









Retail big box leasing activity throughout the Tucson area showed an upswing from the prior year that was hampered by COVID. At year-end, **39 spaces greater than 10,000 square feet were available**, resulting in **±1,670,000 square feet of vacant big box space** throughout the market. This compares to 36 spaces greater than 10,000 square feet and ±1,460,000 square feet of large vacant retail space recorded at the end of 2020.

CURRENT TUCSON RETAIL QUICK FACTS

					
13	39	±1.67M	±347K	\$12.24	7.5%
Vacant Big Box Retail Spaces of 30,000+ SF	Vacant Big Box Retail Spaces of 10,000+ SF	Total Square Feet of Big Box Vacancy	Total Square Feet of Leased Big Box Space	PSF NNN Average Asking Rate for Big Box Space	Overall Retail Vacancy Rate in Tucson

RETAIL SEES SOME REBOUND FROM THE WORST OF THE PANDEMIC

Although 2021 still had effects of COVID, governmental closures and restrictions eased and retailers saw sales rebound while many experienced sales rise above pre-pandemic numbers. In fact, nationally, year-end sales showed a remarkable 13% increase from 2020.

Essential retailers and service businesses like grocers and pharmacies continued to see solid gains. Consumers had pent-up interest to shop, giving industries like apparel, sporting goods, crafts, home furnishings, etc., a sales bounce. The unrelenting buying frenzy stressed merchandise availability, pressured by supply chain meeting consumer demand from the manufacturers and labor shortages at all stages of the supply chain to consumers. The stress on supply chain managed to convince consumers that holiday shopping might be best to source in bricks and mortar. Even with on-line sales, customers were encouraged to pick up at stores to help ensure timely delivery.

For the entertainment-type businesses that had been closed for most of 2020 due to governmental restrictions, by 2021, those restrictions eased and movie theatres, gyms, bowling alleys, indoor trampoline parks, etc. re-opened, but consumer hesitancy with COVID still affecting health, made full operation still in the distance. Further, many in this category are repaying landlords for deferred rent that was given during governmental shutdowns.

The effects of the pandemic on retailers pushed companies to advance their technology to allow customers to order on-line, have items delivered, or picked up at curbside. And, the reverse supply chain in returning the merchandise became an expensive challenge, validating bricks and mortar stores as a way to handle such for companies that have physical stores. The direction retailers had been heading over the years was exponentially accelerated; those who did it well and fast won at the cash register and earned loyal customers.

The velocity of new leases signed with big box retailers was more than double it was in 2020. Metropolitan Tucson had **±347,400 square feet of new leases signed in spaces of 10,000 square feet.**



CREATIVITY, RESOURCES AND MARKET KNOWLEDGE ARE KEY



Challenges

Tucson has historically been viewed as a tertiary market by many major retailers and with the added pandemic stress of many retailers and concepts that had recently been the go-to operations to re-activate dark boxes, shopping center ownerships are asking the “what now?” question. Large-format department stores that vacate leave floorplates that often are difficult to re-lease. In 2021, a ±183,200 SF 2-story Sears vacated at Tucson Mall; previous to that, Park Place Mall has a 3-story ±153,511 SF former Macy’s and 2-story ±154,280 SF former Sears, along with a 2-story ±220,290 SF JCPenney at El Con Center that are vacant.

Nationally, many shopping center owners are looking to demolish all or parts of their centers to redevelop to mixed use with multi-family, medical, distribution centers and offices. This redevelopment is often challenged by zoning constraints and political will to do the work that will be needed to take dark retail into a viable future.

Opportunities

Property owners and experienced real estate professionals are working together to understand industry and market trends to structure deal terms that will help owners prevail



















in a challenging market. To fill vacant space that cannot be filled with traditional retailers, property owners will target uses that are active, thus reinventing space that doesn’t work for today’s retail landscape. The property owners that adapt to the evolving retail landscape, with the guidance of real estate advisors and data, are poised to thrive. Retailers that modify their store footprints and number of locations to adjust to customer demand, will also thrive.

Good News

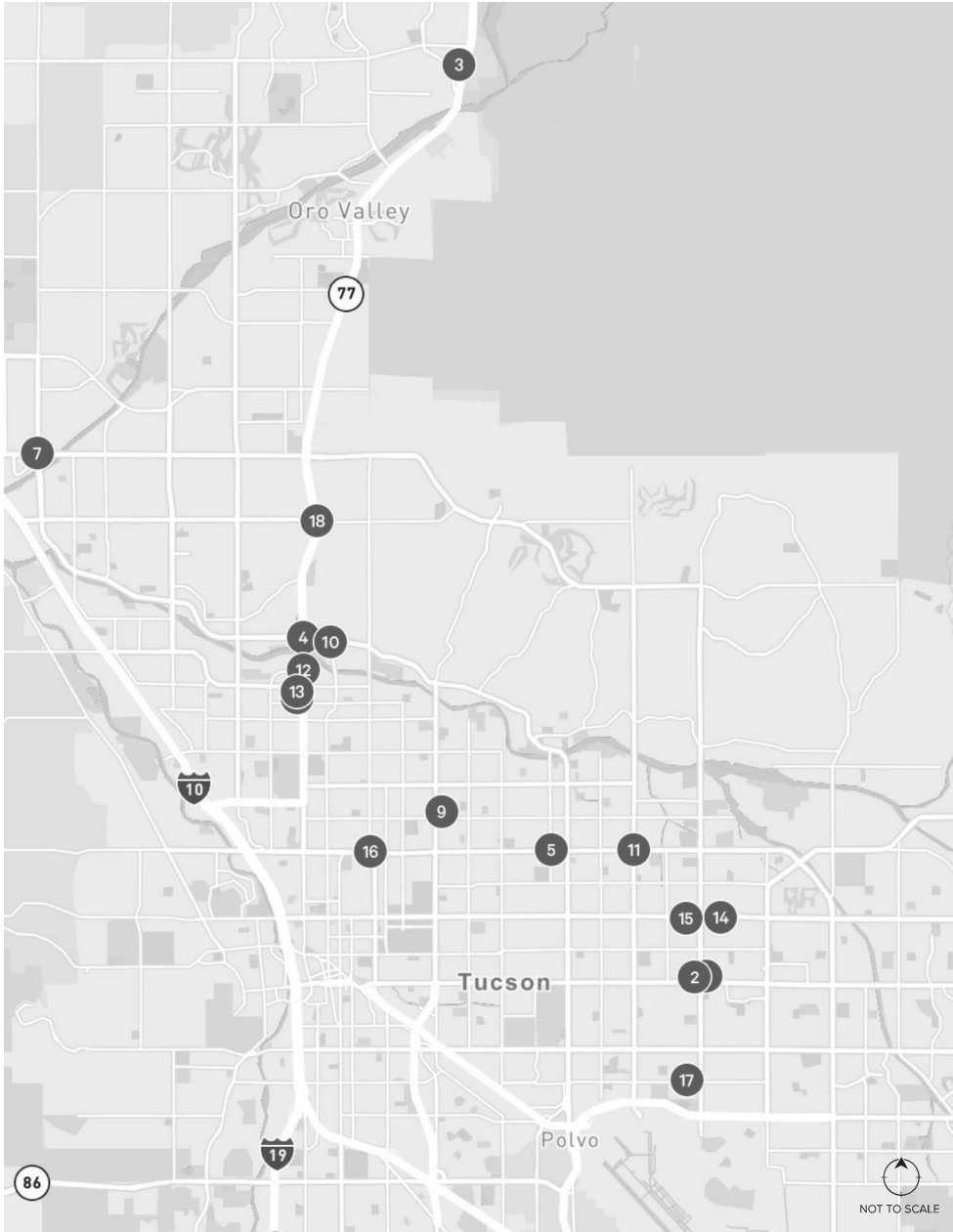
The COVID-19 pandemic moved retail at warp speed to meet the consumers where they are: buy on-line/deliver at-home, order on-line/pick-up in store or at curbside, to the traditional in-person consumer. Most consumers were armed in 2021 with vaccines and began to feel safe to go back into stores, retailers will continue to benefit from pent-up demand and desire to get back to their lives, and there will be ‘retail revenge’ buying and that will help bricks & mortar stores’ bottom lines! Further, entertainment and fitness users are looking at getting back to full capacity.

For many people, shopping is a social outing, and retail is a *tactile sport!*

2021 TOP RETAIL BOX TRANSACTIONS

 <p>±61,101 SF NEC Broadway/Craycroft</p>	 <p>±45,219 SF NWC Broadway/Craycroft</p>	 <p>±45,000 SF SWC Oracle/Tangerine</p>	 <p>±30,000 SF NWC River/Oracle (UC-compl. 2022)</p>	 <p>±30,000 SF NEC Grant/Dodge (purchase)</p>
 <p>±26,233 SF Oracle Rd</p>	 <p>±24,029 SF SEC Ina/Thornsdale</p>	 <p>±23,000 SF NEC I-19/Irvington (UC-compl. 2023)</p>	 <p>±20,388 SF Campbell Plaza</p>	 <p>±20,138 SF SWC Stone/River</p>
 <p>±17,969 SF SEC Grant/Swan</p>	 <p>±16,200 SF SWC Oracle/Auto Mall (UC)</p>	 <p>±16,040 SF SWC Oracle/Wetmore</p>	 <p>±15,372 SF 5712 E. Speedway (purchase)</p>	 <p>±15,000 SF 5320 E. Speedway (purchase)</p>
 <p>±14,300 SF SEC Grant/1st</p>	 <p>±12,611 SF 5335 E. 29th</p>	 <p>±10,400 SF SEC Oracle/Orange Grove</p>		

TUCSON'S 2021 BIG BOX RETAILER'S LOCATIONS



LEGEND

1. Hobby Lobby
2. Davis Kitchens
3. Ashley Furniture
4. TESLA Dealership
5. El Rio Health
6. Bob's Furniture
7. Window Depot
8. Sprout's
9. World Gym
10. Bookman's
11. Optum
12. BioLife
13. Power for Parkinson's
14. California Tires
15. Wings for Women Thrift
16. Dollar Tree
17. Blind Echo
18. Dollar Tree

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, 2021 and December 31, 2021.

FOR FURTHER INFORMATION CONTACT:

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ABOUT NANCY MCCLURE

Nancy McClure is a First Vice President in the Tucson office of CBRE. A veteran of the Retail commercial real estate industry, she represents occupiers and investors in the sale and leasing of properties. She is passionate of bricks & mortar and has advised numerous ownerships on development to evolve over time.