



MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
7.7% Vacancy Rate	▲	▼
379K YTD Net Absorption SF	▲	▲
\$0.92 Asking Rent, PSF <i>(Overall, Net Asking Rent)</i>	▲	▬

ECONOMIC INDICATORS

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

Source: BLS

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 industrial vacancy declined slightly to 7.7%, with year-to-date net absorption reaching 379,171 square feet (sf) reflecting continued leasing activity through the market. Aerospace, defense, mining, and small-bay users continued to drive demand, particularly in the Northwest and Airport submarkets. The largest lease was 36,212 sf at 3635 E. 34th Street, reflecting continued demand for functional industrial space in well-located submarkets.

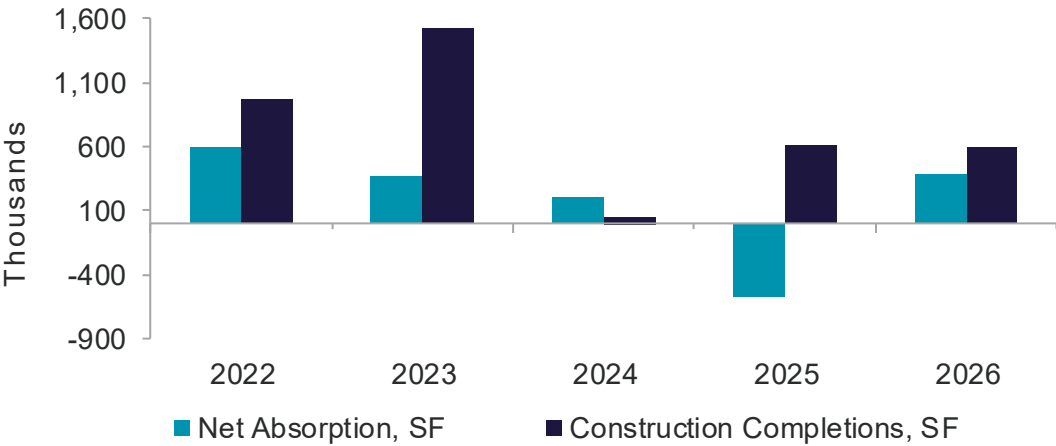
Development activity remained constrained as substantial vacancy still exists in recently completed new industrial construction coupled with rising construction costs, and elevated financing costs continued to limit new starts. Industrial construction costs increased again in 2026 after remaining relatively flat the prior year, driven primarily by tariffs on metals, followed by higher labor costs. High financing costs continue to hold back new construction, while tighter lending standards are limiting funding for marginally capitalized projects.

PRICING

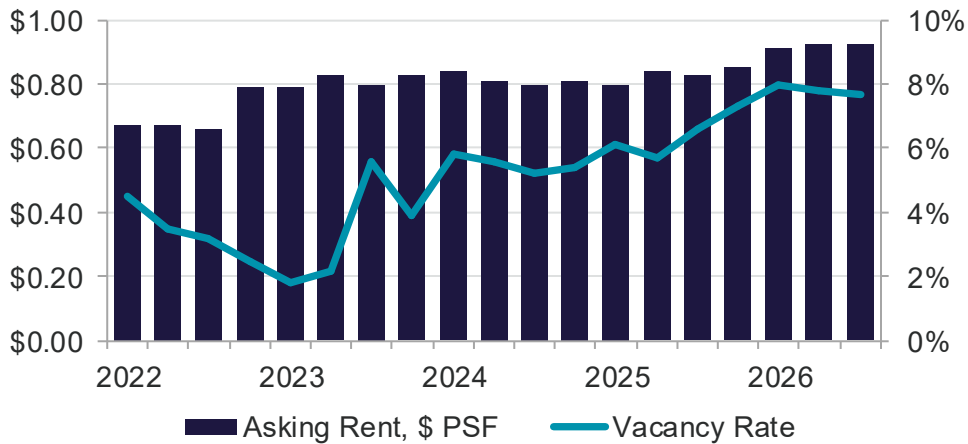
Average asking rents remained stable at \$0.92 per square feet (psf) per month NNN, with market conditions generally balanced as newer industrial projects competed for tenants. Limited available inventory of owner-user buildings under 20,000 square feet and investment properties continued to support strong pricing when placed on the market.

Investment sale activity remained selective as lenders tightened funding for marginally capitalized projects. A notable transaction during the quarter was the sale of a 14-property small bay industrial portfolio, sold by Equus Capital Partners to Everview Partners L.P. for \$165.75 million. Rising construction costs, tighter lending standards, and elevated financing costs continue to influence investment decisions and temper new industrial development.

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	42,722	0	0	0	0	0	0	0	0
Northeast	2,922,978	133,294	5.1%	-90,085	-86,012	0	0	\$0.88	\$1.03
NW Tucson/Oro Valley	12,584,821	786,350	7.8%	38,771	404,829	7,679	12,760	\$1.06	\$1.30
Palo Verde	7,024,508	508,773	7.7%	29,892	72,718	0	0	\$0.90	\$1.10
Park/Ajo	4,182,891	315,979	8.1%	-54,398	-27,893	0	0	\$0.78	\$1.10
S Pima/Green Valley	681,183	0	0	0	0	0	0	0	0
Southeast Tucson	8,526,362	853,772	10.5%	-41,038	-114,107	0	9,350	\$1.06	\$0.57
SW Tucson/Airport	13,160,925	1,413,158	11.8%	160,393	152,415	0	575,213	\$0.86	\$1.20
W Outlying Pima County	53,457	0	0	0	0	0	0	0	0
Downtown	4,129,489	83,702	2.9%	-28,680	-22,779	0	0	\$0.87	0
TUCSON TOTALS	53,309,336	4,095,028	7.7%	14,855	379,171	7,679	597,323	\$0.92	\$1.05

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

KEY LEASE TRANSACTIONS Q3 2026

PROPERTY	SUBMARKET	TENANT	SF	TYPE
3635 East 34 th Street*	Palo Verde	Growers House Holdings, LLC	36,212	Renewal
2700 East Commerce Center Plaza	SW Tucson/Airport	Undisclosed	32,501	New Lease
2717 East Corona Road	SW Tucson/Airport	Undisclosed	24,480	New Lease
2701-2731 East Elvira Road*	SW Tucson/Airport	Diamondback Minerals LLC	24,368	New Lease
2155 North Forbes Boulevard*	NW Tucson/Oro Valley	Trane U.S. Inc	16,795	Renewal

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

KEY SALES TRANSACTIONS Q3 2026

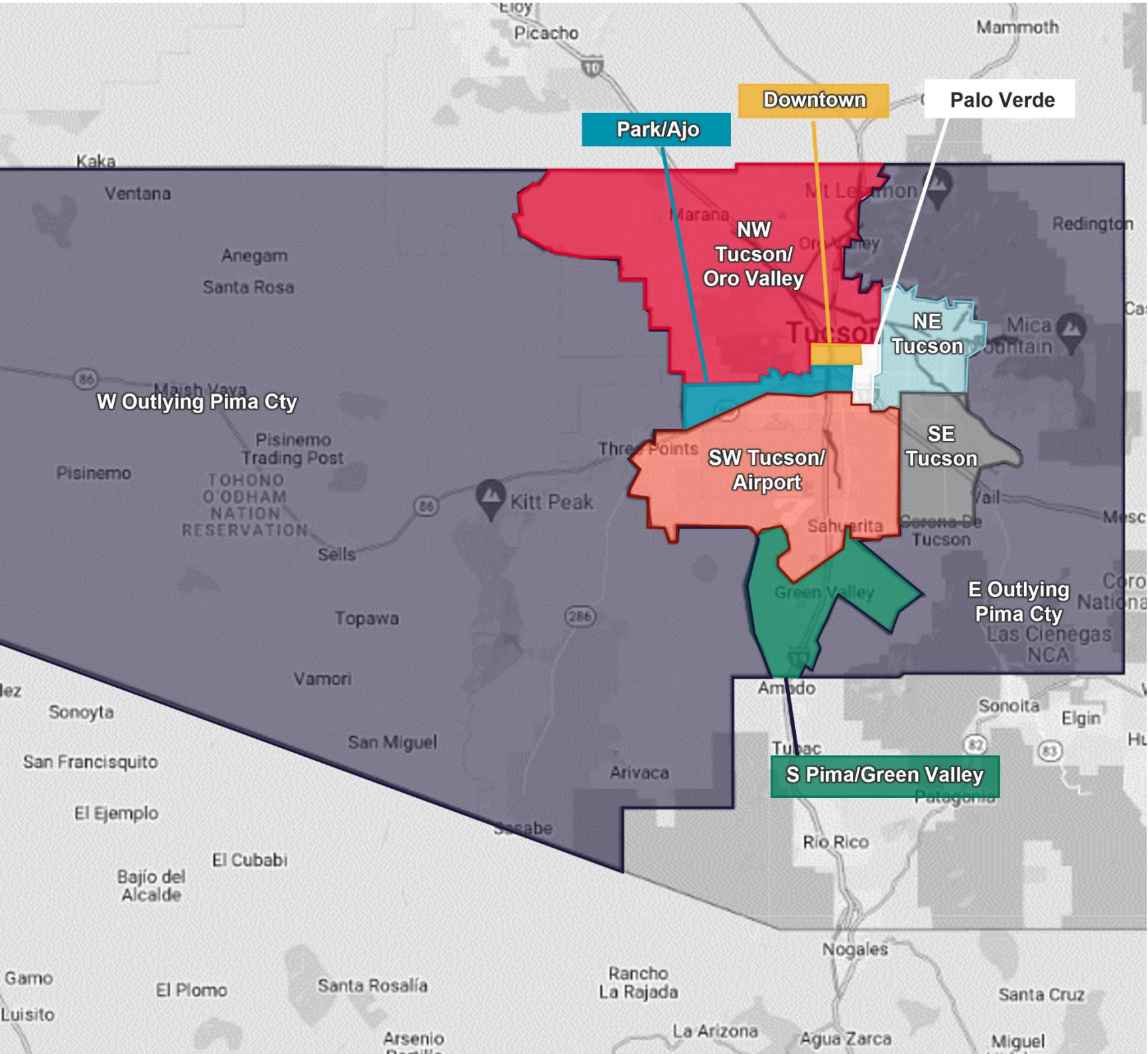
PROPERTY	SUBMARKET	SELLER/BUYER	SF	PRICE / \$ PSF
Equus Shallow Bay 14-Property Portfolio	Various	Equus Capital Partner, Ltd. / Everview Partners, L.P	1,245,437	\$165.75M / \$133.09
6270 South Country Club	SW Tucson/Airport	Westmed Inc / Precision Metal Fabrication	82,764	\$4.5M / \$54.37
3648 East Ajo Way	Palo Verde	Copenhagen Imports / Arizona Steel & Ornament Spl	61,427	\$6.9M / \$113.27
909 East 17 th Street	Downtown	Dumas Products / Hfe International	32,357	\$2.9M / \$90.00
1701 West Grant Road	NW Tucson/Oro Valley	Titan Machinery / Sonsray Properties, LLC	23,386	\$1.75M / \$74.83

*At least one party represented by Cushman & Wakefield | PICOR **Part of a property portfolio

KEY CONSTRUCTION COMPLETIONS YTD 2026

PROPERTY	SUBMARKET	Major Tenant	SF	Owner/Developer
4501 East Los Reales Road	SW Tucson/Airport	N/A	214,867	Lincoln Property Company
4401 East Los Reales Road	SW Tucson/Airport	N/A	158,944	Lincoln Property Company

INDUSTRIAL SUBMARKETS



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Source: Costar