



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
5.2% Vacancy Rate	▼	▲
81K YTD Net Absorption, SF	▼	▼
\$0.80 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	—	—

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
403.4K Tucson Employment	▼	▲
3.3% Tucson Unemployment Rate	▼	▲
4.1% U.S. Unemployment Rate	▲	▼

Source: BLS

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 AND DEMAND

Tucson's industrial market remained tight in Q3 2024 with a vacancy rate of 5.2%. With the limited vacancy in the market, the cost of new construction is pushing lease rates upward, with more pressure on spaces less than 20,000 square feet (sf).

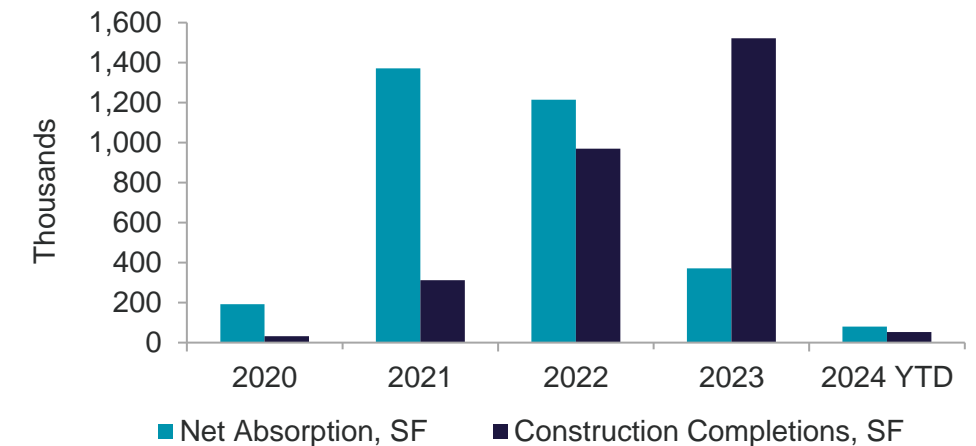
Construction activity is set to increase, with several developers preparing to break ground. During Q3, Lincoln Property Co. started construction on two buildings totaling 373,811 sf at their I-10 International project. Construction is slated to start in the fourth quarter for TPA on a 190,000 sf building in Butterfield Business Center.

The mining industry showed signs of expansion, potentially influenced by developments such as the Hermosa South mine. This sector's growth is expected to drive absorption of land and buildings. Additionally, a logistics company and national home services/remodel company are seriously considering Tucson at this time.

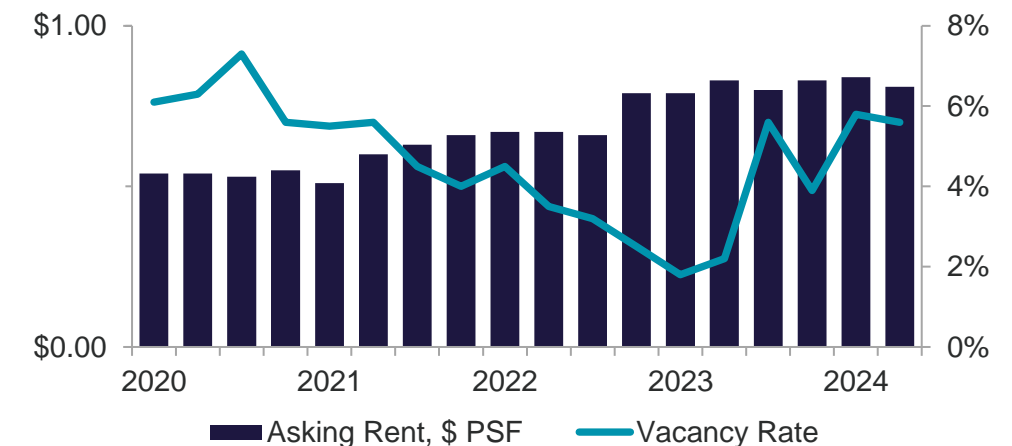
PRICING

Construction costs for industrial properties have stabilized, contributing to a predictable environment for developers. Despite low investment activity, upward pressure on sales pricing continues due to a scarcity of quality facilities on the market. The tight market conditions have led to slight rental increases for smaller spaces, while larger spaces have not seen significant changes in rates. Owners are facing challenges in finding replacement income if they sell their properties, further tightening available investment inventory and maintaining upward pressure on pricing across the Tucson industrial market.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



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)	CNSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (IND)	OVERALL WEIGHTED AVG NET RENT (OS)
E Outlying Pima County	18,464	0	0	0	0	0	0	0	0
Northeast	2,830,515	64,134	2.6%	-2,478	-9,384	0	0	\$0.85	\$0.92
NW Tucson/Oro Valley	12,125,261	1,038,817	10.9%	-49,250	-130,130	0	0	\$0.86	\$0.96
Palo Verde	6,822,559	108,117	1.9%	102,962	13,715	20,900	0	\$0.86	\$1.03
Park/Ajo	4,211,184	103,823	2.8%	-367	-1,037	0	0	\$0.88	\$1.01
S Pima/Green Valley	674,620	0	0	0	0	0	0	0	0
Southeast Tucson	8,659,443	355,225	4.4%	53,000	-9,070	0	0	\$0.57	\$0.86
SW Tucson/Airport	12,347,242	881,133	9.5%	15,391	217,824	373,811	0	\$0.84	\$0.92
W Outlying Pima County	46,394	0	0	0	0	0	0	0	0
Downtown	4,178,216	163,905	4.3%	-47,204	-963	0	12,500	\$0.74	0
TUCSON TOTALS	51,913,898	2,715,154	5.2%	72,054	80,955	394,711	12,500	\$0.80	\$0.95

KEY LEASE TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6690 South Alvernon Way	SW Tucson/Airport	MicroStar Logistics	114,960	New Lease
6690 South Alvernon Way	SW Tucson/Airport	Microstar Logistics	72,169	New Lease
1440 South Euclid Avenue	Park/Ajo	Ideal Institute Inc.	31,680	New Lease
3480 East Britannia Drive	SW Tucson/Airport	Undisclosed	30,000	New Lease
6221 South Palo Verde Road**	SW Tucson/Airport	Elevate	26,847	New Lease

*Renewals not included in leasing statistics **At least one party represented by Cushman & Wakefield/ PICOR

KEY SALES TRANSACTIONS Q3 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
2701-2731 East Elvira Road	SW Tucson/Airport	Banner Health/The Sason Organization	112,038	\$3.9M / \$34.81
931 South Highland Avenue	Downtown	Kalil Bottling Co/Keurig Dr Pepper Inc	106,704	Undisclosed / Undisclosed
3970 South Evans Road	Park/Ajo	Znarf Llc/The Ninyo Intervivos Trust	11,443	\$1.7M / \$150.75
931 South Highland Avenue	Downtown	Kalil Bottling Co/Keurig Dr Pepper Inc	8,825	Undisclosed / Undisclosed
870 South Campbell Avenue	Downtown	Kenneth Sarnoski/Epstein Construction LLC	5,439	\$500K / \$91.93

KEY CONSTRUCTION COMPLETIONS YTD 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
9000 South Rita Road	Southeast	Raytheon	175,000	State of Arizona
1560 East 17th Street	Downtown	N/A	12,500	Undisclosed

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IND = Industrial OS = Office Service/Flex

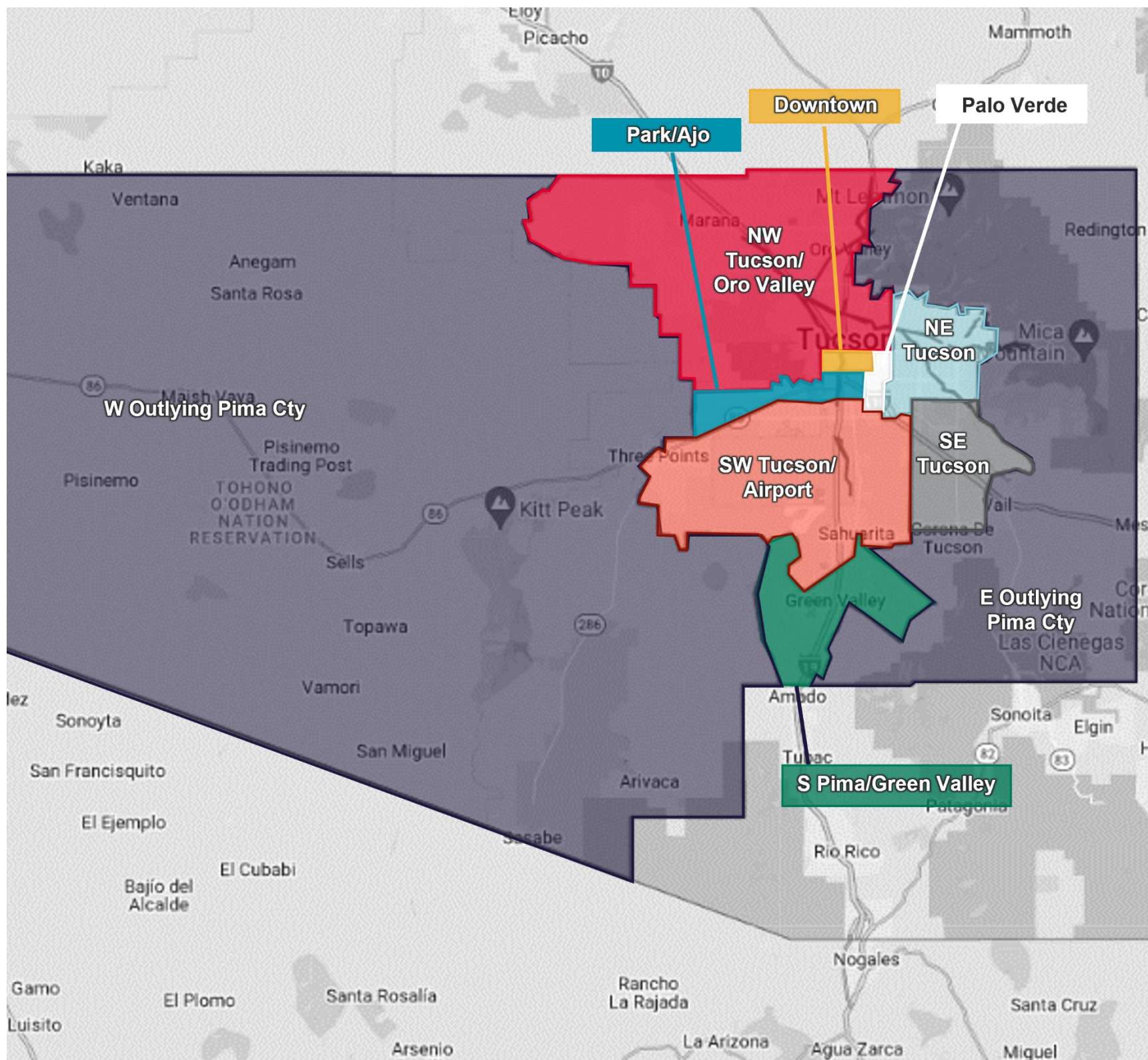
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Source: Costar