

Fast Facts on Tucson's Industrial Real Estate Market

Mid-year 2008

The national picture

Investment in the industrial real estate market has dropped sharply as a result of the continued credit crunch and slowing economy.

"We're in an unusual situation where transactions are being curtailed not for lack of demand, but for serious challenges in obtaining financing," says Patricia Nooney of St. Louis, chair of the Realtors® Commercial Alliance Committee.

September 2008's Commercial Real Estate Outlook, issued by the National Association of Realtors [writer's note: link to www.realtor.org], noted that

- strong American exports will hold up the industrial sector even as warehouse demand has slowed.
- vacancy rates will rise into 2009.
- net absorption rate will turn around from a negative stance to a positive one in 2009.
- many obsolete structures remain on the market as demand continues for build-to-suit spaces.

Tucson's market

Available vacant space continued to rise in the first half of 2008 as more square feet entered the market and net absorption continued to drop.

Quoted rental rates were slightly higher after the second quarter of 2008 compared to the first three months of 2008.

Tucson numbers

Total market

Vacancy rate: 7.4%

Total vacant space: 2,637,181 square feet

Vacant sublease space: 268,547 square feet

Net absorption: -202,513 square feet

Quoted rental rate: \$8.76, up 4.4% over 1q 2008

Deliveries (in 2q 2008): 131,615 square feet total rentable building area (RBA)

Under Construction (UC): 109,668 square feet total RBA

UC Preleased: 26.1%

[writer's note: suggest inserting "Future Space Available" graph here]

Flex projects

Vacancy rate: 10%

Total vacant space: 858,007 square feet
Vacant sublease space: 102,525 square feet
Quoted rental rate: \$10.03, up 3.4% over 1q 2008

Warehouse projects

Vacancy rate: 6.6%
Total vacant space: 1,779,174 square feet
Vacant sublease space: 166,022 square feet
Quoted rental rate: \$8.16, up 3% over 1q 2008

Markets

At mid-year 2008,

- the East market showed the highest vacancy rate while the South/Green Valley market had the highest amount of vacant square feet.
- South/Green Valley had the highest number of square feet under construction.
- the lowest quoted rental rate was found in South/Green Valley while the East market had the highest quoted rental rate.

Central

Vacancy rate: 6.2%
Total vacancy: 654,509 square feet
Year-to-date net absorption: -165,796 feet
Year-to-date deliveries: 89,591 square feet
Under construction: 3,658 square feet
Quoted rental rate: \$9

East

Vacancy rate: 9.2%
Total vacancy: 187,081 square feet
Year-to-date net absorption: -53,979 square feet
Year-to-date deliveries: 0 square feet
Under construction: 16,000 square feet
Quoted rental rate: \$11.66

North

Vacancy rate: 0.9%
Total vacancy: 9,607 square feet
Year-to-date net absorption: 7,625 square feet
Year-to-date deliveries: 0 square feet
Under construction: 26,400 square feet
Quoted rental rate: \$11.44

Northeast

Vacancy rate: 0%
Total vacancy: 0 square feet
Year-to-date net absorption: 0 square feet
Year-to-date deliveries: 0 square feet
Under construction: 0 square feet
Quoted rental rate: \$0

South/Green Valley

Vacancy rate: 8.3%

Total vacancy: 1,628,078 square feet

Year-to-date net absorption: -125,308 square feet

Year-to-date deliveries: 75,760 square feet

Under construction: 63,610 square feet

Quoted rental rate: \$8.35

West/Northwest

Vacancy rate: 6.6%

Total vacancy: 157,906 square feet

Year-to-date net absorption: -49,317 square feet

Year-to-date deliveries: 52,024 square feet

Under construction: 0 square feet

Quoted rental rate: \$9.17

Source: The CoStar Industrial Report, CoStar Group, www.costar.com [writer's note: link to website?]

The local economy

July 2008

Unemployment: 4.9%

Non-Farm employment: 362,700

Individual average annual earnings: \$39,743 (2006)

Personal income: \$31,728 (2007)

Source: Economic and Business Research Center, University of Arizona Eller College of Management, ebr.eller.arizona.edu/overview/ [writer's note: link to website]