



## TUCSON MSA | MULTIFAMILY | Q1 2019 REPORT

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10+ UNIT PROPERTIES	Q1 2019	INCREASE/DECREASE	Q1 2018
Total Sales Volume	\$203M	+31%	\$155M
AVERAGE	Price/Unit	\$119,023 +105%	\$58,102
	Price/SF	\$133.92 +61%	\$83.08
	Year Built	1979 +3 yrs	1968
10+	Average Rent	\$879 +6.9%	\$822
	Occupancy Rate	94.6% +0.4%	94.2%
	Units Delivered	290 --	--

### ABI GEONEWS - TUCSON MSA SELECT NEWS

CONTINUED ON PAGE 05



Pima County Could Ask Voters to Double Sales Tax for Roads



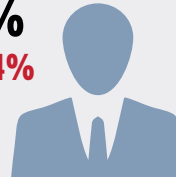
Housing Project Made of Shipping Containers to Break Ground



Aspire Tucson Phase II to Offer High-Rise Living

1,026,099 **POPULATION**  
CENSUS

4.4%  
-0.4%



**UNEMPLOYMENT**  
Q-Q AS OF MARCH 2019 - BLS

+1.4%



**EMPLOYMENT GROWTH**  
Y-Q AS OF MARCH 2019 - BLS

\$48,676

**MEDIAN HH INCOME**  
CENSUS

\$27,323

**PER CAPITA INCOME**  
CENSUS

939  
Units (50+)

**UNDER CONSTRUCTION**

120,054  
Units (10+)

**TOTAL INVENTORY**

## 100+ UNIT MULTIFAMILY PROPERTIES

	Q1 2019	INCREASE/DECREASE	Q1 2018
<b>Total Sales Volume</b>	<b>\$176M</b>	<b>+59%</b>	<b>\$110M</b>
<b>AVERAGE Price/Unit</b>	<b>\$132,685</b>	<b>+111%</b>	<b>\$63,013</b>
<b>AVERAGE Price/SF</b>	<b>\$142.88</b>	<b>+69%</b>	<b>\$84.48</b>
<b>AVERAGE Year Built</b>	<b>1988</b>	<b>+6 yrs</b>	<b>1982</b>



### TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



**The Country Club of La Cholla**  
Tucson, 217 Units | \$53,050,000  
\$244,470/Unit | \$224.35/SF | Built 1991

**The Canyons at Linda Vista Trail**  
Tucson, 228 Units | \$41,250,000  
\$180,921/Unit | \$175.73/SF | Built 2017

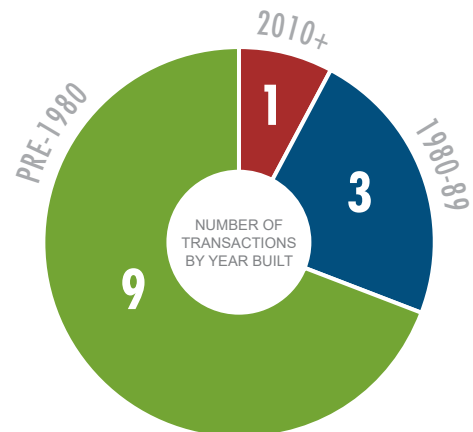
**Bear Canyon**  
Tucson, 238 Units | \$35,600,000  
\$149,580/Unit | \$153.69/SF | Built 1996

### Q1 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>1</b>	<b>\$181K</b>	<b>\$176</b>
<b>2000-09</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>1990-99</b>	<b>2</b>	<b>\$195K</b>	<b>\$189</b>
<b>1980-89</b>	<b>1</b>	<b>\$88K</b>	<b>\$106</b>
<b>Pre-1980</b>	<b>2</b>	<b>\$61K</b>	<b>\$75</b>

## 10 - 99 UNIT MULTIFAMILY PROPERTIES

	Q1 2019	INCREASE/DECREASE	Q1 2018
<b>Total Sales Volume</b>	<b>\$27M</b>	<b>-39%</b>	<b>\$45M</b>
<b>AVERAGE Price/Unit</b>	<b>\$71,546</b>	<b>+47%</b>	<b>\$48,709</b>
<b>AVERAGE Price/SF</b>	<b>\$95.39</b>	<b>+20%</b>	<b>\$79.80</b>
<b>AVERAGE Year Built</b>	<b>1974</b>	<b>+8 yrs</b>	<b>1966</b>



### TOP 3 TRANSACTIONS BY PRICE/UNIT (10-99)



**315 North Park Avenue**  
Tucson, 12 Units | \$4,800,000  
\$400,000/Unit | \$302.29/SF | Built 2018

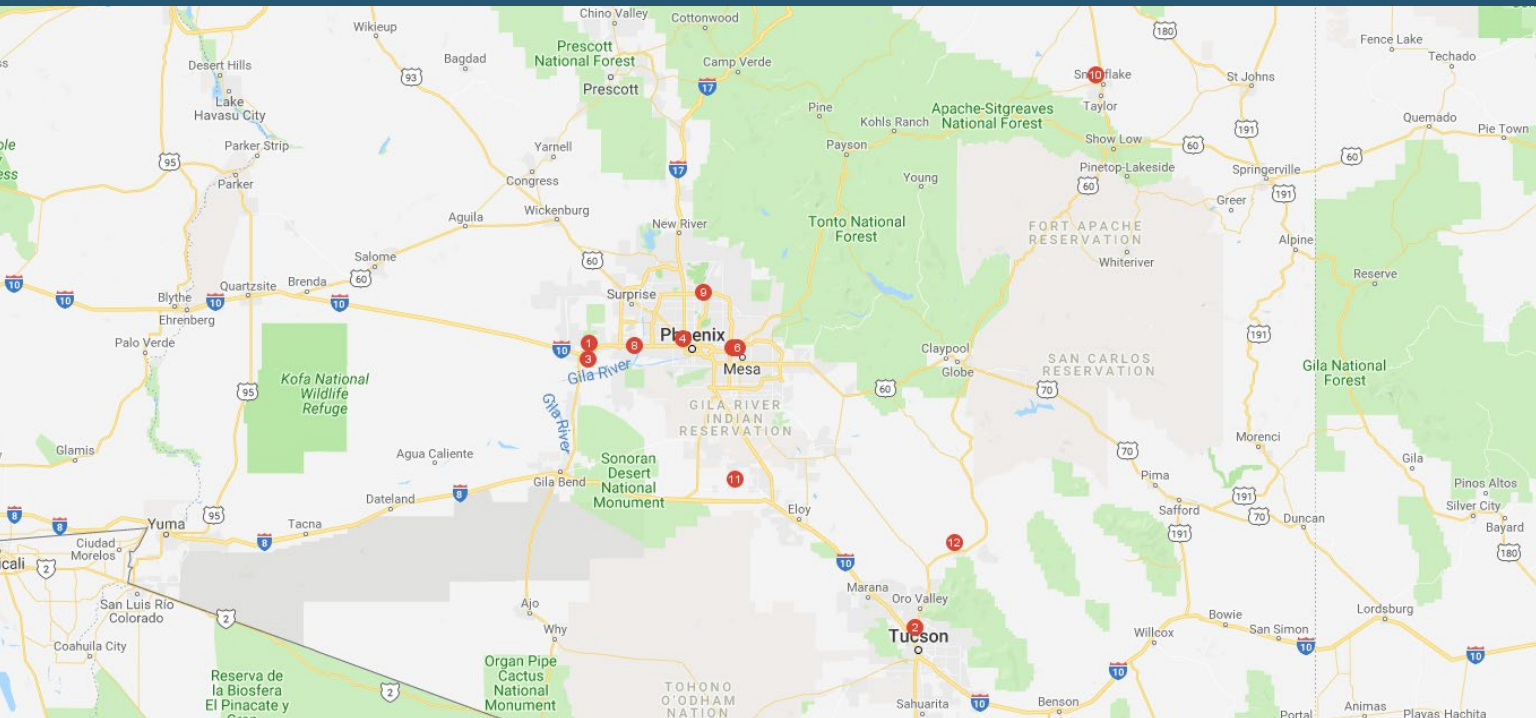
**Fort Lowell Manor**  
Tucson, 22 Units | \$2,135,000  
\$97,045/Unit | \$142.68/SF | Built 1983

**Alvernon & Fairmount**  
Tucson, 12 Units | \$944,000  
\$78,667/Unit | \$81.04/SF | Built 1963

### Q1 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>1</b>	<b>\$400K</b>	<b>\$302</b>
<b>2000-09</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>1990-99</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>1980-89</b>	<b>3</b>	<b>\$76K</b>	<b>\$87</b>
<b>Pre-1980</b>	<b>9</b>	<b>\$57K</b>	<b>\$82</b>

# ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



## MHP SALES VOLUME (Q1 2019)

AGE RESTRICTED/55+

Transaction Volume (Q1 2019, 50+)

PHOENIX MSA

\$0

TUCSON MSA

\$6,401,540

OTHER AZ MSA

\$0

Transaction Volume (Q1 2018, 50+)

\$36,590,000

\$0

\$0

Avg Sales Price / Space (Q1 2019)

\$0

\$45,401

\$0

Avg Sales Price / Space (Q1 2018)

\$76,388

\$0

\$0

FAMILY

Transaction Volume (Q1 2019, 50+)

\$47,630,000

\$0

\$2,359,500

Transaction Volume (Q1 2018, 50+)

\$12,595,000

\$0

\$660,000

Avg Sales Price / Space (Q1 2019)

\$38,411

\$0

\$13,823

Avg Sales Price / Space (Q1 2018)

\$30,060

\$0

\$10,313

Total Transaction Volume (50+)

\$47,630,000

--

\$2,359,500

Number of Transactions

9

1

2

## MHP INVENTORY (50+)

INVENTORY (50+)

Total Spaces (50+)

81,895

20,990

29,886

Age Restricted/55+

57,707

11,689

11,900

Family

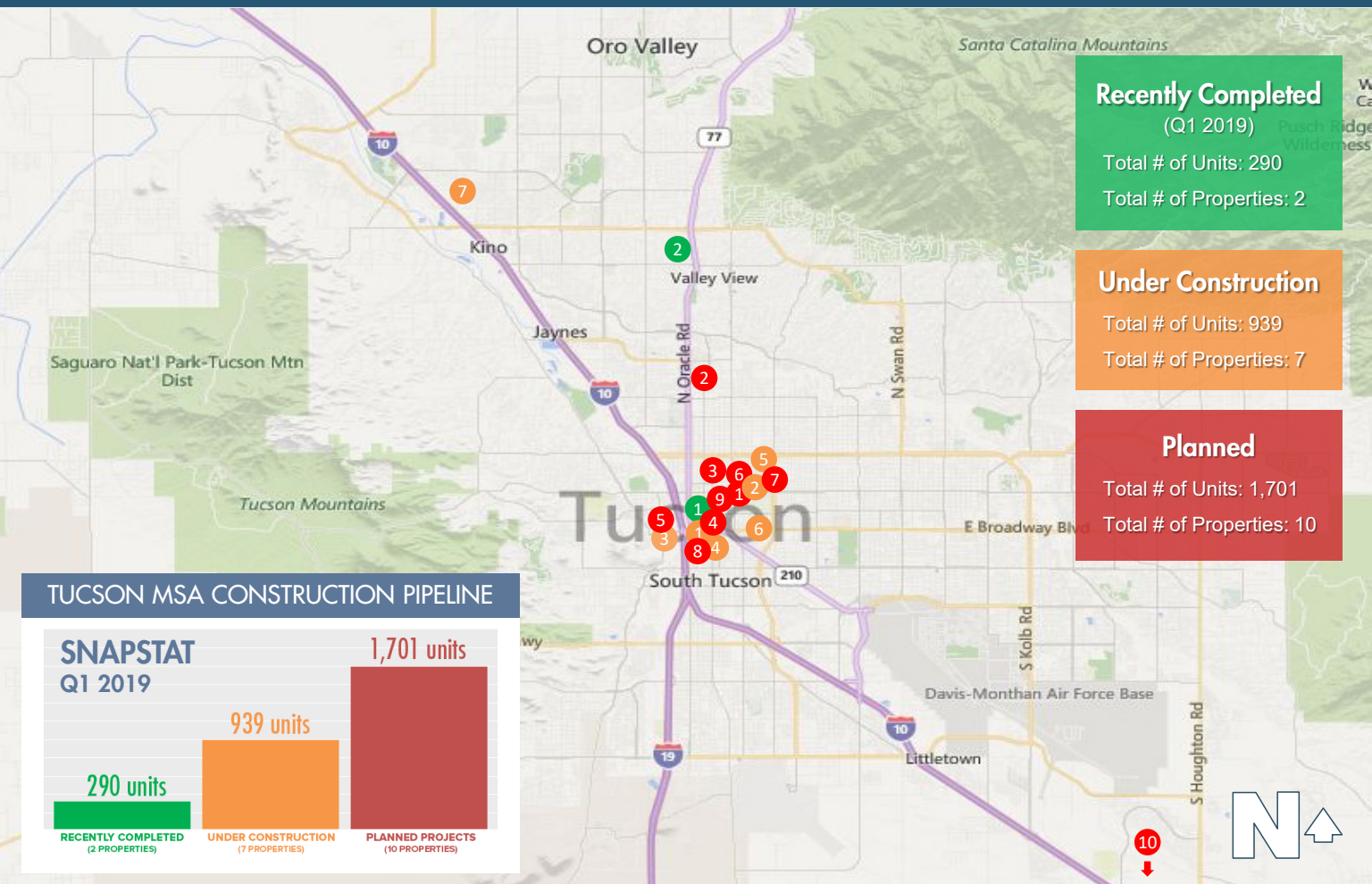
24,257

9,301

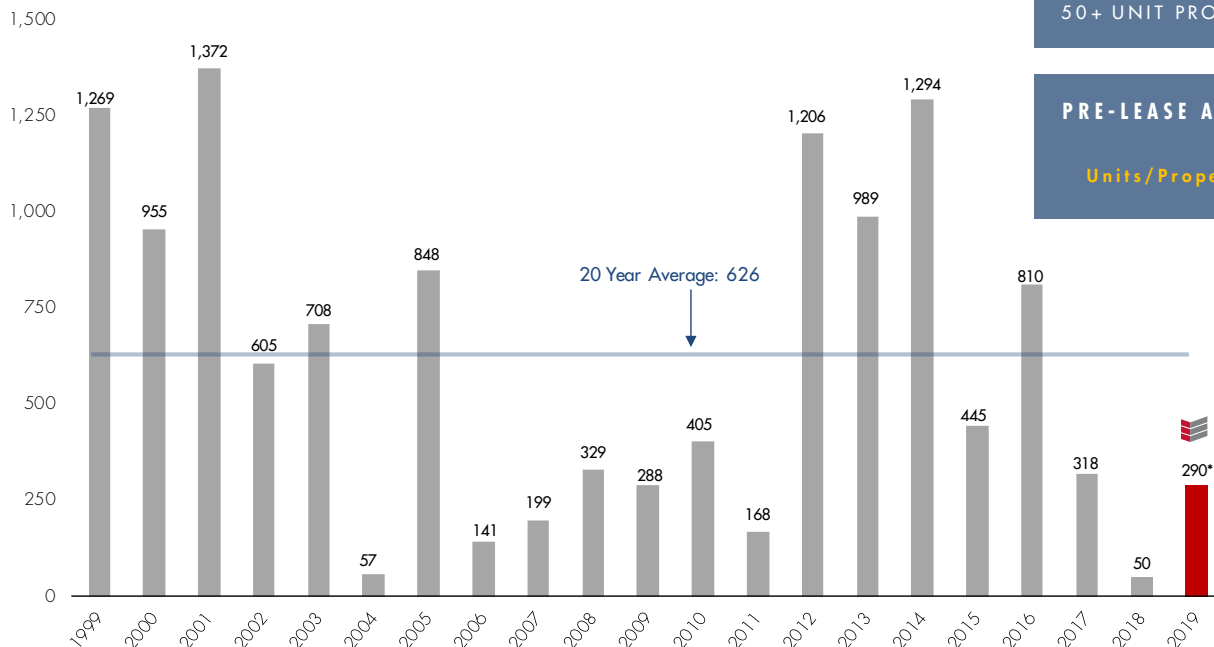
4,023



# COMPLETED CONSTRUCTION



## TUCSON MULTIFAMILY CONSTRUCTION PIPELINE Q1 2019



### TOTAL UNIT INVENTORY

10+ UNIT PROPERTIES: 120,054

50+ UNIT PROPERTIES: 69,262

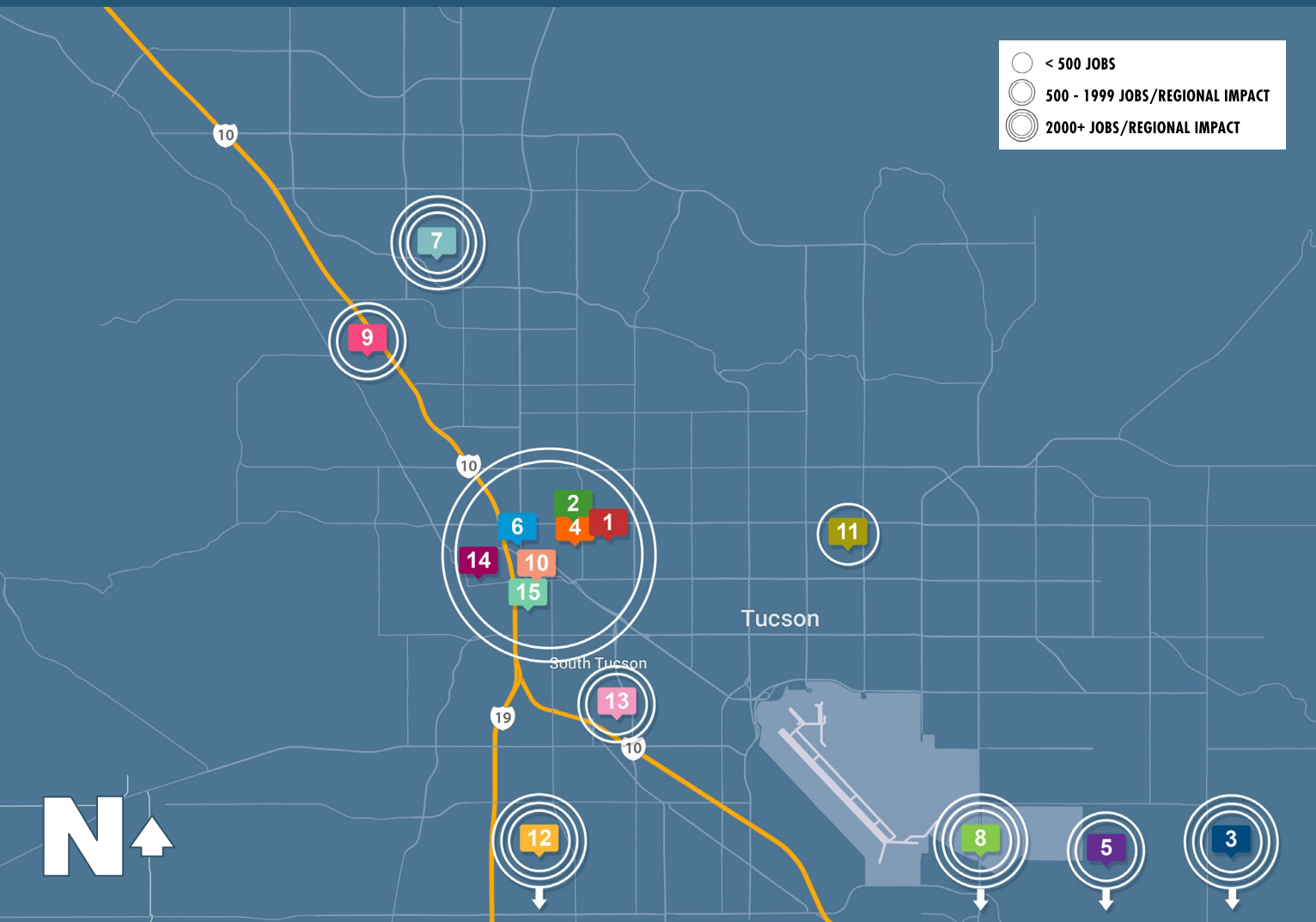
### PRE-LEASE ABSORPTION RATE

5

Units/Property/Month (Avg)

\* Project Units Delivered. Project units delivered is based on when the total project is completed, not as individual buildings/units are delivered

# ABI GEONEWS: TUCSON MSA - SELECT NEWS



**1 The Dinerstein Companies** | Aspire Tucson Phase II to Offer High-Rise Living

**2 Stackhouse, Inc.** | Housing Project Made of Shipping Containers to Break Ground

**3 Raytheon** | Raytheon Wins \$100M Contracts, Continues Hiring Hundreds

**4 U of A** | University of Arizona, Hiring 750. The University is Adding Positions in Tucson Ranging from Counselors to Research Assistants

**5 Imperfect Produce** | Imperfect Produce is Bringing up to 350 Jobs to Tucson

**6 Caterpillar Inc.** | Caterpillar Inc. Bringing Regional HQ to Downtown Tucson, 600 Jobs

**7 Comcast** | Comcast Marks Grand Opening of Tucson Call Center (Brings 1,000 Jobs to the Area)

**8 Amazon** | Amazon to Open Giant Warehouse in Tucson, Plans to Hire More Than 1,500 People

**9 Convergys** | Convergys Plans to Hire 500 in Tucson

**10 Axiscades** | Global Tech Firm, Axiscades of India, Bringing Hundreds of High-paying Jobs to Tucson

**11 Texas Instruments** | Texas Instruments to Build \$29M Facility in Tucson, Add 35 High-paying Jobs

**12 Spaceport** | Pima County Marks Completion of World View HQ, Spaceport

**13 GEICO** | GEICO to Build New Corporate Office in Tucson, Add 700 Jobs

**14 Hexagon** | International Mining Tech Firm Hexagon to Expand, Relocate HQ to Downtown Tucson

**15 Ernst & Young** | Ernst & Young Opening New Support Center in Downtown Tucson to Hire 125

**Regional Pima County** | Pima County Could Ask Voters to Double Sales Tax for Roads

BY: ROLAND MURPHY, DIRECTOR OF RESEARCH

Market slowdowns are inevitable at some point, and many thought leaders are projecting the next one could potentially start in the next 18 months — which, coincidentally, is within the general turnaround timeframe for projects in the final planning/construction commencement phase. As a result, many multifamily developers are starting to reconsider the actual ROI of their amenities offerings.

For several years, new community developers and renovation-minded investors have been building and rebuilding multifamily assets with a frantic, frenetic and frenzied eye toward keeping up with the Joneses as far as the latest, greatest and most in-demand amenities all throughout this so-called Decade of the Renter, fueled by shifting demographic mindsets and the market power of the Renter by Choice.

As the boom cycle enters what's likely its final stages before a brief moderation, now is the time to ask: To what degree is amenitization worthwhile, and what's the right balance?

## Pickleball:

### *Essential Offering or Waste of Space?*

Full disclosure: I freely admit my contempt for pickleball is irrational. It comes from being saturation bombed as a news editor with announcements that it was/is the coming thing and a nearly essential quality of life value add. While I have no inclination to play the game, I also bear no actual ill will toward its participants, advocates or participatory bodies. (So don't message me about it.)

That said, I think in a lot of cases facility design is a lot like fashion design. Designers come up with an "innovation" because it's fun to create, then shops end up with 200 pairs of bellbottoms (or six pickleball courts) and they have to be marketed as the new "must have" so they don't just sit and languish. As essential as quality design is, left untempered by pragmatic restraint, the field can generate startling feedback loops, thinking it's an [Ouroboros](#) when in reality it's a [Null Set](#).



The most valuable amenities are the ones residents will actually use. Space-occupying, development dollar-hoovering, faddish add-ons like pickleball courts and misted running tracks may look great in the brochure, but are they worth the cost over time for construction and upkeep? In some instances, maybe. As a default, likely not.

If a feature isn't going to be regularly and fully used by a significant percentage of tenants, developers are really just paying for bullet points on the marketing page. Again picking on pickleball, which costs up to \$75,000/per court to build, is that a best use for development **or** marketing dollars?

Putting this column together I read more than three dozen articles and surveys of both owner/developers and tenants. What struck me most, as it always does in these kinds of things, was the disconnect between what's being provided and what's desired by the user.

In order to differentiate themselves, developers and designers have gone hog wild with amenitization, including everything from meditation rooms, mini-soccer fields, putting greens and sky gardens into their projects. At the same time, they have been quietly adjusting layouts and floorplans to cut the square footage of living space to save on materials and labor costs. That seems more than just a little bit backward.

## Tucson Market Metrics:

### *By the Numbers*

From the amenity-saturated to the barebones, the Tucson market had a pretty solid First Quarter.

For 10-99 unit properties, Q1 saw \$120M in transaction volume, a 5% Year-over-Year increase from Q1 2018. In the 100+ unit category, Q1 took in \$176M, a solid 59% jump over 2018.

Average Price-Per-Unit amounts showed exceptional increases, rising 47% YoY to \$71,546 for 10-99 units, and 111% to \$132,685 for 100+. These translated to an Average Price/SF of \$95.39 in 10-99 (up 20%) and \$142.88 (up 69%) in 100+.

Inventory age got newer, with Average Year Built for 10-99 being 1974, compared to 1966 for Q1 last year. For 100+, the Average Year Built was 1988, or six years newer.

The market's occupancy rate remained high. Q1 occupancy for 10+ units was 94.6%, an increase of 0.4% Y-o-Y. Average rent was \$879, up \$57 from Q1 2018.

Tucson MSA demographics continued to look positive. The Census estimate of total population was 1,026,099. The unemployment rate finished at 4.4%, according to March's



Bureau of Labor Statistics numbers.

Median Household Income was \$48,676, and Per Capita Income came in at \$27,323.

In the realm of new construction for 50+ unit properties, 290 units were delivered across two projects. Current projections show 1,701 total units in the Planning stages across 10 properties. A total of 939 units were listed as Under Construction in 7 properties.

Pre-lease absorption was moderate across the region at a rate of five units/property/month.

Total Unit Inventory for 50+ came in at 69,292.

## If You Build it They Will Come.

*Build it Right and They Will Stay*

Of course there are, “Essential,” “Nice-to-have,” and, “What were you thinking?” classes of amenities. Not surprisingly, because they have become so standard over the past 40 years, swimming pools and fitness centers rate highly on the “essential” scale among surveys of prospective tenants, even though they have consistent usage rates of less than 10%.

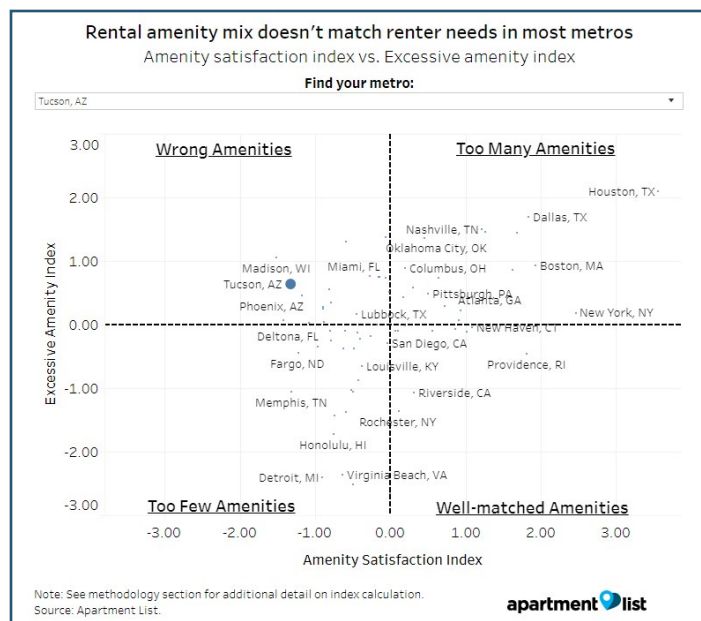
Even on these default-standard offerings, I have to call shenanigans on this. When you’re looking at markets where 6% describes both the maximum average vacancy and minimum average YoY rent growth, only active infestations of mutant rats hauling carts of demonically possessed cockroaches launching balls of asbestos steeped in anthrax actually warrant an 80%+ “deal killer” score.

Meanwhile, actual residents are looking for things like package delivery centers, apps that manage paying rent and scheduling maintenance/work orders, facility-wide network/cellular connectivity, customizable keyless entry, and open spaces with designated dog-friendly areas.

Some designers and developers are trying to create and deliver [Adnan Khashoggi's yacht](#), whereas residents really just want a well-appointed hybrid Honda Accord — an ultra-reliable and well, but not ridiculously well, apportioned space — to meet their daily living needs.

A recent post on Apartment List’s “Rentonomics” page offered up a great example, charting whether multifamily spaces in markets across the country had too many, too few, well matched or wrong amenities for renters’ needs. In Phoenix and Tucson, the amenities came up wrong. In Sacramento, they were too few. Only San Diego had an apparent Goldilocks formula, landing mostly on the line between too few and well matched.

Perhaps the greatest example centers around one obvious quality



of living value-add. Nationally, 87 percent of renters want it, according to multiple surveys, but only 13 percent of communities have it as a standard feature, according to Apartment List. It’s not pickleball. It’s not surround-sound equipped digital theaters. It’s not an onsite car wash, and it’s certainly not a rooftop water park.

It’s in-unit washers and dryers. The national spread between desired by tenants and offered by properties is -40%. The gap in Phoenix is a whopping -53%. In Tucson it’s -48%. Sacramento comes in at -48%, and San Diego is at -44%.

Forget zipline courses, adventure rooms, performance stages and artist-in-residence programs. If you want to keep tenants happy, let them pay their rent with the push of a button, pick up their Prime packages on the way to their units, open their door without fumbling for a key, buzz in visitors from their phone, and wash their bellbottoms without leaving the comfort of their globally connected homes.

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# ABI COMPARATIVE MARKET REVIEW: Q1 2019



TUCSON

PHOENIX

SACRAMENTO

SAN DIEGO

## DEMOGRAPHICS

## RENT/OCC/CONST (50+)

## SALES (50+)

Total Population	1,026,099	4,737,270	2,296,418	3,337,685
Unemployment Rate (as of Mar '19)	4.4%	4.2%	4.1%	3.5%
Employment Growth (y-o-y)	1.4%	2.8%	2.8%	1.4%
Median HH Income	\$48,676	\$57,935	\$62,813	\$70,588
Per Capita Income	\$27,323	\$29,542	\$51,370	\$34,350
Rent (Q1 2019)	\$879	\$1,131	\$1,478	\$1,940
% Increase / Decrease	+6.9%	+8.4%	+5.6%	+4.1%
Occupancy (Q1 2019)	94.6%	95.2%	96.3%	95.9%
% Increase / Decrease	+0.4%	+0.1%	+0.1%	-0.5%
Total Inventory (50+)	69,262	314,191	146,013	226,901
Total Under Construction (50+)	939	14,372	3,646	8,714
Units Delivered (50+, Q1 2019)	290	2,521	126	595
Total Sales Volume (50+, Q1 2019)	\$184M	\$2.04B	\$102M	\$528M
y-o-y % Increase / Decrease	+41%	+72%	-70%	+716%
Average P/U (50+, Q1 2019)	\$125,306	\$152,659	\$119,606	\$273,517
y-o-y % Increase / Decrease	+112%	+7%	-12%	+38%





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SEASONED ADVISORS WITH REGIONAL INSIGHT  
COLLABORATION & COOPERATION

### NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS



#### MISSION ANTIGUA

5525 South Mission Road,  
Tucson, AZ

Sold Price: \$21,800,000  
Units: 248  
Year Built: 1989



#### BROOKWOOD

201 South Kolb Road  
Tucson, AZ

Sold Price: \$21,000,000  
Units: 272  
Year Built: 1973



#### CASA DEL NORTE APARTMENTS

3802 North Flowing Wells Road  
Tucson, AZ

Sold Price: \$3,900,000  
Units: 84  
Year Built: 1984



#### SYCAMORE COVE

2458 North Sycamore Boulevard,  
Tucson, AZ

Sold Price: \$2,385,000  
Units: 67  
Year Built: 1979

### APARTMENT BROKERAGE & ADVISORY FIRM

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