



Big Box retail space throughout the Tucson area saw healthy leasing activity in 2014, with the spaces absorbed in the 11,500–100,000 square foot range. By year-end there were 54 spaces greater than 10,000 square feet available, totaling 745,856 square feet of big box space throughout the market. This compares to 34 spaces greater than 10,000 square feet and 786,606 square feet at year-end 2013.

CURRENT TUCSON RETAIL QUICK FACTS

8
Vacant Big Box
Retail Spaces
of 30,000+ SF
↑

745,856
Total Square Feet of
Big Box Vacancy
↓

405,841
Total Square Feet of
Absorbed Big Box
Space
↑

\$11.18
PSF NNN Average
Asking Rate for Big
Box Space
↓

\$16.85
PSF NNN Average
Asking Rate for All
Retail Space
↑

8.3%
Total Vacancy Rate
in Tucson

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OVERVIEW

Tucson's Retail Big Box space has had a healthy year of absorption with the bulk of the leasing happening in the core of the city while the peripheral areas of town continue to see big boxes remain vacant. As we've seen in the last several quarters since the slowdown of new housing construction, Tucson is definitely a "tale of 2 cities"—the areas within the core with good locations and owners who are ready to make deals are seeing the bulk of transactions. Contrarily, those properties on the peripheral or that are functionally obsolete or have ownership that can't seem to strike today's deal structures are seeing boxes remain vacant.

Tucson also has had a number of retailers looking for space where none exists. This has sparked new construction in the form of new ground-up and build-to-suit transactions, which is a welcome change of pace in our market. Looking at the number, the number of available box spaces has increased, and the questions from previous years remain: how deep is the demand with the retailers to fill those empty boxes and how much rent can they pay to justify the new construction? Retailers are consistently revamping their store footprints to try and evolve to find the right balance between accommodating demand for in-store shopping and e-commerce options Omnichannel retailing is presenting to the market. No longer are retailers able to count on shoppers doing things one way and those retailers who are embracing Omnichannel retailing are winning.

Most of the **±745,856 SF** of vacant retail big boxes consist of spaces between **10,000-21,000 SF with only 8 vacant big box spaces of 30,000 SF or greater**. Arguably, most of the smaller footprints are not in the prime targeted areas and many are functionally obsolete. Those obsolete properties may be absorbed and the challenge moving forward is working to redevelop or newly-construct retail spaces that meet current retail prototype standards. Many of the large format retail concepts looking to locate in Tucson have required footprints that are greater than what the majority of the market has to offer.

User-driven construction will continue to happen to a moderate degree within the prime targeted areas, mainly mall hubs and along select interstate freeway interchanges. In order to bring new buildings out of the ground in Tucson's core, old-format, tired properties will have to be demolished to make way for new, updated prototypes. This type of development will require local government and adjacent neighborhoods to embrace change and allow for progress.

In 2014, Metropolitan Tucson saw the expansion of many retailers, including Walmart, Summit Hut, Petco, TJ Maxx, Marshall's, Circus Furniture, Christie's Appliances, CVS, Guitar Center, Dick's Sporting Goods, Conn's and others. Additionally, Tucson saw the entry of new big box retailers to the market, including dd's Discount and Natural Grocers. Real estate experts expect to see new vacancies in Tucson in 2015 due to the announced exit of Staples from the market and the consolidation of Office Depot spaces. Fortunately, the market has often enjoyed a pent-up demand for certain areas and the prime big box spaces should garner interest from retailers who haven't been able to identify space in the past.

METHOD

We surveyed v
freestanding b
or opened with



Retail 24/7.

TOP 2014 RETAIL BOX TRANSACTIONS

Marshalls

BTS
± 30,000 SF

TJ-maxx

new lease
at existing space
± 27,000 SF

**NATURAL
GROCERS**
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former retailer:
Office Depot
± 15,655 SF

Conn's

BTS
± 40,000 SF

petco
where the lovin' gets go

former retailer:
Home Fabric
± 14,508 SF

Haggen
NORTHWEST FRESH

former retailer:
Albertsons
± 60,080 SF

Haggen
NORTHWEST FRESH

former retailer:
Safeway
± 50,188 SF

CIRCUS FURNITURE

former retailer:
California Designs
± 19,700 SF

DICK'S
SPORTING GOODS

BTS
± 50,000 SF

dd's
DISCOUNTS

former retailer:
Office Max
± 27,799 SF

CVS

BTS
± 12,900 SF

Walmart
Supercenter

BTS
± 100,000 SF

CHRISTIE'S

former retailer:
Flooring Co.
± 14,437 SF

Summit Hut
Hiking | Camping | Travel

former retailer:
Office Depot
± 22,960 SF

InJoy
Thrift Stores

former retailer:
furniture store
± 18,363 SF

Guitar Center

BTS
± 11,512 SF

Retail 24/7.

Nancy McClure provides leasing, sales and investment services to retail owners and developers, as well as corporate real estate solutions to major retailers including strategic planning, market research and site selection services.

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