



## TUCSON MSA | MULTIFAMILY | YE 2019 REPORT

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5+ UNIT PROPERTIES	YE 2019	INCREASE/DECREASE	YE 2018
<b>Total Sales Volume</b>	<b>\$762M</b>	<b>-24.2%</b>	<b>\$1.00B</b>
<b>AVERAGE Price/Unit</b>	<b>\$100,647</b>	<b>+16.3%</b>	<b>\$86,556</b>
<b>AVERAGE Price/SF</b>	<b>\$131.07</b>	<b>+16.2%</b>	<b>\$112.78</b>
<b>AVERAGE Year Built</b>	<b>1969</b>	<b>-2 Yrs</b>	<b>1971</b>
<b>Average Rent</b>	<b>\$932</b>	<b>+9.8%</b>	<b>\$849</b>
<b>Occupancy Rate</b>	<b>94.7%</b>	<b>+0.2%</b>	<b>94.5%</b>
<b>Units Delivered</b>	<b>803</b>	<b>+1,506.0%</b>	<b>50</b>

### ABI GEONEWS: TUCSON MSA - SELECT NEWS

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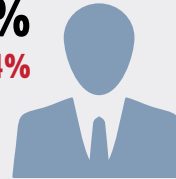
**Raytheon** Raytheon adds another 1,000 jobs to Tucson

**LandHub** LandHub launches new land listing website

**New Oro Valley Marketplace** owners interested in hotel, multifamily development

**1,026,099** **POPULATION**  
CENSUS

**4.1%**  
**-0.4%**



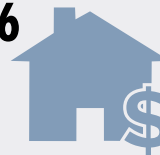
**UNEMPLOYMENT**  
Q-Q AS OF DEC 2019 - BLS

**2.3%**



**EMPLOYMENT GROWTH**  
Y-O-Y AS OF DEC 2019 - BLS

**\$48,676**



**MEDIAN HH INCOME**  
CENSUS

**\$27,323**



**PER CAPITA INCOME**  
CENSUS

**803**  
Units (50+)



**UNDER CONSTRUCTION**  
YARDI

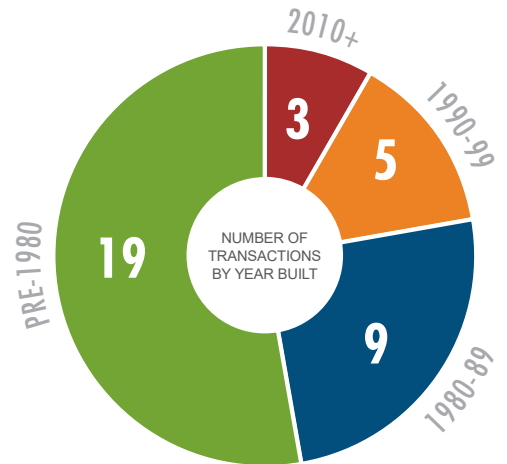
**85,904**  
Units (5+)



**TOTAL INVENTORY**  
AS OF DEC 2019 - YARDI

# 50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2019	INCREASE/DECREASE	YE 2018
<b>Total Sales Volume</b>	<b>\$655M</b>	<b>-27.1%</b>	<b>\$899M</b>
<b>AVERAGE Price/Unit</b>	<b>\$110,375</b>	<b>+20.6%</b>	<b>\$91,541</b>
<b>Price/SF</b>	<b>\$139.60</b>	<b>+18.9%</b>	<b>\$117.38</b>
<b>Year Built</b>	<b>1981</b>	<b>-3 Yrs</b>	<b>1984</b>



## TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



### Aspire Tucson

Tucson, 149 Units | \$96,732,000  
\$649,208/Unit | \$192,310/Bed | \$327.91/SF | Built 2019



### The Country Club of La Cholla

Tucson, 217 Units | \$53,050,000  
\$244,470/Unit | \$224.35/SF | Built 1991



### Pima Canyon

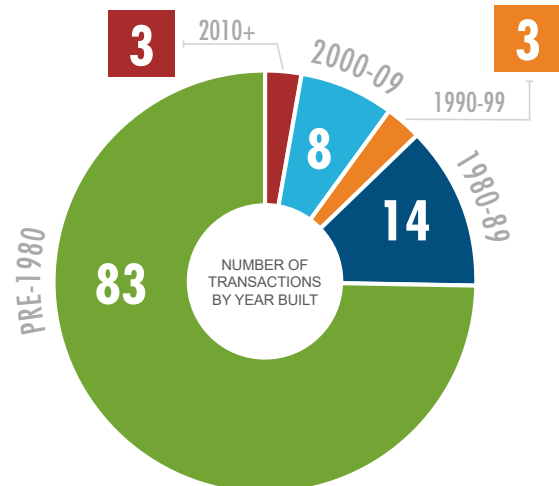
Tucson, 240 Units | \$44,850,000  
\$186,875/Unit | \$200.55/SF | Built 2019

## YE 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	\$296K	\$243
2000-09	--	--	--
1990-99	5	\$137K	\$161
1980-89	9	\$93K	\$124
Pre-1980	19	\$63K	\$91

# 5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2019	INCREASE/DECREASE	YE 2018
<b>Total Sales Volume</b>	<b>\$107M</b>	<b>+0.9%</b>	<b>\$106M</b>
<b>AVERAGE Price/Unit</b>	<b>\$65,295</b>	<b>+10.1%</b>	<b>\$59,280</b>
<b>Price/SF</b>	<b>\$95.41</b>	<b>+12.7%</b>	<b>\$84.69</b>
<b>Year Built</b>	<b>1965</b>	<b>NO CHANGE</b>	<b>1965</b>



## YE 2019 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	\$253K	\$207
2000-09	8	\$110K	\$116
1990-99	3	\$77K	\$105
1980-89	14	\$62K	\$82
Pre-1980	83	\$56K	\$89

## TOP 3 TRANSACTIONS BY PRICE/UNIT (5-49)



### 315 North Park Avenue

Tucson, 12 Units | \$4,800,000  
\$400,000/Unit | \$302.29/SF | Built 2018



### The Second Street Houses

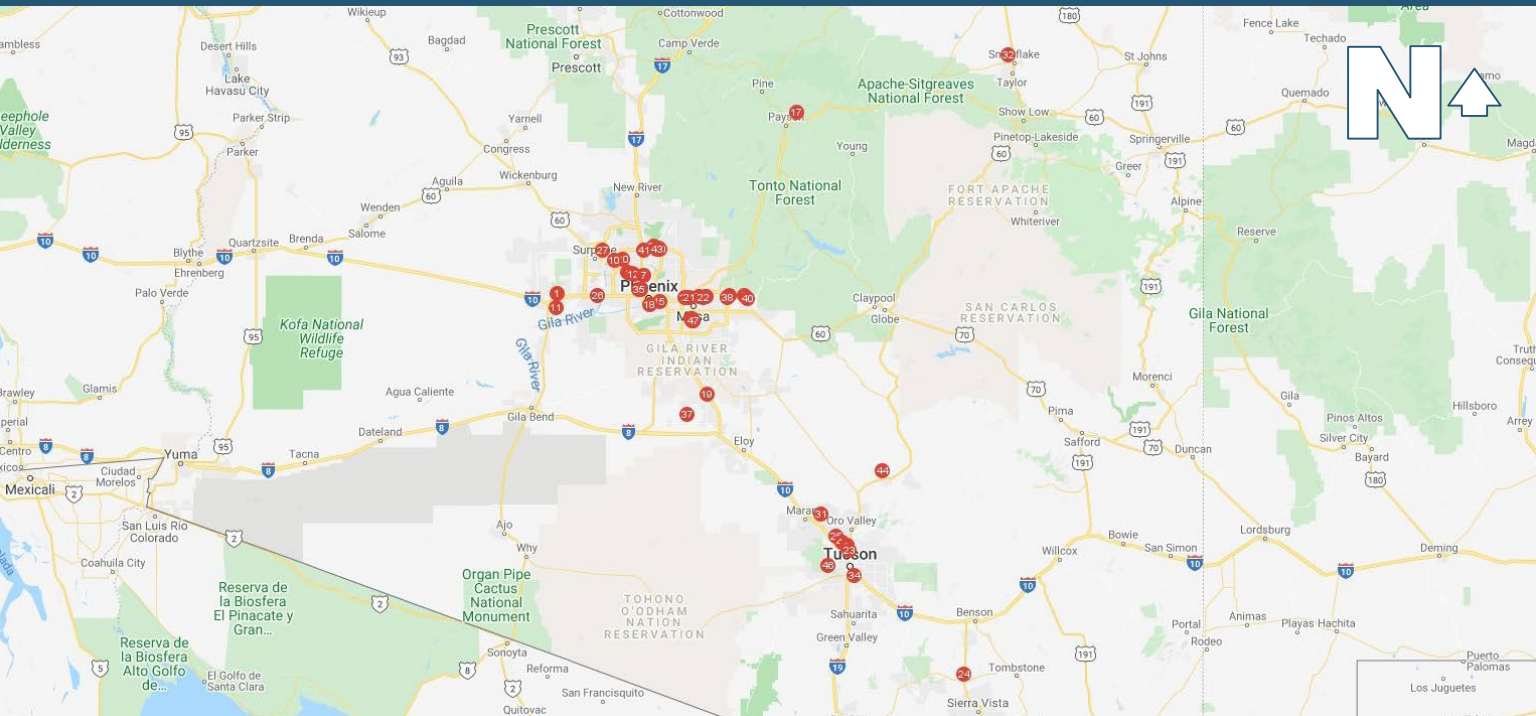
Tucson, 7 Units | \$2,275,000  
\$325,000/Unit | \$187.10/SF | Built 2009



### 1114 East Adams Street

Tucson, 5 Units | \$1,550,000  
\$310,000/Unit | \$270.36/SF | Built 1952

# ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



## MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (YE 2019)

PHOENIX MSA

\$84,312,218

TUCSON MSA

\$46,582,540

OTHER AZ MSA

\$12,750,000

Transaction Volume (YE 2018)

\$285,047,190

\$3,400,000

\$0

Avg Sales Price / Space (YE 2019)

\$56,358

\$56,191

\$47,398

Avg Sales Price / Space (YE 2018)

\$62,061

\$37,363

\$0

FAMILY

Transaction Volume (YE 2019)

\$203,465,480

\$15,253,235

\$2,359,500

Transaction Volume (YE 2018)

\$122,296,500

\$7,341,000

\$700,000

Avg Sales Price / Space (YE 2019)

\$57,639

\$17,274

\$13,824

Avg Sales Price / Space (YE 2018)

\$45,396

\$21,655

\$11,290

Total Transaction Volume (2019 YTD, 50+)

\$287,777,698

\$61,835,775

\$15,109,500

Number of Transactions (2019 YTD, 50+)

37

8

3

## MHP INVENTORY (50+)

INVENTORY

Total Spaces

PHOENIX MSA

82,523

TUCSON MSA

22,226

OTHER AZ MSA

18,818

Age Restricted/55+

57,760

12,039

9,166

Family

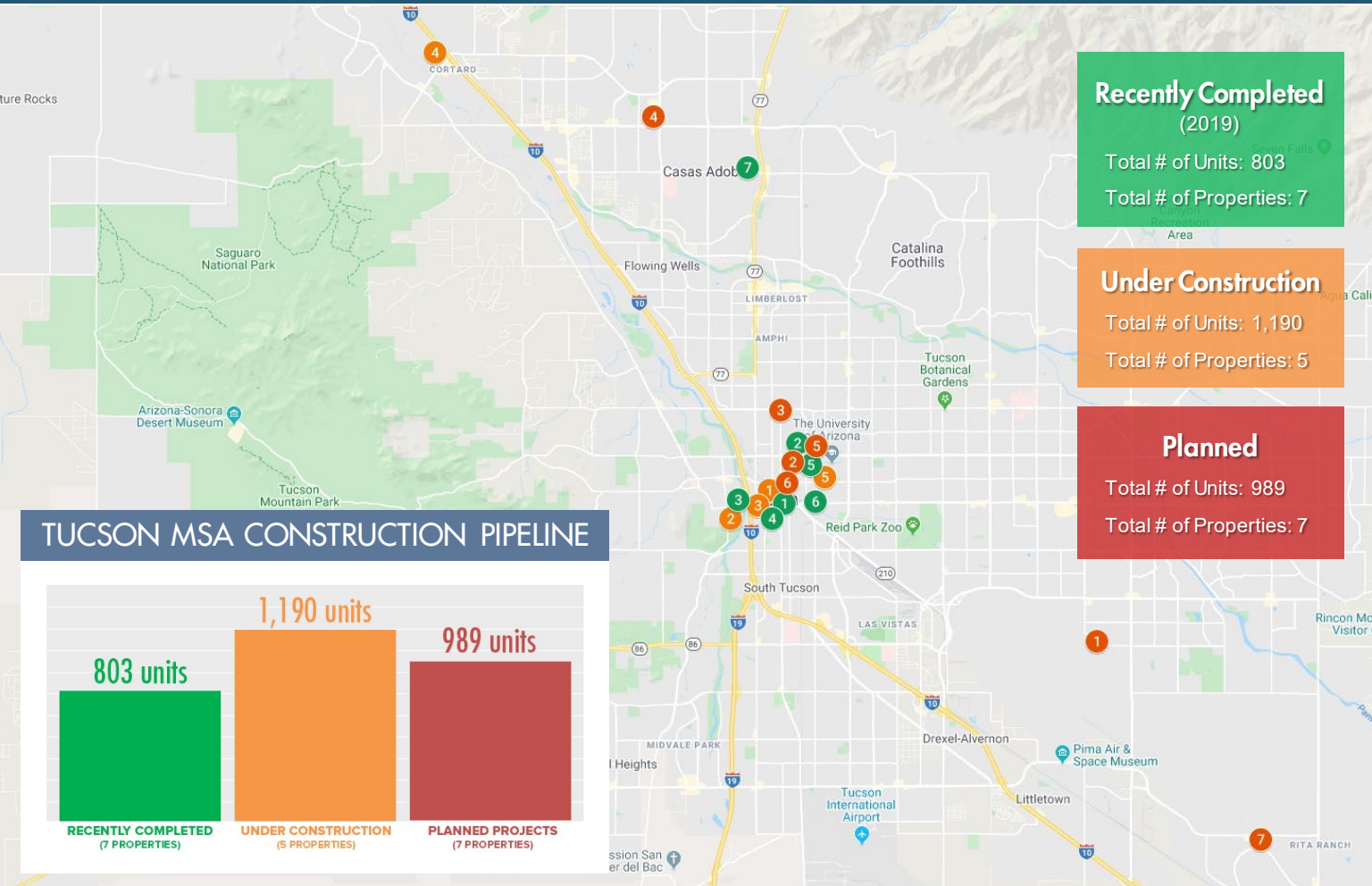
24,763

10,187

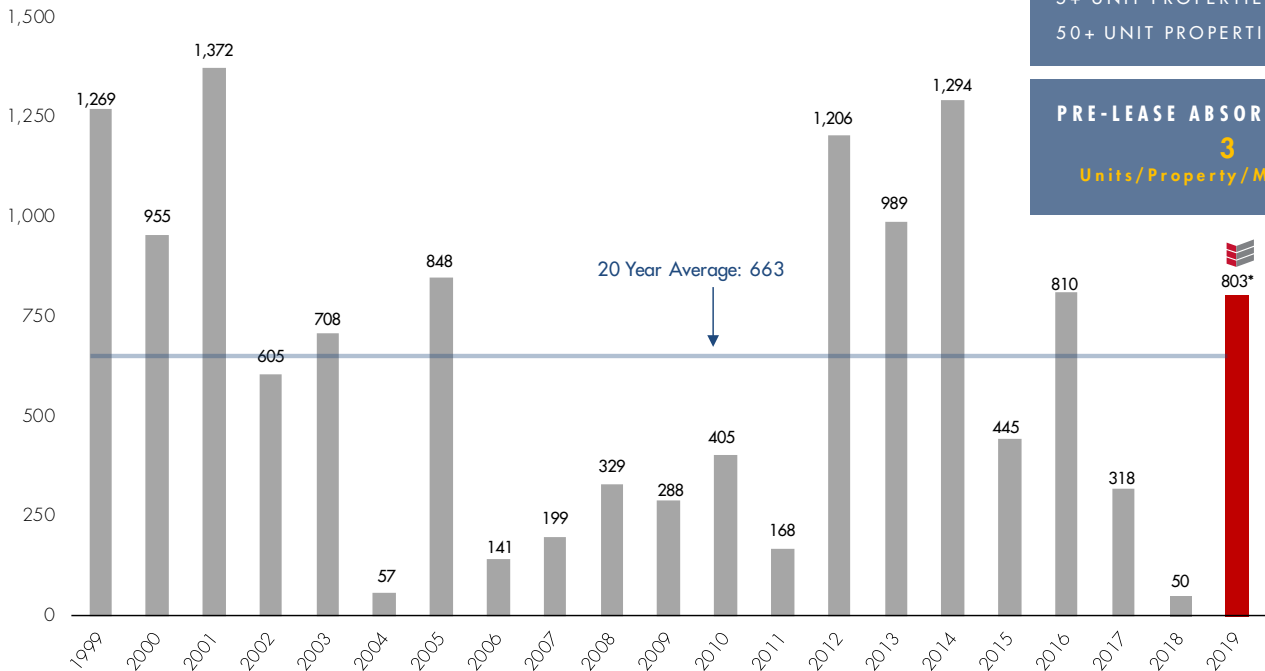
9,572



# COMPLETED CONSTRUCTION



## TUCSON MULTIFAMILY CONSTRUCTION PIPELINE YEAR END 2019



### TOTAL UNIT INVENTORY

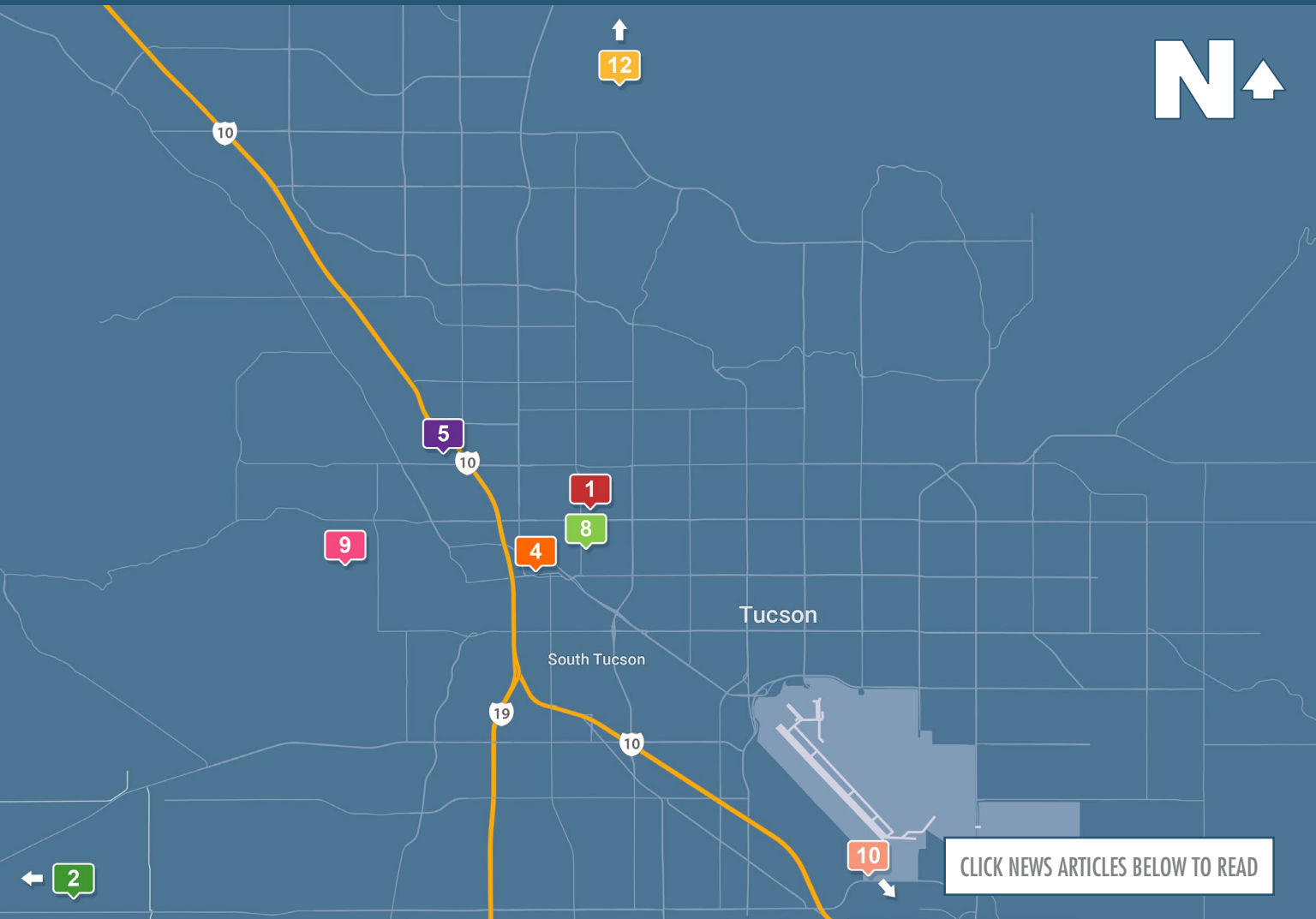
5+ UNIT PROPERTIES: 85,904  
50+ UNIT PROPERTIES: 67,202

### PRE-LEASE ABSORPTION RATE

3  
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 - SELECT NEWS



**1 Core Spaces**  
ABI in the News: New Student Housing Tower Coming Near UA

**Multiple**  
**Regional** Tucson Ranked as the Top City for Emerging Tech Companies

**2 KB Home**  
New Housing, Retail Planned as far West as Metro Tucson Can Go

**8 AJ Capital Partners**  
Graduate Hotels Announces Graduate Tucson

**Multiple**  
**Regional** Investors Continue Snapping up Apartment Complexes

**9 Holualoa Companies**  
Gateway at Tucson Apartments to Receive \$10 Million Renovation to Meet Needs to Expanding Multifamily market

**4 Pueblo Center Partners**  
Developers Seeking City of Tucson's Help to Renovate Shuttered Hotel Arizona Downtown

**10 Raytheon**  
Raytheon adds another 1,000 jobs to Tucson

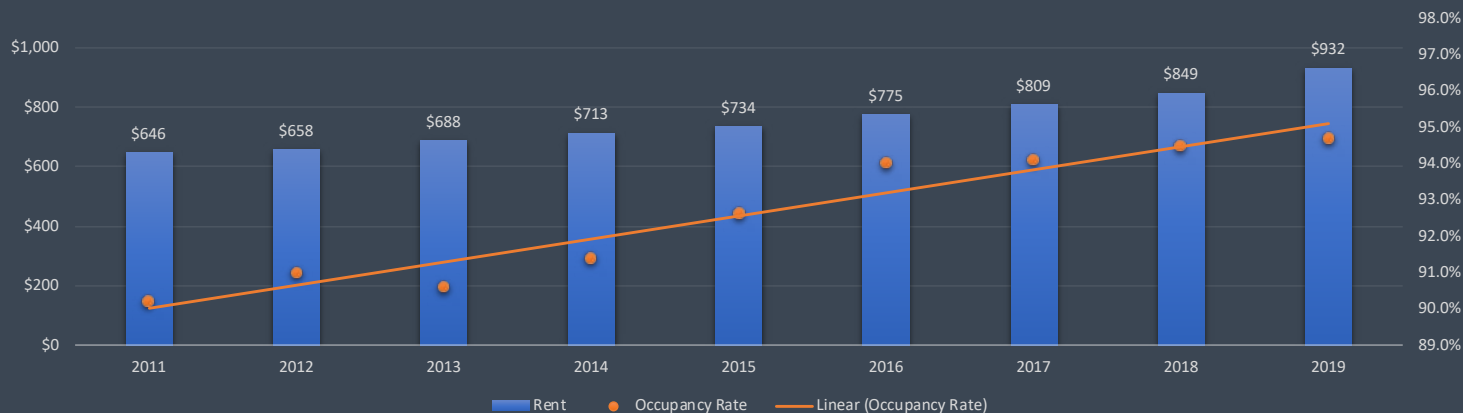
**5 Paqua Yaqui Tribe**  
Tucson Could Get a New Casino

**LandHub**  
**Regional** LandHub launches new land listing website

**City of Tucson**  
**Regional** Tucson Landlords Saying No to Section 8, Uprooting 100s

**12 Town West**  
New Oro Valley Marketplace owners interested in hotel, multifamily development

Tucson Average Rent and Occupancy Change Y-O-Y (2011 - 2019)



BY: DREW RICCIARDI, RESEARCH MANAGER

With the year and decade coming to an end, where does the housing market stand in comparison to the horrific ending to the previous decade as a result of the fallout from the 2008 crash? Are we to expect another Roaring Twenties or an economic drought?

Across the major markets we cover, a vast pool of data reflects a healthy and thriving housing market at the end of 2019 and gives us a good idea of what is in store for the year to come.

**National Overview**

2019 was a very strong economic year for the real estate industry. We saw low interest rates that seem to be sticking around, a healthy consumer saving rate, homeownership rate on the rise again, high employment growth, and vacancy rates reaching historic lows in all types of housing.

After the year concluded, many reputable sources started forecasting a similar trend for 2020, with a rather bright outlook for the immediate future -- the 2020 Fannie Mae Multifamily Forecast being one of them.

Doug Duncan, Fannie Mae’s senior vice president & chief economist, forecasts a full-year 2020 economic growth at 2.1% and expects the Federal Reserve will not raise interest rates this year. Duncan also expects consumer demand will re-establish housing construction as a significant contributor to economic growth this year.

The Fannie Mae forecast states “rent appreciation and income growth rates have recently converged, implying that rental property markets are currently balanced, but we expect strength in multifamily construction to persist as solid job growth and demographic trends continue to boost demand, while low interest rates are likely to continue enabling corresponding increases in supply.”

On the development front, demand is outpacing supply. Construction costs, such as labor and materials, remain high and on the rise. Lower interest rates are helping mask the construction cost problem to some extent, but developers are still somewhat cautious to build.

The market is desperate for more affordable housing and less class A. Some experts believe 2020 could be a very active year for affordable housing development. The principal and managing director of capital markets at NRP, George Currall, said “affordability is an enormous concern for many renters and the industry is working hard to create the supply that will remedy demand-driven rent increases.” Currall continued to say “more specifically, 2020 will be The NRP Group’s biggest year yet for both our moderate and low-income product. Our goal is to continue meeting the needs of residents with incomes below their area median income.”

**Multifamily: Best Investment During Eventual Slowdown**

Investors and analysts are always trying to predict when, where, and why the next economic downturn will take place. While these questions are always subject to a fair amount of speculation and chance, one thing that industry experts seem to agree on is that the next recession will be nowhere near as dire or impactful as The Great Recession of 2008.

Still, a recession is a recession, and with the fear of storm clouds brewing on the horizon, many investors are left wondering which asset classes offer the best shelters in which to weather any upcoming storm. Some experts suggest multifamily is the safest bet going into a potential downturn.

Nat Kunes, SVP of investment management at AppFolio, said:

“multifamily is a safe bet in the real estate investment ecosystem because, historically, it’s always been an in-demand asset class.” Kunes goes on to say “Unlike retail property, the value of which might shift dramatically depending on larger, economic factors, multifamily is generally shielded from significant market swings. People need housing, and as a number of potential homebuyers continue to get priced out of the market, multifamily renting remains a top choice for many Americans.”

With fears of a market correction looming in the distance, multifamily development plans remain robust and apartment rents project to continue to surge in an upward trend. According to RealPage data, about 550,000 new apartment units are planned to be completed in the next 18 to 24 months nationwide. Despite that, leasing-up new class A developments may prove challenging in a slowdown.

## Tucson Market Metrics:

### *By the Numbers*

For 2019, the Tucson MSA ended with healthy numbers and increases in majority of areas y-o-y.

For 5-49 unit properties, 2019 saw a transaction volume of approximately \$107 Million, which represented a 0.9% Year-over-Year Increase from 2018. In the 50+ unit category, 2019 brought more than \$655 Million, down 27.1% over 2018.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 10.1% YoY to \$65,295, and up 20.6% to \$110,375 for 50+. These translated to an Average Price/SF of \$95.41 in 5-49 (up 10.1%) and \$139.60 (up 18.9%) in 50+.

Average Year Built for 5-49 remained the same at 1965. Average Year Built for 50+ fell from 1984 in 2018 to 1981 in 2019.

The market’s occupancy rate witnessed an increase in 2019 for 5+ units to 94.7%, an increase of 0.2% YoY. Average rent was \$932, up \$83 (9.8%) from 2018.

Tucson MSA demographics continued their solid trends. The Census estimate of total population was 1,026,099. The unemployment rate finished the quarter at 4.1%, according to 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, a solid 803 units were delivered across 7 projects, overcoming the 20-year average of 663 units per year. ABI Multifamily forecasts approximately 900 units to be delivered in 2020.

Currently, an estimated 989 units are in the Planning stages across 7 properties. A total of 1,190 units were listed as Under

Construction in 5 properties.

Pre-lease absorption rates finished at a rate of 3 units/property/month.

Total Unit Inventory for 5+ unit properties is 85,904, and 50+ came in at 67,202.

## Arizona Outlook

More expensive markets are starting to notice how affordable Phoenix is. Phoenix is one of the top rent growth markets in the country as well as the fastest-growing city in the country in terms of population increases. Tucson has also shown steady rent growth year after year.

Bruce E. Beverly, CEO of Great American Title Agency said “Phoenix is becoming a top destination, especially for people living in high cost areas like Los Angeles, San Francisco and Seattle. Phoenix’s more reasonably priced housing, lower cost of living, available workforce and stable climate forecasts a growing economy and stronger housing growth in 2020, provided interest rates don’t rise too quickly.”

A tidal wave of migration is followed by a strong demand for supply. Phoenix has one of the worst housing supply/demand imbalances across the nation due to high construction costs, rising job growth, and large moving rates. Despite the clear imbalance, the 2019 year saw the most units delivered in ten years. Like the housing market as a whole, the lack of affordable housing remains a serious problem.

For multifamily investors, business is good. As a result of California rent control drying up the value-add market and the noticeably high occupancy rates, rent growth, job growth and population growth in Arizona, more money is flooding from California to Arizona than ever before. In addition, there is strong investor interest from many other markets throughout the country that are experiencing the squeeze on a variety of factors.

A national study from Newmark Knight Frank Research on multifamily total returns over the past twelve months showed a national average of 5.51% and Phoenix leading all markets with an average of 13.65% (the next highest being 9.49%).

It is clear experts and investors are well aware how hot the Phoenix housing market is currently, and will be throughout next year. 2020 promises to be another great year for multifamily in Arizona.



# ABI COMPARATIVE MARKET REVIEW: YE 2019



TUCSON

PHOENIX

SACRAMENTO

SAN DIEGO

DEMOGRAPHICS

RENT/OCC/CONST (50+)

SALES (50+)

**Total Population**

1,026,099

4,737,270

2,375,770

3,376,860

**Unemployment Rate (as of Dec 2019)**

4.1%

3.7%

3.6%

3.1%

**Employment Growth (y-o-y)**

1.7%

3.2%

1.6%

2.3%

**Median HH Income**

\$48,676

\$57,935

\$75,921

\$82,692

**Per Capita Income**

\$27,323

\$29,542

\$33,548

\$34,350

**Rent (YE 2019)**

\$920

\$1,185

\$1,406

\$1,861

% Increase/Decrease

+8.4%

+9.0%

+3.4%

+3.2%

**Occupancy (YE 2019)**

94.7%

95.3%

94.9%

95.0%

% Increase/Decrease

+0.2%

+0.1%

+0.5%

+0.1%

**Total Inventory (50+)**

67,202

310,213

143,277

227,478

**Total Under Construction (50+)**

1,190

15,896

2,721

7,177

**Units Delivered (50+, YE 2019)**

803

8,874

1,505

3,925

**Total Sales Volume (YE 2019)**

\$655M

\$7.88B

\$1.12B

\$1.66B

y-o-y % Increase/Decrease

-27.1%

+26.5%

-30.7%

+28.6%

**Average P/U (YE 2019)**

\$110,375

\$163,991

\$173,311

\$271,490

y-o-y % Increase/Decrease

+20.6%

+11.4%

+0.1%

+9.4%



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200+ YEARS OF COMBINED MULTIFAMILY BROKERAGE EXPERIENCE  
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

**ORANGE TREE VILLAGE**

645 West Orange Grove Road  
Tucson, AZ

Sold Price: \$15,900,00  
Units: 110  
Year Built: 1981

**INDI TUCSON**

1920 North First Avenue  
Tucson, AZ

Sold Price: \$8,000,000  
Units: 88  
Year Built: 1972

**BELLEVUE TOWER APARTMENT HOMES**

3710 - 3730 East Bellevue Street  
Tucson, AZ

Sold Price: \$5,240,000  
Units: 90  
Year Built: 1969

**APARTMENT BROKERAGE & ADVISORY FIRM**

ABI Multifamily is a brokerage and advisory services firm that focuses exclusively on apartment investment transactions. The experienced advisors at ABI Multifamily have completed billions of dollars in sales and thousands of individual multifamily transactions.

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