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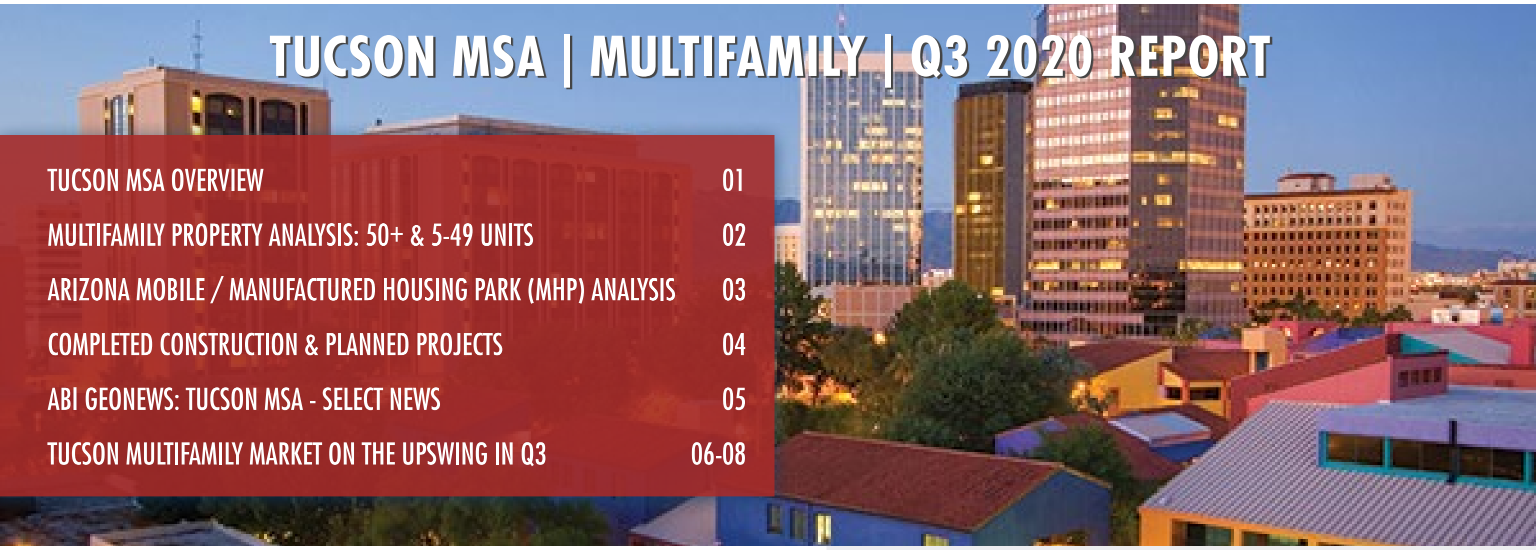


TUCSON MSA | MULTIFAMILY | Q3 2020 REPORT

5+ UNIT PROPERTIES	Q3 2020	INCREASE/DECREASE	Q3 2019
Total Sales Volume	$193M	-19.5%	$239M
AVERAGE Price/Unit	$110,617	+12.9%	$97,958
AVERAGE Price/SF	$146.51	+13.7%	$128.84
AVERAGE Year Built	1973	+5 Yrs	1968
Average Rent	$958	+5.0%	$912
Occupancy Rate	95.7%	+1.1%	94.7%
Units Delivered	100	-67.0%	303

1,039,073
POPULATION
CENSUS

6.5%
-3.4%
UNEMPLOYMENT
Q-O-Q AS OF SEPT 2020 - BLS

-3.4%
EMPLOYMENT GROWTH
Y-O-Y AS OF OCT 2020 - BLS

$53,464
MEDIAN HH INCOME
CENSUS

$29,410
PER CAPITA INCOME
CENSUS

1,659
Units (50+)
UNDER CONSTRUCTION
YARDI

85,520
Units (5+)
TOTAL INVENTORY
AS OF OCT 2020 - YARDI

ABI GEONEWS: TUCSON MSA - SELECT NEWS
CONTINUED ON PAGE 05

tucson.com

Tucson.com
Tucson's apartment market is hot despite COIVD-19's impact

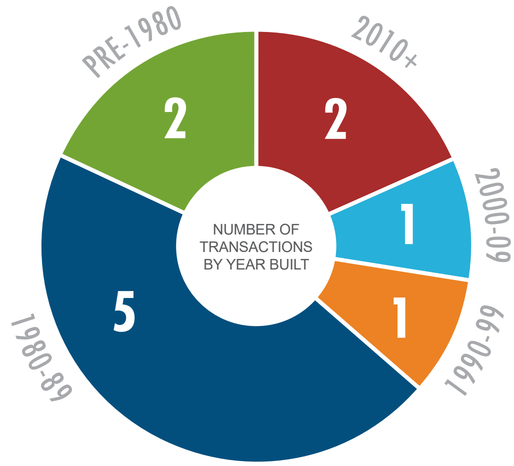
Rio Nueva
Rio Nuevo pushes major downtown highrise projects forward

AZ BEX 10 YEARS 2010 - 2020

AZBEX
Tucson's multifamily properties gets a healthy prognosis

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2020	INCREASE/DECREASE	Q3 2019
Total Sales Volume	$154M	-26.1%	$208M
AVERAGE Price/Unit	$120,869	+13.0%	$106,958
AVERAGE Price/SF	$156.21	+11.0%	$140.72
AVERAGE Year Built	1989	+3 Yrs	1986



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)

255 North
Tucson, 186 Units | $40,000,000
$215,054/Unit | $235.69/SF | Built 1984

Legacy at Dove Mountain
Marana, 168 Units | $34,000,000
$202,381/Unit | $230.45/SF | Built 2011

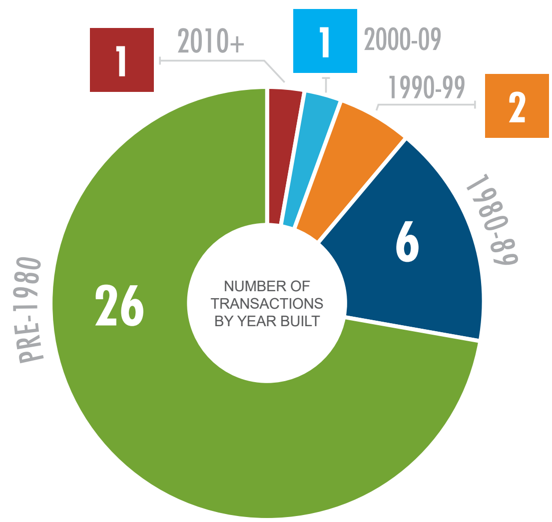
The Cadence
Tucson, 196 Units | $33,000,000
$168,367/Unit | $188.07/SF | Built 2013

Q3 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	$184K	$207
2000-09	1	$51K	$52
1990-99	1	$78K	$141
1980-89	5	$110K	$153
Pre-1980	2	$61K	$89

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

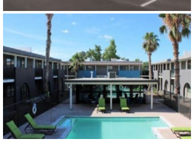
	Q3 2020	INCREASE/DECREASE	Q3 2019
Total Sales Volume	$39M	+24.5%	$31M
AVERAGE Price/Unit	$83,011	+31.8%	$62,965
AVERAGE Price/SF	$117.83	+42.4%	$82.73
AVERAGE Year Built	1968	+5 Yrs	1963



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

The Graymont
Tucson, 8 Units | $4,550,000
$568,750/Unit | $248.36/SF | Built 2018

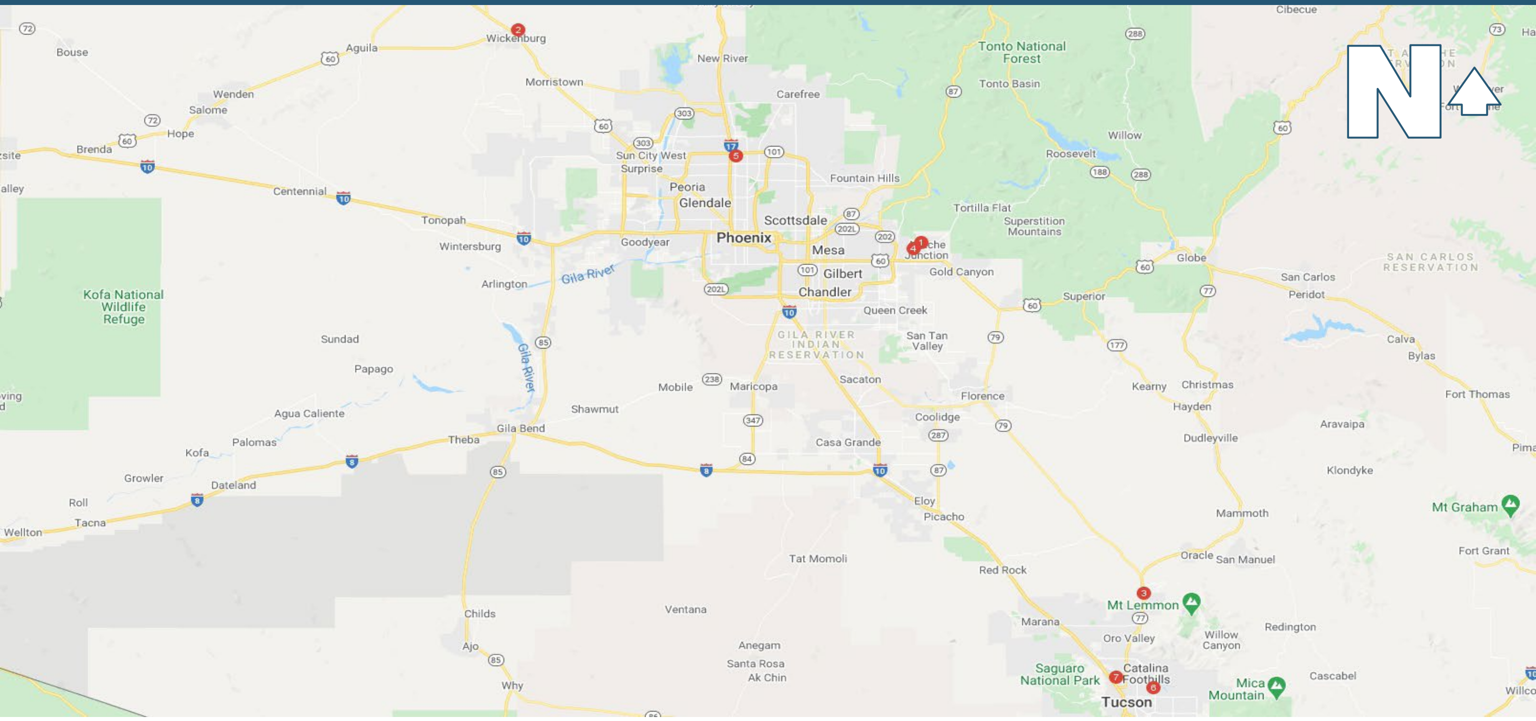
The Beverly on 5th
Tucson, 35 Units | $5,300,000
$151,429/Unit | $159.70/SF | Built 1970



Wasko
Tucson, 38 Units | $5,275,000
$138,816/Unit | $184.13/SF | Built 1973

Q3 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	$569K	$248
2000-09	1	$88K	$224
1990-99	2	$100K	$92
1980-89	6	$71K	$117
Pre-1980	26	$74K	$109



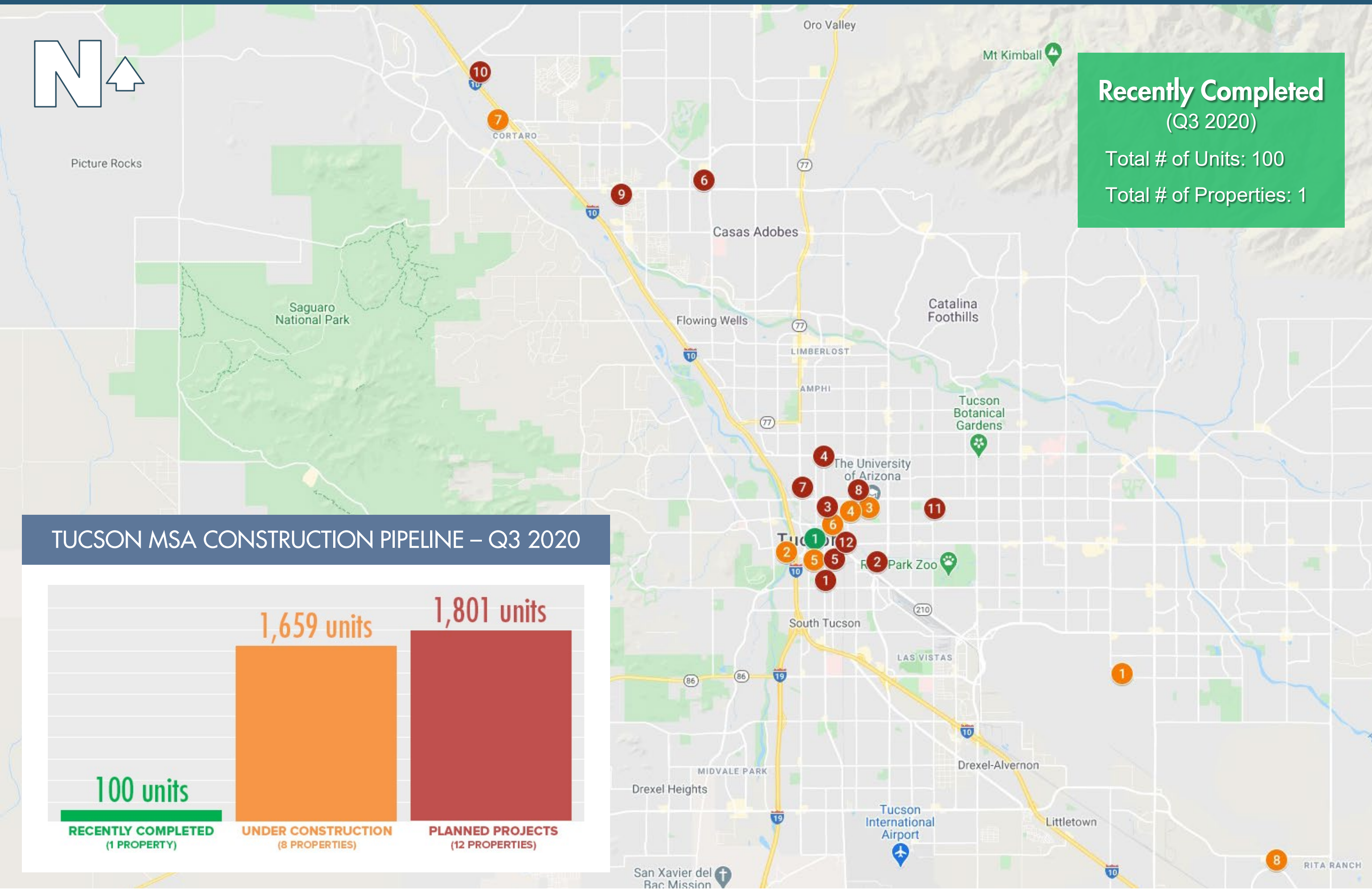
MHP SALES VOLUME (50+)

		PHOENIX MSA	TUCSON MSA	OTHER AZ MSA
AGE RESTRICTED/55+	Transaction Volume (Q3 2020)	$89,000,000	$6,265,000	$0
	Transaction Volume (Q3 2019)	$0	$18,500,000	$0
	Avg Sales Price / Space (Q3 2020)	$74,539	$40,160	--
	Avg Sales Price / Space (Q3 2019)	--	$71,984	--
FAMILY	Transaction Volume (Q3 2020)	$8,200,000	$0	$0
	Transaction Volume (Q3 2019)	$77,875,000	$1,813,235	$0
	Avg Sales Price / Space (Q3 2020)	$49,697	--	--
	Avg Sales Price / Space (Q3 2019)	$66,220	$33,578	--
	Total Transaction Volume (2020 YTD, 50+)	$97,200,000	$6,265,000	$0
	Number of Transactions (2020 YTD, 50+)	4	3	0

MHP INVENTORY (50+)

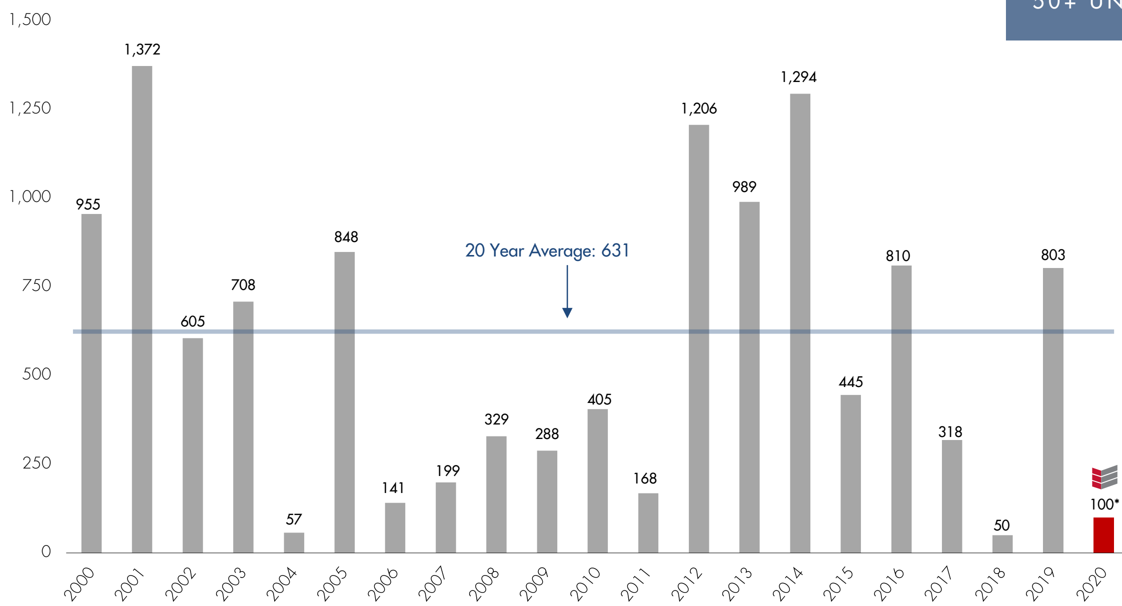
		PHOENIX MSA	TUCSON MSA	OTHER AZ MSA
INVENTORY	Total Spaces	87,534	22,353	30,522
	Age Restricted/55+	61,856	12,059	12,369
	Family	25,678	10,294	18,153

COMPLETED CONSTRUCTION



Recently Completed
(Q3 2020)
Total # of Units: 100
Total # of Properties: 1

TUCSON MULTIFAMILY CONSTRUCTION PIPELINE
Q3 2020



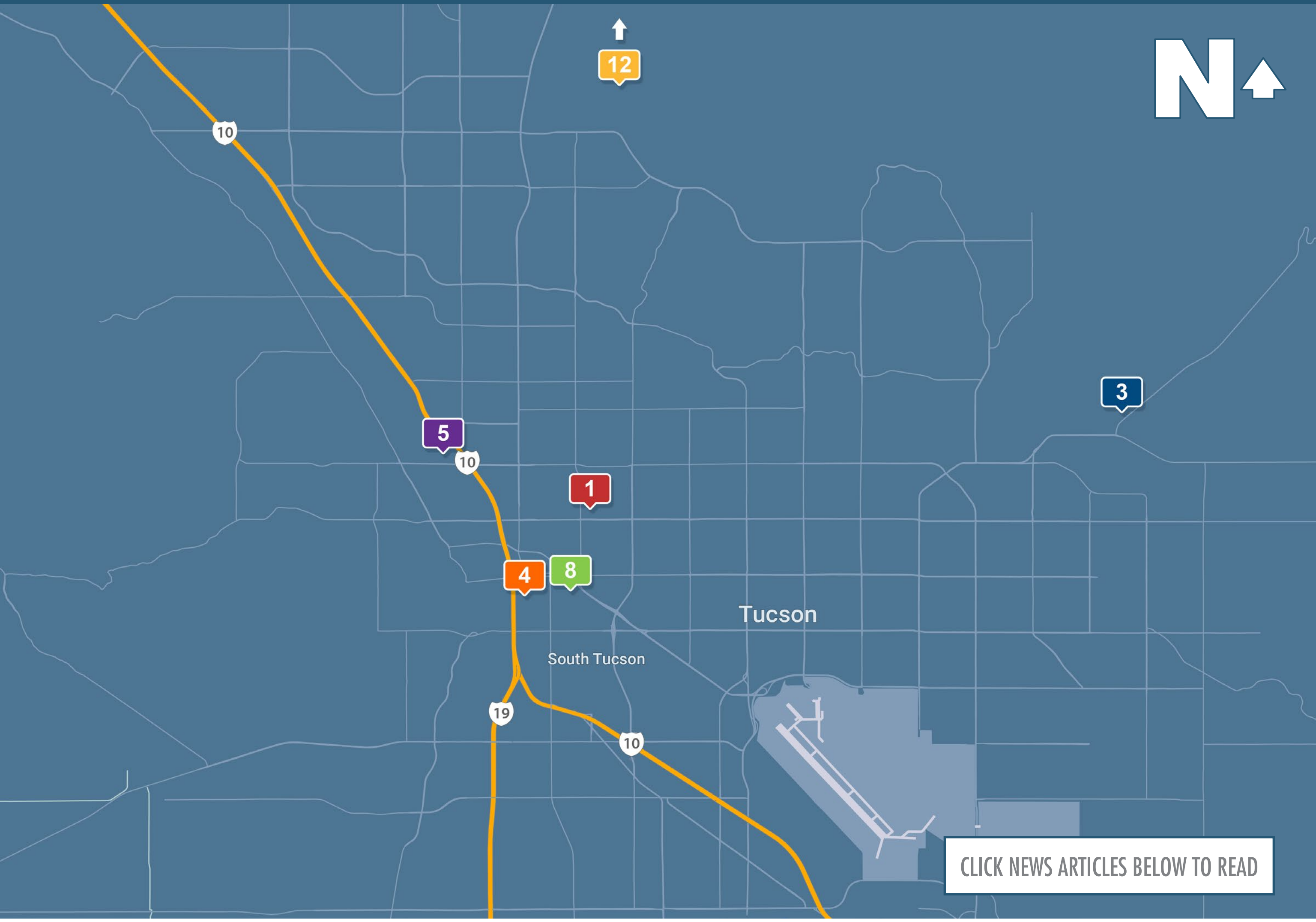
TOTAL UNIT INVENTORY
5+ UNIT PROPERTIES: 85,277
50+ UNIT PROPERTIES: 67,413

PRE-LEASE ABSORPTION RATE
22
Units/Property/Month

Under Construction
Total # of Units: 1,659
Total # of Properties: 8

Planned
Total # of Units: 1,801
Total # of Properties: 12

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



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3 **Saunders Amos, LLC**
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4 **Pueblo Center Partners**
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ABInsight®

BY: DREW RICCIARDI, ABI RESEARCH MANAGER

Tucson Multifamily Market on the Upswing in Q3

Reimagining Apartment Community Amenities

The Covid-19 pandemic has and will continue to change the way we do things for the foreseeable future. One of those changes may be a shift in the amenities for future and existing apartment properties. Multifamily real estate developers are starting to reevaluate which apartment amenities are most valuable to renters in light of the pandemic.

Prior to the virus changing the way we live, work, and play, a survey conducted by Greystar showed the highest rated amenities among renters were swimming pools, multi-use common areas, pet-friendly features, and soundproof walls. Other highly ranked amenities were in-unit washers and dryers, hardwood floors, balconies, and stainless-steel appliances.

Today, renters are prioritizing more space over past popular amenities due to the rise of remote working and more time spent at home due to stay-at-home orders and increased avoidance of public spaces due to the virus. Amenities like strong Wi-Fi connectivity, in-unit desk or home office setups, and coworking spaces that are socially distanced, divided, and more private are becoming a point of focus for developers and property management companies. So too are amenities like 24/7 package locker rooms, improved HVAC and air filtration systems, and outdoor fitness areas. Balconies have also maintained a high rating, giving renters more private outdoor space.

Some existing properties are starting to convert community lounge areas as on-property makeshift learning areas for children, as they conform to the new norm of online schooling. Others are changing their furniture in communal areas to flex pieces that can be easily maneuvered and separated to promote social distancing as well as giving residents the ability to reserve lounge spots to host small gatherings.

To reduce contact and virus spread within communal apartment areas, contactless entry/smart access key fobs and motion censored doors, sink faucets, and toilets are all being implemented to create a no-touch environment. Some developers are taking it to the next level and creating specialized ionization systems in communal areas that can sanitize rooms of any left-behind germs with the touch of a button.

Some multifamily developers believe that certain Covid-related features, like work-from-home amenities, will be here to stay, with others seen as short-term tweaks to combat the virus. They believe the current concern of density will slowly diminish with time.

Between 2008 and 2018, the average new apartment unit size decreased by 5% from about 1,000 square feet to about 950 square feet, according to RENTCafé. Now, with a dramatic shift in everyday life upon us, time will tell if we witness a rebound in the average size of apartments, as more personal space is becoming a clear priority to the average renter.

Government Aid on the Horizon

As economic drivers improve and the country returns to some much-needed normalcy that hasn't been felt in some time, major markets around the nation are heading toward the path of recovery, barring another major shutdown.

Some people can escape mandatory shutdowns and venture out in their communities with limited restrictions. Jobs lost as a result of the pandemic have started to make a comeback, granting people the ability to return to work in some capacity.

That being said, millions of Americans are still in need of financial relief. The CARES Act proved to provide monumental support to people struggling to pay their rent and bills due to Covid-19. Once the additional unemployment benefits came to an end on July 31st, many remained in need of continued assistance.

The good news is that there is a second stimulus package on the horizon and, it's not a matter of if but when it will be passed. Negotiations on the details of a second stimulus package have stalled due to the presidential election, but that gridlock may dissolve as everything continues to sort out. Specific components of the stimulus are continuing to be hashed out, such as the total cost of the bill. Luckily, both sides agree on another round of stimulus checks and some form of additional unemployment benefits that will provide resources directly to individuals and families in need.

The passage of the next stimulus will be immensely impactful to the multifamily market by helping Americans, who have been hit hardest, keep up with their rent payments, thus minimizing delinquencies, evictions, and vacancies. The timing of the financial relief remains unclear, but many are hopeful it will be passed before or just after the new year.

The State of The Tucson Multifamily Market

After a rough second quarter, the Tucson MSA is reporting a strong rebound to pre-pandemic levels. The sudden rebound is a result of the state's strong economy.

More out-of-state businesses are flocking to Arizona than ever before. For example, Dallas-based company COMSovereign plans to open a 140,000 square-foot factory in Tucson, giving the local economy another job boost after adding about 1,600 jobs in Q3.

A large portion of Tucson's labor market consists of stable public sector position's that has proven to be an anchor during the recession.

Like businesses, people are relocating to Arizona, creating a higher demand for housing. The rise of remote working has enabled highly skilled workers to leave their expensive dense markets for a more affordable market that presents a favorable quality of life for all age groups.

The strength of the state's economy is not going unnoticed. Out-of-state investors are making their presence well known in the Tucson multifamily market.

Multifamily deal flow is returning to the healthy pre-pandemic levels following an abysmal total sales volume in Q2. Tucson revealed a strong rebound this quarter in sales volume, almost tripling the total sales volume reported in Q2.

Another bright spot in the Tucson multifamily market is the rise of rent and occupancy levels. Both average rent and occupancy have exceeded pre-pandemic averages. Experts believed this bounce-back would not be the case until Q4 or the beginning of 2021. The eviction moratorium could prove to be a factor in the reported high occupancy levels. It will be interesting to see how drastic or minimal the data is affected once the moratorium ends.

Even during the peak of the pandemic, Tucson continued to report promising numbers. Tucson ranked number one among all large U.S. markets in the strongest year-over-year rent growth for Q2 2020.

Multifamily deliveries had the strongest quarter of the year, completing 100 units across the Tucson MSA. Yardi Matrix projects Tucson to finish the year delivering 697 units, short of Tucson's deliveries in 2019 of about 1,000 units but exceeding deliveries exponentially in 2017 and 2018. Multifamily development pipeline numbers remain robust in both planned and under-construction properties.

ABInsight® Tucson Multifamily Market on the Upswing in Q3

Although COVID-19 cases are rising in Arizona again, multifamily investors can feel a sense of confidence and resilience after seeing how well the Arizona markets overcame the shutdowns during the peak of the pandemic, compared to other major markets across the nation.

Tucson Market Metrics: By the Numbers

Q3 2020 witnessed a robust bounce back in apartment data trends compared to the somewhat poor numbers reported in Q2, during the height of the pandemic. Q3 sales reported a significant bounce back from Q2 with $193M in total sales for 5+ unit properties.

For 5-49 unit properties, Q3 saw a transaction volume of approximately $39 Million, which represented a 24.5% Year-over-Year Increase from Q3 2019. In the 50+ unit category, Q3 brought in about $154 Million, down 26.1% YoY.

Average Price-Per-Unit amounts were up significantly in the 5-49 segment, rising 31.8% YoY to $83,011, and showing another increase of 13.0% to $120,869 for 50+. This translated to an Average Price/SF of $117.83 in 5-49 (up 42.4%) and $156.21 (up 11.0%) in 50+.

Inventory age saw increases in both 5-49 and 50+ segments Year-over-Year. Average Year Built for 5-49 reported the year 1968, versus 1963. The Average Year Built in 50+ reported the year 1989, compared to 1986 in Q3 2019.

The market's occupancy rate took a jump in the right direction. Q3 occupancy for 5+ units was 95.7%, a big increase of 1.1% YoY. Average rent took a positive jump as well, reporting $958, up $46 (5.0%) from last year.

Tucson MSA demographics continued their solid trends as well. The Census estimate of total population was 1,039,073. The unemployment rate finished the quarter at 6.5%, dropping 3.4% Quarter-over-Quarter, according to Bureau of Labor Statistics numbers.

Median Household Income was $53,464, and Per Capita Income came in at $32,482.

In the realm of new construction for 50+ unit properties, 100 units were delivered from 1 project for the quarter. This represented an 67.0% decrease for Q3 2019's number of 303 units.

Currently, a high 1,801 units are estimated to be in the Planning stages across 12 properties. Another solid total of 1,659 units were listed as Under Construction across 8 properties.

Pre-lease absorption rates were high this quarter at a rate of 22 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 67,413.

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200+ YEARS OF COMBINED MULTIFAMILY BROKERAGE EXPERIENCE
SEASONED ADVISORS WITH REGIONAL INSIGHT
COLLABORATION & COOPERATION

NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS

OVERLOOK AT PANTANO

1800 South Pantano Road
Tucson, AZ 85710

Sold Price: $38,000,000
Units: 444
Year Built: 1985

MISSION ANTIGUA

5525 South Mission Road,
Tucson, AZ

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

BELLEVUE TOWER APARTMENT HOMES

3710 - 3730 East Bellevue Street
Tucson, AZ

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

DREXEL PLAZA

5770 South Jeanette Blvd
Tucson, AZ 85706

Sold Price: $3,800,00
Units: 58
Year Built: 1988

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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