

MARKET FUNDAMENTALS

	YOY Chg	Outlook
7.4% Vacancy Rate	▲	▬
446K YTD Net Absorption, SF	▲	▼
\$21.84 Asking Rent, PSF (Overall, All Property Classes)	▬	▬

ECONOMIC INDICATORS

	YOY Chg	12-Month Forecast
405K Tucson Employment	▲	▲
5.0% Tucson Unemployment Rate	▲	▼
4.2% U.S. Unemployment Rate	▼	▲

Source: BLS
Q3 2026

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%. 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 & DEMAND

In Q3 2026, Tucson's office market continued to improve, with vacancy declining to 7.4% and year-to-date net absorption reaching 446,969 Square Feet (SF). Medical office demand remained strong, supporting continued leasing activity across the market. Lease rates generally remained in the low \$20s Per Square Foot (PSF).

Healthcare users continued to drive leasing activity, with TMC Health leasing a total of 20,685 SF at 2424 N. Wyatt Drive for its urology and cardiology services. The Northwest submarket remained in high demand. Downtown also showed signs of improvement, with a new 6,000 sf lease signed during the quarter following limited activity in recent quarters.

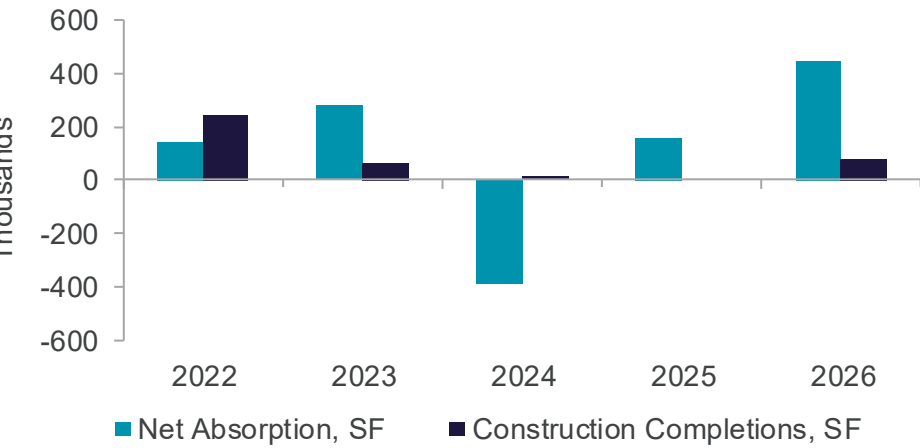
Development activity included the completion of Pain Institute of Southern Arizona's Northwest/Oro Valley location. New medical development remains challenging as construction costs continue to rise, with office-to-medical conversions costing approximately \$100 PSF. Limited existing building availability in Oro Valley is prompting some healthcare users to consider land purchases for new construction.

PRICING

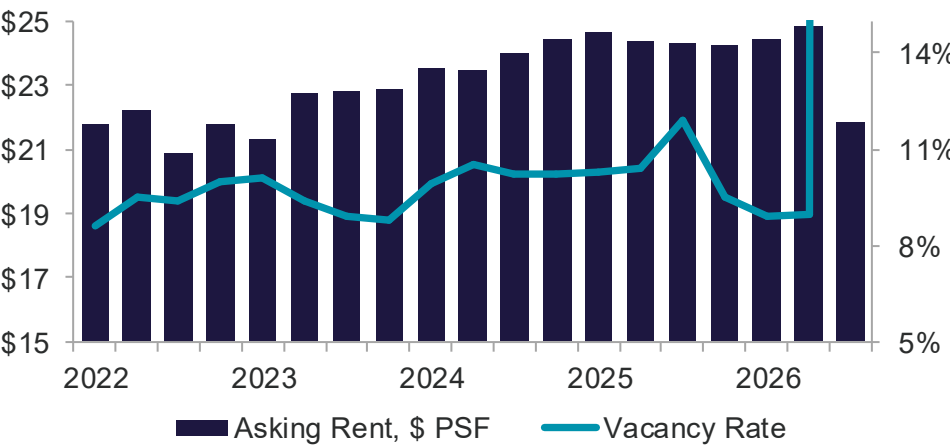
Average asking rents reached \$21.84 PSF, while Class A asking rents averaged \$27.52 psf. Medical office demand continued to support pricing, with well located, improved properties seeing slightly higher per-square-foot values. Rising construction costs remain a consideration for users evaluating conversions or new medical facilities

Investment activity remained steady, with sales primarily consisting of smaller owner-user transactions and no major office building deals reported during the quarter. Medical properties continued to attract out-of-state investors, contributing to tightening capitalization rates. Bourn Companies' acquisition of 333 acres at Innovation Park in Oro Valley for \$21.25 million was a notable land transaction, with Cushman & Wakefield | PICOR representing seller Venture West Group. Adaptive reuse also continued, as Bourn Companies welcomed its first tenants at The Works.

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	10,476,205	1,003,694	51,910	10.9%	137,712	202,392	180,193	35,050	\$19.25	\$28.17
East	1,301,187	223,753	0	16.1%	-42,867	-78,017	37,764	25,769	\$12.22	0
Foothills	1,353,788	64,305	3,487	4.7%	-30,810	5,014	49,632	0	\$26.13	\$22.67
Green Valley / South	313,959	47,214	0	11.8%	-14,776	-5,336	10,840	0	\$25.10	0
North / Oro Valley	3,977,166	185,648	53,069	6.2%	-108,516	-16,024	92,401	26,334	\$22.87	\$27.45
Northwest	482,401	8,442	0	1.5%	-88,179	4,313	11,953	0	\$21.36	0
Southeast	762,328	2,513	0	0.4%	107,536	171,948	66,095	0	\$34.32	0
Southwest	2,753,399	162,767	0	6.3%	-8,150	-9,200	1,720	0	\$21.89	\$29.92
West	1,350,293	136,117	30,049	11.6%	253,361	208,987	22,405	3,788	\$13.69	0
DOWNTOWN TOTALS	6,477,747	186,328	34,324	4.5%	-83,538	-37,108	19,993	9,369	\$21.59	\$29.38
TUCSON TOTALS	29,248,473	2,020,781	172,839	7.4%	121,773	446,969	492,996	100,310	\$21.84	\$27.52

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
5431 East Williams Boulevard	Central	DaVita	23,838	New Lease
2424 North Wyatt Drive*	Central	TMC One Urology	11,173	Renewal
6425 East Broadway Boulevard	Central	LJA Engineering, Inc.	10,367	New Lease
2424 North Wyatt Drive*	Central	Tucson Medical Network	9,512	New Lease
5350-5390 East Erickson Drive*	Central	TMC Pain Clinic	7,355	Renewal

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

KEY SALES TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
2300 South Houghton Road**	Southeast	Silia Realty Trust/Blue Owl Capital	44,686	\$12.3M / \$276.00
1650 East Fort Lowell Road	Central	Catholic Community Services of Southern Arizona/Sarah Schram	21,411	\$3M / \$141.90
2121 North Craycroft Road**	Central	Silia Realty Trust/Blue Owl Capital	20,000	\$5.4M / \$271.17
4881 East Grant Road**	Central	Elliott Bay Capital Trust, LLC/REDICO One Orchard	14,770	\$5.7M / \$386.62
6325 East Tanque Verde Road	Central	Urological Associates of Southern Arizona/Planned Parenthood	10,899	\$2.5M / \$229.38

**Part of a property portfolio

KEY CONSTRUCTION COMPLETIONS YTD 2026

PROPERTY	SUBMARKET	MAJOR TENANT	SF	OWNER/DEVELOPER
820 East Tucson Marketplace Boulevard	Southwest	Tucson Rehabilitation Hospital	72,247	MYCON General Contractors, Inc.

The map displays the Tucson, Arizona area, highlighting various neighborhoods and surrounding regions. The central urban area is divided into several color-coded zones: Downtown (yellow), West Tucson (grey), NW Tucson (red), NW/Oro Valley (blue), East Outlying Pima County (light grey), East Tucson (pink), Central (white), SW Tucson (orange), SE Tucson (light blue), Green Valley/South Tucson (green), and Coronado National Forest (light green). Key landmarks include Kitt Peak, Saguaro National Park, Coronado National Forest, and the Tohono O'odham Nation. Major roads like I-19, I-80, and SR-86 are shown.

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