

FIGURES | TUCSON RETAIL MARKET | Q3 2025

Positive Net Absorption Returns to the Tucson Retail Sector

▶ 6.9%
Vacancy Rate

▲ 34,335
SF Net Absorption

▶ 100,000
SF Construction

▼ \$15.72
NNN / Lease Rate

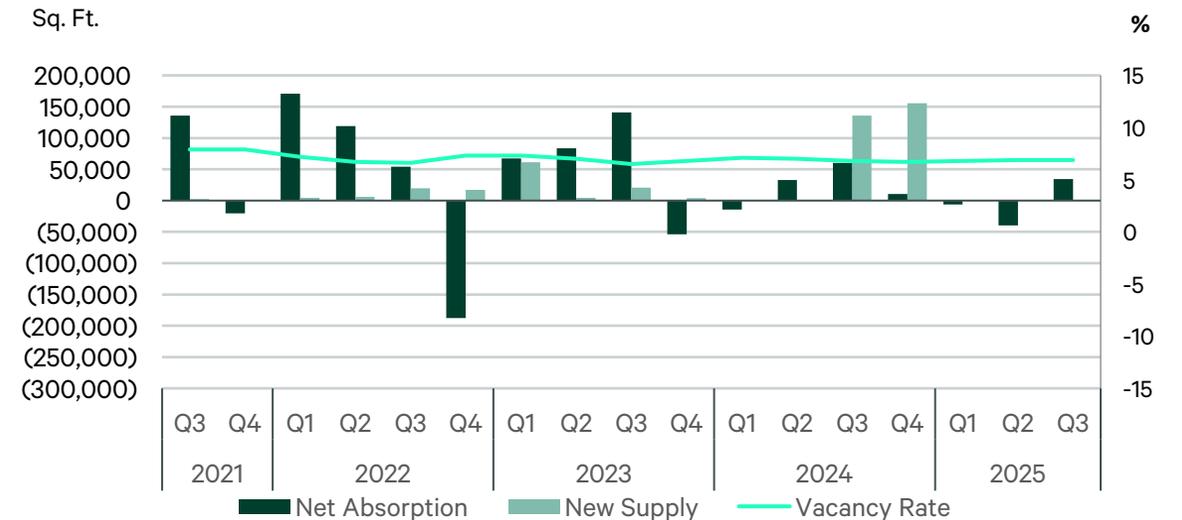
Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- Net absorption returned to positive territory during Q3 2025, however, vacancy remained steady at 6.9% during the quarter.
- Development activity stayed flat during the quarter at 100,000 sq. ft.
- Tucson average asking rates decreased 2.4% quarter-over-quarter to \$15.72 per sq. ft. NNN.

Net absorption returned to positive territory in Q3 2025 following two consecutive quarters of negative net absorption. Still, despite the shift to positive tenant demand, vacancy remained steady during the third quarter at 6.9%. The average asking rent decreased by 2.4% in Q3 2025 to \$15.72 per sq. ft. There were no new shopping center ground breakings during the third quarter of 2025, resulting in overall construction activity remaining flat with just 100,000 sq. ft. underway. Although strong demographic growth continues to persist in Tucson, there are a few factors that could potentially affect retail fundamentals in the near-term. As of August 2025, Tucson’s unemployment rate rose to 4.8%, which is 50 bps higher than the national average. Furthermore, uncertainty surrounding higher tariffs and the effects it will have on consumer sentiment and retail planning also present risks to the retail sector.

FIGURE 1: Supply and Demand



Source: CoStar Group

Availability and Vacancy

Vacancy remained steady at 6.9% during Q3 2025. This rate is on par with vacancy recorded one year prior and is 50 bps below the metro’s trailing 5-year average. The Northern Tucson and Central Tucson submarkets both recorded a quarter-over-quarter decrease in vacancy, as the local rates fell by 40 bps and 80 bps, respectively. Conversely, vacancy in the Southern submarket rose by 160 bps during the third quarter to 4.5%. Still, despite this increase, this rate remained the lowest among all submarkets. Central Tucson recorded the metro’s highest vacancy rate, ending the third quarter at 8.4%.

The market-wide availability rate rose by 40 bps to 7.6% in Q3 2025. Southern Tucson maintained the tightest availability among local submarkets, boasting a rate of 4.7%, which is 260 bps lower than any other submarket. Meanwhile, Central Tucson recorded the highest rate among all submarkets, with local availability registering at 9.6%. Availability in Northern Tucson fell by 20 bps during the third quarter to 7.3%.

Lease Rates

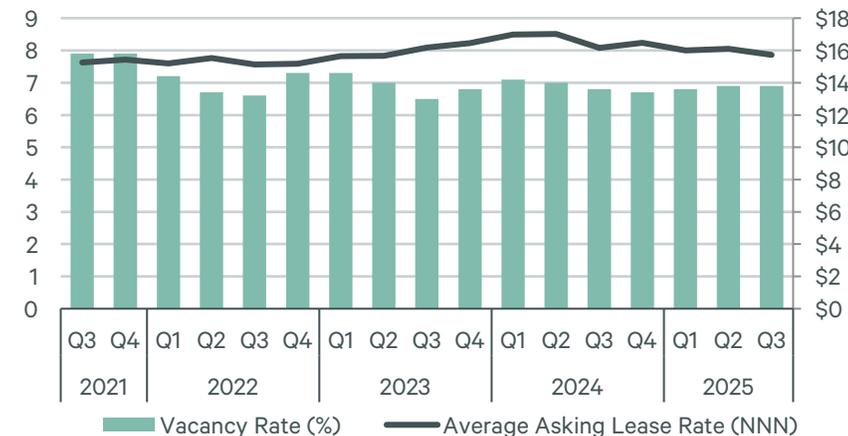
The average asking NNN lease rate was \$15.72 per sq. ft. in Q3 2025—a 2.4% decrease from the prior quarter and a 2.7% drop relative to 1-year prior. The Northern Tucson submarket maintained the metro’s highest average asking rent at \$21.64 per sq. ft., despite a 1.3% quarterly decrease. Asking rent in Southern Tucson recorded the highest quarterly jump among submarkets, as the rate rose by 3.3% to \$12.41 per sq. ft. However, average lease rates in Central Tucson decreased by 5.3% during Q3 2025 to \$15.09 per sq. ft.

Net Absorption and Leasing Activity

Tucson recorded 34,335 sq. ft. of positive net absorption following two straight quarters of negative tenant demand. Also, this was the highest quarterly net absorption recorded in Tucson since Q3 2024. Although the figure remains negative year to date, this recent up-tick in tenant activity could suggest stronger leasing in the coming quarters. Central Tucson garnered the lions share of leasing activity, with the submarket recording 97,993 sq. ft. of positive net absorption. Northern Tucson registered 27,174 sq. ft. of positive net absorption while demand in the Southern Tucson submarket fell in the red.

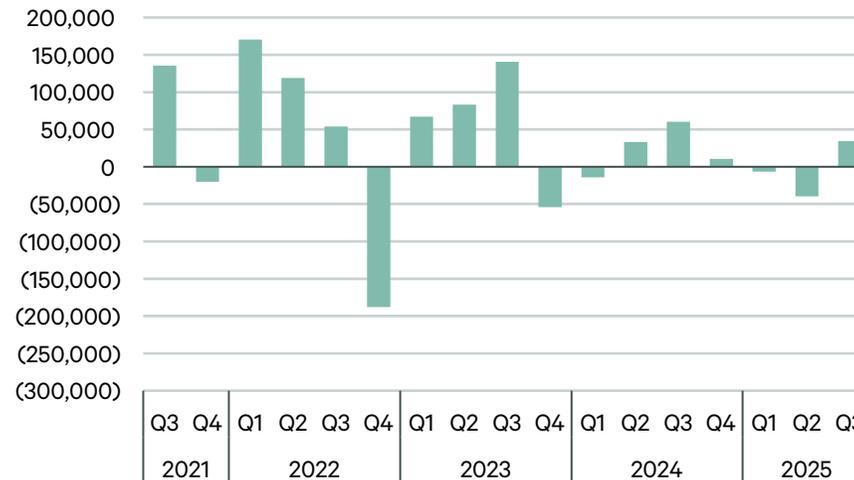
The Tucson market experienced 259,290 sq. ft. of gross absorption in Q3 2025, which does not account for move outs. Some of the notable new leases signed during the quarter include O’Reilly Auto Parts for 22,500 sq. ft at Grant Park, Boot Barn for 20,175 sq. ft. at Madera Marketplace, La Roca Church for 11,820 sq. ft. at Marana Mercado and Happy Joe’s Pizza & Ice Cream signed a lease for 7,300 sq. ft. at Oro Valley Marketplace.

FIGURE 2: Overall Vacancy and Lease Rate



Source: CoStar Group

FIGURE 3: Net Absorption (Sq. Ft.)



Source: CoStar Group

Development Activity

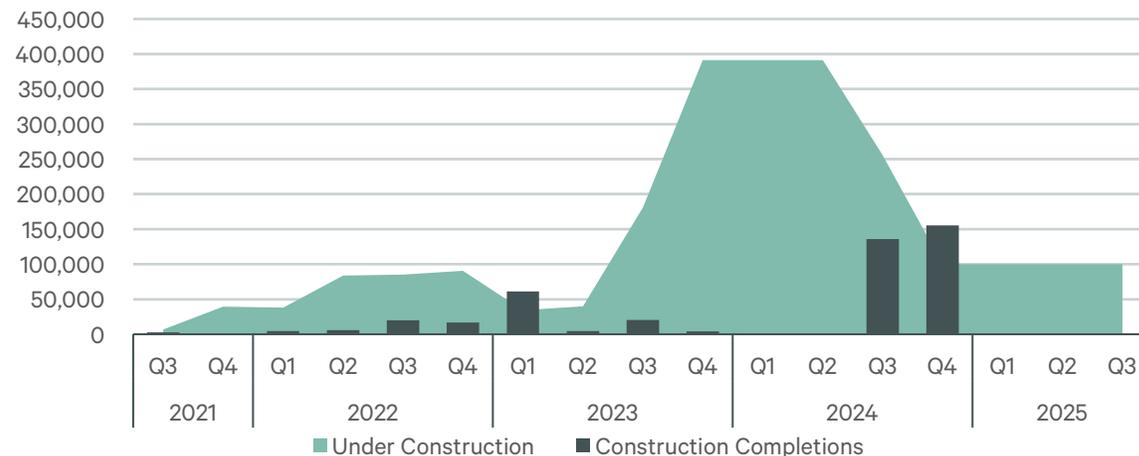
Development activity remains modest in the Tucson metro, as elevated debt, land and construction costs have made it much more difficult for new speculative projects to pencil. No new shopping center projects completed during Q3 2025, resulting in the construction pipeline remaining flat at 100,000 sq. ft. The lone project in the pipeline is Bass Pro Shops in the Marketplace at the Bridges. The retailer is expected to open it’s doors in the summer of 2026. With no speculative projects under construction entering the new year, supply-side pressure should remain minimal over the near-to mid term. In Oro Valley Marketplace, the former Best Buy store was renovated into The Picklr, which opened in September 2025.

CBRE Economic House View

CBRE has revised its U.S. growth outlook upward, a shift from the more pessimistic view held in the spring. Greater clarity around trade policy and private sector resilience should equate to 1.6% GDP growth this year. Much of this growth should be frontloaded as higher inflation—peaking in the low-3% range by early 2026—creates some headwinds during the latter half of this year. The labor market is flashing important signals such as falling job openings and weak hiring by firms.

Despite the modest growth outlook and expectations for further rate cuts, 10-year Treasury yields are holding steady in the low 4% range. A combination of higher inflation and excessive U.S. debt levels should keep yields near this level through 2027. This environment—with Treasury yields fluctuating between 4% and 4.5% and moderate economic growth—is fostering some recovery in commercial real estate (CRE) capital markets. Investment volumes are on track to exceed 2023 and 2024 levels.

FIGURE 4: Under Construction and New Supply (Sq. Ft.)



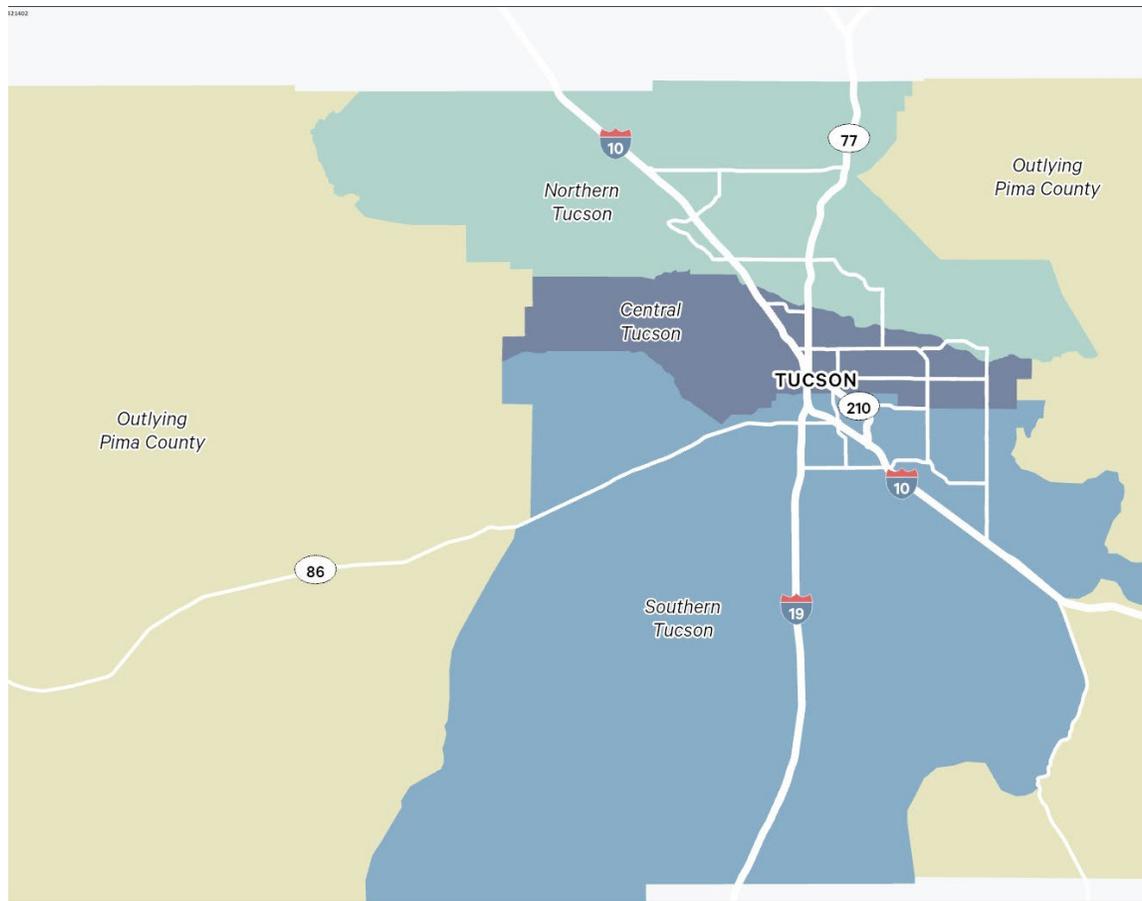
Source: CoStar Group.

FIGURE 5: Submarket Stats

	Net Rentable Area	Availability %	Vacancy %	Net Absorption Q3 2025	Net Absorption 2025 YTD	Gross Activity Q3 2025	Under Construction	Construction Completions	Avg. Direct Asking Lease Rate (\$PSF/NNN)
Central	10,757,603	9.6%	8.4%	97,993	44,856	129,317	0	0	\$15.09
North	8,107,267	7.3%	6.9%	27,174	(26,711)	116,423	0	0	\$21.64
South	6,147,655	4.7%	4.5%	(90,832)	(29,954)	13,550	100,000	0	\$12.41
Tucson Total	25,012,525	7.6%	6.9%	34,335	-11,809	259,290	100,000	0	\$15.72

Source: CoStar Group

Market Area Overview



Definitions

Available Sq. Ft.: Space in a building, ready for occupancy within six months; can be occupied or vacant. Availability Rate: Total Available Sq. Ft. divided by the total building Area. Average Asking Lease Rate: A calculated average that includes net and gross lease rate, weighted by their corresponding available square footage. Building Area: The total floor area sq. ft. of the building, typically taken at the “drip line” of the building. Gross Activity: All sale and lease transactions completed within a specified time period. Excludes investment sale transactions. Gross Lease Rate: Rent typically includes real property taxes, building insurance, and major maintenance. Net Absorption: The change in Occupied Sq. Ft. from one period to the next. Net Lease Rate: Rent excludes one or more of the “net” costs (real property taxes, building insurance, and major maintenance) typically included in a Gross Lease Rate. Occupied Sq. Ft.: Building Area not considered vacant. Vacancy Rate: Total Vacant Sq. Ft. divided by the total Building Area. Vacant Sq. Ft.: Space that can be occupied within 30 days.

Survey Criteria

Includes all retail shopping centers 30,000 sq. ft. or larger in Tucson Metro. Buildings which have begun construction as evidenced by site excavation or foundation work.

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