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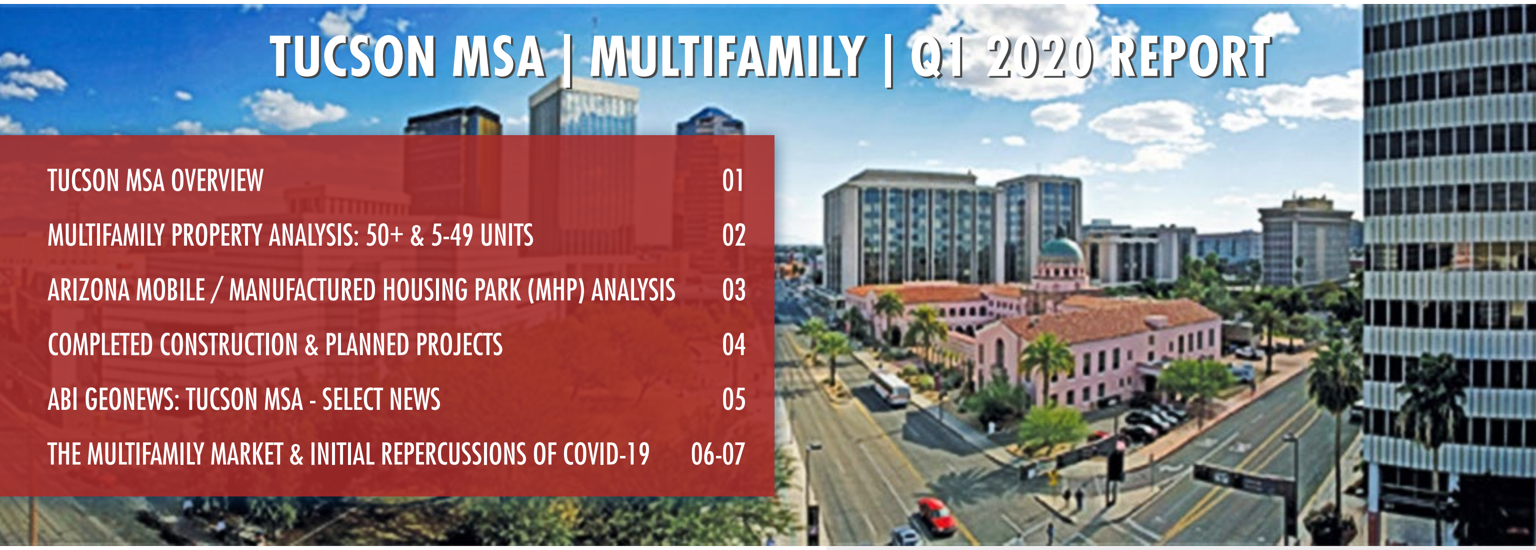

TUCSON MSA | MULTIFAMILY | Q1 2020 REPORT

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5+ UNIT PROPERTIES	Q1 2020	INCREASE/DECREASE	Q1 2019
Total Sales Volume	$520M	+148.7%	$209M
AVERAGE Price/Unit	$140,876	+25.1%	$112,643
AVERAGE Price/SF	$178.05	+36.6%	$130.38
AVERAGE Year Built	1975	+8 Yrs	1967
Average Rent	$940	+5.3%	$893
Occupancy Rate	94.9%	+0.2%	94.7%
Units Delivered	0	-100.0%	360

1,039,073
POPULATION
CENSUS

5.2%
+0.7%
UNEMPLOYMENT
Q-O-Q AS OF MAR 2020 - BLS

0.6%
EMPLOYMENT GROWTH
Y-O-Y AS OF MAR 2020 - BLS

$53,464
MEDIAN HH INCOME
CENSUS

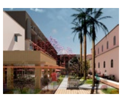
$29,410
PER CAPITA INCOME
CENSUS

1,629
Units (50+)
UNDER CONSTRUCTION
YARDI

84,967
Units (5+)
TOTAL INVENTORY
AS OF MAY 2020 - YARDI

ABI GEONEWS: TUCSON MSA - SELECT NEWS

CONTINUED ON PAGE 05



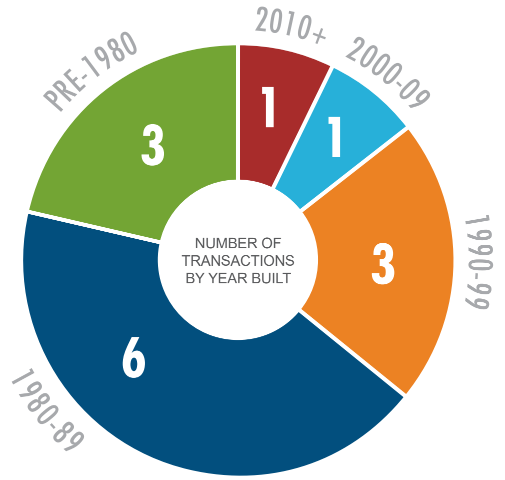
Sundt Construction
After years of negotiations, luxury apartments are going up

Rio Nueva
Rio Nuevo reworks $72.5 million bautista deal

Flash TV LLC
Apartments proposed for Tucson's five points area

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2020	INCREASE/DECREASE	Q1 2019
Total Sales Volume	$484M	+163.1%	$184M
AVERAGE Price/Unit	$147,775	+18.1%	$125,147
AVERAGE Price/SF	$185.46	+35.1%	$137.30
AVERAGE Year Built	1988	+5 Yrs	1983



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)

Sol y Luna Apartments (Student Housing)
Tucson, 341 Units | $194,670,000
$570,880/Unit | $199,253/Bed | $435.95/SF |
Built 2014

Springs at Continental Ranch
Tucson, 196 Units | $37,250,000
$190,051/Unit | $189.63/SF | Built 1999

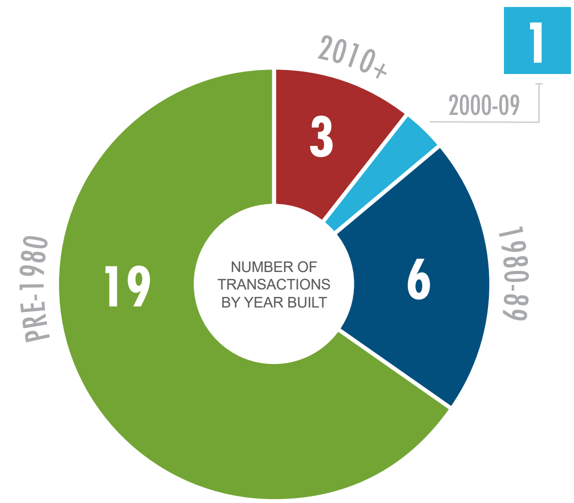
Silverbell Springs
Tucson, 290 Units | $50,250,000
$173,276/Unit | $186.16/SF | Built 2002

Q1 2020 Transactions by Year Built

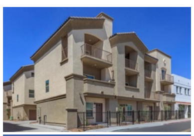
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	$571K	$436
2000-09	1	$173K	$186
1990-99	3	$106K	$138
1980-89	6	$81K	$131
Pre-1980	3	$86K	$100

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2020	INCREASE/DECREASE	Q1 2019
Total Sales Volume	$36M	+43.9%	$25M
AVERAGE Price/Unit	$86,860	+33.3%	$65,177
AVERAGE Price/SF	$115.76	+21.4%	$95.34
AVERAGE Year Built	1968	+3 Yrs	1965



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



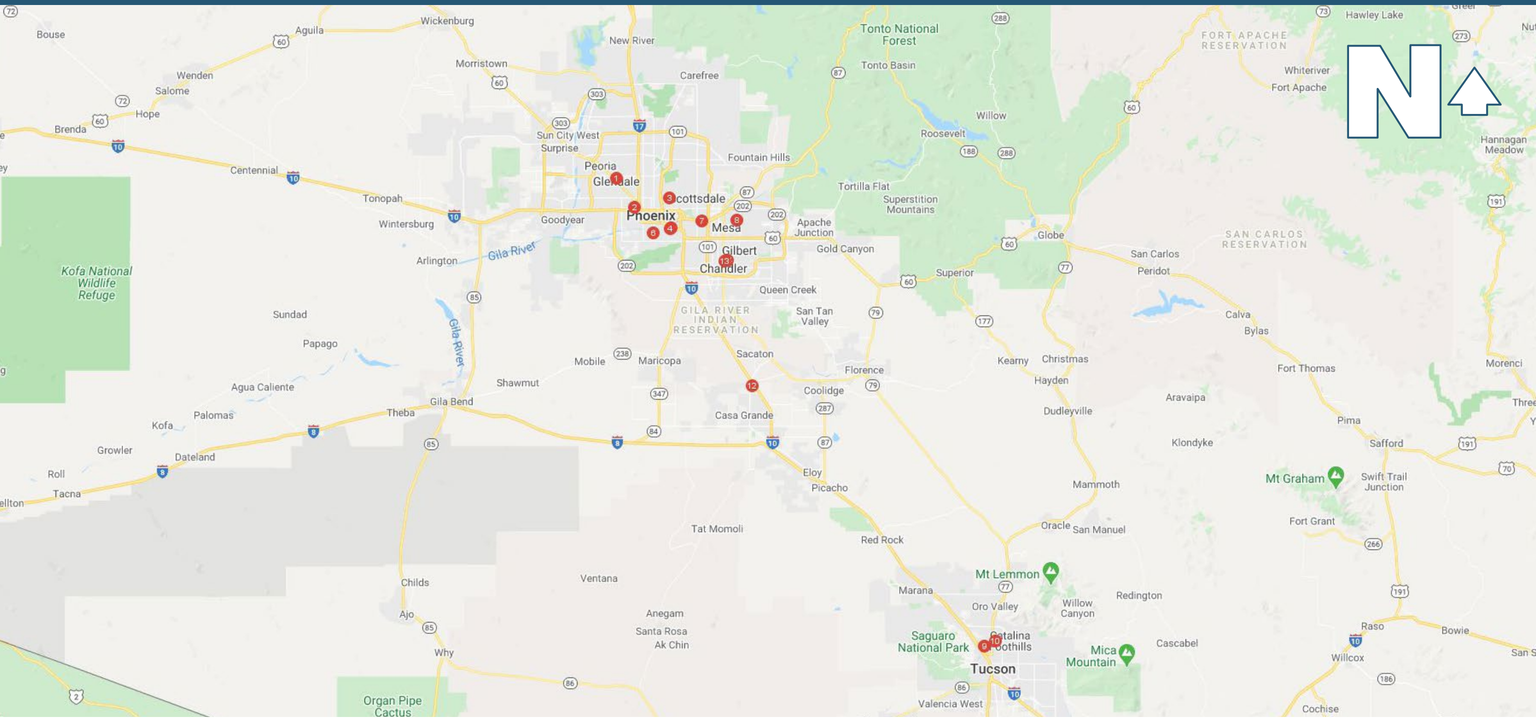
McCormick
Tucson, 25 Units | $8,150,000
$326,000/Unit | $232.19/SF | Built 2017

Lester Student Housing
Tucson, 6 Units | $1,560,000
$260,000/Unit | $70,909/Bed | $181.40/SF |
Built 2008

2602 East Grant Road
Tucson, 6 Units | $1,100,000
$183,333/Unit | $195.87/SF | Built 1939

Q1 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	$226K	$208
2000-09	1	$260K	$181
1990-99	--	--	--
1980-89	6	$67K	$78
Pre-1980	19	$64K	$111

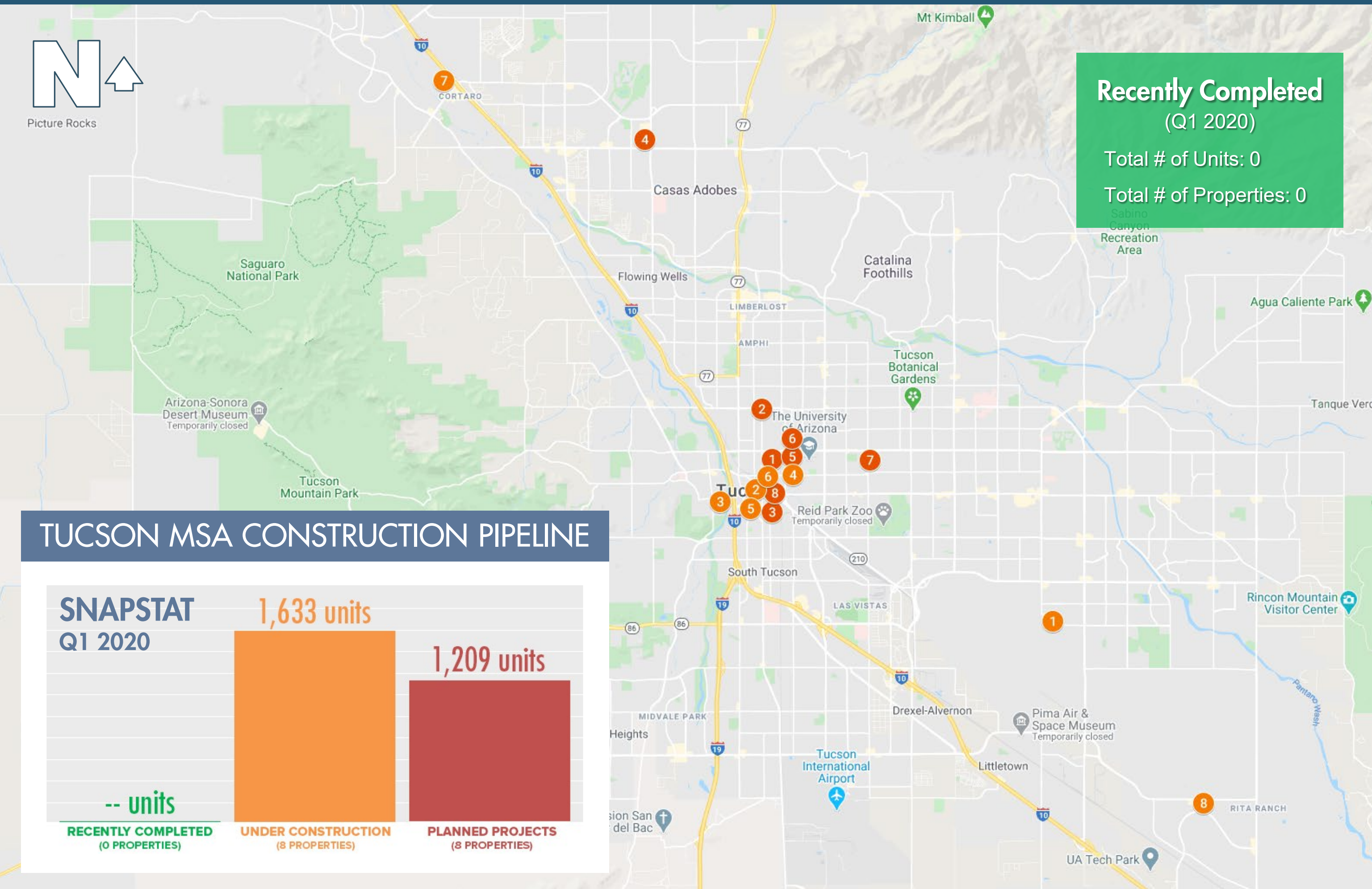


MHP SALES VOLUME (50+)

		PHOENIX MSA	TUCSON MSA	OTHER AZ MSA
AGE RESTRICTED/55+	Transaction Volume (Q1 2020)	$15,000,000	$0	$0
	Transaction Volume (Q1 2019)	$0	$6,401,540	$0
	Avg Sales Price / Space (Q1 2020)	$44,118	--	--
	Avg Sales Price / Space (Q1 2019)	--	$45,401	--
FAMILY	Transaction Volume (Q1 2020)	$57,082,000	$5,450,000	$0
	Transaction Volume (Q1 2019)	$47,630,000	$6,050,000	$0
	Avg Sales Price / Space (Q1 2020)	$66,998	$42,570	--
	Avg Sales Price / Space (Q1 2019)	$38,411	$12,983	--
	Total Transaction Volume (2020 YTD, 50+)	$72,082,000	$5,450,000	$0
	Number of Transactions (2020 YTD, 50+)	12	2	0

MHP INVENTORY (50+)

		PHOENIX MSA	TUCSON MSA	OTHER AZ MSA
INVENTORY	Total Spaces	83,737	22,348	18,818
	Age Restricted/55+	58,830	12,039	9,166
	Family	24,907	10,309	9,572

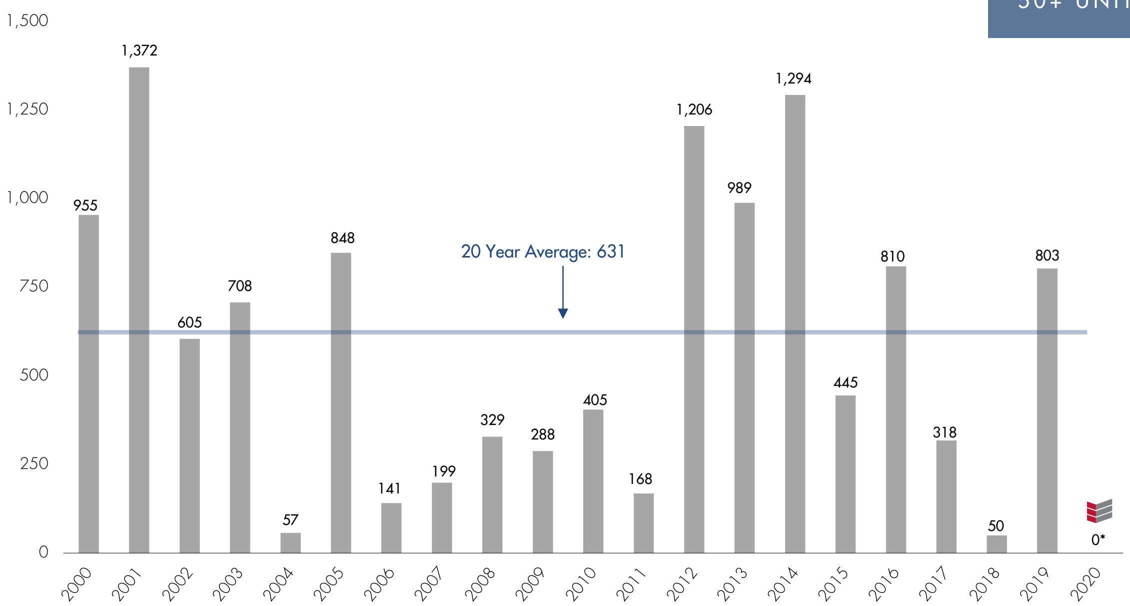


Recently Completed
(Q1 2020)

Total # of Units: 0

Total # of Properties: 0

TUCSON MULTIFAMILY CONSTRUCTION PIPELINE
Q1 2020



TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: **84,967**

50+ UNIT PROPERTIES: **67,103**

PRE-LEASE ABSORPTION RATE

10

Units/Property/Month

Under Construction

Total # of Units: 1,633

Total # of Properties: 8

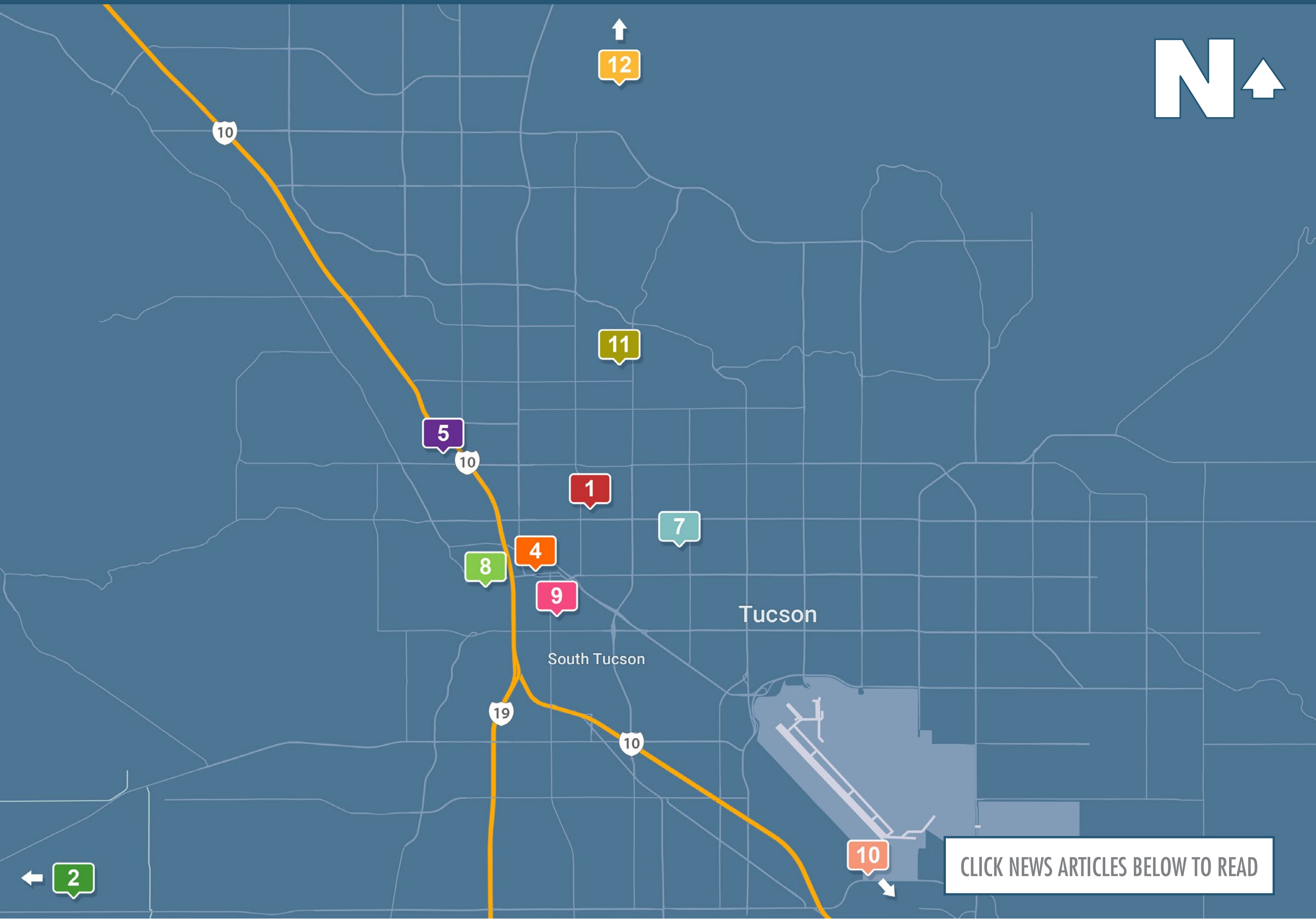
Planned

Total # of Units: 1,209

Total # of Properties: 8

*** 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	7	**Sundt Construction** After years of negotiations, luxury apartments are going up
2	**KB Home** New Housing, Retail Planned as far West as Metro Tucson Can Go	8	**Rio Nueva** Rio Nuevo reworks $72.5 million bautista deal
Regional	**Multiple** Investors Continue Snapping up Apartment Complexes	9	**Flash TV LLC** Apartments proposed for Tucson's five points area
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	Regional	**LandHub** LandHub launches new land listing website
Regional	**City of Tucson** Tucson Landlords Saying No to Section 8, Uprooting 100s	12	**Town West** New Oro Valley Marketplace owners interested in hotel, multifamily development

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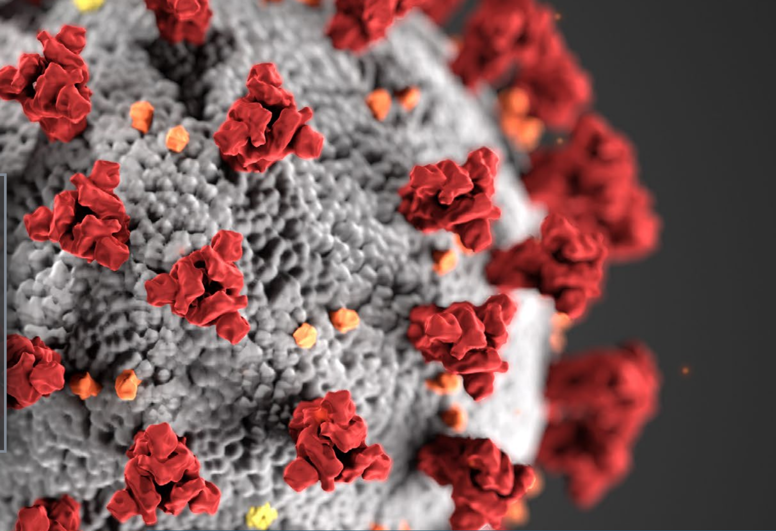

The Multifamily Market & Initial Repercussions of COVID-19

BY: DREW RICCIARDI, RESEARCH MANAGER

COVID-19 Impact on Multifamily

COVID-19 has engulfed the globe before our very eyes. Only a couple months ago, our nation's economic markets were robust, multifamily development was on pace for a healthy year, and job growth continued a consistent rise. Now, with the economy experiencing a degree of turbulence, the multifamily industry observes from a daunting position of uncertainty.

Will renters be able to pay their rent?

New data is beginning to help diminish that uncertainty. According to the National Multifamily Housing Council's latest Rent Payment Tracker data, roughly 88% of renters nationally have paid full or partial rent by May 13. In comparison, about 90% of renters paid their landlords in May 13, 2019. That is great news relative to our current unprecedented events.

Government aid seems to be a major factor in the increase in rent paid and the fact that rent and home payments are typically a person's first priority. The finish to June and July rent payments will be even more telling for multifamily.

The Government Steps in to Help

The U.S. Government helped assist the common tax-paying American by passing the CARES Act with a one-time stimulus check (depending on income) of $1,200 for individuals, $2,400 for married couples, $500 for each dependent child, and an extra $600 a week for unemployment assistance until July 31.

The FED acted by cutting interest rates for short-term lending down to near zero along with a number of programs to improve money markets, incentivize businesses not to lay off employees, and to add more credit facilities.

State and local governments have imposed moratoriums on evictions while providing rental payment assistance programs.

Industry leaders are lobbying for more financial assistance for renters. Amherst, a data and analytics firm, projects American renters may need up to $12 billion each month for the next three to six months.

The downside of all this new money being injected into the economy is inflation. In the immediate future, goods and materials will be less expensive because of a surplus of current existing inventory. Once current inventory is sold off, the cost to produce the next production runs of goods and materials will increase.

Risk is a Component of an Interest Rate

Multifamily lending has also felt the repercussions of this pandemic. An interesting roundtable discussion with industry leaders provided by Multifamily Executive Magazine helped paint a picture of lending moving forward.

"The silver lining is multifamily is one of the few property types that has somewhat functional capital markets with a majority of the financing liquidity being provided by the agencies like Freddie Mac, Fannie Mae, and the Department of Housing and Urban Development," says Robert Hart, President and CEO of TruAmerica. "Due to uncertainty of future rent projections, new household information, and occupancies because of the pandemic…the agencies and most banks are quoting higher spreads, using index floors, and requiring mortgage payment escrow reserves for up to twelve months depending on the type of loan requested."

CEO and Chairman of Waterton, David Schwartz, stated, "Agency lenders are still active, but spreads are up and underwriting is factoring in reality, banks will still lend, but on a relationship basis, no other real lending out there…debt funds are gone, CMBS is gone, and insurance companies are more or less out of the market."

On the construction side, development has been impacted significantly. Severity varies state by state, but factors like a disruption in the supply chain, lack of new construction financing, the closing of local government offices, and the delay of public planning & zoning hearings have complicated the entitlement and approval process. This does not help the existing housing shortage the U.S. currently faces.

It is abundantly clear that opening the country's economy is critical to avoid unemployment, multifamily's largest threat.

Where We Were Going vs. Where We Are Now

At the start of 2020, the common consensus around the industry (including myself) was that we were in store for another extraordinary year for multifamily.

In my 2019 Year-End Report, I spoke about the Fannie Mae 2020 Multifamily Forecast having a bright outlook. According to Fannie Mae researchers, "driven in part by consumer spending, job growth, and low interest rates, the 2020 outlook for the multifamily sector remains positive."

CBRE projected national multifamily deliveries to be the second most units delivered in the past twelve years at 280,000 units.

The Tucson MSA was riding off of a hot finish in 2019 that saw 7,300 jobs be added at a rate of 1.9%, above the U.S. growth rate of 1.4%.

Now that the effects of COVID-19 have set in, the 2020 multifamily outlook has been altered. Investors are being patient while this plays out. The majority of listings have been taken off market, numerous deals have fallen out of escrow, and buyers are demanding prices be cut 5%-15% due to the risk factor. Rent growth and occupancy rates will eventually drop.

The development pipeline is full of planned and under-construction properties, but the timeline for the completion of these projects is unclear. Affordable housing inventory remains a problem, especially considering affordable housing demand is likely to spike.

Moving forward, developers may consider co-working to be multifamily's hottest new amenity, with the recent surge of corporate offices trending towards remote working.

Arizona's stay-at-home order expires May 15th with some "non-essential" retail operations, like salons and restaurants, opening gradually before that date. Some states have already begun phase one of opening their economies. I foresee states to slowly start to open, with Northeast markets trailing behind.

Unemployment numbers will begin to drop with businesses opening their doors to the public again. That said, Phoenix Economic Development Director Christine Mackay believes a startling one in four small businesses in the city may never reopen.

Fortunately, in Tucson, the economy is diverse with education, health, and government sectors making up 38% of the total workforce, higher than the U.S. share of 31%. As a result, these sectors jobs are generally more stable than most and should not see large layoffs in a pandemic.

The real effects will be highlighted in Q2 2020 data. As long as the nation does not experience a major setback, investors' and lenders' fear of the unknown will subside. The economy pre-COVID-19 was healthy as can be, and because of that, there is a great chance that the Coronavirus Recession will be shaped more like a "V" or a small "U" rather than an "L". Optimistically, the path to normality could return around the start of 2021.

Tucson Market Metrics: By the Numbers

In Tucson, Q1 2020 witnessed a very strong start to the 2020 calendar year with major deals closing out of the gate, even with the initial effects of COVID-19.

For 5-49 unit properties, Q1 saw a transaction volume of over $36 Million, which represented a 43.9% Year-over-Year Increase from Q1 2019. In the 50+ unit category, Q1 brought in approximately $484 Billion, up a massive 163.1% YoY.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 33.3% YoY to $86,860, and up 18.1% to $147,775 for 50+. These translated to an Average Price/SF of $115.76 in 5-49 (up 21.4%) and $185.46 (up 35.1%) in 50+.

Inventory age saw an increase Year-over-Year, with Average Year Built for 5-49 being 1968, versus 1965. Average Year Built in 50+ was 1988, compared to 1983 in Q1 2019.

The market's occupancy rate saw an increase surprisingly. Q1 occupancy for 50+ units was 94.9%, an increase of 0.2% YoY. Average rent was $940, up $47 (5.3%) from last year.

Tucson MSA demographics continued their solid trends. The Census estimate of total population was 1,038,073. The unemployment rate finished the quarter at 5.2%, according to Bureau of Labor Statistics numbers.

Median Household Income was $53,464, and Per Capita Income came in at $29,410.

In the realm of new construction for 50+ unit properties, 0 units were delivered to start the year. A disappointing number considering 360 units were delivered by this time last year.

Currently, an estimated 1,209 units are in the Planning stages across 8 properties. A total of 1,629 units were listed as Under Construction in 8 properties.

Pre-lease absorption rates this quarter are at a high rate of 14 units/property/month.

Total Unit Inventory for 5+ units came in at 84,967 units. 50+ unit properties finished at 67,103 units.

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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

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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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