

BIG YEAR-END 2022 BOX

RETAIL REPORT TUCSON ARIZONA



Current Tucson Retail

QUICK FACTS

Retail big box leasing activity throughout the Tucson area moderated from the year prior with just a slight increase in square footage leased. At year-end, **30 spaces greater than 10,000 square feet were available**, resulting in **±1,439,140 square feet of vacant big box space** throughout the market. This compares to 39 spaces greater than 10,000 square feet and ±1,670,000 square feet of large vacant retail space recorded at the end of 2021.



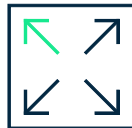
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VACANT BIG BOX RETAIL SPACES OF
30,000+ SQUARE FEET



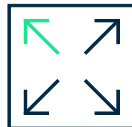
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VACANT BIG BOX RETAIL SPACES OF
10,000+ SQUARE FEET



±1.44M

TOTAL SQUARE FEET OF BIG BOX VACANCY



±348K

TOTAL SQUARE FEET OF LEASED BIG BOX SPACE



\$12.24

PER SQUARE FOOT NNN AVERAGE ASKING RATE
FOR BIG BOX SPACE

*Arrow direction indicates year-over-year change



Retailers saw more in-store shoppers and supply chain flow

2022 SAW RETAILERS' STORE SALES CONTINUE TO INCREASE, albeit not to the same level as which spiked post-pandemic in 2021. Year-end holiday sales tracked at 5.2%, versus the 13% increase from the prior year. On-line sales were at a 9.5% increase which was below expectations, but still positive. Experts indicated that the headwinds of inflation and rising interest rates tempered consumers as 2022 ended. After the prior year of severe supply chain hampering products getting on shelves and in warehouses, in-store sales clearly showed solid gains with customers seeking surety of merchandise getting in their hands.

The biggest sector winners in 2022 were beauty supplies, fast food, and sit-down restaurants, likely an indicator that people gained confidence in leaving their homes to dine with others and wanting to look good doing so. While 2021 was significant for home furnishings, that sector's 2022 sales were sluggish, with just a 1% increase from the year prior. Retailers and restaurants cited labor shortages as their most prominent issue in serving the in-store consumer. The lingering stress on the supply chain convinced consumers that holiday shopping might be best to source in bricks and mortar. Even with online sales, customers were encouraged to pick up at stores to help ensure timely delivery.

For the entertainment-type businesses, gyms, bowling alleys, indoor trampoline parks, and others, they rebounded with vigor in 2022. Movie theaters have more traction and are trying to get top-notch content from the screen industry into the theaters first versus dropping it on streaming services.

The effects of the pandemic on retailers pushed companies to advance their technology to allow customers to order online and have items delivered or picked up at curbside. And the reverse supply chain for 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 doubled compared to 2020, and were virtually the same as 2021's absorption. Metropolitan Tucson had **±348,043 square feet of new leases signed in spaces of 10,000 square feet or greater.**

Creativity, resources and market knowledge are key

CHALLENGES

Nationally-established retail concepts are reviewing store size for the future. While some, like Bed Bath & Beyond, have filed bankruptcy and are shedding under-performing stores and decreasing occupancy costs. Large-format department stores that have vacated over the years leave floorplates that often are difficult to re-lease, thus keeping a drag on absorption. In 2021, a ±183,200 square foot, two-story Sears vacated at Tucson Mall, Park Place Mall had a three-story, ±153,511 square foot former Macy's vacate, and a two-story, ±220,290 square foot JCPenney at El Con Center was vacated. All remain vacant today. In 2022, the Park Place Mall's two-story, ±154,280 square foot vacant former Sears big box was sold to a developer who plans to put climate-controlled self-storage in the basement and demise the remaining ground-level space new retail, restaurants, and entertainment in the 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. Property owners will target active uses to fill vacant space that cannot be filled with traditional retailers, 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 the number of locations to adjust to customer demand will also thrive.

GOOD NEWS

The gains retail has made since the depths of the COVID-19 constraints in 2020 have allowed them to meet the consumers where they are: buy online/deliver at home, order online/pick up in-store or at curbside, to the traditional in-person consumer. Companies have beefed up their warehouse/distribution footprints and technologies and some manufacturers are working to on-shore their manufacturing to control merchandise availability.

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

2022 Top Retail Box Transactions

	±44,139 SF Self Storage Park Place Mall/Basement
	±48,717 SF (BTS) The Landing NWC Irvington/I-19
	±40,062 SF Tucson Spectrum SWC Irvington/I-19
	±24,559 SF Sahuarita
	±23,500 SF UNK Tenant SEC Broadway/Park Ave
	±21,750 SF NEC Fort Lowell Rd/Oracle Rd
	±21,000 SF NEC La Canada/Lambert
	±20,000 SF East of Irvington/I-19
	±14,500 SF NWC Oracle Rd/Wetmore
	±12,675 SF NWC Grant/Euclid
	±12,500 SF NWC 22nd St/Craycroft
	±11,253 SF NEC Broadway/Chantilly
	±10,388 SF NWC Harrison/Golf Links
	±10,000 SF (BTS) The Landing NWC Irvington/I-19
	±10,000 SF Tucson Spectrum SWC Irvington/I-19



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 about bricks and mortar stores and has advised numerous ownerships on development and how to evolve over time.

Nancy McClure

First Vice President

+1 520 323 5117

nancy.mcclure@cbre.com

3719 N Campbell Ave, Tucson, AZ 85719