

BIG BOX RETAIL REPORT

TUCSON, ARIZONA



Big box retail space throughout the Tucson area saw robust activity in the first half of 2012, with a number of prime spaces leased or sold to top-brand tenants early in the year, following lengthy negotiations that began in 2011. By mid-year there were only **41 spaces greater than 10,000 square feet**, totaling 1,134,021 square feet of available big box space throughout the market. This compares with 60 spaces and 1.7 million square feet at the end of 2011.

Of those big box spaces that remain available, few are in the most-desirable locations, and that number is dwindling. Much of the available big box space in the regional mall hubs is in negotiations with national retailers hoping to secure the last remaining spots. Often, retailers have to compete against each other for the space.

Rental rates for space in Tucson's prime retail hubs remains strong and big box space in these areas is commanding top-of-the-market rents, often far exceeding the rents in the Phoenix area. This has posed a challenge to many retailers, struggling to understand the reason they would spend more to get into the smaller Tucson market, versus the larger metropolitan area of Phoenix. Yet, it all comes back to supply and demand. There are far fewer available big box spaces in the Tucson area, and while Phoenix continues to fill its spaces, it has a long way to go to absorb its 300+ big box spaces.

Retailers who already have a presence in Tucson are often shifting location in order to get closer to the prime intersections with other power tenants and regional mall hubs. The move, oftentimes, allows them to "right-size" their store footprints. There will continue to be repositioning throughout the market, allowing for new spaces to open up. Often, new entries into the Tucson area are attracted to those spaces, in hopes of backfilling the space before it becomes vacant. However, there is much competition among retailers for these spaces as well.

Not all of Tucson's available big box space is prime product. There are B- and C-grade boxes that may not be in the most desirable areas or may be functionally challenged in some way. Those spaces will continue to lack activity. The peripheral parts of town will first need to see homebuilding come back to a large degree. On those that are functionally challenged, the spaces may be re-purposed to non-retail uses, or demolished for new development.

For those retailers that are circling the market and not able to find the right location, there will be more ground-up development of big box retail, which is already occurring with many new Walmart stores and Walmart Neighborhood Markets. For those ground-up boxes, finding the right site and getting entitlements from municipalities should signal good news from many fronts. Perhaps we may even see demolition of tired, old properties whose functional life has passed it by.

BIG BOX RETAIL SPACES SOLD/LEASED YTD 2012

	Former Retailer	New Retailer	Size (SF)
	3390 S. 6th Ave (new/vacant)	La Curacao	±90,312
 	Mervyn's	Hobby Lobby Stein Mart	±50,000 ±34,000
 	Circuit City	JoAnn Fabric Cost Plus	±18,500 ±18,000
	Pt. of Safeway	Famous Footwear	±14,000
	Terra Cotta	Five Palms	±13,878
	KB Homes	Chuze Fitness	±15,500
	Twice as Nice	Chuze Fitness	±15,000
	Save a Lot	Chuze Fitness	±16,000
 	Linens N things	Tuesday Morning Big Lots	±10,960 ±28,000
	Shop Space	Tuesday Morning	±10,000

Nancy McClure provides leasing, sales and investment services to retail owners and developers, as well as corporate real estate solutions to major retailers including strategic planning, market research and site selection services.



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