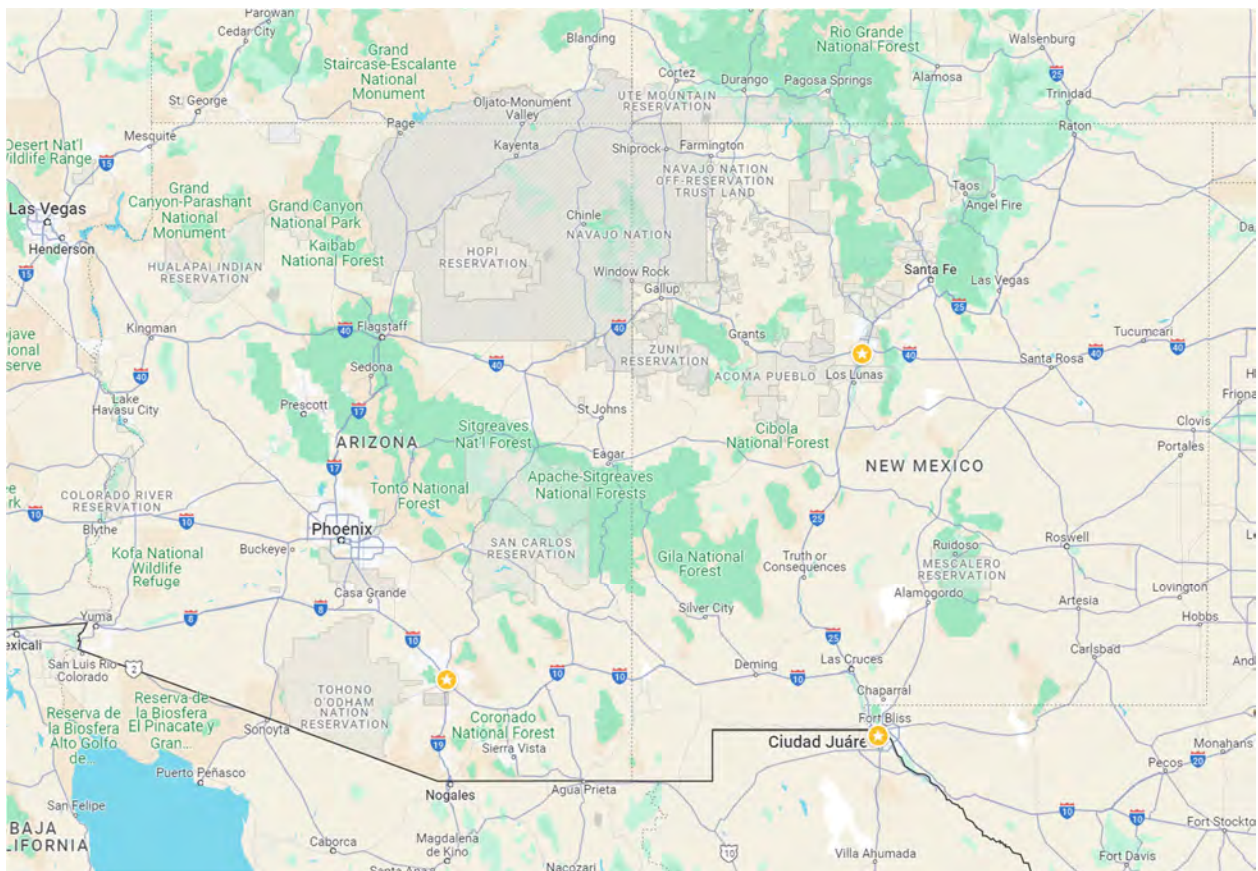


TALE OF THREE CITIES – REVISITED 9-2026

The purpose of this report is to show the strengths and weaknesses of Tucson, Arizona, and its sister cities, namely Albuquerque, New Mexico, and El Paso, Texas. This trio is a sisterhood, as they have many commonalities, including climate and population size. They also all share the distinction of a military base and a university. The statistics and data shown herein illustrate the big picture and may not reflect exact figures. Since our last publication in September of 2025, there have been some changes. There is currently less emphasis on renewable energy and more on AI, data centers, and the electricity infrastructure to power them. Across all three cities, this growth is shaped by ongoing water scarcity, which has become a major concern for large new developments. The three cities are also seeing major market shifts like the rest of the nation due to tariffs, inflation, immigration policies, and significant changes to federal priorities.



Tucson, Arizona

Tucson is about 60 miles north of the US-Mexico border and about 100 miles south of Phoenix, Arizona. The metropolitan population is about 1.08 million. Major industries in Tucson include defense/aerospace, healthcare, and mining. The University of Arizona is a major economic driver in the Tucson area. A large entertainment venue is currently under construction, known as the Mosaic Quarter, along the southeast side of I-10 and Kino Parkway. The project will include a 3,000-seat ice rink, large field house, sportsplex, and pavilion.

The current real estate trends have changed since last year, with continued emphasis on solar energy, and more focus on the AI and tech industry. Tucson has also become a distribution hub for Southern Arizona with the Port of Tucson, a full-service inland port, rail yard, and intermodal facility. The port consists of 829 acres with 50,000 linear feet of rail track, offering cold storage, dry storage, distribution, and manufacturing. Amazon operates five facilities in the Tucson area, including an 855K SF fulfillment center at the Port of Tucson that opened in 2019, a last-mile delivery hub near I-10 and Silverlake Road, a roughly 270K SF sortation center near the airport, an administrative office, and the newest, a 220K SF delivery station in Marana. The Marana facility is complete and beginning phased operations at reduced staffing after Amazon lowered its initial hiring projection from 500-700 down to about 200. Tucson International Airport continues to expand with new upgrades, safety enhancements, expansions, and maintenance projects.

In 2026, Tucson Electric Power completed the Roadrunner Reserve project, a battery energy storage system in southeast Tucson. Built in two 200-megawatt phases, the first online in summer 2025 and the second in mid-2026, the completed system totals 400 megawatts and 1,600 megawatt-hours. It represents a roughly \$350 million investment and can power about 85,000 homes for four hours during peak demand. In August of 2026, Repsol, a Spanish utility company had plans of constructing at 5,554-acre solar array and battery storage infrastructure, including access roads, underground electricity collection lines, and a substation. The total cost is estimated at \$575 million and will create 600 construction jobs and about a dozen permanent jobs. The company plans on beginning construction in 2027, and completing the project in 2029. The company has not released details on where the power will be connected and what it will be used for. The project is in preliminary stages and has received much opposition from area residents.

The most controversial development has been "Project Blue," a multibillion-dollar AI data center campus developed by Beale Infrastructure, backed by Blue Owl, on a 290-acre site north of the Pima County Fairgrounds. Originally tied to Amazon Web Services as the anchor customer, the roughly \$3.6 billion project was planned in phases and could ultimately span up to 10 buildings and 2 million square feet, with 600 megawatts of power capacity. The project drew intense opposition over its water and electricity demands and the secrecy surrounding it, with city officials revealing it would use more water than four golf courses at full buildout and draw more power than any other Tucson Electric Power customer. In August 2025, the Tucson City Council rejected the project on a 7-0 vote, declining to annex the property and effectively blocking access to Tucson Water. The developer advanced it through other channels, as the Arizona Corporation Commission approved a TEP energy service agreement in December 2025 and the Pima County Board of Supervisors approved a binding agreement that same month, with construction beginning in 2026. However, Amazon withdrew as the end user that same month, and the project has since lacked a confirmed customer. The project is expected to create roughly 3,000 construction jobs and about 180 permanent positions, but the broader backlash has reshaped local policy, with Tucson adopting strict new data-center limits, Pima County developing a moratorium and impact-analysis requirements, and the state enacting a three-year pause on new data-center tax incentives in 2026.

Hudbay Minerals is advancing its Copper World Complex on the west slope of the Santa Rita Mountains, about 28 miles southeast of Tucson. The \$1.7 billion project is expected to create more than 400 direct jobs over an initial 20-year mine life. On January 2, 2025, Hudbay received an air quality permit from the Arizona Department of Environmental Quality, the final major state permit

required for development. However, there is also on-going litigation regarding the air quality permit. A final feasibility study was completed in April of 2026, but the project failed to move to a final investment decision when the Ninth Circuit of Appeals ended Hudbay's access to federal land. In 2026, Hudbay announced a Mitsubishi joint venture investment in the project, though the air quality permit continues to face legal challenges and questions over long-term CAP water availability.

An ongoing issue for Tucson, as with the other two cities, is water availability. Tucson is heavily dependent on the Central Arizona Project (CAP) canal, which delivers Colorado River water and holds the lowest priority of any user during shortages. In August 2026, the federal government finalized new operating guidelines through 2028 that impose the largest mandatory cuts in the river's history, with Arizona taking the biggest reduction of the Lower Basin states and CAP deliveries to the Phoenix and Tucson areas cut by roughly 50%. Tucson is better positioned than many Arizona communities in the near term, having recharged a large share of its CAP water into local aquifers over the past two decades, which has kept its water table up from prior years. Over the longer term, however, reduced CAP deliveries mean less water available to replenish those aquifers, and the region will need to develop additional supply and conservation strategies to grow at a sustained rate.

The major difference between Tucson and its sister cities is that it sits in the shadow of a much larger city. The Phoenix metropolitan area has about 5 million people and features sports venues, a much larger international airport, corporate industries, loop freeways, and a light rail line. This is both a benefit and a detriment to Tucson. It can be seen as a detriment, since the state and corporations often focus their time and energy on the greater Phoenix area.

Albuquerque, New Mexico

Albuquerque is about 300 miles north of El Paso, 400 miles northeast of Phoenix, Arizona, 400 miles south of Denver, 450 miles northeast of Tucson, and 600 miles east of Las Vegas. The metropolitan population is about 925K. Major industries in Albuquerque include film and digital media, bioscience, space technology, directed energy, and advanced manufacturing.

Albuquerque is the hub of New Mexico and has a rich culture. The city has a strong central downtown core, four seasons, and minor league professional sports. Albuquerque is served by two interstates, as is Tucson. The city has similar water issues to Tucson, but the water table has risen from past years due to active water conservation efforts and a shift to imported surface water via the San Juan-Chama project. That progress now faces new pressure, as a rapid influx of data centers has raised concerns about long-term water and power demand in the arid region.

Albuquerque has a commuter rail line, known as Rail Runner, traveling north-south from Belen, through the city, and to Santa Fe, about 60 miles to the north, and the Albuquerque Rapid Transit (ART). The Rail Runner and ART connect metro Albuquerque visitors and residents to various destinations throughout the area. New developments continue on the west side of the city. The city generally grows to the west, given the surrounding public lands and geography of the land to the north and east. Downtown 2050 is an Albuquerque initiative to continue revitalizing downtown, building on the earlier Downtown 2025 plan.

The metro's economy has drawn a wave of major investment over the past two years, anchored by advanced energy and technology. In September 2025, Pacific Fusion selected Albuquerque's Mesa del Sol for a \$1 billion nuclear fusion research and manufacturing campus, supported by roughly \$776 million in city-issued industrial revenue bonds and additional state and local incentives. The 225,000 SF facility is expected to create more than 200 permanent jobs and nearly 1,000 construction jobs, with a goal of achieving net facility gain by 2030. The city has also begun positioning itself as an emerging hub for quantum technology, building on the research base at Sandia National Laboratories.

For newer employment opportunities, Meta/Facebook is expanding their Los Lunas data center with two additional buildings, bringing the campus to 3.8 million square feet. The project was approved in January of 2025, and construction is expected to take about three years to complete. This expansion brings the total investment to \$2.2 billion. In April 2025, Oppidan announced plans for a 90K SF data center on Albuquerque's west side. As of 2026, Albuquerque hosts roughly 19 data centers across nine operators, and data centers have grown from about 15% of new commercial grid-connection requests in the PNM service area in 2021 to roughly 47% in 2025, now driving most of the utility's projected load growth. To serve that demand, PNM has proposed roughly \$166 million in new substations and transmission upgrades, including a substation at the Westpointe 40 business park on the west side, with costs recovered through future rates. This growth has intensified scrutiny over the water and power these facilities require, drawing intervention from state agencies, the City of Albuquerque, and consumer and environmental groups.

The metro's other target sectors continue to expand. In early 2026, Array Technologies completed a new solar-tracker manufacturing campus on Albuquerque's west side. The roughly \$50 million campus spans 216,000 SF and is expected to support hundreds of jobs. As of Q3 of 2026, Corniche Capital is under construction on 708,900 SF industrial facility at 1300 Desert Willow Road, which is Phase I of Los Morrow Business Park. Pacific Fusion signed a lease to occupy 201,637 SF when the facility is completed. In January 2024, Boeing completed a 27,000 SF expansion of its laser & electro-optical systems facility. The roughly \$5 million expansion brought 20 to 30 jobs in 2024, and the facility specializes in directed energy laser systems used for counter-drone defense in support of the U.S. military. The film and television sector continues to grow, including the West Side Mesa Film Studios development and a film-production training center taking shape at the historic Albuquerque Rail Yards.

El Paso, Texas

El Paso, Texas, is about 300 miles south of Albuquerque and 300 miles east of Tucson. The metropolitan population of the city is about 881K. Major industries in El Paso include manufacturing, data centers, renewable energy and sustainable industries, and transportation and logistics. The El Paso economy is largely based on the economy of Ciudad Juarez, across the border. El Paso benefits from its vicinity to the border and is one of the safest cities in the United States.

El Paso's downtown is being revitalized with new hotels, housing options, mixed-use developments, a streetcar, a baseball stadium, and the repurposing of historic buildings. The city continues to grow on its east and west ends with new residential and retail development, and a proactive local developer has been repurposing historic properties throughout the city. The area near Fort Bliss is also seeing new retail and residential growth. Overall, the market appears to be steadily growing and improving.

Water resilience remains a defining priority for El Paso, and the city is ahead of the curve on water treatment. El Paso operates the Kay Bailey Hutchison Desalination Plant, the world's largest inland desalination facility, a joint project of El Paso Water and Fort Bliss that draws brackish groundwater from the nearby Hueco Bolson and currently produces up to 27.5 million gallons of fresh water daily. Amid a persistent regional drought, El Paso Water is expanding the plant's capacity by roughly 20% to about 33 million gallons per day as part of a broader "drought-proof" supply strategy, and a neighboring private facility is being developed to convert the plant's brine waste into additional freshwater.

For newer employment opportunities, El Paso has strengthened its position as a logistics and cross-border trade hub, with exports growing substantially over the past decade and roughly 20% of all U.S.-Mexico trade moving through the Borderplex region. The most significant recent development is a hyperscale Meta data center under construction in Northeast El Paso. First announced in October 2025 as a \$1.5 billion, roughly 1.2 million SF AI-focused campus, the project has since been scaled up substantially, growing to a 1-gigawatt site with total development costs reported in the billions through a venture between Meta and BlackRock. The initial phase is expected to support roughly 1,800 construction jobs at peak and about 100 permanent operational positions, scaling to more than 300 as the campus is completed. Similar to other arid metros, the facility's water and power demands have drawn public scrutiny, and Meta has committed to offset its water use by 200% and to support new clean-energy generation on the Texas grid.

In renewable energy, El Paso Electric completed the 150-megawatt Felina Solar Facility in Fabens in April 2026, after breaking ground in April 2024. The utility-scale project includes nearly 340,000 solar panels, produces roughly 450,000 megawatt-hours annually. In entertainment and quality-of-life investment, the Sunset Amphitheater in Northeast El Paso, approved in April 2024, is a 12,500-seat venue being developed by Venu (formerly Notes Live) on the former Cohen Stadium site. Originally an \$80 million project slated to open in 2026, it has grown to more than \$160 million in cost, with its opening now targeted for 2027.

Population Statistics

The populations of the three metropolitan areas are similar. However, the 2020 census numbers are much lower. This is simply the result of city limits. Tucson is 241 square miles, Albuquerque is 187 square miles, and El Paso is 259 square miles. All three cities are spread out, accounting for the large difference in metropolitan population versus census figures. The population of each city is shown in the following table.

Population	Tucson	Albuquerque	El Paso
2020 Metro	1,045,245	917,692	869,771
2020 Census	542,629	564,559	678,815

Population Growth

The populations of all three cities have grown by a small amount from 2020 to 2025, and at a generally similar pace at 0.56%, 0.17%, and 0.26%. From 2010 to 2020, Tucson grew at 0.65%, Albuquerque at 0.32%, and El Paso at 0.78% annually. All three cities have experienced slower growth than their prior decade's growth.

Population	Tucson	Albuquerque	El Paso
2025 Metro	1,074,685	925,279	881,291
2020 Metro	1,045,245	917,692	869,771
2010 Metro	981,649	889,581	807,020
Pop. Growth	2.82%	0.83%	1.32%
Annualized Growth	0.56%	0.17%	0.26%

Median Household Income

The U.S. median household income was \$80,734 in 2024. All three cities have a lower median household income than the national median. Fortunately, all three cities have posted an increase in median household income from 2023. The lower wages are attributed to the proximity to the border and inexpensive living costs. Albuquerque stands above the other two cities, while Tucson and El Paso have a similar 2024 median household income. Unfortunately, there are concerns with high rates of poverty in all three cities.

	Tucson	Albuquerque	El Paso	U.S.
Median Household Income 2024	\$57,073	\$68,317	\$59,745	\$80,734

Source: US Census Bureau

Top 10 Employers

In 2025, the top 10 employers accounted for over 81K jobs in Tucson, over 77K in Albuquerque, and over 105K in El Paso. A military base is one of the top employers in each of the sister cities, and governmental entities account for most of the jobs. Of the three cities, Tucson has the most private employers in the Top 10 with Raytheon, Banner, Tucson Medical Center, and Wal-Mart. Education and healthcare represented most of the top 10 in El Paso.

Top 10 Employers in Tucson		Top 10 Employers in Albuquerque		Top 10 Employers in El Paso	
Employer	Employees	Employer	Employees	Employer	Employees
University of Arizona	19,152	Presbyterian Health System	13,460	Fort Bliss (Military & Civilian)	47,806
Raytheon Missile Systems	14,033	Sandia National Labs	13,299	El Paso Independent School District	10,774
Banner - University Medical Center	8,427	Albuquerque Public Schools	12,060	Socorro Independent School District	9,348
Tucson Unified School District	7,862	Veterans Hospital	7,959	Ysleta Independent School District	8,476
Pima County Government	7,097	City of Albuquerque	7,074	T & T Staffing	7,873
Tucson Medical Center	5,919	UNM Hospital	7,003	City of El Paso	6,095
Davis Monthan Air Force Base	5,426	University of New Mexico	4,641	The Hospitals of Providence	4,400
State of Arizona	4,770	Kirtland Air Force Base (Military)	4,100	InteLogix	4,324
City of Tucson	4,394	State of New Mexico	4,030	County of El Paso	3,243
Wal-Mart Stores, Inc.	4,318	Kirtland Air Force Base (Civilian)	3,700	William Beaumont Army Medical Center	3,000
Source: Pima Community College ACFR, FY2025		Source: City of Albuquerque ACFR, FY2025		Source: City of El Paso ACFR, FY2025	
81,398		77,326		105,339	

The top 10 employers account for 17% of the civilian labor force in Tucson, 17% in Albuquerque, and 25% in El Paso. Tucson has the largest labor force, followed by Albuquerque, then El Paso, generally correlating with each city's population. Tucson and Albuquerque are considered less concentrated, and therefore lower-risk compared to El Paso, since their top 10 employers account for a smaller share of the labor force at 17% versus 25%. El Paso's higher concentration is driven largely by Fort Bliss, its single largest employer.

Employment Figures			
Labor Factors	Tucson	Albuquerque	El Paso
July 2025 Employees	480,800	450,800	422,400
Top 10 Employers	81,398	77,326	105,339
% Top 10	17%	17%	25%
Source: Bureau of Labor Statistics, June 2026			

Student Population

All three cities have a state university with a significant impact on the local economy. The University of Arizona (UA) is the largest of the three and has the largest impact on the local economy and politics. The University of New Mexico (UNM) and Texas at El Paso (UTEP) also have a significant positive impact on their respective communities. From the previous 2024-2025 academic year, UNM grew by 3%, UTEP had growth of 5%, and UA declined by nearly 4%. The table below shows the enrollment of the three universities for the 2025-2026 academic year.

Student Population	
University	Population
Arizona	54,384
New Mexico	23,955
Texas at El Paso	26,297
Source: Univ. Websites	

New Home Permits

The number of new home permits includes single-family and multi-family residences. Tucson shows significantly higher new home permits for 2025 at 4,648, well above the other two markets. Albuquerque follows at 2,783, with El Paso the lowest at 2,050.

New Home Permits	
Market	2025 Permits
Tucson	4,648
Albuquerque	2,783
El Paso	2,050

Source: FRED

Airport Statistics

The three airports vary greatly in arrival/departure statistics. The main reason Albuquerque's traffic volume is much higher than Tucson's and El Paso's is that the city is distant from surrounding metropolitan areas. Albuquerque also receives a greater amount of volume from tourists traveling to nearby cities in the north part of the state, including Santa Fe and Taos. Tucson posts smaller figures since it is close to Phoenix's airport, which has more travel options and often offers lower prices. The airport traffic statistics are shown in the following table.

Airport Passengers	
Airport	2025 Volume
Tucson	3,919,007
Albuquerque	5,274,764
El Paso	3,838,968

Source: Tucson Airport Authority (FY2025); Albuquerque International Sunport (CY2025); El Paso International Airport (CY2025).

Building Type Breakout

Next, we will discuss the hotel, apartment, industrial, office, and retail markets for each city. This discussion will illustrate each community's strengths and areas for improvement.

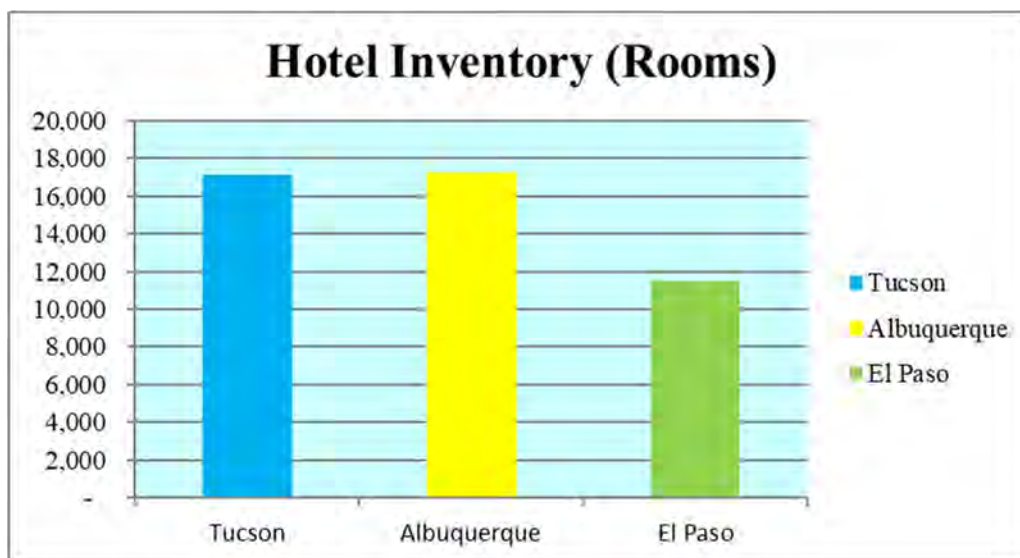
Hotel

The hotel sector has been generally stable across the three sister cities. In addition, new rental options such as Airbnb, VRBO, and other online options have become significant competitors to the conventional hotel market. The hotel room statistics in Tucson and Albuquerque are generally similar in room count and occupancy. The El Paso market has the fewest rooms but also has the highest occupancy and rooms under construction. All three cities are adding new rooms, which suggests continued demand for conventional hotels in the three markets.

Hotels

City	Rooms	Occupancy	Under Constr.
		Aug-26	(Rooms)
Tucson	17,115	59.60%	144
Albuquerque	17,286	62.10%	350
El Paso	11,492	67.30%	937

Source: CoStar Group, Inc.



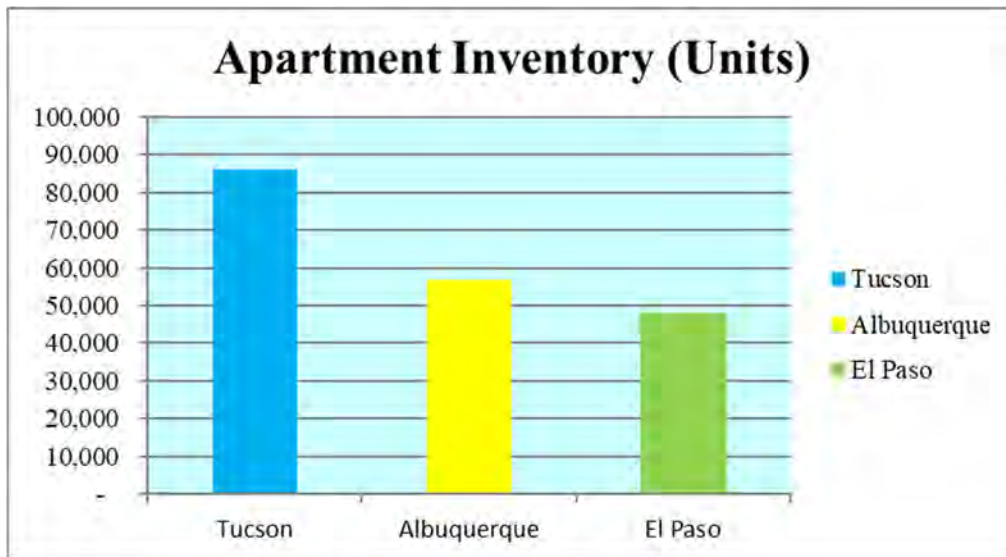
Apartments

The Tucson market has the most apartment units of the three markets by a large margin. Tucson could have the most units of the three markets for several reasons. First, Tucson has the largest university of the three markets and the largest metro population of 1.074 million, versus 925K in Albuquerque and 881K in El Paso. Secondly, Tucson has the lowest median household income of the three markets at \$57K, versus \$68K in Albuquerque, and \$59K in El Paso. In the past, higher home prices in Tucson than in the other two markets could have spurred new apartment development to offer a lower-priced housing option, but this is currently not the case. According to Redfin, the median home price in Tucson is about \$320K, versus \$360K in Albuquerque and \$257K in El Paso. In the past, rental rates in Tucson could have been higher than those in the other two cities, but this is currently not the case either. According to CoStar, the average effective rent is \$1,265 in Albuquerque, \$1,109 in El Paso, and \$1,115 in Tucson. There are over 1,000 new units being constructed in Tucson and Albuquerque, and about 400 in El Paso. El Paso also has the largest military base of the three markets with housing options on the base. This could be why El Paso has the fewest units of the three cities. Another variable to consider is that Tucson is closer to large Phoenix and California developers than the other two markets, saving time and money for construction and shipping materials.

Apartments

City	Units	Vacancy	Under Constr.
		Aug-26	(Units)
Tucson	86,024	10.50%	1,227
Albuquerque	56,837	8.10%	1,039
El Paso	47,815	4.90%	434

Source: CoStar Group, Inc.



Industrial

The industrial market is a good indication of manufacturing, production, distribution, and supply in a particular market. As shown in the table and graph below, El Paso has the largest industrial market. This is primarily due to the city's location along the US-Mexico border. El Paso has become a logistics hub, but vacancy has shot up with exposure to tariffs and increased US-Mexico border restrictions. Albuquerque has the second largest industrial market. The reason for this is that Albuquerque is distant from surrounding cities and therefore a more desirable geographic location for the distribution hubs and supply centers in between larger cities in the western United States, such as Los Angeles, Denver, Phoenix, and Oklahoma City. Tucson has the smallest industrial market, which is primarily due to Phoenix being 100 miles to the north with a larger population, airport, and proximity to surrounding cities. All three of the cities' industrial inventories have grown from 1.2% to 4.9% from 2025 to 2026. El Paso added over 4.18 million square feet, and Albuquerque added 727K square feet of new space during this time period. Tucson also added about 992K square feet of new industrial space. Industrial vacancy showed more variation across the three markets. Tucson's rate rose 150 basis points year-over-year to 7.60%, and Albuquerque climbed 50 basis points to 4.00%, while El Paso declined 50 basis points to 11.40%. There are new facilities under construction in all three markets, showing continued demand for industrial space in all three markets, although current demand in Tucson is more limited after major supply additions in 2023.

Industrial

City	Existing Square Feet	Vacancy Aug-26	Under Constr. (SF)
Tucson	53,077,278	7.60%	202,481
Albuquerque	62,500,059	4.00%	1,637,122
El Paso	89,438,487	11.40%	4,643,772

Source: CoStar Group, Inc.



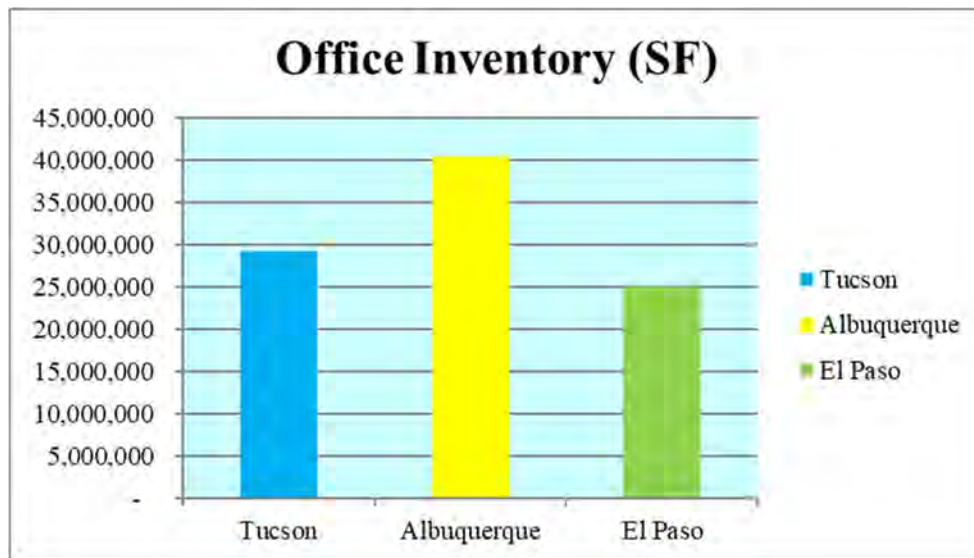
Office

The office market represents the corporate and small business market, financial strength, medical space, and production of a city. In 2025, employees have mostly returned to an office or a hybrid schedule. Albuquerque has the largest office market of the three cities. Once again, this is due to Albuquerque serving as a hub for New Mexico. Tucson has a smaller office market, and this is due to Phoenix serving the large corporations in the region. Tucson had an increase in office inventory of about 471K square feet from 2025 to 2026. Albuquerque and El Paso had an increase of office inventory of about 282K and 225K square feet from 2025 to 2026. Office vacancy movements were mixed across the three markets. Tucson's rate fell 270 basis points year-over-year to 7.70%, while El Paso rose 90 basis points to 6.00%, and Albuquerque increased 30 basis points to 4.60%. All three cities have some office space currently under construction.

Office

City	Existing Square Feet	Vacancy Aug-26	Under Constr. (SF)
Tucson	29,278,349	7.70%	100,310
Albuquerque	40,437,085	4.60%	32,800
El Paso	25,030,720	6.00%	223,449

Source: CoStar Group, Inc.



Retail

The retail market represents expenditure income and tourism, as well as the contributions related to the retirement and student populations. Notably, there is a large influx of shoppers from Mexico seeking higher-end products and a ‘shopping experience’ in all three cities, but primarily in El Paso and Tucson. All three retail markets grew modestly from 2025, rising 431,254 SF (0.1%) in Tucson, 943,512 SF (1.8%) in El Paso, and 529,865 SF (0.9%) in Albuquerque. Retail vacancy held relatively steady across all three markets. Tucson's rate declined 50 basis points year-over-year to 5.50%, while Albuquerque fell 40 basis points to 3.20% and El Paso rose 70 basis points to 3.70%. All three cities have some retail space currently under construction.

Retail			
City	Existing Square Feet	Vacancy Aug-26	Under Constr. (SF)
Tucson	56,644,850	5.50%	251,342
Albuquerque	57,701,278	3.20%	190,377
El Paso	54,550,593	3.70%	52,302

Source: CoStar Group, Inc.



Conclusions

The three cities serve a similar demographic population, with military personnel, students, and retirees. The communities are similar in size, and unsurprisingly have similar sized industrial, office, and retail markets. The hotel and apartment sizes vary between the three markets. All three cities have a downtown that is under revitalization, a civilian rail transportation system that was recently completed, and are actively managing water concerns. The markets are operating in a period of slow but steady growth.

Statistically, Albuquerque appears to be in the best geographical position and has capitalized on its strengths. Albuquerque has low vacancy rates across the five property types analyzed but has also been slow to add inventory. Albuquerque also has the highest airport volume and median household income of the three cities. Overall, Albuquerque benefits from being the hub of New Mexico, good weather, and having low vacancy rates for the five major property types.

Tucson has done a good job of catering to the university market and has the largest employment base of the three cities. Because Tucson is the largest of the three cities and has the largest university of the three cities, it has the potential for a more educated community. Tucson benefits from its vicinity to the border, and it could also further benefit from its vicinity to Phoenix, especially if Tucson had a connecting light rail system. Tucson could improve on catering to industry and collaborating with Phoenix. Tucson could further offer tax incentives, political cooperation, and improved infrastructure to cater to existing and potential employers. Tucson's growth seems to be stunted by a lack of an east-west highway/freeway through the city, and also water concerns. However, Tucson has great potential for growth with a large population base and student population, but it is in the shadow of a larger city.

El Paso appears to have captured the US-Mexico border business, such as cold storage and retail, while catering to large manufacturers and distribution centers to grow local jobs. The city's safety is also appealing for growth and existing citizens. El Paso's industrial market has strengthened the most of the three cities over the past decade, with significant delivery of new inventory. While its

industrial vacancy remains the highest of the three, it was the only one to record a year-over-year decline, reflecting strong absorption of new supply. Overall, El Paso has capitalized on its location along the US-Mexico border and its large military base, and is well-positioned in the market.

Beyond their individual profiles, the three cities share structural similarities that shape their trajectories. Each has a military base, large medical facility, and a state university, which lend stability to their economies. All three are arid, border-influenced southwest markets that compete for investment against larger metros in the region. Growth rates in all three have slowed from 2010-2020 levels, and while each received an influx of people during the pandemic, there has since been some shift back toward larger cities that attract young professionals with more job opportunities, amenities, and services. That trend could change, as these three sister cities offer sunny weather, affordability, outdoor activities, and a lower likelihood of major natural disasters, and each could market those strengths better to attract younger talent. Most notably, all three are now navigating the same emerging challenge, as large data center and power projects bring new investment while intensifying pressure on already-constrained water supplies. How each city balances that growth against its water supply will be a defining factor in its long-term prospects.

Recommendations

The three sister cities may already be in the process of following these recommendations, but there is no harm in repeating them. The cities could coordinate with one another and build alliances to serve a network for manufacturing and distribution. For a city to be appealing, the fundamentals must be addressed. These fundamentals include having a safe and clean place to live, good education, and strong youth programs. Unfortunately, homelessness and mental health issues have intensified in all three cities, but this appears to be occurring nationwide. There is an ongoing challenge to address the problem, but it appears to be a symptom of our nation's current society and needs to be addressed. A legislative and political system that is cooperative with the community and surrounding communities is also key for all three cities.

The cities could also have water issues going into the future, so this could be an opportunity for the cities to team up with each other to creatively deal with the problem. The cities will likely be reusing (not recharging) their water in the future, so the sooner the infrastructure is in place, the better. El Paso appears to be ahead of the other two cities in this regard, but it is still better to have diverse and varied water sourcing options. Another option would be to pipe in water from a region with a surplus, or to desalinate seawater from the nearby Gulf of Mexico or California, and pipe it in. The cities could invest in a pipeline structure together. Water harvesting programs and incentives to reduce water use could also be implemented in each city.

Lastly, these sister cities could offer better infrastructure. All three cities benefit from a high number of sunny days. Large-scale solar energy has been in progress for all of the sister cities but will only continue to grow with public support. All three cities have a greater demand on the electrical grid, especially with the new data centers. One method of improving efficiency of the existing power plants is by modernizing the grid with high-voltage direct current (HVDC) and superconductors, solid-state transformers and advanced electronics, and making the grid "smarter" through the use of technologies, equipment, and communication. There are also "mechanical trees" that remove carbon dioxide from passing air that could be utilized in all three cities as temperatures

quickly rise in the region. AI and data centers will require these cities to balance limited resources against the need to keep up with modern technology. As previously mentioned, water will be a continuous battle in the southwest, so adding water harvesting, gray water lines, and reclaimed water lines to golf courses, car washes, and parks will be helpful going forward. Improving the educational systems, either individually or collectively between the cities, promotes responsible growth, infrastructure, and maintenance of the unique culture of each community. Preserving and promoting art, history, and culture is also an important piece to include in the infrastructure for each of these historically and culturally rich cities. Having art districts, murals, and other creative projects is an important and often overlooked part of a city's infrastructure. All these factors would improve the cities' appeal to employers, families, students, young professionals, and retirees.

The purpose of this analysis is to show the strengths and weaknesses of the three sister cities. The primary goal is to help achieve an improved quality of life for each. The secondary goal is to have a long-term sustainable future and to grow demand in the region. Growth is typically perceived as a positive thing. However, thoughtful growth, a long-term plan that serves a greater purpose, provides even greater benefits to a region.

Summation of Sister City Key Comparison Take-Away's

Summary			
Key Market Drivers	Tucson	Albuquerque	El Paso
Population	1,074,685	925,279	881,291
Population Growth Ann.	0.6%	0.2%	0.3%
Median HH Income (In 2022 \$)	\$57,073	\$68,317	\$59,745
Median Home Price	\$320,326	\$359,804	\$256,949
Avg Effective Rent	\$1,115	\$1,265	\$1,109
Top 3 Employment Industries	University, Defense, Healthcare	Healthcare, Laboratory, Education	Military, Education, Healthcare
No. Employees	480,800	450,800	422,400
Student Population	54,384	23,955	26,297
Airport Passengers	3,919,007	5,274,764	3,838,968
New Home Permits	4,648	2,783	2,050
Industrial Bldg (SF)	53,077,278	62,500,059	89,438,487
Industrial Vacancy	7.6%	4.0%	11.4%
Office Bldg (SF)	29,278,349	40,437,085	25,030,720
Office Vacancy	7.7%	4.6%	6.0%
Retail Bldg (SF)	56,644,850	57,701,278	54,550,593
Retail Vacancy	5.5%	3.2%	3.7%
Apartments (Units)	86,024	56,837	47,815
Apartment Vacancy	10.5%	8.1%	4.9%
Hotel (Rooms)	17,115	17,286	11,492
Hotel Occupancy	59.6%	62.1%	67.3%