
Oracle Area Revitalization Plan: Market Analysis

Prepared By:
Economic & Planning Systems, Inc.
December 12, 2007

Importance of Market Analysis

- Ensures that planned development is realistic within current economic and market context.
- Helps to identify the development type(s) with the greatest market potential.
- Identifies development trends that may not yet be apparent in local market.
- Evaluates opportunities for selected redevelopment or preservation of sites and districts.

EPS Scope of Work

- Market Analysis
 - Recommendations regarding the types of uses viable in the Oracle Area (near and longer term)
 - Appropriate locations for such uses
 - General strategy for implementation
- Financial Feasibility Analysis (optional)
 - Concentration on one subarea

Residential Market Trends: Tucson Metro Area

- Median sales price doubled in the past 10 years
 - Recent decline in median sales prices (Sept-Nov 2007)
- Average of 3,500 new residential units each year since 1996
- Largest growth is in single-family homes
- Sales rate has decreased from 2006

Retail Market Trends: Tucson Metro Area

- Total square feet increased by about 39% between 1990 and 2006 (vs. 48% pop. growth)
- Vacancy rate continued three-year decline, 7% at mid-year 2007 (lowest rate in past 7 years)
- Current average asking lease rate is approx. \$19/SF and has been increasing since 2000
- Decrease in net absorption and construction activity compared to mid-year 2006
 - Projections of substantial increases in net absorption and construction activity between 2008 and 2010 as a number of larger retail centers begin to break ground

Office Market Trends: Tucson Metro Area

- Total square feet increased by about 57% between 1990 and 2006 (vs. 48% pop. growth)
- Vacancy rate decreased from year-end 2006 to 11% (12% in 2006)
- Current average asking lease rate is approx. \$21/SF and has been increasing since 2003
- Net absorption increased from year-end 2006
- Decline in new construction (36,700 SF, mid-year 2007)
 - Construction activity projected to return to a normal rate by year-end because of a number of planned office condominium projects

Hotel Market Trends: Tucson Metro Area

- Large projected growth in the tourism and hospitality industry
- 135 hotels for a total of 14,572 rooms
- Strength of hotel market has increased over the past 5 years
 - 10% increase in occupancy rate (68.2% in 2006)
 - 15% increase in average daily rate (\$93 in 2006)
 - 35% increase in hotel revenues (\$356 million in 2006)

Preliminary Observations of Oracle Area

- A once thriving thoroughfare is now plagued by high levels of crime, defunct motor hotels, and some substandard housing
- Underutilization of land and proximity to Pima Community College, downtown, and University of Arizona present opportunity for revitalization of the area
- Recent development activity also indicates interest in redevelopment