

# MARKETBEAT TUCSON

## Industrial Q1 2023



YoY  
Chg

12-Mo.  
Forecast

**1.8%**

Vacancy Rate



**597K**

YTD Net Absorption, SF



**\$0.79**

Asking Rent, PSF



Overall, Net Asking Rent

### ECONOMIC INDICATORS Q1 2023

YoY  
Chg

12-Mo.  
Forecast

**398.4K**

Tucson  
Employment



**3.9%**

Tucson  
Unemployment Rate



**3.5%**

U.S.  
Unemployment Rate



Source: BLS

### ECONOMY

In the first quarter of 2023, the US economy demonstrated higher than expected job growth. With robust hiring each month, somewhat tempered in March at 236,000 jobs, the labor market showed remarkable resilience. Job growth in a tight labor market is expected to drive the next interest rate hike from 25 to 50 basis points. Focusing on Arizona and the Tucson MSA, upward revisions in employment data for 2021 and 2022 reflected a healthy regional economy. Tucson's nonfarm employment rose from 392,500 in Q1 2022 to 398,400 in Q1 2023, while the unemployment rate increased from 3.4% to 3.9%. The consumer price index dropped for an eighth straight month to 5.7, and Tucson's outlook remained positive, with median household income up 3.6% year-over-year and population growth at a steady pace.

### SUPPLY AND DEMAND:

During the first quarter, the Tucson industrial market registered a record-breaking low vacancy rate of 1.8%, while overall absorption reached 597,391 square feet (sf). This trend is not new as Tucson's supply continues to fall behind the demand, exacerbated by a 50% increase in construction costs over the past year. Consequently, lease rates and terms have been steadily increasing.

New manufacturing activity in the market is robust, with all submarkets performing equally well. However, areas located on the city's outskirts, such as Rita Ranch, Kolb/Valencia, Tucson International Airport, and Tangerine/I-10, have yielded heightened construction activity. Notable construction activity includes 946,935 sf at Southern Arizona Logistics Center in the NW Tucson/Oro Valley submarket 786,240 sf at Tucson Commerce Center in the SW Tucson Airport submarket, along with 187,452 sf in the Southeast Tucson submarket that broke ground in March.

In terms of major transactions in the market, Chrome Hearts purchased a 116,898 sf building in Southeast Tucson. Winston Water Cooler purchased a 46,709 sf building in SW Tucson/Airport submarket. MicroStar signed a lease of 140,000 sf building in the Palo Verde submarket, and Pima County leased a 65,250 sf in the SW Tucson/Airport submarket. However, most user sales remained below 15,000 sf, likely due to a lack of available inventory.

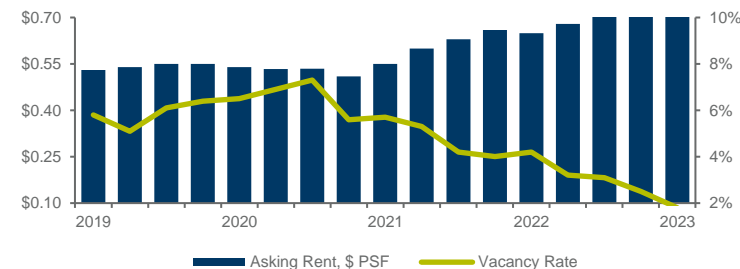
### PRICING:

Pricing for existing buildings has been on the rise, with prices reaching an unprecedented \$100 per square foot (psf) due to low availability and high construction costs. Despite these market forces, the industrial market in Tucson continues to perform well, with healthy tenants, increasing rental rates, and low occupancy. Investment in industrial properties remains strong, and the market outlook for Q2 is promising.

### SPACE DEMAND / DELIVERIES



### OVERALL VACANCY & ASKING RENT



# MARKETBEAT TUCSON

## Industrial Q1 2023



### 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 Tucson	4,139,406	38,280	3%	-46,438	-46,438	0	0	\$0.69	\$1.33	\$1.02
Northeast Tucson	2,772,586	124,171	4.5%	-13,874	-13,874	0	0	\$0.81	\$0.74	\$0.83
NW Tucson/Oro Valley	10,553,114	297,815	3.5%	78,977	78,977	1793475	0	\$0.81	\$0.99	\$0.54
Palo Verde	6,437,360	41,155	1.9%	192,257	192,257	0	0	N/A	\$0.69	\$0.83
Park/Ajo	4,049,195	38,889	1%	48,724	48,724	0	0	\$0.70	\$0.93	\$0.91
South Pima/Green Valley	204,538	0	0%	0	0	0	0	N/A	\$0.00	N/A
Southeast Tucson	7,106,067	12,874	20%	180,242	180,242	0	0	N/A	N/A	\$0.90
SW Tucson Airport	10,044,734	260,402	3.4%	157,503	157,503	846,606	0	N/A	\$0.78	\$0.71
<b>TUCSON TOTALS</b>	<b>45,307,000</b>	<b>813,586</b>	<b>1.8%</b>	<b>597,391</b>	<b>597,391</b>	<b>2,640,081</b>	<b>0</b>	<b>\$0.71</b>	<b>\$0.84</b>	<b>\$0.73</b>

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

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

### KEY LEASE TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3610 East Valencia Road**	Southwest Tucson/Airport	Undisclosed	216,775	New Lease
5120 South Julian Drive**	Palo Verde	MicroStar Logistics, LLC	140,000	New Lease
1150 West Drexel Road**	Southwest Tucson/Airport	Pima County	65,250	New Lease
6161 South Palo Verde Road**	Southwest Tucson/Airport	Cactus Portable Storage, LLC	64,303	New Lease
3440 East Britannia Drive**	Southwest Tucson/Airport	Goodwill	26,691	New Lease

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

### KEY SALES TRANSACTIONS Q1 2023

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
8500 South Rita Road**	Southeast Tucson	Mithril Real Property Inc/Chrome Hearts	116,898	\$13M/\$111.21
2425 East Medina Road**	Southwest Tucson/Airport	Michael & Karen Sharp/Zane Butter	46,709	\$3.5M/\$74.29
1701 West Grant Road	Northwest Tucson/Oro Valley	STORE Capital Corporation/GIC Real Estate	18,834	N/A N/A

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

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