

MARKET FUNDAMENTALS

	YOY Chg	Outlook
10.2% Vacancy Rate	▲	▬
-18K YTD Net Absorption, SF	▲	▬
\$24.28 Asking Rent, PSF <i>(Overall, All Property Classes)</i>	▲	▬

ECONOMIC INDICATORS

	YOY Chg	Outlook
398K Tucson Employment	▲	▲
4.2% Tucson Unemployment Rate	▲	▲
4.3% U.S. Unemployment Rate <i>Source: BLS</i>	▲	▲

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

In Q3 2025, Tucson's office market concluded the quarter with an overall vacancy rate of 10.2%, reflecting stable conditions. Healthcare remained the primary demand driver, with Tucson Medical Center (TMC) accounting for two of the quarter's largest lease transactions. TMC's activity included new leases supporting cancer care and other medical services, underscoring the sector's ongoing role as the leading source of office absorption. Medical leases included 77,971 square feet (sf) at 1400 North Wilmot Road and 30,757 sf at 603 North Wilmot Road.

Submarket dynamics varied. The Foothills and Northwest Tucson continued to demonstrate strong performances, with limited availability contributing to sustained demand. Downtown Tucson, by contrast, experienced relatively stable occupancy with modest leasing momentum. Suburban areas near healthcare hubs demonstrated resilience and remained attractive to medical users. Construction activity was limited, as the abundance of available space reduced the need for speculative projects.

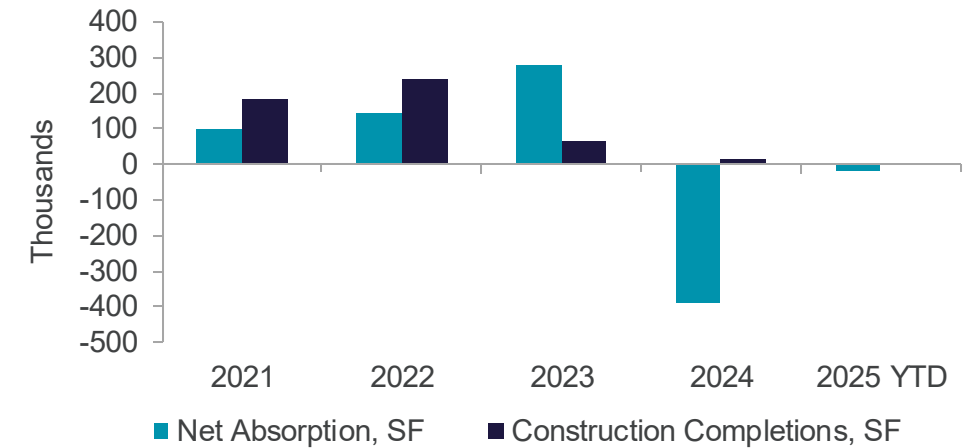
PRICING

Average lease rates remained consistent at \$24.28 per square foot (psf), with tenant demand continuing to focus on well-located and smaller suites. In comparison, larger contiguous blocks of space are experiencing slower activity. Class A average lease rates were slightly higher at \$25.15 psf.

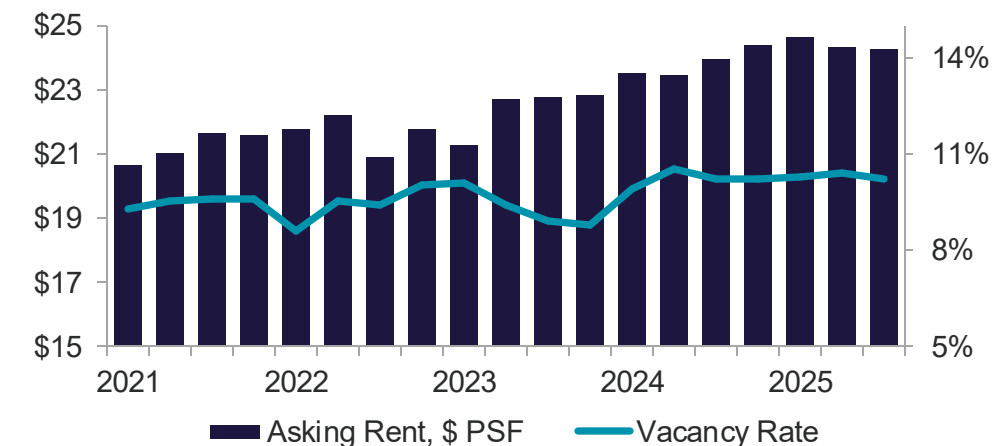
Sales activity was limited as investors remain selective. Transaction volume slowed as high construction and financing costs kept many buyers on the sidelines, with only value-add opportunities attracting interest. 5320 North La Cholla Boulevard was the most notable sale at \$1,134.56 psf.

The cost of new construction continues to be a barrier to new projects. Instead, adaptive reuse has become a trend: former call center spaces are increasingly being repurposed for industrial use, reflecting a persistent lack of demand in that segment. Looking ahead, a potential decline in interest rates may improve office investment activity, although no significant near-term absorption gains are expected.

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	10,205,843	1,240,807	41,688	10.8%	20,690	63,673	217,313	0	\$24.15	\$26.94
East	1,304,126	209,265	0	16.1%	129	-7,143	15,954	0	\$20.30	\$20.73
Foothills	1,463,857	91,530	0	4.3%	44,314	27,295	87,534	0	\$30.79	\$21.73
Green Valley / South	396,791	35,342	0	6.8%	2,514	266	962	0	\$27.02	0
North / Oro Valley	3,842,079	320,305	35,801	7.9%	32,254	5,260	82,090	19,379	\$21.63	\$25.36
Northwest	540,756	13,816	0	1.5%	18,460	-1,022	1,635	0	\$27.87	0
Southeast	739,534	201,498	0	24.6%	2,107	22,700	1,454	0	\$19.77	\$30.97
Southwest	2,444,602	152,956	0	4.5%	-89,827	-97,480	0	0	\$28.00	\$28.98
West	1,432,364	329,230	18,812	23.2%	26,758	5,677	70,503	3,788	\$19.24	\$19.32
DOWNTOWN TOTALS	6,375,320	198,420	28,162	2.3%	2,061	-36,854	30,890	0	\$24.01	\$26.99
TUCSON TOTALS	28,745,272	2,793,169	124,463	10.2%	59,460	-17,628	508,335	23,167	\$24.28	\$25.13

KEY LEASE TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	TENANT	SF	TYPE
1400 North Wilmot Road*	Central	TMC Healthcare	77,971	New Lease
603 North Wilmot Road*	Central	TMC Health Cancer Center	30,757	New Lease
6400 East Grant Road*	Central	Broadpath, LLC	15,259	New Lease
2221 North Rosemont Boulevard*	Central	Handmaker Jewish Services for the Aging	12,609	New Lease
1620 West St. Mary's Road*	Central	AOR Management Company of Arizona Oncology	11,036	Renewal

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

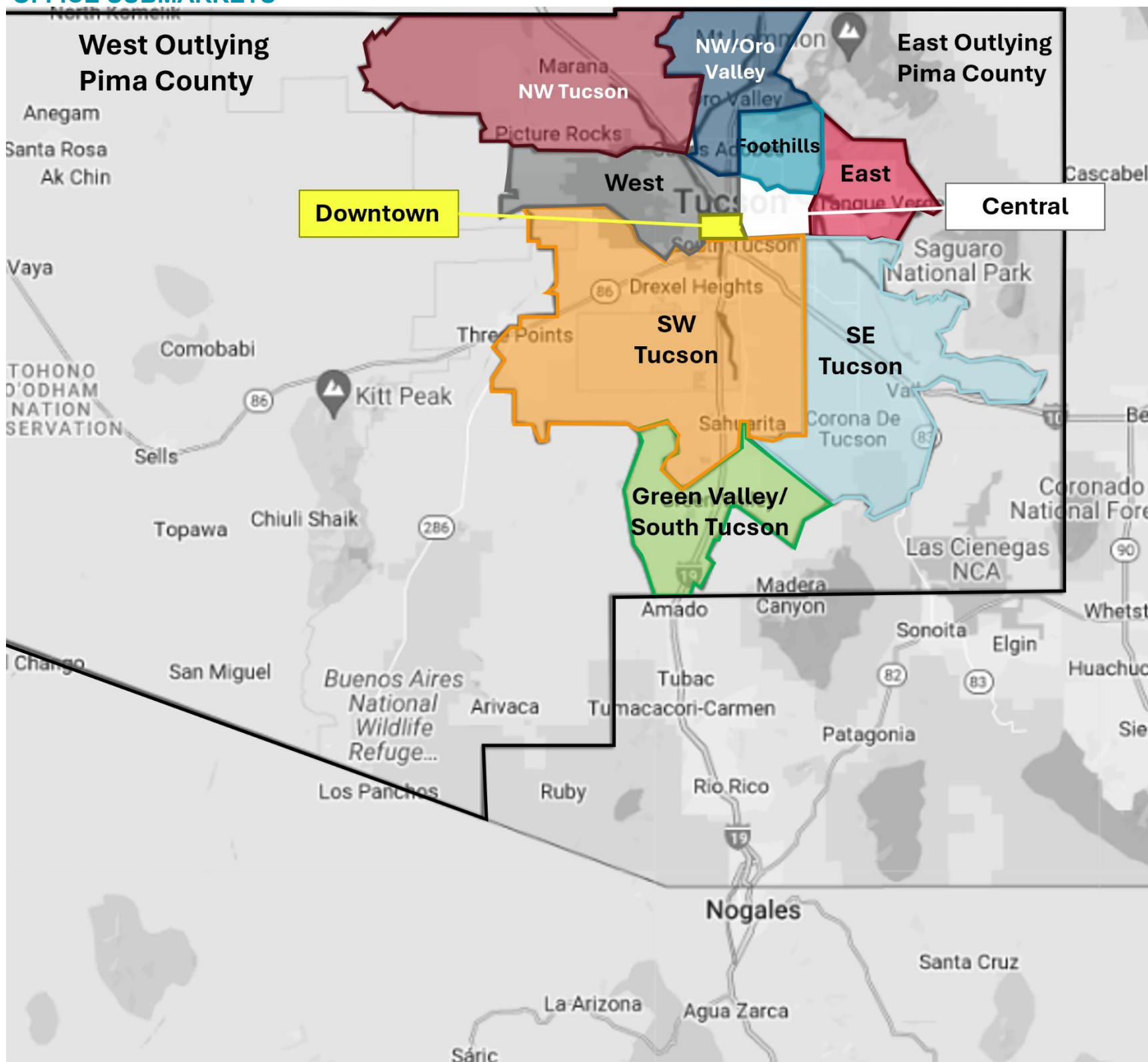
KEY SALES TRANSACTIONS Q3 2025

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
5320 North La Cholla Boulevard	North / Oro Valley	5230 North La Cholla LLC / Alabama Project LLC	55,244	\$7.4M / \$134.56
5320 North La Cholla Boulevard	North / Oro Valley	HSL Asset Management / Project LLC	55,244	\$7.4M / \$134.56
2096 North Kolb Road**	East	Thomas D Toole / Theracare PLLC	11,480	\$3.5M / \$136.32
2090 North Kolb Road**	East	Thomas D Toole / Theracare PLLC	10,140	\$3.5M / \$136.32
170 North La Canada Drive*	Green Valley/South	Green Walley Professional Canter LLC / Yuhui LLC	9,012	\$912K / \$101.25

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

**Part of a 2 Property Portfolio

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