

FIGURES | TUCSON OFFICE | Q1 2026

Tucson Office Market Navigates Elevated Availability with Softening Demand

▼ 15.5%
Vacancy Rate

▲ 483
SF Net Absorption

▶ 0
SF Construction Delivered

▶ 0
SF Under Construction

▲ \$23.16
FSG/YR Direct Lease Rate

Note: Arrows indicate change from previous quarter.

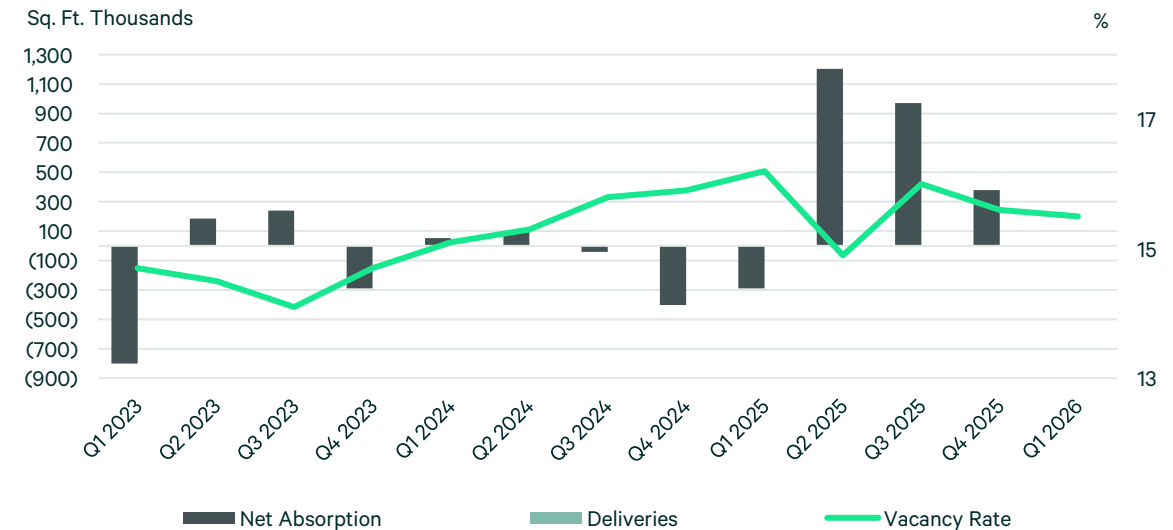
Key Takeaways

- Net absorption remained negative as 2,293 SF of vacant space returned to the market in Q1 2026.
- Class C vacancy surged 510 bps year-over-year to 18.5%, improving the rate in Class A product.
- Asking rents held steady at \$23.16/SF despite an overall availability rate of 16.8%.

In Q1 2026, the market recorded modest positive demand, with net absorption of 2,000 sq. ft., a decline of 36,000 sq. ft. from Q4 2025.

Space fundamentals moved slightly tighter year-over-year. Vacancy measured 15.5% in Q1 2026, down 10 basis points quarter-over-quarter and 70 percentage points from 16.2% in Q1 2025. Availability followed a similar pattern at 16.8%, decreasing 30 bps from Q4 2025. Pricing was stable quarter-over-quarter, as average asking rents rose 0.1% to \$23.16 per sq. ft., while declining 2.8% year-over-year yet remaining 9.7% above Q1 2023 levels.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



Source: CBRE Research, Q1 2026

Vacancy

In Q1 2026, total vacancy in Class A buildings measured 14.4%, down 10 bps quarter-over-quarter and 70 bps year-over-year. Class B vacancy fell 140 bps over the past year to 16.3%. Class C recorded the highest overall vacancy at 18.5%, rising 510 bps year-over-year, widening the gap between Classes A and C to 410 bps. Direct vacancy now ranges from 13.0% in Class A, to 15.9% in Class B while sublease vacancy remains modest at 1.8% of A and B combined. Overall, the Tucson market sports a limited sublease exposure across asset classes.

Submarket conditions vary considerably across the metro. The Downtown and West Central submarkets posted some of the tightest readings in the market, with Downtown Class A space fully occupied and the West Central Class B and C vacancy at 6.3% and 5.1%, respectively. By contrast, conditions are softest in the Southwest and Southeast, where vacancy reaches 90.4% and 66.7%, respectively, reflecting limited existing inventory rather than demand deterioration.

Sublease availability is concentrated in the Northwest submarket, which accounts for 73,000 sq. ft. of the metro's 92,000 sq. ft. of vacant sublease space, with its Class A sublease vacancy rate reaching 5.4%, or approximately 60,000 sq. ft.

Asking Rent

In Q1 2026, the overall average direct asking lease rate is \$23.16 per sq. ft., nearly unchanged from Q4 2025 and down about 2.8% from Q1 2025. Class A asking rents eased slightly quarter-over-quarter, going from \$27.53 per sq. ft. to \$27.48 per sq. ft., yet remain 3.1% higher year-over-year. Class B rates increased to \$20.51 per sq. ft. This is up 0.4% quarter-over-quarter, while Class C rates have held at \$18.70 per sq. ft. quarter over quarter, and represent a 2.7% increase year-over-year. Despite rent gains across all asset classes, the overall market average rate dropped 2.7% year over year.

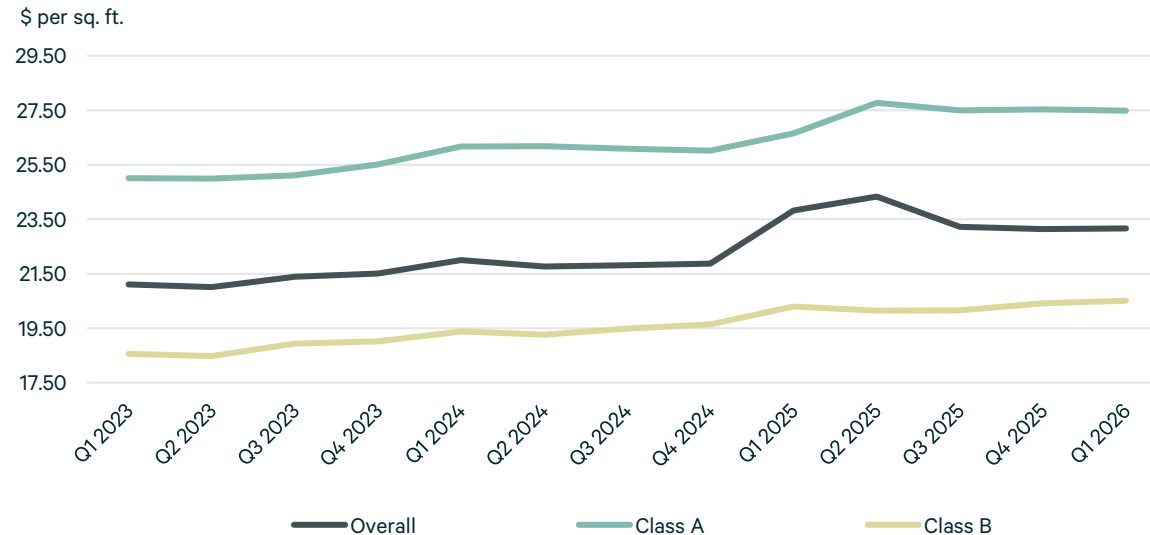
By submarket, the North Central posted the highest average direct asking rate on a combined Class A and B basis at \$29.06 per sq. ft., supported by a Class A rate of \$33.69 per sq. ft. Downtown also commanded premium pricing, in both Class A and B, carrying an average of \$28.00 per sq. ft. and the metro's highest Class A rate at \$34.00 per sq. ft. On the lower end of the spectrum, the Southwest segment offered an average Class B rate of \$19.00 per sq. ft., while Class C space in both the Northwest and the West Central was quoted at \$17.00 per sq. ft. These were among the most affordable options in the market during Q1 2026.

Figure 2: Vacancy Rates by Class



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate by Class



Source: CBRE Research, Q1 2026

Net Absorption

Total net absorption in Q1 2026 was 483 sq. ft., a near-flat result that followed stronger performance in Q2 and Q3 2025, when the market recorded 120,363 sq. ft. and 97,182 sq. ft., respectively. Positive absorption in Q1 2026 was concentrated in the Downtown and East Central submarkets, which recorded 3,981 sq. ft. and 23,731 sq. ft., respectively. In contrast, three submarkets registered negative net absorption for the quarter: Northwest with negative 13,882 sq. ft., Northeast with negative 9,077 sq. ft., and North Central with negative 2,170 sq. ft. West Central also posted a modest decline of negative 2,100 sq. ft. Over the trailing four quarters, the market has absorbed space overall, reflecting a meaningful improvement from the sustained negative readings of 2023 and early 2024.

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. America’s aggressive build-out of AI infrastructure is a unique edge. Hyperscaler capex is nearing 3% of GDP—just below residential investment. Concerns about the sustainability of this growth and its broader impact are rattling both credit and equity markets. Operation Epic Fury and global energy prices are also a concern. Assuming the conflict is resolved quickly, and U.S. oil prices stay in the \$80/bbl range, the impact on U.S. growth should be minimal. The impact on headline inflation, which is forecast to average 3.2% this year, up from the mid-2% range in February, will be material.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

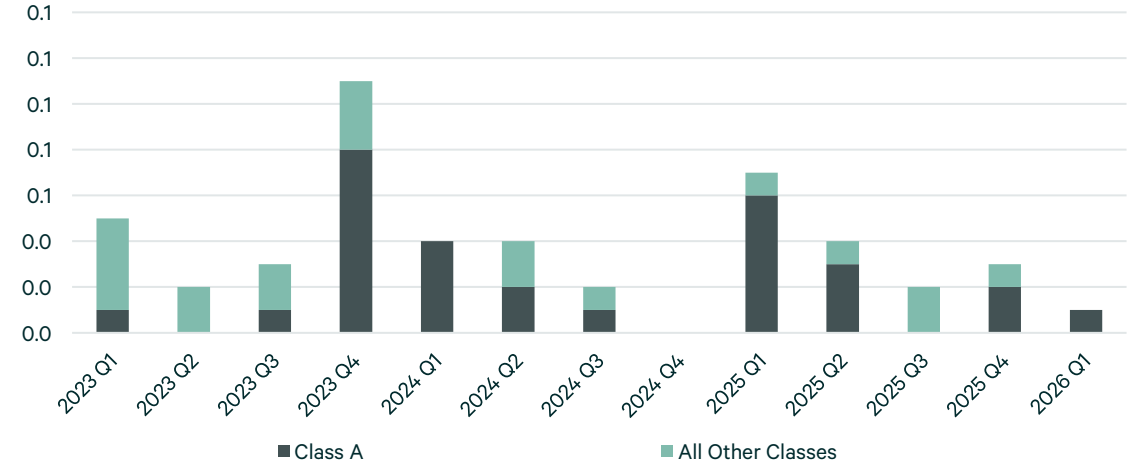
Leasing Activity

Leasing activity in Q1 2026 totaled 9,000 sq. ft., while rolling four-quarter volume reached 98,000 sq. ft., down 55,000 sq. ft. or 35.9% from Q4 2025 and 22,000 sq. ft. or 18.3% below Q1 2025. Class A accounted for 62,000 sq. ft., or 63.3% of rolling four-quarter activity, but its volume fell 28.7% year-over-year, while Class B demand increased 9.1% to 36,000 sq. ft. over the same period.

Within Class A, Q1 2026 leasing was concentrated in East Central and North Central, which posted 7,000 sq. ft. and 1,000 sq. ft. of activity, respectively. The remaining 1,000 sq. ft. of Class A leasing this quarter was recorded in other submarkets that are not individually identified in the available data.

Figure 6: Leasing Activity Trend

Sq. Ft. Millions



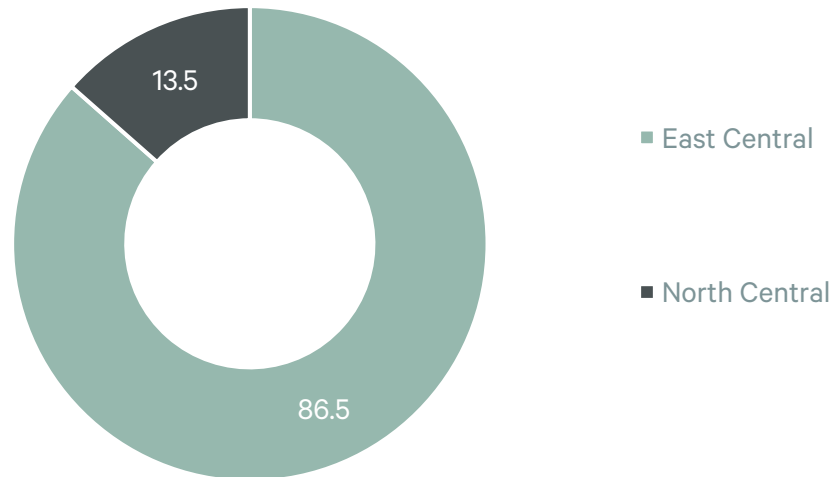
Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Ausenco Engineering USA South	7,443	New Lease	5210 E Williams Cir	East Central
Ensign Wealth Management	1,000	New Lease	4380 N Campbell Ave	North Central

Source: CBRE Research, Q1 2026

Figure 7: Leasing by Submarket (% of Total Activity)



Source: CBRE Research, Q1 2026

Market Statistics

Figure 9: Suburban Market Statistics by Class

Property Class	NRA (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	QTD Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	4.72	15.5	16.3	14.8	1.5	27.39	(5,000)	(5,000)	-	-
Class B	4.63	17.1	19.2	17.7	1.5	20.45	3,000	3,000	-	-
Class C	0.40	15.6	15.6	15.6	-	18.19	-	-	-	-
Total	9.76	16.3	17.6	16.2	1.4	23.29	(2,000)	(2,000)	-	-

Source: CBRE Research, Q1 2026

Figure 10: Urban Market Statistics by Class

Property Class	NRA (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	360,000	0.0	1.3	1.3	0.0	34.00	4,000	4,000	-	-
Class B	328,000	5.2	5.2	5.2	-	22.00	-	-	-	-
Class C	148,000	26.4	26.4	26.4	-	19.50	-	-	-	-
Total	836,000	6.7	7.3	7.3	0.0	21.31	4,000	4,000	-	-

Source: CBRE Research, Q1 2026

Figure 11: Metro Market Statistics by Class

Property Class	NRA (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Class A	5.08	14.4	15.2	13.8	1.4	27.48	(1,000)	(1,000)	-	-
Class B	4.96	16.3	18.2	16.9	1.4	20.51	3,000	3,000	-	-
Class C	0.55	18.5	18.5	18.5	-	18.70	-	-	-	-
Total	10.59	15.5	16.8	15.5	1.3	23.16	2,000	2,000	-	-

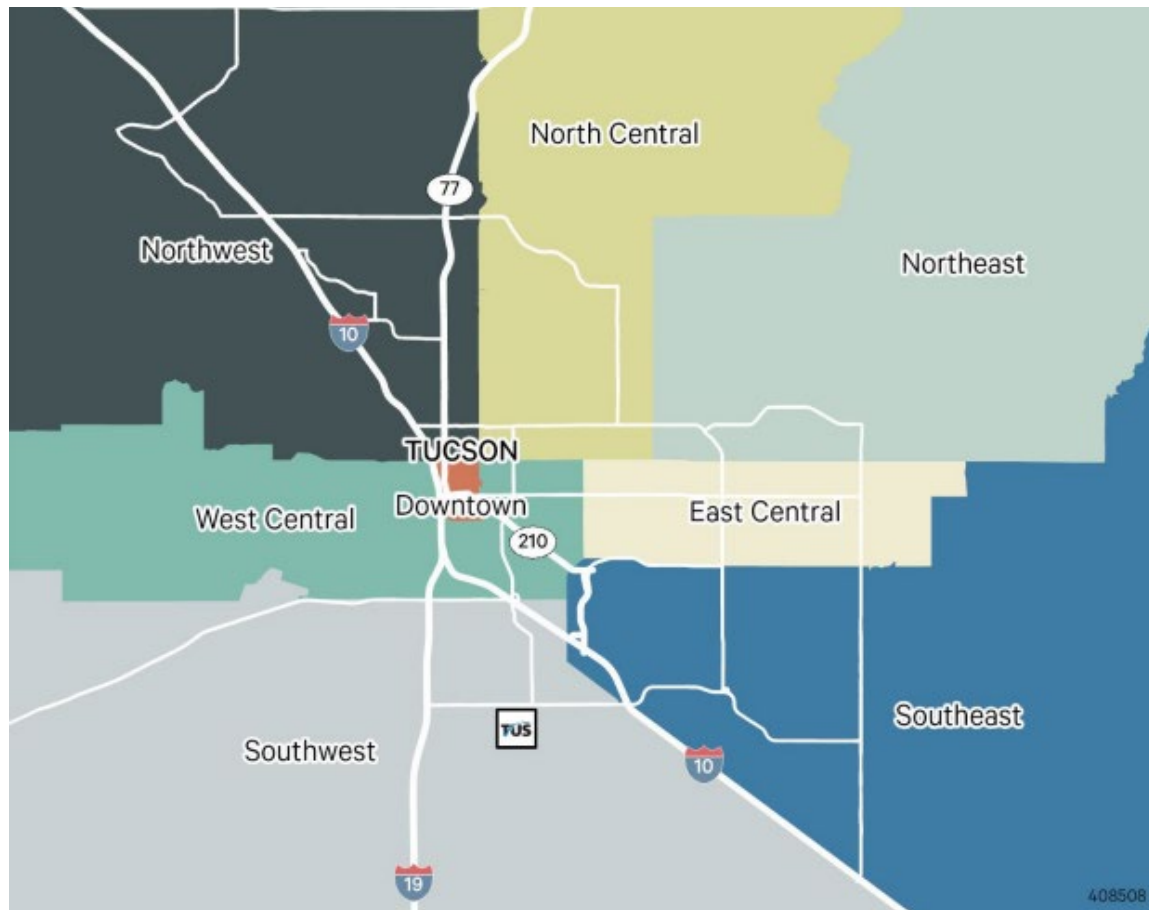
Market Statistics by Submarket

Figure 12

Submarket	Net Rentable Area (MSF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF FSG/yr)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Downtown	0.84	6.7	7.3	7.3	0.0	21.31	4,000	4,000	-	-
East Central	2.92	16.3	17.9	17.8	0.2	24.51	22,000	22,000	-	-
North Central	2.14	8.5	11.4	8.7	2.7	29.16	-	-	-	-
Northeast	1.00	15.4	16.7	16.4	0.3	18.63	(9,000)	(9,000)	-	-
Northwest	2.42	18.1	18.5	15.4	3.1	21.83	(14,000)	(14,000)	-	-
Southeast	0.23	66.7	66.7	66.7	-	-	-	-	-	-
Southwest	0.12	90.4	90.4	90.4	-	19.00	-	-	-	-
West Central	0.93	8.1	8.1	8.1	-	27.43	(2,000)	(2,000)	-	-
Total	10.59	15.5	16.8	15.5	1.3	23.16	2,000	2,000	-	-

Source: CBRE Research, Q1 2026

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. Class A industrial are buildings built after 2000, with 32’ or greater clear height and ESFR sprinklers.

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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