

## TUCSON MSA | MULTIFAMILY | Q3 2021 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
THE COVID-19 RECOVERY COMING QUICKER THAN EXPECTED	06-08
ABI COMPARATIVE MARKET REVIEW: Q3 2021	09

5+ UNIT PROPERTIES	Q3 2021	INCREASE/DECREASE	Q3 2020
<b>Total Sales Volume</b>	<b>\$381M</b>	<b>+96.6%</b>	<b>\$194M</b>
<b>AVERAGE Price/Unit</b>	<b>\$159,758</b>	<b>+45.1%</b>	<b>\$110,119</b>
<b>AVERAGE Price/SF</b>	<b>\$198.49</b>	<b>+35.9%</b>	<b>\$146.01</b>
<b>AVERAGE Year Built</b>	<b>1969</b>	<b>-3 Yrs</b>	<b>1972</b>
<b>Average Rent</b>	<b>\$1,130</b>	<b>+18.4%</b>	<b>\$954</b>
<b>Occupancy Rate</b>	<b>96.6%</b>	<b>+1.0%</b>	<b>95.6%</b>
<b>Units Delivered</b>	<b>1,009</b>	<b>+909.0%</b>	<b>100</b>

### ABI GEONEWS: TUCSON MSA - SELECT NEWS


CONTINUED ON PAGE 05



**UPS**  
UPS to hire more than 500 in Tucson for seasonal holiday work

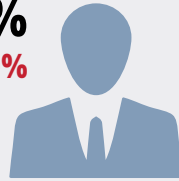



**Imperial Brown**  
Imperial Brown brings jobs to Tucson with new manufacturing facility





**Stackhouse**  
Tucson-based Stackhouse wants to transform housing with shipping containers


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

**4.3%**  
**-3.0%**   
**UNEMPLOYMENT**  
Q-O-Q AS OF SEPT 2021 - BLS

**4.0%**   
**EMPLOYMENT GROWTH**  
Y-O-Y AS OF SEPT 2021 - BLS

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

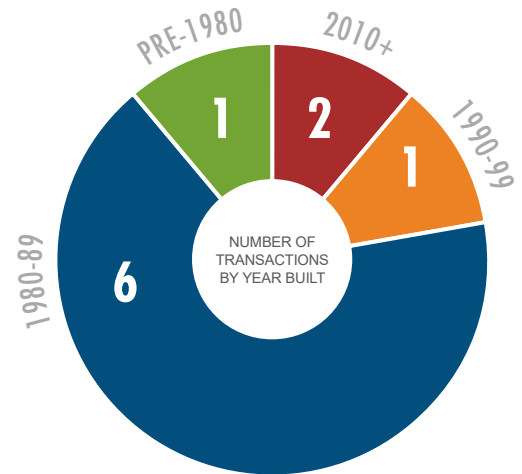
**\$29,707**   
**PER CAPITA INCOME**  
2019 ACS 1-YEAR ESTIMATE

**979**   
**Units (50+)**  
**UNDER CONSTRUCTION**  
YARDI

**86,638**   
**Units (5+)**  
**TOTAL INVENTORY**  
AS OF OCT 2021 - YARDI

# 50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2021	INCREASE/DECREASE	Q3 2020
<b>Total Sales Volume</b>	<b>\$342M</b>	<b>+122.8%</b>	<b>\$154M</b>
<b>AVERAGE Price/Unit</b>	<b>\$180,906</b>	<b>+49.4%</b>	<b>\$121,059</b>
<b>AVERAGE Price/SF</b>	<b>\$208.71</b>	<b>+32.7%</b>	<b>\$157.27</b>
<b>AVERAGE Year Built</b>	<b>1990</b>	<b>+1 Yr</b>	<b>1989</b>



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



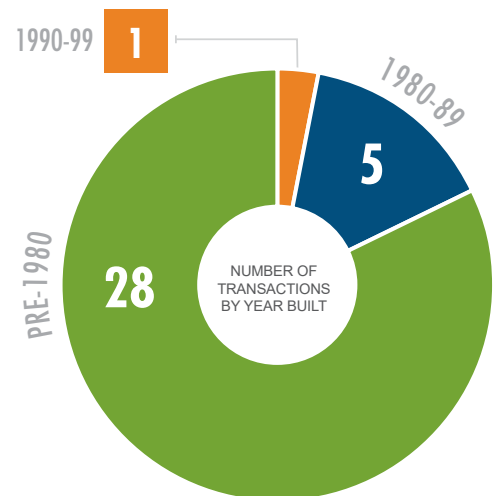
- Galeria Del Rio**  
Tucson, 101 Units | \$32,025,000  
\$317,079/Unit | \$201.24/SF | Built 2013
- Encantada Riverside Crossing**  
Tucson, 304 Units | \$92,750,000  
\$305,099/Unit | \$303.47/SF | Built 2012
- Casas Lindas**  
Tucson, 144 Units | \$32,250,000  
\$223,958/Unit | \$200.78/SF | Built 1987

Q3 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>2</b>	<b>\$308K</b>	<b>\$269</b>
<b>2000-09</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>1990-99</b>	<b>1</b>	<b>\$165K</b>	<b>\$147</b>
<b>1980-89</b>	<b>6</b>	<b>\$147K</b>	<b>\$200</b>
<b>Pre-1980</b>	<b>1</b>	<b>\$92K</b>	<b>\$121</b>

# 5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2021	INCREASE/DECREASE	Q3 2020
<b>Total Sales Volume</b>	<b>\$39M</b>	<b>-3.7%</b>	<b>\$40M</b>
<b>AVERAGE Price/Unit</b>	<b>\$78,432</b>	<b>-4.1%</b>	<b>\$81,785</b>
<b>AVERAGE Price/SF</b>	<b>\$138.38</b>	<b>+20.8%</b>	<b>\$114.56</b>
<b>AVERAGE Year Built</b>	<b>1962</b>	<b>-6 Yrs</b>	<b>1968</b>



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

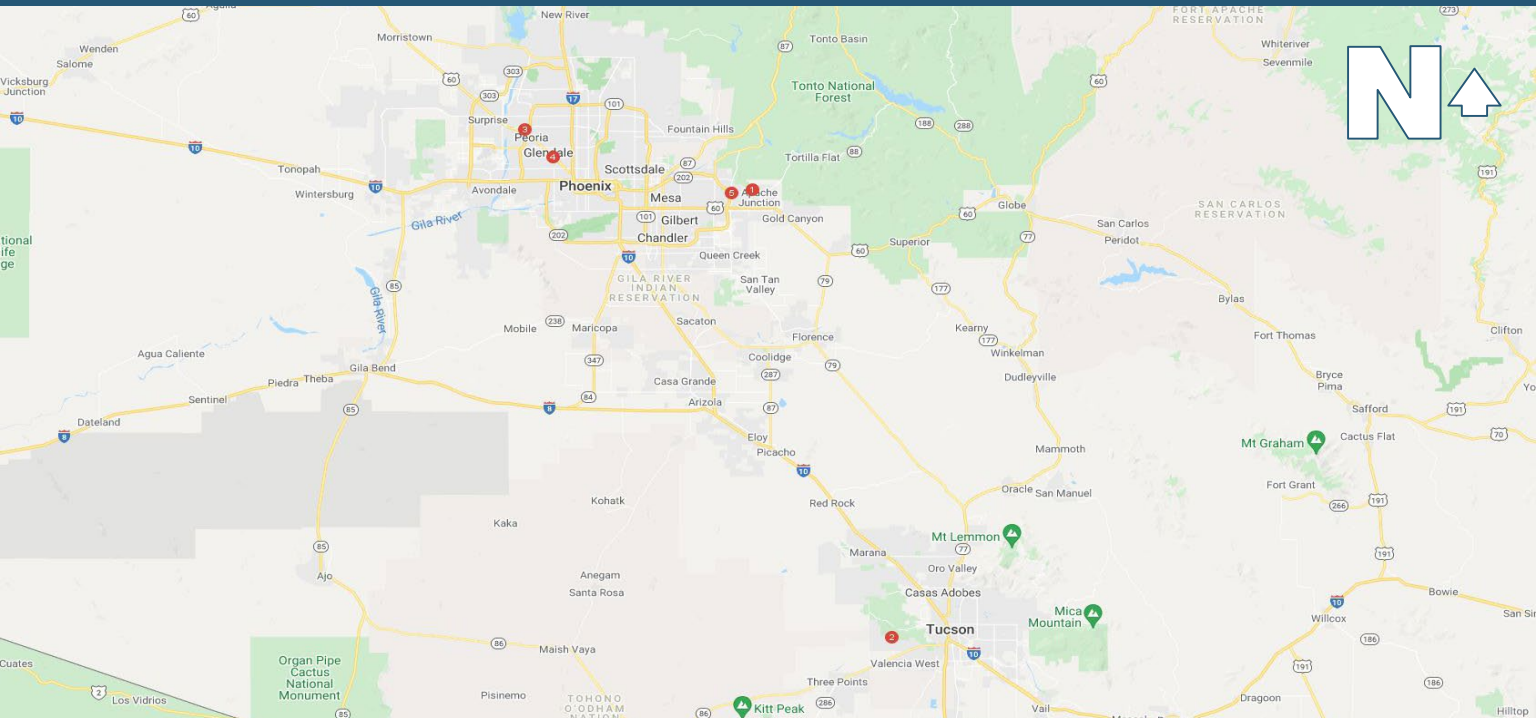


- 1923 East Cooper Street**  
Tucson, 10 Units | \$1,890,000  
\$189,000/Unit | \$242.99/SF | Built 1947
- Casa Deena**  
Tucson, 11 Units | \$1,650,000  
\$150,000/Unit | \$223.21/SF | Built 1977
- 10th and Mountain**  
Tucson, 6 Units | \$893,750  
\$148,958/Unit | \$262.48/SF | Built 1936

Q3 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>2000-09</b>	<b>--</b>	<b>--</b>	<b>--</b>
<b>1990-99</b>	<b>1</b>	<b>\$117K</b>	<b>\$116</b>
<b>1980-89</b>	<b>5</b>	<b>\$70K</b>	<b>\$120</b>
<b>Pre-1980</b>	<b>28</b>	<b>\$80K</b>	<b>\$146</b>

# ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



## MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q3 2021)

### PHOENIX MSA

\$7,500,000

### TUCSON MSA

\$152,500,000

Transaction Volume (Q3 2020)

\$89,000,000

\$6,265,000

Avg Sales Price / Space (Q3 2021)

\$21,429

\$81,726

Avg Sales Price / Space (Q3 2020)

\$74,539

\$40,160

FAMILY

Transaction Volume (Q3 2021)

\$86,213,394

\$1,800,000

Transaction Volume (Q3 2020)

\$8,200,000

--

Avg Sales Price / Space (Q3 2021)

\$74,644

\$22,222

Avg Sales Price / Space (Q3 2020)

\$49,697

--

Total Transaction Volume (2021 YTD, 50+)

\$93,713,394

\$154,300,000

Number of Transactions (2021 YTD, 50+)

9

6

## MHP INVENTORY (50+)

INVENTORY

Total Spaces

### PHOENIX MSA

88,754

### TUCSON MSA

22,448

Age Restricted/55+

62,655

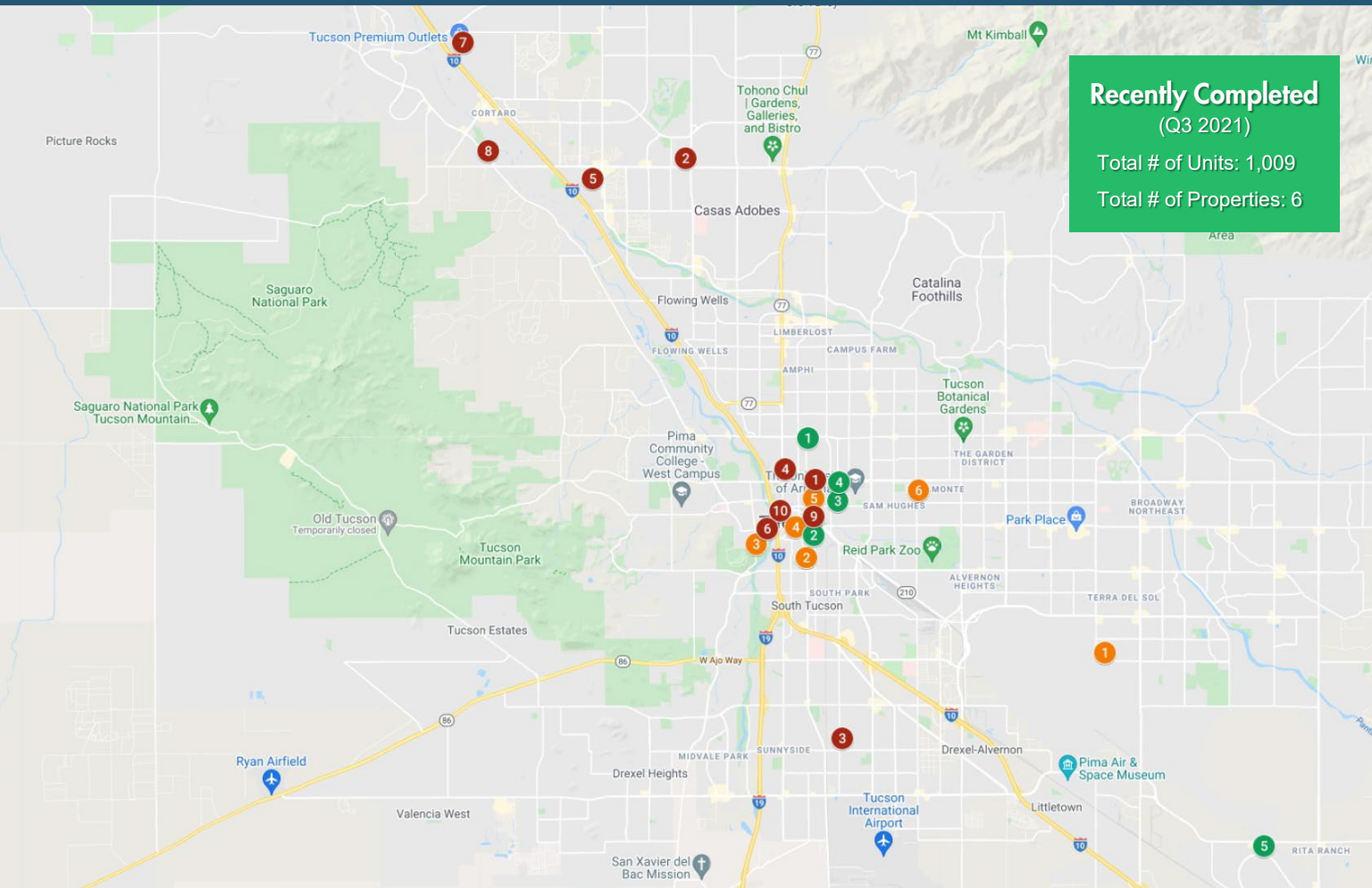
12,233

Family

26,099

10,215

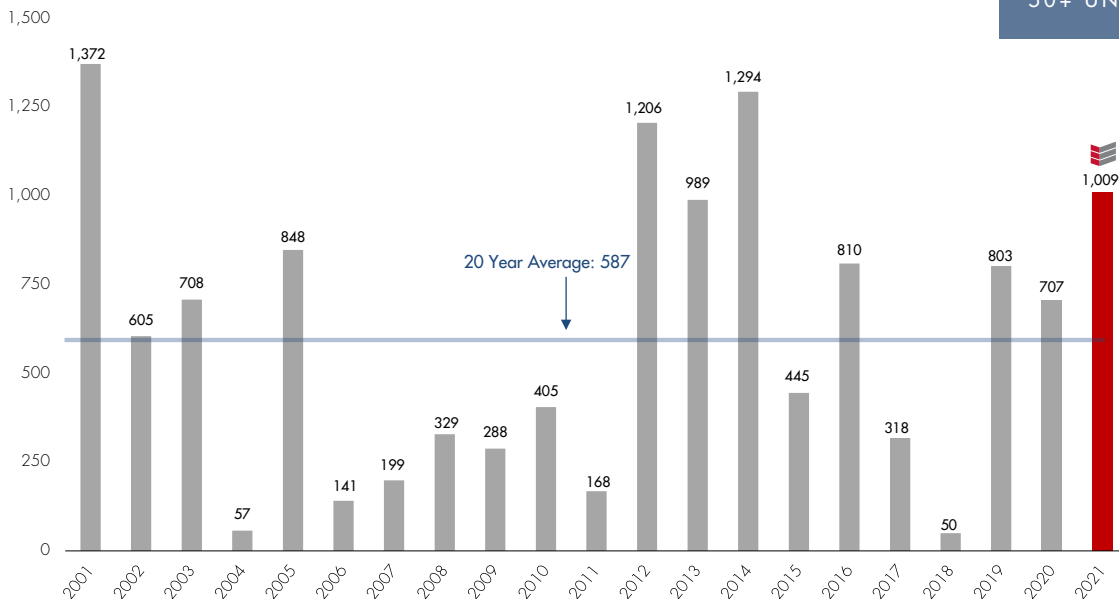
# COMPLETED CONSTRUCTION



## Recently Completed (Q3 2021)

Total # of Units: 1,009  
Total # of Properties: 6

## TUCSON MULTIFAMILY CONSTRUCTION PIPELINE Q3 2021



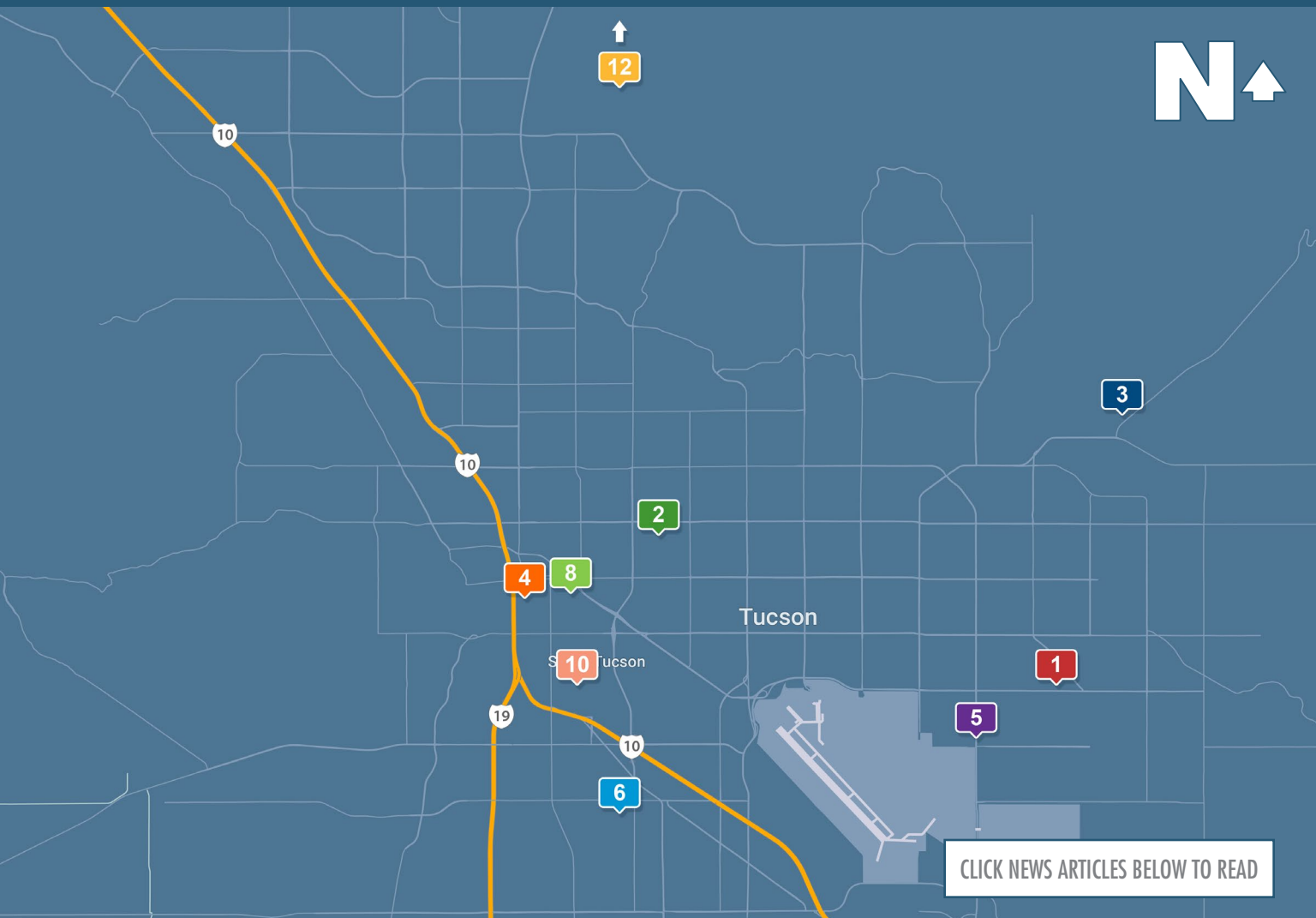
**TOTAL UNIT INVENTORY**  
 5+ UNIT PROPERTIES: 86,638  
 50+ UNIT PROPERTIES: 68,774

**PRE-LEASE ABSORPTION RATE**  
**31**  
 Units/Property/Month (Avg)

**Under Construction**  
 Total # of Units: 979  
 Total # of Properties: 6

**Planned**  
 Total # of Units: 2,119  
 Total # of Properties: 10

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



CLICK NEWS ARTICLES BELOW TO READ

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

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

**Stackhouse**  
Tucson-based Stackhouse wants to transform housing with shipping containers

**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**  
Tucson rents increase sharply over the past month

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

**10 UPS**  
UPS to hire more than 500 in Tucson for seasonal holiday work

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

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

**6 Imperial Brown**  
Imperial Brown brings jobs to Tucson with new manufacturing facility

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



BY: DREW RICCIARDI, ABI RESEARCH MANAGER

# Multifamily Thriving Despite Economic Constraints

**T**he multifamily industry has pleasantly outperformed even the brightest projections to start the year. It was clear 2021 was slated to be a robust year barring any more shutdowns, but not to the magnitude witnessed year to date. Demand from renters, investors, and developers is catapulting to new heights as total sales volume, rent growth, and apartment construction reach record highs.

A few macro-economic issues have arisen from the pandemic, giving some pause initially, but proving to be minor speedbumps in the path of the semi-truck that is the multifamily industry.

## THE EFFECTS OF INFLATION, SUPPLY CONSTRAINTS, AND THE LABOR SHORTAGE ON MULTIFAMILY

The effects of inflation on our everyday lives are becoming more prevalent than ever. Filling up a tank of gas or a trip to the grocery store may seem substantially more expensive than recent memory... because it is.

The U.S. inflation rate has reached its highest level in past

39 years. A significant result of overall demand outpacing supply created some lingering effects like bottlenecks at shipping ports, a labor shortage leading to a reduction in the number of truck drivers available to deliver goods, and sharp wage increases.

Multiple factors have contributed to the labor shortage, including enhanced unemployment benefits, baby boomers retiring, and fewer immigrants entering the country. Now, with unemployment benefits expiring and wages increasing rapidly, economists believe many of the effects of the labor shortage and supply constraints will subside during the second half of 2022.

But how does it all relate to multifamily real estate at the moment?

The combination of the rise in the cost of materials, energy prices, and wages – along with a shortage of skilled labor -- has slowed down the supply of single-family housing construction overall. Strong demand for housing persists as more young adults look to move out of their parent's homes or from urban apartments to suburban homes.

As a result, home prices in September jumped a staggering 18% year-over-year nationally, according to the S&P CoreLogic Case-Shiller U.S. National Home Price NSA index. At the same time, the supply of homes for sale went down 13.4%, according to the National Association of Realtors, forcing many to wait and continue to rent.

From an investor's perspective, it makes sense to put their capital into an appreciating asset like multifamily real estate during times of inflation, with the expectation cap rates will compress and rents will increase from here. Fortunately, the abundance of multifamily debt capital remains as Freddie Mac and Fannie Mae raised their cap an additional \$8 billion each for 2022. On the other hand, interest rates will likely go up eventually.

It is no secret multifamily continues to be one of the most resilient sectors throughout the pandemic, posting significant growth in total sales volume, development, occupancy, and rents.

It is likely that current inflation, supply constraints, and labor shortages will have no dramatic long-term negative effects on the multifamily industry.

## MULTIFAMILY CONSTRUCTION TRYING TO KEEP UP WITH DEMAND

Demand for apartments is reaching an all-time high after 255,000 multifamily units were absorbed (newly completed units leased) nationally during the third quarter. That figure marks the largest single-quarter absorption since 1990, according to RealPage data, indicating the supply of apartment construction has become more paramount than ever.

Apartment construction appears to have overcome the cost of materials and labor shortage dilemma better than single-family construction. According to U.S. Census Bureau data, new multifamily construction permits were issued

nationally for 57,000 units in August 2021, signifying it as the hottest month since June 2015. For single family housing construction, housing starts fell in September and permits dropped to a one-year low, according to a report from the U.S. Department of Commerce.

Multifamily developers recognize the disparity in current supply/demand levels and are getting creative to keep up with demand. Select developers are taking underperforming commercial spaces and converting them into apartments at a record rate. Obsolete office buildings, old industrial facilities, underperforming malls, and out-of-date hotels are all prospects for potential apartment conversions.

It is projected that 20,100 units will be converted into apartments from commercial spaces by the end of the year nationally, according to a new report by RentCafe.

Creative methods like this will become imperative moving forward if the multifamily industry has any chance of matching supply with demand. Expect multifamily construction to remain active especially, as supply chain constraints diffuse.

## TUCSON MULTIFAMILY MAKING WAVES

The Tucson MSA continues to quietly remain one of the hottest metros for multifamily real estate as it finds itself positioned slightly in the shadow of the powerhouse Phoenix market. Almost every major data metric witnessed significant increases.

Similar to Phoenix, Tucson's sustained elevated renter demand has increased investors' appetites in the area tremendously. As a result, increases in sales volume, price-per-unit, price-per-square-foot, rental rates, occupancy rates, and new development have been on fire during 2021.

Tucson reported some of the highest year-over-year growth for rent and occupancy rates. Multifamily development delivered one of its highest quarters of newly completed



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units in Tucson's history due to the spiked demand.

What is attributing to the prolific renter demand?

Increased out-of-state migration from residents and companies is a direct correlation to the demand levels. More and more people are looking to move to the warm, affordable climate as job growth simultaneously increases with the expansion of more manufacturing facilities across the metro.

Expect the Tucson multifamily market to continue its positive trends into 2022.

## TUCSON MARKET METRICS: BY THE NUMBERS

For 5-49 unit properties, Q3 2021 saw a transaction volume of approximately \$39 Million, which represented a 3.7% Year-over-Year decrease YoY. In the 50+ unit category, Q3 2021 brought in over \$342 Million, more than doubling YoY at 122.8%.

Average Price-Per-Unit amounts were down in the 5-49 segment, falling 4.1% YoY to \$78,432, and showing a large increase of 49.4% to \$180,906 for 50+. This translated to an Average Price/SF of \$138.38 in 5-49 (up 20.8%) and \$208.71 (up 32.7%) in 50+.

Inventory age saw a decrease in the 5-49 segment and an increase in the 50+ unit segment Year-over-Year. Average Year Built for 5-49 reported the year 1962, versus 1968. The Average Year Built in 50+ reported the year 1990, versus 1989.

The market's occupancy rate reported a significantly high rate. Q3 2021 occupancy came in at 96.6%, up from 95.6% in Q3 2020. Average rent showed one of the largest increases in the nation, reporting \$1,130, up \$176 (18.4%) 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 the total population was 1,047,279. The unemployment rate finished the quarter at 4.3% and employment growth finished at 4.0%, 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, 1,009 units were delivered this year, a staggering increase of 909% from Q3 2020.

Currently, a pipeline of 2,119 units is estimated to be in the Planning stages across 10 properties. A total of 979 units are listed as Under Construction across 6 properties.

Pre-lease absorption rates were high this quarter at a rate of 31 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 68,774.

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# ABI COMPARATIVE MARKET REVIEW: Q3 2021



TUCSON

PHOENIX

SACRAMENTO

SAN DIEGO

	TUCSON	PHOENIX	SACRAMENTO	SAN DIEGO	
DEMOGRAPHICS	<b>Total Population</b>	1,047,279	4,948,203	2,405,603	3,339,333
	<b>Unemployment Rate</b> (as of Sept 2021)	4.3%	3.8%	5.5%	5.6%
	<b>Employment Growth</b> (y-o-y)	4.0%	6.0%	3.6%	4.0%
	<b>Median HH Income</b>	\$53,379	\$63,883	\$81,696	\$95,283
	<b>Per Capita Income</b>	\$29,707	\$32,522	\$35,563	\$34,103
RENT/OCC/CONST (50+)	<b>Rent</b> (Q3 2021)	\$1,130	\$1,536	\$1,698	\$2,147
	% Increase/Decrease	+18.4%	+22.8%	+11.7%	+12.9%
	<b>Occupancy</b> (Q3 2021)	96.6%	96.5%	96.6%	97.6%
	% Increase/Decrease	+1.0%	+1.1%	+0.5%	+2.1%
	<b>Total Inventory</b> (50+)	68,774	327,355	149,418	238,757
SALES (50+)	<b>Total Under Construction</b> (50+)	979	34,059	6,514	8,879
	<b>Units Delivered</b> (50+, Q3 2021)	1,009	7,829	1,779	5,365
	<b>Total Sales Volume</b> (Q3 2021)	\$342M	\$4.28B	\$538M	\$1.61B
	y-o-y % Increase/Decrease	+122.8%	+248.2%	+213.0%	+767.4%
	<b>Average P/U</b> (Q3 2021)	\$180,906	\$284,597	\$255,007	\$265,098
y-o-y % Increase/Decrease	+49.4%	+71.1%	-10.9%	+14.9%	

## LEADING MULTIFAMILY BROKERAGE TEAM IN THE WESTERN US

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

#### 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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