREG FURRIER Principal, Retail Properties
+1 520 909 6111 / gfurrier@picor.com

NATALIE FURRIER Retail Properties
+1 520 955 7663 / nfurrier@picor.com

DAVE HAMMACK Principal, Retail Properties
+1 520 546 2712 / dhammack@picor.com

AARON LAPRISE Principal, Retail Properties
+1 520 546 2770 / alaprise@picor.com

ROB TOMLINSON Principal, Retail Properties
+1 520 546 2757 / rtomlinson@picor.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

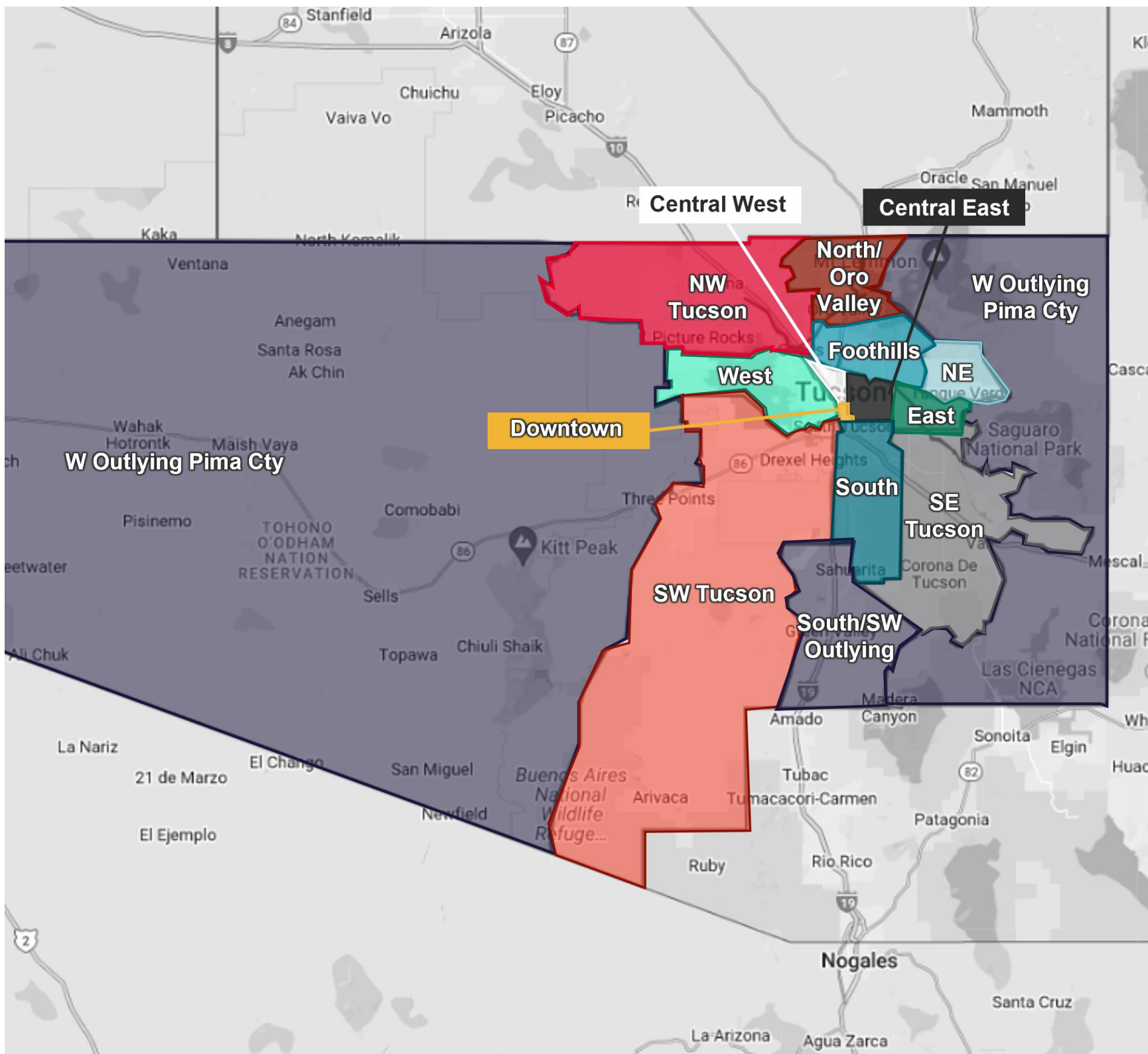
Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield ("CWK"). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK's securities.

You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK's affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

RETAIL SUBMARKETS



GREG FURRIER Principal, Retail Properties

+1 520 909 6111/ gfurrier@picor.com

NATALIE FURRIER Retail Properties

+1 520 955 7663 / nfurrier@picor.com

DAVE HAMMACK Principal, Retail Properties

+1 520 546 2712 / dhammack@picor.com

AARON LAPRISE Principal, Retail Properties

+1 520 546 2770 / alaprise@picor.com

ROB TOMLINSON Principal, Retail Properties

+1 520 546 2757 / rtomlinson@picor.com

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2023, the firm reported revenue of \$9.5 billion across its core services of property, facilities and project management, leasing, capital markets, and valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DEI), sustainability and more. For additional information, visit www.cushmanwakefield.com.

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.

Source: Costar