



**Commercial Real Estate Group**  
of Tucson LLC  
THE TENANT'S ADVOCATE

## **Market Intelligence on Tucson's Office Real Estate Second Quarter 2010**

### **The big picture**

Tucson's office real estate market continues to remain relatively stable over the last five quarters, observes Michael Coretz, a broker with Commercial Real Estate Group of Tucson.

The overall rate has remained steady at 12 percent for two quarters after increasing from 11.3 percent, a number that stuck around for three quarters, says Coretz. At the same time, quoted rental rates have fluctuated slightly in the last three quarters.

This could reflect a long-awaited halt to the effects from the current financial crisis in commercial real estate in Tucson, where retail employment is currently on the rise.

"I believe we're in a holding pattern right now," says Coretz, "but we may not have bottomed out. Vacancy rates could skyrocket and rental rates drop further when many mortgage loans come due starting in 2011."

What little new office space that will open into 2011 is preleased, says Coretz, but the high vacancy rate still provides a lot of opportunities for relocation to fit changing business needs.

He suggests tenants take ample time—at least 18 months—to investigate all options for new leases in sublease space, new buildings and existing ones.

### **Tucson numbers**

#### **Total market**

Vacancy rate: 12%

Total vacant space: 2,756,367 square feet

Vacant sublease space: 95,577 square feet

Net absorption: 43,666 square feet

Quoted rental rate: \$19.44, down 0.4% over 1q 2010

Deliveries: 51,222 square feet total rentable building area (RBA)

Under Construction (UC): 259,000 square feet total RBA

UC Preleased: 84.9%

**Class A**

Vacancy rate: 8.1%  
Total vacant space: 270,915 square feet  
Vacant sublease space: 39,039 square feet  
Quoted rental rate: \$22.77, down 1% over 1q 2010

**Class B**

Vacancy rate: 14.4%  
Total vacant space: 2,100,308 square feet  
Vacant sublease space: 52,169 square feet  
Quoted rental rate: \$19.69, flat over 1q 2010

**Class C**

Vacancy rate: 7.5%  
Total vacant space: 385,144 square feet  
Vacant sublease space: 0 square feet  
Quoted rental rate: \$15.22, down 2.7% over 1q 2010

**Markets**

## Central Tucson

Vacancy rate: 13.3%  
Total vacancy: 1,245,477 square feet  
Year-to-date net absorption: -117,713 square feet  
Year-to-date deliveries: 33,350 square feet  
Under construction: 39,000 square feet  
Quoted rental rate: \$20.21

## Downtown Tucson

Vacancy rate: 7.5%  
Total vacancy: 312,184 square feet  
Year-to-date net absorption: -20,555 square feet  
Year-to-date deliveries: 0 square feet  
Under construction: 170,000 square feet  
Quoted rental rate: \$17.95

## East Tucson

Vacancy rate: 13.1%  
Total vacancy: 149,912 square feet  
Year-to-date net absorption: 34,395 square feet  
Year-to-date deliveries: 10,585 square feet  
Under construction: 0 square feet  
Quoted rental rate: \$18.54

## Foothills

Vacancy rate: 11.7%  
Total vacancy: 134,894 square feet

Year-to-date net absorption: 9,102 square feet  
Year-to-date deliveries: 24,016 square feet  
Under construction: 0 square feet  
Quoted rental rate: \$22.11

#### Green Valley/South Tucson

Vacancy rate: 5.6%  
Total vacancy: 15,157 square feet  
Year-to-date net absorption: -1,654 square feet  
Year-to-date deliveries: 0 square feet  
Under construction: 0 square feet  
Quoted rental rate: \$21.09

#### North Tucson/Oro Valley

Vacancy rate: 14.1%  
Total vacancy: 472,608 square feet  
Year-to-date net absorption: 25,102 square feet  
Year-to-date deliveries: 0 square feet  
Under construction: 50,000 square feet  
Quoted rental rate: \$20.20

#### Northwest Tucson

Vacancy rate: 32.2%  
Total vacancy: 141,596 square feet  
Year-to-date net absorption: 1,645 square feet  
Year-to-date deliveries: 0 square feet  
Under construction: 0 square feet  
Quoted rental rate: \$19.54

#### Southeast Tucson

Vacancy rate: 7.5%  
Total vacancy: 44,574 square feet  
Year-to-date net absorption: 21,203 square feet  
Year-to-date deliveries: 0 square feet  
Under construction: 0 square feet  
Quoted rental rate: \$13.78

#### Southwest Tucson

Vacancy rate: 6.4%  
Total vacancy: 77,382 square feet  
Year-to-date net absorption: -17,123 square feet  
Year-to-date deliveries: 0 square feet  
Under construction: 0 square feet  
Quoted rental rate: \$15.13

#### West Tucson

Vacancy rate: 12.6%  
Total vacancy: 162,583 square feet  
Year-to-date net absorption: -25,270 square feet  
Year-to-date deliveries: 0 square feet  
Under construction: 0 square feet  
Quoted rental rate: \$16.59

Source: The CoStar Office Report, CoStar Group, [www.costar.com](http://www.costar.com)

### **The local economy**

Unemployment: 9.0% (May 2010)

Non-Farm employment: 351,400 (June 21010)

Average annual wage per worker: \$39,900 (2009)

Per capita personal income: \$31,648 (2009)

Source: Economic and Business Research Center, University of Arizona Eller College of Management, [ebr.eller.arizona.edu/indicators](http://ebr.eller.arizona.edu/indicators)

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