

Nearshoring to Mexico: A Reality Check



If we think about it, the last five years have been somewhat of a “perfect storm” for Mexico. The first conversations about *nearshoring*, came about when the US decided to place tariffs on Chinese imports in early 2018. This coincided with the ratification of the revised NAFTA Agreement (USMCA) later that year, immediately followed by the global pandemic and the disruptions it caused to off-shore manufacturing and global supply chains. More recently, President Biden’s visit to Mexico in January 2023 further cemented Mexico’s role as a strategic partner in building back the North American block. At that meeting, President Biden expressed interest in having Mexico, along with Canada, play a more prominent role in some of the industrial initiatives undertaken by the US government to advance innovation, while bolstering independence from Asia on matters of national security such as semiconductors, electromobility, and energy. In August of last year, Biden signed the CHIPS and Science Act, which included the International Technology Security and Innovation Fund, which provides the State Department with \$500 million over five years to partner with key allies, like Mexico, to ensure a more resilient and secure semiconductor supply chain. Furthermore,

the Russian-Ukraine war continues to increase tensions in the region, further incentivizing the US industry to operate closer to home, not to mention the impact the war has had on global energy prices, boosting Mexico’s oil revenue. It’s been a win for Mexico all around.

So where does Mexico stand currently? For the second consecutive month this year, Mexico is now the United States’ largest trading partner, according to the US Census Bureau. February alone closed with a total trade volume of \$60.6 billion, with Canada following closely behind at \$59.3 billion, and China in somewhat of a distant third place, at \$42.2 billion. According to Pedro Casas of the American Chamber of Commerce of Mexico, the total trade volume between US and Mexico for 2022 was \$779.3 billion dollars, which represents a remarkable 17% increase over 2021. It is estimated that foreign direct investment (FDI) in Mexico also increased by 12% in 2022. Mexico’s Ministry of Economy estimates total FDI at \$35.3 billion, of which \$15 billion was American direct investment alone. Of this total, the manufacturing sector was the big winner, receiving roughly \$12.7 billion in FDI, or 36% of the total. So, there’s no question that

[*continued on page 3*](#)

MAY 2023

Industrial Issue

1, 3	COVER STORY: Nearshoring in Mexico: A Reality Check
2	EDITOR'S INSIGHTS: Headwinds Make 2023 a Challenging but Rewarding Year for Tucson
4	Tucson Industrial Market
5	Phoenix and Tucson Industrial Trends
6-7	SW Industrial Market Thrives
8-9	Flint Development
10-13	TOP COMMERCIAL SALES
14	COMMERCIAL SALES ACTIVITY
15-16	RESIDENTIAL SALES + RENTAL TRENDS
17-20	TREND MARKETPLACE
21-23	Phoenix Industrial Caveman Report
24-25	Solid Economic Growth & Solid Pipeline Continue
26	Airfield Safety Enhancement Program at TUS
27	Supply Chain Challenges & Their Effect on Prices
28	2023 Industrial Market Themes
29	Industrial Sector Undeterred Despite Slowdown
30-31	CBRE Tucson 1Q Industrial Report
32-33	Tucson Industrial Q1, 2023
34-35	TOP 5 PROJECTS
36-39	PROJECTS IN THE PIPELINE
40	UPCOMING INDUSTRY EVENTS + CREDITS

For Quotes on Corporate
Subscriptions and
Advertising Programs,
Contact **Karen Schutte** at

520-877-2656 or

trendreportaz@outlook.com



Despite economic headwinds, the pace of change will not ease. Industrial real estate will probably be the most resilient sector and the housing shortage will no doubt benefit the multifamily sector. High-interest rates and supply chain challenges will make 2023 a challenging year for construction and commercial real estate growth. Weakening fundamentals and higher costs for everything will lower asset values in general.

Our 2023 Industrial issue details the major trends that will dominate the year.

Despite fewer starts, construction activity remains strong, maybe the strongest it's ever been with 1.8 MSF scheduled for delivery this year. With consistent demand for construction jobs and backlogs growing, more contractors are raising their bid prices and remaining competitive. This has kept many construction projects "in planning stages" since a high demand for construction workers in a tight labor market will likely persist into the rest of the year.

We are very pleased to have the insights from our major industrial developers in this issue, such as Lincoln Property Company's **John Orsak**, **Cooper Sutherland** of Schnitzer Properties, and **Tim Healy** as Flint Development's representative. These developers stand out as visionaries in the industrial sector. Here's the good news: As visionaries, they also love challenges. They also share a contagious optimism for Arizona on a regional and local level.

Gordon Wicker, MAI, and President of Quality Valuation, Inc., brings his perceptiveness as a real estate appraiser to "the exciting times ahead for the Old Pueblo."

The relevance of Tucson is underscored in this issue, not only for our proximity to the border, as **Jose Dabdoub** points out in his cover article. But also, as **Ian Turner** with Commercial Industrial Arizona Advisors brings to our attention, there is a coming of age in the American factory business. "America is Back in the Factory Business," Ian says, quoting a recent Wall Street Journal piece.

Industrial development drives economic growth and attracts additional investment from other sectors to our region, including retail, multifamily, and single-family development. This

is why **Joe Snell** and his team at Sun Corridor work tirelessly to bring not only an industry but the right types of industry to our region. As Joe emphasizes, "Economic development is a team sport."

Staying with a team sports analogy, **Danette Bewley**, President/CEO of Tucson Airport Authority updates readers on the Airfield Safety Enhancement project at Tucson International Airport. It is a long-running construction project that may take us into 2028 and beyond, depending on grants. But the \$400+ million project (in 2023 dollars) will transform TUS to meet the latest safety standards by the FAA. As a regional catalyst, our airport generates \$8.3 billion in economic activity for our region annually. We all will continue to watch this project with pride as it unfolds.

Leigh-Anne Harrison with Chasse Building Team in Southern Arizona remains cautiously optimistic for industrial growth while discussing details of supply chain challenges caused by natural disasters, the Ukraine/Russia conflict, significant demands, skilled labor shortages, and truck drivers which are driving up costs and lead times.

A specialist in industrial sales and leasing, **Max Fisher** with BRD Realty hit the bullseye when he says "Record-low vacancies, record-high construction costs, interest rate hikes, and a grid-locked market, are the trends to follow in the 2023 industrial market." Amen to that!

To all who helped with this Trendreport issue, we extend our sincere thanks. These reports were made possible with the involvement of these noted individuals sharing their knowledge and time.

We also thank the Trendreport team: **Patti van Leer**, **Michael Rossmann**, **Melissa Vucijevic**, **Jack Paddock**, and **Cindy Erwin**, our Sales and Marketing Specialist.

We'll be starting work on the upcoming annual MPA Common Ground Awards issue right away.

We also thank you, our readers, for your continued support. As always, we appreciate your feedback and welcome your comments!



Karen Schutte
TREND report
Managing Editor
trendreportaz@outlook.com

“...I would say that Mexico is well positioned to capitalize on this once, or twice-in-a-lifetime opportunity, or as well positioned as possible, given the nature and magnitude of the global disruption.”

Mexico is in a strategic position for foreign investment, and there is no question that nearshoring has and will continue to impact the Mexican economy beyond anyone's expectations. But the question remains: Is this sustainable?

From the perspective of its geographic location, Mexico's proximity to the US and time zone alignment continue to make a compelling business case. The ease of trade and transport of goods and individuals across borders is not only convenient but a dramatic cut in costs and time.

As it pertains to connectivity, Mexico's robust multi-modal infrastructure, including eight key railways, 11 main truck gateways, and 15 federal seaports, has allowed Mexico to keep up with demand in this initial stage of increased trade and production (Andres Mendoza, et al., Kearney 2022). Nevertheless, Mexico's government committed \$38 billion USD in 2022 for additional improvements to roads and railways, not to mention investments by private companies like Kansas City Southern and Canadian Pacific Railway who recently merged to create the first and only single-line railroad connecting Canada, US and Mexico (*Mexico News Daily*, February 2023).

Last, but certainly not least, is Mexico's human capital, which is perhaps its greatest asset. Mexico has enviable demographics (for now). Whereas China, Japan, and much of Europe are aging, in Mexico, according to INEGI, the national census bureau, of the total 130 million population, approximately 60.3% is economically active, with a median age of 29. Compare that to the 39-year median age of US workers, or 41 median workforce age in China. Mexico's workforce is also diverse, ranging from low-skill, affordable production labor, concentrated mainly in southern states, to highly-skilled professionals and tech talent mainly in the northern states along the US-Mexico border. Overall, wages in Mexico are still below those in China, averaging \$4.45 per hour in Mexico, and \$5.51 per hour in China, according to Statista's most recent publication on labor rates. In summary, Mexico continues to be highly competitive from a diversity, skills, and cost perspective, which allows it to adapt and cater to a vast array of industries.

But now, the country is not without challenges, and if I had to sum up what they are, I would say *real estate and energy*. According to Jonathan Pomerantz, Chief Investment Officer of MEOR, one of the



largest private developers of industrial parks in the country, Mexico will be facing a deficit of approximately 120 million square feet of industrial space in 2023 alone. Developers are struggling to keep up with demand, and this is due primarily to the government's inability to supply electric power for these new projects, particularly in the north, which has seen the majority of new construction. CFE, the government-owned and operated electric power company, has been desperately trying to meet the demand, as evidenced by their recent acquisition of 13 power plants from Iberdrola, the Spanish energy giant, for \$6 billion USD, and their recent \$1.6 billion USD investment in a solar power plant in Puerto Peñasco, Sonora, the largest in Latin America, to be partially operational this month (*Mexico News Daily*, February 2023). While there is a concerted effort to meet demand, there may be a lag in the government's ability to deliver. Having said that, these challenges are not deterring companies in their expansion efforts. Tesla recently announced a \$4.5 billion dollar investment in a new factory just outside of Monterrey, Nuevo Leon. And BMW, who has been operating in San Luis Potosi for many years, announced an additional \$800 million USD investment to expand their electric vehicle production.

In conclusion, I would say that Mexico is well positioned to capitalize on this once, or twice-in-a-lifetime opportunity, or as well positioned as possible, given the nature and magnitude of the global disruption. Let's just hope that the Mexican government continues to provide an environment of certainty and security for further investment, including addressing crime and corruption. On the private sector side, let's hope they can embrace and exploit this historic moment along with their North American counterparts, and consolidate what may be the world's new economic powerhouse.

Jose Dabdoub brought 10+ years of experience working in the Arizona-Sonora region when he joined C&W | PICOR in 2019. As a bilingual and bicultural real estate professional, he has a deep understanding of the cultures, the people and the investment opportunities arising in such a rich and dynamic region of the world. He can be reached at josedabdoub@icloud.com.



Hello again, friends! When we last discussed this topic, local industrial market conditions were on the upswing. Industrial and flex vacancies that jumped during the pandemic are now distant memories. Amazon kept building like it was going out of style, the new Daybreak Distribution Center was completed, and Ventana completed another manufacturing/warehouse facility... and then things went utterly nuts in Marana.

Flint Development broke ground on what will be 1.8 million square feet of space at Tangerine and I-10, with the first million square feet nearing completion, much of which is needed spec space to attract distribution users to the area.

The list of recent, active, and planned developments is long. So, here's a fun activity, open up your handy real estate data source that rhymes with *schmear* and open the search parameters to projects completed, under construction or planned since 2021. Remember the days when a search like that would pull up maybe five to ten projects over the most recent three-year period? How about 43 with 1.7 million square feet completed, a shocking 2.6 million square feet under construction, and another 2.8 million square feet in the planning stages? Just wow!

So, obviously, with all that new space developed, vacancies must have skyrocketed because of these crazy developers, right? Nope, 2.6% metro-wide. Unlike some other sectors, which I won't mention, the exuberance in the local industrial market certainly doesn't appear irrational.

Flint Development broke ground on a three-building 806,000 square-foot refrigerated warehouse facility known as Tucson Commerce Center at Alvernon and Valencia, bringing some much-needed space of this variety to the area. Similarly, a division of Lincoln Property Group of Dallas, Texas, LPC Desert West, plans on a four-building complex with over 1 million square feet of refrigerated space one mile to the south at Los Reales in their project, I-10 International.

Refrigerated space is in need in the Tucson area for the burgeoning produce market with our neighbors to the south. Nogales, Arizona, ranks third of all U.S. ports of entry from Mexico for fresh produce. In 2022, some \$3.86 billion in fresh produce came through Nogales, over 20% of such imports, with 77% of all U.S. produce imports coming from Mexico.

New refrigerated distribution warehouses have been popping up all over the Nogales area for the past decade, and it's about time Tucson starts catching up, with I-10 being a key distribution hub for the western states. Tucson has long benefited from favorable foreign trade zones, and it's good to see we're taking advantage of that.

With limited development in the R&D and manufacturing sectors, logistics needs remain the dominant force. As a result, the most recent and planned projects provide a pleasant update to Tucson's distribution warehouse inventory.

With annual e-commerce sales nationally of \$1,034 billion in the U.S. last year, online retail activity now comprises nearly 15% of all retail sales. Moreover, it continues to grow, prompting the need for more "last mile" facilities locally. Combined with the growth in produce imports from Mexico, Tucson is well-positioned to



Amazon's 220,000-square-foot Silverbell Gateway Distribution Center on 65 acres at Ina & Silverbell in Marana was completed Q4 2022.

take advantage of the growing need for standard and refrigerated distribution warehouse space, with recent and planned development trends tracking these market trends locally.

A tip of the hat and congratulations to all my industrial broker friends who remember Tucson's equivalent of the dust bowl days, when demand started with a negative number. Your patience has paid off.

And unlike prior boom and bust years when a single employer could substantially swing the local industrial vacancy rate, these trends appear to be much larger, much longer in the making, and more likely to stay. As a result, our industrial space is getting a serious and long-needed makeover.

As for our friends to the north, readers may remember when the Phoenix area added what was, at the time, an incredible 19 million square feet of space. That number is now over 51 million square feet of space completed since 2021. A considerable chunk is located off the loop roads in the northwest portion of the valley. Residential rooftops followed these developments, although the interest rate spikes appear to be doing some damage in those growth areas; but I digress...

It is good to feel (even more) optimistic about the local industrial market. Following a solid 2022 with an even stronger 2023, exciting times are ahead here in the Old Pueblo.

E-commerce is indeed here to stay (I type as I open an app on my phone to finish grocery shopping), and developers of large-scale distribution facilities have taken notice of our little corner of the world.

With increased needs for distribution and no decline in retail demand despite inflation concerns, it's good to see our hometown stepping up to the opportunity.

Gordon L. Wicker, MAI is President of Quality Valuation, Inc., a Tucson-based commercial real estate appraisal firm. Gordon has more than 30 years of experience, specializing in the appraisal of industrial, office, retail and land as well as specialty properties. He performs a wide array of services including appraisal, appraisal review, consultation, expert witness and other litigation support. He can be reached at (520) 209-2880 or via email at gwicker@QualityValuationInc.com.



The metro Phoenix industrial hot streak that began more than 10 quarters ago continues today, breaking record after record as tenant demand continues to pour into the Valley and the state.

In 2020, industrial net absorption, rental rates, and sales volume hit historic highs as vacancies fell to historic lows. In 2021 the market exceeded that performance, achieving yet another record year with 5.5 million square feet of industrial space absorbed and 35 million square feet of industrial development underway. Sales volume hit \$4.5 billion that year, which represents the sales volume of 2019 and 2020 combined, even with a pandemic in full swing.

In September of 2021, metro Phoenix fully recovered all the jobs it lost during the pandemic.

That cycle-after-cycle dominance accelerated in 2022, with 5.6 million square feet of industrial space absorbed, 43.3 million square feet of industrial space under construction, and 25.9 million square feet of new space delivered—a 106% increase over the previous year.

As 2022 came to a close, top industrial sales included Central Logistics Center, Chandler Technology Center, and a FedEx facility on W. Lower Buckeye Road. LPC's 1.25 million-square-foot Park303 Phase I (which supports a full-building, long-term lease by Walmart) was also sold in September 2021 to BentallGreenOak for \$186 million, marking the highest single-building industrial sale price in Arizona history.

In 2022 LPC broke ground on the 2.3 million-square-foot Park303 Phase 2, bringing three new state-of-the-art industrial buildings fronting the Loop 303 in Glendale. LPC also purchased two major land sites. The first was 140 acres in Glendale, marking the future home of the 2.4 million-square-foot Luke Field Class A industrial project. Underscoring the rising relevance of Tucson as a strategic industrial location LPC in 2022 also entered the Tucson industrial market with the purchase of 77 acres for a four-building, one-million-square-foot Class A industrial project called I-10 International.

In January 2023, LPC and Harvard Investments broke ground on Phase One of Goodyear Airpark, a 565-acre project located next to Phoenix-Goodyear Airport, which, at build-out, will total 7 million square feet and up to 20 buildings, with access to enough data and fiber to power NASA. Additionally, LPC has just wrapped up construction on the 321,892-square-foot Buckeye 85, designed to meet the need of mid-size industrial users requiring a prime location and modern building features.

The size and scope of these projects reflect the type of high-quality product being developed across the Valley. In addition, each of LPC's projects will offer "creative industrial" elements. Like the trend that has become so popular and successful in the office sector, these lifestyle amenities are designed to increase employee health, comfort, and efficiency. Examples include touchless technology, generous use of clerestory windows to let in abundant natural light, and outdoor amenity spaces for dining, recreation, and relaxing.

If leasing demand is an indication, the projects in Phoenix's industrial pipeline are set to deliver to a waiting queue of tenants. In the first quarter of 2022 alone, the Valley welcomed dozens of new leases totaling more than 3 million square feet. And while there are

still around 44 million square feet of new metro Phoenix industrial space in some phase of planning or construction, actual move-in-ready buildings on the market today are extremely limited.

Tenants continue to line up, though, attracted to our position as a business-friendly, low-tax state with extensive access to labor, close proximity to the ports of Southern California and emerging new and creative logistics solutions. Among these are BNSF Railway's massive planned intermodal Western logistics hub in the West Valley, Tucson's 770-acre full-service inland port—the Port of Tucson, and the SkyBridge project in the East Valley, which represents the nation's first Unified Cargo Processing (UCP) facility, designed to expedite shipments between the U.S. and Mexico.

“Underscoring the rising relevance of Tucson as a strategic industrial location LPC in 2022 also entered the Tucson industrial market with the purchase of 77 acres for a four-building, one-million-square-foot Class A industrial project called I-10 International.”

With average direct industrial rents still below \$1.00 per square foot for larger spaces, Arizona remains comparatively affordable – particularly to Southern California, where industrial lease rates can average three to four times that of Arizona. Arizona's population growth is also expanding the need for data centers, last-mile distribution, and other distribution-related support systems required to sustain a metro area of this size.

With none of these growth factors expected to slow, parties across the industrial spectrum remain bullish and continue to turn to Phoenix as a solution to their myriad of needs. As owners, investors, developers, and managers, it becomes our job to manage that demand through construction that satisfies without overbuilding and with projects that over-deliver on the modern amenities that tenants require today and will need in the future to continue to grow local jobs and economic opportunities.

John Orsak is a 15-year veteran of the commercial real estate industry. As Senior Vice President at Lincoln Property Company, John heads leasing, acquisitions and dispositions, project management, and property management for LPC's Desert West region of Arizona, Nevada, Utah, and New Mexico. He can be reached at jorsak@lpc.com.





Medina Commerce Center • Tucson, AZ • 153,500 SF

In 2023, demand for modern, Class A industrial real estate will continue to outstrip supply in Tucson and throughout the Southwest United States. With vacancy rates hovering around 3% (and sub-3% in highly coveted sub-markets such as the Tucson airport), Arizona's ability to proactively recruit large out-of-state users needing immediate occupancy is hampered because the timing for the requirement cannot be met in many cases. The solution to this conundrum (e.g., pre-ordering costly long-lead items) has revealed a few significant challenges that the development and construction communities will face in 2023, some of which have been exacerbated by the Covid-19 pandemic, supply chain issues, inflationary pressures/rising construction costs, and overall uncertainty in the economy fueled by the Fed (Federal Reserve) increasing the Federal Funds Rate an unprecedented nine times since March of 2022. Let's address these issues individually regarding the overall impact on the development, construction, and brokerage communities, but more importantly, the overall health of the industrial market in Tucson and the Southwest region. The following critical points will also provide perspective on the industrial real estate market in Tucson and the Southwest.

1. The Covid-19 pandemic increased E-Commerce sales during 2020 alone from \$571.2 Billion to \$815.4 Billion, which is approximately 43%, according to www.census.gov. That translated into significantly increasing E-Commerce user activity and absorption in the Southwest United States and Tucson. Additionally, users need one-day turnaround drive times from the Long Beach/L.A. ports. While this activity has slowed coming into 2023 as these needs have been accommodated, supply remains very low given the overall vacancy in Tucson of 1.8% per Cushman & Wakefield | Picor's 1st Quarter 2023 Market Report.
2. Supply chain issues, including a lack of readily available mechanical equipment and electrical gear, are causing developers to think creatively to expedite procurement of these critical components to deliver "move-in ready" projects. The alternative is waiting over 50 weeks (in many cases) for what used to be relatively common mechanical units and electrical components required for all commercial development. This was a direct result of the Covid-19 pandemic and the international marketplace continuing to fail to meet supply in a timely manner (despite high demand for these products).
3. Inflationary pressures/rising construction costs significantly impact developers, investors, and lenders due to the effect on overall project pro formas and underwriting. When considering current market rental rates, in many cases, current construction pricing makes projects unfeasible when analyzed on paper alone without considering the lack of new supply.
4. Overall economic uncertainty is common in any dip in an otherwise healthy economy. That being said, some tenants are hesitant to lease space, and with tightening lending standards already becoming apparent and likely to become more strict given the situation at Silicon Valley Bank and several others, the free-flowing lending capital influx so available over the past decade up until 2022 has been significantly impacted. The market of CAP rates ranging from 4-5%, while debt could be procured for 2.5-3.5%, is no longer realistic. The seemingly simple process of procuring construction or acquisition debt has become much more regulated and negotiated with all banks.



Tucson Airport Center 2 • Tucson, AZ • 229,320 SF



Front Door, Tucson Airport Distribution Center—Building B • Tucson, AZ • 157,500 SF



Dock Area, Tucson Airport Distribution Center—Building B

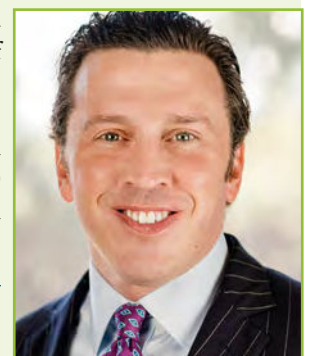


Tucson Airport Center • Tucson, AZ • 130,000 SF

For those of us who have experienced the unavoidable, cyclical nature of the real estate business, as evidenced by the “Great Recession” back in 2007-2010, and even going further back to the previous down cycle experienced after the tragic events of September 11, 2001, the current economic climate is nothing new, and it feels like the country is more than likely in for a moderate downturn unlike that of 2007-2009. However, commercial real estate must always be analyzed from both macro and micro perspectives. This means that close attention needs to be paid to your local market, your directly competitive adjacent markets in your region, and the national industrial market. The current market data provided by Cushman & Wakefield, CBRE, JLL, Colliers, and many other brokerage research departments in Arizona and nationwide supports my claim of a lack of supply in the Arizona market for Industrial space. On a regional and local level, the demand for industrial space remains very robust, but due to the lack of new supply in real-time, current competitive lease comparables that are often needed to finance new development projects can be challenging to come by and always must be analyzed on a case-by-case basis. The rent increases over the past few years, as well as lease renewals proving that they are sustainable mainly in the older, less efficient product, continue to provide reassurance that the Tucson market is healthy while at the same time supply-constrained and in need of the more new, functionally modern, efficient industrial product. Developers remain bullish on the Tucson market, although thus far, in 2023, financing and construction pricing continue to make projects more difficult to put together and ultimately construct.

Tucson continues to be a vibrant community, attracting net migration going into 2023, which only contributes to economic growth and, therefore, the demand for more industrial development. As macroeconomic factors affecting the entire country continue to unfold, the market will eventually reach a state of equilibrium and an environment where the challenges listed above will be resolved, and construction will be feasible on a broader scale.

Cooper Sutherland is a commercial real estate executive with over 22 years of development, acquisition, asset management and leasing experience in institutional quality industrial, office, medical, and retail projects. Cooper has successfully completed more than 150 office and industrial lease transactions with a total consideration of over \$200,000,000 and developed approximately 3,500,000 square feet of office, medical, and industrial projects with a value of over \$400,000,000. He has also acquired commercial assets consisting of over 3,000,000 square feet of office and industrial projects valued at over \$200,000,000. He can be reached at CooperS@schnitzerproperties.com.



Industrial Market—National

When this issue of the Trend Report was published last year, we were in a heightened state of industrial expansion locally and nationally. We were also seeing hyper growth in the single-family and multifamily residential sectors as well. Things have changed quite a bit from one year ago. The homebuilders and multifamily developers hit the pause button after interest rate hikes started in March 2022 with the home buyers being the first to pause followed by the homebuilders and then multifamily developers as the cost of capital went up and construction costs continued to rise. While this happened industrial demand remained strong bolstered by the CHIPS and Science Act that was passed in July 2022. Industrial demand continues to remain strong and industrial real estate continues to be the favored asset class for capital investment. There is however a cooling in the industrial land market as new acquisitions by developers nationally and locally have stalled. That may in part be due to all of the new construction expected to deliver between now and Q4 2023. Before diving into Flint Development's activity and the Southern Arizona industrial market we want to highlight the state of the national industrial market and recent trends:

- Nationally according to CBRE there were approximately 446 MSF of completions in 2022. Currently, there is approximately 600–700 MSF under construction with most of that to be delivered in 2023 and H1 2024. All this new construction has created concern within the industrial development sector and as a result land activity has paused and CBRE predicts new construction starts will drop by 50% in 2023. As a result, H2 2024 and H1 2025 will see a significant reduction in new construction deliveries, keeping vacancies low and sustaining



Southern Arizona Logistics Center

double-digit rent growth. Phoenix has approximately 44 MSF under construction (almost equal to the total size of Tucson's industrial market) and Dallas/Ft Worth leads the nation with approximately 77 MSF.

- The face of demand has changed some from last year with 3PLs, food, and beverage, and manufacturing leading the way. Retailers/e-commerce have cooled on their just-in-time buildout and are now thinking it might be just too much with some companies now considering subleasing brand new space that in some cases has never been occupied.
- 2020–2022 we saw record-setting years in almost all metrics including new construction, rental rate growth, sales, the dollar amount of sales and lending, absorption of space, land sales, and pricing increases. Other than new construction



Southern Arizona Logistics Center



Tucson Commerce Center

deliveries which will be robust, 2023 feels like a return to 2019 which was a good “normal” year.

- High cost of construction continues to be a major impediment to new development, especially in the smaller flex industrial segment which is an area of high demand with very little new construction.
- Higher cost of capital will start to constrain expansion in 2023.
- Last year we focused on the unintended consequences of Covid and how that was driving unprecedented demand. This year we are talking about Treasury rates, inflation, and the CHIPS and Science Act.
- Single-family and multi-family residential hit the pause button last year as inflationary measures went into effect, however, the industrial real estate sector is seeing continued demand and continues to be a favored conduit for capital.

Industrial Market (Southern Arizona) and Flint Development

The highlight for Southern Arizona is the 1.8 MSF that will be delivered in 3Q and 4Q 2023 by Flint Development. This appears to be the largest amount of spec space delivered in one year in the Tucson market with the possible exception of the 1980s.

- Last year we reported on all of the new construction that was in the pipeline. At that time there were six developers with plans to build approximately 6.8 MSF of speculative and build-to-suit projects that were either planned, in for permitting, or under construction. Fast forward 12 months and the only developer currently under construction is Flint Development.
- Flint is nearing completion on approximately 1.8 MSF of industrial space in the metro Tucson area. Southern Arizona Logistics Center is located on 130 acres in Marana at the

Tangerine and I-10 freeway interchange with approximately 1 MSF in Phase 1 which is scheduled to be completed in 3Q 2023. Phase 2 will add another 800,000 SF. Tucson Commerce Center is located on 45 acres along Valencia between Alvernon and Palo Verde with approximately 800,000 SF. Flint is placing a big bet on Southern Arizona with a \$180M investment in our market and these projects will bring some great companies and employers to Southern Arizona that would otherwise not enter the market. Flint is currently in discussions with several large users and fielding interest from several others for both Southern Arizona Logistics Center and Tucson Commerce Center with current demand totaling approximately 2 MSF.

- Flint is a Kansas City-based developer that is active in 25 markets throughout the US and is under construction with new industrial projects in 12 of those markets totaling over \$1.1 Billion and 11,700,000 square feet. Flint also specializes in multi-family and senior living development. For more information, Visit Flint Development's [website](#).

Tim Healy joined CBRE in December of 2000. He is involved in the sale and leasing of industrial properties, including manufacturing, warehouse/distribution, back office, research and development. Tim's experience includes acquisition, leasing and disposition of investment properties, tenant representation and corporate lease, purchase and sale representation. He can be reached at tim.healy@cbre.com.



Fairfield Homes Buys 57 Platted Lots at Boulder Canyon at Dove Mountain for \$7.5M

Fairfield Homes closed on 57 platted lots at Boulder Canyon in Dove Mountain for \$7.5 million (\$131,350 /lot) with an anticipated finished lot value of \$242,000 per lot. The lots are in the northwestern portion of Dove Mountain with spectacular views. The lots are 80'x130' roughly .25 acres each. 3/29/2023

Sale:

\$7,486,924
\$131,349/lot

Buyer: Boulder Canyon Land Development, LLC an affiliate of Fairfield Homes, c/o David Williamson, Manager

Size:

14.25 acres/
57 Lots

Seller: Dove Mountain Investors, LLC and affiliate of Cottonwood Properties c/o Carson Mehl, Vice-President

RecNation RV & Boat Storage: 303 Spaces: Sells for \$6.3 Million

RV /Auto/Boat storage, outdoor covered storage areas, month-to-month rentals, fenced and gated lot, air compressor, dump station, in-unit electrical power, potable/non-potable water, premium concrete drive aisles, vehicle washdown area, and 24-hour video camera surveillance; the RecNation RV and Boat Storage at 6455 S Wilcox Road in Tucson sold for \$6.3 million for 303 storage spaces. Built in 2019 on 11 acres, the storage facility has 12' x 35' and 12' x 40' covered spaces, and 12' x 24' uncovered spaces. The seller paid \$890,000 in Nov 2019 for the land to develop the storage facility. The buyer, RecNation, LLC has locations in Mesa, Florida, Kansas, Tennessee, and Texas. 3/15/2023

Sale:

\$6,300,000
\$20,792/space

Size:

11.04 acres/
303 Spaces

Buyer: RecNation AZ 2, LLC (Wylie, TX) an affiliate of RR JV Holdco, LLC c/o Gary Wojtarzek

Seller: SimonCRE Cabin II, LLC, an affiliate of Simon & Company (Scottsdale) c/o Joshua Simon

Skilled Nursing Center Sold for \$4.5M to Redevelop as Community Rec Center

The property was a Skilled Nursing & Rehabilitation Center, Independent/Assisted Living, substance and long-term psychological treatment center licensed for 36 beds at 1119 E Rancho Vistoso Blvd. in Oro Valley, built in 2008 on 1.7 acres. Residents vacated the property a month before the sale closed. The buyer purchased for conversion to a Rec Center for the Sun City Oro Valley Community. The listing broker reported that the property was initially listed as a business sale and then became a real estate-only sale. Once re-listed, there were three letters of intent within 72 hours. The seller paid \$315,000 in August 2005 for the land and built the building in 2008. 3/29/2023

Sale:

\$4,500,000
\$202.16/SF

Size:

22,260 SF

Buyer: Sun City Oro Valley Community Association (Oro Valley) c/o Ronna Heinig, President

Seller: Oro Valley Holdings, LLC an affiliate of Copper Healthcare, LLC (Oro Valley) c/o G Terry McNellis, Manager; Michael Giada, NAI Horizon (Phoenix)

Industrial Warehouse Buildings Sell in Sale-Leaseback for \$3.24 Million

The property consists of two buildings - one 11,971 SF and the other 20,846 SF, with grade-level roll-up doors at 3232 N Palo Verde Avenue in Tucson. The seller was an owner-occupant in both buildings' dba Sierra Woodworks and Sierra Shutters. The buyer purchased in a sale-leaseback and will continue to lease the property to the seller. The seller bought the property in July 1992 for \$200,000. 3/20/2023

Sale:

\$3,235,000
\$98.58 /SF

Buyer: Stratton Trust Holdings, LLC (Tucson) c/o Michael Stratton, Manager

Size:

32,817 SF

Seller: Sierra Trust Holdings (Macdoel, CA) c/o William Oetting, Member

Office Building Sells for Children's Museum Expansion for \$3 Million

A 2-story office building at 130 S Scott Avenue in Tucson, with a courtyard, was renovated in 2004, with 34 offices, 2 conference rooms, and a private parking lot for 24 parking spaces. This was the largest nonmedical office sale in Q1. The historic building was built in 1964 and the buyer is the adjacent Children's Museum Tucson assisted by the Rio Nuevo District. The Children's Museum Tucson is at 200 S. Sixth Ave. in Downtown Tucson, located in the historic Carnegie Library, with 17,000 SF of space, 10 indoor exhibits, and a beautiful outdoor courtyard with lots of space for kids to play and imagine. The museum's expansion plans for 130 S Scott include a new café in partnership with El Charro, a new gift shop, classrooms, and museum administrative offices. The focus on retail, food, and beverage was welcomed by the Rio Nuevo Board, resulting in unanimous approval to invest just under \$500,000. These funds helped the museum acquire the adjacent building to keep the Museum in Downtown Tucson. The seller acquired the property in June 2002 for \$942,000. 3/31/2023

Sale:

\$2,975,000
\$240.58/SF

Size:

12,366 SF

Buyer: Tucson Children's Museum c/o Hilary Van Alsburg, Executive Director

Seller: 130 South Scott, LLC an affiliate of NSW Development Services, Inc. (Tucson); David Volk, VOLK Company (Tucson)

Southwest Professional Plaza Sells for \$2.6 Million

Two buildings at Southwest Professional Plaza, 2122 & 2224 N Craycroft Road in Tucson, sold, built in 1967 on 2.29 acres. The medical office complex was 70% occupied at the time of sale. As leases permit, the buyer plans to raze the 2122 N Craycroft building which was 57% occupied, for new construction to be owner-occupied, dba Arizona Eye Consultants. With three locations currently at Orange Grove, St Mary's, and Speedway. The new location will eventually replace the Speedway location. The seller paid \$2.2 million for these two buildings and a third in May 2013. 3/1/2023

Buyer: Bob's New Eye, LLC c/o Jason Levine, MD (Tucson) dba Arizona Eye Consultants; John Yarborough with Romano Real Estate (Tucson).

Seller: Alexandra Siegel as Trustee of the Harriet Siegal Trust (Oro Valley); Jon O'Shea with Vast Commercial Real Estate Solutions (Tucson).

Sale:

\$2,575,000
\$98.07/SF

Size:

26,258 SF

Olive Tree Apartments: 20 Units Sold for \$2.1 Million

Olive Tree Apartments feature 20 2-bedroom, 1-bathroom units with walk-in closets and private backyards. Built in 1964, the property has undergone recent renovations such as unit upgrades, roof replacement, and various exterior improvements. The location is minutes away from downtown Tucson, the University of Arizona, along with nearby commercial hubs and easy access to I-10. A 2-story building, with units approx. 790 SF each, with laundry facilities, and a courtyard at 1841 S Irving Avenue in Tucson. The seller purchased the property in April 2021 for \$1,575,000. 3/24/2023

Buyer: Olive Tree Apts, LLC (Oro Valley) c/o Dylan Grigg; Allan Mendelsberg and Joey Martinez, Cushman & Wakefield | PICOR (Tucson)

Seller: 1841 S Irving, LLC (North Hollywood, CA) c/o Manual Timurnyn, Member; Allan Mendelsberg and Joey Martinez, Cushman & Wakefield | PICOR (Tucson)

Sale:

\$2,072,500
\$103,625/unit

Size:

15,808 SF/
20 Units

Arizona Air National Guard Bought 85 Acres from Pima County for \$1.85 Million

The Arizona Air National Guard/USA purchased 85.33 acres at Country Club and Aerospace Parkway for a munitions storage area and other support uses for AANG. The County had purchased the land from the City of Tucson, two years earlier, at the then-appraised value. The City of Tucson bought the land as part of a larger 297-acre parcel from TAA, also at the appraised value. As part of the effort to accommodate the Arizona Air National Guard and Raytheon, Pima County sold the land for the same amount it paid, \$1,847,791. 3/9/2023

Buyer: United States of America c/o Air National Guard (Los Angeles)

Seller: Pima County Arizona, c/o Neil Konigsberg, Manager, Real Property Services, Pima County

Sale:

\$1,847,791
\$21,655/acre

Size:

85.33 acres

Cypress Court Apartments: 10 Units Sell for \$1.4 Million

A fourplex and six SFRs, with 2BR/2BA and 1BR/1BA unit mix at 1926 N Tucson Blvd. in Tucson sold. All units were recently remodeled and have wood beam ceilings, tiled floors, and A/C. Seven units have carports plus an additional 14 parking spaces. The property was 100% rented at the time of sale with one studio on month-to-month terms. The owner pays for master metered water for all units. The seller acquired the property in April 2018 for \$794,000. 3/30/2023

Buyer: Alligator Farms Properties, LP (Casa Grande, AZ) c/o Patricia Jo Robertson; Kimberly Bond with Centra Realty (Tucson)

Seller: El Mirasol, LLC, an affiliate of Becker Revocable Trust (Tucson) c/o Mr. & Mrs. Brian K & Susan K Becker, Trustees; Peter Deluca with Long Realty (Tucson)

Sale:

\$1,400,000
\$140,000/unit

Size:

5,906 SF/
10 units

Sonora Market Sold for \$1.35 Million

Sonora Market at 3050 E 36th Street in Tucson was sold to a new owner/operator. The 2,450 SF building was built in 1972 on 1.38 acres. The seller was an owner user, and the buyer will be the same continuing dba, Sonora Market. The seller has owned the property since Nov. 1999 when they paid \$85,000. 3/8/2023

Buyer: Sonora Land MGMT, LLC (Las Vegas) c/o Kulpreet Kavr, Member

Seller: 3050 Investments, LLC (Tucson) c/o Mohammad Shiha, Member

Sale:

\$1,350,000
\$551.02/SF

Size:

2,450 SF

big deals

Jiffy Lube Net Leased Sale in Marana for \$1.3 Million

A Jiffy Lube at 4465 West Ina Road in Marana sold for investment as a single-tenant net lease. One building of 2,077 SF, built in 1987, with ten parking spaces, four drive-thru bays, and office/waiting area. The lease had 11+ years remaining with (4) 5-Year Options; 8% Increases Every Option Period and sold at a 6.15% cap rate. The seller acquired the property in 2020 with an adjoining building at 4455 W Ina Road, (Integrity Automotive & Diesel) for \$1.9 million. 3/15/2023

Buyer: SAAAX2, LLC (Los Angeles), Hootan Farahmand, Director

Seller: Niki AZ, LLC & Niki Holdings, LP affiliates of The Niki Group (San Diego) c/o David Trakman, Manager; Eric Carlton and Jeremy Schneider with Colliers International (Irvine, CA)

Sale:

\$1,300,000
\$597.15/SF

Size:

2,177 SF

Car Wash Site at Airport Commerce Center Sells for \$1.25 Million

A 1.78-acre parcel at 5735 S Tucson Blvd in Tucson sold. Located at S Tucson Blvd and E Drexel Rd at the Airport Commerce Center, the property sold for a car wash site dba, United Car Wash. 3/15/2023

Buyer: United Car Wash (Las Vegas) c/o Nibras Admon

Seller: Tucson Drexel Equities, LLC, an affiliate of Pacific Equities, LLC (Mesa, AZ) c/o Robert Klepinger

Sale:

\$1,250,000
\$16.12/SF

Size:

77,537 SF/
1.78 acres

Multitenant Office/Retail Building: 6 Units in Green Valley Sold for \$1.1 Million

The property at 555 N La Canada Dr. in Green Valley is a six-tenant office / retail building that had two tenants at the time of sale: The Salvation Army and Re/Max. Prior to Re/Max leasing, the property was 60% vacant. The buyer is involved with the local Parkinson Support Group and purchased the building to occupy the vacant space and grow into the other spaces, as they become available. The seller purchased the property in June 2011 for \$350,000. 3/31/2023

Buyer: Kidwell Family, LLC (Pasco, WA) c/o Tom Kidwell; Sonoran Ventures Brokerage Investment Development, Bob Baker

Seller: Woodhawk Properties, Inc. (Green Valle, AZ) c/o Kenneth Woodward; Sonoran Ventures Brokerage Investment Development, Bob Baker

Sale:

\$1,100,000
\$175.61/SF

Size:

6,264 SF

New Owners Buy Jonathan's Cork for \$1.1 Million; Renamed The Cork Tucson

Jonathan's Cork at 6320 E Tanque Verde Road in Tucson is one of Tucson's long-established eateries, a sit-down restaurant, and bar, with catering service. The chef and seller Jonathan Landeen and his partner/wife Colette are retiring after having been in the steak and seafood restaurant business since 1994 when they purchased the restaurant known as The Tucson Cork. The buyers, Glenn and Sally Murphy will be only the fourth owners of the restaurant, which despite name changes has always been fondly referred to by regulars as "The Cork." The buyers say they plan to keep the restaurant pretty much as is, from the staff to the menu staples. The name will be changed to "The Cork Tucson." 3/27/2023

Buyer: RBG Ventures, LLC (Tucson) c/o Glenn & Salley Murphy, Managers

Seller: J Frederick Properties, LLC (Tucson) Jonathan & Colette Landeen, Managers

Sale:

\$1,100,000
\$300/SF

Size:

3,656 SF

Office Building Sells for \$1.075 Million

The office building at 3104 N Swan Road was sold to a new owner-occupant. The seller occupied the property for a CPA firm and the buyer plans to occupy it as a psychiatric office. 3/20/2023

Buyer: BKN Properties, LLC (Tucson) c/o Dr. Kristine Norris

Seller: 3110 North Swan Road, LLC (Tucson) c/o Carla Keegan, CPA

Sale:

\$1,075,000
\$216.30/SF

Size:

4,970 SF

Tropical Smoothie and Gyro Shack Site - Tucson Marketplace Sold for \$1.1 Million

A .94 acre / 40,818 SF retail pad at Tucson Marketplace sold for two new users, Tropical Smoothie and Gyro Shack. The lot was split from a larger piece of land leaving 34,000 SF available next to the Costco gas station to the east. The building(s) will be built-to-suit, with brokers also leasing to the two tenants in the transaction. 3/23/2023

Buyer: OneTen REI Kino Park LLC (Mesa, AZ) c/o Nico Frichione

Seller: Tucson Retail, LLC an affiliate of JV Eastbourne & Retail West Properties (Boise, ID) c/o Eric Davis, principal; Brenna Lacey and Jeremy Price with VOLK Company (Tucson)

Sale:

\$1,060,842
\$25.99/SF

Size:

40,818 SF

Multitenant Office/Retail Building Sold After Business for \$1.02 Million

A multitenant office/ retail building at 3441 S Palo Verde Rd in Tucson was sold to the buyer of Woodworks Source, the seller. The buyer purchased the business separately and will continue to occupy the same space dba MacBeath Hardwood. The other 6,300 SF will continue to be leased by SNG Tactical, the other occupant of the building. The property is built for four tenants with four grade-level roll-up doors, four offices, and four warehouse spaces. 3/17/2023

Buyer: MacBeath Hardwood Company (Edinburgh, IN) c/o Jonathan MacBeath

Seller: Stephen-Palo Verde-Tucson, LLC (Paradise Valley, AZ) c/o Keith Stephens, Member

Sale:

\$1,023,555
\$66.46/SF

Size:

15,400 SF

Retail Strip Center Occupied by Indian Motorcycles of Tucson Sells for \$1 M

The original retail strip center at 4037 N Oracle Road was sold fully occupied by Indian Motorcycles of Tucson, for investment. Built in 1978, the property has been leased to Indian Motorcycles since February 2014. The seller acquired the property in Oct. 2013 for \$813,000. 3/31/2023

Buyer: Magsood, Sabina, Tayyeb, and Fakiha Ahmad (Tucson); Robert Nolan with Oxford Realty Advisors (Tucson).

Seller: POZ BEN BON Investment Corp. (Oro Valley) c/o Armando Poziomek; Ian Stuart and Bruce Suppes with CBRE (Tucson)

Sale:

\$1,000,000
\$129.50/SF

Size:

7,722SF

Desert Sky Spine & Sports Medicine Buys Surgery Center for \$1 Million

A former Plastic Surgery office at 1241-1245 N Wilmot Road was sold to be owner-occupied. The two-story building built in 1988, is on a 19,126 SF lot and has an operating room, pre- & post-op areas, four exam rooms, nurse stations, three offices, business areas, storage, reception, and three restrooms on the first floor. The second floor has two offices, a conference room, business & work areas, storage, laundry, and one restroom; a uniquely designed, two-story surgery center with excellent accessibility to the east side and midtown, with outstanding signage and visibility. Desert Sky Spine & Sports Medicine, LLC specializes in pain management, osteopathic, and physiatry treatments in Tucson and has added this property to their four other locations in Tucson, Oro Valley, Sierra Vista, and Marana. The seller built the building in 1988 after acquiring the land in March 1988 for \$317,314. 3/22/2023

Buyer: DesertEastSky, LLC (Tucson) c/o Joshua Reddoch

Seller: Demeter Medical Properties, an affiliate of Zeus Investment Services, Ltd. (Tucson) c/o Robert Dryden, MD, Partner; Rick Kleiner and Alexis Corona with Cushman & Wakefield | PICOR

Sale:

\$999,900
\$131.44/SF

Size:

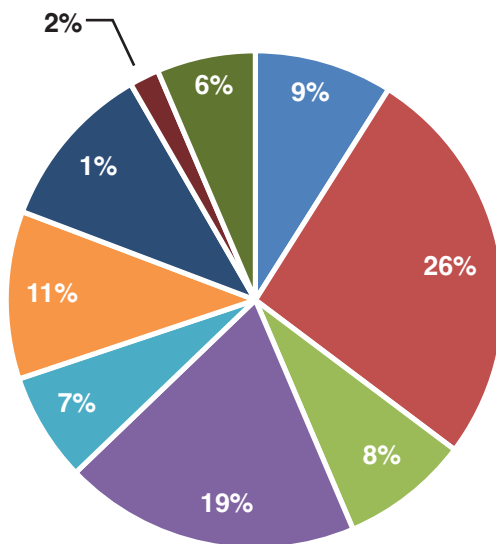
7,607 SF

All sales information obtained from RED Comps, a division of Real Estate Daily News.
Subscribe [here!](#)

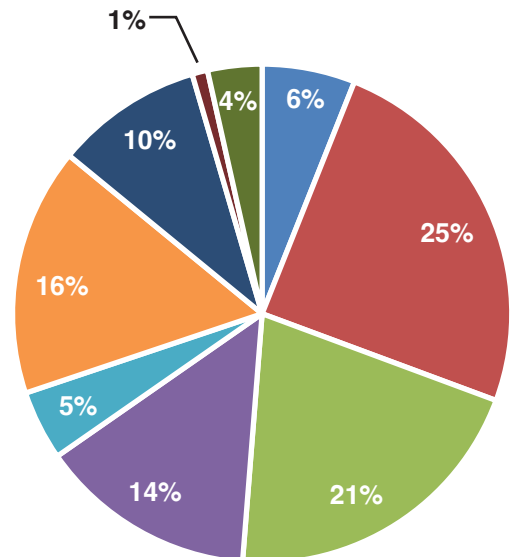
big deals

big deals

Pima County Commercial Sales Activity												
Year	Month	Sold Volume	# Sales	Industrial	Retail	MF	Office	Ind Land	Res Land	Comm Land	Hotel	Specialty
2023	March	\$ 61,556,383	59	4	16	6	14	2	7	6	0	4
	February	\$ 75,056,138	41	2	10	4	9	2	5	2	2	5
	January	\$ 122,130,870	56	8	15	3	7	7	5	9	1	1
2022	December	\$ 168,608,269	79	8	27	3	16	4	11	9	1	0
	November	\$ 127,676,100	45	5	17	9	5	4	2	3	0	0
	October	\$ 397,136,470	59	6	11	10	11	2	8	8	2	1
	September	\$ 243,849,569	71	10	16	13	9	7	7	7	1	1
	August	\$ 129,692,906	55	8	11	5	16	3	5	5	0	2
	July	\$ 456,703,006	82	7	18	12	15	5	8	12	2	3
	June	\$ 314,657,636	88	9	23	13	16	5	6	8	3	5
	May	\$ 155,071,853	55	10	9	5	8	5	7	7	1	3
	April	\$ 403,999,910	88	10	14	17	20	8	7	7	1	4
	March	\$ 329,918,429	68	3	14	17	12	1	12	5	1	3
1 mo. change		-18%	44%	100%	60%	50%	56%	0%	40%	200%	-100%	-20%
1 yr. change		-81%	-13%	33%	14%	-65%	17%	100%	-42%	20%	-100%	33%
2023 March			156	14	41	13	30	11	17	17	3	10
2022 March			199	12	49	41	28	9	32	19	2	7
Change in Volume Y-O-Y			-43	2	-8	-28	2	2	-15	-2	1	3
Percentage Change Y-O-Y			-22%	17%	-16%	-68%	7%	50%	-47%	-11%	11%	43%



Commercial Sales March 2023



Commercial Sales March 2022



Data provided courtesy of RED Comps, a division of Real Estate Daily News

Pima County Existing Sales Activity All Residential Property Types										
Year	Month	New Listings	Pending Sales	Closed Sales	Avg. DOM	Median Sales Price	Average Sales Price	Housing Affordability Index	Inventory of Homes for Sale	Months Supply
2022	March	1,615	1,688	1,517	21	\$349,900	\$432,842	112	964	0.7
	April	1,732	1,653	1,428	16	\$364,995	\$432,936	83	1,118	0.8
	May	2,002	1,800	1,838	17	\$359,900	\$429,029	84	1,702	1.0
	June	1,833	1,312	1,310	14	\$370,000	\$445,524	81	1,792	1.3
	July	1,738	1,210	1,119	18	\$370,000	\$433,059	81	2,249	1.6
	August	1,612	1,293	1,126	21	\$356,000	\$420,997	85	2,360	1.7
	September	1,455	1,028	1,064	28	\$356,750	\$414,323	84	2,610	2.0
	October	1,564	1,058	1,063	30	\$345,000	\$401,089	78	3,544	2.3
	November	1,306	1,039	891	36	\$350,050	\$418,564	77	3,519	2.4
	December	813	822	791	44	\$355,000	\$420,000	76	2,555	2.2
2023	January	1,085	998	610	49	\$359,900	\$452,850	91	2,085	2.2
	February	1,133	1,189	903	51	\$350,000	\$410,061	91	2,142	1.9
	March	1,283	1,429	1,141	46	\$357,250	\$436,973	90	1,878	1.7
1 mo. change		13.2%	20.2%	26.4%	-9.8%	2.1%	6.6%	-1.1%	-12.3%	-10.5%
1 yr. change		-20.6%	-15.3%	-24.8%	119.0%	2.1%	1%	-19.6%	94.8%	142.9%

Source: TARMLS All Property Types

Pima County Luxury Sales Activity									
Year	Month	Inventory of Homes for Sale	Pending Sales	Closed Sales	Months' Supply	Median Sales Price	Average Sales Price	Avg. DOM	Avg. CDOM
2022	March	110	35	62	1.77419355	\$1,312,500	\$1,507,418	20	29
	April	136	20	46	2.95652174	\$1,349,048	\$1,489,016	35	55
	May	156	35	42	3.71428571	\$1,337,500	\$1,646,864	43	52
	June	165	14	52	3.17307692	\$1,295,000	\$1,484,490	14	15
	July	174	12	35	4.97142857	\$1,275,500	\$1,468,058	23	25
	August	177	25	42	4.21428571	\$1,390,000	\$1,511,085	78	99
	September	190	26	24	7.91666667	\$1,387,500	\$1,505,064	35	70
	October	211	13	27	7.81481481	\$1,223,000	\$1,534,945	46	61
	November	198	10	27	7.33333333	\$1,499,000	\$1,970,838	89	98
	December	180	4	21	8.57142857	\$1,496,000	\$1,964,749	42	42
2023	January	192	14	28	6.85714286	\$1,500,000	\$1,978,747	46	58
	February	226	33	21	10.7619048	\$1,495,000	\$2,010,482	47	68
	March	208	20	30	6.93333333	\$1,450,000	\$2,021,285	57	72
1 mo. change		-8%	-39.4%	42.9%	-35.6%	-3%	0.5%	21.3%	5.9%
1 yr. change		89.1%	-42.9%	-51.6%	290.8%	10.5%	34.1%	185%	148.3%

Source: TARMLS \$1M+ Sales

Pima County Rental Activity All Property Types						
Year	Month	Active Listings	Units Rented	Months Supply	Average Rent	Avg. DOM
2022	March	392	146	3	1731	\$23
	April	371	168	2	1748	\$24
	May	438	162	3	1780	\$25
	June	509	200	3	1706	\$23
	July	567	226	3	1779	\$30
	August	532	277	2	1819	\$27
	September	574	231	2	1912	\$41
	October	657	210	3	1766	\$31
	November	688	205	3	1786	\$42
	December	709	232	3	1850	\$47
2023	January	566	228	2	1994	\$61
	February	554	199	3	1781	\$36
	March	592	237	2	1782	\$41
1 mo. change		6.9%	19.1%	-10.3%	0.1%	13.9%
1 yr. change		51%	62.3%	-7%	2.9%	78.3%

source: [Tucson Association of Realtors](#)

- 29.3%**+ 2.2%****+ 54.2%**

Change in
Closed Sales
All Properties

Change in
Median Sales Price
All Properties

Change in
Homes for Sale
All Properties

Nationally, existing home sales jumped 14.5% month-over-month as of the last measure, the first monthly gain in 12 months, and representing the largest monthly increase since July 2020, according to the National Association of REALTORS® (NAR). The sudden uptick in sales activity stems from contracts signed toward the beginning of the year, when mortgage rates dipped to the low 6% range, causing a surge in homebuyer activity. Pending sales have continued to improve heading into spring, increasing for the third consecutive month, according to NAR. New Listings decreased by 22.4 percent for Single Family and 24.2 percent for Townhouses/condos. Pending Sales decreased by 8.5 percent for Single Family and 1.8 percent for Townhouses/condos. Inventory increased 53.5 percent for Single Family and 60.3 percent for Townhouses/condos. Median Sales Price increased 1.4 percent to \$375,000 for Single Family and 2.0 percent to \$255,000 for Townhouses/Condos. Days on Market increased 104.3 percent for Single Family and 192.9 percent for Townhouses/Condos. Months' Supply of Inventory increased 100.0 percent for Single Family and 100.0 percent for Townhouses/Condos. Monthly sales might have been even higher if not for limited inventory nationwide. At the current sales pace, there was just 2.6 months' supply of existing homes at the beginning of March, far below the 4–6 months' supply of a balanced market. Inventory remains suppressed in part because of mortgage interest rates, which nearly hit 7% before falling again in recent weeks. Higher rates have continued to put downward pressure on sales prices, and for the first time in more than a decade, national home prices were lower year-over-year, according to NAR, breaking a 131-month streak of annual price increases.

Monthly Rental Indicators

Rented Units increased 59.0 percent over last year to 248 units. Active Listings increased 43.7 percent over last year to 658 units.

Rental Costs by Property Type:

- Single Family Residence was up 1.0 percent over last year to \$1,916 per month.
- Townhouses were up 4.0 percent over last year to \$1,393 per month.
- Condominium increased 20.0 percent over last year to \$1,558 per month.
- Casita/Guesthouse was up 5.3 percent over last year to \$781 per month.
- Manufactured Single Family Residence was \$1,713 per month.
- There were no Mobile Home rentals during this period.

+ 59.0%**+ 43.7%****+ 3.0%**

One-Year Change in
Rented Units
All Properties

One-Year Change in
Active Listings
All Properties

One-Year Change in
Avg Rental Cost
All Properties

Rental activity comprised of Single Family, Townhouse, Condo, Casita, Mobile and Manufactured Single Family properties in the MLS of Southern Arizona service area. Percent changes are calculated using rounded figures.



Real Estate Investment and Development

DISTINCTIVE NAME. DISTINCTIVE PROJECTS.

We are proud to be involved in some of Tucson's most successful, high-profile real estate projects. To learn more, visit www.holualoa.com

Holualoa Companies is a real estate investment firm managing assets that span the United States and Europe. Holualoa invests strategically in office, retail, industrial, multifamily, hotel, and mixed-use properties. With a 35-year track record of success, our skilled and ambitious management team produces steady results through unsteady markets by leveraging our talent and experience to serve our investors.

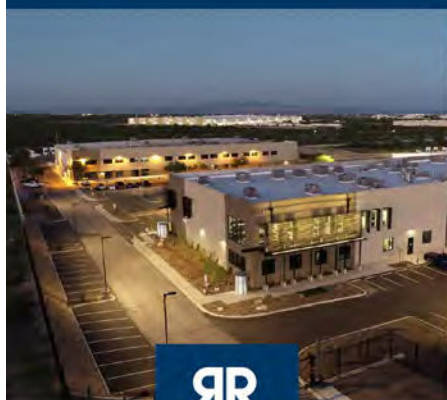
5780 N. Swan Road, Suite 200 • Tucson, AZ 85718
520 615 1094

HOLUALOA.COM

TUCSON • PHOENIX • LOS ANGELES • KONA • PARIS



SOUTHEAST TUCSON WHERE GROWTH ABOUNDS AND WE HAVE INDUSTRIAL + RETAIL LAND FOR YOU!



RR
COMMERCE
CENTER

VARIETY OF SHOVEL READY LOTS AVAILABLE ON ±130 ACRES
±63 CONTIGUOUS ACRES THAT CAN ACCOMMODATE UP TO 1M SF
LOGISTICS, INDUSTRIAL + DISTRIBUTION
CONVENIENT I-10 ACCESS



RITA
CROSSINGS

±15 ACRES "PERMIT" READY INDUSTRIAL LAND AVAILABLE
±5 ACRES RETAIL LAND AVAILABLE
CONVENIENT I-10 ACCESS AND PYLON SIGNAGE
ACROSS FROM THE UA TECH PARK EMPLOYMENT HUB



HOUGHTON
TOWN CENTER

SUPER WALMART, T.J.MAXX, ROSS + PETCO
32 BUSINESSES, OVER 260,000 SF
JUNIOR ANCHOR AND PAD OPPORTUNITIES
WWW.HOUGHTONTOWNCENTER.COM

BILL KELLEY
BKELLEY@DIAMONDVEN.COM

SHANNON MURPHY
SMURPHY@DIAMONDVEN.COM

520-577-0200
DIAMONDVENTURES.COM

RED POINT

DEVELOPMENT INC.

Developing communities in the Town of Marana, including Cascada, a 1,600+ acre master planned community, DeAnza, The Pines, Talavera and Sterling Meadows.

For information regarding these residential communities, contact Dan Feig, Chapman Lindsey CRE, (520) 622-8864 ext. 103 danf@chapmanlindsey.com



We're Passionate About Delivering Results.



If your company needs help from a proven marketing partner with more than 20 years of experience working with the top real estate brands in Southern Arizona, call us at 520.795.4500 or visit CaliberGroup.com

CALIBER
MARKETING · PR · DIGITAL

NORRIS DESIGN

PLANNING | LANDSCAPE ARCHITECTURE | BRANDING
WWW.NORRIS-DESIGN.COM



FLAGSTAFF | PHOENIX | TUCSON
AUSTIN | DALLAS | DENVER | FORT COLLINS | FRISCO



Southern Arizona
CCIM Chapter



EARN YOUR PLACE AMONG THE MOST DISTINGUISHED PROFESSIONALS IN THE COMMERCIAL REAL ESTATE INDUSTRY

June 6-9, 2023

CI101: Financial Analysis for
Commercial Investment Real Estate

BEGIN YOUR PATH TO THE PIN
SOUTHERNAZCCIMCHAPTER.COM

REAL ESTATE DAILY
NEWS
AND
COMMERCIAL SALES COMP

RED Comps is a searchable database for Commercial Sales completed in PIMA County starting March 1, 2013 (without minimums). Every transaction is researched by our professional staff in order to assure the most accurate information is delivered to you. Subscribers to **RED Comps** have the ability to search our comps database and generate reports based on specific criteria selected from over 34 different fields.

Our **Email News Blasts** go out Monday-Friday and are **FREE** with or without a subscription to one of our other programs.

Visit <https://RealEstateDaily-News.com>
to learn more



*Quality
Valuation, Inc.*

Credible Results in a Timely Manner

20 years of experience providing:

Commercial Appraisal Services

Appraisal Review

Expert Witness and Litigation Support

Gordon L. Wicker, MAI
gwicker@qualityvaluationinc.com

4500 E. Speedway #25
Tucson, AZ 85712
520-209-2880



Save the Date!

2nd Quarterly Meeting
Thursday, May 18, 2023

IN PERSON MEETING 8:00–10:00am

breakfast provided!

7:30AM: registration

8:00AM: program start

Tucson Association of REALTORS® office

2445 N Tucson Blvd, 85716

Register at www.pcrerc.com

Seasoned Legal
and Property Tax
Representation



(520) 777-3747

Jodi Bain, Esq. | jbain@blfaz.com

BLFAZ.COM

Se habla Inglés / Se habla Español • Licensed in Arizona and New York



Southeast Arizona Economic Development Group

SAEconomics.com

The most comprehensive source for economic data, statistics & information to support research, planning & decision making in Southeast Arizona

Cochise, Pima, Santa Cruz & Graham Counties

Population · labor market & wages · personal income
· major industry sales · GDP · housing market · new home permits · tourism visitor counts & impact · border crossings · international trade (imports & exports)
· agriculture profile · bank deposits · employer & non-employer statistics · census data & more!

SAEDG is a 501(C)(6) nonprofit corporation and an Arizona State Data Center affiliate. Check us out at SAEDG.org



AAED SPRING CONFERENCE

SUN, SAND & SUCCESS!

April 26 — 28, 2023

Loews Ventana Canyon | Tucson, AZ

FEATURED SESSIONS:

IMPLEMENTING JOB QUALITY | PRACTICAL HOUSING SOLUTIONS | THE FUTURE OF SITE SELECTION IN ARIZONA
BUILDING AN ENTREPRENEURIAL ECOSYSTEM | THE ROI ON EFFECTIVE COMMUNITY ENGAGEMENT

Register: aaed.com/event/Spring2023



Arizona Association for
Economic Development

**BECOME AN
AZED PRO**



TAKE YOUR CAREER TO THE NEXT LEVEL

The Economic Development Academy of Arizona (The Academy) offers Arizona Economic Development Professional (AZED Pro) certification to economic development professionals and public and private sector partners in Arizona.

Learn more about The Academy, the AZED Pro designation, and course schedule at aaed.com.



TREND
report

Since 2008, **Trend Report** has been delivering insights to understanding the world by experts in their fields. Whether changing the game with innovative concepts or empowering others with proven tactics, our industry insiders set themselves apart as some of Arizona's brightest stars.

Our Readers are Leaders in government and private industry looking for clues as to where our world is headed to lead themselves and their teams to new fields of opportunity.

Trend Report can expand your customer base and bring brand and product awareness with advertising opportunities.

Trends are your friend!

Let me tell you why...

To learn more contact:

Cindy Erwin

Sales & Marketing Specialist 520.989.1381

Cindy@CindyErwin.com

Cavemen like things simple. Unfortunately, A Caveman's life, as well as dissecting an economy, is not simple. So, the Caveman walks to the edge of his cave, pokes his head out, sniffs the air, looks over the horizon at the clouds, and tries to discern



the proverbial economic weather. As Q1 of 2023 has just ended, we will once again attempt to decipher what is going on in the Industrial real estate market in Phoenix, Arizona. Then the Caveman will return to Cave and try to give some insights into what the future may bring.

Last week the Wall Street Journal, in an article dated April 8, 2023, proclaimed, "America Is Back In The Factory Business." This became apparent due to supply chain issues revealed in Covid and green energy incentives that it was "here to stay." The article stated, "Production of U.S. factories rose last year, but few things were produced at a more furious pace than factories themselves." Of note was the statement that "Much of the growth is coming from High Tech fields of electric vehicle batteries and semi-conductors, national priorities backed by billions of dollars in government incentives." The Caveman scratches his head, looks around, and says it resembles what is happening in Phoenix.

But before we draw some conclusions, let's do a quick review of the things a Caveman tries to pay attention to.

Caveman's Dashboard Refresher:

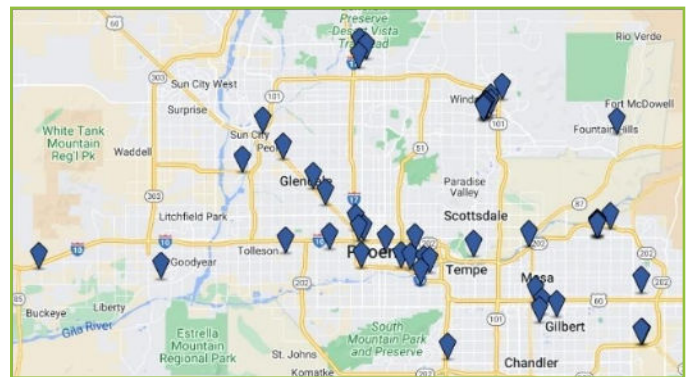
1. **CAP Rates of Sold Properties** Most large industrial building trades on Capitalization Rates. So, what are the trading ranges?
2. **Price Per Square Foot of Sold Properties** Most folks (including Caveman) break things down into Price Per Pound. So, in commercial real estate, it is the price per square foot of the building. What are the trading ranges? Are they above or below replacement costs?
3. **NNN Rental Rates** Most modern industrial buildings are quoted Net of Taxes, Insurance, and Maintenance. So, what is the going NNN rate?
4. **Interest Rates** The Bellwether of easy money is the 10-year treasury. It is a powerful tool in how the government induces or reduces spending. It is also a critical component of the Capitalization Rate Mentioned above. As such, where are they, and where are they going?
5. **Growth in Population and Jobs** Growth in population and jobs is mission-critical in a vibrant economy. What do the numbers tell us?

To read the proverbial barometric pressure, we utilized Costar to research all Industrial and Flex buildings over 10k square feet in the Phoenix Industrial market that traded from

2022 until the end of Q1 2023. We filtered all transactions and only looked at sales with a CAP Rate attached to them to ascertain a market CAP rate range. This yielded just over 50 properties and should give us a proper bracket sample size over time.

"To read the proverbial barometric pressure, watch for:

1. CAP Rates,
2. Price Per SF (PSF),
3. NNN Rental Rates,
4. Interest Rates, and
5. Growth in Population."

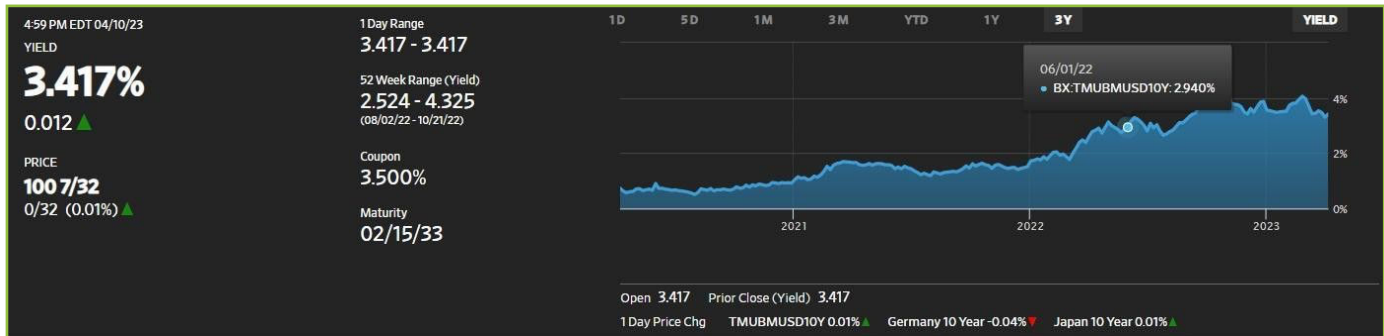


RANGE	CAP RATE	PRICE/SF
HIGH	7.70	\$386
AVERAGE	4.48	\$214
LOW	3.26	\$90

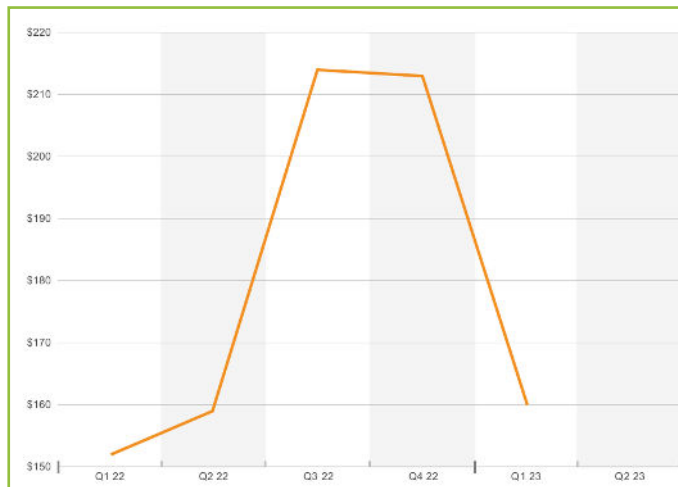
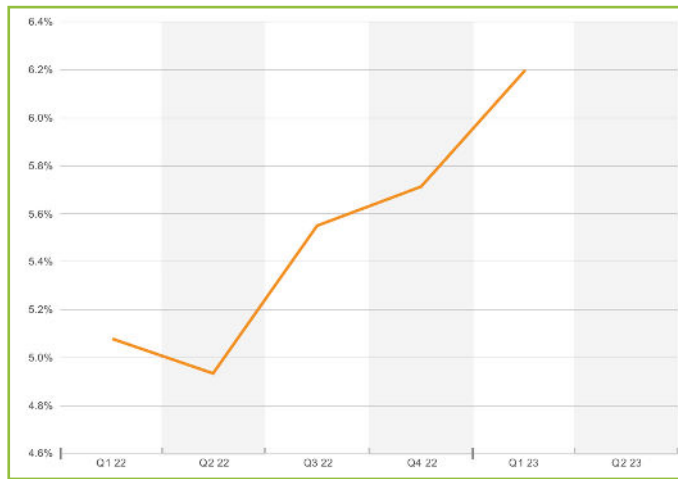
Cap Rates and Price Per Square Foot Metrics

Our CAP rates are, on average, just under 5% for the sample size, with a low (High Value) of 3.26% and a high (low value) of 7.70%. Our Price Per square foot ranges from \$90 to \$386, with an average of \$214. But the trend seen on the graph over time on the next page is of real interest. The trend line tells us that in Q2 of 2022, the weather appears to be changing. First, CAP rates seem to rise, and shortly afterward, in the next quarter, values stagnate, level off, and then drop.

[continued on page 22](#)



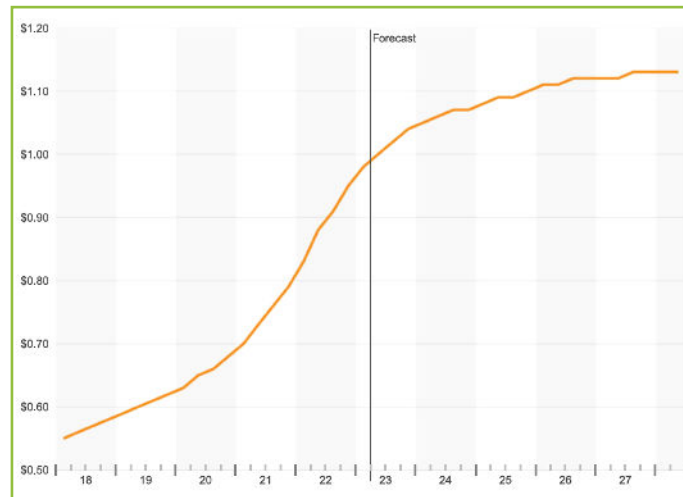
U.S. 10 Year Treasury Note (Source: Tullett Prebon Financial Services LLC)



Cap Rate (top) and Sale Price Per SF. ©2023 CoStar Realty Information Inc.

NNN Rental Rates

NNN rates over the sample of +/- 50 properties over the last five years, as illustrated in the graph below, have grown from about \$0.60 PSF/Month NNN to around \$1.00 PSF. While rents, according to Costar, are predicted to continue growing, albeit not at the steep incline they appeared to grow over this period. The Caveman has recently done a deal in the Deer Valley submarket at about \$1.40 PSF NNN.



Market Rent Per SF. ©2023 CoStar Realty Information Inc.

Interest Rates

The 10 Year Treasury Note is currently just under 3.5% as of this writing. Banks typically do deals 2.5% to 3.5% over the Treasury, thereby bringing us to interest rates somewhere around 6%. According to the Wall Street Journal article "Treasury Yields Climb after Strong Jobs Report" of April 7, 2023, it is anticipated that the Federal Reserve will continue to raise rates at least for the next May meeting." The article stated that "investors think there is a roughly 70% chance that the Fed will raise rates by 0.25%" in that meeting. This is all done to curb inflation. The Caveman hopes they do not kill the economy while trying to heal it.

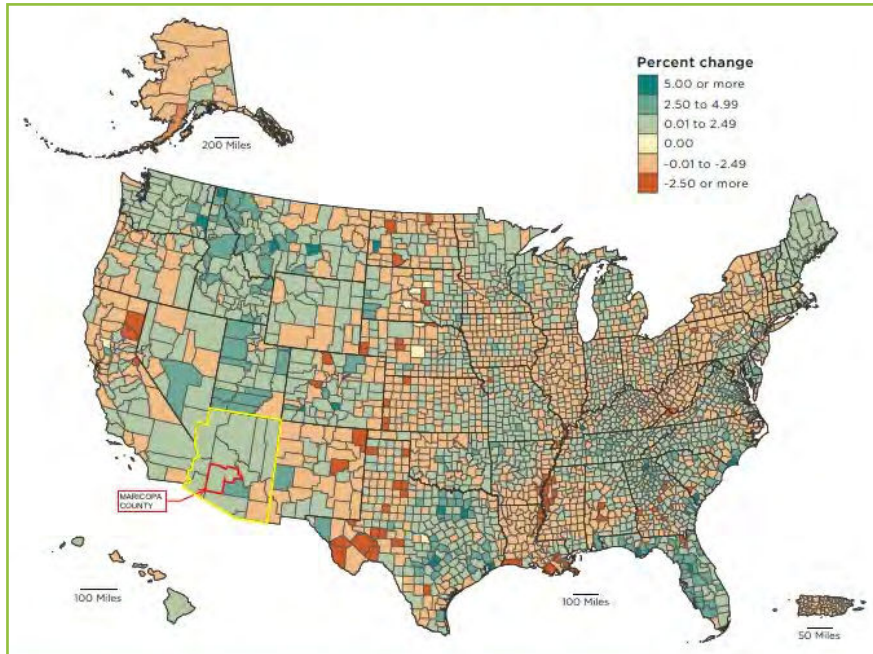
Job and Population Growth

The US economy continues to add jobs, with the unemployment rate dropping to 3.5%. This is a good thing overall and especially for us In Arizona. Below is a graph from the BLS showing the US, Arizona, and select markets throughout the state Year over Year 2022/2023. Arizona had a net population growth of +/- 94,000 souls over 2021/2022, with roughly 2 out of 3 landing in Maricopa County, where most jobs are.

Arizona	7,151,507	7,179,943	7,264,877	7,359,197	94,320	207,690
Maricopa County, Arizona	4,420,574	4,440,232	4,494,693	4,551,524	56,831	130,950

Note: The estimates are developed from a base that incorporates the 2020 Census, Vintage 2020 estimates, and 2020 Demographic Analysis estimates. The estimates add births to, subtract deaths from, and add net migration to the April 1, 2020 estimates base. For population estimates methodology statements, see <https://www.census.gov/programs-surveys/popest/technical-documentation/methodology.html>. See Geographic Terms and Definitions at <https://www.census.gov/programs-surveys/popest/guidance-geographies/terms-and-definitions.html> for a list of the states that are included in each region. All geographic boundaries for the 2022 population estimates series are as of January 1, 2022.

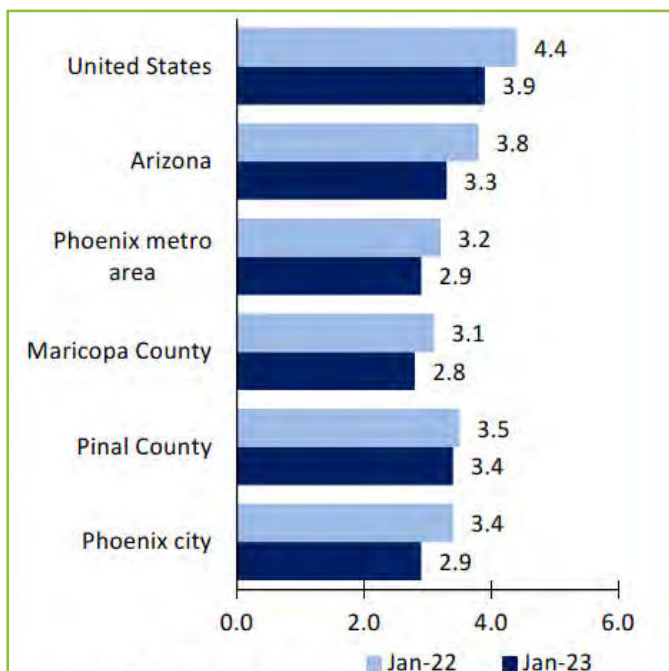
Annual Estimates of the Resident Population for Counties in Arizona, April 1 2020 to July 1, 2022 (Source: U.S. Census Bureau, Population Division, March 2023 Release Date)



Percent Change in County Population, July 1, 2021 to July 1, 2022 (Source: U.S. Census Bureau, Vintage 2022 Population Estimates)

Summary and Conclusions

While a Caveman often shakes his head at the world and wonders what is going on, it is clear that the sun is still shining in Arizona and will probably continue to do so. TSMC, Intel, and other tech-centered industries continue to move here. Populations continue to move here despite the cost of living rising precipitously. However, as the prospectus says, "Past performance is not an indication of future returns." Cavemen have often been criticized for driving in the rearview mirror. Cavemen don't like change all that much.



Unemployment Rates (Source: U.S. Bureau of Labor Statistics, Local Area Unemployment Statistics)

Ian Turner, CCIM, MRED, specializes in the sale and leasing of Industrial & Office properties at Commercial Industrial Arizona Advisors. Prior to that he was with a National Commercial Brokerage Firm where he was a consistent Top Producer nationally year over year. His approach is that of a Trusted Advisor that guides him throughout his Real Estate practice. He combined his love of learning and love of real estate when he received his Master's in Real Estate Development (MRED) from ASU in 2008. He completed his B.S. in Business and Project Management at the University of Phoenix prior to that in 2007. Mr. Turner received his Arizona real estate broker's license in 2008 and completed his CCIM designation in 2017. He has held an Arizona General Contractors license and is a graduate of the Union Carpenter's Apprenticeship program in New York City. Ian can be reached at iturner@CIA-Advisors.com.



This past year, because of the Covid pandemic, Sun Corridor, Inc. experienced new and unique business development trends. The issue of high inflation—combined with low unemployment and persistent supply chain issues—has influenced clients and stakeholders trying to determine the economic outlook in the year ahead. Despite a rapidly changing and often uncertain economy, we continue to have tremendous success.

Sun Corridor Inc. is focused on three thrust areas:

- Addressing our competitiveness
- Keeping our region front and center in the mind of site selectors, influencers and talent
- Attracting and expanding operations of high-value primary employers in our region

Evaluating and improving economic competitiveness has been a pillar of the work Sun Corridor Inc. has contributed to the Southern Arizona region for nearly 20 years. However, in the past year, we have sharpened our focus on this issue. So, what exactly is economic competitiveness? In regional economic development, it means increasing opportunities for the region to be considered by more companies considering locations across the globe for expansion and relocation options. Ultimately, being selected by those companies as

a new or expanded business location increases economic prosperity in the region through the creation of new quality jobs and additional capital investment.

The first step to ensure the Southern Arizona region competes starts with a commitment to work together. Our commitment to regional economic development is critical for many reasons. First, for competitive economic development projects, companies evaluating the Southern Arizona region don't know or understand jurisdictional boundaries—they evaluate regions, not individual jurisdictions. Second, companies choose regions that have demonstrated they work across jurisdictional boundaries to solve regional problems. Also, companies that have projects with high employment and investment understand that their workforce will likely come from all parts of a region. A region working together on workforce development solutions is critically important.

Economic development, then, is a team sport. Who is on the team? Sun Corridor Inc. brings together the interests of a broad range of business, education, and public sector leaders to promote Southern Arizona as a single economic region. Our partners include government and economic development groups such as the Governor's office, Arizona Commerce Authority, Pima County, City

Recent Project Successes



ADVANCED FINANCIAL

Advanced Financial Company, a leader in consumer loan servicing and Property Owner Association (POA) servicing, billing and payment processing, announced plans to expand its operations in Tucson, adding 150 jobs.



American Battery Factory (ABF) announced that Tucson has been selected as the site for the first in a planned series of battery cell gigafactories based in the United States, with up to 1,000 jobs.



Chrome Hearts, a Hollywood, California—based luxury goods company, has announced plans to expand its manufacturing footprint to Tucson. Chrome Hearts plans to add 150 jobs and the new facility will employ jewelers, sewists, upholsterers and carpenters.



Northwest Medical Center Houghton, located at 2200 S. Houghton Road, officially opened, providing residents of East Tucson convenient access to hospital care should they need it.



Pony.ai, a leading global autonomous driving technology company, announced its plan to begin testing its autonomous vehicles in Tucson, with trained safety drivers behind the wheel of the vehicles.



PowerPhotonic

PowerPhotonic, a leader in designing

and manufacturing wafer—scale optics for advanced lasers and optical systems, signed a long—term lease at Sahuarita Advanced Manufacturing and Technology Center (SAMTEC). The facility will serve as the company's U.S. headquarters and bring high-paying jobs in manufacturing and engineering to the region.



Roche Tissue Diagnostics celebrated the expansion of manufacturing operations in Marana.



Sion Power
Building the Future of Batteries

Sion Power Corporation, a leading technology developer of next—generation batteries for electric vehicles (EV), announced plans to expand its existing manufacturing operations in Tucson, adding 150 jobs.



Steel Jupiter, a Minority-Owned, specialty coating manufacturer, announced it has leased a 13,000 square-foot facility in Sahuarita for a new manufacturing, research and development operation.



TuSimple company leadership gathered at the company's Tucson facility for a grand opening celebration to mark the expansion of TuSimple's R&D and operations.

Business development successes can always be found online at suncorridorinc.com/news/.

of Tucson, Town of Marana, Town of Sahuarita, Town of Oro Valley; utilities such as Tucson Electric Power, Trico, and Southwest Gas; Tucson Airport Authority; educational institutions such as ASU, University of Arizona, Pima Community College, JTED, and K-12 school districts; Metro Tucson Chamber, local chambers and the Southern Arizona Leadership Council; and many others.

Recently, economic development partners affirmed the region's Economic Development Guiding Principles to express alignment and set a standard of service and experience for companies looking to locate or expand here. Our partners work together in a spirit of cooperation to win over clients in their relocation decisions.

Another key to improving economic competitiveness as a region is identifying highly performing assets and programs and supercharging those with additional resources and support. One example of this is the Centers of Excellence created by Pima Community College. Ensuring that our strong talent pipeline from the University of Arizona and ASU continues, with the resources they need, is another. Conversely, the Southern Arizona region must also think about where we can improve and what we aspire to be as a community. Understanding where there are "gaps" will help us build consensus on where we need to dedicate additional time, resources, and attention to reach those aspirational goals.

Additionally, part of our efforts to define and improve our ability to compete revolves around garnering feedback from industry executives both outside and inside our market. The Sun Corridor Inc. team interfaces regularly with senior executives and site selectors across the county to discuss emerging industry values and trends. A couple of key trends that emerged this past year were:

- Establishing EV manufacturing facilities and the supply chain that supports these operations are dominating site selection in the U.S.
- Demand for industrial real estate and infrastructure in place is at an all-time high. The inventory of shovel ready sites is as low as it has been for 30 years.

We also keep our ear to the ground inside the market, meeting with top executives across a diverse set of local industries. What are the "hot button" issues and opportunities? The top takeaway is our region needs a significant investment in infrastructure to remain competitive. The need to invest in infrastructure projects that will produce long-term economic development returns is paramount.

On the sales front, we remain aggressive in generating qualified leads. Our pipeline is absolutely healthy with strong projects. We have seen some shifts in the pipeline over the last year, compared to years past. Aerospace and Defense has and will be a key driver for this economy. Automotive-related projects dominated our pipeline in 2022. These are projects related to both supply chain and manufacturing of electric vehicles as well as energy storage.

Right now, manufacturing makes up the largest percentage of projects in our pipeline. Energy, semiconductor, and the automotive sectors represent large pieces of the pipeline. In addition, a high percentage of our projects are international.

We are thrilled to land American Battery Factory— one of the most impactful projects in the region since Caterpillar. Our

Tucson and Southern Arizona Continue to Receive Great Rankings

Tucson Named Among One of the World's Greatest Places—*March 2023*

[Time.com](#)

Tucson Earns Spot as Best Place to Live When You Can Work From Anywhere—*October 2022*

[Bankrate.com](#)

Tucson is Listed 4th Best City for Generation Z—*September 2022*

[The New York Times](#)

U.S. News & World Report Ranks Tucson Among the Top 100 Best Places to Live—*May 2022*

[Patch.com](#)

University of Arizona Sweeps Online Program Rankings—*February 2022*

[U.S. News & World Report](#)

Tucson and Eastern Pima County Retain Gold Status as Bicycle Friendly Community—*January 2022*

[BizTucson](#)

U.S. Cities With The Largest Growth in High-Paying Jobs—*January 2022*

[Stessa](#)

community worked very hard to compete for and ultimately succeed in landing ABF's first battery cell giga factory in the U.S. This project involved many economic development partners: Pima County, the City of Tucson, Arizona Commerce Authority, Pima Community College and Tucson Electric Power, among others.

Joe Snell is President & CEO of Sun Corridor Inc. He brings nearly 30 years of experience leading regional economic development organizations in communities of various sizes. His knowledge on building strategic, competitive and balanced economic development efforts have resulted in Snell being nationally recognized for creating strong economies in high-growth regions. He can be reached at joe.snell@suncorridorinc.com.



The Airfield Safety Enhancement (ASE) Program is the most critical safety project in the history of the Tucson Airport Authority (TAA). The multi-year \$400+ million project (in 2023 dollars) will transform the airfield layout at Tucson International Airport (TUS) to meet the latest safety standards established by the Federal Aviation Administration (FAA). Please note the current airfield is deemed safe by the FAA; however, standards have changed, and the TAA has prioritized this project and multi-phased approach to make TUS even safer.



Before ever breaking ground, ASE required more than 10 years of planning and design. The estimated 6-8 years of construction includes the demolition, relocation, and replacement of a parallel general aviation runway with a new parallel runway capable of handling commercial, military, and general aviation users, and modernized airfield geometry. More importantly, ASE is designed to enhance airfield safety, with a primary focus to eliminate confusion and runway incursions.

The footprint of ASE is massive. When planners at the TAA identified that additional land would be necessary for a specific area of the airfield, a working group was formed with multiple stakeholders (FAA, Arizona Air National Guard 162nd Wing, City of Tucson, Pima County, Raytheon, U.S. Air Force, and U.S. Army Corps of Engineers). The Metropolitan Pima Alliance (MPA) recognized this collaborative effort, led by TAA, to swap various parcels of land around the TUS campus to make ASE possible at their annual awards ceremony. The land swap allowed for continued expansion and investment in Southern Arizona for all participating parties. The TAA shared the 2022 MPA Common Ground Award with the FAA, Arizona Air National Guard 162nd Wing, City of Tucson, Pima County, Raytheon, U.S. Air Force, and U.S. Army Corps of Engineers.

In December 2022, the project also achieved substantial completion of a new end-around taxiway at the west end of the airfield that will ensure safe aircraft movement for airfield users. The project entailed the construction of new Taxiways F, G, and D3 and included an investment from the Arizona Air National Guard to make improvements to its Arm/De-Arm Pad, Gate B Entrance, and the installation of an aircraft barrier arresting kit (BAK) system on Runway 3/21. The BAK will be completed this summer.

January 2023 ushered in the next phase of ASE, which is Taxiway C. Dirt work on this new outboard taxiway for airfield stakeholders

on the south side of the TUS campus is currently visible from the terminal. While some aspects of ASE have been pushed back due to the lack of supply of materials, we are pleased to report this phase is on budget and on schedule for completion in February 2024.

Both Taxiway C and the end-around taxiway are what we consider enabling projects. Each one is a prerequisite for the parallel runway demolition and replacement. The goal is always to maintain a safe, operational airfield and these current projects ensure that. If the necessary federal grants are issued for work on Runway 12R/30L, work may begin in the summer of 2025. During this phase, the existing runway, RWY 11R/29L, will be closed for demolition. Airfield users will continue to have safe access to RWY 11L/29R, because of the completion of these two enabling projects.

Timelines and progress are dependent on the availability of grant funding. As a unique nonprofit created and developed by community business leaders and established by Arizona state charter in 1948, the TAA accepts zero local tax dollars. Large-scale development like ASE relies heavily on grants from the FAA and the revenue earned by the TAA, through its business enterprise, to pay for projects, programs, and initiatives.

While the completion of the ASE Program is contingent on numerous external factors, there is no delaying the pride TAA feels about the progress made up to this point. As a regional catalyst that generates more than \$8.3 billion in economic activity annually, we will continue to work nonstop for safety and for ASE to benefit our airfield users, our airline partners, and our Southern Arizona community. When our airport thrives, our community thrives!



Danette Bewley, A.A.E. is President/CEO of the Tucson Airport Authority, operator of Tucson International Airport and Ryan Airfield. Bewley joined the TAA in 2012 and had been Vice President of Operations and Chief Operating Officer prior to assuming the President/CEO position in 2019. She has over 35 years of experience in all facets of airport management. She currently serves on the ACI-NA Board of Directors and participates in numerous local community organizations. She can be reached at DBewley@FlyTucson.com.

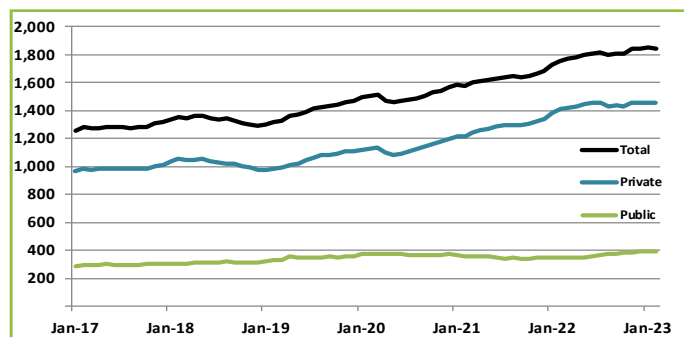


According to Dodge Construction Network, construction starts in 2022 ended on a positive note, with a year-over-year increase of 15% compared to 2021. Dodge notes particular strength in manufacturing and infrastructure.

The Tucson Industrial market closed out 2022 strong, absorption exceeded the pace at which new product was delivered, resulting in the all-time-low vacancy rate in the 2.5% range.

Demand is largely driven by manufacturing, logistics, and distribution with a surplus in national developers and tenants. With very little existing supply currently available, and land sales declining, end users rely on the development pipeline for their future real estate needs.

2023 started off with a punch with persistent challenges and uncertainty regarding the economy. Headwinds will remain strong through 2023 as we continue to navigate the macroeconomic turbulence. With inflation, high-interest rates, and rising construction costs, we are seeing indications that the market may be leveling off. Several contributing factors have made it difficult to bring Commercial Real Estate development deals across the finish line.



Construction Spending, Seasonally-Adjusted Annual Rate, Billions of Dollars, 2013–2023 (Source: U.S. Census Bureau, April 3, 2023)

Material prices continue to rise with increased product lead times and material shortages.

We are still recovering from a combination of major supply chain disruptions, natural disasters, the Ukraine/Russia conflict, significant demand, and shortage of skilled labor and truck drivers, which are all driving up costs and lead times. The pandemic has caused current production and the supply chain of many materials to fall short of increased demand, and we face a renewed disruption as Ukraine and Russia are critical suppliers of metals, raw materials, chemical products, and machinery.

Another reason for the higher prices and strained supply chains was the various trade policies imposed in recent years and the recent sanctions on Russia. Tariffs or quotas on steel and aluminum from many countries, along with tariffs on hundreds of parts and materials from China, drove up the cost of many construction products and reduced the number of suppliers, which has led to increased lead times. Although the purpose of these trade actions was to protect and create jobs in the U.S. manufacturing sector, very little capacity has been added so far. On a good note, lumber prices have come down since the pandemic.

	HISTORIC <<<					>>> FORECAST			
Sector	2017	2018	2019	2020	2021	2022	2023	2024	
Total Increase	8.9%	5.9%	3.4%	27.1%	5.5%	-7.5%	-7.6%	1.8%	
Residential	19.0%	6.6%	0.3%	49.1%	14.2%	-3.4%	-12.8%	0.9%	
Commercial	3.9%	3.7%	2.8%	2.6%	-11.1%	-14.5%	-6.9%	-4.1%	
Manufacturing	-12.1%	0.0%	8.8%	-4.3%	0.2%	5.3%	4.1%	-8.4%	
Healthcare	11.2%	1.1%	5.4%	13.1%	0.9%	-11.0%	-6.6%	4.1%	
Education	6.9%	6.2%	4.1%	0.3%	-16.5%	-15.0%	-1.1%	0.6%	
Other Structures	7.0%	2.6%	1.7%	7.3%	-12.6%	-14.4%	-2.1%	1.0%	
Infrastructure	-1.6%	7.5%	8.7%	12.7%	-0.6%	-14.8%	4.6%	7.0%	

Total Construction Market Volume by Sector (x\$1M, Normalized 2012) Note: "Other Structures" includes religious buildings, amusement, government, communications, and public recreation projects.

Electrical equipment like transformers, generators, switchgear, some mechanical equipment, and semiconductors continue to have lead time issues with continued price increases.

Electrical manufacturers and distributors are experiencing a \$1 billion backlog of switchgear and anticipate continued shortages in metal sockets and buss plugs due to high demand caused by infrastructure projects and semiconductor lead times. With many chip providers working to expand production in the US, hopefully, the light is at the end of the tunnel.

Transporting materials remains difficult due to an increase in driver shortages and freight prices. The rising cost of fuel is impacting all sectors of the transportation industry. Many ports are congested as importers are rerouting their goods.

Labor in the construction industry continues to be an additional challenge, compounding supply chain disruptions and budgetary challenges. Construction demand has grown at a significant rate and has outpaced the number of new workers entering the market.

We are cautiously optimistic to see what the rest of 2023 brings. Tucson is still seeing new projects being brought to market, which is a good sign for the economy, and brings hope for the next couple of years.

Leigh-Anne Harrison started her career in construction as a receptionist. Literally starting from the bottom, Leigh-Anne worked her way up through roles in pre-construction, project management and learning the ins and outs of all aspects of construction, Leigh-Anne worked her way through an established company, eventually landing a leadership role. Today, Leigh-Anne is the Executive Director for Chasse Building Team's Southern Arizona division and is leading a team of 40 in Tucson. She can be reached at lharrison@chasse.us.



One year ago, industrial land was selling to developers like hotcakes. Today those developers are struggling to make development pencil out. While lease rates have increased and vacancies are at an all-time low, the cost of building has also increased. Some developers have paused speculative projects. This stagnant supply and strong demand dynamic are creating challenges for tenants, brokers, and developers. Transaction volumes are considerably less than what they were one year ago as tenants and buyers can't find available space and interest rates have grid-locked the investment side of the market.

A separate but related concern throughout the market is the increase in NNN expenses. Insurance rates are increasing across the board, taxes are increasing, and maintenance costs are increasing. Persistent labor challenges are also driving the costs of CAMs as landscapers, HVAC contractors, and other trades-related businesses are pressured to increase employee wages to remain competitive among poached employee attempts and continuing increased cost of living.

If a tenant or buyer asks me to find them a property, most of the time I have to be very frank and tell them that there aren't any options right now but we will be on the lookout. This historically low vacancy is creating opportunities for spec developers and so far, developers have had success. We can expect to see more construction of bigger bay industrial concrete-tilt construction as the cost to build is considerably less than small bay construction and the demand from distributors and manufacturers remains strong. Demand for small-medium bays is also very strong but construction costs create a challenge for business park/flex development.

Business Park/flex lease rates in the Northwest market are the highest with rates ranging between \$.85-\$1.15 modified gross. Rates south of Downtown are about 15% less than the Northwest market but all sub-markets have little to no vacancies. Business Park land (less than 5 acres) is difficult to find and has almost doubled in value within the past two years as users look to build their own buildings.

An additional catalyst for Tucson's industrial market is onshoring. Companies that have had supply-chain challenges overseas are looking to relocate their supply chain back to the US and Mexico and Tucson happens to be in the crosshairs. This increased demand from larger relocations combined with spec development acquisitions has shrunk the available industrial land inventory considerably within the past 1-2 years. Finding entitled industrial land with nearby utilities is now a challenge. We have even watched developers start to purchase agricultural land in Marana and re-zone it for industrial uses.

In addition to the agricultural land to industrial play, three known redevelopments are set to demolish existing industrial, creating even less supply. We can expect this trend to push more development out into areas like Marana and Vail while central re-developments demolish existing industrial (an estimated 250,000 SF of demo).

On the investment side of industrial, sales are sparse. Interest rate hikes are making historically low cap rates a thing of the past. Recent bank failures and depositor fears aren't helping the financing side. While we haven't felt the full effects of the recent banking challenges, we expect banking to negatively affect the industrial real estate market with time. Investors are forced to put more money down and be more conservative with their underwriting to appeal to the banks' shifting standards.

“An additional catalyst for Tucson's industrial market is onshoring...companies are looking to relocate back to the US and Mexico, and Tucson happens to be at the crosshairs.”

As demand on the investment side lessens, sellers have not adjusted to the market. This is where the gridlock sets in. Transaction volume will only increase as sellers adjust their pricing downwards or interest rates are cut. In the near future, interest rate cuts do not seem realistic, therefore, we expect more gridlock for an extended period of time which will create less income for brokers, lenders, and other ancillary real estate services. That is the harsh reality.

Transaction volume will shift towards land sales and spec development. The bulk of the spec development is coming out of the Marana and Airport sub-markets. Small bay construction (10,000 SF and less) does not seem to be a near reality. A new 17,800 SF bay spec project has recently been announced in the Avra Valley Airport market and that is the most we have seen on the small-medium bay side of the market. Most development will be concrete-tilt and with 20,000 SF bay minimums as construction costs are competitive on a larger scale and demand is strong for distribution space with higher clear height for vertical storage.

The bullseye medium bay spec project, in my opinion, has the following features: fenced yard, minimum office, 3 phase 480v power, 24' clear minimum, proximity to I-10, 12x12' minimum grade doors with dock loading or the option to add a dock. This is the spec product being built at Avra Valley Airport.

Max Fisher is the Director of Leasing and Sales for BRD Realty, the sales and leasing division of Torch Properties. Max specializes in the leasing and sale of industrial land and business park properties, including flex/research and development, warehouse and distribution, and manufacturing space. As a native Tucsonan, Max inherently understands what makes the community thrive. He has been active in the Tucson real estate market since 2012, and his strong community ties and industrial focus make him a standout in the commercial/industrial arena. He is known for his niche focus on industrial real estate, tenacious work ethic, and commercial real estate technology. Max completed has consistently closed over 75+ transactions per year for the past 4 years. Most of these transactions were a result of online marketing. Email Max at MaxFishh@live.com.



INDUSTRIAL SECTOR (INCLUDING TUCSON) REMAINS UNDETERRED DESPITE THE ECONOMIC SLOWDOWN

» by Karen Schutte

Don't you hate Tucson MSA being left off a national real estate analysis? I do, so we fixed these graphs for CommercialEdge to show where Tucson should have been in this report.

As of February, 667.5 million square feet of new industrial supply existed, accounting for 3.7% of the total industrial inventory. So far this year, developers have delivered 73.4 million square feet of industrial space across the U.S. As most markets have so far been able to absorb the record levels of new supply, developers continue to expand. As a result, according to CommercialEdge, the industrial property outlook for the U.S. industrial footprint could increase by about .9% over the next five years.

For space under construction, [Tucson](#) would rank between Portland and Cleveland for Industrial space with 1.8 million square feet in this period. (See Chart One)

The year's first two months saw \$3.9 billion in industrial sales and a national average of \$150 per square foot. While a lag in collecting all data means that the number is still being determined, this is a significant drop-off from last year, when \$9.1 billion in sales have been logged in for this period.

While securing capital for many deals has become more challenging, sales are still getting done in markets with solid fundamentals. Consequently, port markets and inland logistic hubs (such as our Port of Tucson) recorded some of the most significant sales volumes among the top industrial markets. Besides the Inland Empire's hefty \$855 million volume, New Jersey and Charlotte recorded the most significant sales volume, where industrial transactions totaled \$209 million and \$186 million, respectively.

[Tucson](#) should therefore be on this graph between Cleveland (\$24 million) and Baltimore (\$14 million); Tucson had \$21.5 million in industrial sales during the first two months of 2023. (See Chart Two)

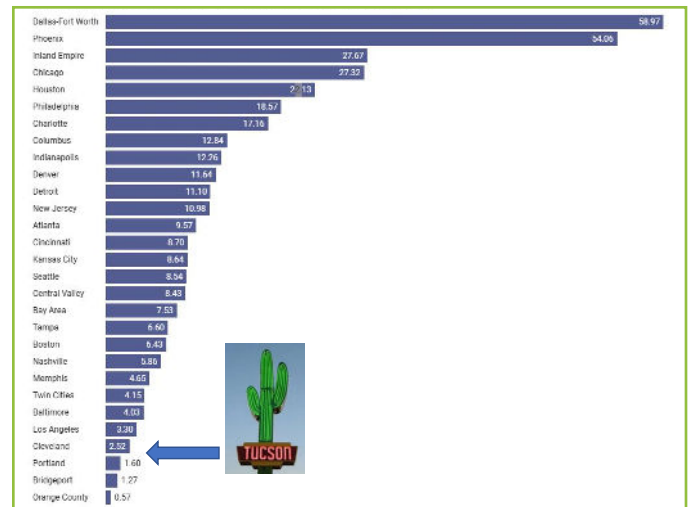
Phoenix has maintained its position as a prominent industrial market, according to CommercialEdge, thanks to robust growth in the logistics and manufacturing sectors. Still, I predict Tucson will soon be a player to contend with in the Western Markets along with Phoenix.

Industrial market fundamentals in Southern California remained robust, with upward trends reported, with rents rising 15.6% in the Inland Empire, 11.6% in Los Angeles, and 9.2% in Orange County year-over-year in February.

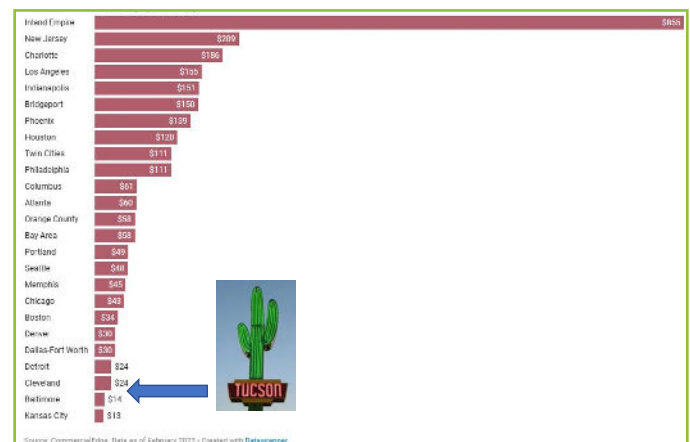
All the major industrial markets in the Western state continued to post the lowest industrial vacancy rates in the U.S., with the Inland Empire at just 1.7% — the second-lowest vacancy rate among the top 30 U.S. industrial markets. Phoenix and Los Angeles had 2.3% and 2.6% vacancy rates, respectively.

[Tucson](#) with between 1.8% and 2.5% vacancies and an average sale price per SF of a modest \$104 PSF. It would rank between the Dallas-Fort Worth area and Charlotte, NC, markets, as shown on the graph. (See Chart Three)

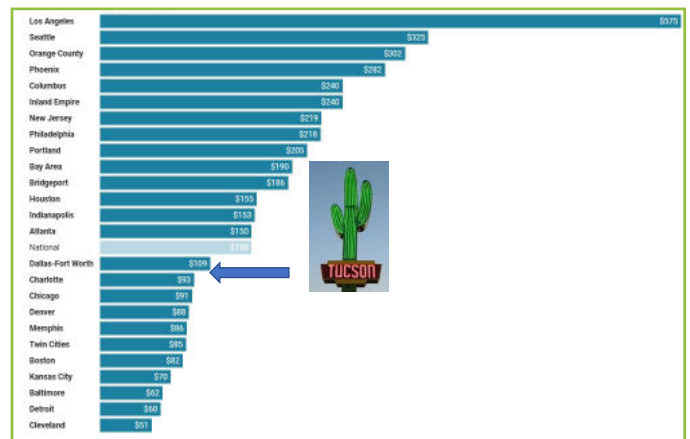
With average sale prices exceeding the \$200 per square foot mark in most Western industrial markets, except Denver, where industrial assets trade at \$88 PSF. Expect to see Tucson's price PSF increase closer to the national average before long.



Industrial Space Under Construction in MSF, as of 2.28.23



2023 Year-to-Date Sales in Millions, as of 2.28.23



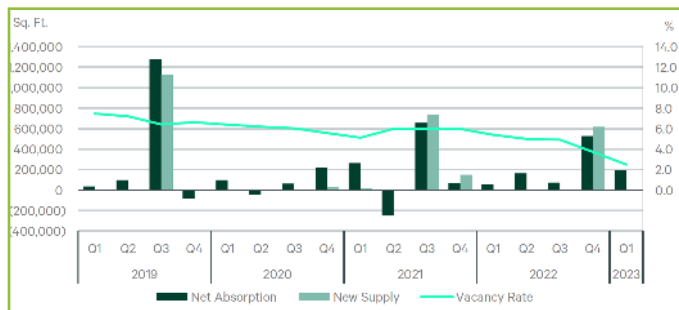
Sale Price per Square Foot, as of 2.28.23

To read CommercialEdge full report (without Tucson), go here: [U.S. National Industrial Report March 2023 | CommercialEdge](#)

CBRE TUCSON: INDUSTRIAL VACANCY TIGHTENS AS LEASING ACTIVITY STARTS THE YEAR OFF STRONG

CBRE's Research Team is reporting Tucson Industrial vacancy decreased 120 basis points (bps) quarter-over-quarter to 2.5% in Q1 2023. The industrial market captured 389,500 square feet of gross absorption, bolstered by activity in the Southeast submarket.

- Total construction activity increased slightly to 40,000 square feet, with no deliveries in Q1 2023.
- The Tucson industrial market had healthy leasing activity with 389,500 square feet of gross absorption. While renewals dominated market activity, new leases pushed net absorption to 191,465 square feet in Q1 2023.
- The vacancy rate dropped to 2.5% as new leases outpaced move-outs in Q1 2023. The decrease in vacancies was also a result of the lack of new product deliveries in the first quarter.
- Under-construction projects located in the Northwest and Airport submarket are anticipated to deliver in Q2 2023. Lastly, the direct average asking NNN lease rates remained nearly flat at \$0.87 per square foot.



Supply and Demand (Source: CBRE Research, Q1 2023)

Availability and Vacancy

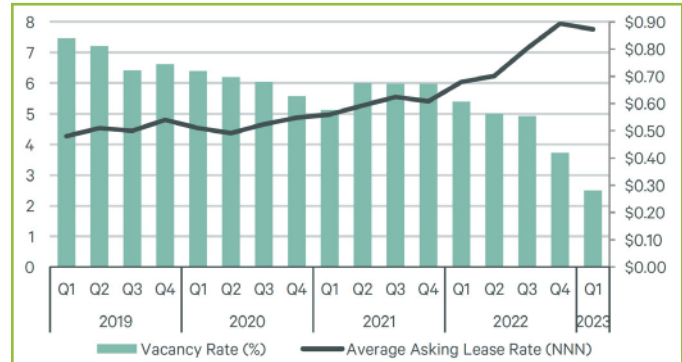
Tucson's Industrial space availability decreased to 2.7%, equivalent to 1.1 million sq. ft. of space at the end of Q1 2023. Availability in the Airport submarket declined to 3.7% with multiple large new leases. The Northwestern submarket's availability rate of 2.9% was slightly higher than the Tucson average, but the submarket remains a sought-after submarket due to interstate access and proximity to Phoenix. Space available in the Southeast submarket remained scarce, with 1.3% available.

Tucson's total vacancy declined to 2.5% in Q1 2023 with 1.0 million sq. ft. of vacant space. The vacancy rate in the Airport submarket had a quarter-over-quarter decrease of 20 basis points to 3.5% while the Northwest submarket vacancy increased 80 bps to 2.8%. The Southeast submarket vacancy remained tight at 1.2% and remained a desirable market for distribution and manufacturing operations.

Lease Rates

The direct average asking NNN lease rate increased \$0.19 year-over-year to \$0.87 per sq. ft. in Q1 2023—a 28.4% increase year-over-year. Asking rates within the Southeast submarket increased to \$0.78, which represented the most notable rate change. Decreased availability in this submarket continued to put upward pressure on

asking rates. The Airport submarket recorded a minor increase in NNN asking lease rate at \$0.83 per sq. ft. With an average asking lease rate of \$0.72 per sq. ft., the Northwest submarket offers tenants a cost-efficient and geographically advantageous option.

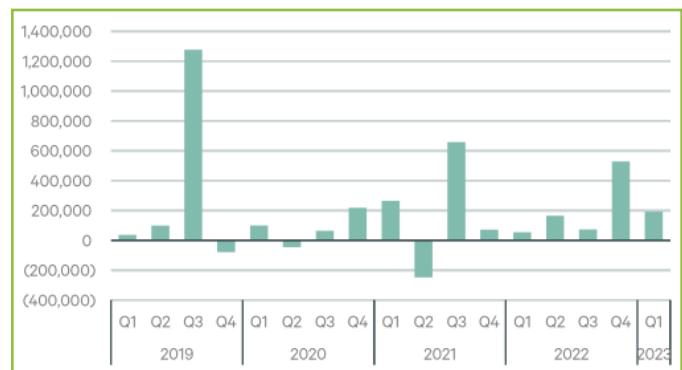


Overall Vacancy and Lease Rate (Source: CBRE Research, Q1 2023)

Net Absorption and Leasing Activity

The Tucson industrial market had 191,465 sq. ft. of positive net absorption in Q1 2023, driven primarily by the Southeast and Airport submarkets. The Southeast submarket recorded 171,357 sq. ft. of net absorption. The Airport submarket recorded 101,774 sq. ft. of leasing activity, with a 65,303 sq. ft. lease signed by Cactus Portable Storage and an owner-user building acquisition at 2425 E Medina Rd. The Southwest submarket recorded a notable 65,250 sq. ft. warehouse leased by Pima County.

The West Central submarket offset the positive net absorption in the market due to the 60,000-square-foot move out of Sam Levitz Furniture Company. The Northwestern submarket followed closely behind with 52,576 square feet of negative net absorption.



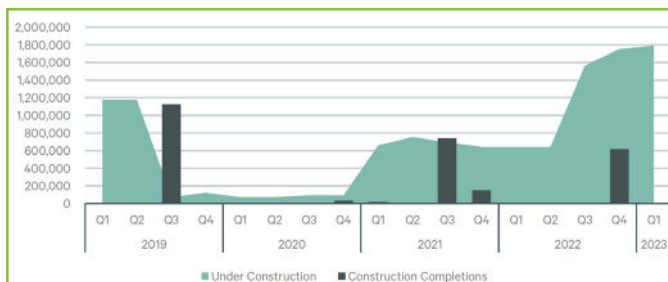
Net Absorption (Sq. Ft.) (Source: CBRE Research, Q1 2023)

Development Activity

No projects were delivered in Q1 2023, but construction continued for the 1.8 million sq. ft. of industrial product. The 946,415 square feet from Buildings 1 and 2 of the Southern Arizona Logistics Center made significant development progress in the

“The 946,415 SF from Buildings 1 and 2 of the Southern Arizona Logistics Center made significant development progress in the Northwest submarket and are expected to deliver in Q2 2023 along with 40,000 SF at Campbell Landing near TIA.”

Northwestern submarket and are expected to deliver in Q2 2023. The 40,000-square-foot Campbell Landing project is near completion as well. The four-building project will serve a much-desired space requirement for tenants looking to fill up to 10,000 square feet. The 806,000-square-foot Tucson Commerce Center in the Airport submarket is expected to deliver in late 2023. Many projects, such as the remaining Southern Arizona Logistics Center buildings, I-10 International, and the newly announced Southern Arizona Regional, remain planned and await construction start dates.

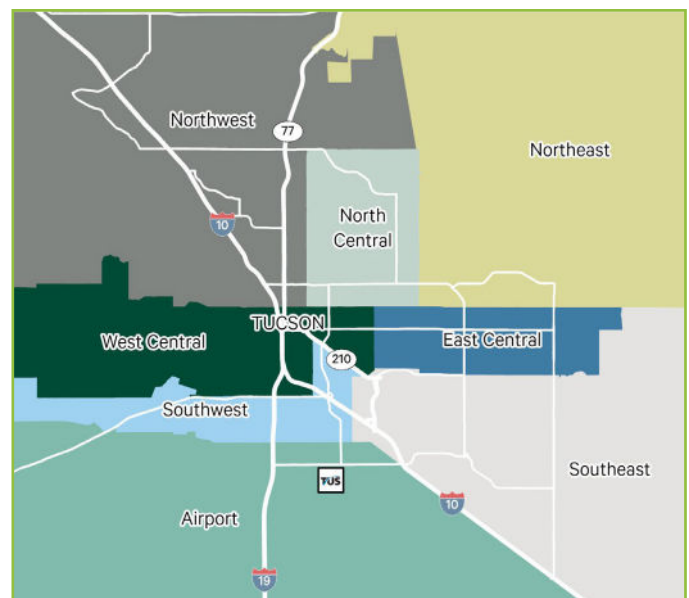


Under Construction and New Supply (Sq. Ft.) (Source: CBRE Research, Q1 2023)

Outlook

The Tucson industrial market has had several quarters of consistent growth and these trends are expected to continue in subsequent quarters. With sustained record low vacancy and a strong construction pipeline, Tucson is expected to capitalize on tenants looking to establish or expand operations in the Sun Belt. Prospective projects like American Battery Factory's new manufacturing facility, going in at the Pima County Aerospace Campus near Raytheon, will continue to place the spotlight on Tucson as an optimal manufacturing location further sustaining demand.

Read full Industrial Report Q1 2023 [here](#).

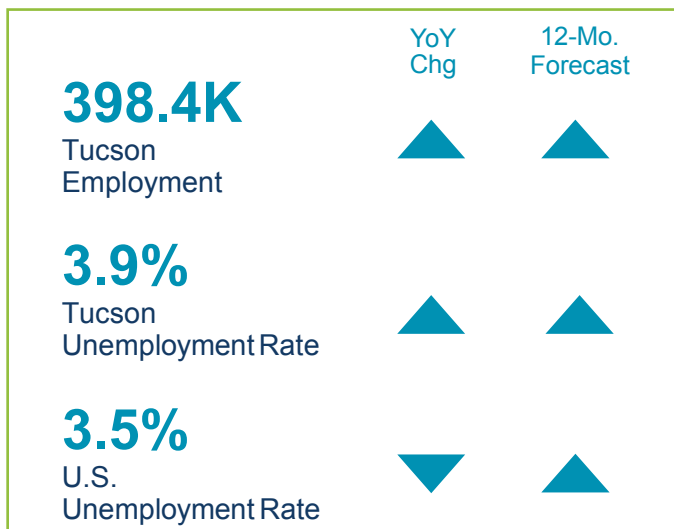
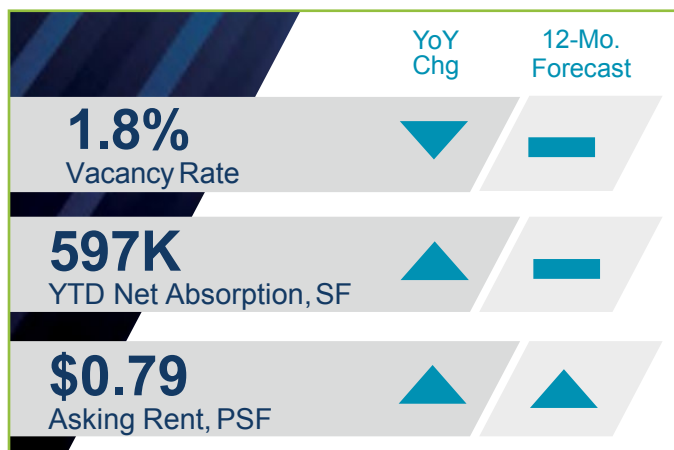


	Building Count	Net Rentable Area (Sq. Ft.)	Availability (%)	Vacancy (%)	Net Absorption (Sq. Ft.)		Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg. Direct Asking Lease Rate (\$PSF/NNN)
					Q1 2023	2023 YTD			
Airport	162	10,956,144	3.7%	3.5%	71,774	71,774	846,606	0	\$0.83
East Central	44	1,189,709	5.6%	4.7%	(3,686)	(3,686)	0	0	\$0.85
North Central	11	191,587	5.4%	2.7%	(256)	(256)	0	0	\$0.83
Northeast	15	1,045,095	11.3%	11.3%	0	0	0	0	\$1.41
Northwest	268	7,023,918	2.9%	2.8%	(52,576)	(52,576)	946,435	0	\$0.72
Southeast	251	12,593,094	1.3%	1.2%	171,357	171,357	0	0	\$0.77
Southwest	105	2,877,358	1.1%	1.0%	67,052	67,052	0	0	\$0.78
West Central	179	4,458,840	2.1%	1.7%	(62,200)	(62,200)	0	0	\$0.77
Tucson Total	1,035	40,335,745	2.7%	2.5%	191,465	191,465	1,793,041	0	\$0.87

Sub Market Stats (Source: CBRE Research, Q1 2023)

Economy

In the first quarter of 2023, the US economy demonstrated higher than expected job growth. With robust hiring each month, somewhat tempered in March at 236,000 jobs, the labor market showed remarkable resilience. Job growth in a tight labor market is expected to drive the next interest rate hike from 25 to 50 basis points. Focusing on Arizona and the Tucson MSA, upward revisions in employment data for 2021 and 2022 reflected a healthy regional economy. Tucson's nonfarm employment rose from 392,500 in Q1 2022 to 398,400 in Q1 2023, while the unemployment rate increased from 3.4% to 3.9%. The consumer price index dropped for an eighth straight month to 5.7, and Tucson's outlook remained positive, with median household income up 3.6% year-over-year and population growth at a steady pace.



Economic Indicators, 1Q 2023 (Source: Bureau of Labor Statistics)

Supply and Demand

During the first quarter, the Tucson industrial market registered a record-breaking low vacancy rate of 1.8%, while overall absorption reached 597,391 square feet (sf). This trend is not new as Tucson's supply continues to fall behind the demand, exacerbated by a 50%

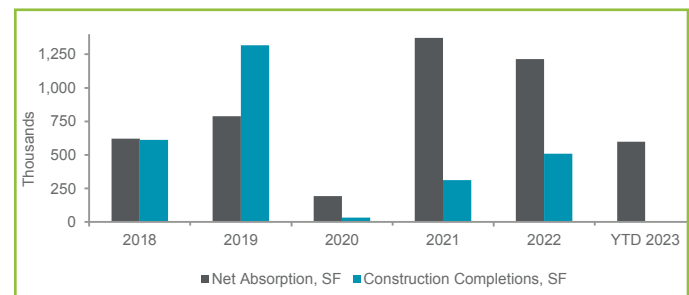
increase in construction costs over the past year. Consequently, lease rates and terms have been steadily increasing.

New manufacturing activity in the market is robust, with all submarkets performing equally well. However, areas located on the city's outskirts, such as Rita Ranch, Kolb/Valencia, Tucson International Airport, and Tangerine/I-10, have yielded heightened construction activity. Notable construction activity includes 946,935 sf at Southern Arizona Logistics Center in the NW Tucson/Oro Valley submarket 786,240 sf at Tucson Commerce Center in the SW Tucson Airport submarket, along with 187,452 sf in the Southeast Tucson submarket that broke ground in March.

In terms of major transactions in the market, Chrome Hearts purchased a 116,898 sf building in Southeast Tucson. Winston Water Cooler purchased a 46,709 sf building in SW Tucson/Airport submarket. MicroStar signed a lease of 140,000 sf building in the Palo Verde submarket, and Pima County leased a 65,250 sf in the SW Tucson/Airport submarket. However, most user sales remained below 15,000 sf, likely due to a lack of available inventory.

Pricing

Pricing for existing buildings has been on the rise, with prices reaching an unprecedented \$100 per square foot (psf) due to low availability and high construction costs. Despite these market forces, the industrial market in Tucson continues to perform well, with healthy tenants, increasing rental rates, and low occupancy. Investment in industrial properties remains strong, and the market outlook for Q2 is promising.



Space Demand/Deliveries



Overall Vacancy and Asking Rent

PROPERTY	SUBMARKET	TENANT	RSF	TYPE
3610 East Valencia Road**	Southwest Tucson/Airport	Undisclosed	216,775	New Lease
5120 South Julian Drive**	Palo Verde	MicroStar Logistics, LLC	140,000	New Lease
1150 West Drexel Road**	Southwest Tucson/Airport	Pima County	65,250	New Lease
6161 South Palo Verde Road**	Southwest Tucson/Airport	Cactus Portable Storage, LLC	64,303	New Lease
3440 East Britannia Drive**	Southwest Tucson/Airport	Goodwill	26,691	New Lease

Key Lease Transactions Q1 2023 * Renewals not included in leasing statistics. **At least one party represented by Cushman & Wakefield | PICOR

PROPERTY	SUBMARKET	SELLER / BUYER	SF	PRICE/\$ PSF
8500 South Rita Road**	Southeast Tucson	Mithril Real Property Inc/Chrome Hearts	116,898	\$13M/\$111.21
2425 East Medina Road**	Southwest Tucson/Airport	Michael & Karen Sharp/Zane Butter	46,709	\$3.5M/\$74.29
1701 West Grant Road	Northwest Tucson/Oro Valley	STORE Capital Corporation/GIC Real Estate	18,834	N/A N/A

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

SUBMARKET	INVENTORY (SF)	OVERALL VACANT (SF)	OVERALL VACANCY RATE	CURRENT QTR OVERALL NET ABSORPTION (SF)	YTD OVERALL NET ABSORPTION (SF)	UNDER CNSTR (SF)
Downtown Tucson	4,139,406	38,280	3%	-46,438	-46,438	0
Northeast Tucson	2,772,586	124,171	4.5%	-13,874	-13,874	0
NW Tucson/Oro Valley	10,553,114	297,815	3.5%	78,977	78,977	1793475
Palo Verde	6,437,360	41,155	1.9%	192,257	192,257	0
Park/Ajo	4,049,195	38,889	1%	48,724	48,724	0
South Pima/Green Valley	204,538	0	0%	0	0	0
Southeast Tucson	7,106,067	12,874	20%	180,242	180,242	0
SW Tucson Airport	10,044,734	260,402	3.4%	157,503	157,503	846,606
TUCSON TOTALS	45,307,000	813,586	1.8%	597,391	597,391	2,640,081

SUBMARKET	CONSTR COMPLETIONS (SF)	OVERALL WEIGHTED AVG NET RENT (MF)	OVERALL WEIGHTED AVG NET RENT (OS)	OVERALL WEIGHTED AVG NET RENT (W/D)
Downtown Tucson	0	\$0.69	\$1.33	\$1.02
Northeast Tucson	0	\$0.81	\$0.74	\$0.83
NW Tucson/Oro Valley	0	\$0.81	\$0.99	\$0.54
Palo Verde	0	N/A	\$0.69	\$0.83
Park/Ajo	0	\$0.70	\$0.93	\$0.91
South Pima/Green Valley	0	N/A	\$0.00	N/A
Southeast Tucson	0	N/A	N/A	\$0.90
SW Tucson Airport	0	N/A	\$0.78	\$0.71
TUCSON TOTALS	0	\$0.71	\$0.84	\$0.73

Market Statistics

* Rental rates reflect weighted net asking \$/sf/mo.

FX=Flex, MF=Manufacturing, OS=Office Service/Flex
W/D=Warehouse/Distribution

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in over 400 offices and approximately 60 countries. In 2022, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, and valuation and other services. To learn more, visit [our website](#) or follow @CushWake on Twitter.

#1



Amazon Silverbell Gateway Cold Storage Distribution Center

Sale Price: \$22,300,000 for 49,500 SF on 10.75 acres

Closed: 12/21/2022

The Amazon Last Mile Distribution center at 775 W Silverlake Road in Tucson sold in a net investment sale of \$22.3 million (\$451 PSF). The 49,500 SF distribution center with 15 loading docks, is located near I-10 and I-19, close to downtown Tucson. The “last mile” Distribution Center was constructed in 2019 on the 10.74-acre parcel and is leased to Amazon. The investment group, FEM Real Estate out of New Jersey purchased it for \$18 million (\$364 PSF) in July 2012 and sold it again in this transaction for \$22.3 million as the seller. The Varnhagen Family Trust of San Francisco, c/o Anthony Varnhagen as trustee is the buyer with seven years remaining on the lease and three 5-year options with Amazon. “Last mile” distribution centers play a key role in Amazon’s logistics. Andrew Bogardus and Douglas Longyear of Cushman & Wakefield in San Francisco along with Stephen Cohen of Cushman & Wakefield | PICOR in Tucson handled the transaction for the seller and Michael Kuhn from the San Francisco Bay area represented the buyer.

#2



Roche Manufacturing Facility at Tangerine Commerce Park

Sale Price: \$19,000,000 for 60,437 SF on 4.61 acres

Closed: 10/25/2022

VM Building Two Corporation, an affiliate of Cottonwood Properties, sold the built-to-suit high-tech life science manufacturing facility it had developed for its tenant Roche Molecular Systems, Inc. This 60,437-square-foot facility was developed as a build-to-suit project on 4.6 acres within Tangerine Commerce Park at Tangerine Road and I-10. The new building is directly adjacent to Roche’s existing logistics and distribution facility of similar size and the new building will house instrument and service products for the company. Approximately 150 employees will staff this new facility. The building was sold in shell condition for \$19 million (\$314/sf) with a 10-year lease to Roche in place. The seller was represented by Mark Ruble of Marcus & Millichap. Buyer, an affiliate of Norman Properties of Poway, CA, was represented by Mike Garrido of Trident Ventures.

#3



Industrial Flex Building—Hughes Federal Credit Union

Sale Price: \$13,893,950 for 79,072 SF on 13.24 acres

Closed: 5/9/2022

Hughes Federal Credit Union purchased 79,072 square feet of industrial flex space at 3301–3321 E. Global Loop in Tucson from by Global Loop Tucson, LLC, Mercator Properties, LLC, and RSD MT Marathon, LLC c/o Dire Wolf Ventures of Anchorage, AK for \$13,893,950 (\$176 PSF). The class A brand new interior build-out has multiple bathroom cores, break areas, coffee stations, wellness rooms, and conference rooms of various sizes. Power up to 8,000 amps of electrical that is fully redundant, serviced by two separate substations. A generator existing fenced pad with conduit to the interior electrical room, a new 300-ton water-cooled chiller, and a clear height minimum of 22 feet. High-density parking (8+ to 1,000 SF) is expandable. The property is also located in an Opportunity Zone. Hughes Federal Credit Union purchased the property for administrative back-office support use by the credit union. Jesse Blum and Stephen D. Cohen with Cushman & Wakefield | PICOR represented the seller in this transaction. Brian Harpel with Velocity Retail Group, Tucson, represented the buyer.

#4



Manufacturing Site Sold to Chrome Heart

Sale Price: \$13,000,000 for 116,898 SF on 13.83 acres

Closed: 1/13/2023

The buyer, Chrome Heart Apparel, has assembled 52.73 acres at 8500 E Rita Road for this project, earlier having closed on 39 adjoining acres for \$2.5 million. Formerly occupied by Global Solar Energy, the property has two buildings, one 10,3074 SF and the other 13,824 SF, with 40ft ceiling heights, 8-dock high roll-up doors, and one grade level roll-up door. The buyer plans to move part of its manufacturing of high-end apparel from Los Angeles to the property. Gary Emerson of GRE Partners with Robert Cohen of Newmark Knight Frank in Los Angeles represented the buyer in both transactions. Stephen Cohen with Cushman & Wakefield | PICOR represented the seller Arizona Glass Properties in the land sale.

#5



Investment Sale at Eastside Research Commerce Center

Sale Price: \$9,375,672 for 99,858 SF on 5.59 acres

Closed: 4/25/2022

Rhino Realty of Nevada, LLC purchased 99,858 SF of industrial space at Eastside Research Commerce Center, 1800 S. Research Loop in Tucson, from Java Property Investments, LLC for \$9,375,672. There are two tenants in the building: Grace Pacifica Machining and Anewco Products with three-year leases. The property sold at a 5% cap rate. The late, Ron Zimmerman with Cushman & Wakefield | PICOR, represented the seller in this transaction. Grant Traub with Colliers International AZ, represented the buyer.

PROJECTS UNDER CONSTRUCTION



Southern Arizona Logistics Center

Location: 9800 W Clark Farms Blvd. and 10070 W Clark Farms Blvd., Marana

Project Size: 946,435 SF on 39.49 acres

Developer: Flint Development

Architect: Davidson Architecture & Engineering

Status: Under Construction; Available Q3 2023

Leasing Contact: Tim Healy with CBRE, tim.healy@cbre.com

Flint Development has two buildings nearing completion totaling close to a million square feet. One building at 511,412 square feet and the other at 435,023 square feet located at I-10 and W Clark Farms Blvd, Marana, Arizona 85653. This is all part of phase one of the project. The project totals more than 1.7 million square feet of industrial space with nearly one million square feet available for lease this year.



Campbell Landing

Location: 2180-2236 E Ginter Rd. and 2656-2701 E Wieding Rd., Tucson

Project size: 40,000 SF

Developer: Campbell Landing/Keith and Carl Campbell, Managers

Architect: Rich Huch, Seaver Franks Architects

Status: Under Construction; Available in July and September, Q3 2023

Leasing Contact: Dean Cotlow of Cotlow Company, Cotlow@Cotlow.com

Four 10,000-square-foot pre-engineered buildings will each have 24-foot-high eaves, grade doors, and 120/208v three-phase power. The first two for delivery in July, second two in September 2023.



Tucson Commerce Center

Location: 3610 & 3780 Valencia Rd; and 6690 S Alvernon Way, Tucson

Project Size: 806,606 SF on 45 acres

Developer: Flint Development

Status: Under Construction; Available Q3 2023

Leasing Contact: Tim Healy with CBRE, tim.healy@cbre.com

Flint Development has three buildings nearing completion totaling over 800,000 SF. One building at 302,443 SF, another at 259,274 SF, and the third, 244,889 SF, all located at the SWC of Valencia and Alvernon Way. The land was purchased in June 2022 for this project with expected delivery in Q3 2023. 216,775 SF of Building #1 has been pre-leased with 85,668 SF remaining. The properties are on the market for sale or for lease.

PERMIT-READY PROJECTS



Tucson Airport Commerce Center

Location: Drexel Road, East of Tucson Blvd.

Project Size: 184,000 SF in two buildings on 12 AC

Developer: Schnitzer Properties

Status: Permit Ready

Timing: 2023–2024

Schnitzer Properties paid \$1,668,615 for the 12-acre Block 4 at the Tucson Airport Commerce Center for the development of spec industrial space.

INDUSTRIAL PROJECTS IN THE PIPELINE



Tucson Airport Center (TAC2)

Location: NWC Elvira and Country Club

Project Size: 141,000 SF on 27.76 acres

Developer: Schnitzer Properties

Status: Permit Ready

Timing: 2023–2024

The first phase of this project included a new concrete tilt-up shell warehouse building totaling 157,500 SF at 6850 S Brosius Ave. The second phase includes a proposed 141,000 SF warehouse building planned to commence that is permit ready and going to bid for an estimated delivery 8–12 months from start, for delivery 2024.



Ajo Way Commerce Center

Location: 3761 E. Ajo Way

Project Size: 131,000 SF on 14.19-acres

Developer: Schnitzer Properties

Status: Permit Ready

Timing: 2023–2024

Schnitzer Properties plans to construct a new concrete tilt-up shell warehouse building totaling 131,000 SF and associated site work in the first phase of this project on a 14.19-acre site.

PROJECTS IN PLANNING



Leonardo Electronics US Inc. Semiconductor Laser Manufacturing Facility

Location: Innovation Park, Oro Valley

Project Size: 120,000 SF on 12 acres

Developer: TBD

Status: In Planning

Timing: 2023–2024

In December 2021, Leonardo Electronics US Inc. (LEI) purchased 12 acres in Innovation Park and is planning the construction of a new state-of-the-art semiconductor laser manufacturing facility. LEI has been present in the Tucson region since 2009, through Lasertel, and the company has outgrown its current facility. The new Innovation Park location will comprise approximately 120,000 square feet of manufacturing and administrative offices. The total capital investment will be approximately \$100 million, resulting in a total economic impact of \$374 million over the next 10 years.



American Battery Factory

Location: Pima County Aerospace Research Campus, near Raytheon

Project Size: 2 million-square-foot facility on 267 acres

Developer: Pima County

Status: In Planning

Timing: Phase one estimated for late 2024 or early 2025

American Battery Factory Inc., (ABF) a Utah-based Lithium Iron Phosphate (LFP) battery cell manufacturer, is developing the first-ever network of safe LFP cell gigafactories in the United States. ABF will play a crucial role in meeting federal and state government climate change initiatives and “Made-in-USA” national security requirements. Pima County has approved a strategic partnership with ABF, Celgard, and parent company, Asahi Kasei for the project.

PROPOSED PROJECTS



I-10 International

Location: 4150 E Los Reales Rd., Tucson

Project Size: 1,000,000 SF in four buildings on 77 acres

Developer: Lincoln Property Company (LPC)

Status: Proposed

Timing: in phases

LPC plans to develop approximately one million square feet of spec buildings in phases with the intent of meeting the current market demand for industrial uses.



Marana Air Commerce Park

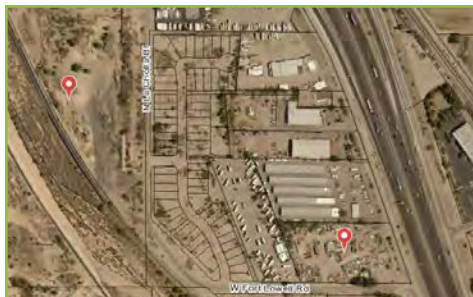
Location: 11246 W. Avra Valley Road, Marana, AZ

Project Size: 64 acres

Developer: Town of Marana

Status: Proposed

The Town of Marana intends to develop the rezoned area into a commercial-industrial park. The subject area will be platted, and lots will become available for purchase to potential buyers for development. The HI zoning district allows manufacturing, wholesaling, and warehousing, along with office and limited commercial uses. All development will be subject to strict FAA guidelines.



Prince Interstate Commerce Campus

Location: La Cholla and Prince Road, Tucson, AZ

Project Size: 87 acres

Developer: Prince Interstate Commerce Campus, LLC

Status: Proposed

Prince Interstate Commerce LLP is assembling multiple parcels into an approx. 87-acre master-planned commercial and industrial development, with access from Interstate-10 at both Prince Road and Miracle Mile.



Amazon Delivery Station

Location: Century Park, Across from Amazon Fulfillment Center at 6701 N Kolb, Tucson, AZ

Project Size: 100,000+ SF on 51 acres

Developer: Van Trust

Status: Proposed

In January 2022, Amazon purchased 51 acres across from its current Fulfillment Center at 6701 S Kolb Rd. A portion of block 3 in Century Park will be used for the construction of a 100,000+ square-foot Delivery Station. The average size of a delivery station is 123,292 SF, used to prepare customer orders for the last-mile delivery service. Trucks leave fulfillment centers with trailers full of unorganized parcels that are then organized for transport—grouped by delivery location—at sortation centers and later at delivery stations. This will be Amazon's third delivery station in metro Tucson.



Sunbelt Industrial Center

Location: 8065 E Old Vail Rd, Tucson, AZ

Developer: Sunbelt 2, LLC

Status: On the market for sale with entitlements

Contact: Max Fisher, BRD Realty at MaxFishh@live.com

In November 2021, Sunbelt 2, LLC purchased 60.92 acres of industrial land at Sunbelt Industrial Center, Rita Ranch Lot 2, E. Old Vail Road in Tucson, from JKKAP, LLC for \$1,350,000. Stephen D. Cohen, Industrial Specialist with Cushman & Wakefield | PICOR, represented the seller in this transaction. Max Fisher with BRD Realty represented the buyer, who has it on the market with site plans and survey work completed.



Butterfield Business Center Block D

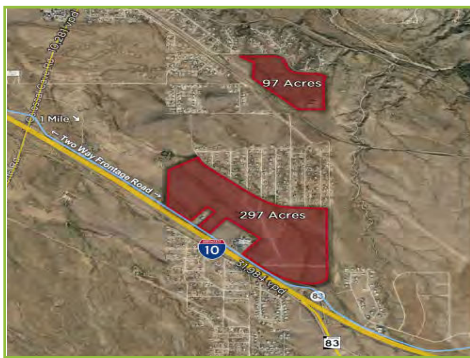
Location: Alvernon, NW of Michigan in Tucson, AZ

Project Size: 194,750 SF on 2.296 acres

Developer: TPA Group

Status: Proposed

Contact: Stephen Cohen, Cushman & Wakefield | Picor at SCohen@Picor.com
Atlanta developer TPA Group, through its affiliate Tucson Logistics Land LLC, paid a combined \$1,956,289 for two industrial parcels totaling 11.36 acres located at Butterfield Business Center, Lot D. They paid \$1,561,289 for the 9.07-acre parcel to Butterfield Tucson Limited Partnership; and they paid \$395,000 for the 2.296-acre parcel to Gebbs Investment Company and Stewart Family Limited Partnership. The buyer plans to build a 194,800 SF industrial building for lease on the site.



Vail Crossings

Location: I-10 and US 83, Tucson (Vail), AZ

Project Size: 390 acres; Mixed Use

Developer: Bourn Companies

Status: Proposed

In February 2023 BP Vail Partners, LLC an affiliate of Bourn Companies bought the 390 acres of industrial-zoned land along I-10 and Colossal Cave Road and State Route 83 in Vail. With approximately one mile of frontage along I-10, the 390-acre parcel was purchased for \$7.65 million. The development plan calls for 600 residential lots and 150 acres of commercial/industrial use. The seller, RMG Vail II, LLC was represented by Gary Emerson of GRE Partners.

UPCOMING INDUSTRY EVENTS

Arizona Association for Economic Development's 2023 Spring Conference: Sun, Sand & Success | April 26-28 | Lowe's Ventana Canyon Conference agenda and registration [here](#).

CCIM "Let's Get Social" | May 3, 5PM-8PM | Neighborhood Italian, 60 N. Alvernon Way Bring a future chapter meeting for an evening of good food, good wine, and good people. More information and registration [here](#).

CCIM Lunch Meeting | May 9, 11:30AM-1PM | DoubleTree Reid Park Captain Corey Doggett of the Tucson Police Department, Dan Ranieri of La Frontera, and Kevin Daily of Tucson Crime Free Coalition will present "Homelessness, Drugs, and Crime: Saving Tucson." More information and registration [here](#).

PCRERC 2nd Quarterly Meeting | May 18, 8AM-10AM | Tucson Association of REALTORS® 2445 N. Tucson Blvd. Register [here](#).

Sun Corridor Annual Luncheon | May 31, 11:30AM-1PM | Hilton El Conquistador Resort Keynote Speaker James Coleman will speak on energy transformation and trends/future predictions of energy solutions; domestic energy production, national defense and reshoring opportunities; and the U.S. clean energy economy's challenges, latest technology/innovations and what it all means to business. More information and registration [here](#).

2023 Eller Breakfast with the Economists | June 2, 8AM-9:30AM | Lowe's Ventana Resort, 7000 N. Resort Drive, Tucson Join Eller's George Hammond and former Chase chief economist Anthony Chan as they offer insights on the economic outlook. Despite a modest slowing at the end of 2022, the Arizona economy remains resilient. Job gains continued at a solid pace. The unemployment rate ticked up modestly from historic lows reached last summer. The latest population data suggest rapid population growth through mid-2022, driven by accelerated net migration. In addition, Phoenix inflation has come off highs reached during the summer but remains very rapid. However, single-family housing permits plummeted during the second half of 2022, as housing affordability significantly deteriorated. Where are the global, national, state, and local economies headed next? Will restrictive monetary policy succeed in bringing inflation down without causing a recession? Will financial conditions ease? Will housing affordability continue to plummet? How much will manufacturing jobs rise? Be sure to join us for this key event! More information and registration [here](#).

CI 101: Financial Analysis for Commercial Investment Real Estate | June 6-9, 8:30AM-5PM | Realty Executives Tucson Elite, 6444 East Tanque Verde Road Instructor Soozi Jones Walker, CCIM, President of Commercial Executives Real Estate Services will conduct this bedrock course for real estate practitioners. More information and registration [here](#).

REMEMBER to check out upcoming events of interest to the southern Arizona real estate and business community on the TREND report's [website](#). If you would like to promote your organization's event on our site, email us at TrendReportAZ@outlook.com with details!

TREND report's founding sponsors:



First American
Title Insurance Company



HOLUALOA
COMPANIES



TREND report's advisors:

Steve Cole, Southwest Appraisal Associates • **Michael Guymon**, Tucson Metro Chamber

George Hammond, Eller Economic and Business Research Center

Paul Kraft, The Clover Company • **Larry Kreis**, Red Point Development

Jane McCollum, Marshall Foundation/Main Gate Square

Linda Morales, The Planning Center • **Michael Racy**, Racy Associates

Barbi Reuter, Cushman & Wakefield/PICOR

Mark Taylor, Westland Resources • **Linda Welter**, Caliber Group



Lucinda Smedley

Founder and Professional Advisor to TREND report

Trend report is a proud supporter of these local organizations: CREW Tucson, Downtown Tucson Partnership, Metropolitan Pima Alliance, Pima County Real Estate Research Council, Tohono Chul Park Nature Preserve, Tucson Airport Authority, Tucson Association of Realtors, SAHBA, CCIM Southern Arizona Chapter, Southern Arizona Economic Development Group