

MARKETBEAT TUCSON

Industrial Q4 2020



CUSHMAN &
WAKEFIELD



PICOR

YoY
Chg

12-Mo.
Forecast

5.6%

Vacancy Rate



193K

Net Absorption, SF



\$0.55

Asking Rent, PSF



Overall, Net Asking Rent

ECONOMIC INDICATORS Q4 2020

YoY
Chg

12-Mo.
Forecast

375.8K

Tucson
Employment



7.9%

Tucson
Unemployment Rate



6.7%

U.S.
Unemployment Rate



Source: BLS

ECONOMY:

As of January 2021, Arizona leads the nation in the rate of new COVID-19 infections. This correlates with many small businesses closing over the last couple of months and increase in unemployment. Unemployment in the State of Arizona and Pima County rose to 7.8% and 7.9% respectively as compared to the U.S. at 6.7%. The highest rate of unemployment is among the younger workforce 16–19-year-olds with 20.1% and 20–24-year-olds with 9.4%. By educational attainment, unemployment is highest amongst those with a bachelor's degree or higher. Arizona has experienced a 3.3% increase in unemployment from last year and Pima County a 3.7% increase during the same time-period. Job gains by industry were greatest in Trade, Transportation & Utilities which added 6,100 jobs, Leisure & Hospitality which added 3,100 jobs, Financial Activities with 1,700 jobs and Construction with 6,000 jobs. The population in the state grew 1.5% in 2020.

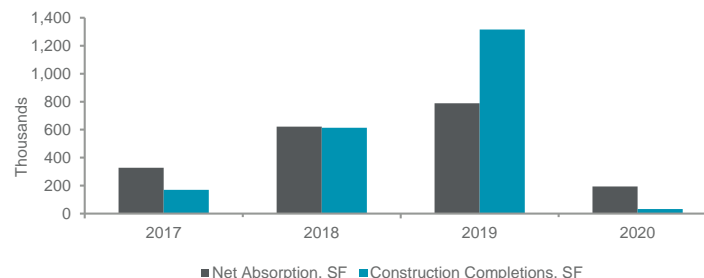
SUPPLY & DEMAND:

Despite the general economic challenges faced by the local economy due to continued COVID-19 restrictions, the Industrial market remained robust throughout the second half of 2020, finishing the year with a strong overall positive net absorption of 192,932 square feet (sf) and a healthy vacancy rate of 5.6%. Leasing and sales activity remained steady across all size categories during Q4 2020, including a notable uptick in activity within the over-100,000 sf logistics segment in particular. Coinciding with the remaining low inventory of larger distribution spaces, two separate developers will be breaking ground in the first part of 2021 on new warehouse/distribution projects near the Airport. Harsch Investment Properties had success in 2020 with the partial lease-up of its new 157,000 sf speculative development near the Airport and recently announced plans to break ground on new 229,000 sf project at Country Club Rd. and Medina Rd. for an early 2022 completion. This will complement developer Benjamin Day's 76,000 sf Daybreak Distribution Center project on Tucson Blvd. near Valencia Rd. that will break ground in mid-February 2021. Investor demand is strong for leased industrial investments, but there is little inventory, as sellers wait for the economy to stabilize. This may be a missed opportunity to sell at the top of the market, as increased federal government debt could drive up interest rates and hurt prices.

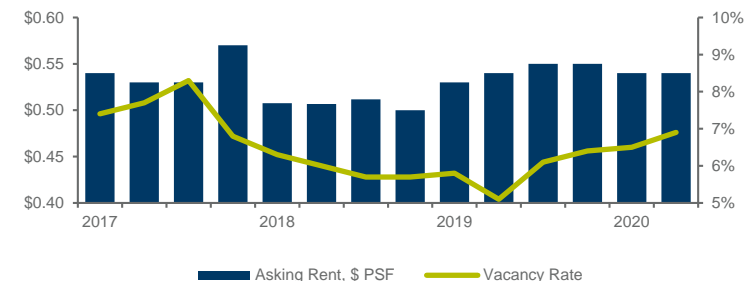
PRICING:

Pricing remained generally steady throughout 2020, with the exception of the Northwest Tucson submarket which saw modest increases. However, in response to increasingly-limited inventory, particularly for higher-quality larger warehouse/distribution space as well as small-bay incubator projects, lease rates are expected to climb throughout 2021. Well-priced properties within the sale market, particularly within the hard-to-find investment property segment, may likely see competing offers due to pent-up buyer demand carrying over from 2020. Corresponding with this, the increasing scarcity of higher-quality available buildings is anticipated to trigger an uptick in general interest for well-located vacant land parcels.

SPACE DEMAND / DELIVERIES



OVERALL VACANCY & ASKING RENT



MARKETBEAT TUCSON



Industrial Q4 2020

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)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Downtown	4,166,343	79,519	1.9%	69,179	26,621	0	0	\$0.00	\$1.50	\$0.58
Northeast	2,848,724	242,786	8.5%	-19,517	-12,594	0	0	\$0.00	\$0.57	\$0.60
Northwest/Oro Valley	9,759,991	379,029	3.9%	-4,182	-160,930	12,237	0	\$0.49	\$0.65	\$0.74
Palo Verde	6,634,229	284,016	4.3%	-148,380	-156,716	0	0	\$0.70	\$0.72	\$0.55
Park/Ajo	3,932,046	103,226	2.6%	299,599	381,606	0	0	\$0.55	\$0.68	\$0.49
South/Green Valley	189,308	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
Southeast	7,180,412	474,344	6.6%	7,780	-79,843	0	0	\$0.00	\$0.88	\$0.75
Southwest/Airport	9,666,499	929,398	9.6%	431,067	194,788	0	0	\$0.40	\$0.70	\$0.46
West Outlying	13,892	0	0.0%	0	0	0	0	\$0.00	\$0.00	\$0.00
TUCSON TOTALS	44,391,444	2,492,318	5.6%	635,546	192,932	12,237	0	\$0.43	\$0.75	\$0.51

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

MF = Manufacturing OS = Office Service/Flex W/D = Warehouse/Distribution

SUBTYPE	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION(SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT
Warehouse / Distribution	22,981,733	1,263,843	5.5%	23,069	-80,734	12,237	0	\$0.51
Manufacturing	11,727,895	479,892	4.1%	501,055	385,217	0	0	\$0.43
Office Service / Flex	9,681,816	748,583	7.7%	111,422	-111,551	0	0	\$0.75

*Does not include renewals

KEY LEASE TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	TENANT	SF	TYPE
6700 South Pella Drive*	Southwest	Undisclosed	237,500	New
2000 East Silverlake Road	Palo Verde	Goodwill Industries of Southern Arizona	25,008	New
2650 East Elvira Road	Southwest/Airport	Edmund Optics, Inc.	21,225	New

*Cushman & Wakefield | PICOR transaction

KEY SALES TRANSACTIONS Q4 2020

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
Arizona Daily Star 4850 South Park Avenue	Park/Ajo	Star Publishing Company & Citizen / AZ Opportunity LLC	220,816	\$3.3M / \$15
7475 East Old Vail Road	Southeast	Americas Best Self Storage LLC / Vault at Old Vail Road LLC	41,280	\$3.2M / \$78
4475 South Coach Drive	Palo Verde	Archway Development / Tucson AZ IV SGF LLC	15,000	\$5.3M / \$354
4875 North Shamrock Place	Northwest/Oro Valley	Shamrock 3 LLC / Shamrock 4875 LLC	10,140	\$975K / \$96

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