

2015 INDUSTRIAL MARKET FORECAST

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JANUARY 27, 2015



2015

We are off to a good start!



TOTAL INVENTORY

- **The total inventory for 2014 in the Tucson market is 40,184,000 SF**
- **2,500+ buildings**
- **Warehouse sector accounts for 30,162,000 SF**

*CoStar

TUCSON VACANCY DECREASES

- **CoStar reports the 4th Quarter vacancy rate at 10.6%**
- **All four quarters of 2014 saw net positive absorption**
- **Net absorption for the market was 176,314 SF**
- **All building types had lower vacancy rates**
- **Flex product had almost 2 points reduction in 2014**

2014 DEAL HIGHLIGHTS – END OF YEAR

- **Holualoa Capital Management purchased an 80,600 SF building for \$37.66/SF or \$3,035,000**
- **5505 Nogales LLC purchased 81,094 SF at 5505 S Old Nogales Hwy for \$34.53/SF or \$2,800,000**
- **Presson Corporation purchased a 33,082 SF building fully leased for \$62.00/SF or \$2,050,000**
- **Aztec Flooring bought a 12,165 SF warehouse for \$440,000 or \$34.75/SF**
- **Largest per SF sale was 1150 W Drexel – 66,250 SF at \$149.28/SF**

SALE PRICES - 2014

- **Average sales price is close to \$60.00 / SF**
- **25,000 – 100,000SF average was \$92.88 / SF**
- **The average sales price for “OLDER” buildings drops to under \$45 / SF in many transactions for 2014**

*CoStar

RENTAL RATES

- **CoStar reported average asking rate of \$0.54/SF**
- **If activity does accelerate in 2015 we may see increases of five to ten percent**
- **Older product will maintain lower rates and should remain flat for 2015**
- **Interest in newer product will be sluggish**
- **Build-to-suits may see increased activity**

2015 DEALS

- **Solon leased 11,103 SF at 3,840 S Palo Verde**
- **Green Electronics leased 4,615 SF at 1540 E Wieding**
- **Premier Van Lines leased 6,600 SF at 3675 E 43rd St**
- **Revenue Cycle Center dba Shared Services Center of Tucson leased 60,405 SF at 6223 S Palo Verde (Raytheon)**
- **FedEx will move into 210,000 SF built to suit south of Valencia on Palo Verde**

CAP RATES

- Tucson Market 9%+ according to CoStar





MARKET DIRECTION

- **2015 will be better**
- **More deals**
- **Economy continues to improve**
- **Home Goods Distribution Center**
- **Pick up the Pace!**

*CBRE

WHAT DO WE NEED TO BECOME COMPETITIVE?

- **Diverse economy**
- **Transformative investments**
- **Choices in mobility**
- **Choices in housing**
- **Regional planning**

“The pessimist sees the difficulty in every opportunity and the optimist sees the opportunity in every difficulty.”

- Abraham Lincoln

