

FIGURES | TUCSON INDUSTRIAL MARKET | Q4 2025

Speculative Deliveries Lift Tucson's Industrial Vacancy Rate



Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

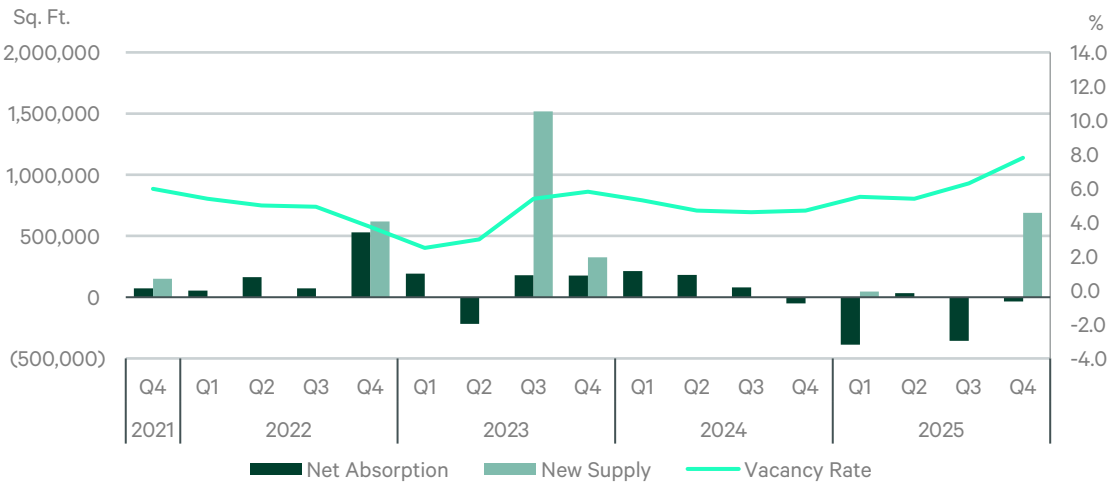
- Vacancy rose 150 basis points (bps) quarter-over-quarter in Q4 2025.
- Delivered construction in the metro totaled 688,609 sq. ft.
- Net Absorption remained in the negative as -35,451 sq. ft. of vacant space returned to the market.

The metro recorded 35,451 sq. ft. of negative net absorption in Q4 2025. Four buildings totaling 688,609 sq. ft. delivered during Q4 2025, marking the metros highest delivery total since Q3 2023. Nearly 80% of all space completed during the quarter was vacant, which helped catalyze a 150-bps bump in vacancy during the fourth quarter. The average asking lease rate increased 4.8% quarter-over-quarter to \$0.88 per sq. ft.

Entering 2026, there was 330,093 sq. ft. still under construction. Roughly 93% of this space has not been committed to and remains available for lease. As these properties deliver, additional upward pressure on vacancy is likely to occur.

CBRE tracked 6.5 million sq. ft. of tenants in the market at the end of the third quarter.

FIGURE 1: Supply and Demand



Source: CBRE Research, Q4 2025.

Availability and Vacancy

Tucson industrial space availability jumped 100 bps quarter-over-quarter to 10%, going from 3.8 million sq. ft. to over 4 million sq. ft. of available space. Several move outs in the Southwest submarket helped facilitate a 450 basis points in local availability. Three fully vacant buildings delivered in Q4, offering nearly 600,000 sq. ft., of available space near the airport surrounding the I-10 highway. The Southeast submarket recorded a significant increase leaping 110 bps while the West Central submarket lowered 40 bps quarter-over-quarter. Despite registering quarter-over-quarter increases, availability in the Northeast and North Central submarkets remained at least 510 bps below the market average. Conversely, tenant demand was relatively strong in the East Central submarket where local availability fell by 400 bps. Distribution and Logistics account for 3 million of the total available square footage.

Market-wide vacancy rose 160 bps to 7.8% in Q4 2025. This increase can be attributed to several large move outs this quarter in the Southwest submarket where local vacancy jumped 720 bps quarter-over-quarter. The Arizona Daily Star's former space is vacant and available for sublease accounting for 218,500 sq. ft. while the newly constructed 194,879 square foot Butterfield Logistics Center is awaiting a tenant. Vacancy in the East Central submarket was at 1.5% during Q4, which is 630 bps below the market average. Vacancy near the Airport boosted 190 bps. The North Central and Northeast showed an increase of 60 bps and 100 bps, respectively. While vacancy has increased during Q4 2025, it runs well below other Southwest markets such as Phoenix, where vacancy was 11% during quarter.

Lease Rates

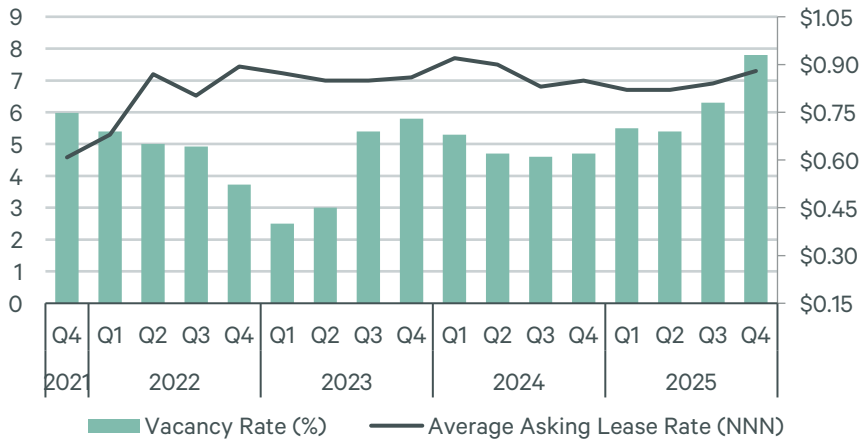
Asking rents increased by \$0.04 on average totaling \$0.88 per sq. ft. NNN. The East Central submarket recorded the largest quarter-over-quarter increase as the average asking rent rose from \$0.92 to \$1.02 per sq. ft. The asking rents in the Airport submarket slightly lowered in asking rate by 1.3% during the fourth quarter. The Northwest dropped 4.5% in Q4. Finally, the Northwest submarket averages \$1.05 per sq. ft. marking the highest rate in the region YTD within the submarket.

Net Absorption and Leasing Activity

The industrial market captured approximately 345,196 sq. ft. of gross leasing activity and -35,451 sq. ft. of net absorption in Q4 2025. Most of the submarkets experienced positive absorption apart from the Southwest segment which registered -211,852 sq. ft. of net absorption, and the Northeast submarket registering -10,986 sq. ft. of net absorption.

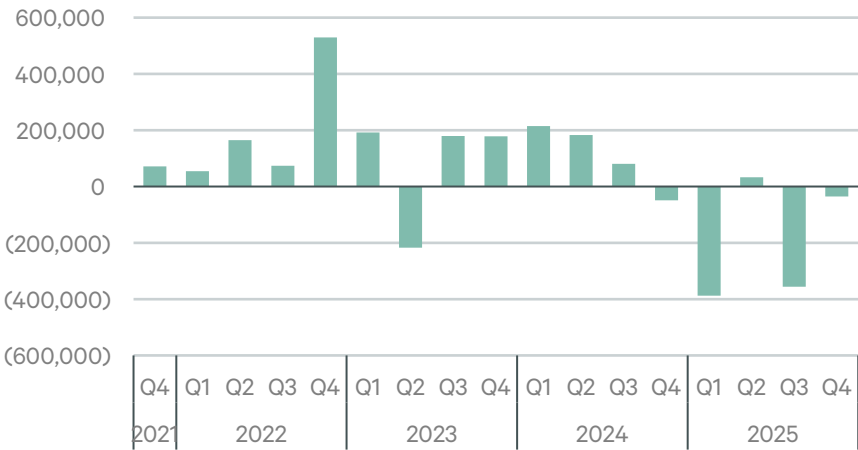
Some notable and move outs this quarter included a 218,500 sq. ft. space opening at 4850 S Park Ave in the Southwest market. Additionally, 47,500 sq. ft. became vacant in the Southeast region at 6630 S Memorial Place. Notable move ins this quarter included the Zona Volleyball Club & Xcimer Energy at 3160 S Transcon Way leasing 39,000 sq. ft. and Border States Electric Supply leasing 81,962 sq. ft. at 763 E Macarthur Circle in Southwest Tucson.

FIGURE 2: Overall Vacancy and Lease Rate



Source: CBRE Research, Q4 2025.

FIGURE 3: Net Absorption (Sq. Ft.)



Source: CBRE Research, Q4 2025.

Development Activity

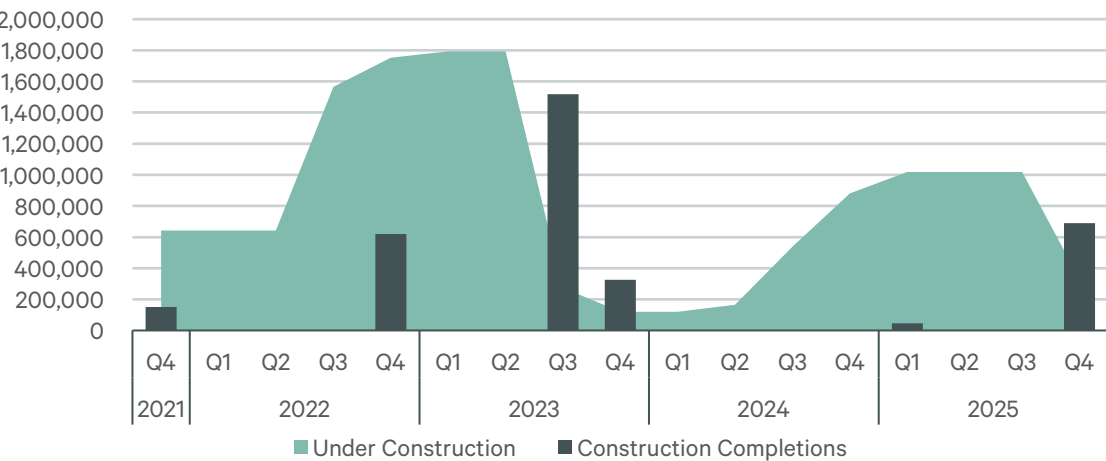
In Q4 2025, four projects were completed marking the metro’s highest delivery total since Q3 2023. Those include Butterfield Logistics Center at 3725 E Columbia Street for 194,879 sq. ft. in the Southeast region, I-10 International Buildings B and C at 4401 and 4501 E Los Reales Road in the Airport submarket, and 120,000 sq. Ft. in the Becton Dickinson build-to-suit on the NEC of Valencia Rd and Kolb Rd. Entering 2026, roughly 330,093 sq. ft. of space remained under construction. Two major projects in the planning phase are called American Battery Factory and Project Blue. Beale Infrastructure is planning to build a data center in the Southeast submarket on 290 acres. These projects are expected to create thousands of jobs and \$3.6 billion in economic impact to the state of Arizona.

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 more melancholy when looking at households. Consumer confidence remains weak, with spending reportedly driven by a smaller segment of affluent households. This mosaic of data suggests that annual average GDP growth will be steady in 2026, at 2%, but a touch softer than in 2025. 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.

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

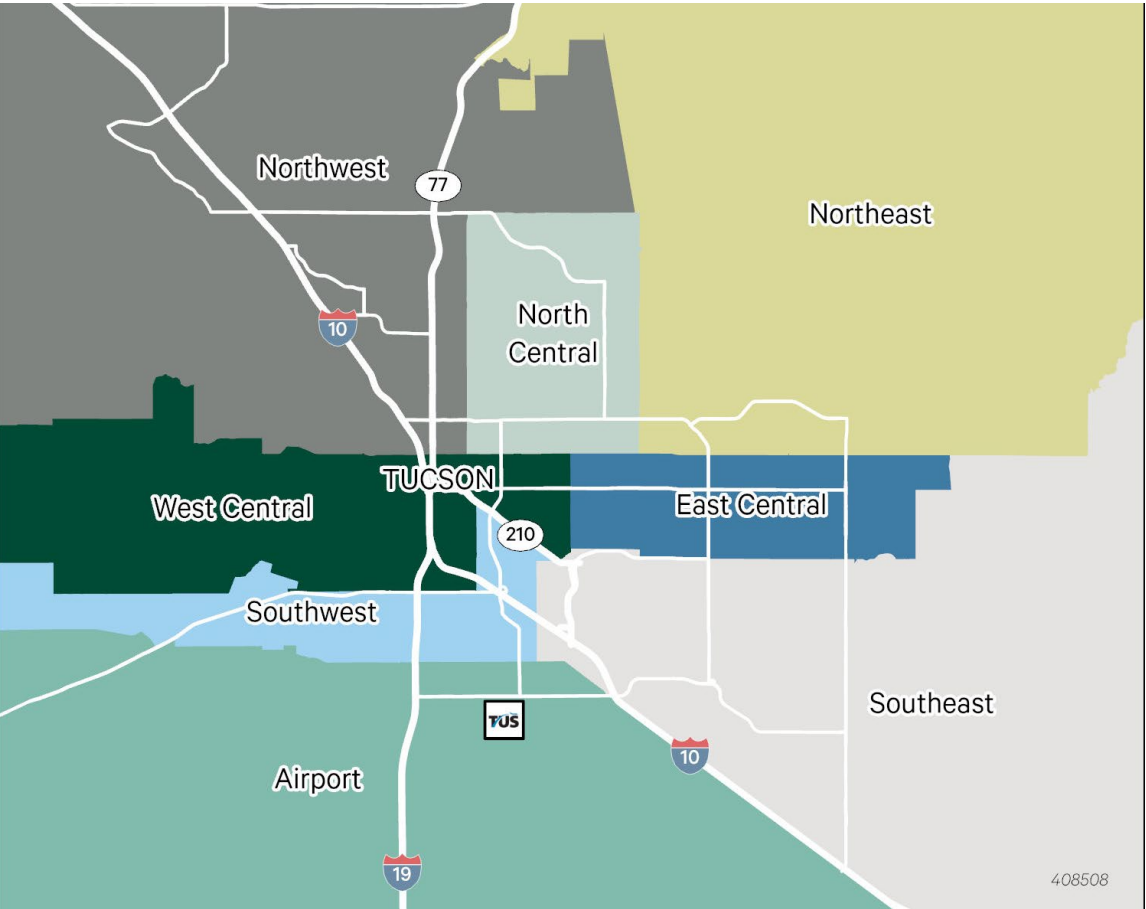


Source: CBRE Research, Q4 2025.

FIGURE 5: Submarket Stats

	Building Count	Net Rentable Area	Availability (%)	Vacancy (%)	Net Absorption (Sq. Ft.)		Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg. Direct Asking Lease Rate (\$PSF/NNN)
					Q4 2025	2025 YTD			
Airport	172	12,254,774	10.8%	9.3%	104,386	28,121	703,823	373,790	\$0.77
East Central	44	1,179,233	2.1%	1.5%	46,531	36,708	0	0	\$1.02
North Central	11	191,587	4.9%	4.9%	(1,163)	(9,473)	0	0	—
Northeast	15	1,045,095	3.2%	3.2%	(10,986)	(56,451)	0	0	—
Northwest	269	7,989,919	13.5%	10.1%	2,936	(33,530)	0	0	\$1.05
Southeast	256	12,994,873	11.7%	8.5%	10,349	(521,979)	314,879	314,879	\$0.89
Southwest	106	2,978,352	8.3%	7.8%	(211,852)	(206,288)	0	0	\$0.90
West Central	180	4,471,340	1.5%	0.7%	24,348	16,640	0	0	\$1.05
Tucson Total	1,053	43,105,173	10.0%	7.8%	(35,451)	(746,252)	330,093	688,609	\$0.88

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 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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