ABI Multifamily
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TUCSON MSA | MULTIFAMILY | Q2 2021 REPORT

5+ UNIT PROPERTIES	Q2 2021	INCREASE/DECREASE	Q2 2020
Total Sales Volume	$247M	+244.8%	$72M
AVERAGE Price/Unit	$131,068	+135.5%	$55,664
AVERAGE Price/SF	$158.11	+71.8%	$92.03
AVERAGE Year Built	1964	-6 Yrs	1970
Average Rent	$1,057	+13.0%	$935
Occupancy Rate	96.6%	+1.4%	95.3%
Units Delivered	0	--	0

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

Amazon
Amazon is hiring hundreds for new Tucson facility

City of Tucson
Tucson rents increase sharply over the past month

Becton, Dickinson and Company
Global Medical Tech Company, BD, Chooses Tucson for New $65 Million Hub

1,047,279
POPULATION
2019 ACS 1-YEAR ESTIMATE

6.5%
-0.1%
UNEMPLOYMENT
Q-O-Q AS OF JULY 2021 - BLS

4.9%
EMPLOYMENT GROWTH
Y-O-Y AS OF JULY 2021 - BLS

$53,379
MEDIAN HH INCOME
2019 ACS 1-YEAR ESTIMATE

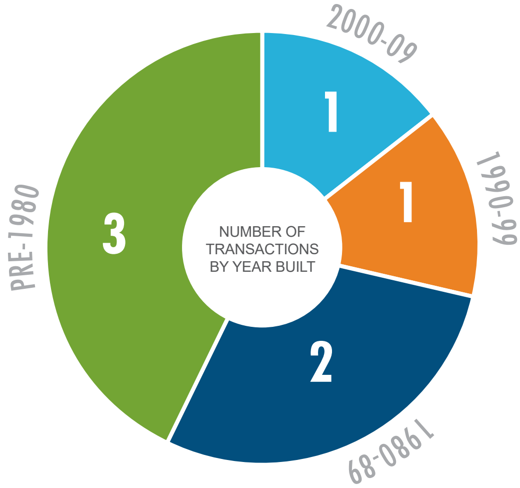
$29,707
PER CAPITA INCOME
2019 ACS 1-YEAR ESTIMATE

1,765
Units (50+)
UNDER CONSTRUCTION
YARDI

85,884
Units (5+)
TOTAL INVENTORY
AS OF JUN 2021 - YARDI

50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

		Q2 2021	INCREASE/DECREASE	Q2 2020
	Total Sales Volume	$208M	+368.5%	$44M
AVERAGE	Price/Unit	$147,240	+172.2%	$54,084
	Price/SF	$163.88	+80.9%	$90.57
	Year Built	1982	+6 Yrs	1976



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)

Casa Presidio
Tucson, 78 Units | $17,500,000
$224,359/unit | $240/SF | Built 1972

The Ranch at Star Pass
Tucson, 336 Units | $57,500,000
$171,131/unit | $176.74/SF | Built 2001

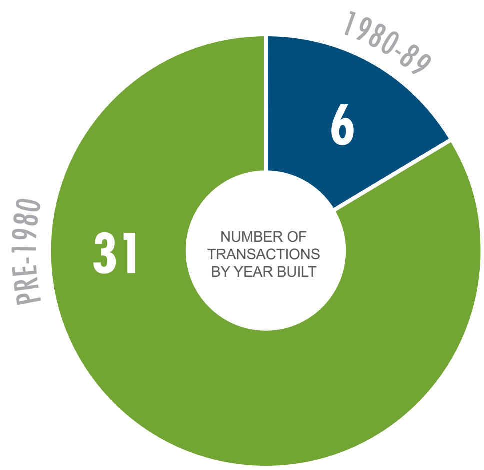
Sundown Village
Tucson, 330 Units | $54,450,000
$165,000/unit | $194.63/SF | Built 1984, 1994

Q2 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	1	$171K	$177
1990-99	1	$147K	$148
1980-89	2	$164K	$198
Pre-1980	3	$104K	$125

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

		Q2 2021	INCREASE/DECREASE	Q2 2020
	Total Sales Volume	$39M	+42.6%	$27M
AVERAGE	Price/Unit	$82,449	+41.1%	$58,452
	Price/SF	$132.98	+40.7%	$94.53
	Year Built	1960	-9 Yrs	1969



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

3130 East 4th Street
Tucson, 12 Units | $2,000,000
$166,667/unit | $214.78/SF | Built 1978

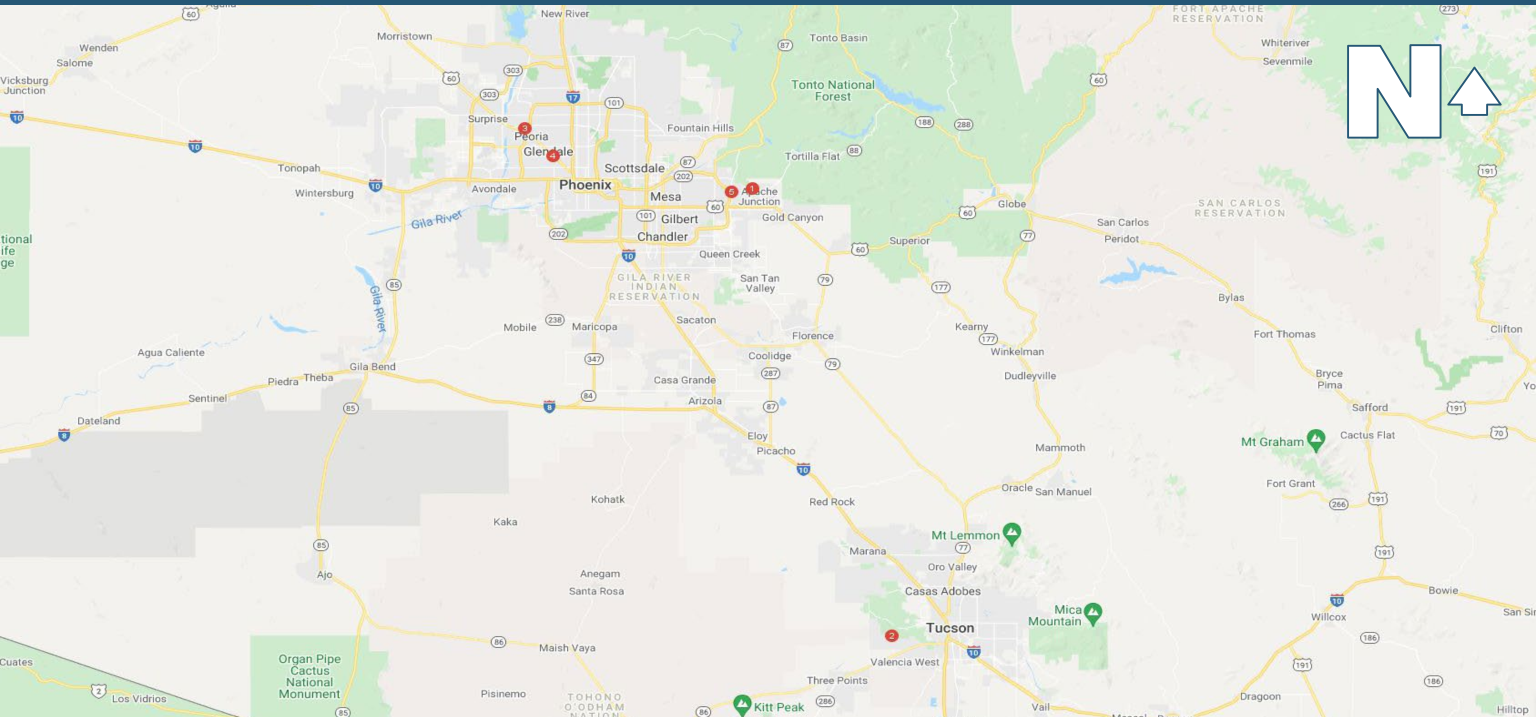
1226 - 1232 North Richey Boulevard
Tucson, 7 Units | $1,150,000
$164,286/unit | $219.05/SF | Built 1952

1240 East Drachman Street
Tucson, 8 Units | $1,100,000
$137,500/unit | $225.64/SF | Built 1963

Q2 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	--	--	--
1990-99	--	--	--
1980-89	6	$70K	$125
Pre-1980	31	$85K	$135

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS

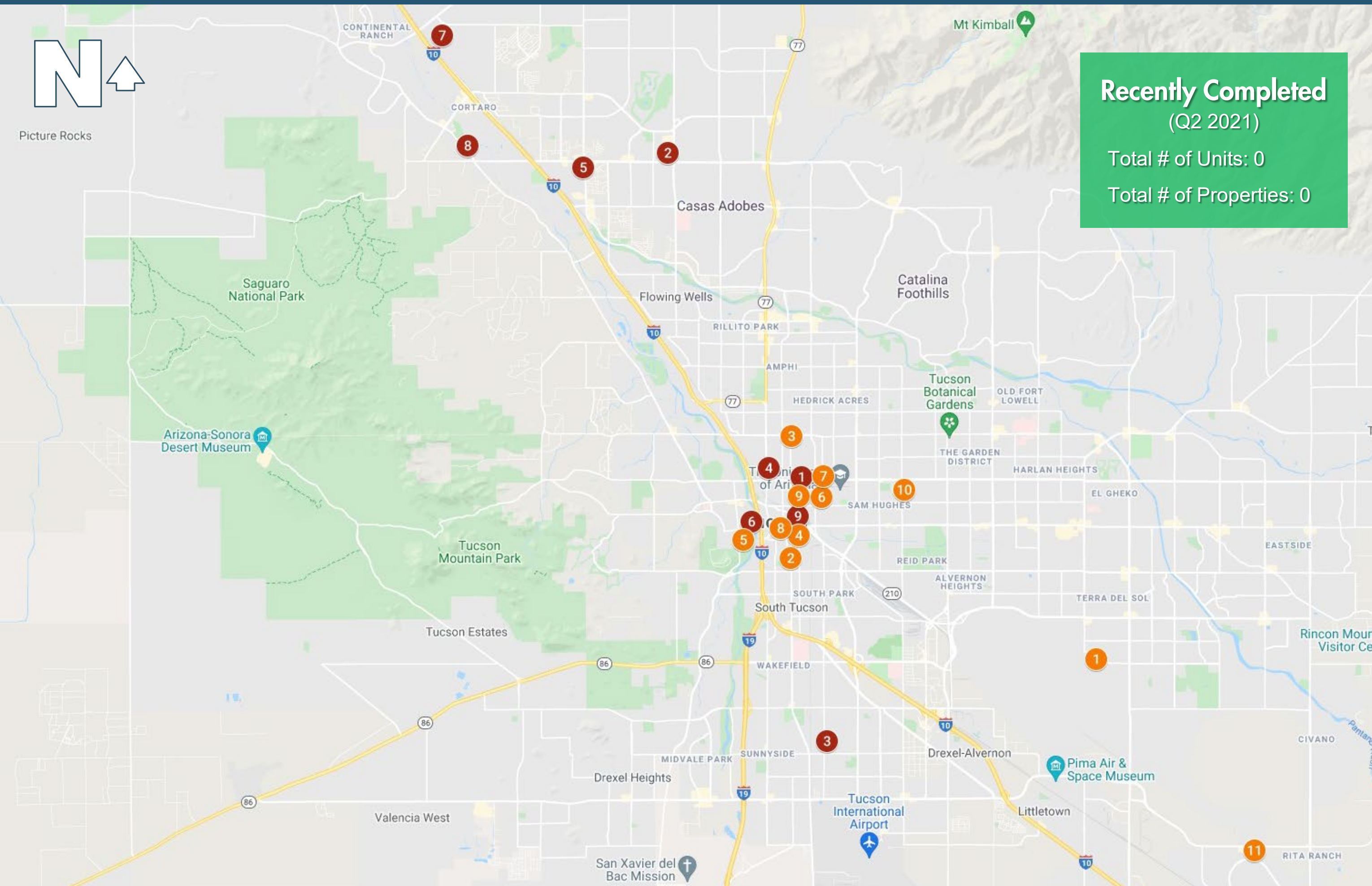


MHP SALES VOLUME (50+)

		PHOENIX MSA	TUCSON MSA
AGE RESTRICTED/55+	Transaction Volume (Q2 2021)	$13,800,000	--
	Transaction Volume (Q2 2020)	$118,550,000	$30,000,000
	Avg Sales Price / Space (Q2 2021)	$35,115	--
	Avg Sales Price / Space (Q2 2020)	$137,628	$71,770
FAMILY	Transaction Volume (Q2 2021)	$3,000,000	$7,500,000
	Transaction Volume (Q2 2020)	$45,700,000	--
	Avg Sales Price / Space (Q2 2021)	$13,333	$45,732
	Avg Sales Price / Space (Q2 2020)	$141,925	--
	Total Transaction Volume (2021 YTD, 50+)	$16,800,000	$7,500,000
	Number of Transactions (2021 YTD, 50+)	3	2

MHP INVENTORY (50+)

		PHOENIX MSA	TUCSON MSA
INVENTORY	Total Spaces	88,489	22,358
	Age Restricted/55+	62,655	12,098
	Family	25,834	10,260



Recently Completed
(Q2 2021)

Total # of Units: 0

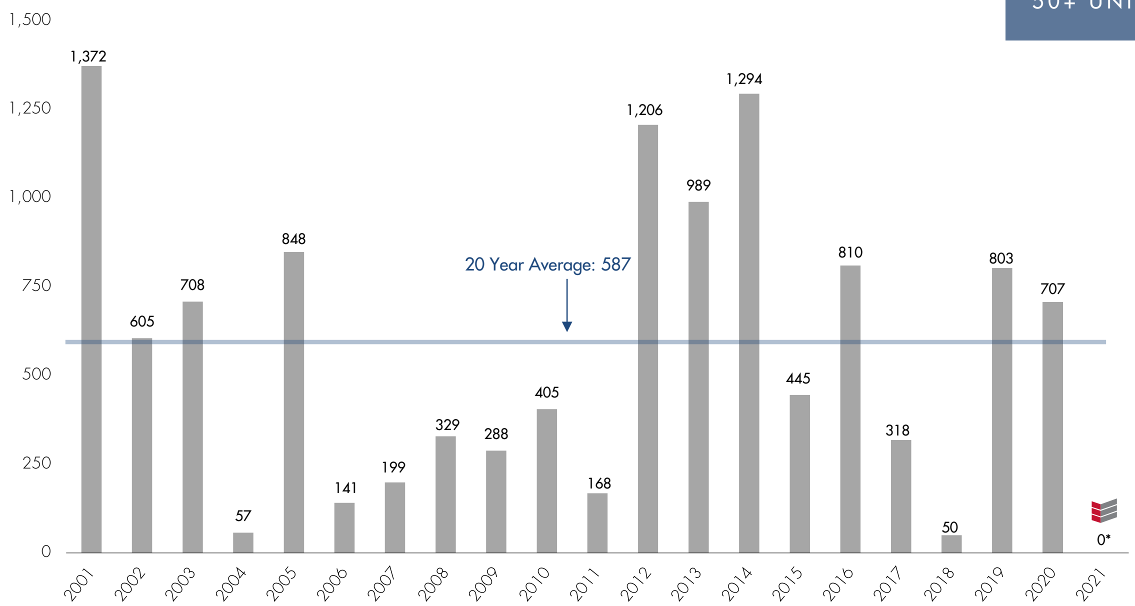
Total # of Properties: 0

TUCSON MULTIFAMILY CONSTRUCTION PIPELINE
Q2 2021

TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: **85,884**

50+ UNIT PROPERTIES: **68,020**



PRE-LEASE ABSORPTION RATE

23

Units/Property/Month (Avg)

Under Construction

Total # of Units: 1,765

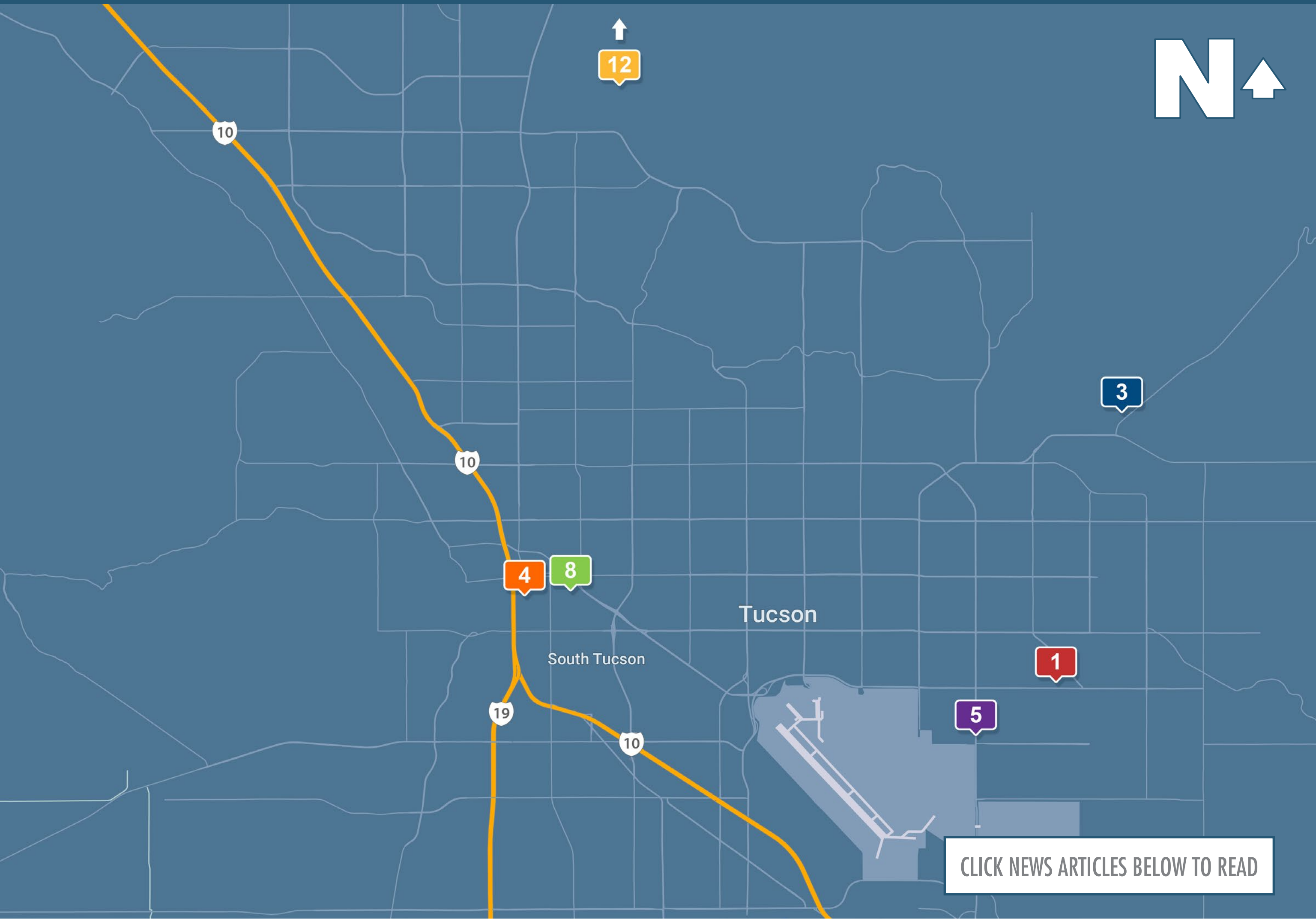
Total # of Properties: 11

Planned

Total # of Units: 1,757

Total # of Properties: 9

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



1 **Becton, Dickinson and Company**
Global Medical Tech Company, BD, Chooses Tucson for New $65 Million Hub

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

3 **Saunders Amos, LLC**
Luxury Casitas Proposed for Tucson

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

5 **Amazon**
Amazon is hiring hundreds for new Tucson facility

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

Regional **City of Tucson**
Tucson's apartment market is hot despite COIVD-19's impact

8 **Rio Nueva**
Massive high-rise would bring CVS, housing and office space to downtown Tucson

Regional **City of Tucson**
Tucson rents increase sharply over the past month

Regional **Tucson.com**
Investments in apartments remain steady despite pandemic

Regional **City of Tucson**
Tucson Low Vacancy Sparks Rapid Rent Growth in Multifamily Market

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

BY: DREW RICCIARDI, ABI RESEARCH MANAGER

Multifamily on Track to Be a Record Year

Multifamily Excelling Overall

Despite the challenges of the pandemic, the multifamily industry continues to prove itself as one of the healthiest commercial real estate sectors, reporting record numbers throughout 2021.

Sun Belt markets including Phoenix, Dallas, Austin, and Atlanta, lead the pack, however the national multifamily market as a whole is also performing well.

As apartment demand remains robust, limited inventory to meet the strong demand, rents continue to rise, with apartment sales, multifamily development, and apartment appreciation reaping the benefits.

Multiple factors are correlated to driving the intense renter and investor demand multifamily markets are experiencing.

Two significant reasons for renter demand are skyrocketing home prices and low housing supply. The U.S. median home price rose to a new high in June, increasing 23.4% year-over-year.

This development has forced potential first-time homebuyers to continue to rent, despite record low interest rates, as they wait it out hoping the single-family housing market will temper.

Investors are hungrier than ever as they witness extremely high occupancy rates, significant rent growth, low supply, and a record number of job openings.

2021's current national sales volume is outpacing what was a record year for sales volume in 2019, as apartment appreciation accelerates at a staggering pace.

Ultimately, this surge in demand has fueled developers to strive to overcome the supply-demand imbalance in both market-rate and affordable properties. According to Yardi Matrix, apartment completions from the second half of 2020 to the first half of 2021 set a 20-year record for units delivered over four quarters.

Now, with lumber prices finally coming back down, multifamily development will continue to flourish with an added focus on developing more affordable units. Supply of affordable housing units are alarmingly low at the moment.

Expect the multifamily market to remain vigorous and active to close out the year.

Eviction Ban Potential Fallout

The federal eviction moratorium has undoubtedly been a thorn in the side of landlords. Some media reports suggest we are in the wake of an eviction tidal wave once the moratorium expires.

The federal eviction moratorium was set to expire on July 31st but was extended through October 3rd. Following the extension, the Supreme Court overturned the federal ban on evictions stating, "the CDC has exceeded its authority," and for the extension to continue, "congress must specifically authorize it." This is a developing situation as this is written.

This is significant because government rental assistance funds have barely been spent and a postponement can provide more time to process aid to renters that prove they've been affected financially by the pandemic.

In an attempt to play devil's advocate, some data may indicate the eviction tidal wave will not be as dramatic as previously forecasted.

According to the Census Household Pulse Survey, an estimated 11 million renters are subject to the risk of eviction once the moratorium is lifted, but is it as dire as the data suggests?

According to RealPage Analytics, The Census survey was administered to 70,000 respondents per surveyed period. The survey did not consist solely of renters but all households. RealPage's analysis assumed that 35% of the sample were renters based on the national rentership rate, ultimately equating that the study only surveyed 0.05% of the nation's 47.2 million tracked rental units.

A more comprehensive study on rent payments would be the National Multifamily Housing Council Payment Tracker, which tracks all large, professionally managed rental properties. NMHC's study found that 95.6% of renters paid in full in June 2021. Comparing that data to before the pandemic in June 2019, rent payments were at 96%, just a 0.4% decrease. This minimal decrease has been consistent throughout the majority of months during the pandemic.

A caveat to the study would be it does not include smaller mom-and-pop rental communities that may have been hit harder by missed payments compared to large professionally managed properties.

A couple of trends observed that may be a factor in rent collection are job openings and income levels on the rise. Job openings are at an all-time high as the world progressively opens its doors. As a result of the labor shortage, companies in desperate need of employees are starting to scale up pay to attract workers.

Another trend is that personal savings have increased. According to the Federal Reserve, the personal savings rate hit 12.4% in May, outperforming the historical average of 9.0% significantly.

In addition, personal debt is declining. According to the Federal Reserve, credit card delinquency rates fell to a record low of 1.89% during the first quarter of the year -- largely due to the government injecting stimulus checks into the economy.

Regardless, there will most likely be an abnormal number of evictions once the ban lifts, which is never a good thing for the real estate market.

All in all, it is a challenging proposition to accurately forecast the fallout from the eventual expiration of the eviction moratorium when factoring in that the eviction process takes time and local eviction bans may persist past the federal ban.

Tucson Growing Stronger

Like Phoenix, the Tucson multifamily market had a herculean second quarter in 2021.

Total sales volume and average price per unit/square footage were up significantly year-over-year as a plethora of investors continue to target the Arizona markets.

Tucson posted one of the nation's highest year-over-year rent growth rates along, with the average occupancy rate almost reaching an astounding 97%.

Positive demographics like population and job growth have contributed to Tucson's recent success as major companies like Amazon, Oak Street Health Inc., and Becton, Dickinson and Company plan to open new facilities or expand their presence in Tucson.

On the development side, multifamily deliveries have been nonexistent to start the year but, it appears that a slew of properties under construction are set to be completed before the end of the year. Yardi Matrix forecasts that 2021 will deliver the most apartment units in the past 25 years to help meet demand.

Tucson may not be as hot as Phoenix, literally in relation to the temperatures and in terms of y-o-y growth, but the under-the-radar status of this important tertiary market makes the opportunities and overall market performance that much more intriguing. It should continue to see increasing growth and attention going into the end of the year and beyond

Tucson Market Metrics: By the Numbers

Tucson's stellar second quarter is reflected distinctly in the numbers.

For 5-49 unit properties, Q2 2021 saw a transaction volume of approximately $39 Million, which represented a 42.6% Year-over-Year decrease YoY. In the 50+ unit category, Q2 2021 brought in about $208 Million, up a massive 368.5% YoY.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 41.1% YoY to $82,449, and showing another large increase of 172.2% to $147,240 for 50+. This translated to an Average Price/SF of $132.98 in 5-49 (up 40.7%) and $163.88 (up 80.9%) in 50+.

Inventory age saw a decrease in the 5-49 segment and a increase in the 50+ unit segment Year-over-Year. Average Year Built for 5-49 reported the year 1960, versus 1969. The Average Year Built in 50+ reported the year 1982, versus 1976.

The market's occupancy rate reported a significantly high rate. Q2 2021 occupancy came in at 96.6%, up from 95.3% in Q2 2020. Average rent showed one of the largest increases in the nation, reporting $1,057, up $122 (13.0%) from last year.

Tucson MSA demographics reported improved employment numbers after having abysmal numbers during 2020, like everywhere else, due to the COVID-19 related job losses. The Census estimate of total population was 1,047,279. The unemployment rate finished the quarter at 6.5% and employment growth finished at 4.9%, 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, no units were delivered this year, the same as Q2 2020.

Currently, a pipeline of 1,757 units is estimated to be in the Planning stages across 9 properties. A total of 1,765 units are listed as Under Construction across 11 properties.

Pre-lease absorption rates were high this quarter at a rate of 23 units/property/month.

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

ABI COMPARATIVE MARKET REVIEW: Q2 2021

		TUCSON	PHOENIX	SACRAMENTO	SAN DIEGO
DEMOGRAPHICS	Total Population	1,047,279	4,948,203	2,367,300	3,335,230
	Unemployment Rate (as of July 2021)	6.5%	6.6%	6.7%	6.9%
	Employment Growth (y-o-y)	4.9%	7.6%	3.5%	4.5%
	Median HH Income	$53,379	$63,883	$88,032	$94,627
	Per Capita Income	$29,707	$32,522	$35,563	$34,103
RENT/OCC/CONST (50+)	Rent (Q2 2021)	$1,057	$1,413	$1,667	$2,049
	% Increase/Decrease	+13.0%	+15.0%	+13.1%	+9.7%
	Occupancy (Q2 2021)	96.6%	96.4%	96.5%	96.8%
	% Increase/Decrease	+1.4%	+1.2%	+1.3%	+1.9%
	Total Inventory (50+)	68,020	324,649	148,256	236,591
	Total Under Construction (50+)	1,765	33,554	4,904	9,254
	Units Delivered (50+, Q2 2021)	0	4,664	971	3,406
SALES (50+)	Total Sales Volume (Q2 2021)	$209M	$2.09B	$137M	$220M
	y-o-y % Increase/Decrease	-57.1%	+55.1%	-71.0%	-11.8%
	Average P/U (Q2 2021)	$100,036	$214,729	$161,951	$292,123
	y-o-y % Increase/Decrease	-31.5%	+16.8%	-46.3%	-13.9%

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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: $3,800,00
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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