



## TUCSON MSA | MULTIFAMILY | YE 2020 REPORT

TUCSON MSA OVERVIEW	01
MULTIFAMILY PROPERTY ANALYSIS: 50+ & 5-49 UNITS	02
ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS	03
COMPLETED CONSTRUCTION & PLANNED PROJECTS	04
ABI GEONEWS: TUCSON MSA - SELECT NEWS	05
ABInsight® RESILIENCY TESTED IN UNPRECEDENTED YEAR	06-08

### 5+ UNIT PROPERTIES

YE 2020

INCREASE/DECREASE

YE 2019

**Total Sales Volume** **\$1.17B** **+52.3%** **\$765M**

A  
V  
E  
R  
A  
G  
E

**Price/Unit** **\$114,128** **+14.4%** **\$99,764**

**Price/SF** **\$154.68** **+18.3%** **\$130.78**

**Year Built** **1973** **+5 Yrs** **1968**

**Average Rent** **\$948** **+5.7%** **\$897**

**Occupancy Rate** **95.5%** **+0.7%** **94.8%**

**Units Delivered** **707** **-30.2%** **1,013**

### ABI GEONEWS: TUCSON MSA - SELECT NEWS

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#### Tucson.com

Tucson's apartment market is hot despite COVID-19's impact



#### Rio Nueva

Massive high-rise would bring CVS, housing and office space to downtown Tucson



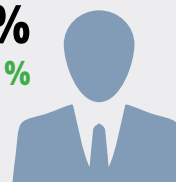
#### City of Tucson

December 2020: Tucson Rents Increased Sharply over the Past Month

**1,047,279**

**POPULATION**  
CENSUS

**7.4%**  
**+1.1%**



**UNEMPLOYMENT**  
Q-Q AS OF DEC 2020 - BLS

**-3.4%**



**EMPLOYMENT GROWTH**  
Y-Q AS OF DEC 2020 - BLS

**\$53,379**



**MEDIAN HH INCOME**  
CENSUS

**\$29,707**



**PER CAPITA INCOME**  
CENSUS

**1,765**  
**Units (50+)**



**UNDER CONSTRUCTION**  
YARDI

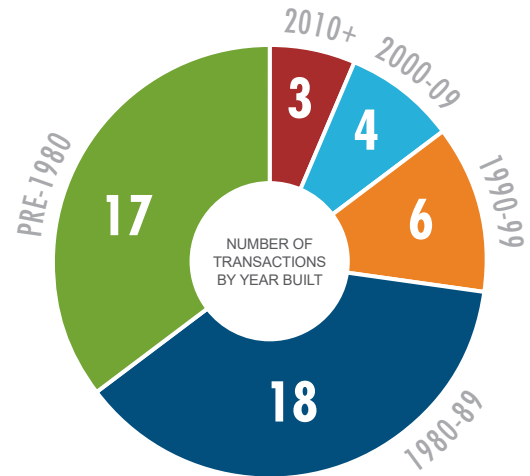
**85,884**  
**Units (5+)**



**TOTAL INVENTORY**  
AS OF JAN 2021 - YARDI

## 50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2020	INCREASE/DECREASE	YE 2019
<b>Total Sales Volume</b>	<b>\$1.04B</b>	<b>+58.4%</b>	<b>\$655M</b>
<b>AVERAGE Price/Unit</b>	<b>\$121,675</b>	<b>+10.3%</b>	<b>\$110,282</b>
<b>AVERAGE Price/SF</b>	<b>\$162.54</b>	<b>+15.7%</b>	<b>\$140.52</b>
<b>AVERAGE Year Built</b>	<b>1986</b>	<b>+5 Yrs</b>	<b>1981</b>



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



#### Sol y Luna Apartments (Student Housing)

Tucson, 342 Units | \$194,670,000  
\$569,211/Unit | \$199,253/Bed | \$435.95/SF |  
Built 2014



#### 255 North

Tucson, 186 Units | \$40,000,000  
\$215,054/Unit | \$235.69/SF | Built 1986



#### Legacy at Dove Mountain

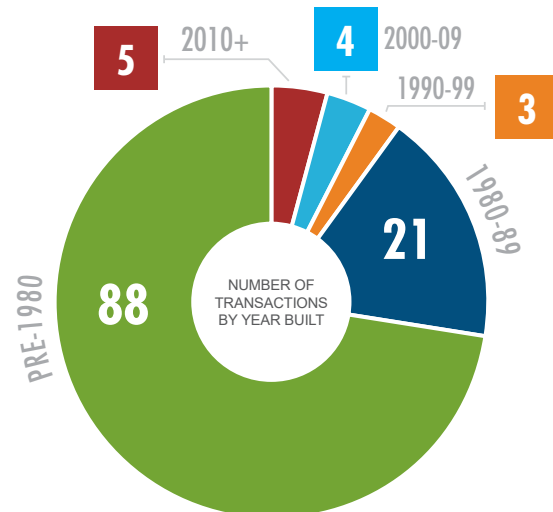
Marana, 168 Units | \$34,000,000  
\$202,381/Unit | \$230.45/SF | Built 2011

#### YE 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	3	\$370K	\$340
2000-09	4	\$155K	\$174
1990-99	6	\$107K	\$137
1980-89	18	\$96K	\$149
Pre-1980	17	\$79K	\$111

## 5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2020	INCREASE/DECREASE	YE 2019
<b>Total Sales Volume</b>	<b>\$127M</b>	<b>+16.2%</b>	<b>\$109M</b>
<b>AVERAGE Price/Unit</b>	<b>\$75,784</b>	<b>+19.3%</b>	<b>\$63,507</b>
<b>AVERAGE Price/SF</b>	<b>\$110.82</b>	<b>+19.8%</b>	<b>\$92.53</b>
<b>AVERAGE Year Built</b>	<b>1968</b>	<b>+4 Yrs</b>	<b>1964</b>



#### YE 2020 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	\$286K	\$214
2000-09	4	\$149K	\$141
1990-99	3	\$132K	\$111
1980-89	21	\$70K	\$105
Pre-1980	88	\$64K	\$100

### 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 Grove

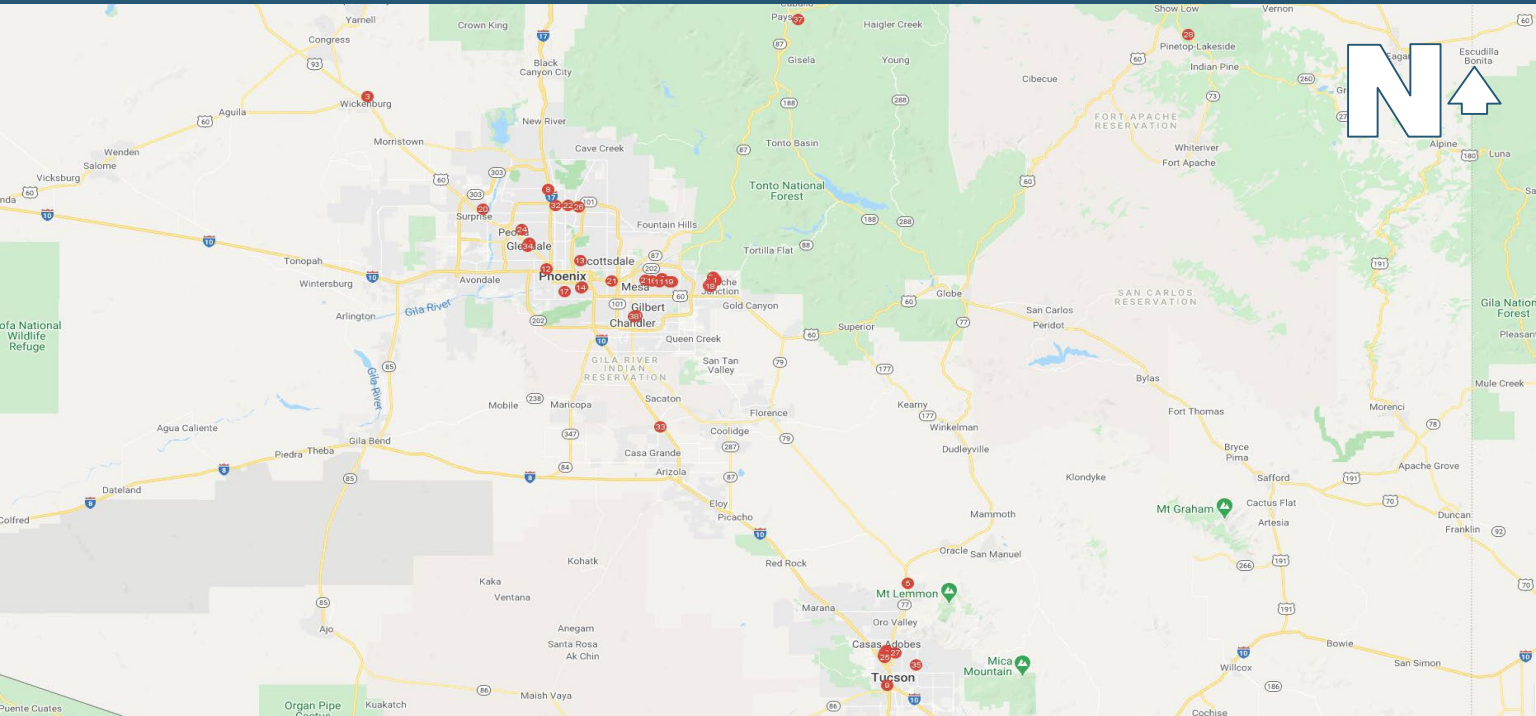
Tucson, 7 Units | \$2,750,000  
\$392,857/Unit | \$192.60/SF | Built 2014



#### McCormick

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

# ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



## MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (YE 2020)  
Transaction Volume (YE 2019)  
Avg Sales Price / Space (YE 2020)  
Avg Sales Price / Space (YE 2019)

### PHOENIX MSA

\$336,050,000  
\$84,312,218  
\$97,746  
\$56,358

### TUCSON MSA

\$43,395,000  
\$46,582,540  
\$56,609  
\$56,191

### OTHER AZ MSA

\$0  
\$14,750,000  
--  
\$41,667

FAMILY

Transaction Volume (YE 2020)  
Transaction Volume (YE 2019)  
Avg Sales Price / Space (YE 2020)  
Avg Sales Price / Space (YE 2019)

\$139,222,000  
\$77,875,000  
\$49,697  
\$78,612

\$5,450,000  
\$15,253,235  
\$42,578  
\$17,274

\$0  
\$0  
--  
--

Total Transaction Volume (2020 YTD, 50+)  
Number of Transactions (2020 YTD, 50+)

\$481,372,000  
29

\$48,845,000  
8

\$0  
0

## MHP INVENTORY (50+)

INVENTORY

Total Spaces  
Age Restricted/55+  
Family

### PHOENIX MSA

87,859  
62,113  
25,746

### TUCSON MSA

22,352  
12,058  
10,294

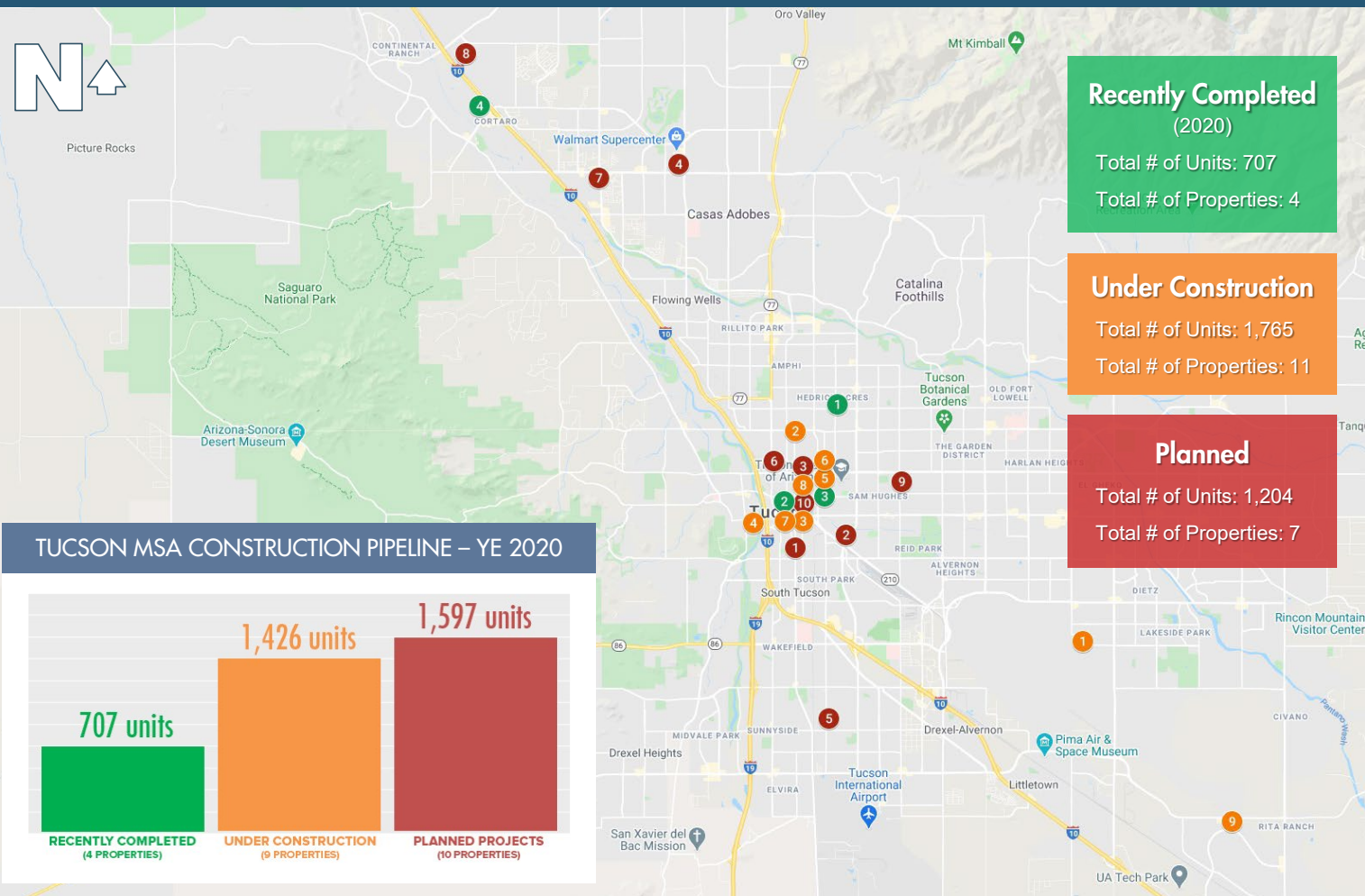
### OTHER AZ MSA

30,522  
12,369  
18,153

# COMPLETED CONSTRUCTION



Picture Rocks



## Recently Completed (2020)

Total # of Units: 707

Total # of Properties: 4

## Under Construction

Total # of Units: 1,765

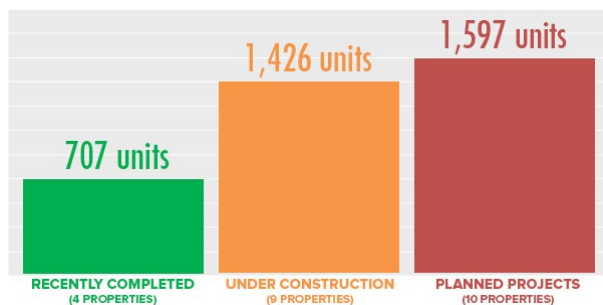
Total # of Properties: 11

## Planned

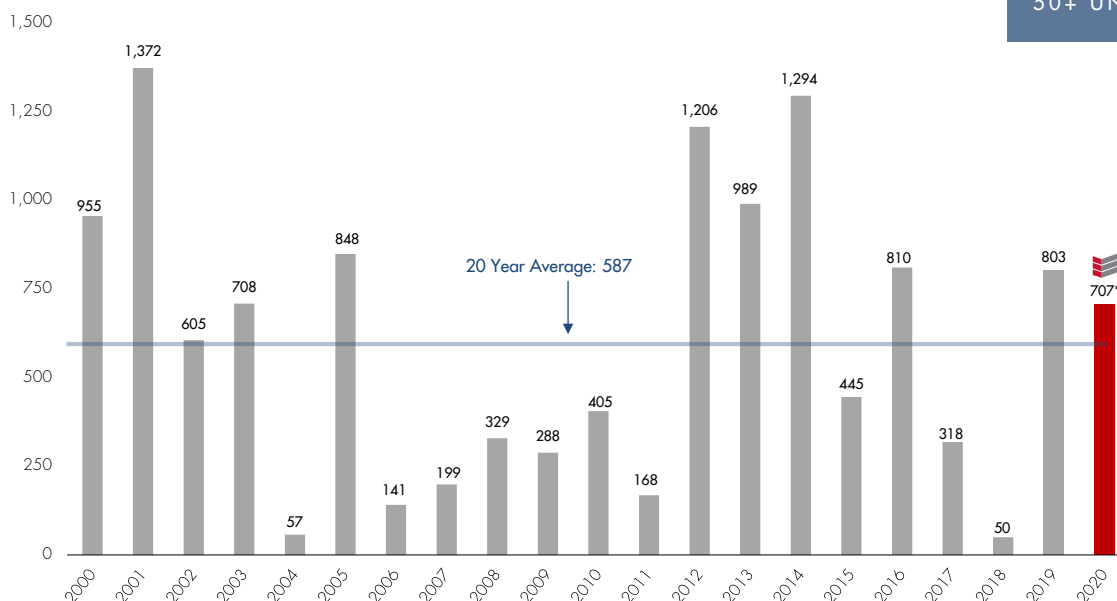
Total # of Units: 1,204

Total # of Properties: 7

### TUCSON MSA CONSTRUCTION PIPELINE – YE 2020



## TUCSON MULTIFAMILY CONSTRUCTION PIPELINE YE 2020



### TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: 85,884

50+ UNIT PROPERTIES: 68,020

### PRE-LEASE ABSORPTION RATE

19

Units/Property/Month (Avg)

## Under Construction

Total # of Units: 1,765

Total # of Properties: 11

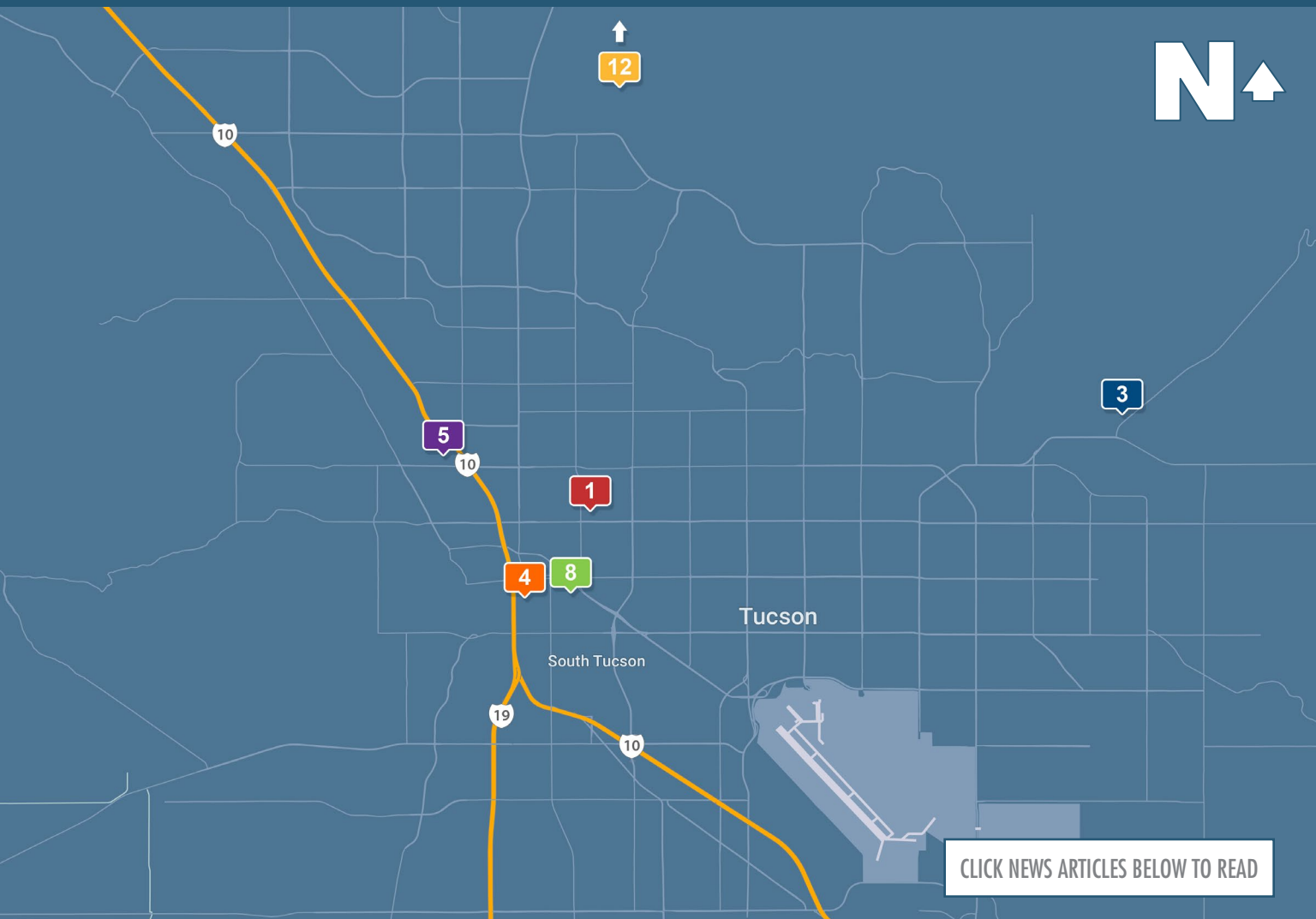
## Planned

Total # of Units: 1,204

Total # of Properties: 7

\* 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

Regional

## City of Tucson

Tucson's apartment market is hot despite COVID-19's impact

Regional

## Forbes

Tucson makes Forbes' 10 US cities best positioned to recover from coronavirus

8

## Rio Nueva

Massive high-rise would bring CVS, housing and office space to downtown Tucson

3

## Saunders Amos, LLC

Luxury Casitas Proposed for Tucson

Regional

## City of Tucson

December 2020: Tucson Rents Increased Sharply over the Past Month

4

## Pueblo Center Partners

Developers Seeking City of Tucson's Help to Renovate Shuttered Hotel Arizona Downtown

Regional

## Tucson.com

Investments in apartments remain steady despite pandemic

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



BY: DREW RICCIARDI, ABI RESEARCH MANAGER

# Resiliency Tested in Unprecedented Year

## National Outlook

It's no secret COVID-19 took its economic toll in 2020. The pandemic impacted some areas in the nation harder than other regions, mainly depending on the outbreak's scope and the severity of each state's restrictions.

Many lost their jobs as businesses started to shut down and stay-at-home orders swept the nation, propelling unemployment rates to record levels. Augmented unemployment benefits, eviction moratoriums, stimulus checks, and paycheck protection programs helped keep the economy and renters afloat, while The Federal Reserve pledged to keep interest rates low for years to come, but damage still ensued.

The National Multifamily Housing Council Rent Payment Tracker consistently reported 2020 monthly rent collections as being just slightly lower than 2019. However, the tracker analyzes professionally managed properties, so smaller privately-owned properties may be facing a more significant drop-off in rent payments, hurting landlords' incomes more severely.

At the time of publication for this report, another stimulus package worth \$1.9 trillion has passed in Washington. The

package includes enhanced unemployment benefits, direct rental assistance, \$1,400 stimulus checks to qualifying individuals, and expanded child tax credits of up to \$3,600 per child.

In other news, a U.S. District Judge ruled to overturn the CDC Eviction Moratorium, stating it exceeded the federal government's constitutional authority. Many believe the ruling will be appealed and certain states will continue to enforce their own statewide eviction bans.

For multifamily construction, COVID-19 hit developers hardest in states that did not define construction as a form of essential business. Now that most construction activity is allowed to resume, developers are experiencing a sharp spike in the cost of materials and supply chain delays.

Signs indicate markets will return to pre-pandemic levels by the end of 2021.

## The Build-To-Rent Boom

The build-to-rent project model is catching the attention of many big-name development companies, with an expected 700,000 build-to-rent units coming to market in the U.S. over

the next ten years, according to a study conducted by RCLCO Real Estate Advisors.

A build-to-rent property is a hybrid concept that involves traditional single-family homes that are built to rent, as the name implies. The concept typically involves a large community of detached garden-style units, that feature private backyards, smart technology, and the perks of communal amenities like pools, fitness centers, dog parks, recreational areas, and other standard leisure amenities.

Due to reported high occupancy rates from the first wave of communities and robust market fundamentals, developers are now seeing the demand from renters for this novel concept and are anxious to get in on the popular trend.

Approximately 5,000 units across 30 build-to-rent projects are currently under construction in the Valley, stretching out to every corner of the Phoenix metro area. This follows an initial concentration of built-to-rent communities in the West Valley, where land is more available and cheaper to accommodate lower density projects.

As Phoenix continues to be at the forefront of this new multifamily development trend, Tucson is starting to generate interest in mimicking the concept due to similar favorable factors as Phoenix.

Markets like Las Vegas, Austin, Dallas, Orlando, and Charlotte are also becoming targets for implementation of the build-to-rent model.

## Accelerated Inflow Continues in Arizona

Throughout 2020, Arizona benefited from a substantial inflow of major companies expanding/relocating, outside investor money, and people migrating from other markets.

All three groups recognize the high job growth, affordability, population growth, deep talent pool, and business-friendly environment that the Tucson market provides.

Companies that want to escape highly taxed and regulated markets are choosing to come to Arizona to benefit from lower business expenses, a substantial educated population of qualified workers, a vital distribution infrastructure, and a favorable business environment.

Whether it be relocating headquarters or opening advanced manufacturing facilities, major companies like Amazon, Taiwan Semiconductor Manufacturing Company (TSMC), and Raytheon have invested heavily in Arizona.

Amazon added twelve new facilities in Arizona in 2020 with

three more slated to come online in 2021. This powerhouse company employed more than 20,000 people, invested more than \$11 billion in the state, and added more than \$9 billion to Arizona's GDP, according to the Greater Phoenix Economic Council.

Regarding outside investments, out-of-state investors are hungry to capitalize on the hot Arizona markets. Tucson's rebound from the COVID-19 recession showed to be vastly superior to the majority of major U.S. markets.

The Tucson multifamily market provides investors a consistent rent growth outlook, high occupancy rates, greater returns, and the opportunity to buy large quality assets that may not be readily available in their respective markets.

Many investors are also looking to escape for legislative reasons. For example, in California, the rise of statewide rent control has diminished ROI and is forcing investors to look elsewhere.

Phoenix and Tucson have become a top destination for population migration. Affordability, job growth, and industry diversity are the most dominant reasons. According to a Redfin study, the Phoenix metro had the largest population net inflow in 2020 compared to other U.S. metro areas.

Even though home prices are rising rapidly in Phoenix and Tucson, prices and rental rates don't compare to more expensive West coast markets, especially if an individual can retain their high salary position through the rise of remote working.

Labor-analytics firm Emsi conducted a study that ranks counties by their ability to attract and retain high-quality workers and ranked Maricopa County number one.

It has become apparent that Arizona will continue to prove to be a top destination for companies, investors, and people relocating moving forward.

## State of the Tucson Multifamily Market

Like Phoenix, Tucson performed exceptionally well in a turbulent market compared to other markets around the nation.

The Tucson multifamily market continued to post consistent rent growth, high occupancy rate increases, a significant sales volume leap year over year, and a solid amount of apartment deliveries, despite a global pandemic wreaking havoc on economic markets.

Significant demand among renters is reflected in the robust occupancy data.

A noticeable trend in Tucson in 2020 was a slew of abnormally large transactions. Typically, the majority of deals consist of

properties under 100 units. 2020 reported a 35% increase in 100+ unit transactions compared to 2019, with four transactions of 400+ units. As a result, the year's total sales volume outpaced 2019 sales considerably.

The development pipeline remains stocked and healthy. Construction being deemed essential business during the peak of the COVID-19 Pandemic, unlike other major markets, proved to be a huge factor of development performing well.

Expect a big year for the Tucson multifamily market in 2021, barring any significant economic events.

## Millennials Electing to Rent Instead of Owning

Preliminary stereotypes of the millennial generation have suggested millennials prefer to rent instead of owning a home, and new data may be backing up that hypothesis.

The generation grew up witnessing one of the worst financial crises in U.S. history due to the housing market and is now living through an unpredictable global pandemic that has turned the world upside down.

A recent new survey from Apartment List analyzing homeownership trends found that 18% of millennials expect to rent forever. At age 30, only 42% of millennials own a home, compared to 48% of generation X and 51% of baby boomers at the same age.

One reason for this gap is an affordability issue. 63% of millennials have no down payment saved, and only 15% have more than \$10,000 in a down payment saved.

The Phoenix market is a prime example of an affordability problem that delays interest in purchasing homes in the millennial generation. Due to low supply, low-interest rates, and strong market fundamentals like population growth, home prices have soared exponentially in Phoenix.

These factors have helped contribute to millennials continuing to rent.

## Tucson Market Metrics: By the Numbers

2020 delivered one of the most turbulent years in modern history. Some quarters data faced harsher repercussions as a result of the COVID-19 pandemic but overall, the year fared rather well relative to recent past years and given the circumstances.

For 5-49 unit properties, 2020 saw a transaction volume of

approximately \$127 Million, which represented a 16.2% Year-over-Year Increase from 2019. In the 50+ unit category, 2020 brought in \$1.04 Billion, up 58.4% YoY.

Average Price-Per-Unit amounts were up significantly in the 5-49 segment, rising 19.3% YoY to \$75,784, and showing another robust increase of 10.3% to \$127,675 for 50+. This translated to an Average Price/SF of \$110.82 in 5-49 (up 19.8%) and \$162.54 (up 15.7%) in 50+.

Inventory age saw an increase in both 5-49 and 50+ unit segments Year-over-Year. Average Year Built for 5-49 reported the year 1986, versus 1981. The Average Year Built in 50+ reported the year 1968, versus 1964.

The market's occupancy rate also took a jump in the right direction. 2020 occupancy was 95.5%, up from 94.8% in 2019. Q4 2020 occupancy reported a very high occupancy rate of 96.3%. Average rent took a positive jump, reporting \$948, up \$51 (5.7%) from last year.

Tucson MSA demographics reported poor employment numbers due to the COVID-19 Recession. The Census estimate of total population was 1,047,279. The unemployment rate finished the year at 7.4%, according to Bureau of Labor Statistics numbers.

Median Household Income was \$53,379, and Per Capita Income came in at \$29,707.

In the realm of new construction for 50+ unit properties, a solid 707 units were delivered across 4 projects for the year. This represented an 30.2% decrease compared to a stellar year in 2019 in terms of deliveries.

Currently, a pipeline of 1,204 units is estimated to be in the Planning stages across 7 properties. A total of 1,765 units are listed as Under Construction across 11 properties.

Pre-lease absorption rates were high this year at a rate of 19 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 68,020.

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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



#### INDI TUCSON

1920 North 1st Avenue  
Tucson, AZ 85719

Sold Price: \$8,050,000  
Units: 93  
Year Built: 1972



#### DREXEL PLAZA

5770 South Jeanette Blvd  
Tucson, AZ 85706

Sold Price: \$3,800,000  
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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