



MARKET FUNDAMENTALS

	YOY Chg	Outlook
6.6% Vacancy Rate	▲	▲
-413K YTD Net Absorption SF	▼	▲
\$0.83 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	▲

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
398k Tucson Employment	▲	▲
4.2% Tucson Unemployment Rate	▲	▲
4.3% U.S. Unemployment Rate	▲	▲

Source: BLS

ECONOMY

Tucson's economy remained stable through Q3 2025. Median household income rose to \$74,000, up 3.2% year-over-year (YOY), supporting local spending and demand. Nonfarm employment reached 398,100 jobs, reflecting steady hiring, while the unemployment rate moved up to 4.2%. Populating growth moderated to 0.6% YOY but continues to exceed the national average, underpinning housing and service sector activity. Despite a softer national economic backdrop marked by elevated interest rates and persistent inflation, Tucson's growing incomes, resilient job market, and ongoing household formation continue to provide a foundation for positive momentum as the region moves toward year-end.

SUPPLY & DEMAND

Tucson's industrial market remained firm in Q3 2025, though vacancy edged up slightly to 6.6%. Construction activity stayed active with 906,855 square feet (sf) underway, primarily concentrated in the Airport submarket, which continues to lead leasing. Despite new development, demand across traditional industrial sectors remains healthy, while clean energy users have slowed. Top leases this quarter included Werner Aero with 30,000 sf at 845 East Ohio Street, Stevens Equipment Supply with 24,822 sf, and Lennox Industries Inc. with 11,166 sf - reinforcing steady absorption in established submarkets. No major construction completions occurred during the quarter, but speculative projects are expected to add vacancy as they deliver through early 2026. Leasing and user demand prevailed, strongest in the Airport and Northwest submarkets. E-commerce and logistics users maintained moderate growth, supported by a healthy pipeline expected to meet local distribution and warehouse needs. Nearshoring discussions persisted but have yet to yield commitments. User and investor sales activity show solid fundamentals but face supply challenges, putting downward pressure on volumes.

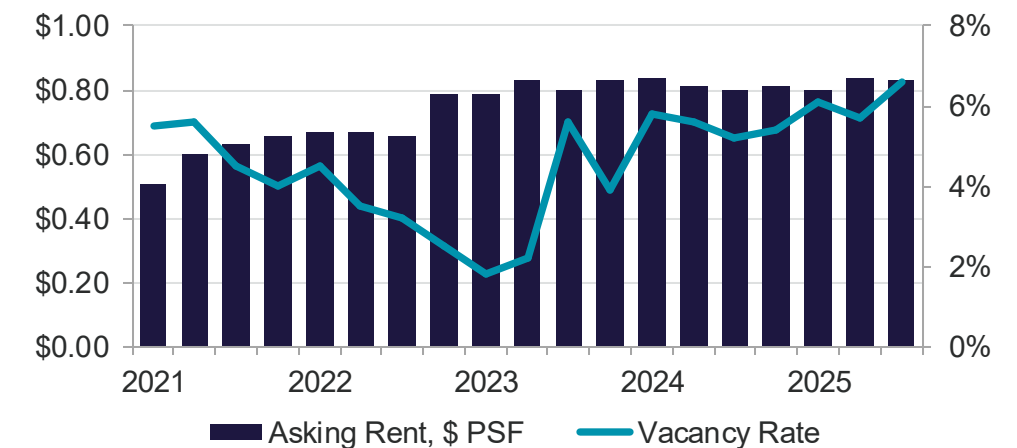
PRICING

Average asking rents held at \$0.83 per square foot (psf) per month, consistent with Q2 as developers balanced cost pressures against tempered demand. Construction pricing fluctuated month to month with volatile material and labor costs. High interest rates and cautious underwriting continue to challenge pricing and deal structures, but limited supply of quality assets supports firm valuations and longer lease terms. Single-tenant buildings with yard space remain highly sought after, bolstering rent stability.

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)	YTD 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	2,861,277	39,296	2.7%	35,091	48,242	0	24,984	\$0.86	\$0.79
NW Tucson/Oro Valley	12,234,993	1,292,838	12.6%	-54,708	-97,504	0	0	\$0.87	\$1.01
Palo Verde	6,905,518	360,380	6.5%	-6,982	-172,350	194,879	20,900	\$0.95	\$1.04
Park/Ajo	4,228,986	64,309	2.8%	7,418	-758	0	0	\$0.91	\$0.77
S Pima/Green Valley	674,620	0	0	0	0	0	0	0	0
Southeast Tucson	8,176,130	572,134	9.7%	-402,662	-297,643	0	0	\$0.58	0
SW Tucson/Airport	12,352,677	1,033,328	9.6%	115,539	6,308	711,976	0	\$0.81	\$0.79
W Outlying Pima County	46,894	0	0	0	0	0	0	0	0
Downtown	4,152,705	44,976	2.3%	2,161	100,519	0	0	\$0.83	0
TUCSON TOTALS	51,652,264	3,407,261	6.6%	-304,143	-413,186	906,855	45,884	\$0.83	\$0.88

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

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
845 East Ohio Street*	Park/Ajo	Werner Aero	30,000	New Lease
2717 East Corona Road	SW Tucson/Airport	Stevens Equipment Supply	24,822	New Lease
3925-3951 North Benan Venture Drive*	NW Tucson/Oro Valley	Lennox Industries Inc.	11,166	Renewal
3191 East 44 th Street	Palo Verde	Capital Pump	10,678	New Lease
2425 North Huachuca Drive	NW Tucson/Oro Valley	Casitas Co	9,450	New Lease

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

KEY SALES TRANSACTIONS Q3 2025

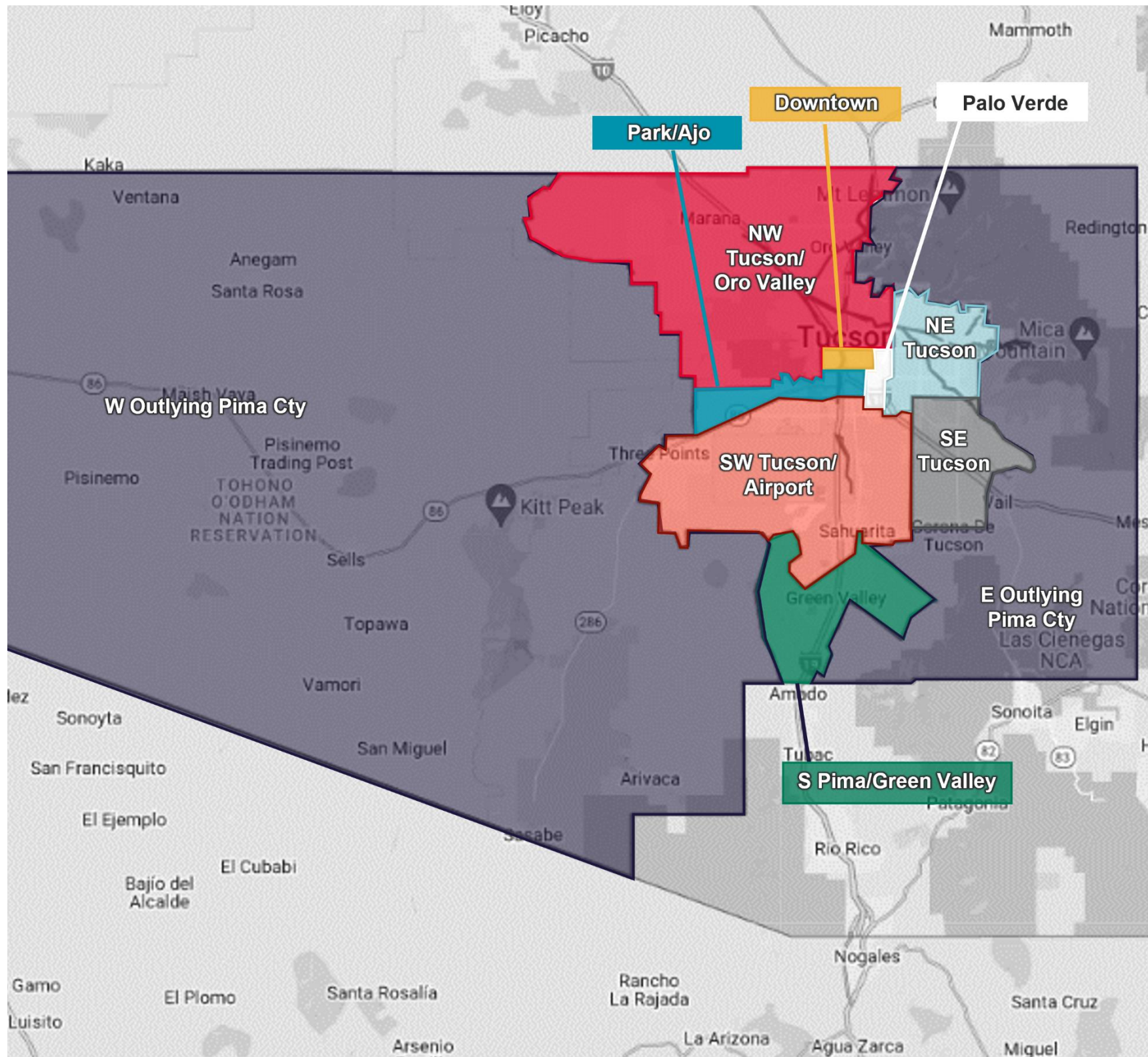
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
3780 East Valencia Road*	SW Tucson/Airport	Bridge Investment Group / Apollo Global Management	259,279	\$1.35B
6690 South Alvernon Way*	SW Tucson/Airport	Bridge Investment Group / Apollo Global Management	244,889	\$1.35B
1665-1700 East 18 th Street	Downtown	Debell Investments LLC / SBC Investors LLC	86,900	\$8.7M / \$100.23
600 West 25 th Street	Park/Ajo	Atkinson Donald R Jr / ZN Holding LLC	38,429	\$1.6M / \$43.00
9608 East Old Vail Road	Southeast	CF Beam Me Up LLC / Aphorio Carter	14,427	\$8M / \$560.06

* Part of a Property Portfolio

KEY CONSTRUCTION COMPLETIONS YTD 2025

PROPERTY	SUBMARKET	Major Tenant	SF	Owner/Developer
4785 East Valencia Road	Northeast	Mueller, Inc.	24,984	Mueller Supply Company Inc
4736 South Butterfield Drive	Palo Verde	Avanti	20,900	Butterfield 35, LLC

INDUSTRIAL SUBMARKETS



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Source: Costar