Leasing Gains Push Vacancy Downward in the Tucson Office Sector

▼ 15.6%
Vacancy Rate

▲ 38,005
SF Net Absorption

▶ 0
SF Construction

▼ $21.83
FSG / Lease Rate

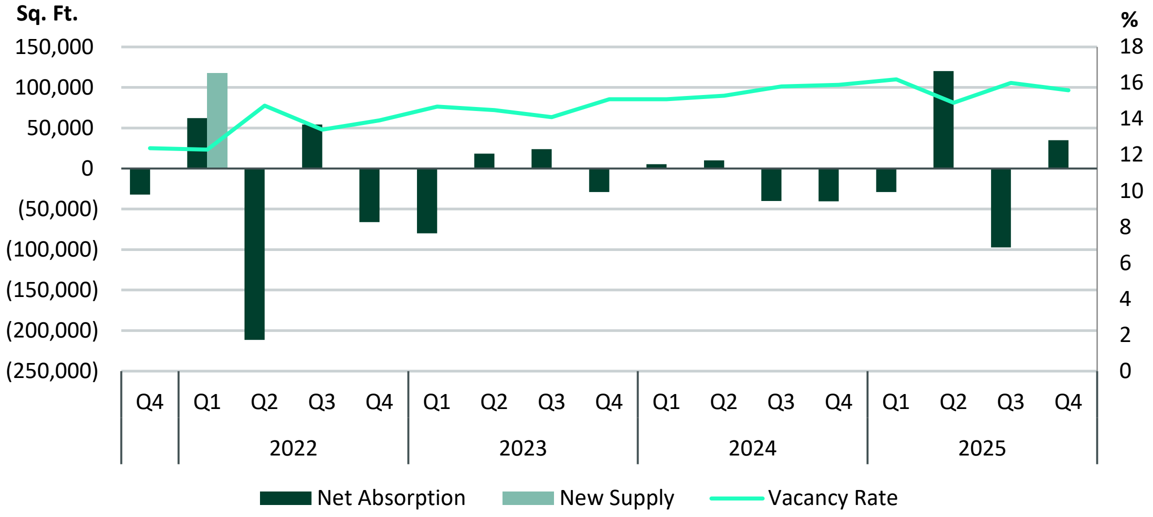
Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- There was 38,005 square feet of positive net absorption by the close of Q4 2025, decreasing the vacancy rate by 40 basis points during the quarter.
- The direct average asking full-service gross (FSG) lease rate decreased by 0.3% quarter-over-quarter from $23.22 to $23.14 per sq. ft.
- No new projects have broken ground in the metro.

Positive net absorption caused a vacancy dip in Q4 2025 putting spotlight on several mid-size to large deals in both A and B classes. No new projects broke ground or delivered during the quarter marking the 15th consecutive quarter of stagnate development. The average direct FSG lease rate lowered 0.3% quarter-over-quarter to $23.14 per sq. ft., ending 2025 at its lowest rate.

FIGURE 1: Supply and Demand



Source: CBRE Research, Q4 2025.

Availability and Vacancy

Office space availability in Tucson lowered quarter-over-quarter from 17.4% to 17.1%, representing a difference of 30 bps. The majority of Tucson's 8 submarkets recorded an increase in availability during Q4 2025. The Northwest submarket rose 30 bps representing a little over 20% of the total market availability. Availability remained the tightest in the Downtown submarket, boasting a local rate below 8% for the fifth consecutive quarter. Among class cuts, only Class A and B office showed differences in availability lowering 20 bps and 40 bps, respectively. Class C office stayed the same quarter-over-quarter maintaining an 18.5% of availability which encompasses 101,403 sq. ft. of the 1,811,384 sq. ft. total available space in the Tucson metro.

Overall vacancy lowered 40 bps quarter-over-quarter to 15.6%. The East Central submarket showed the most tenant demand with a decrease of 170 bps at quarter end, accounting for a little over 30% of the total vacant square footage in the market. The North Central and Northeast submarket vacancy rates both dipped by 10 bps. Vacancy in Class A and B each decreased 30 bps and 60 bps, respectively. Meanwhile, Class C maintained its 18.5% of the market's vacancy.

Lease Rates

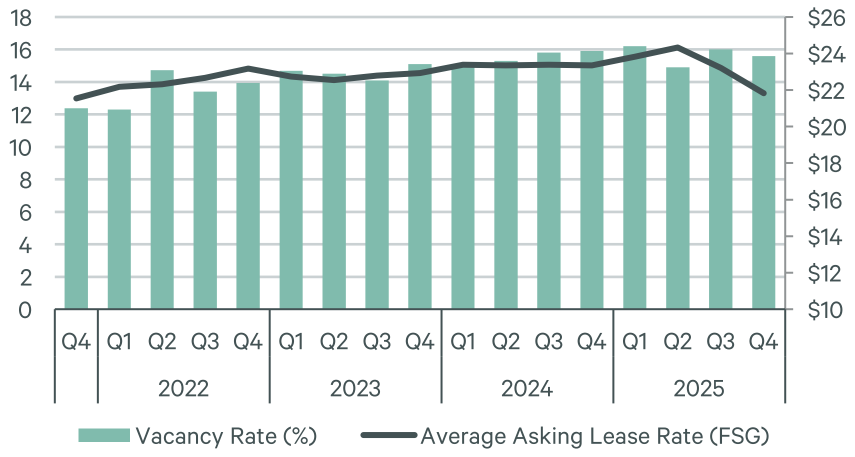
In Q4 2025, the average asking lease rate decreased 0.3% quarter-over-quarter from $23.22 per sq. ft. to $23.14 per sq. ft. FSG, marking it the lowest rate of 2025. This rate is up 5.8% year over year. Class B noticed a slight change in average asking rent increasing 1.3% per sq. ft. Class A average lease rate increased less than 1% for the quarter, while the average Class C rate stayed the same at $18.70 per sq. ft. For three consecutive quarters the North Central submarket has posted the largest quarterly rent rate amongst all submarkets ending at $28.71 per sq. ft.

Net Absorption and Leasing Activity

In Q4 2025, the Tucson office market posted 38,005 sq. ft. of net absorption. Tenant demand was strongest in Class A offices, registering 5,517 sq. ft. of net absorption. In contrast, Class B office experienced softer tenant demand, with nearly 32,848 sq. ft. of vacant space returning to the market.

Some notable activity during Q4 included building 940 in the Gateway Plaza was sold at the end of the quarter. About 14,000 sq. ft. of office space was moved into at 4801 E Broadway Boulevard in the East Central submarket. A total of 47,531 sq. ft. was taken off the market in the East Central submarket. Tenant demand was also positive in the North Central submarket, as the area recorded nearly 3,000 sq. ft. of net absorption.

FIGURE 2: Overall Vacancy and Lease Rate



Source: CBRE Research, Q4 2025.

FIGURE 3: Net Absorption by Class (Sq. Ft.)

Source: CBRE Research, Q4 2025.

Development Activity

Tucson recorded its fifteenth consecutive quarter with no new construction laid in Q4 2025. Builders are taking a more cautious approach and have been reluctant to start new projects as the uncertainty regarding the future utilization of office space continues to deter new development. Still in the wake of the pandemic, there is prolonged difficulty financing large projects, in pair with general, elevated space vacancy. Due to these factors, construction levels remain low until more clarity emerges in the economy. As of Q4 2025, there was just under 850,000 sq. ft. of planned projects in the construction pipeline, mainly comprising of small-to-midsized office properties in the 5,000 sq. ft. to 10,000 sq. ft. range.

CBRE Economic House View

The U.S. economy is sending some mixed signals. Financial markets are focused on the upside, particularly AI's sizable contribution to growth in recent quarters. Some indicators of business activity, such as capital goods orders, are improving, and strengthening credit markets are helping to usher real estate into a new cycle.

The picture gets melancholier when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. A key catalyst is a softer labor market, as companies are 'slow to hire, slow to fire'—a trend that is likely to last a few quarters. A consequence of this outlook is softer inflation and long-term bond yields trending just below 4% by H2 2026. However, the recent wave of deliveries in Q4 2025 is expected to foster job growth in the coming year setting the stage for more development activity.

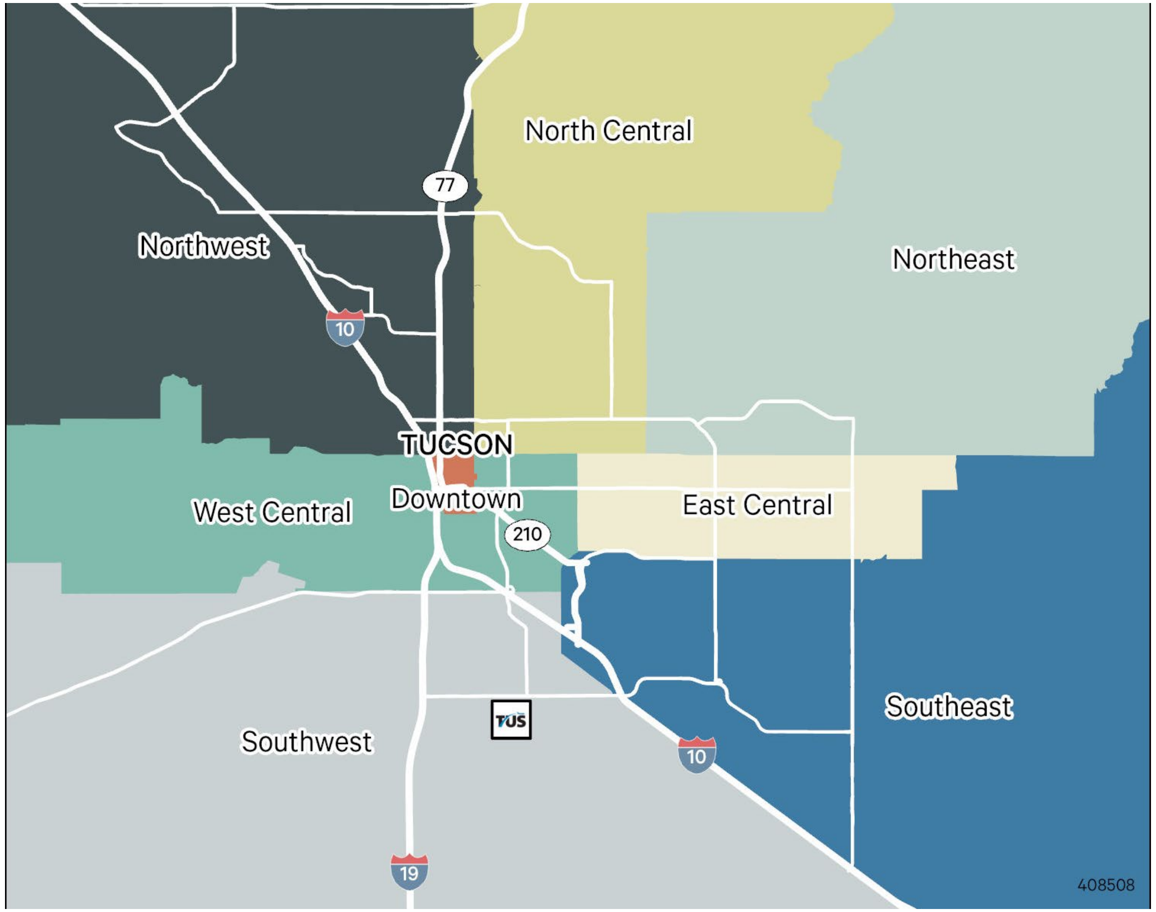
FIGURE 4: Under Construction and New Supply (Sq. Ft.)

Source: CBRE Research, Q4 2025.

FIGURE 5: Submarket Stats

	Building Count	Net Rentable Area	Availability (%)	Vacancy (%)	Net Absorption (Sq. Ft.) Q4 2025	Net Absorption (Sq. Ft.) 2025 YTD	Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg. Direct Asking Lease Rate ($PSF/FSG)
Downtown	20	835,676	7.7%	7.2%	0	-11,400	0	0	$21.63
East Central	61	2,921,941	19.2%	17.3%	47,531	218,531	0	0	$22.72
North Central	85	2,150,505	11.5%	8.5%	2,909	-23,696	0	0	$23.61
Northeast	53	995,019	16.3%	14.5%	-1,299	-22,410	0	0	$17.65
Northwest	72	2,418,204	18.2%	17.5%	-3,282	-37,574	0	0	$20.58
Southeast	3	234,789	66.7%	66.7%	0	0	0	0	$24.00
Southwest	2	118,273	90.4%	90.4%	0	-100,000	0	0	$18.81
West Central	23	925,978	8.0%	7.9%	-7,854	8,831	0	0	$26.00
Tucson Total	319	10,600,385	17.1%	15.6%	38,005	32,282	0	0	$21.83

Source: CBRE Research, Q4 2025.



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 office buildings 10,000 sq. ft. in Tucson Metro. Buildings which have begun construction as evidenced by site excavation or foundation work.

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