

FIGURES | TUCSON INDUSTRIAL MARKET | Q2 2025

# Tucson’s Industrial Vacancy Lowers While Construction Nears Completion

▼ 5.4%

Vacancy Rate

▲ 32,494

SF Net Absorption

► 1,018,702

SF Construction

► \$0.82

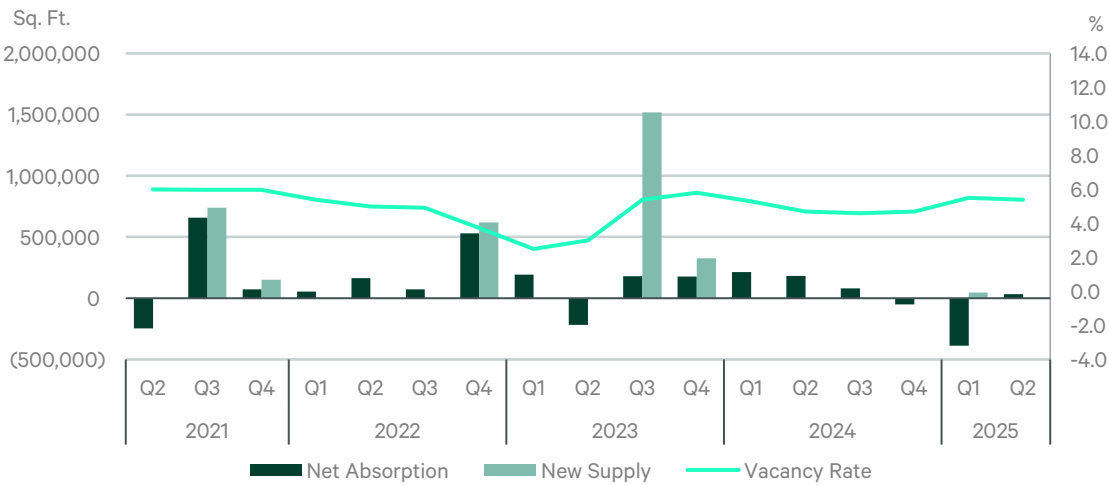
NNN / Lease Rate

Note: Arrows indicate change from previous quarter.

KEY TAKEAWAYS

- Vacancy lowered 10 basis points (bps) quarter-over-quarter in Q2 2025.
  - Total construction remained the same from Q1 2025.
  - Net Absorption increased from -387,456 sq. ft. to 32,494 sq. ft.
- Net absorption returned to positive territory in the Tucson Industrial market during Q2 2025, which facilitated a 10 bps drop in vacancy to 5.4% during the quarter. This could potentially signal a turning point for tenant demand in Tucson, as the metro recorded 80,940 sq. ft. of negative net absorption over the past year. The under-construction pipeline remained the same with just over a million sq. ft. underway, as no new projects broke ground or completed during Q2 2025. Roughly 700,000 sq. ft. of the under-construction product is speculative, which could potentially impact vacancy in the short-run once these projects deliver. The average asking rent remained relatively steady during the second quarter at \$0.82 per sq. ft.

FIGURE 1: Supply and Demand



Source: CBRE Research, Q2 2025.

## Availability and Vacancy

With no new construction last quarter and net absorption being positive, industrial space availability in Tucson decreased 60 bps quarter-over-quarter to 7.8%, equivalent to just under 2.3 million sq. ft. of available space at the end of Q2 2025. Local availability rose the most in the North Central submarket, recording a jump of 140 bps quarter-over-quarter. Availability rose 40 bps within the East Central submarket while Airport availability lies at 9.6%. The Southeast segment showed the most drastic decrease, as local availability fell by 250 bps. Southwest decreased 190 bps, while the Northeast and Northwest lowered by 90 bps and 20 bps, respectively.

Market-wide vacancy lowered 10 bps to 5.4% in Q2 2025. The North Central and East Central segments were the only submarkets of the eight to see an increase in vacancy as local rates rose by 140 bps and 80 bps, respectively. The Southeast submarket saw the largest drop, with vacancy falling by 120 bps. Additionally, the Northeast, Northwest, and Southwest submarkets individually waned by at least 40 bps each. The West Central submarket recorded a 20 bps vacancy decline to 0.6%.

## Lease Rates

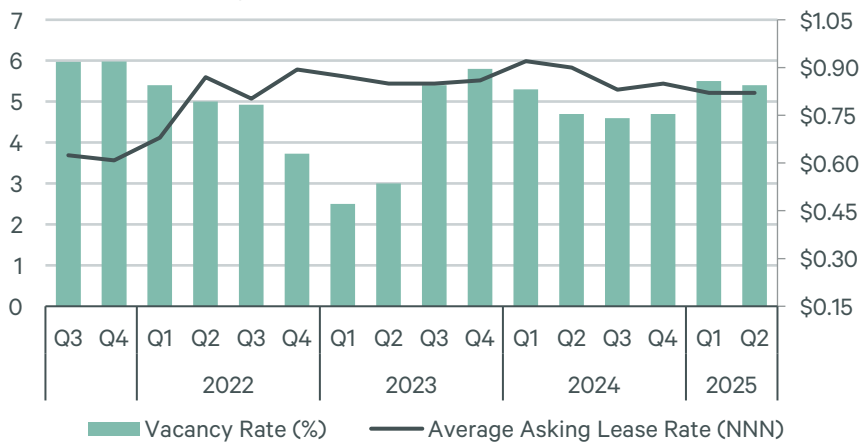
Overall, last quarter rents remained the same with an average of \$0.82 per sq. ft. NNN. The average asking rent in the Airport submarket fell by 11% during the second quarter. Meanwhile the West Central submarket recorded a 4.5% increase to \$0.88. Southwest Tucson led all the submarkets in rent growth during Q2 2025, as the average asking rate increased 16% during the quarter, reaching \$0.92 NNN. The East Central submarket registered an 8.5% decrease quarter-over-quarter, while the average asking rent in Southeast Tucson rose 4.8% to \$0.83.

## Net Absorption and Leasing Activity

The industrial market captured roughly 243,743 sq. ft. of gross leasing activity and 32,494 sq. ft. of positive net absorption in Q2 2025. The Northwest and Southwest submarkets posted 28,619 sq. ft. and 25,419 sq. ft. of net absorption, respectively, contributing the most to the positive net absorption figure for the metro. The Northeast, East Central, and North Central submarkets each recorded negative absorption for the quarter.

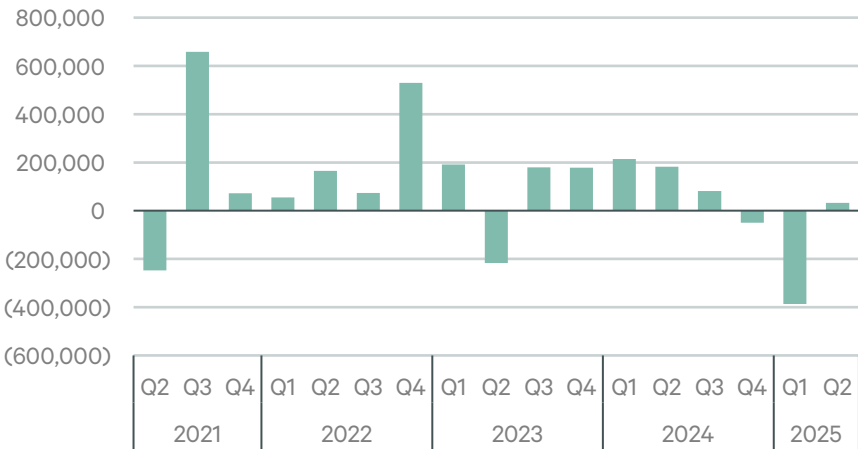
Some of the more notable leases signed this quarter included Interceramic INC at 6223 S Palo Verde Rd for 29,000 sq. ft, ETL HOLDCO leased 34,680 sq. ft. at 777 E Macarthur Cir, DHL Express leased Rockefeller Group Distribution for 23,462 sq ft. and Russett Southwest leased 12,113 in the West Central region.

FIGURE 2: Overall Vacancy and Lease Rate



Source: CBRE Research, Q2 2025.

FIGURE 3: Net Absorption (Sq. Ft.)



Source: CBRE Research, Q2 2025.

## Development Activity

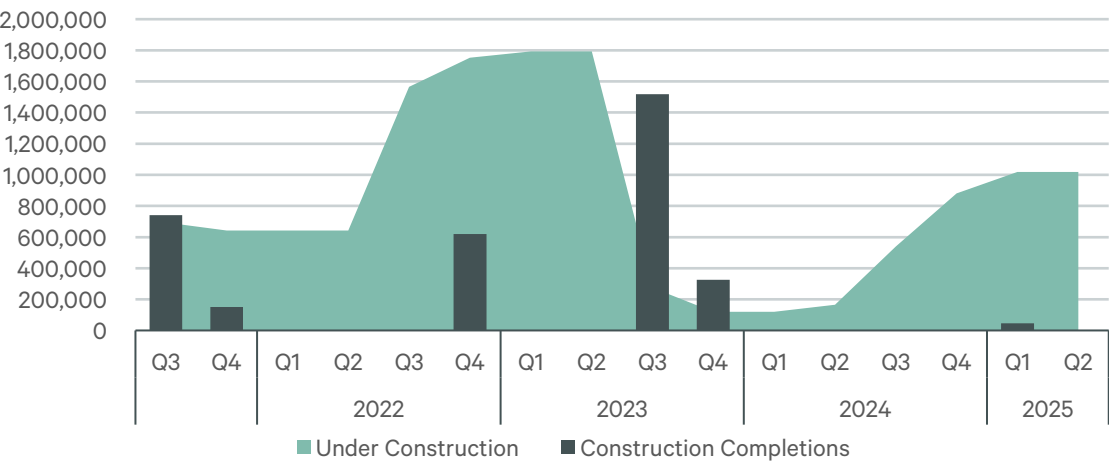
No new projects broke ground last quarter keeping the total 1,018,702 sq. ft. still under construction. Nearly 900,000 sq. ft. of speculative industrial space has broken ground over the past three quarters, which signifies developers' confidence in the local demand drivers present in the Tucson market. Two major projects in the planning phase are American Battery Factory and Project Blue. American Battery Factory plans to build a 2 million sq. ft. gigafactory that will also serve as the firm's global headquarters. Beale Infrastructure is planning to build a data center in the Southeast submarket on 290 acres. These projects are expected to create thousands of jobs and \$3.6 billion in economic impact to the state of Arizona.

## CBRE Economic House View

National Economic Overview Policy announcements and the news cycle—not economic fundamentals— are driving sentiment today. Q2 2025 began with the Liberation Day tariffs and subsequent escalation that caused growth expectations to plummet. But by the top of Q3 2025, both the trade war rhetoric and effective tariff rate have softened. While consumer and business sentiment surveys remain weak, the hard economic data (e.g., jobless claims, CPI, orders) points to a steadier economy. To be sure, it could take time for the costs associated with higher tariffs and global uncertainty to filter through, but in the meantime CBRE has increased its 2025 GDP growth outlook to 1.3% for 2025. Barring further disruptions this provides upside risk for hiring in coming quarters.

Commercial real estate markets are taking these changes in stride. On the occupier side, continued growth translates into positive absorption for many sectors and markets, including offices. Regarding capital markets, investment volume is on track to exceed 2023 and 2024 levels. This is supported by credit issuance making a turnaround and credit spreads falling back to pre-April 2 levels.

FIGURE 4: Under Construction and New Supply (Sq. Ft.)

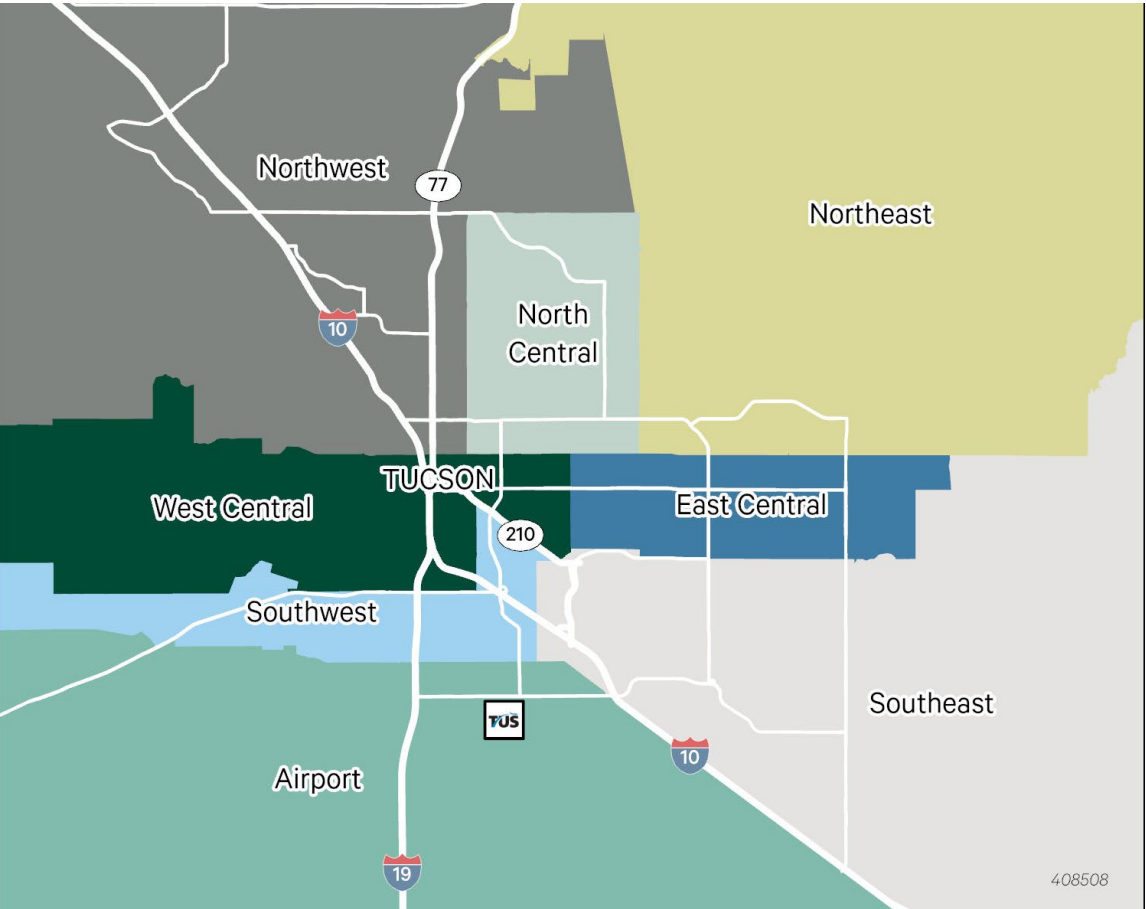


Source: CBRE Research, Q2 2025.

FIGURE 5: Submarket Stats

	Building Count	Net Rentable Area (Sq. Ft.)	Availability (%)	Vacancy (%)	Net Absorption (Sq. Ft.)			Under Construction (Sq. Ft.)	Construction Deliveries (Sq. Ft.)	Avg. Direct Asking Lease Rate (\$PSF/NNN)
					Q1 2025	Q2 2025	2025 YTD			
Airport	170	11,881,044	9.6%	8.0%	(170,760)	16,987	(153,773)	703,823	0	\$0.76
East Central	44	1,179,233	6.5%	5.8%	6,308	(20,510)	(14,202)	0	0	\$0.94
North Central	11	191,587	1.4%	1.4%	0	(2,740)	(2,740)	0	0	-
Northeast	15	1,045,095	2.2%	2.2%	2,350	(47,815)	(45,465)	0	0	-
Northwest	269	7,989,919	12.8%	9.9%	(48,687)	28,619	(20,068)	0	0	\$0.90
Southeast	254	12,679,994	7.3%	3.2%	(156,443)	11,969	(144,474)	314,879	0	\$0.83
Southwest	106	2,976,390	2.1%	0.6%	(22,781)	25,419	2,638	0	0	\$0.92
West Central	180	4,471,340	1.3%	0.6%	2,557	20,565	23,122	0	0	\$0.88
Tucson Total	1,049	42,414,602	7.8%	5.4%	-387,456	32,494	(354,962)	1,018,702	0	\$0.82

Source: CBRE Research, Q2 2025.



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.

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.

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