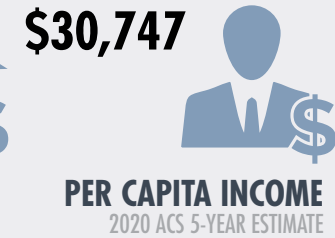
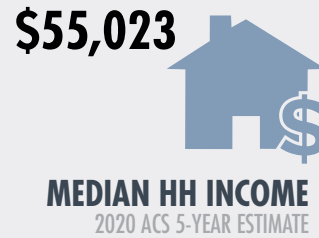
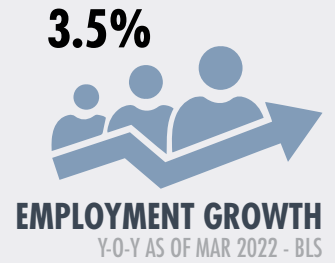
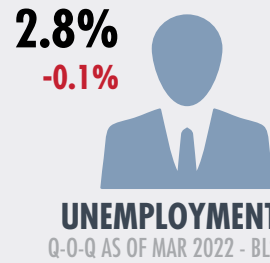


TUCSON MSA | MULTIFAMILY | Q1 2022 REPORT

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
DEMAND FOR MULTIFAMILY RISES AS MARKET FACTORS DETER HOME BUYING	06-08
ABI COMPARATIVE MARKET REVIEW: Q1 2022	09





5+ UNIT PROPERTIES	Q1 2022	INCREASE/DECREASE	Q1 2021
Total Sales Volume	\$394M	+61.5%	\$244M
AVERAGE Price/Unit	\$152,431	+59.7%	\$95,419
AVERAGE Price/SF	\$232.94	+73.6%	\$134.21
AVERAGE Year Built	1966	-2 Yrs	1968
Average Rent	\$1,226	+21.1%	\$1,012
Occupancy Rate	96.3%	NO CHANGE	96.3%
Units Delivered	245	--	0




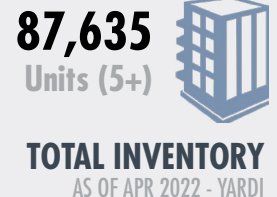
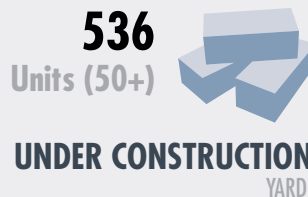
ABI GEONEWS: TUCSON MSA - SELECT NEWS

CONTINUED ON PAGE 05

 **Amazon**
A fifth Amazon site is coming to the Tucson area

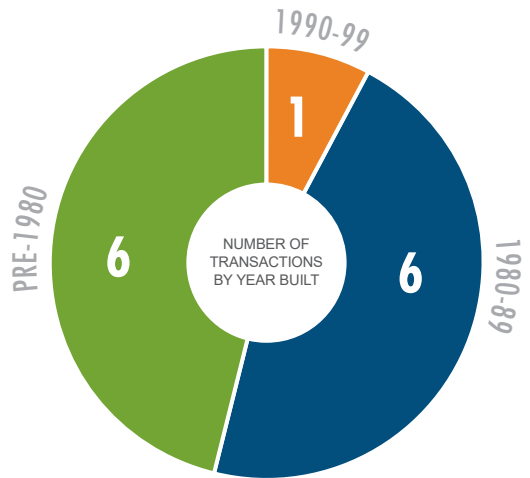
 **City of Tucson**
Home prices spike nearly 30% in some parts of Tucson

 **Flint Development**
Major logistics center and big-box store planned for Marana



50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2022	INCREASE/DECREASE	Q1 2021
Total Sales Volume	\$347M	+66.3%	\$209M
AVERAGE Price/Unit	\$158,951	+59.0%	\$99,988
Price/SF	\$246.37	+76.9%	\$139.30
Year Built	1979	NO CHANGE	1979



TOP 3 TRANSACTIONS BY PRICE/UNIT (50+)



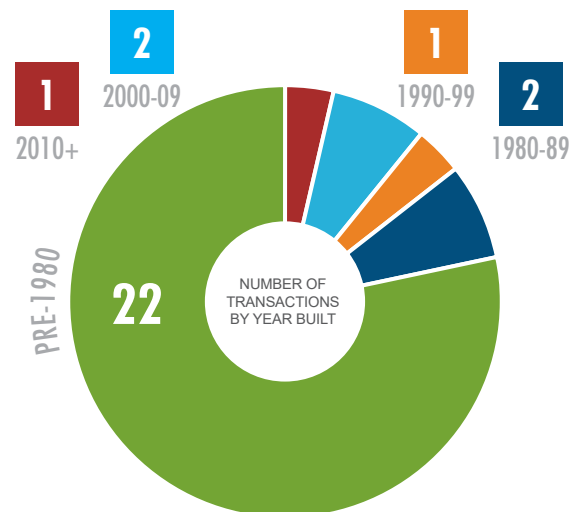
- Redondo Tower**
Tucson, 96 Units | \$27,000,000
\$281,250/Unit | \$299.49/SF | Built 1962
- Paseo Del Sol**
Tucson, 152 Units | \$33,650,000
\$221,382/Unit | \$201.26/SF | Built 1994
- Alterra**
Tucson, 416 Units | \$81,500,000
\$195,913/Unit | \$297.52/SF | Built 1987

Q1 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	--	--	--
1990-99	1	\$221K	\$201
1980-89	6	\$155K	\$282
Pre-1980	6	\$153K	\$190

5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q1 2022	INCREASE/DECREASE	Q1 2021
Total Sales Volume	\$47M	+33.3%	\$35M
AVERAGE Price/Unit	\$117,099	+55.8%	\$75,163
Price/SF	\$166.25	+50.6%	\$110.40
Year Built	1960	-4 Yrs	1964



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

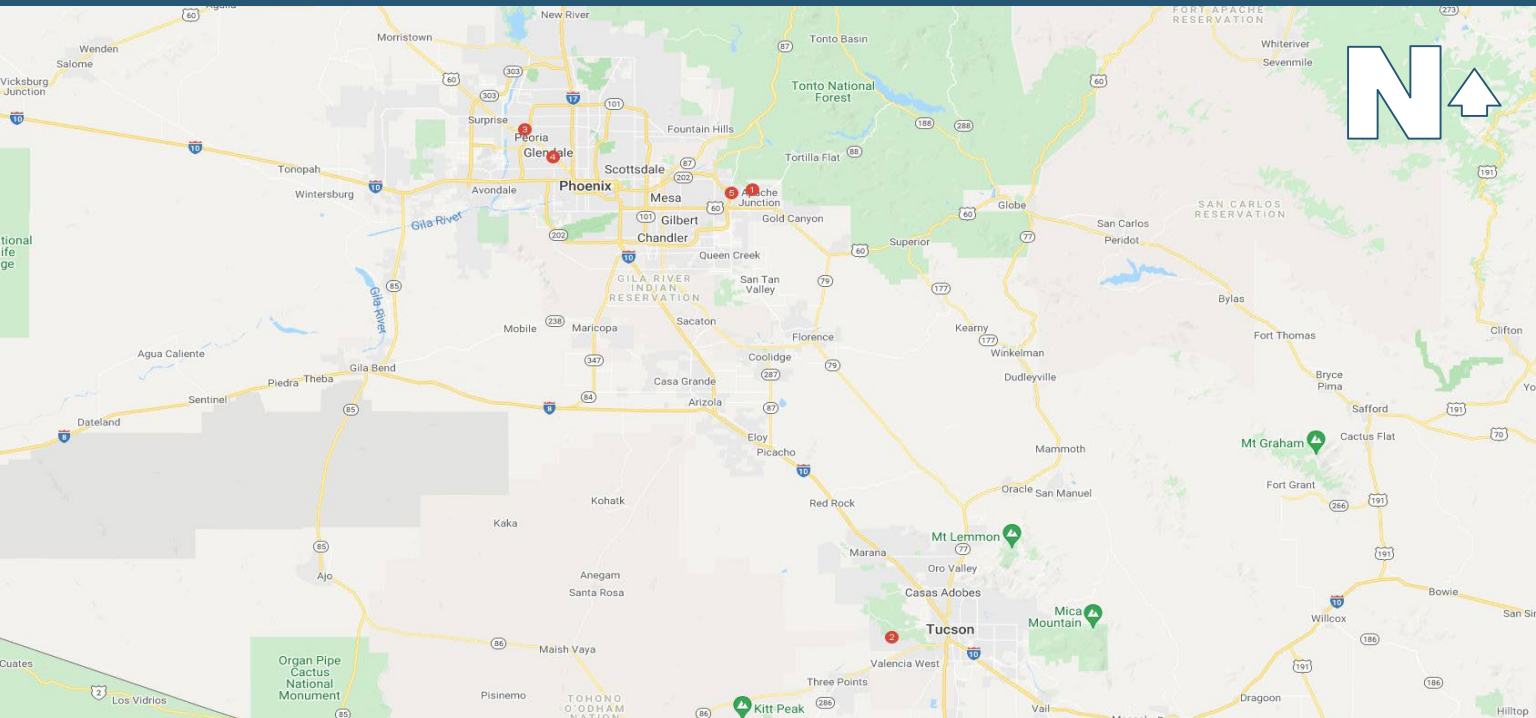


- Adams Luxury Student Housing**
Tucson, 6 Units | \$1,960,000
\$326,667/Unit | \$108,889/Bed | \$183.21/SF | Built 2014
- Casitas De Plata**
Tucson, 6 Units | \$1,839,500
\$306,583/Unit | \$351.12/SF | Built 1941
- Convent Apartment**
Tucson, 12 Units | \$3,500,000
\$291,667/Unit | \$406.65/SF | Built 1912

Q1 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	1	\$327K	\$183
2000-09	2	\$254K	\$157
1990-99	1	\$220K	\$139
1980-89	2	\$85K	\$141
Pre-1980	22	\$105K	\$173

ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q1 2022)

PHOENIX MSA

\$7,000,000

TUCSON MSA

\$0

Transaction Volume (Q1 2021)

\$52,681,107

\$4,500,000

Avg Sales Price / Space (Q1 2022)

\$72,165

--

Avg Sales Price / Space (Q1 2021)

\$107,512

\$19,565

FAMILY

Transaction Volume (Q1 2022)

\$2,430,000

\$0

Transaction Volume (Q1 2021)

\$12,440,000

\$0

Avg Sales Price / Space (Q1 2022)

\$48,600

--

Avg Sales Price / Space (Q1 2021)

\$53,621

--

Total Transaction Volume (2022 YTD, 50+)

\$9,430,000

\$0

Number of Transactions (2022 YTD, 50+)

2

0

MHP INVENTORY (50+)

INVENTORY

Total Spaces

PHOENIX MSA

88,595

TUCSON MSA

22,454

Age Restricted/55+

62,722

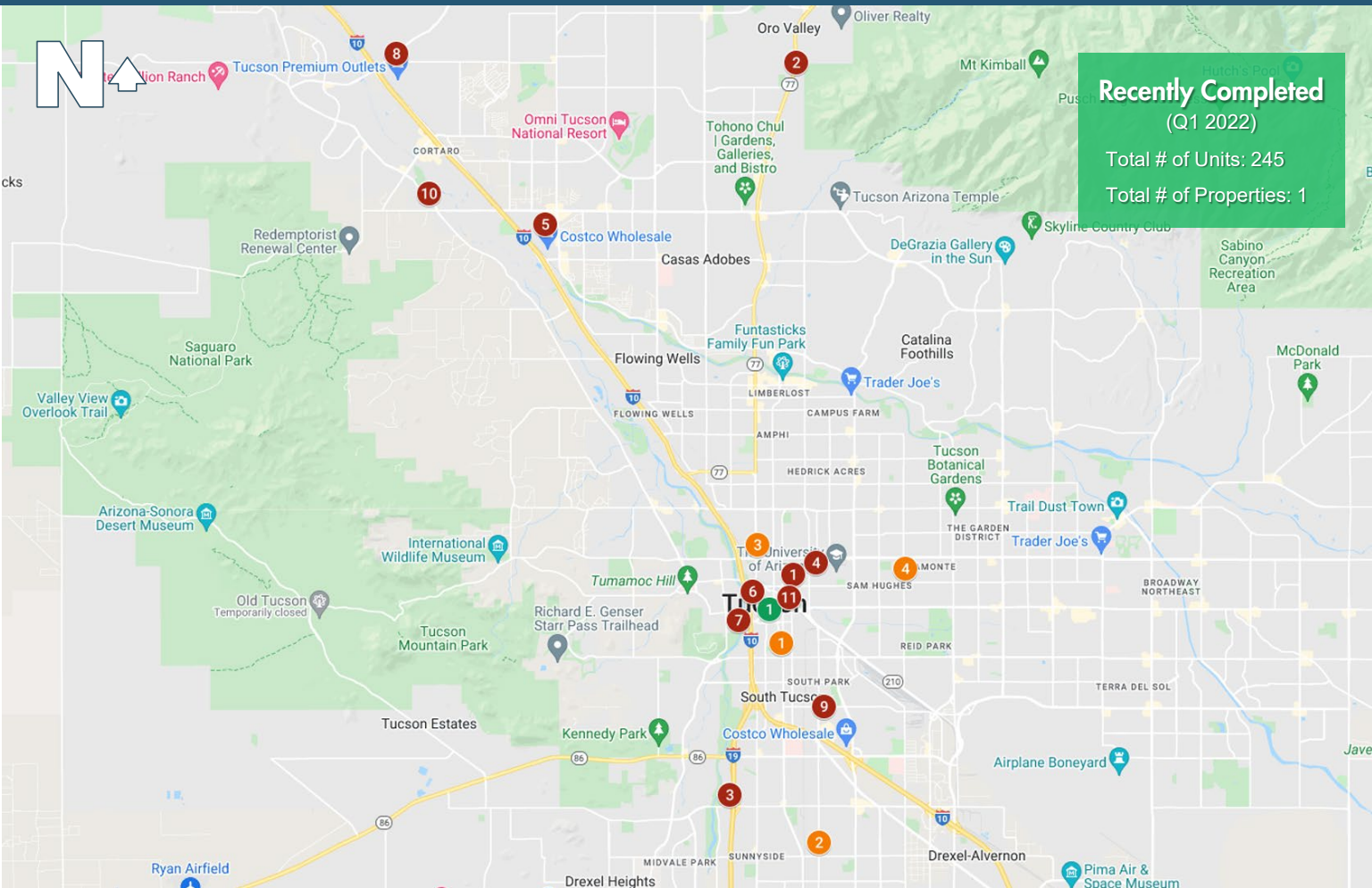
12,233

Family

25,873

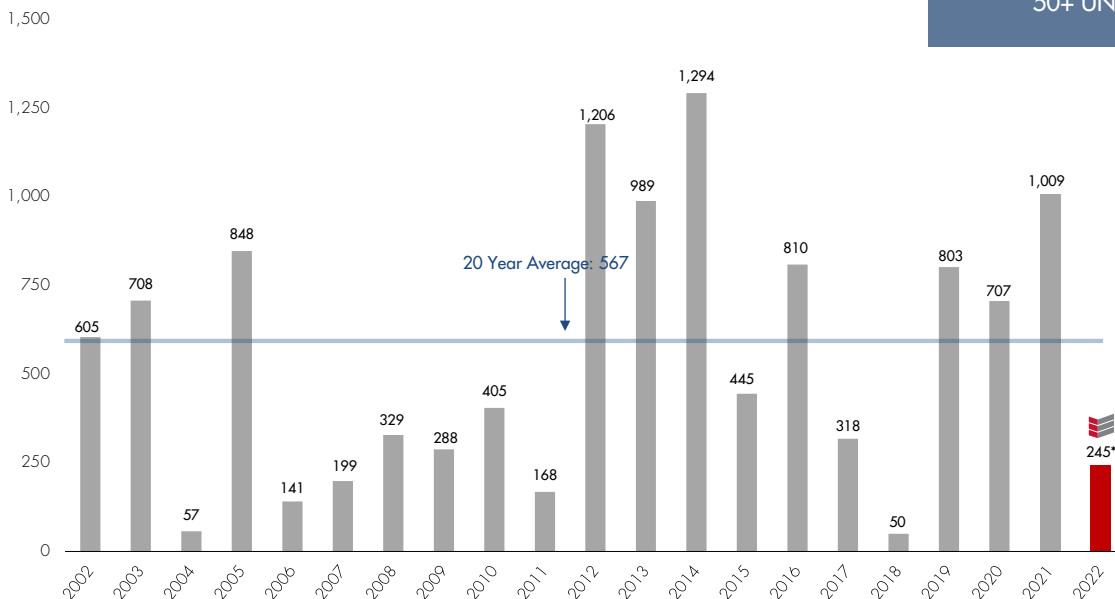
10,221

COMPLETED CONSTRUCTION



Recently Completed
(Q1 2022)
Total # of Units: 245
Total # of Properties: 1

TUCSON MULTIFAMILY CONSTRUCTION PIPELINE Q1 2022



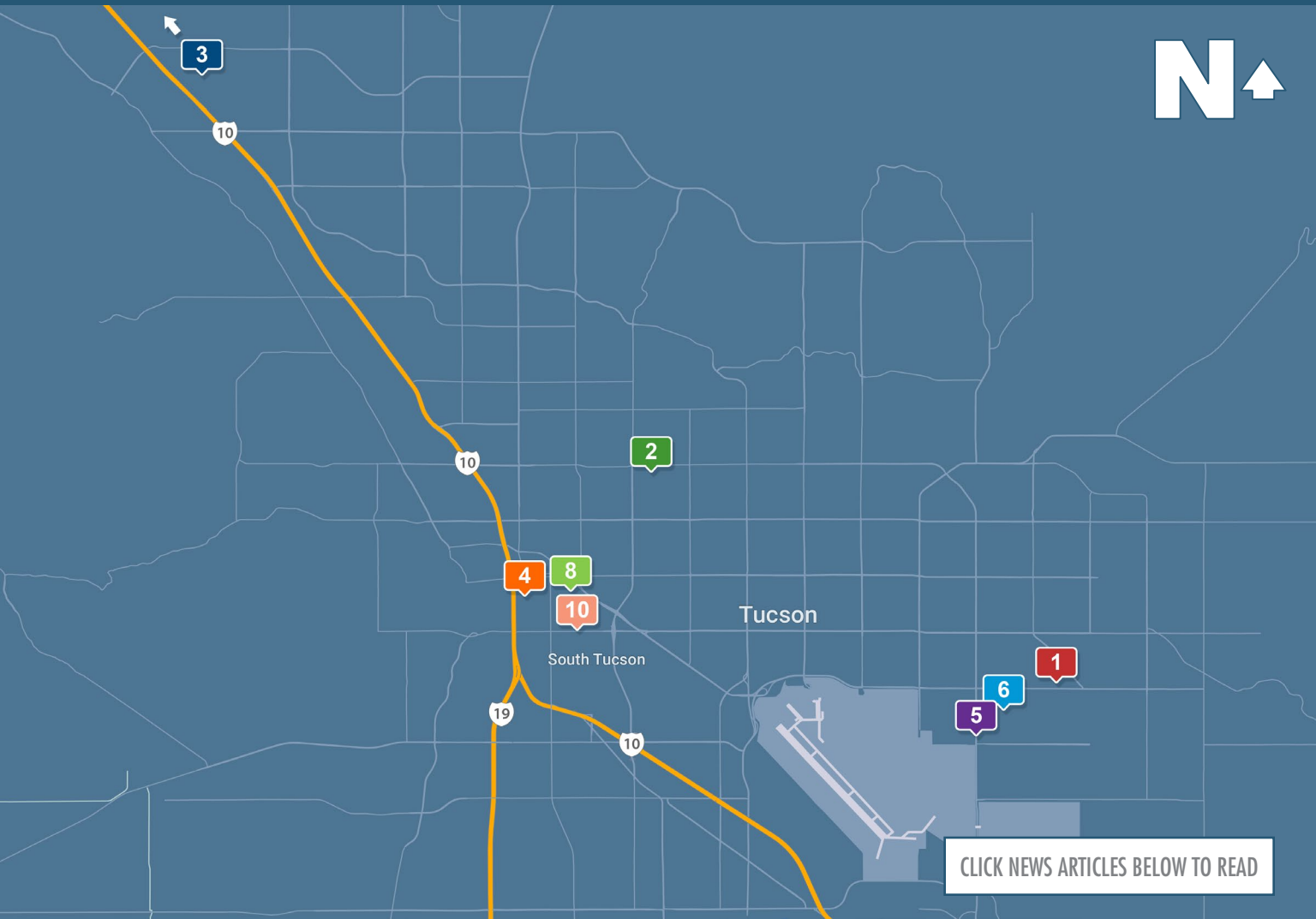
TOTAL UNIT INVENTORY
5+ UNIT PROPERTIES: **87,635**
50+ UNIT PROPERTIES: **69,771**

PRE-LEASE ABSORPTION RATE
27
Units/Property/Month (Avg)

UNDER CONSTRUCTION
TOTAL # OF UNITS: **536**
TOTAL # OF PROPERTIES: **4**

PLANNED
TOTAL # OF UNITS: **2,251**
TOTAL # OF PROPERTIES: **11**

* 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

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 Flint Development
Major logistics center and big-box store planned for Marana

9 Amazon
A fifth Amazon site is coming to the Tucson area

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

Regional City of Tucson
Home prices spike nearly 30% in some parts of Tucson



BY: DREW RICCIARDI, ABI RESEARCH MANAGER

DEMAND FOR MULTIFAMILY RISES AS MARKET FACTORS DETER HOME BUYING

The trajectory of the market we have become comfortable with is changing rapidly. A brutal war in Ukraine, rising interest rates, and high inflation has steered many to reevaluate their decisions in an evolving market. How do these market factors affect multifamily investment, specifically during the first quarter of 2022?

NATIONAL MULTIFAMILY OUTLOOK

The start of 2022 delivered what many expected for multifamily investment -- substantial volume. After riding the wave of a record year for multifamily investment in 2021, Q1 picked up right where it left off reporting some record numbers of its own.

2022 broke the record for the strongest first quarter of multifamily transaction volume reporting \$63 billion nationally, according to Real Capital Analytics. That volume accounted for 37% of all commercial real estate investments, beating all other CRE sectors. Low unemployment rates, significant job growth, and wage growth continues to bode

well for multifamily investment and the overall economy.

However, there are some headwinds on the horizon with the Federal Reserve pledging to gradually hike interest rates to combat inflation. A 0.25% increase came in March and the latest hike reported a 0.50% increase at the start of May.

This may have some ripple effects down the stretch in the 2022 CRE market with the possibility of investment activity slowing. Investors may decide to be patient with the uncertainty of what exit cap rates will look like a couple of years down the road. This may be similar to what investors did during the COVID-19 recession for about a three-month period, before quickly resuming explosive investment activity.

Multifamily continues to be a solid investment against inflation as rent growth persists and demand for rentals triumphs. Investors are starting to come to terms with the fact that the appreciation and growth witnessed over the past few years may not be sustainable. Growth will still occur – just not at the same rate.

For the time being, it may be more difficult for value-add investments. Fuel and construction costs have been high and unpredictable, while the supply chain for timely materials continues to be an issue.

Stakeholders should be prepared for an eventual slowdown in investment activity but expect markets in the Sunbelt region like Phoenix, Dallas, Atlanta, and Tampa to bounce back faster.

AFFORDABILITY DETERRING HOME OWNERSHIP

Lately, it has become increasingly difficult for first-time home buyers to purchase a home. Dramatic single-family price appreciation, a low housing inventory, and rising mortgage rates have forced the millennial generation to postpone a home purchase or submit to being a renter for a longer period.

The housing market has been on a steep incline over the past couple of years as home price appreciation has skyrocketed due to a supply and demand imbalance and the benefit of historically low interest rates. To combat this appreciation, mortgage rates have been gradually increasing throughout 2022 to help offset the demand and lower prices. But that is not working.

Instead, home prices and interest rates are currently rising in tandem, especially in high population growth markets in the Sun Belt region, making it increasingly difficult for first-time home buyers. According to a recent Redfin study, home buyers in the Sun Belt need 40% more income than they did a year ago, while across the U.S., they need 34% more income.

For example, in Phoenix, buyers must earn \$87,026 to afford the metro's average monthly mortgage payment of \$2,176, up 45.7% annually. Phoenix has a median household income of \$67,068 and an average rental rate of \$1,667.

Institutional investors have also contributed to pricing first-time home buyers out of the market by purchasing 18.2% of U.S. homes in Q3 2021 while inventory was minimal. These factors have left many no choice but to resign their current lease or explore the popular trend of build-to-rent communities.

A recent study by RealPage Inc. found that more than 57% of tenants in market-rate units with an expiring lease chose to renew in the past year compared to 51% between 2010 and 2019. Now, these renters still face significant rent increases, but it is still less costly than the type of mortgage payments they would have to endure coupled with a down payment.

The majority of these first-time home buyers are a part of the millennial generation. A new report from Apartment List shows millennials are being deterred from home ownership by current market factors. To put this in perspective, the millennial homeownership rate is reported at 48.6%, more than 20% lower than Gen X and 30% lower than Baby Boomers. A staggering 22% of Millennial renters say they will never own.

With time, interest rates will help lower home prices and moderate appreciation, but it may take longer for high-demand Sun Belt markets than other U.S. markets. Despite concerted efforts by state officials to create more market-rate and affordable inventory to help offset demand, we simply do not have enough housing being created. Persisting supply chain constraints, labor shortages, and high costs for materials continue to put pressure on developers.

TUCSON SHINES IN FIRST QUARTER

The Tucson multifamily market started the year at a tremendous pace showing significant growth in many key metrics. Total sales volume, average price-per-unit, and average price-per-square-foot all witnessed at least 60% year-over-year growth. Similar to other Sun Belt markets,



ABI MULTIFAMILY MINUTE

LISTEN | LEARN | SHARE

Stay in the know with ABI's apartment news podcast, the ABI Multifamily Minute™. Join the conversation as we discuss market trends, construction, new developments, and interview with industry experts on a wide range of topics relating to CRE. We know how busy life can be, so we keep our podcasts quick and to the point, without a lot of fluff.

LISTEN TO THE PODCAST: ABIMultifamily.com/Research

Tucson's average rent increased by over 20% year-over-year.

Demand for rental housing remains robust, with vacancy rates reporting low percentages again. Like Phoenix, the demand is partly a result of home price appreciation reaching an increase of 30% year-over-year in some areas of Tucson, forcing many to renew leases.

Another positive trend is the new industrial sites to be developed will drive economic growth for the metro. A fifth Amazon site is coming to the city's southeast side, as well as more industrial parks that will provide more jobs and tax revenue. Currently, Tucson is reporting a low unemployment rate of 2.8%.

A slowdown in deal activity is surely on the horizon, but Tucson is a market in position to brace itself well against this eventual reality.

TUCSON MARKET METRICS: BY THE NUMBERS

For 5-49 unit properties, Q1 2022 saw a transaction volume of approximately \$47 Million, which represented a 33.3% Year-over-Year increase YoY. In the 50+ unit category, Q1 2022 brought in over \$347 Million, increasing YoY 66.3%.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 55.8% YoY to \$117,099, and showing another large increase of 59.0% to \$158,951 for 50+. This translated to an Average Price/SF of \$166.25 in 5-49 (up 50.6%) and \$246.37 (up 76.9%) in 50+.

Inventory age saw a decrease in the 5-49 segment and remained static in the 50+ unit segment Year-over-Year. Average Year Built for 5-49 reported the year 1960, versus 1964. The Average Year Built in 50+ reported the year 1979, same as a year ago.

The market's occupancy rate reported a significantly high rate. Q1 2022 occupancy came in at 96.3%. Average rent

showed a robust increase, reporting \$1,226, up \$214 (21.1%) from last year.

Tucson MSA demographics reported excellent employment numbers. 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 3.5%, according to Bureau of Labor Statistics numbers.

Median Household Income was \$55,023, and Per Capita Income came in at \$30,747.

In the realm of new construction for 50+ unit properties, 245 units were delivered this quarter, while Q1 2021 didn't deliver any.

Currently, a pipeline of 2,251 units is estimated to be in the Planning stages across 11 properties. A total of 536 units are listed as Under Construction across 4 properties.

Pre-lease absorption rates were finished the year at a high average rate of 27 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 69,771.

CREATE YOUR MY ABI ACCOUNT TODAY!

VIEW AND MANAGE YOUR INTEREST IN
ABI'S LISTINGS, NEWS AND RESEARCH:

▶ [ABIMULTIFAMILY.COM/REGISTRATION](https://abimultifamily.com/registration)



ABI MULTIFAMILY MINUTE

LISTEN | LEARN | SHARE

Stay in the know with ABI's apartment news podcast, the ABI Multifamily Minute™. Join the conversation as we discuss market trends, construction, new developments, and interview with industry experts on a wide range of topics relating to CRE. We know how busy life can be, so we keep our podcasts quick and to the point, without a lot of fluff.

LISTEN TO THE PODCAST: abimultifamily.com/research

ABI COMPARATIVE MARKET REVIEW: Q1 2022



PHOENIX

TUCSON

SAN DIEGO

DEMOGRAPHICS

RENT/OCC/CONST (50+)

SALES (50+)

Total Population	4,948,203	1,047,279	3,301,573
Unemployment Rate (as of Mar 2022)	2.4%	2.8%	3.4%
Employment Growth (y-o-y)	3.7%	3.5%	7.3%
Median HH Income	\$67,068	\$55,023	\$95,595
Per Capita Income	\$34,378	\$30,747	\$35,384
Rent (Q1 2022)	\$1,669	\$1,226	\$2,128
% Increase/Decrease	+25.3%	+21.1%	+13.0%
Occupancy (Q1 2022)	95.6%	96.3%	97.5%
% Increase/Decrease	-0.4%	NO CHANGE	+0.7%
Total Inventory (50+)	333,007	69,771	241,796
Total Under Construction (50+)	37,349	536	9,652
Units Delivered (50+, YTD)	2,772	245	1,250
Total Sales Volume (Q1 2022)	\$3.03B	\$347M	\$929M
y-o-y % Increase/Decrease	+45.0%	+66.3%	+321.8%
Average P/U (Q1 2022)	\$306,969	\$158,951	\$446,669
y-o-y % Increase/Decrease	+43.0%	+59.0%	+52.9%

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.

TUCSON ADVISORS

LANCE PARSONS

SENIOR VICE PRESIDENT

520.265.1945

lance.parsons@abimultifamily.com

RYAN KIPPES

VICE PRESIDENT

520.265.1895

ryan.kippes@abimultifamily.com

DESIREE PALMER

VICE PRESIDENT

520.265.1993

desiree.palmer@abimultifamily.com

JOHN KOBIEROWSKI

PRESIDENT/CEO

602.714.1384

john.kobierowski@abimultifamily.com

PHOENIX HEADQUARTERS

5227 North 7th Street
Phoenix, AZ 85014

602.714.1400

SAN DIEGO OFFICE

1012 Second Street, Ste 100
Encinitas, CA 92024

858.256.7690

CA Lic #02015648

TUCSON OFFICE

3360 N. Country Club Road
Tucson, AZ 85716

520.265.1993

DISCLAIMER © 2022 ABI Multifamily | The information and details contained herein have been obtained from third-party sources believed to be reliable; however, ABI Multifamily has not independently verified its accuracy. ABI Multifamily makes no representations, guarantees, or express or implied warranties of any kind regarding the accuracy or completeness of the information and details provided herein, including but not limited to the implied warranty of suitability and fitness for a particular purpose. Interested parties should perform their own due diligence regarding the accuracy of the information. SOURCES: ABI Research / Bureau of Labor Statistics / Census Bureau / YARDI Matrix / Vizzda / US Chamber of Commerce / RED Comps / ARMLS