Tucson Industrial Market Analysis: Q3 2025

A comprehensive market analysis of Tucson's industrial sector through Q2 2025, highlighting key growth industries, vacancy rates, development trends, and investment activity.

Prepared by

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Market Overview: Vacancy & Performance

6.0%

Vacancy Rate

Despite significant supply additions in late 2023 causing a spike of hundreds of basis points, steady leasing activity has maintained relatively tight market conditions.

1.7%

Construction Pipeline

The 910,000 SF currently under construction represents just 1.7% of total inventory, indicating limited supply-side pressure.

$106M

12-Month Sales Volume

Sales activity is accelerating and remains well above pre-pandemic norms, outpacing 2023's level of less than $130 million.

Buyer/Tenant Representation Process

Commercial Real Estate Group of Tucson offers a comprehensive, client-focused approach to buyer and tenant representation.

Initial Consultation & Needs Assessment

We begin by understanding your specific business needs, space requirements, budget, and strategic objectives for your industrial real estate.

Market Research & Property Identification

Leveraging our deep market knowledge, we identify suitable properties—including on-market listings and off-market opportunities—that align with your criteria.

Property Tours & Due Diligence

We facilitate property tours, provide detailed analyses of potential sites, and assist with comprehensive due diligence to ensure informed decision-making.

Offer Negotiation & Transaction Management

Our experts negotiate favorable terms on your behalf, guiding you through the complexities of offers, contracts, and the closing process to secure the best deal.

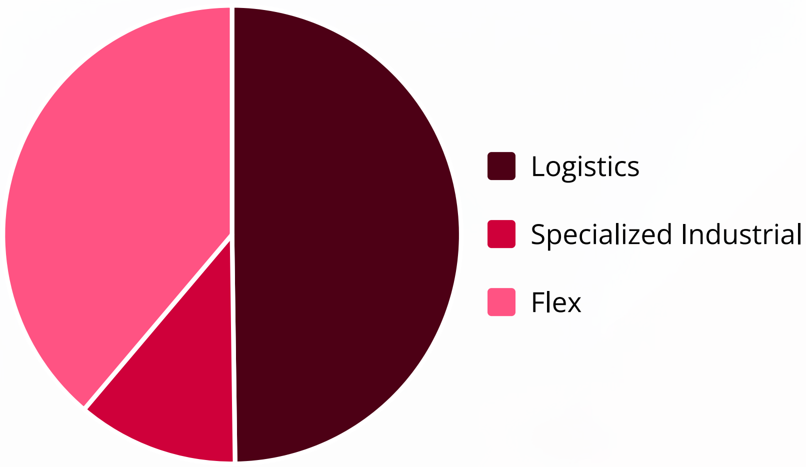
Post-Occupancy Support

Our commitment extends beyond the transaction, offering ongoing support and resources for your continued success in your new industrial space.

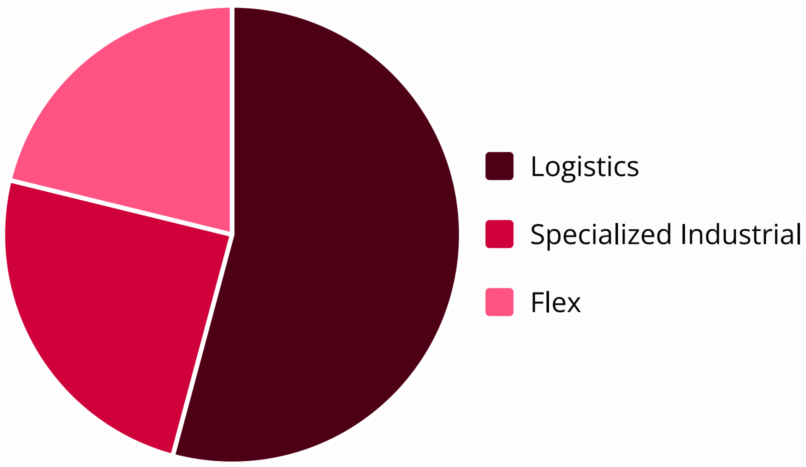
Key Market Indicators

An overview of the Tucson Industrial Market's key indicators, including current quarter performance by sector and historical trends.

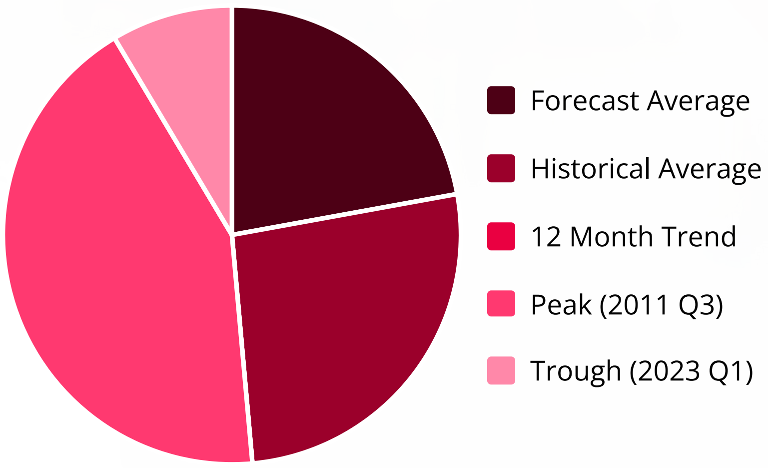
Current Quarter Availability Rate



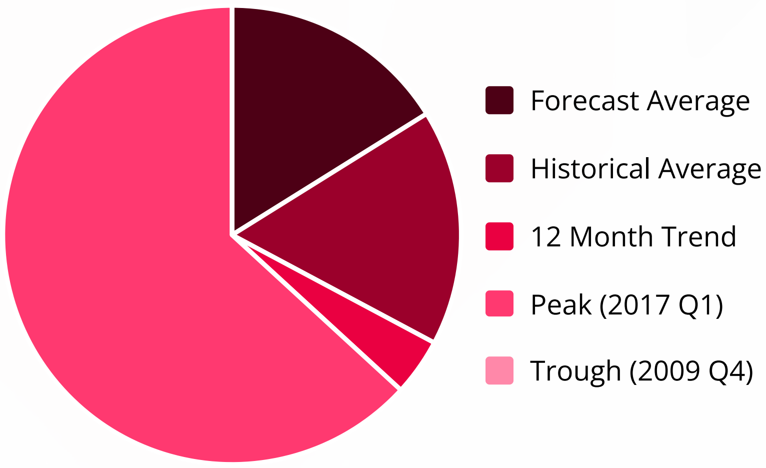
Current Quarter Rentable Building Area (RBA)



Historical Vacancy Trends

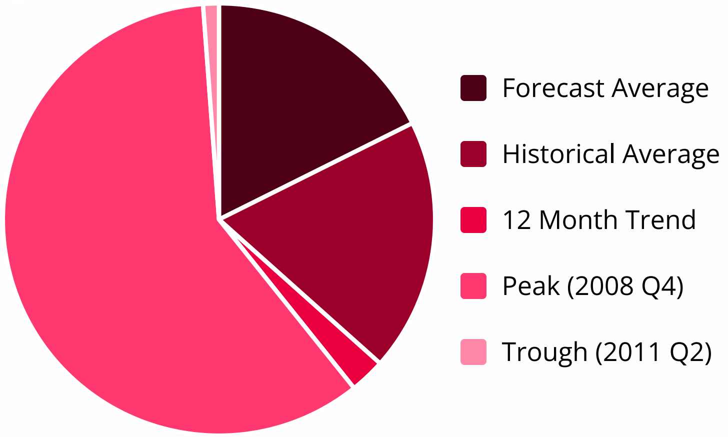


Historical Net Absorption SF Trends

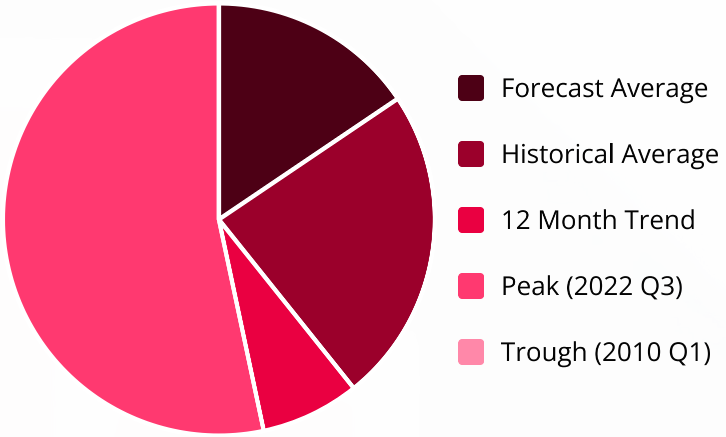


Key Market Indicators

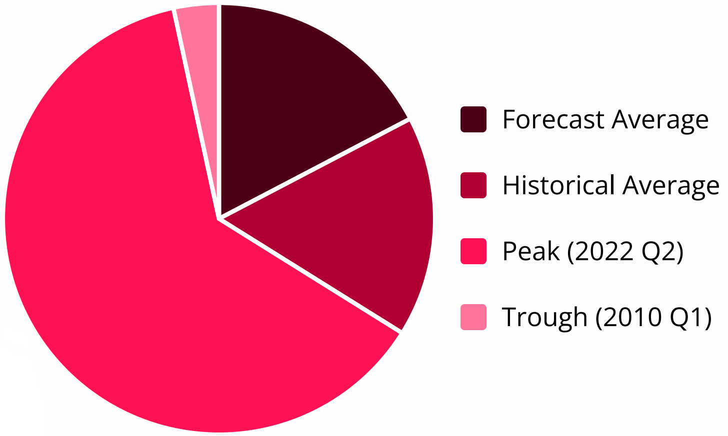
Historical Deliveries SF Trends



Market Asking Rent Growth Trends



Sales Volume Trends



Key Growth Industries

1

Mining

Traditional industry experiencing renewed growth with advanced technologies and sustainable practices driving expansion in the Tucson region.

2

Optics & Photonics

Building on Tucson's established research base, this high-tech sector continues to attract specialized industrial space requirements.

3

Logistics & Transportation

Expanding rapidly with major players like Amazon establishing multiple facilities, positioning Tucson as an emerging logistics hub.

Buyer/Tenant Representation Process

Commercial Real Estate Group of Tucson offers comprehensive buyer and tenant representation services, guiding clients through the entire process from initial property search and market analysis to lease negotiation and occupancy. Our expertise ensures optimal outcomes for your industrial real estate needs.

Additional Growth Sectors

1

Data Centers

Growing demand for data infrastructure is driving new development opportunities in the Tucson market, leveraging the region's stable climate and power resources.

2

BioTech

Expanding life sciences sector requiring specialized industrial and lab space, building on Tucson's research institutions and talent pool.

3

Aerospace & Defense

Long-established sector continuing to drive demand for manufacturing, R&D, and support facilities throughout the Tucson region.

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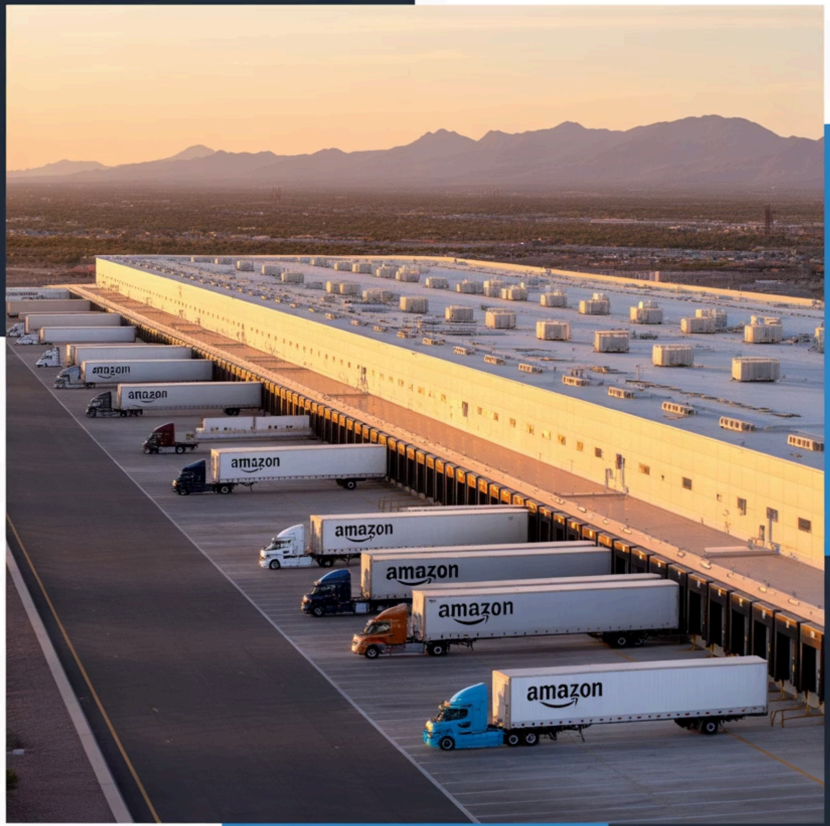
Amazon's Impact on Tucson Logistics

Amazon has significantly advanced Tucson's position as a logistics center through multiple strategic investments:

- 857,000 SF build-to-suit facility established in 2019
- 49,500 SF occupied at a newly built distribution facility
- 220,000 SF property built in 2022 near Marana

The e-commerce giant's stamp of approval has substantially increased tenant interest in the area, creating a ripple effect throughout the industrial market.



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Construction & Development Trends

Limited Pipeline

Though some larger projects recently broke ground, the construction pipeline remains thin by historic standards at just 910,000 SF underway.

Development Barriers

Higher construction costs, tighter lending standards, and easing industrial demand present significant barriers to new development.

Market Impact

These factors should keep supply-side pressure largely muted, helping maintain market balance despite recent vacancy increases.

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Investment Activity

Transaction Volume

Sales activity is accelerating and remains well above pre-pandemic norms:

- Approximately $106 million in sales over the past 12 months
- Outpacing 2023's level of less than $130 million
- A few large transactions for recently delivered Class A industrial properties caused deal volume to spike in 2024

Investor Profile

The Tucson industrial investment market shows distinct characteristics:

- Local private investors and owner/users dominate the marketplace
- Most sales over the past few years have been for lower-tier properties at lower price points
- Institutional investment primarily focused on newer Class A assets

Submarket Investment Activity

NW Tucson/Oro Valley

Strong investor interest driven by proximity to growing residential areas and strategic transportation corridors.

Palo Verde

Established industrial corridor attracting investment due to central location and existing infrastructure.

Southeast Tucson

Growing submarket with value-add opportunities and development potential attracting diverse investor interest.

Buyer/Tenant Representation by Commercial Real Estate Group of Tucson

Commercial Real Estate Group of Tucson provides comprehensive buyer and tenant representation services, guiding clients through the entire commercial real estate acquisition or leasing process. Their expertise ensures clients find properties that align with their strategic goals and operational needs.

Market Outlook

Tenant Base Expansion

The expanding tenant base over the past several years bodes well for the market's long-term outlook, creating a more diverse and resilient industrial ecosystem.

Supply-Demand Balance

Despite recent vacancy increases, limited new construction and steady absorption should help maintain relatively balanced market conditions through 2024.

Investment Opportunity

Continued interest from local investors and selective institutional capital suggests ongoing transaction activity, particularly for well-positioned assets.

Buyer/Tenant Representation Process

Commercial Real Estate Group of Tucson provides comprehensive buyer and tenant representation services, guiding clients through the entire process of acquiring or leasing industrial properties tailored to their specific needs.

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Services

Buyer/Tenant Representation

Industrial Sector Expertise