

## TUCSON MSA | MULTIFAMILY | Q2 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
ABInsight® MULTIFAMILY NAVIGATING THROUGH HEADWINDS	06-07
ABI COMPARATIVE MARKET REVIEW: Q2 2022	09

5+ UNIT PROPERTIES	Q2 2022	INCREASE/DECREASE	Q2 2021
<b>Total Sales Volume</b>	<b>\$379M</b>	<b>+52.4%</b>	<b>\$248M</b>
<b>AVERAGE Price/Unit</b>	<b>\$138,071</b>	<b>+5.3%</b>	<b>\$131,124</b>
<b>Price/SF</b>	<b>\$208.56</b>	<b>+30.2%</b>	<b>\$160.24</b>
<b>Year Built</b>	<b>1971</b>	<b>+8 Yrs</b>	<b>1963</b>
<b>Average Rent</b>	<b>\$1,258</b>	<b>+18.5%</b>	<b>\$1,062</b>
<b>Occupancy Rate</b>	<b>95.7%</b>	<b>-0.7%</b>	<b>96.4%</b>
<b>Units Delivered</b>	<b>55</b>	<b>--</b>	<b>0</b>

### ABI GEONEWS: TUCSON MSA - SELECT NEWS

CONTINUED ON PAGE 05



**City of Tucson**  
Tucson to tackle building permit backlog



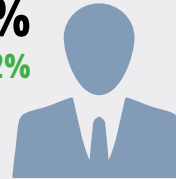
**City of Tucson**  
Warehouses, distribution centers set up in Tucson to meet online shopping growth



**Larsen Baker, LLC**  
Former bowling alley in Marana to become industrial site

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

**4.0%**  
**+1.2%**



**UNEMPLOYMENT**  
Q-Q AS OF JUNE 2022 - BLS

**2.7%**



**EMPLOYMENT GROWTH**  
Y-O-Y AS OF JUNE 2022 - BLS

**\$55,023**



**MEDIAN HH INCOME**  
2020 ACS 5-YEAR ESTIMATE

**\$30,747**



**PER CAPITA INCOME**  
2020 ACS 5-YEAR ESTIMATE

**1,131**  
**Units (50+)**



**UNDER CONSTRUCTION**  
YARDI

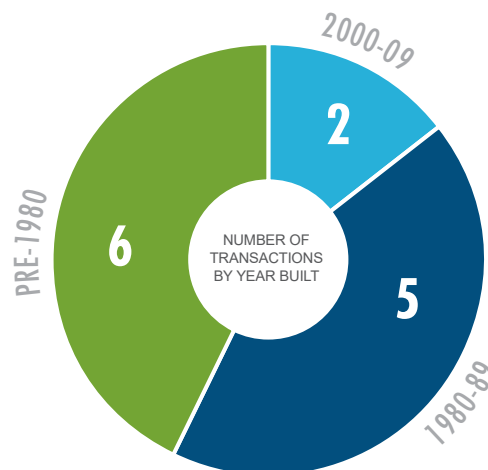
**87,690**  
**Units (5+)**



**TOTAL INVENTORY**  
AS OF JULY 2022 - YARDI

## 50+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2022	INCREASE/DECREASE	Q2 2021
<b>Total Sales Volume</b>	<b>\$338M</b>	<b>+62.6%</b>	<b>\$208M</b>
<b>AVERAGE Price/Unit</b>	<b>\$143,369</b>	<b>-2.6%</b>	<b>\$147,240</b>
<b>AVERAGE Price/SF</b>	<b>\$215.67</b>	<b>+29.7%</b>	<b>\$166.26</b>
<b>AVERAGE Year Built</b>	<b>1981</b>	<b>-1 Yr</b>	<b>1982</b>



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



#### San Xavier Casitas Portfolio

Tucson, 426 Units | \$91,250,000  
\$214,202/Unit | \$229.88/SF | Built 1980

#### Equinox on Prince

Tucson, 114 Units | \$21,100,000  
\$185,088/Unit | \$293.65/SF | Built 1964

#### American Village

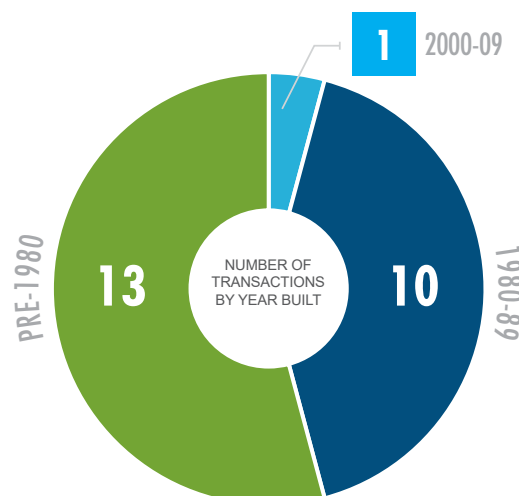
Tucson, 56 Units | \$10,175,000  
\$181,696/Unit | \$233.70/SF | Built 1964

### Q2 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	2	\$92K	\$99
1990-99	--	--	--
1980-89	5	\$167K	\$234
Pre-1980	6	\$120K	\$209

## 5 - 49 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2022	INCREASE/DECREASE	Q2 2021
<b>Total Sales Volume</b>	<b>\$40M</b>	<b>-0.5%</b>	<b>\$40M</b>
<b>AVERAGE Price/Unit</b>	<b>\$105,343</b>	<b>+25.6%</b>	<b>\$83,881</b>
<b>AVERAGE Price/SF</b>	<b>\$163.32</b>	<b>+20.9%</b>	<b>\$135.06</b>
<b>AVERAGE Year Built</b>	<b>1965</b>	<b>+5 Yrs</b>	<b>1960</b>



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



#### Sonoran on 9th

Tucson, 26 Units | \$5,300,000  
\$203,846/Unit | \$225.32/SF | Built 1969

#### 709 North 6th Avenue

Tucson, 5 Units | \$1,015,000  
\$203,000/Unit | \$258.07/SF | Built 1900

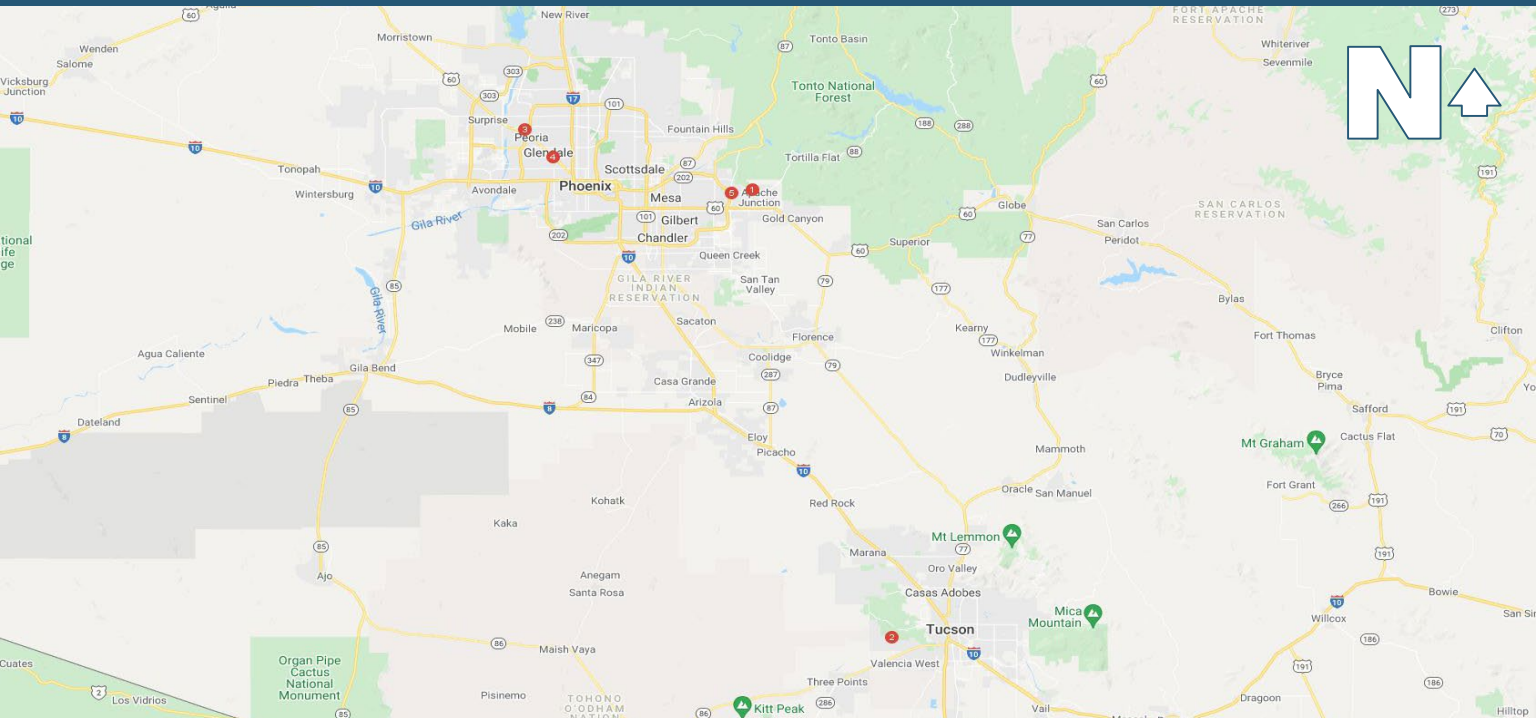
#### Railroad / 3rd Ave Apartments

Tucson, 8 Units | \$1,620,000  
\$202,500/Unit | \$248.16/SF | Built 1974, 1984

### Q2 2022 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	1	\$154K	\$143
1990-99	--	--	--
1980-89	10	\$90K	\$148
Pre-1980	13	\$135K	\$194

# ARIZONA MOBILE / MANUFACTURED HOUSING PARK (MHP) ANALYSIS



## MHP SALES VOLUME (50+)

AGE RESTRICTED/55+

Transaction Volume (Q2 2022)

### PHOENIX MSA

\$105,090,239

### TUCSON MSA

\$0

Transaction Volume (Q2 2021)

\$13,800,000

\$0

Avg Sales Price / Space (Q2 2022)

\$160,935

--

Avg Sales Price / Space (Q2 2021)

\$35,115

--

FAMILY

Transaction Volume (Q2 2022)

\$31,870,000

\$2,300,000

Transaction Volume (Q2 2021)

\$3,000,000

\$7,500,000

Avg Sales Price / Space (Q2 2022)

\$67,095

\$38,983

Avg Sales Price / Space (Q2 2021)

\$13,333

\$45,732

Total Transaction Volume (2022 YTD, 50+)

\$269,726,239

\$2,300,000

Number of Transactions (2022 YTD, 50+)

15

1

## MHP INVENTORY (50+)

INVENTORY

Total Spaces

### PHOENIX MSA

88,595

### TUCSON MSA

22,454

Age Restricted/55+

62,722

12,233

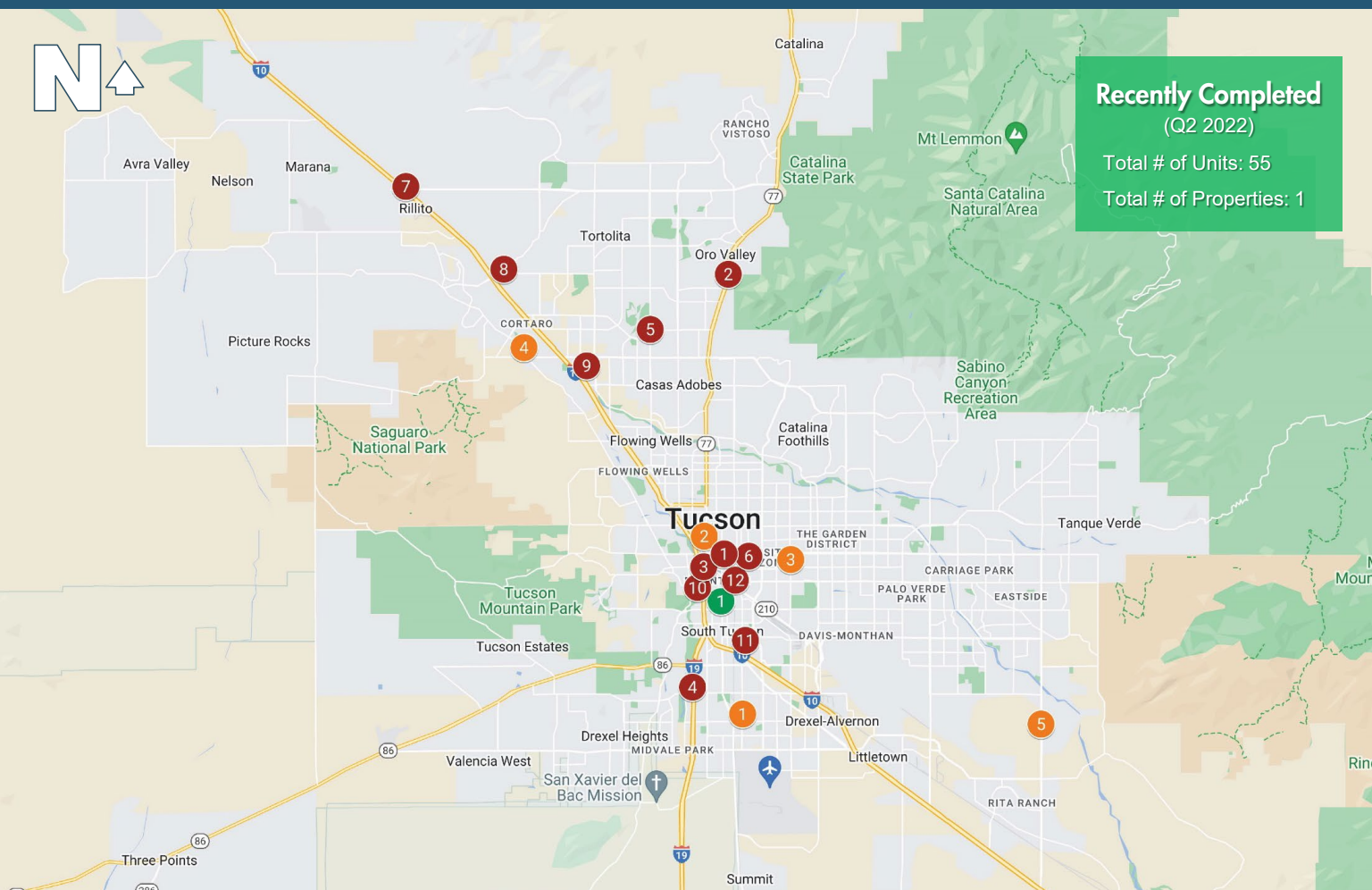
Family

25,873

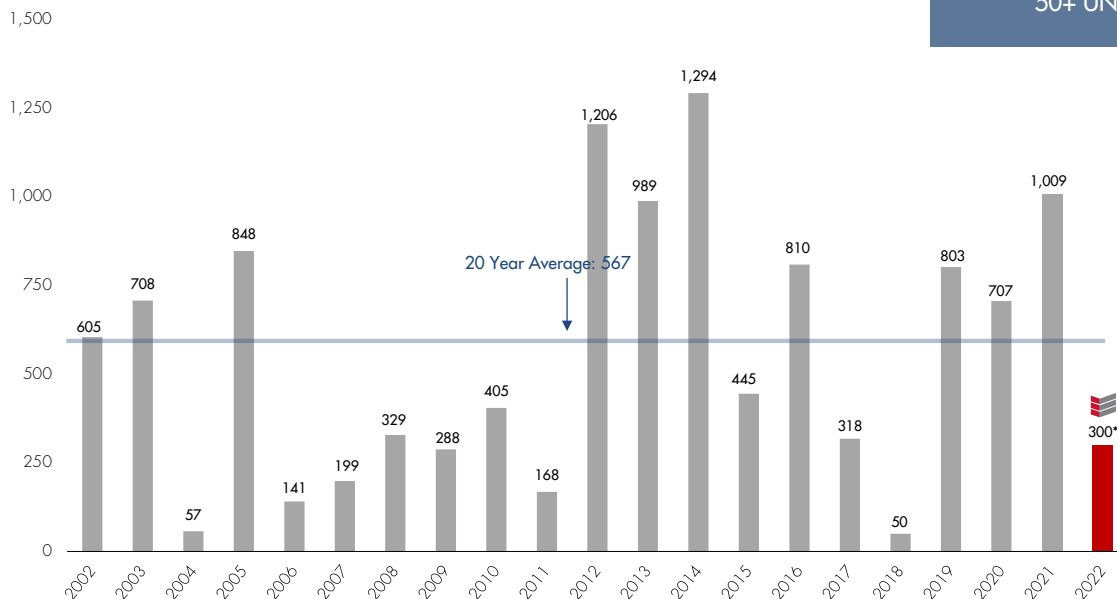
10,221



# COMPLETED CONSTRUCTION



## TUCSON MULTIFAMILY CONSTRUCTION PIPELINE Q2 2022



### TOTAL UNIT INVENTORY

5+ UNIT PROPERTIES: **87,690**  
 50+ UNIT PROPERTIES: **69,826**

### PRE-LEASE ABSORPTION RATE

**21**

Units/Property/Month (Avg)

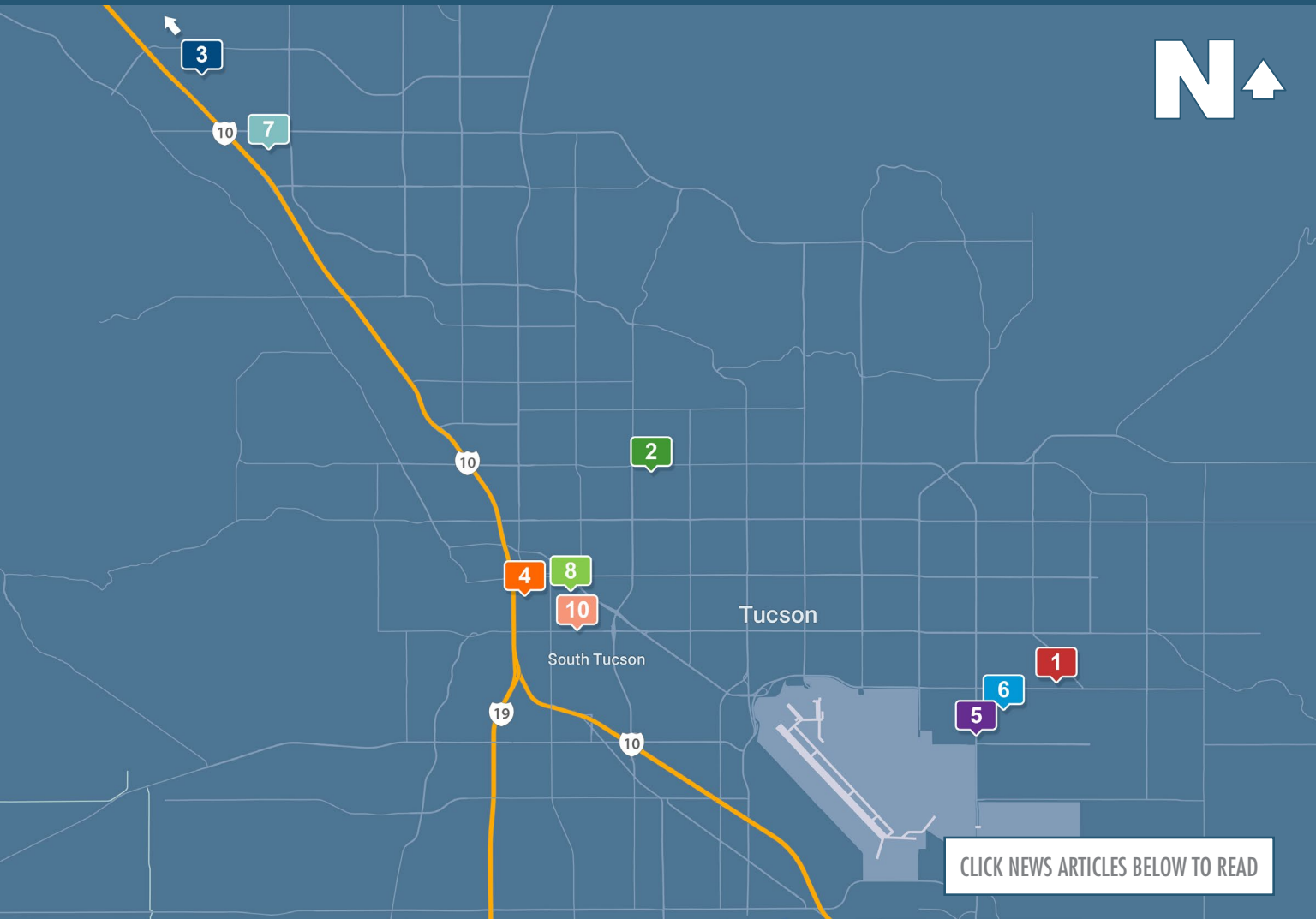
### UNDER CONSTRUCTION

TOTAL # OF UNITS: **1,131**  
 TOTAL # OF PROPERTIES: **5**

### PLANNED

TOTAL # OF UNITS: **2,265**  
 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



1

## **Becton, Dickinson and Company**

Global Medical Tech Company, BD, Chooses Tucson for New \$65 Million Hub

7

## **Larsen Baker, LLC**

Former bowling alley in Marana to become industrial site

Regional

## **City of Tucson**

Tucson to tackle building permit backlog

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

Regional

## **City of Tucson**

Warehouses, distribution centers set up in Tucson to meet online shopping growth

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

# MULTIFAMILY NAVIGATING THROUGH HEADWINDS

**T**he multifamily sector is currently facing a number of obstacles. Rising interest rates, inflation, cost of materials, regulations, and supply chain constraints are all creating challenges for multifamily investors. Despite these hurdles, however, the second quarter of 2022 still delivered robust numbers, relative to past years, illustrating why multifamily is considered one of the most resilient sectors in commercial real estate.

## NEW SUPPLY REQUIRED TO MEET FUTURE DEMAND

In a time when housing construction is desperately needed, many developers/home builders are navigating through significant hurdles. According to the National Multifamily Housing Council and National Apartment Association, the United States will need approximately 4.3 million new apartments by 2035 to meet rising demand.

A significant factor that contributed to this imbalance between supply and demand was The Great Recession in 2008, which nearly put a halt to all home building, ultimately

putting the nation behind the eight ball today.

There is a common consensus that more housing is needed, but hurdles like supply chain constraints, cost of materials/debt, labor shortages, local pushback, and government regulations keep hindering the construction sector. Creative developments, incentives, and an easing of regulations are imperative to ramping up the construction needed to meet demand.

According to the National Multifamily Housing Council, government-imposed regulations account for more than 40% of all multifamily development costs. These costs cause developers to avoid areas with policies like rent control and inclusionary zoning. In addition, the mounting issue of local pushback (or NIMBYism) when a neighborhood discovers plans for new rental housing in the area, has proved to be a significant thorn in developer's sides.

The lack of supply has helped multifamily owners with high occupancy rates and substantial rent growth that, in turn, pushes price appreciation. That being said, the imbalance/

growth is not sustainable, and more affordable housing needs to be infused into the future housing supply.

Fortunately, the U.S. Department of the Treasury announced new plans to “increase the ability of state, local, and tribal governments to use American Rescue Plan funds to boost the supply of affordable housing in their communities.”

This call to action will become very beneficial for the housing supply gap in the years to come. Hopefully, in the near future, the supply chain will return to normal, and the cost of construction materials will come down to ease the pressure on developers.

## MIXED FEELINGS ON SLOWDOWN IN DEAL FLOW

There are varying predictions on how severe a slowdown in multifamily deal flow will be. Some believe that this is a minor market correction to the unsustainable growth witnessed over the past few years in multifamily metrics. Others think we're in for the darker days of a prolonged recession. What do I expect?

I am no fortune teller, but I genuinely believe that this slowdown is a minor market correction that was needed. Many markets in the country were experiencing unsustainable growth in real estate metrics like rent growth and price appreciation.

The slowdown, triggered by sharp hikes in interest rates by the Federal Reserve, shell shocked some investors and added uncertainty about what to expect with exit cap rates in the future. Similar to the pandemic recession, many investors want to wait on the sidelines until the storm clouds clear up.

The fact is, multifamily fundamentals are still extremely robust and multifamily rents generally remain more stable in response to rising interest rates, especially in markets in the Sun Belt region. Now, some markets may not recover as quick as others, but demand still outpaces supply across the country.

Unemployment rates are low and employment growth is strong even in sectors that have replaced all the jobs lost during the pandemic. According to Yardi Matrix's U.S. Multifamily Outlook report, rents are expected to increase about 8% by year's end despite ongoing inflation and recession concerns.

According to a report from Moody's Analytics, there is “little evidence of a housing bubble that is about to burst.” The report also states “we still have not seen the extreme speculation and overbuilding that inflated the housing bubble in the mid-2000s.”

No one truly knows how long or prominent this slowdown will be, the data should provide optimism for the future health of the multifamily sector.

## TUCSON MARKET METRICS: BY THE NUMBERS

The Tucson multifamily market reported strong second quarter data when being compared to 2021, a record year. Robust price appreciation and rent growth were the highlights of the quarter.

For 5-49 unit properties, Q2 2022 saw a transaction volume of approximately \$40 Million, which represented a -0.5% Year-over-Year decrease. In the 50+ unit category, Q2 2022 brought in over \$338 Million, increasing YoY 62.6%.

Average Price-Per-Unit amounts were up in the 5-49 segment, rising 25.6% YoY to \$105,343, and showing a decrease of -2.6% to \$143,369 for 50+. This translated to an Average Price/SF of \$163.32 in 5-49 (up 20.9%) and \$215.67 (up 29.7%) in 50+.

Inventory age saw an increase in the 5-49 segment and a decrease in the 50+ unit segment Year-over-Year. Average Year Built for 5-49 reported the year 1965, versus 1960. The Average Year Built in 50+ reported the year 1981, versus 1982.

The market's occupancy rate reported a healthy rate. Q2 2022 occupancy came in at 95.7%. Average rent showed a robust increase, reporting \$1,258, up \$196 (18.5%) from last year.

Tucson MSA demographics reported solid employment numbers. The Census estimate of the total population was 1,047,279. The unemployment rate finished the quarter at 4.0% and employment growth finished at 2.7%, 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, 55 units were delivered this quarter, while Q2 2021 didn't deliver any.

Currently, a pipeline of 2,265 units is estimated to be in the Planning stages across 12 properties. A total of 1,131 units are listed as Under Construction across 5 properties.

Pre-lease absorption rates were finished the year at a high average rate of 21 units/property/month.

Total Unit Inventory for 50+ unit properties came in at 69,826.



# ABI COMPARATIVE MARKET REVIEW: Q2 2022



		PHOENIX	TUCSON	SAN DIEGO
DEMOGRAPHICS	Total Population	4,948,203	1,047,279	3,280,419
	Unemployment Rate (as of June 2022)	3.4%	4.0%	3.2%
	Employment Growth (y-o-y)	4.0%	2.7%	5.5%
	Median HH Income	\$67,068	\$55,023	\$98,290
	Per Capita Income	\$34,378	\$30,747	\$35,384
RENT/OCC/CONST (50+)	Rent (Q2 2022)	\$1,702	\$1,258	\$2,214
	% Increase/Decrease	+19.7%	+18.5%	+12.5%
	Occupancy (Q2 2022)	95.0%	95.7%	97.6%
	% Increase/Decrease	-1.4%	-0.7%	+0.5%
	Total Inventory (50+)	338,016	69,826	243,025
	Total Under Construction (50+)	34,762	1,131	9,635
	Units Delivered (50+, YTD)	6,398	55	2,179
SALES (50+)	Total Sales Volume (Q2 2022)	\$5.40B	\$338M	\$781M
	y-o-y % Increase/Decrease	+57.3%	+62.6%	+67.2%
	Average P/U (Q2 2022)	\$345,234	\$143,369	\$342,688
	y-o-y % Increase/Decrease	+59.6%	-2.6%	+0.4%



## 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



#### CANYON HEIGHTS

550 North Pantano Road  
Tucson, AZ 85710

Sold Price: \$33,000,000  
Units: 196  
Year Built: 1982



#### COMMONS AT 3750

3750 East Monte Vista Drive  
Tucson, AZ 85716

Sold Price: \$2,675,000  
Units: 30  
Year Built: 1986



#### 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

#### RYAN KIPPES

VICE PRESIDENT

520.265.1895  
ryan.kippes@abimultifamily.com  
AZ Lic # SA660419000

#### DESIREE PALMER

VICE PRESIDENT

520.265.1993  
desiree.palmer@abimultifamily.com  
AZ Lic # SA682872000

#### JOHN KOBIEROWSKI

PRESIDENT/CEO

602.714.1384  
john.kobierowski@abimultifamily.com  
AZ Lic # BR046971000

### PHOENIX HEADQUARTERS

5227 N. 7th Street  
Phoenix, AZ 85014  
602.714.1400

### LAS VEGAS OFFICE

5940 S. Rainbow Blvd.  
Las Vegas, NV 89118  
702.820.5660

### SAN DIEGO OFFICE

1012 Second Street, Ste. 100  
Encinitas, CA 92024  
858.256.5454  
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