



Big Box retail space throughout the Tucson area saw healthy leasing activity in 2015, with the spaces absorbed in the 10,963–100,000 square foot range. By year-end there were 49 spaces greater than 10,000 square feet available, totaling 959,230 square feet of big box space throughout the market. This compares to 54 spaces greater than 10,000 square feet and 745,856 square feet at year-end 2014.

## CURRENT TUCSON RETAIL QUICK FACTS

<p><b>6</b></p> <p>Vacant Big Box Retail Spaces of 30,000+ SF</p> <p>↓</p>	<p><b>959,230</b></p> <p>Total Square Feet of Big Box Vacancy</p> <p>↑</p>	<p><b>894,806</b></p> <p>Total Square Feet of Leased Big Box Space</p> <p>↑</p>
<p><b>\$11.89</b></p> <p>PSF NNN Average Asking Rate for Big Box Space</p> <p>↑</p>	<p><b>\$17.06</b></p> <p>PSF NNN Average Asking Rate for All Retail Space</p> <p>↓</p>	<p><b>6.5%</b></p> <p>Total Vacancy Rate in Tucson</p> <p>↓</p>

# OVERVIEW

## DEMAND FOR THE BEST – SUPPLY OF THE REST

Over the past year, the Tucson area experienced an increase in demand for a shrinking supply of top-tier retail anchor space. At the same time, supply of lower-quality spaces, often located mid-block and in areas that have no demand from retailers, has increased. Expanding retailers have been focused on the top-performing trade areas and centers with category leading anchor tenants. Often, today's retailers are seeking space of a size and quality that is unavailable; because of this, Tucson has benefited from new ground-up construction with more to come in 2016 and beyond. Moreover, the high demand for core locations has spurred redevelopment of tired centers with antiquated layouts and floor plates—barriers to entry will always make these prime corner locations the target of developers who understand how to buy and reposition these sites for today's retailer rent parameters.

With just **6 vacant Retail Boxes of  $\pm 30,000$  SF or more**, retailers are sure to try and secure the best of the best; however, some of those 6 lie on the peripheral of town and will continue to see a lack of interest due to the low number of new housing starts. Once new homebuilding gains greater traction, the peripheral of the market will see more retail action. "Here and now" locations with dense population is what all the major retailers are seeking. Grocer activity picked up in 2015 with some new Fry's Food and Drug stores under construction or scheduled to break ground in 2016. Additionally, Tucson will see new Walmart Neighborhood Markets locate in a couple of core centers that lost their grocers with one that already opened in late 2015. Haggen opened with fanfare and then closed in bankruptcy soon thereafter; however, Albertson's and Safeway will absorb 2 of the 3 vacant boxes that resulted.

Many of the **49 vacant boxes that make up Tucson's total of  $\pm 959,230$  SF** are smaller scale at  **$\pm 10,000$  –  $\pm 21,000$  SF**. Arguably, most of the smaller footprints are not in the prime targeted areas and many are functionally obsolete. Those obsolete properties may never get absorbed and the challenge moving forward is working to redevelop or construct new retail spaces that meet the current retail prototypes. Most 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 within prime targeted areas in mall hubs, intersection corners and along select interstate freeway interchanges. In the core of town, to bring new buildings out of the ground will mean old-format, tired properties will be demolished to make way for updated prototypes. It will require local government and adjacent neighborhoods to embrace change and allow for progress. The end result will be activated commercial properties that will generate taxes.

## NEW RETAILERS ARRIVE AND EXISTING RETAILERS EXPAND

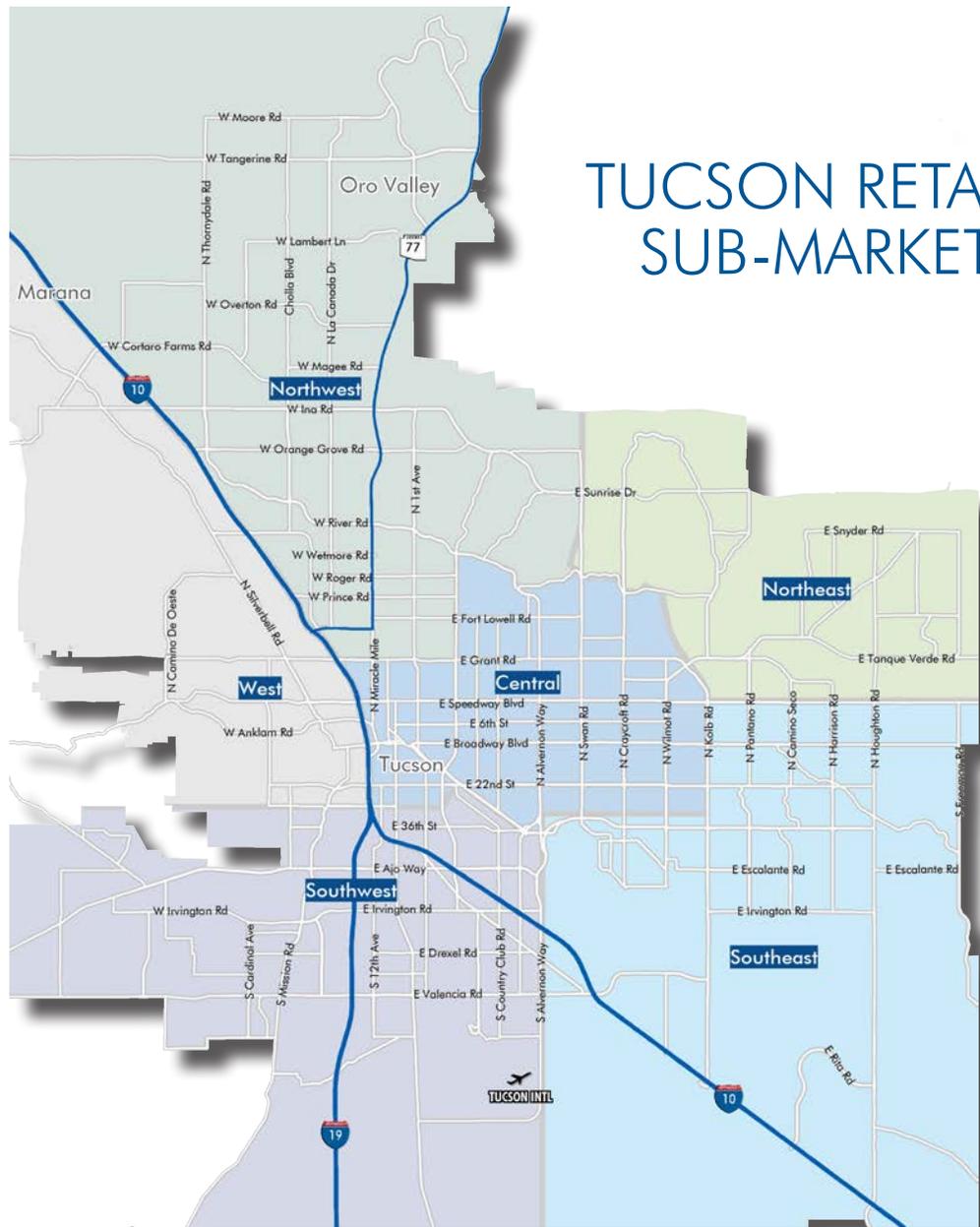
Highly-anticipated concepts such as Container Store, PGA Super Store and Beall's Outlet signed leases in 2015—all firsts for the Tucson market. Other Big Box retailers took the opportunity to expand with more stores, including Dick's Sporting Goods, Nordstrom Rack, Hobby Lobby, Chuze Fitness and ACE Hardware, among others. All totaled,  **$\pm 894,606$  SF of Big Box Space was leased in 2015**. Sales in the Tucson market are usually strong and validate retailers' decisions to pull the trigger and expand.

Reports from the field show that 2016 will have additional new entries in the Tucson market. These entrants will absorb more vacant space and make space that's available that much more primed for absorption in the next year. Economists indicate the Tucson market will continue having slow, but steady growth and retail sales will reflect the same.



# Retail 24/7.

# TUCSON RETAIL SUB-MARKETS



## METHODOLOGY:

We surveyed vacant retail box spaces in excess of 10,000 contiguous square feet located in shopping centers or freestanding buildings within the Tucson retail sub-market. Absorption was based on retailers that either signed leases or opened within these spaces between January 1, 2015 and December 31, 2015.



**TOP 2015  
RETAIL BOX  
TRANSACTIONS**



± 100,000 SF  
BUILT-TO-SUIT



± 78,848 SF  
BUILT-TO-SUIT



± 62,392 SF



± 60,000 SF



± 56,100 SF  
BUILT-TO-SUIT



± 50,000 SF  
BUILT-TO-SUIT



± 48,000 SF



± 42,422 SF

WAL-MART  
NEIGHBORHOOD  
MARKET

± 41,000 SF  
BUILT-TO-SUIT

WAL-MART  
NEIGHBORHOOD  
MARKET

± 41,000 SF  
BUILT-TO-SUIT

WAL-MART  
NEIGHBORHOOD  
MARKET

± 40,541 SF  
BUILT-TO-SUIT



± 40,000 SF



± 27,000 SF



± 25,000 SF  
BUILT-TO-SUIT



± 25,000 SF



± 19,410 SF



± 19,125 SF



± 18,002 SF



± 17,000 SF



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.



± 16,032 SF



± 16,000 SF  
BUILT-TO-SUIT



± 15,721 SF

**FOR FURTHER INFORMATION PLEASE CONTACT:**

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± 13,750 SF

JERRI'S  
UNIFORMS

± 12,000 SF



± 10,963 SF