

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.2% Vacancy Rate	▲	▼
-392K YTD Net Absorption, SF	▼	▲
\$24.40 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

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

ECONOMY

Tucson's economic landscape in Q4 2024 showcased robust growth, with median household income rising to \$73,300, a 3.4% year-over-year (YOY) increase that boosted local spending. The job market expanded, reaching 407,000 nonfarm jobs, and the unemployment rate fell to 3.5%, outperforming the national average of 4.2%. Population growth was also notable at 1.3% YOY, exceeding the national rate of 1.0%, which contributed to a 1.6% rise in household formation. Tucson's Q4 2024 economic landscape demonstrated robust growth through rising median household income, expanding job market, and population increase, positioning the city favorably for continued development in 2025.

SUPPLY & DEMAND

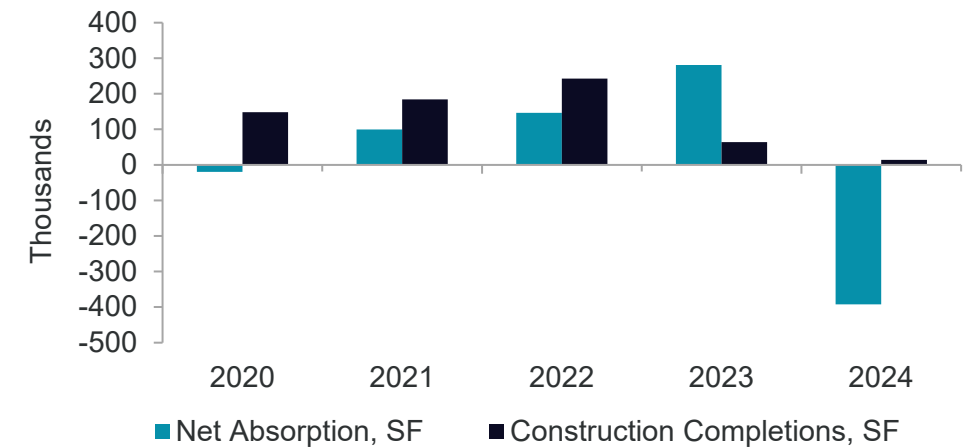
In Q4 2024, Tucson's office market showed stability, maintaining a 10.2% vacancy rate. The year-to-date (YTD) net absorption improved from -433K square feet (sf) in Q3 to -392K sf in Q4, signaling a positive trend in office space utilization. The medical sector led market activity, with notable transactions including Meridian's acquisition of a 95,210 sf former Heart Hospital leased to El Rio, and TMC's purchase of 2.4 acres (104,544 sf) of land. The Pain Institute of Southern Arizona (PISA) also began constructing a 16,137 sf medical office and surgery center in Oro Valley.

Strong leasing demand persists in the Foothills submarket, particularly along the Skyline-Sunrise corridor, and in the southeast's Houghton corridor, both areas with limited office inventory. Downtown Tucson has seen a rebound in office leasing, due to the ongoing revitalization efforts. Tenants are generally seeking reduced footprints during renewals due to remote schedules.

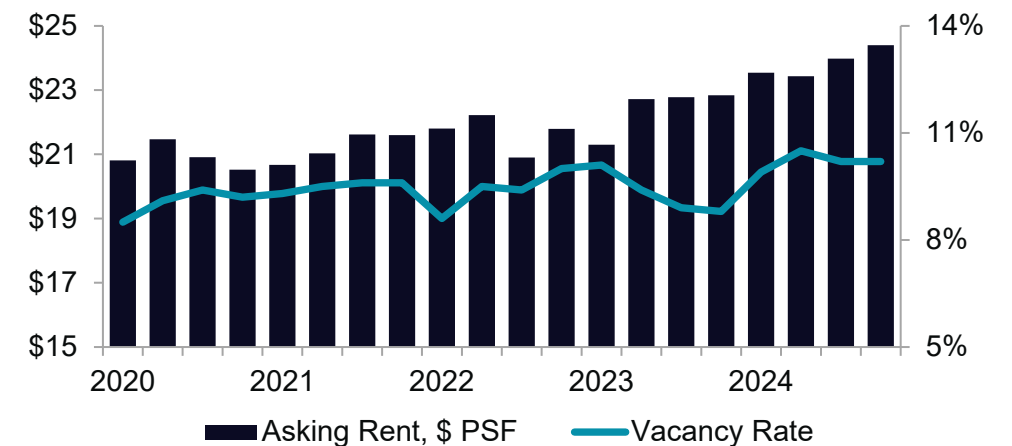
PRICING

Professional office lease rates have shown gradual significant increases, especially in premium submarkets, with the average lease rate reaching \$24.40 per sf. The investment sale market shows modest improvement, driven by the increasing 1031 exchange activity. Pricing trends vary, with larger vacant office buildings offered at discounts while smaller properties under 4,000 sf maintain stronger demand. Vacant former call centers are being repurposed back to industrial use, reflecting evolving market dynamics. The potential for continued interest rate reductions suggests growth in investment and leasing activity in the coming quarters, though owners and investors remain guardedly optimistic in light of national political and economic changes.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKET STATISTICS

SUBMARKET	INVENTORY (SF)	DIRECT VACANT (SF)	SUBLET VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	YTD LEASING ACTIVITY (SF)	UNDER CNSTR (SF)**	OVERALL AVG ASKING RENT (ALL CLASSES)*	OVERALL AVG ASKING RENT (CLASS A)*
Central	10,439,541	1,317,784	21,625	10.8%	-29,826	-179,220	337,172	0	\$26.01	\$28.36
East	1,316,150	229,832	0	14.9%	1,558	16,106	29,547	0	\$21.05	\$20.04
Foothills	1,460,538	111,618	3,487	5.4%	14,467	16,934	55,075	0	\$30.53	0
Green Valley / South	388,615	33,088	0	7.8%	-2,278	-9,572	13,622	0	\$24.50	0
North / Oro Valley	3,851,731	331,029	5,390	7.4%	-3,981	-87,204	138,514	16,137	\$25.76	\$28.04
Northwest	540,778	10,274	0	1.4%	-2,234	5,236	24,715	0	\$21.21	0
Southeast	721,926	200,845	15,833	27.5%	4,650	-55,923	9,300	0	\$18.71	0
Southwest	2,383,788	52,956	0	1.7%	0	18,424	12,087	0	\$30.21	\$31.29
West	1,513,336	246,300	153,368	23.9%	8,856	-71,022	91,785	0	\$20.63	\$18.67
DOWNTOWN TOTALS	6,226,348	185,977	27,642	1.2%	15,193	-46,263	53,843	0	\$25.43	\$27.74
TUCSON TOTALS	28,842,751	2,719,703	227,345	10.2%	6,405	-392,504	765,660	16,137	\$24.40	\$25.69

*Rental rates reflect full service asking

**UC is not reflective of U.S. Office MarketBeat due to revisions after closing

KEY LEASE TRANSACTIONS Q4 2024

PROPERTY	SUBMARKET	TENANT	SF	TYPE
4888 North Stone Avenue**	North/Oro Valley	El Rio Santa Cruz Neighborhood Health	95,210	New Lease
5151 East Broadway Boulevard**	Central	TMC Healthcare, Inc.	21,095	New Lease
2424 North Wyatt Drive **	Central	TMC Holdings, Inc.	11,603	New Lease
2840 -2890 East Skyline Drive**	Foothills	UBS Wealth Management	11,314	Renewal
5151 East Broadway Boulevard**	Central	BFL Construction Co., Inc.	9,061	New Lease

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

KEY SALES TRANSACTIONS Q4 2024

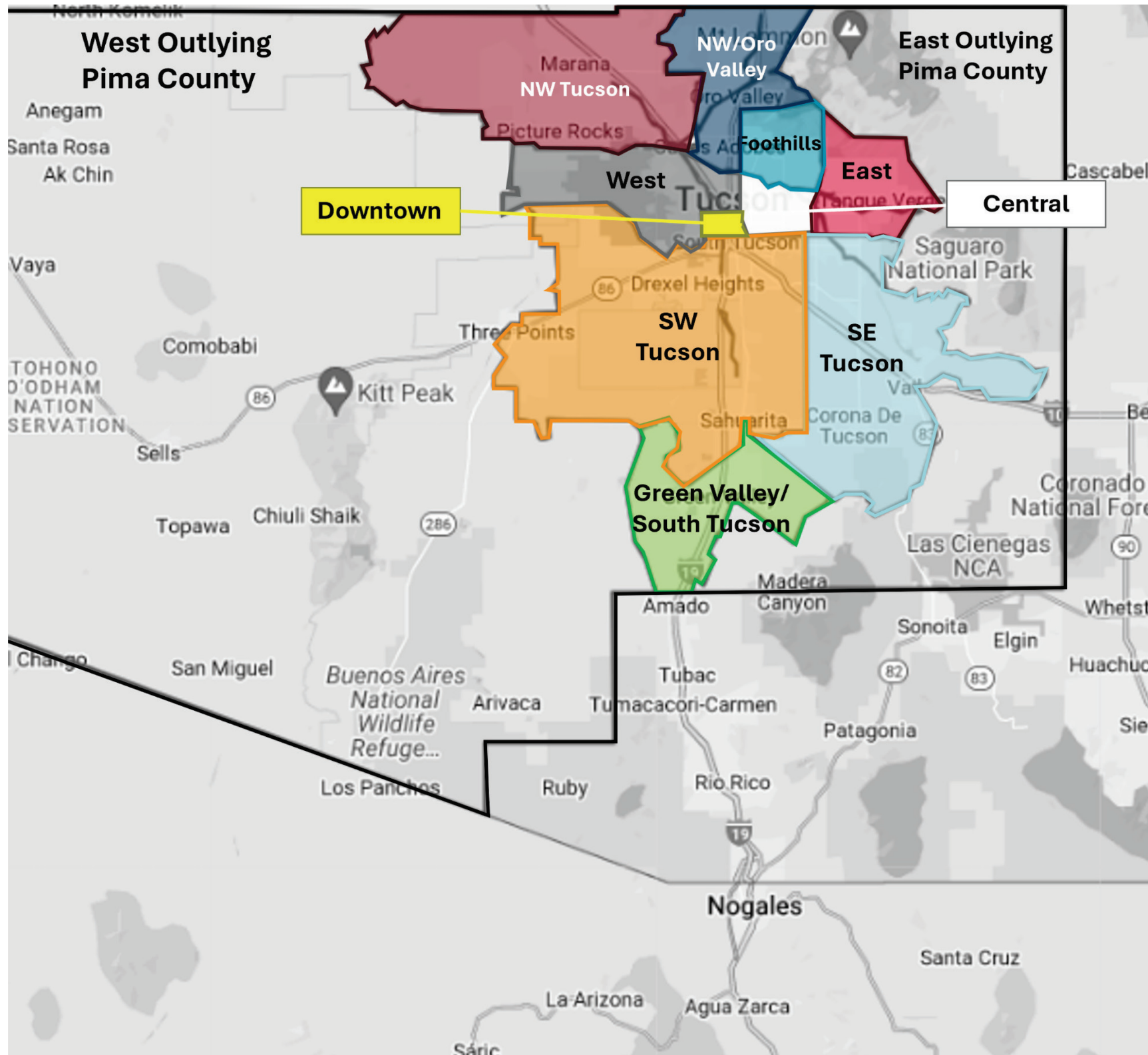
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
10330 East Drexel Road**	Southeast	Houghton Drexel, LLC / TMC Holdings Inc.	104,544	\$3.4M / \$32.52
4888 North Stone Avenue**	North/Oro Valley	Tenet Healthcare / Meridian Property Co	95,210	\$8M / \$84.55
2695 North Craycroft Road**	Central	TMC / UHS LLC	84,029	\$19.25M / \$229.09
3530 East Campo Abierto Way	Foothills	Daryl L Lewis / Undisclosed	14,116	Undisclosed
2802-2810 North Alvernon Way	Central	Mbla Tucson I Llc / Yufang Llc	12,407	\$1.75M / \$141.05

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KEY CONSTRUCTION COMPLETIONS 2024

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
3476 South Kino Road	Southwest	Tucson Medical Center	10,000	Trust No 201817r
4505 West Ina Road	Northwest	Undisclosed	4,000	Primo S R E Investments Inc

OFFICE SUBMARKETS



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Source: Costar