Tucson Industrial Gains Momentum While New Supply Reaches Market

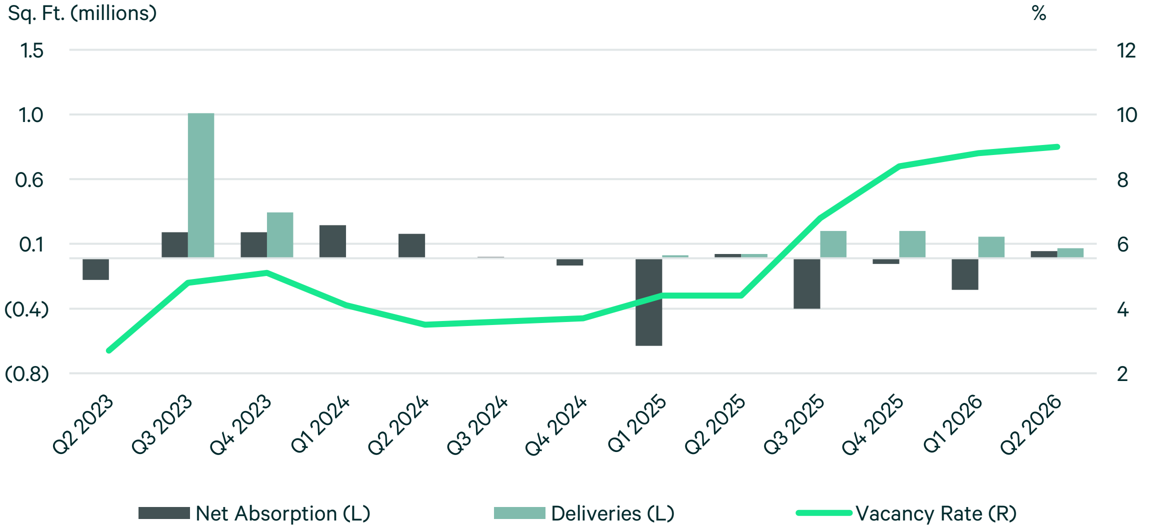
▲9.0%	▲48,651	▲183,130	▲315,000	▲$0.83
Vacancy Rate	SF Net Absorption	SF Construction Delivered	SF Under Construction	NNN/MTH Direct Lease Rate

Note: Arrows indicate change from previous quarter.

Market Overview

By Q2 2026, the market had shifted from tight conditions to materially higher vacancy. Vacancy reached 9.0% in Q2 2026, rising 20 basis points quarter-over-quarter and 460 basis points year-over-year from Q2 2025, while availability climbed to 10.7% over the same period. From Q3 2025 through Q2 2026, cumulative net absorption totaled negative 557,000 sq. ft., even though Q2 2026 alone recorded 49,000 sq. ft. of positive demand after a negative 220,000 sq. ft. in Q1 2026. Average asking rents in Q2 2026 climbed to $0.83 per sq. ft., up 3.8% quarter-over-quarter and 13.7% year-over-year but still 6.7% below Q2 2023 levels. Construction shifted to a more constrained stance, with space under construction falling from 1.3 million sq. ft. in Q2 2023 to 315,000 sq. ft. in Q2 2026, even as Q2 2026 deliveries reached 68,000 sq. ft., compared with 25,000 sq. ft. in Q2 2025.

Figure 1: Historical Net Absorption, Deliveries, and Vacancy



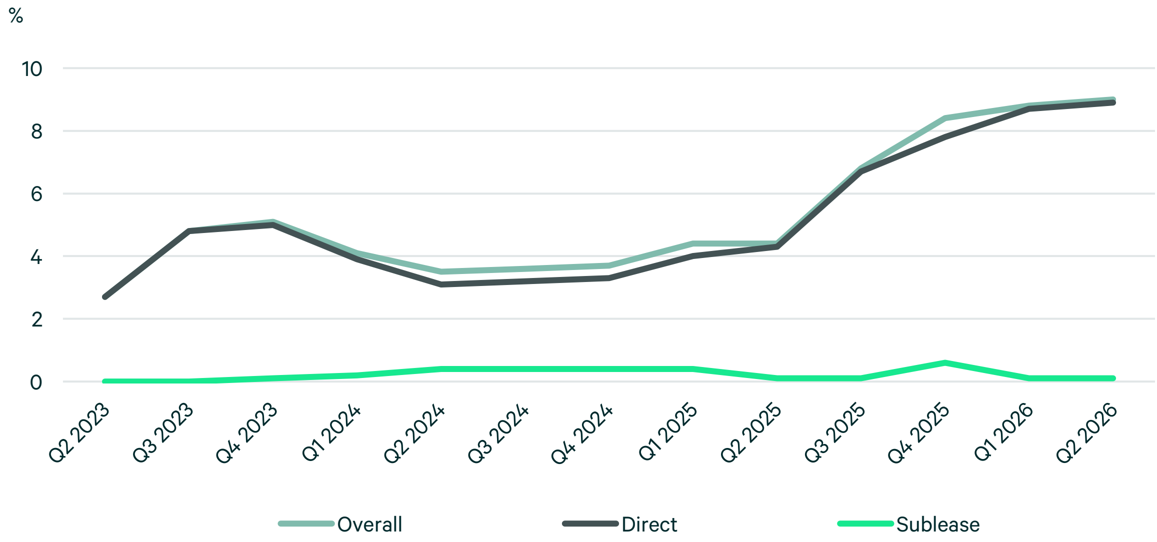
Source: CBRE Research, Q2 2026

Vacancy Rate

In Q2 2026, overall vacancy stood at 9.0%, with direct vacancy at 8.9% and sublease vacancy at 0.1%. Overall and direct vacancy each increased by 20 basis points quarter-over-quarter from Q1 2026 levels of 8.8% and 8.7%, respectively, while the sublease rate held steady. Compared with Q2 2025, overall and direct vacancy are higher by 460 basis points from 4.4% and 4.3% year-over-year, with sublease vacancy is unchanged at 0.1%. Over a three-year horizon, overall vacancy has widened by 630 basis points from 2.7% in Q2 2023, marking a notable rise in available space.

At the submarket level, West Central recorded the lowest overall vacancy in Q2 2026 at 1.8%, followed by East Central at 2.5%, both well below the market average. Airport posted the highest overall vacancy at 12.0%, with Southeast and Southwest also elevated at 10.7% and 8.0%, respectively. North Central, Northeast, and Northwest fell between these extremes, with overall vacancy ranging from 3.5% to 7.6%.

Figure 2: Vacancy Rate



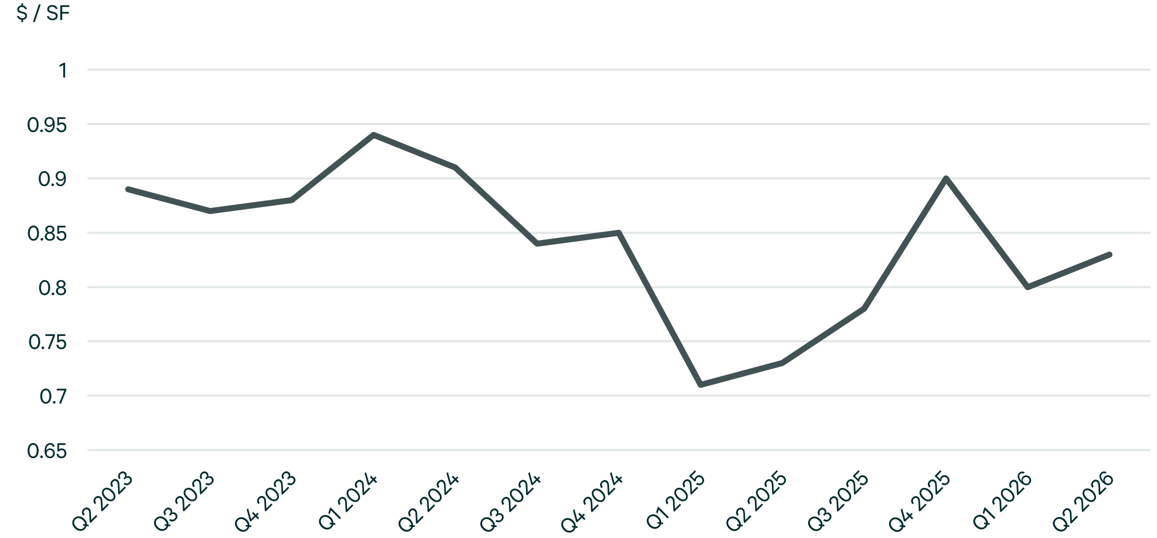
Source: CBRE Research, Q2 2026

Asking Rent

In Q2 2026, the market-wide average asking rent was $0.83. This level reflects a 3.8% increase quarter-over-quarter and a 13.7% gain year-over-year. Across the full series, average asking rents ranged from a high of $0.94 in Q1 2024 to a low of $0.71 in Q1 2025, ending slightly below the $0.89 recorded in Q2 2023.

At the submarket level in Q2 2026, the Airport and Southwest submarkets show the lowest average asking lease rates at $0.68 and $0.76, respectively, while East Central, Northwest, Southeast, and West Central cluster in a narrow band between $0.89 and $0.91.

Figure 3: Average Direct Asking Rate



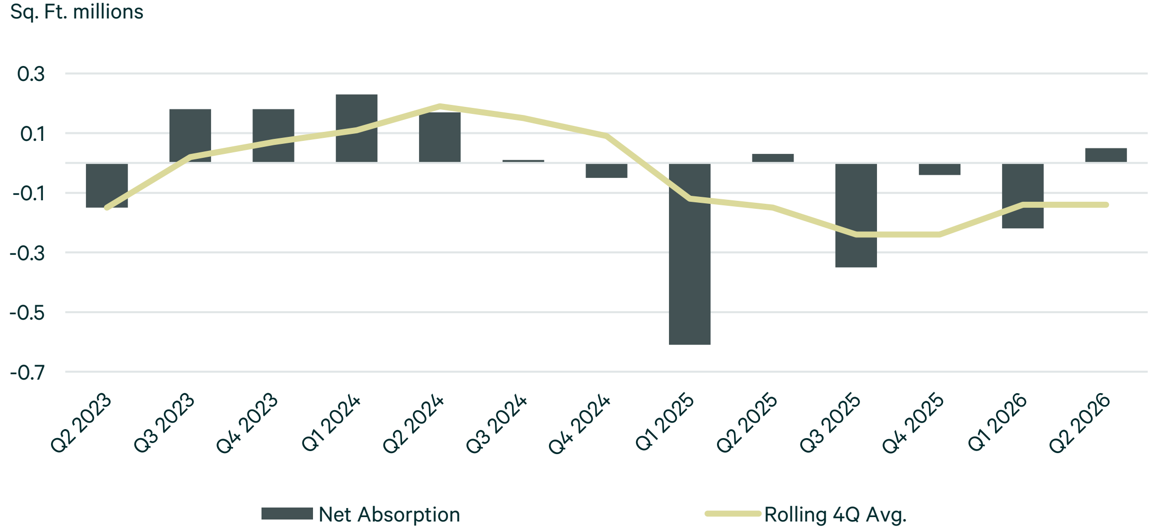
Source: CBRE Research, Q2 2026

Net Absorption

Total net absorption in Q2 2026 was 49,000 sq. ft., exceeding the negative 220,000 sq. ft. recorded in Q1 2026 and marking a positive quarter after an extended period of unpredictability. In percentage terms, this reflected a 122.3% quarter-over-quarter decline, driven by the negative prior baseline. Year-over-year, Q2 2026 net absorption exceeded Q2 2025's 32,000 sq. ft. by 53.1%, while the rolling four-quarter average remained negative at 139,250 sq. ft., reflecting a full year of cumulative negative absorption.

At the submarket level, Airport registered the strongest demand with 50,000 sq. ft. of positive net absorption, followed by the Northwest submarket at 30,000 sq. ft. No other submarket recorded positive net absorption above 10,000 sq. ft.; Southwest, Southeast, and East Central posted more modest gains of 10,000 sq. ft., 4,000 sq. ft., and 1,000 sq. ft., respectively. West Central independently carried negative net absorption, with tenants giving back 47,000 sq. ft., making it the submarket with the lowest demand in the quarter.

Figure 4: Net Absorption Trend



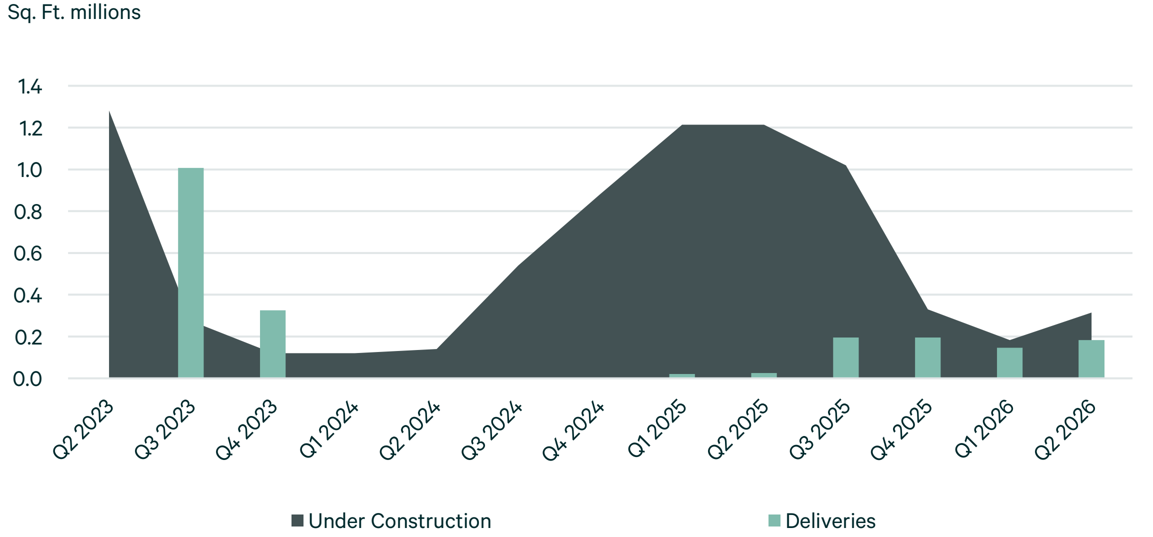
Source: CBRE Research, Q2 2026

Construction Activity

In Q2 2026, the market had 315,000 sq. ft. under construction and 68,000 sq. ft. of space delivered. Under construction volume increased 72.1% quarter-over-quarter but was 74.0% lower year-over-year. Deliveries dropped 53.7% quarter-over-quarter from 147,000 sq. ft. in Q1 2026, yet were 172.0% higher year-over-year than the 25,000 sq. ft. completed in Q2 2025.

The Southeast is the only submarket with a project underway. All 315,000 sq. ft. of under construction space is tied to a single warehouse/storage development at 9688 E Old Vail Road, with a targeted delivery in Q4 2026.

Figure 5: Construction Activity



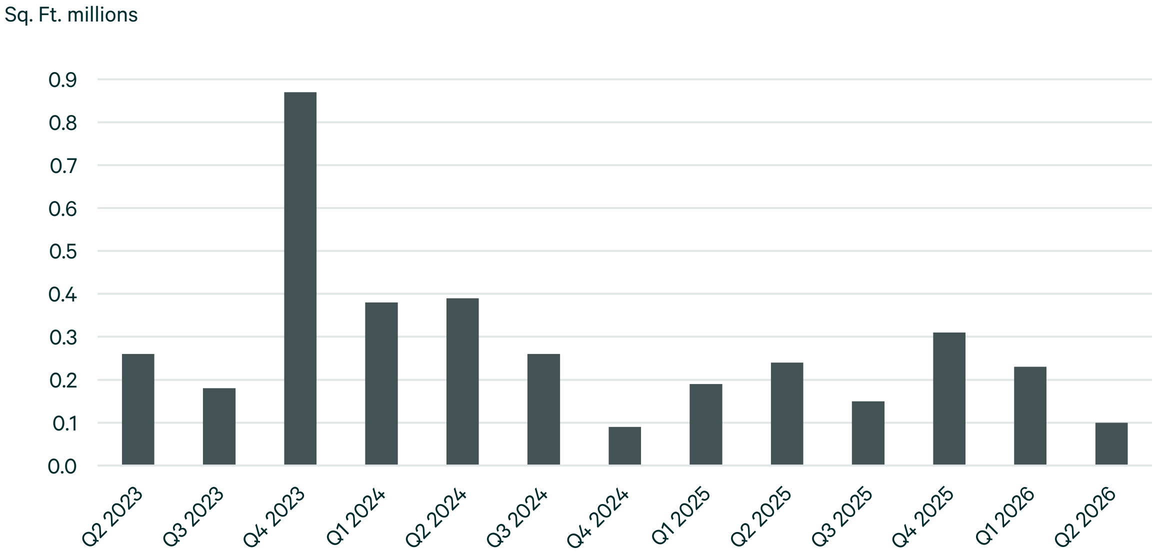
Source: CBRE Research, Q2 2026

Leasing Activity

In Q2 2026, leasing activity totaled 97,000 sq. ft. The latest quarter's volume fell negative 57.1% quarter-over-quarter and by 59.2% year-over-year, marking a sharp pullback from the strong gains recorded in late 2025 and early 2026.

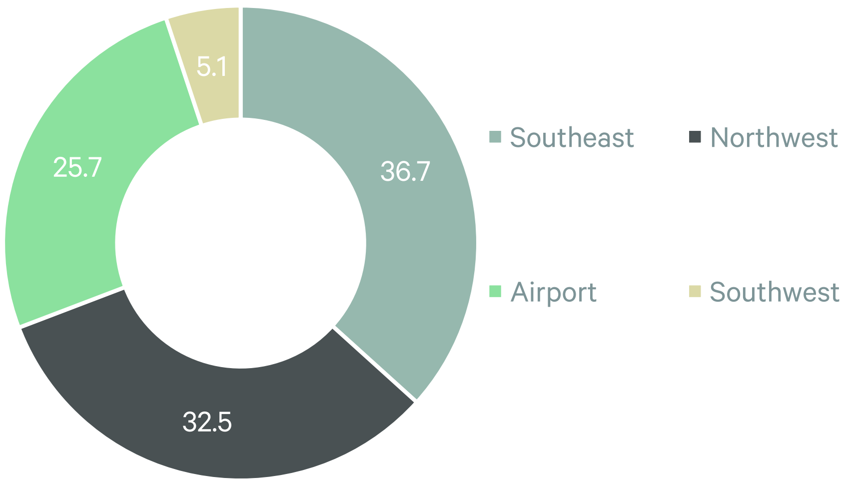
Southeast is the most active submarket, with 36,000 sq. ft. leased, followed by Northwest at 32,000 sq. ft., together accounting for the bulk of recorded activity. Airport and Southwest also post positive leasing, at 25,000 sq. ft. and 5,000 sq. ft., respectively, though at materially lower levels than the top two submarkets.

Figure 6: Leasing Activity Trend



Source: CBRE Research, Q2 2026

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



Source: CBRE Research, Q2 2026

Figure 8: Key Lease Transactions

Tenant	Sq. Ft. Leased	Transaction Type	Address	Submarket
Nefco	24,000	New Lease	2567 E Commerce Center Plaza	Airport
Freeport Minerals	17,000	New Lease	3231 E Valencia Rd	Airport
Semper Fi Heating and Cooling LLC	12,000	New Lease	2155 N Forbes Blvd	Northwest
VXI Global	10,000	New Lease	4755-4775 S Butterfield Dr	Southeast

Source: CBRE Research, Q2 2026

Market Statistics by Product Type

Figure 9

Product Type	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Distribution/Logistics	23.47M	11.4	13.6	13.5	0.1	0.93	(15,000)	4,000	183,000	315,000
Manufacturing - General	7.62M	6.2	7.4	7.4	-	0.69	19,000	(79,000)	-	-
R&D/Flex	10.10M	7.7	8.7	8.6	0.1	0.82	48,000	(95,000)	-	-
Other Industrial	2.33M	0.4	0.9	0.9	-	1.20	(4,000)	(1,000)	-	-
Total	**43.52M**	**9.0**	**10.7**	**10.6**	**0.1**	**0.83**	**49,000**	**(171,000)**	**183,000**	**315,000**

Source: CBRE Research, Q2 2026

Market Statistics by Size

Figure 10

Size Range	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Below 50K SF	16.42M	2.3	3.1	3.0	0.2	0.92	17,000	(38,000)	-	-
50K-99,999 SF	8.16M	5.4	7.2	7.2	-	0.84	(15,000)	(101,000)	68,000	-
100K-249,999 SF	11.03M	17.9	21.9	21.9	-	0.87	46,000	(32,000)	-	-
250K-499,999 SF	3.92M	15.7	15.7	15.7	-	0.62	-	-	-	315,000
500K-749,999 SF	511,000	100.0	100.0	100.0	-	-	-	-	-	-
750,000 SF +	3.48M	-	-	-	-	-	-	-	-	-
Total	**43.52M**	**9.0**	**10.7**	**10.6**	**0.1**	**0.83**	**49,000**	**(171,000)**	**68,000**	**315,000**

Source: CBRE Research, Q2 2026

Market Statistics by Submarket

Figure 11

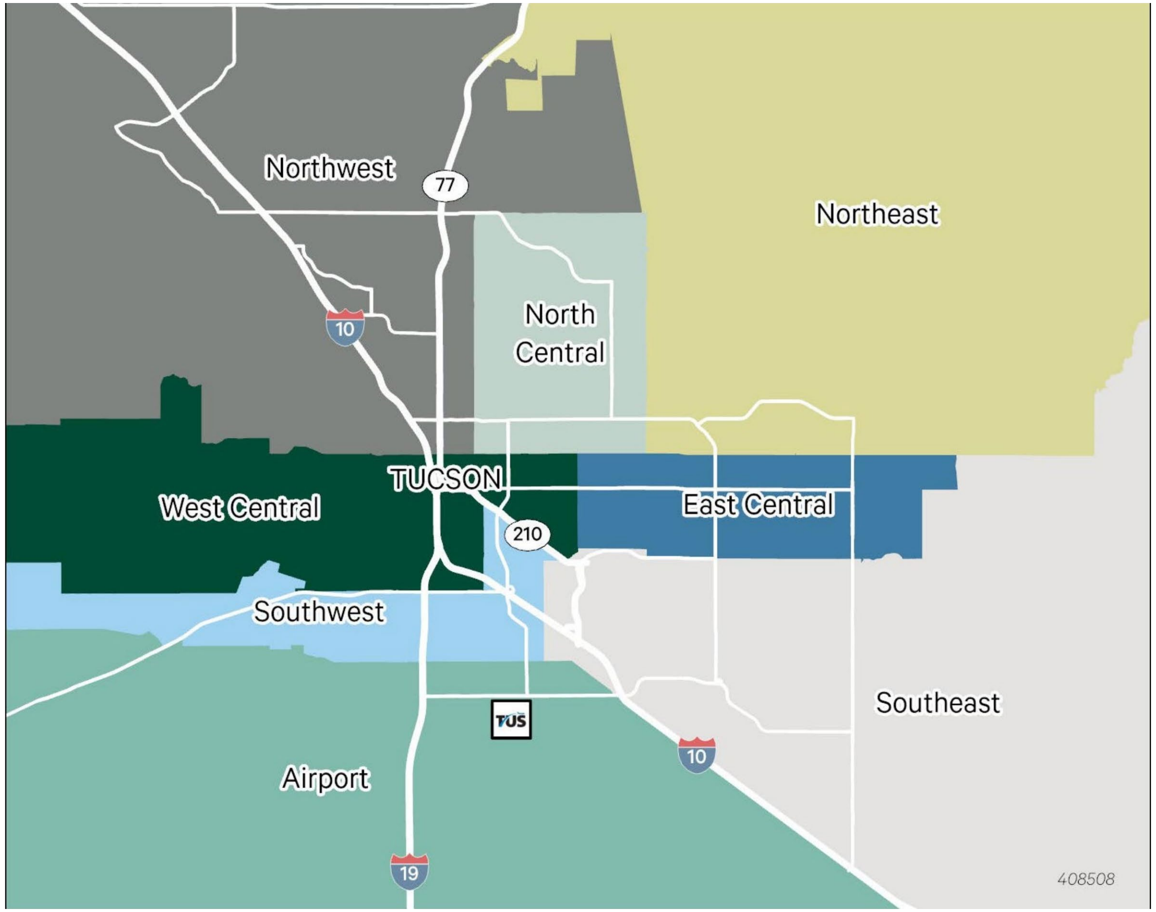
Submarket	Net Rentable Area (SF)	Total Vacancy (%)	Total Availability (%)	Direct Availability (%)	Sublease Availability (%)	Avg. Direct Asking Rate ($/SF NNN/mth)	Current Quarter Net Absorption (SF)	YTD Net Absorption (SF)	Deliveries (SF)	Under Construction (SF)
Airport	12.54M	12.0	12.5	12.5	-	0.68	50,000	(27,000)	183,000	-
East Central	1.18M	2.5	3.1	3.1	-	0.91	1,000	(12,000)	-	-
North Central	192,000	4.8	8.4	8.4	-	1.08	-	-	-	-
Northeast	1.05M	3.5	3.9	2.9	1.1	1.64	-	(2,000)	-	-
Northwest	7.91M	7.6	11.8	11.6	0.2	0.90	30,000	(9,000)	-	-
Southeast	13.21M	10.7	12.8	12.8	0.0	0.89	4,000	(67,000)	-	315,000
Southwest	2.98M	8.0	8.2	8.2	-	0.76	10,000	(7,000)	-	-
West Central	4.46M	1.8	2.6	2.6	-	0.91	(47,000)	(47,000)	-	-
Total	**43.52M**	**9.0**	**10.7**	**10.6**	**0.1**	**0.83**	**49,000**	**(171,000)**	**183,000**	**315,000**

Source: CBRE Research, Q2 2026

Economic Overview

Tucson's economic backdrop remains supportive of commercial real estate demand despite national headwinds. The region continues to benefit from population inflows and relative affordability compared to Phoenix, sustaining steady household formation and consumer spending. Semiconductor and advanced manufacturing investment in the broader Southern Arizona corridor continues to underpin industrial demand, even as elevated Treasury yields raise the cost of capital for new construction and acquisitions. Tucson's more moderate cost structure and land availability position it to absorb some spillover demand from Phoenix, particularly if elevated interest rates continue to slow speculative development in larger metros. Should national inflation ease as energy prices stabilize, borrowing costs could follow, supporting a more active investment sales market in the back half of 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 industrial buildings 10,000 sq. ft. in Tucson Metro. Buildings which have begun construction as evidenced by site excavation or foundation work.

Contacts

Zach DiSalvo
Associate Research Director
+1 8586464780
zach.disalvo@cbre.com

Amanda Martinez
Field Research Analyst
+1 6027351718
amanda.martinez@cbre.com