

FIGURES | TUCSON INDUSTRIAL | Q1 2026

Tucson Industrial Vacancy Peaks as Pipeline Points to Recovery

▲ 8.2%

Vacancy Rate

▼ (202,392)

SF Net Absorption

▲ 146,963

SF Construction Delivered

▼ 183,130

SF Under Construction

▼ \$0.86

NNN/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

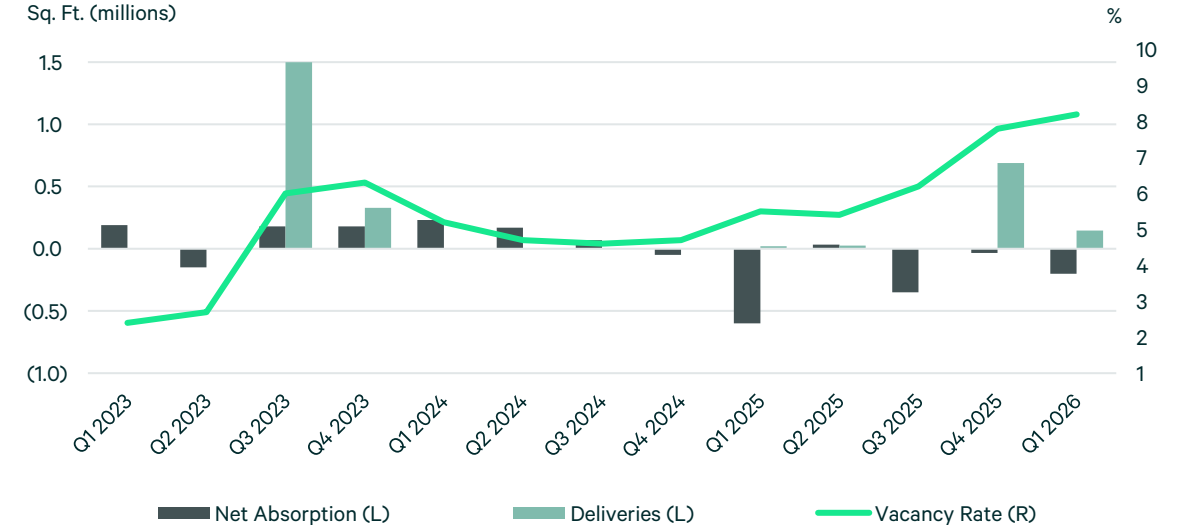
KEY TAKEAWAYS

- Net absorption remained negative as 202,392 square feet of vacant space returned to the market.
- Vacancy reached 8.2%, its highest point in three years, as occupier demand continues to soften.
- With the pipeline at its leanest since 2023, new supply is no longer a headwind.

Net absorption was negative 202,392 sq. ft. in Q1 2026 and down 167,392 sq. ft. from Q4 2025. The pushed vacancy to 8.2% — its highest point in three years. Total availability peaked at 10.2% while asking rents edged down slightly to \$0.86 from \$0.88 in Q4 2025, remaining well above the \$0.82 floor recorded in early 2025.

The supply picture offers the clearest reason for optimism. From a pipeline peak of 1.8 million sq. ft. in early 2023, developers have pulled back 89.8% with only 183,130 sq. ft. under construction today. The 147,000 sq. ft. delivery in Q1 2026 is giving the market an opportunity to absorb some of the new space entering the market. In combination with the pipeline, it leads the market into a strong and optimistic remainder of 2026.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy
Sq. Ft. (millions)



Source: CBRE Research, Q1 2026

Availability Rate

Tucson's industrial availability rate reached 10.2% in Q1 2026, the culmination of a steady climb that began three years ago when the market waned to just 2.6% in Q1 2023 — the lowest point in the dataset. Available supply climbed consistently nearly every quarter since, driven almost entirely by direct leasing space as sublease availability has largely become insignificant in Q1 2026. Direct availability now, stands at 10.1%, accounting for nearly all the 4,385,780 sq. ft. of available space currently on market.

The West Central submarket posted the lowest availability rate in the metro at 1.4%, followed by the East Central at 3.6%. On the other end of the spectrum, Southeast leads the market with most supply at 12.2%, with Northwest and Airport close behind at 11.6% and 11.8%, respectively. The three submarkets together carry an outsized share of the market's available inventory.

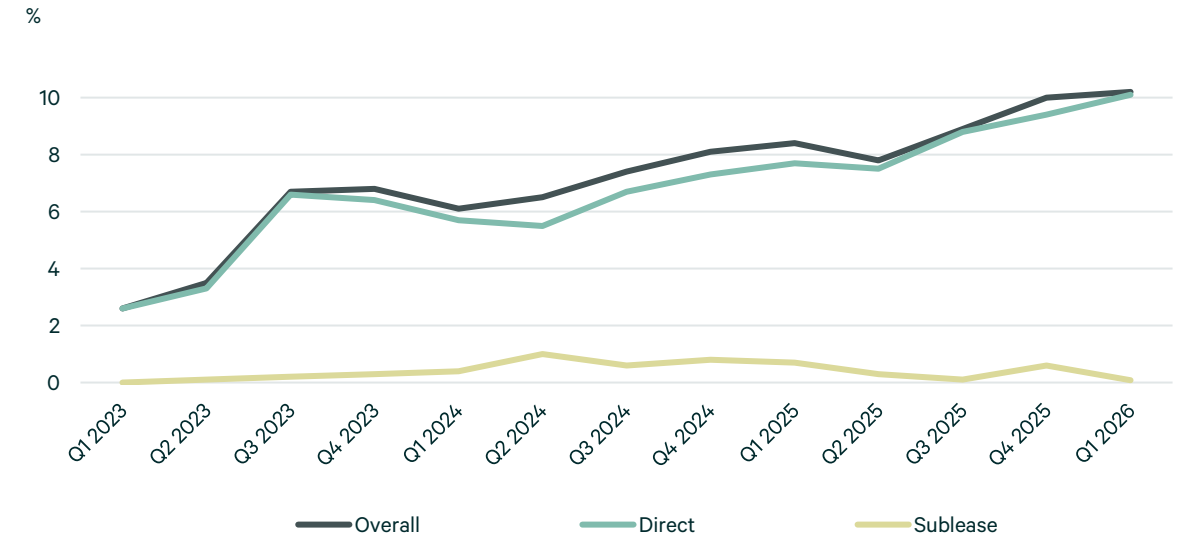
Approximately 0.45% of sublease available space exited the market leaving an availability rate of just 0.078% by the end of Q1 2026 compared to 0.6% in Q4 2025. The 33,967 sq. ft. of sublease space currently on the market, represents a fraction of what was available in Q2 2024, suggesting tenants have largely worked through their excess space obligations.

Asking Rent

Asking rents averaged \$0.86 per sq. ft. in Q1 2026, down two cents from \$0.88 per sq. ft. in Q4 2025. This remains roughly in line with where the market opened three years ago at \$0.87 in Q1 2023. The modest quarter-over-quarter dip follows a partial recovery from the \$0.82 floor recorded in the first half of 2025, suggesting rates have found a relatively stable range despite continued pressure from elevated availability.

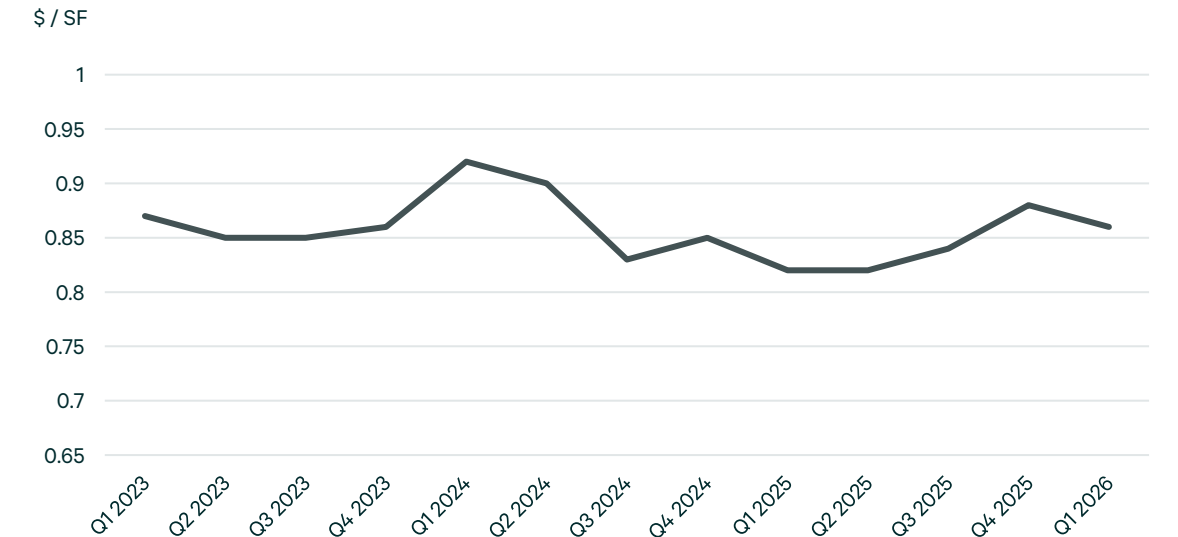
Among the remaining submarkets, Southwest and West Central posted the highest average asking rates at \$0.78 and \$1.06 per sq. ft., respectively, while the Airport submarket came in at the low end at \$0.78 per sq. ft. Southeast matched the overall market average at \$0.86 per sq. ft., and Northwest sat at \$1.02 per sq. ft.

Figure 2: Availability Rates



Source: CBRE Research, Q1 2026

Figure 3: Average Direct Asking Rate



Source: CBRE Research, Q1 2026

Net Absorption

Net absorption in Q1 2026 registered negative 202,392 sq. ft., an improvement over the negative 600,000 sq. ft. recorded in Q1 2025 and the negative 350,000 sq. ft. posted in Q3 2025. Recent quarters have reflected a market working through a period of demand softness, with Q1 2026 representing the least negative absorption reading among all quarters that posted losses over the past three years.

Q1 2023 and Q1 2024 both produced positive absorption of 190,000 sq. ft. and 230,000 sq. ft., respectively, and while the market has not returned to those levels, the absence of another demand shock on the scale of early 2025, suggests the worst may be behind it.

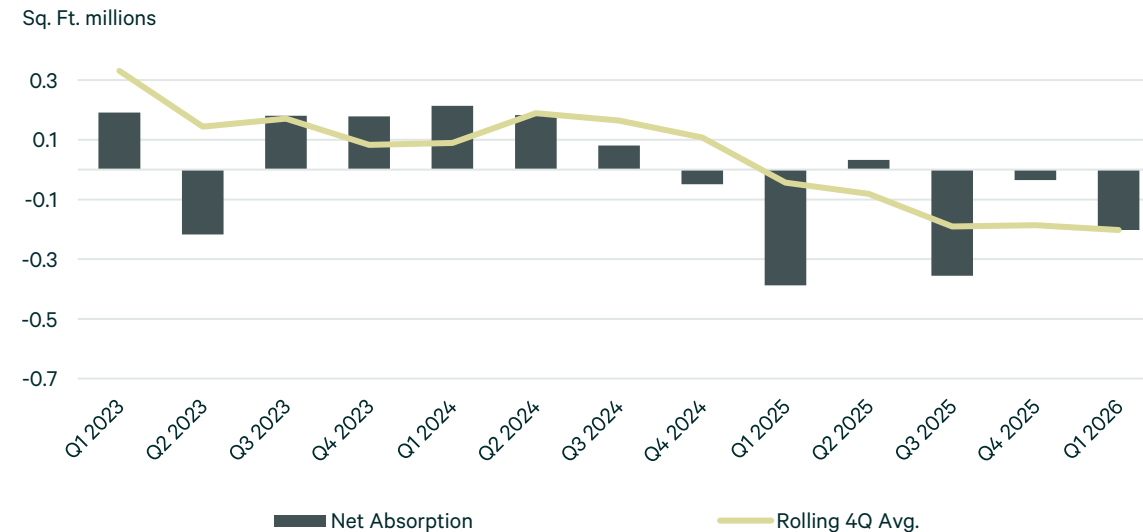
All submarkets recorded negative net absorption in Q1 2026. Although with a delivery during the quarter, the Airport submarket took the lead with 77,480 sq. ft added to the market. West Central submarket came closest to flat at negative 436 sq. ft. The Southeast recorded negative 70,931 sq. ft., meanwhile, the Northwest submarket landed at negative 21,547 sq. ft. for the quarter. The Southwest and East Central segments each recorded negative absorption under 20,000 sq. ft.

Construction Activity

In Q1 2026, the Tucson industrial market had 183,130 sq. ft. under construction and 147,000 sq. ft. delivered during the quarter. The active pipeline held flat quarter-over-quarter, but sits 82% below its level a year earlier, when 1,018,702 sq. ft. was under construction — a sharp contraction that reflects developer caution amid rising vacancy and softening demand. Following 713,387 sq. ft. of completions in 2025, the delivery pace has slowed considerably, giving the market room to work through existing available inventory without the added pressure of significant new supply.

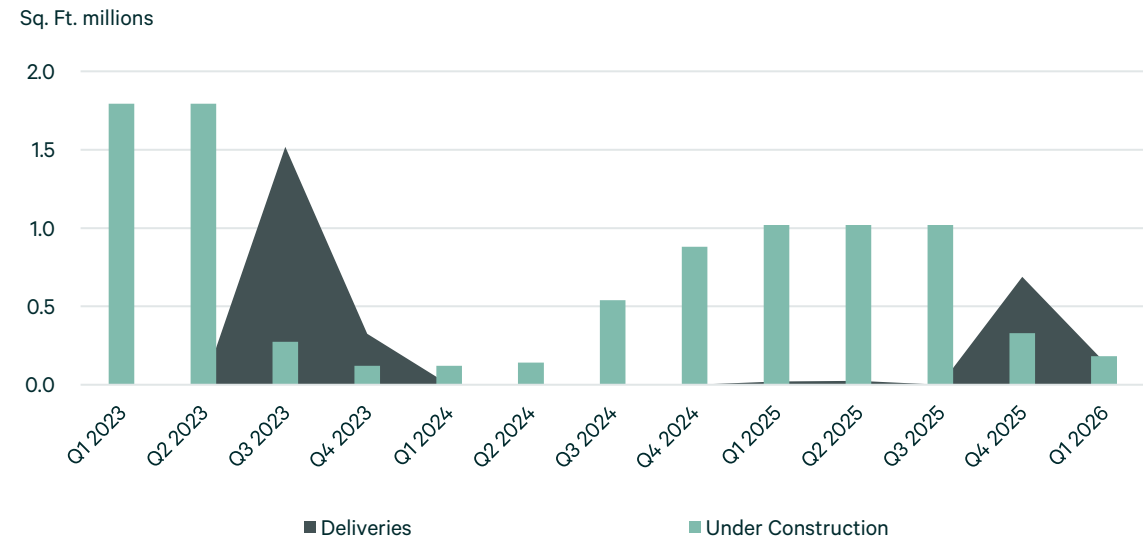
All construction activity remains concentrated in the Airport submarket, where all Q1 2026 deliveries landed. The airport submarket is the only submarket captured with active projects in the current construction pipeline. Both buildings under construction in the Airport submarket are a part of the same project - Drexel Commerce Center – Building A and Building B.

Figure 4: Net Absorption Trend



Source: CBRE Research, Q1 2026

Figure 5: Construction Activity



Source: CBRE Research, Q1 2026

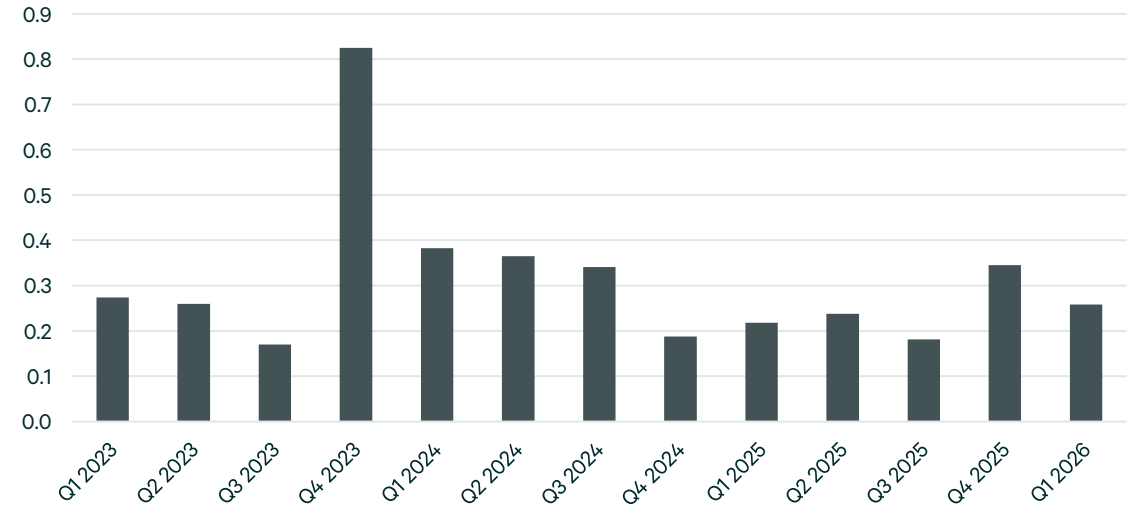
Leasing Activity

At the close of Q1 2026, leased area was 257,567 sq. ft., down 34% quarter-over-quarter up 18% year-over-year. Relative to the late-2023 peak of 825,000 sq. ft., current leasing activity remains materially lower.

By submarket, Southeast posted the highest leasing volumes in the metro at 89,264 sq. ft., Other notable submarkets include West Central at 75,850 sq. ft., Southwest with 12,500 sq. ft. and lastly the Airport with nearly 52,000 sq. ft. leased.

Figure 6: Leasing Activity Trend

Sq. Ft. millions



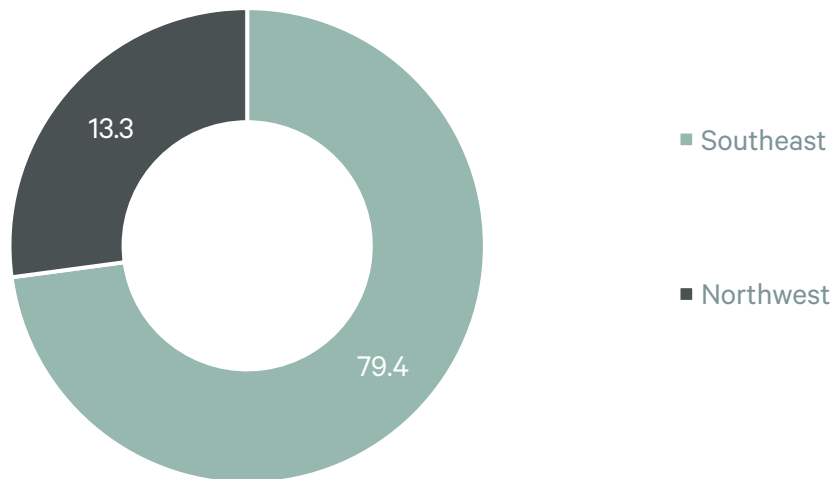
Source: CBRE Research, Q1 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Atalys MGT	98,000	New Lease	6350 E Littletown Rd	Southeast
Unknown	16,500	New Lease	3775 N Business Center Dr	Northwest
Epstein Construction	8,887	New Lease	4775 S Butterfield Dr	Southeast

Source: CBRE Research, Q1 2026

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



Source: CBRE Research, Q1 2026

Market Statistics by Size

Figure 9

Size Range	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mos.)	QTD Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Under 50,000 sq. ft.	16,389,978	2.2%	3.1%	2.9%	0.2%	\$1.00	-30,207	-30,207	0	0
50,000-99,999 sq. ft.	8,165,680	4.8%	6.5%	6.4%	0.1%	\$0.82	-93,255	-93,255	0	67,600
100,000-199,999 sq. ft.	7,363,902	14.1%	16.3%	16.3%	0.0%	\$0.86	-76,614	-76,614	146,963	115,530
200,000-299,999 sq. ft.	4,436,844	19.8%	28.9%	28.9%	0.0%	\$0.75	-2,316	-2,316	0	0
300,000-499,999 sq. ft.	2,840,228	12.4%	12.4%	12.4%	0.0%	\$1.46	0	0	0	0
500,000 + sq. ft.	3,994,873	12.8%	12.8%	12.8%	0.0%	-	0	0	0	0
Total	43,191,505	8.2	10.2	10.1	0.1	0.86	(202,392)	(202,392)	146,963	183,130

Source: CBRE Research, Q1 2026

Market Statistics by Product Type

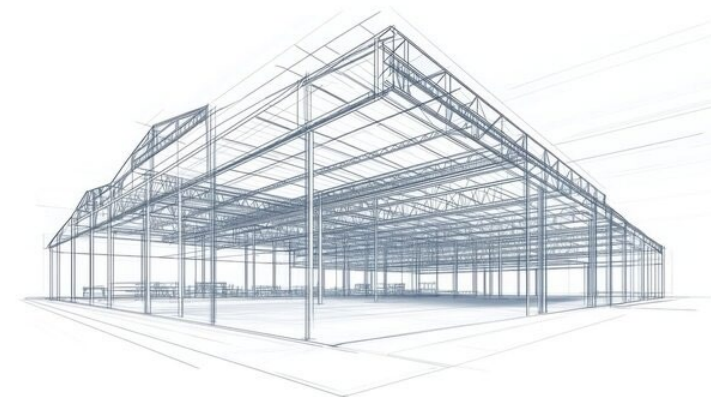
Figure 10

Product Type	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mos.)	QTD Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	22.95	9.8%	12.9%	12.8%	0.1%	\$0.87	30,306	30,306	146,963	183,130
Manufacturing - General	7.62	6.8%	6.8%	6.7%	0.1%	\$0.77	-98,351	-98,351	-	-
Other Industrial	10.15	0.2%	0.9%	0.9%	0.0%	\$1.39	2,680	2,680	-	-
R&D/Flex	2.33	7.5%	8.7%	8.6%	0.1%	\$0.88	-137,027	-137,027	-	-
Total	43,191,505	8.2	10.2	10.1	0.1	0.86	(202,392)	(202,392)	146,963	183,130

Source: CBRE Research, Q1 2026

Economic Overview

The current business cycle may be five years old, but U.S. growth appears resilient, despite clear risks on the horizon. GDP growth should average 2.1%, matching 2025 and exceeding peer economies. America’s aggressive build-out of AI infrastructure is a unique edge. Hyperscale 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. Should the conflict escalate, this would elevate inflation and long-term yields and would likely impact the commercial real estate market.



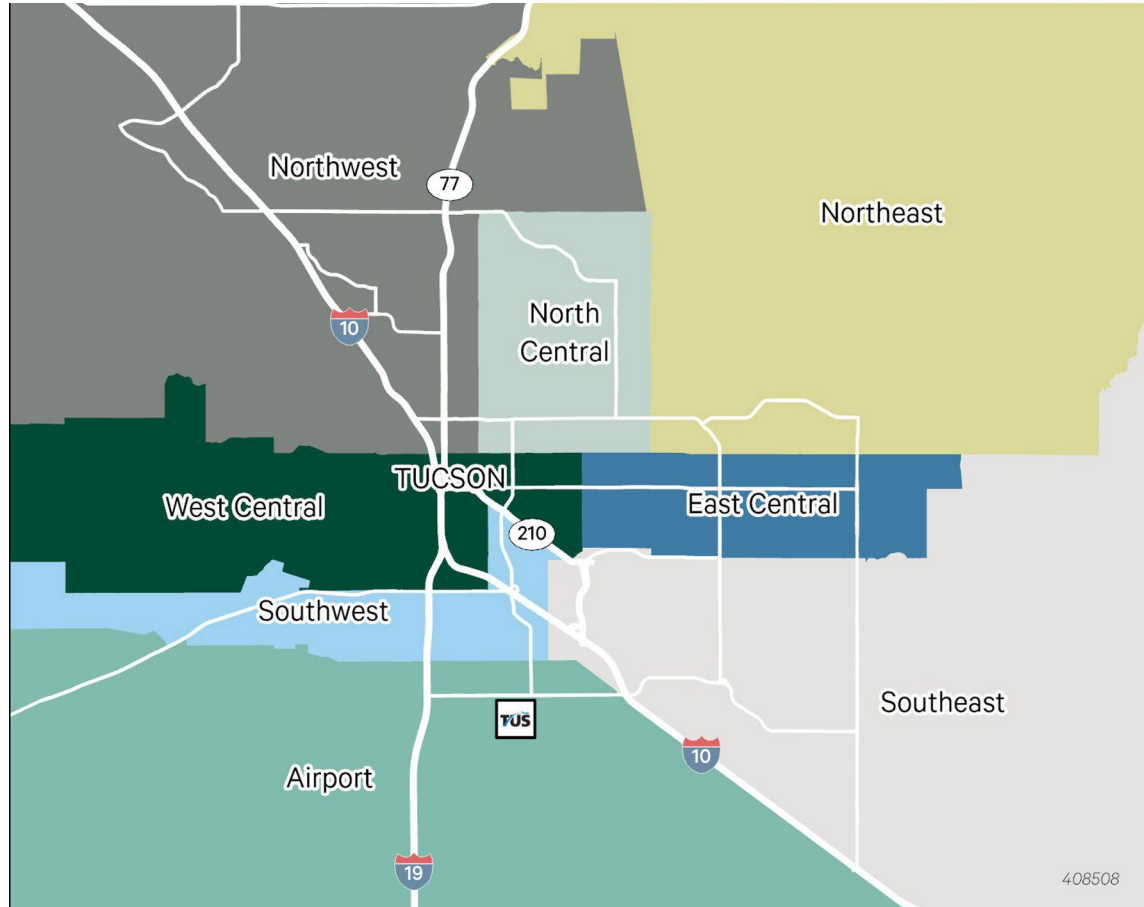
Market Statistics by Submarket

Figure 11

Submarket	Net Rentable Area	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate (\$/SF NNN/mos.)	QTD Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Airport	12,359,697	11.1%	11.8%	11.8%	0.0%	\$0.78	-77,480	-77,480	146,963	183,130
East Central	1,179,279	2.6%	3.6%	3.6%	0.0%	\$1.04	-13,002	-13,002	0	0
North Central	191,587	5.0%	5.0%	5.0%	0.0%	\$1.15	-60	-60	0	0
Northeast	1,045,095	3.5%	3.5%	2.4%	1.1%	\$1.38	-2,400	-2,400	0	0
Northwest	7,960,883	8.1%	11.6%	11.3%	0.3%	\$1.02	-21,547	-21,547	0	0
Southeast	13,010,873	8.9%	12.2%	12.2%	0.0%	\$0.86	-70,931	-70,931	0	0
Southwest	2,980,852	8.3%	8.9%	8.9%	0.0%	\$0.78	-17,408	-17,408	0	0
West Central	4,463,239	0.7%	1.4%	1.4%	0.0%	\$1.06	436	436	0	0
Total	43,191,505	8.2	10.2	10.1	0.1	0.86	(202,392)	(202,392)	146,963	183,130

Source: CBRE Research, Q1 2026
 CBRE RESEARCH

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 industrial 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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