

TUCSON MSA | MULTIFAMILY | YE 2021 REPORT

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5+ UNIT PROPERTIES	YE 2021	INCREASE/DECREASE	YE 2020	
Total Sales Volume	\$1.87B	+59.9%	\$1.17B	
AVERAGE	Price/Unit	\$155,899	+36.5%	\$114,244
	Price/SF	\$199.17	+28.6%	\$154.89
	Year Built	1969	-4 Yrs	1973
Average Rent	\$1,185	+8.2%	\$1,095	
Occupancy Rate	96.5%	+1.0%	95.5%	
Units Delivered	1,131	+60.0%	707	

ABI GEONEWS: TUCSON MSA - SELECT NEWS

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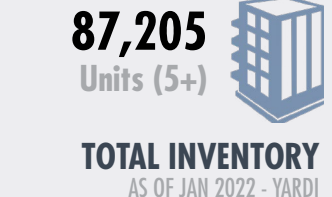
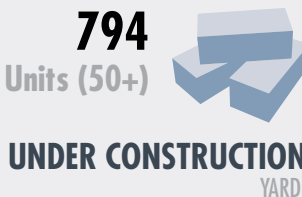
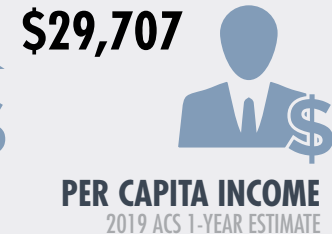
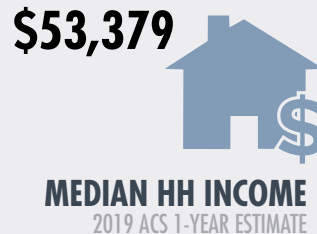
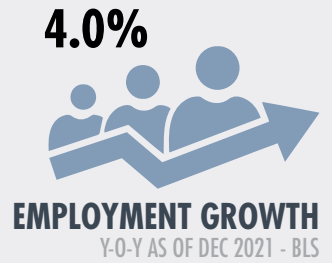
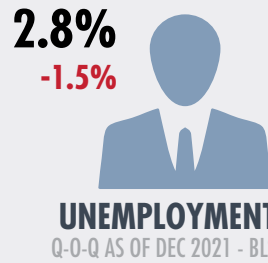
UPS
UPS to hire more than 500 in Tucson for seasonal holiday work



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

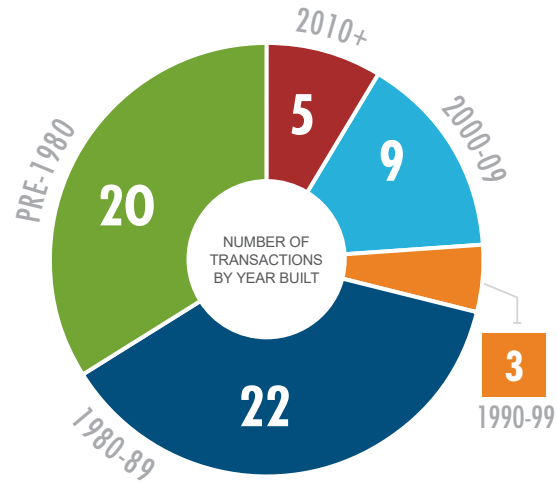


Stackhouse
Tucson-based Stackhouse wants to transform housing with shipping containers



50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2021	INCREASE/DECREASE	YE 2020
Total Sales Volume	\$1.69B	+63.1%	\$1.04B
AVERAGE Price/Unit	\$167,471	+37.6%	\$121,732
AVERAGE Price/SF	\$207.47	+27.6%	\$162.56
AVERAGE Year Built	1985	-1 Yr	1986



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



The Hub at Tucson

Tucson, 163 Units | \$103,000,000
\$631,902/Unit | \$406.68/SF | Built 2014

Cortaro Farms Rental Homes

Tucson, 135 Units | \$43,602,452
\$322,981/Unit | \$340.30/SF | Built 2007

La Mariposa Rental Homes

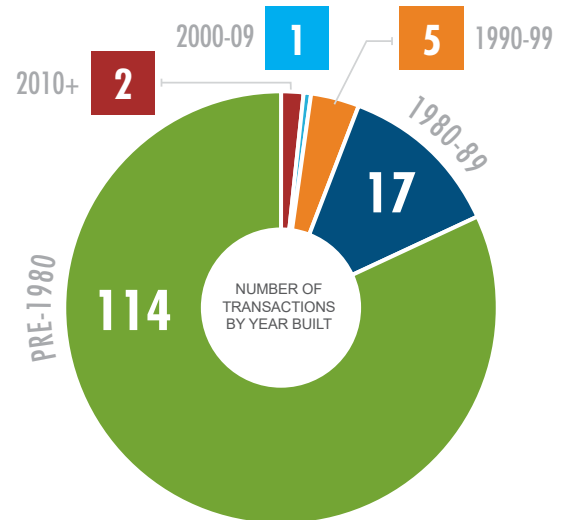
Tucson, 142 Units | \$45,863,319
\$322,981/Unit | \$323.60/SF | Built 2003

YE 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	5	\$384K	\$318
2000-09	9	\$226K	\$239
1990-99	3	\$183K	\$178
1980-89	22	\$146K	\$205
Pre-1980	20	\$118K	\$149

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2021	INCREASE/DECREASE	YE 2020
Total Sales Volume	\$173M	+34.5%	\$129M
AVERAGE Price/Unit	\$93,019	+21.8%	\$76,351
AVERAGE Price/SF	\$143.26	+27.8%	\$112.09
AVERAGE Year Built	1961	-7 Yrs	1968



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



Mountain Rental Homes

Tucson, 38 Units | \$12,432,087
\$327,160/Unit | \$335.66/SF | Built 1994

Sabino Canyon Rental Homes

Tucson, 44 Units | \$14,211,169
\$322,981/Unit | \$267.77/SF | Built 1996

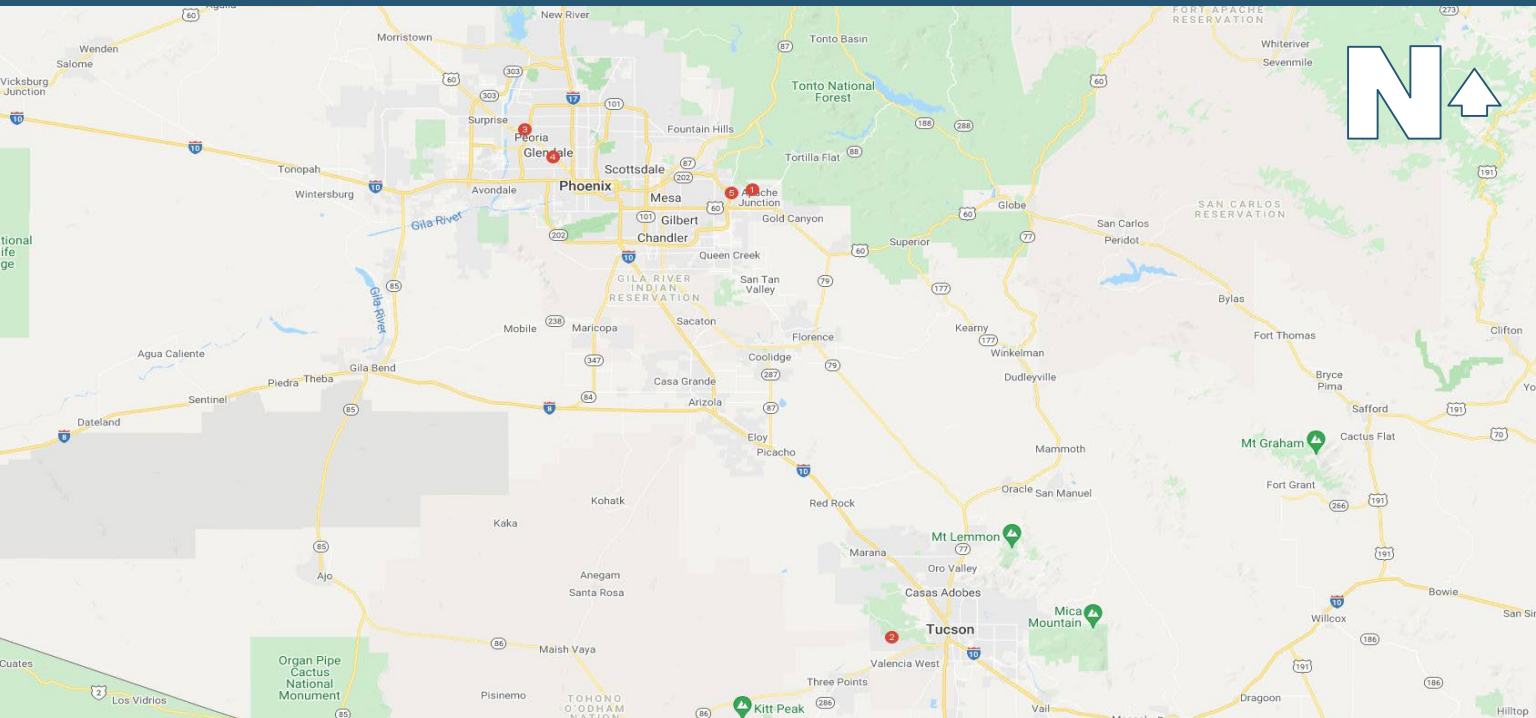
1401 - 1411 East 10th Street

Tucson, 6 Units | \$1,415,000
\$235,833/Unit | \$288.78/SF | Built 1949

YE 2021 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	2	\$173K	\$140
2000-09	1	\$150K	\$106
1990-99	5	\$267K	\$250
1980-89	17	\$72K	\$124
Pre-1980	114	\$81K	\$132

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (YE 2021)

PHOENIX MSA

\$98,061,107

TUCSON MSA

\$164,150,000

Transaction Volume (YE 2020)

\$336,050,000

\$43,395,000

Avg Sales Price / Space (YE 2021)

\$60,271

\$74,648

Avg Sales Price / Space (YE 2020)

\$97,746

\$58,961

FAMILY

Transaction Volume (YE 2021)

\$190,734,677

\$18,204,720

Transaction Volume (YE 2020)

\$140,482,000

\$5,450,000

Avg Sales Price / Space (YE 2021)

\$71,117

\$42,043

Avg Sales Price / Space (YE 2020)

\$73,860

\$42,578

Total Transaction Volume (2021 YTD, 50+)

\$288,795,784

\$182,354,720

Number of Transactions (2021 YTD, 50+)

33

13

MHP INVENTORY (50+)

INVENTORY

Total Spaces

PHOENIX MSA

88,595

TUCSON MSA

22,454

Age Restricted/55+

62,722

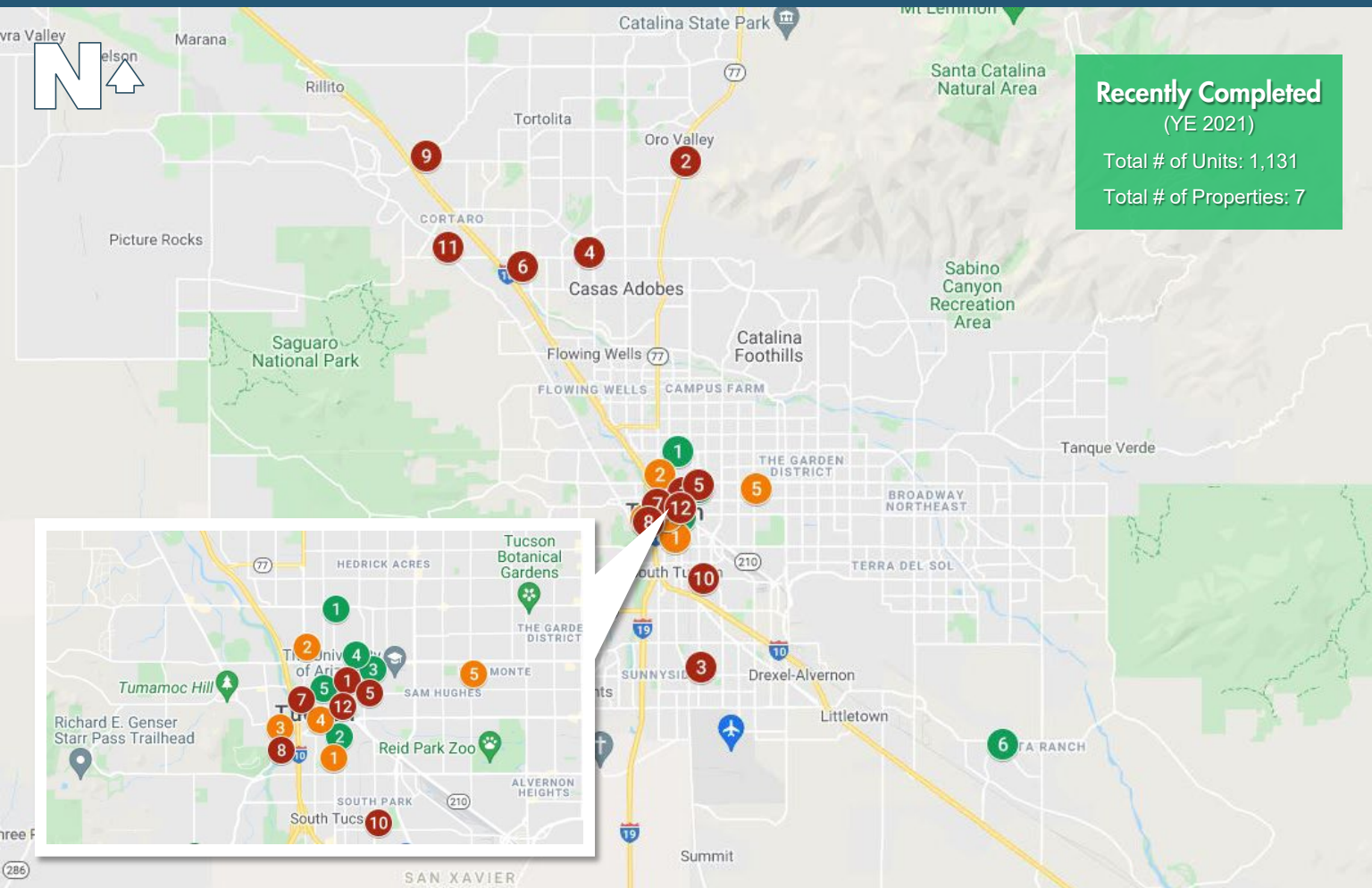
12,233

Family

25,873

10,221

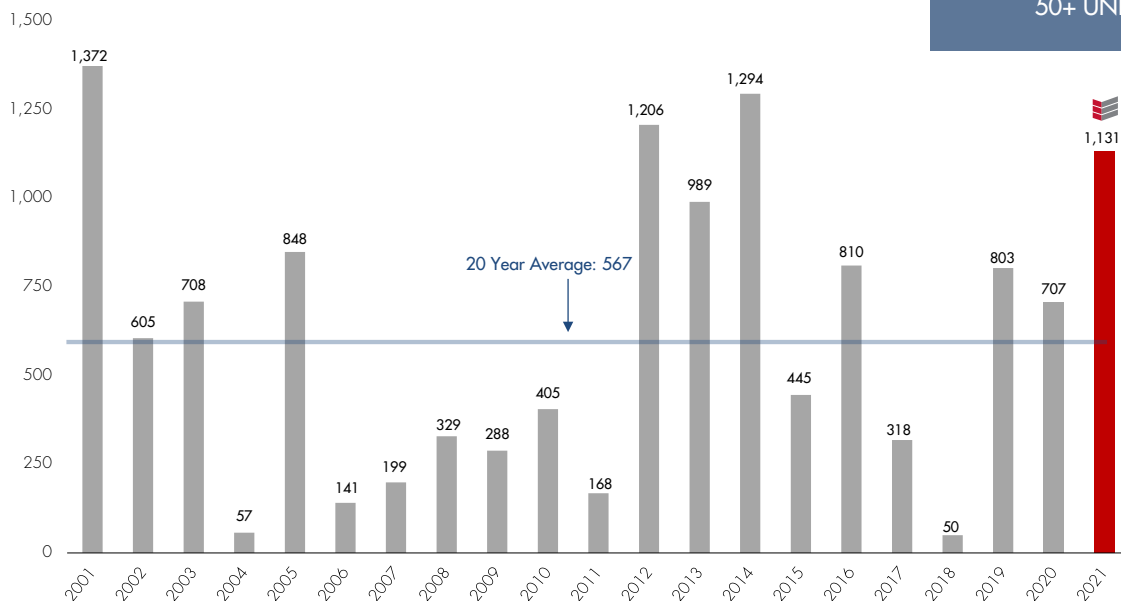
COMPLETED CONSTRUCTION



Recently Completed (YE 2021)

Total # of Units: 1,131
Total # of Properties: 7

TUCSON MULTIFAMILY CONSTRUCTION PIPELINE YE 2021



TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: **87,205**
50+ UNIT PROPERTIES: **69,578**

PRE-LEASE ABSORPTION RATE

20
Units/Property/Month (Avg)

UNDER CONSTRUCTION

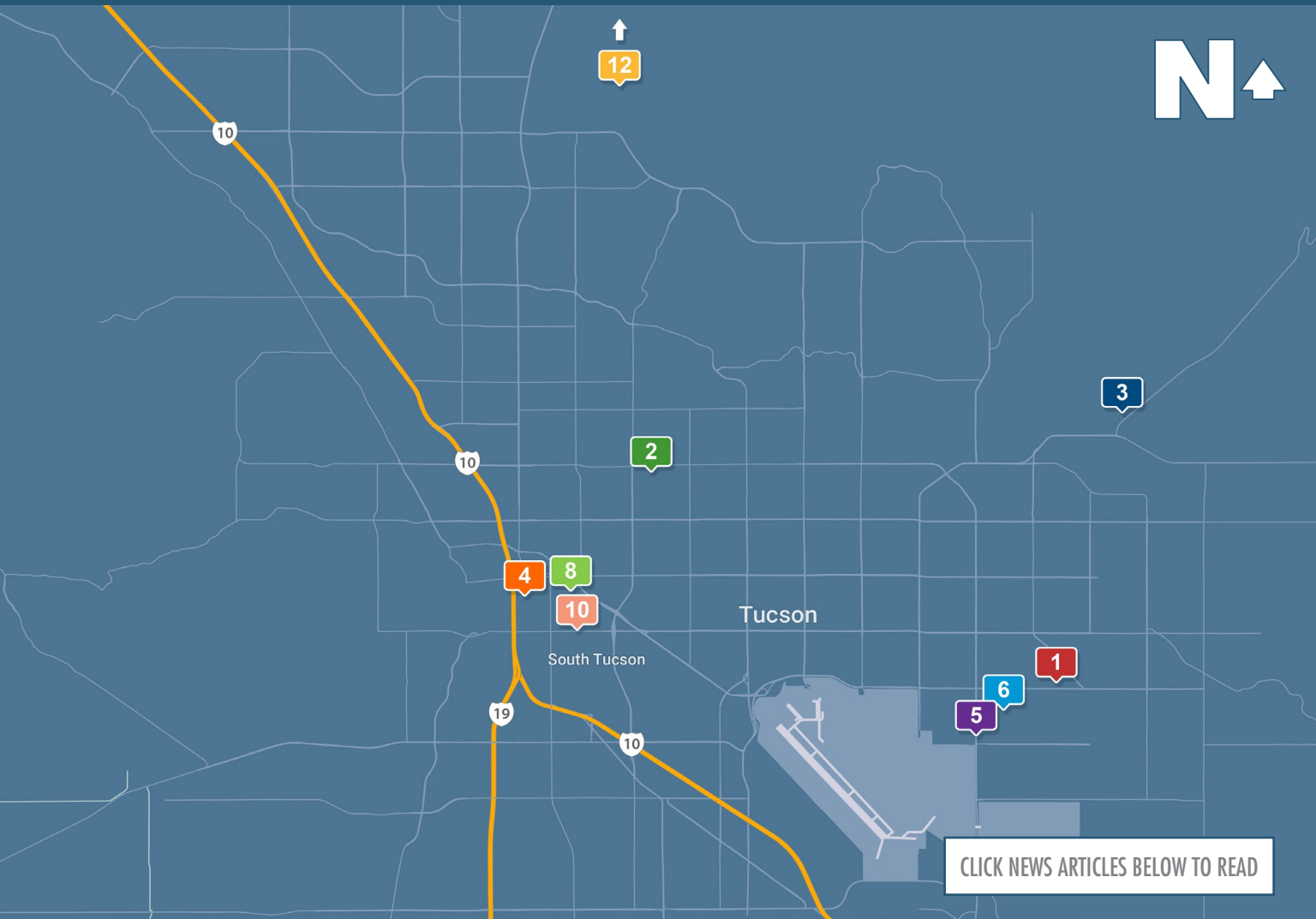
TOTAL # OF UNITS: **794**
TOTAL # OF PROPERTIES: **5**

PLANNED

TOTAL # OF UNITS: **2,383**
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

ABI GEONEWS: TUCSON - SELECT NEWS



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

2 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
Major industrial projects could draw national companies to Tucson

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

MONUMENTAL YEAR FOR MULTIFAMILY

Following the economic downturn in 2020, a sharp “V” shaped rebound ensued in a majority of metros multifamily markets, leaving many to wonder if the rebound would continue and transition into a hot streak in 2021. That “hot streak” is precisely what unfolded in 2021 throughout the multifamily industry.

POSITIVE TRENDS PORTRAY BRIGHT OUTLOOK NATIONALLY

After a historically robust year concludes, prominent industry experts expect a similar story in 2022. 2021 featured unwavering housing demand and record rent growth and transaction volume across the nation.

Sun Belt markets like Phoenix, Dallas, Atlanta, and Houston led the charge, reporting significant growth and investment activity. According to Yardi Matrix, the U.S. average asking rent rose a record high 13.5% or \$190 year-over-year to end 2021, while transaction volume achieved an annual record of \$335 billion in multifamily sales.

The U.S. as a whole delivered 274,500 multifamily units with more than 400,000 units in the planning stages, according to RealPage Analytics. The demand for housing has become so strong that the new supply is absorbed immediately.

Now, will 2022 even come close to the vigorous level of activity witnessed last year? Freddie Mac’s latest multifamily market forecast suggests significant growth nationwide but not to the heights of 2021.

Freddie Mac expects rent growth to be prevalent in all markets in 2022, a byproduct of fierce demand from renters and the improving economy. Phoenix is projected to lead the pack in rent growth among U.S. markets, with Tucson trailing at fourth.

In terms of lending capital, Freddie projects originations for the multifamily market to surpass 2021 originations, finishing between \$475 billion and \$500 billion. In addition, a total of 25% of Freddie Mac and Fannie Mae loans are dedicated to affordable properties, boding well for the affordable housing shortage the country faces. Short-term interest rates are expected to rise to combat rising inflation with projections of three separate hikes in the Fed Funds rate during 2022, amounting to a potential 1% increase in totality.

It is safe to assume 2022 will prove to be another phenomenal year for multifamily markets in terms of rent growth, vacancy, and transaction activity, barring any significant economic disruptions.

TUCSON MULTIFAMILY RECORDS SIGNIFICANT YEAR

Phoenix currently may be viewed as a juggernaut multifamily market, but the Tucson multifamily market is making some serious noise down south. Significant multifamily sales volume and price per unit growth show Phoenix is not the only Arizona metro targeted by investors from all over.

The Tucson market presents investors the option to utilize their capital more efficiently by buying more units at a cheaper price point compared to the higher costs in Phoenix. Not to mention Tucson was a top U.S. metro in rent growth, with some submarkets experiencing upwards of 30% rent growth. There are expectations for Tucson to repeat as a top metro in rent growth in 2022.

Similar to Phoenix, the high renter demand Tucson is facing, combined with a shortage of housing, is a significant reason for the rent increases. The spike in demand is from new residents migrating to Tucson from out-of-state markets and the Phoenix market as the cost of living in Phoenix continues to increase exponentially.

More jobs mean more people moving to the metro. The manufacturing sector continues to explode in Arizona as more plans for semiconductor plants in Tucson, like Leonardo Electronics, continue to be introduced. To put it in perspective, manufacturing jobs in Tucson grew about 7% in 2021 when annual growth for the sector has averaged about 3% since 2015.

In light of the demand, more housing supply is on the way to Tucson to help minimize the imbalance. Between June 2020 and June 2021, single-family home construction increased by 46%. Tucson delivered the most multifamily units since 2014 and projects to construct a healthy amount in 2022.

In addition, developers are considering more creative methods to deliver more housing units to keep pace. Stackhouse, a Tucson-based housing startup, plans to develop buildings with units made from shipping containers. Innovative methods like this are imperative in battling the housing shortage in Arizona as the population rapidly expands and amid rising supply chain costs and constraints for materials continue in the immediate future.

It is expected the Tucson Multifamily Market will continue to flourish and be considered a prominent market in 2022 along with the rest of the Sun Belt markets.

TUCSON MARKET METRICS: BY THE NUMBERS

For 5-49 unit properties, 2021 saw a transaction volume of approximately \$173 Million, which represented a 34.5%

Year-over-Year increase YoY. In the 50+ unit category, 2021 brought in over \$1.7 Billion, increasing YoY 63.1%.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 21.8% YoY to \$93,019, and showing a large increase of 37.6% to \$167,471 for 50+. This translated to an Average Price/SF of \$143.26 in 5-49 (up 27.8%) and \$207.47 (up 27.6%) in 50+.

Inventory age saw a decrease in both the 5-49 segment and the 50+ unit segment Year-over-Year. Average Year Built for 5-49 reported the year 1961, versus 1968. The Average Year Built in 50+ reported the year 1985, versus 1986.

The market's occupancy rate reported a significantly high rate. 2021 occupancy came in at 96.5%, up from 95.5% in 2020. Average rent showed a robust increase, reporting \$1,185, up \$90 (8.2%) from last year.

Tucson MSA demographics reported excellent 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 2.8% 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, 1,131 units were delivered this year, an increase of 60% from 2020.

Currently, a pipeline of 2,383 units is estimated to be in the Planning stages across 12 properties. A total of 794 units are listed as Under Construction across 5 properties.

Pre-lease absorption rates were finished the year at an average rate of 20 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 69,211.

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ABI COMPARATIVE MARKET REVIEW: YE 2021



PHOENIX

TUCSON

SAN DIEGO

	PHOENIX	TUCSON	SAN DIEGO	
DEMOGRAPHICS	Total Population	4,948,203	1,047,279	3,301,573
	Unemployment Rate (as of Dec 2021)	2.4%	2.8%	4.2%
	Employment Growth (y-o-y)	5.7%	4.0%	4.9%
	Median HH Income	\$63,883	\$53,379	\$89,814
	Per Capita Income	\$32,522	\$29,707	\$34,103
RENT/OCC/CONST (50+)	Rent (YE 2021)	\$1,480	\$1,093	\$2,072
	% Increase/Decrease	+18.4%	+15.1%	+12.5%
	Occupancy (YE 2021)	96.1%	96.5%	97.8%
	% Increase/Decrease	+0.7%	+1.0%	+1.5%
	Total Inventory (50+)	330,396	69,578	239,014
Total Under Construction (50+)	35,711	674	8,952	
Units Delivered (50+, YTD)	9,942	1,131	5,681	
SALES (50+)	Total Sales Volume (YE 2021)	\$15.93B	\$1.69B	\$4.01B
	y-o-y % Increase/Decrease	+145.2%	+63.1%	+166.7%
	Average P/U (YE 2021)	\$259,138	\$167,471	\$323,992
	y-o-y % Increase/Decrease	+38.8%	+37.6%	+7.7%

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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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