



**MARKET FUNDAMENTALS**

	YOY Chg	Outlook
<b>5.4%</b> Vacancy Rate	▲	▲
<b>202K</b> YTD Net Absorption, SF	▼	▲
<b>\$0.81</b> Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	▼

**ECONOMIC INDICATORS**

	YOY Chg	Outlook
<b>407K</b> Tucson Employment	▲	▲
<b>3.5%</b> Tucson Unemployment Rate	▼	▲
<b>4.2%</b> U.S Unemployment Rate <i>Source: BLS</i>	▲	▲

**ECONOMY**

Tucson's Q4 2024 economic landscape demonstrated robust growth, with median household income rising 3.4% year-over-year (YOY) to \$73,300 and the job market expanding to 407,000 nonfarm jobs while unemployment fell to 3.5%. Population growth of 1.3% exceeded the national rate, contributing to a 1.6% rise in household formation. These indicators position Tucson favorably for continued development in 2025.

**SUPPLY & DEMAND**

Tucson's industrial market remains balanced with stable demand primarily driven by the market's affordability. The vacancy rate ticked up nominally from 5.2% in Q3 to 5.4%, largely due to new speculative deliveries and the time required to absorb this new product. Logistics continued to be the primary driver of Tucson industrial demand, while a modest construction pipeline is expected to keep supply-side pressure in check, helping to stabilize vacancies.

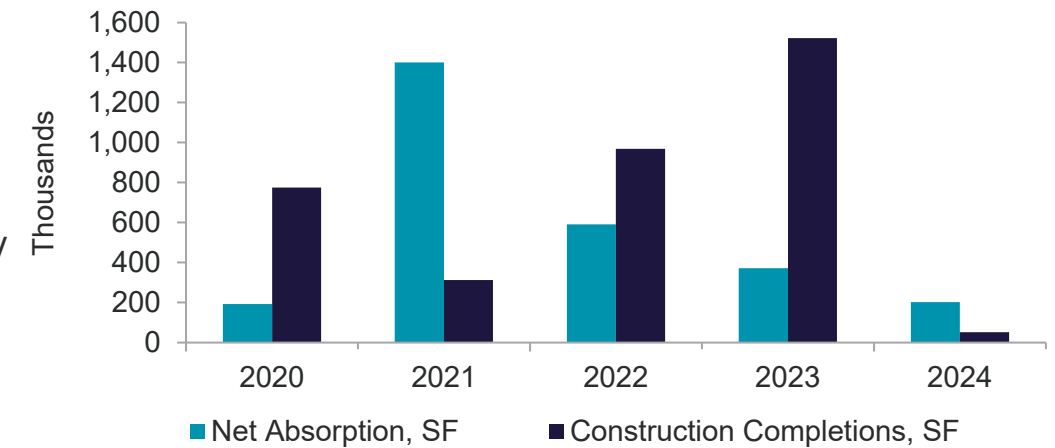
Noteworthy lease transactions this quarter included Alorica, Inc. renewing their lease of 101,436 square feet (sf) at Tucson Commerce Center and Sundt Construction's 32,476 sf lease at the Intuit Building to house a construction office for I-10 interstate reconstruction. Significant sales transactions included an investor purchasing a 49,000 sf warehouse for \$3.6 million in Oro Valley and Friedman Recycling Co. acquiring 44,000 sf for \$3.6 million in Central West Tucson.

Additionally, construction has commenced on two significant projects: TPA has officially broken ground on a 194,879 sf building in Butterfield Logistics Center, and Schnitzer Properties has announced construction on a 146,963 sf distribution and manufacturing facility at Corona Commerce Center—strategically located near the airport—one of Tucson's most active industrial submarkets.

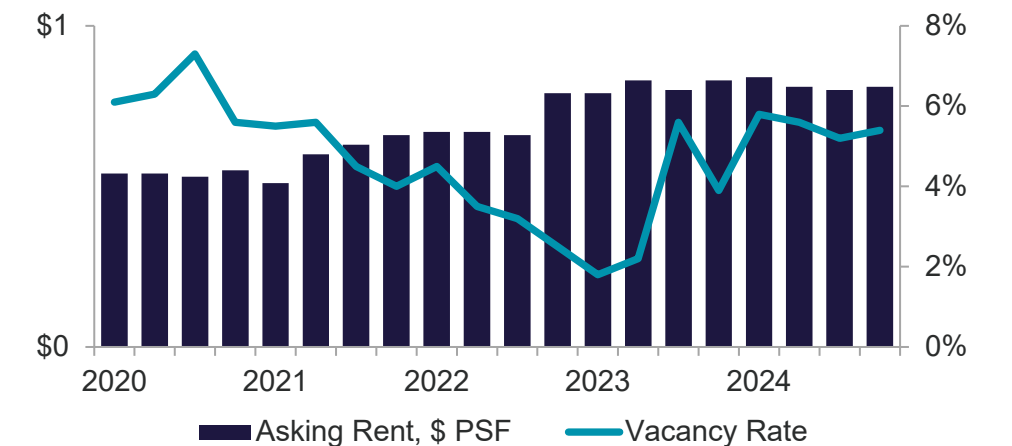
**PRICING**

Investment sales transactions following the \$118 million sale of Tucson Commerce Center in April 2024 have involved primarily local private investors. The most active submarkets are NW Tucson/Oro Valley, Palo Verde, and Southeast Tucson, though overall investment activity has slowed. It remains to be seen if recent interest rate cuts will reactivate this sector. The average price per sf was \$115, with cap rates averaging 7.0%.

**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	2,829,459	49,867	2.7%	14,267	-11,310	0	0	\$0.88	\$0.99
NW Tucson/Oro Valley	11,966,547	1,135,003	11.3%	49,281	-75,199	0	50,000	\$0.89	\$1.16
Palo Verde	6,627,796	129,067	2.8%	-20,950	4,955	20,900	0	\$0.9	\$1.00
Park/Ajo	5,002,087	50,862	2.1%	40,465	23,541	0	0	\$0.87	\$0.93
S Pima/Green Valley	674,620	0	0	0	0	0	0	0	0
Southeast Tucson	8,447,261	348,025	4.9%	7,200	10,320	0	0	\$0.60	\$0.85
SW Tucson/Airport	12,142,320	979,304	9.9%	18,337	236,161	194,879	0	\$0.86	\$0.95
W Outlying Pima County	46,394	0	0	0	0	0	0	0	0
Downtown	4,178,236	132,808	4.1%	12,854	13,941	0	0	\$0.67	0
<b>TUCSON TOTALS</b>	<b>51,933,184</b>	<b>2,824,936</b>	<b>5.4%</b>	<b>121,454</b>	<b>202,409</b>	<b>215,779</b>	<b>50,000</b>	<b>\$0.81</b>	<b>\$0.98</b>

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

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
2900 & 3000 East Elvira Road, 2929 East Corona Road**	SW Tucson / Airport	Alorica, Inc.	101,436	Renewal
2700 East Commerce Center Plaza	SW Tucson / Airport	Sundt Construction	32,476	New Lease
2705 East Medina Road**	SW Tucson / Airport	Kanthal Corporation dba Alleima	17,609	New Lease
3000 East Valencia Road	SW Tucson / Airport	Pima County Recorder's Office	14,902	New Lease
1560 East 17 <sup>th</sup> Street**	Downtown	Undisclosed	12,500	New Lease

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

KEY SALES TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
3929 North Romero Road	NW Tucson / Oro Valley	WAA Investment Holdings, LLC / David Friedman	49,000	\$3.6M / \$73.47
1825 West Prince Street**	Central West	WAA 1825 W. Price, LLC / Friedman Recycling Co.	44,000	\$3.6M / \$81.82
1102-1106 North Anita Avenue	NW Tucson / Oro Valley	Brian Schroeder / Jeannette Zohar Stavropoulos	30,448	\$2M / \$65.68
423-425 North Tucson Boulevard	NW Tucson / Oro Valley	Ross Rulney / HSL Asset Management	8,246	\$1.2M / \$148.56
1855 West Grant Road	Downtown	MAS Ventures I, LLC / John B Adams	7,986	\$1.8M / \$231.66

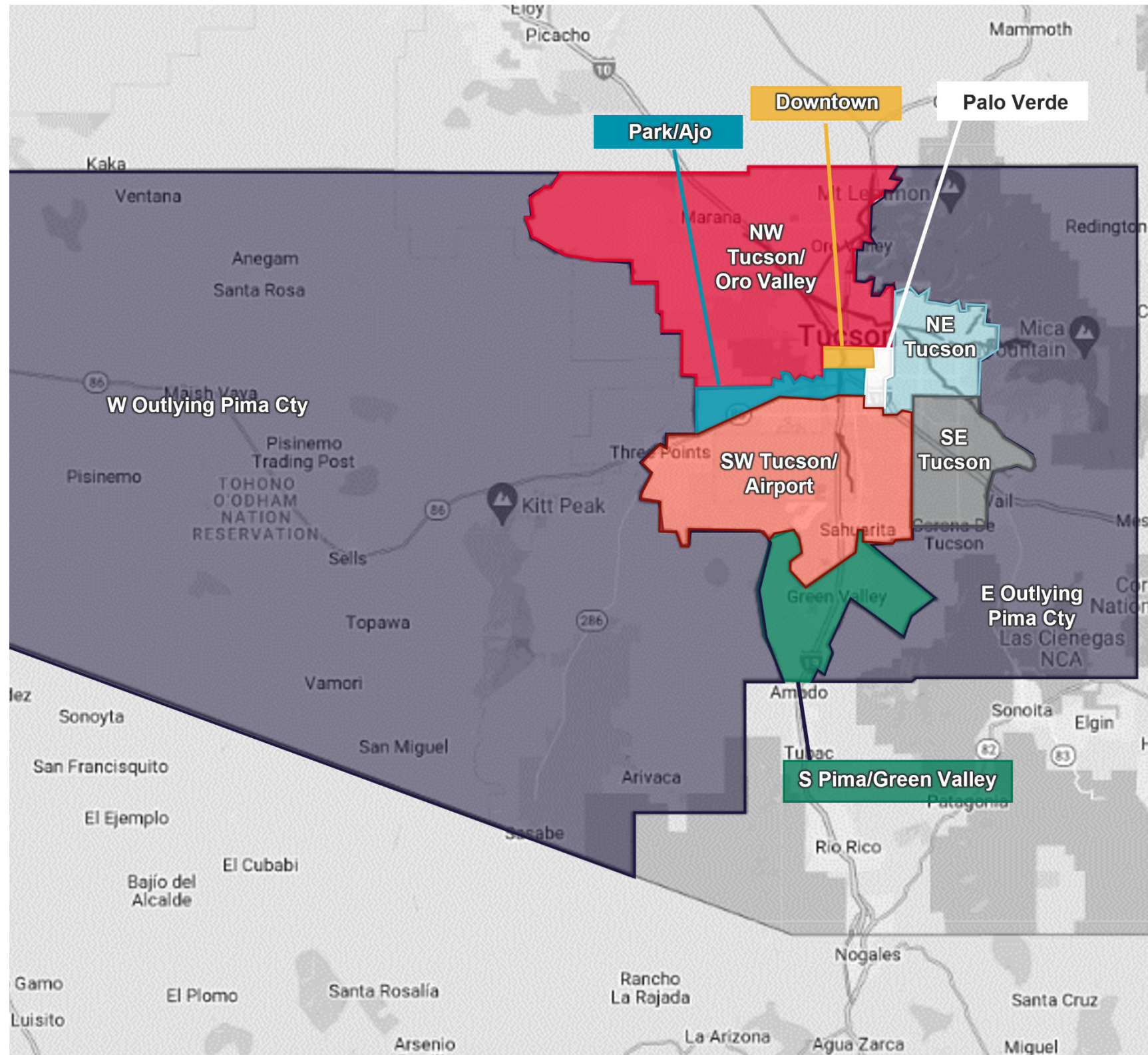
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KEY CONSTRUCTION COMPLETIONS 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
9000 South Rita Road	Southeast	Raytheon	175,000	State of Arizona
3674 North Prince Village Plaza	NW Tucson / Oro Valley	N/A	50,000	N/A



INDUSTRIAL SUBMARKETS



Source: Costar

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