

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
\$79.2K Median HH Income	▲	▲
0.2% Population Growth	▲	▲
5.0% Unemployment Rate	▲	▼

Source: BLS

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
1.6% GDP Growth	▼	▲
1.5% Consumer Spending Growth	▼	▲
1.0% Retail Sales Growth	▼	—

Source: BEA, Census Bureau

ECONOMY

Tucson's economy continued to expand modestly in the third quarter (Q3) of 2026, though the signals were mixed. Unemployment rose to 5.0% from 4.3% a year ago, above both the U.S. (4.2%) and Phoenix (4.4%). This can be read as a softening labor market, or as an expanding labor force drawing more residents into the job search. Household fundamentals were stronger. Median household income rose 4.8% to \$79,200, outpacing national growth of 3.9%, and household formation grew 0.9% to 457,000, nearly double the U.S. rate. Incomes still trail the national median of \$88,400 by about 10%. That gap is a constraint, but it also points to relative affordability and rent headroom, which supports multifamily and value-oriented retail demand. Moody's Analytics expects unemployment to ease toward 4.5% by Q3 2027. The main headwind remains financing: the 10-year Treasury rose to 4.64% from 4.26% a year ago.

SUPPLY OR DEMAND

In Q3 2026, Tucson's retail market softened slightly with vacancy rising to 5.6%, from 5.3% in Q2. Despite the increase, vacancy remained below year-ago levels (6.0% in Q3 2025), while year-to-date absorption reached 131,155 square feet (sf), approaching the 141,596 sf recorded for all of 2025.

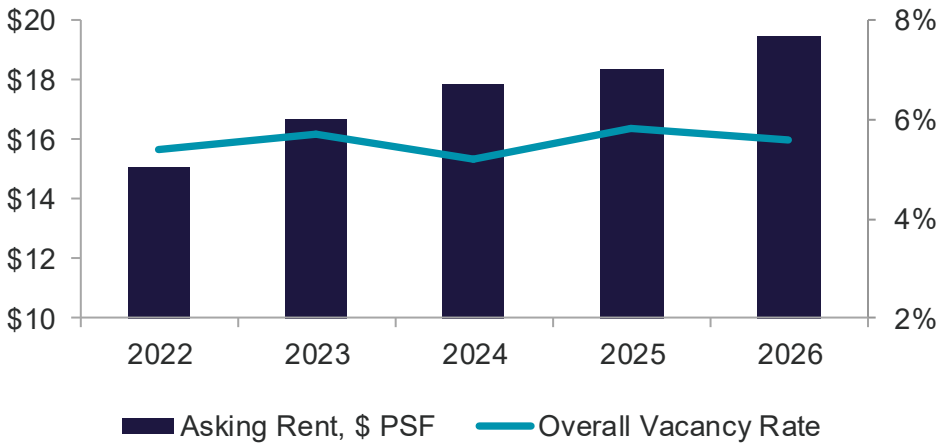
Demand was driven by fitness, discount retailers, and experiential concepts, including Urban Air Adventure Park and Just Between Friends. Notable leasing activity included 29,627 sf lease at ABC Broadway/Kolb Center, alongside expansion by value-oriented retailers and entertainment users. New construction remained limited, with 257,061 sf under construction across the market. Nearly all preleased, reflecting developers' focus on build-to-suit and tenant-backed projects. Notable projects included 23,463 sf Trader Joe's project at 2120 E. Broadway Blvd.

PRICING

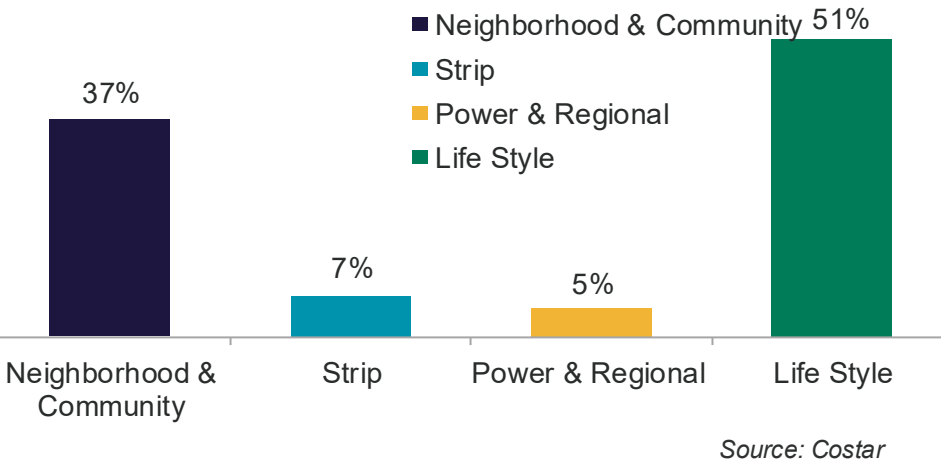
Average asking rents reached \$19.44 per square foot (psf) NNN, after \$18.32 NNN in Q2, reflecting continued pricing strength amid limited new supply. Premium areas, like the Foothills and Oro Valley, continued to command higher rents, while older neighborhood and strip centers faced greater vacancy and pressure to offer concessions. Although rent growth remained strong, it is expected to moderate in 2027 based on BEA, Census Bureau.

Retail investment activity remained elevated, supported by demand for single-tenant net-lease properties and stable, income-producing assets. Average property values rose approximately 8% since the beginning of the year, while cap rates compressed to roughly 7.6% from 7.9% at year-end 2025. Notable transactions included the sale of the \$6.1 million investment sale, a 153,511 sf property at 5850 E. Broadway Blvd., to Bourn Companies. Private investors drove most activity, with little new construction in the pipeline, demand for existing, well-located retail centers should remain firm heading into 2027.

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)	UNDER CNSTR (SF)	OVERALL AVG ASKING RENT (NNN)*
Central East	8,571,960	710,380	17,787	8.8%	30,136	-30,334	1,768	\$12.10
Central West	7,277,454	215,176	2,031	3.5%	27,968	180,225	0	\$16.08
East	9,997,031	1,061,434	0	10.8%	-47,955	-260,560	0	\$15.52
Foothills	5,961,727	130,281	2,500	3.3%	-33,584	-45,152	102,511	\$20.25
North/Oro Valley	2,710,292	268,372	4,000	10.3%	72,065	113,231	60,280	\$25.25
Northeast	323,385	19,339	0	6.8%	1,400	1,504	2,887	\$24.51
Northwest	4,606,600	152,445	0	4.1%	42,640	-6,368	21,603	\$19.66
South	7,368,362	350,579	15,760	6.0%	223,208	148,501	2,761	\$12.71
South/SW Outlying	1,894,031	44,327	0	3.2%	15,732	16,757	8,310	\$18.75
Southeast	1,904,579	28,913	0	2.7%	8,075	13,409	45,279	\$34.32
Southwest	3,121,704	49,749	11,800	2.9%	-2,830	200	11,662	\$19.47
West	893,313	19,160	0	3.0%	3,467	2,546	0	\$17.30
DOWNTOWN TOTALS	1,808,031	125,505	0	7.4%	-12,902	-2,804	0	\$16.74
TUCSON TOTALS	56,438,469	3,175,660	53,878	5.6%	327,420	131,155	257,061	\$19.44

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
7125 East Broadway Boulevard	East	Urban Air Adventure Park	29,627	New Lease
2520 South Harrison Road*	East	Just Between Friends Tucson	26,500	New Lease
4080-4180 West Ina Road	Northwest	Undisclosed	25,088	New Lease
1802 South Craycroft Road	South	Undisclosed	16,000	New Lease
7625 North La Cholla Boulevard	Foothills	Fiery Crab Seafood & Bar Restaurant	11,638	New Lease

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

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE / \$ PSF
5850 East Broadway Boulevard**	East	Walker, Arthur W. / Bourn Companies	153,511	\$211M / \$640.91
5255 East Broadway Boulevard**	Central East	Sunbelt Investment Holdings, Inc. / WinCo Foods	130,000	\$54.3M / \$204.98
625 West Auto Mall Drive	Central West	Watson Chevrolet / Courtesy Chevrolet	115,707	\$200K / \$1.62
8360 North Thornydale Road	Northwest	OJALA Holdings / NETSREIT Corp	51,352	\$2.3M / \$19.51
3959-3979 North Oracle Road	Central West	Red Mountain Group / Evelyn M Abbott	29,720	\$16M / \$341.43

**Part of a property portfolio

KEY CONSTRUCTION COMPLETIONS 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER / DEVELOPER
1500 East Tucson Marketplace Boulevard	South	Bass Pro Shops	100,974	Undisclosed
2120 East Broadway Boulevard	Central	Trader Joe's	23,463	Undisclosed
3105 North Campbell Avenue	Central	Shake Shack	14,877	Jennifer Whitman / Campbell Hedrick Associated Developers, LLC

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