

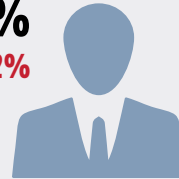
TUCSON MSA | MULTIFAMILY | Q2 2023 REPORT



TUCSON MSA OVERVIEW	01
MULTIFAMILY PROPERTY ANALYSIS: 100+ & 10-99 UNITS	02
COMPLETED CONSTRUCTION & PLANNED PROJECTS	03
ABInsight® TUCSON & THE NATIONAL ECONOMY	04-06
ABI COMPARATIVE MARKET REVIEW: Q2 2023	07

1,062,472  **POPULATION**
JUNE 2023*

3.4%
+0.2%



UNEMPLOYMENT
Q-O-Q AS OF JUNE 2023*

1.6%



EMPLOYMENT GROWTH
Y-O-Y AS OF JUNE 2023*

10+ UNIT PROPERTIES **Q2 2023** **INCREASE/DECREASE** **Q2 2022**

Total Sales Volume **\$22M** **-94.0%** **\$367M**

AVERAGE **Price/Unit** **\$93,608** **-32.2%** **\$138,160**

Price/SF **\$163.95** **-21.7%** **\$209.28**

Year Built **1962** **-18 Yrs** **1980**

Average Rent **\$1,202** **+3.2%** **\$1,165**

Occupancy Rate **93.2%** **-2.9%** **96.1%**

Units Delivered **0** **-100.0%** **55**

\$64,964



MEDIAN HH INCOME
JUNE 2023*

\$50,303



GDP PER CAPITA
JUNE 2023*

2,764
Units (50+)



UNDER CONSTRUCTION
YARDI

100,304
Units (10+)



TOTAL INVENTORY
ABI RESEARCH, COSTAR; YARDI

* Forecasted

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2023	INCREASE/DECREASE	Q2 2022
Total Sales Volume	--	--	\$298M
AVERAGE Price/Unit	--	--	\$148,999
Price/SF	--	--	\$236.97
Year Built	--	--	1979

TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)

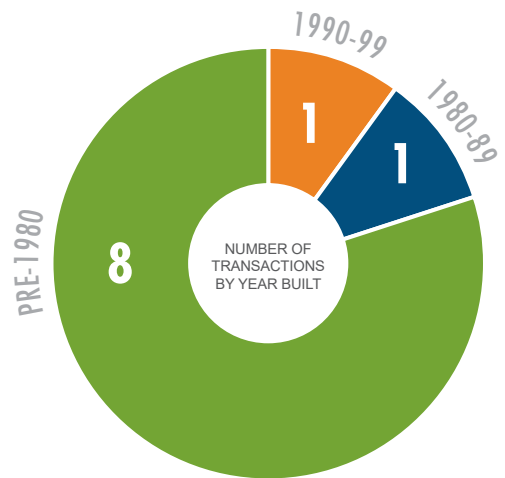
--
--
--
--
--
--
--
--
--
--

Q2 2023 Transactions by Year Built



	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	--	--	--
1990-99	--	--	--
1980-89	--	--	--
Pre-1980	--	--	--

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q2 2023	INCREASE/DECREASE	Q2 2022
Total Sales Volume	\$22M	-68.0%	\$69M
AVERAGE Price/Unit	\$93,608	-11.1%	\$105,248
Price/SF	\$163.95	+17.7%	\$139.30
Year Built	1962	-18 Yrs	1980



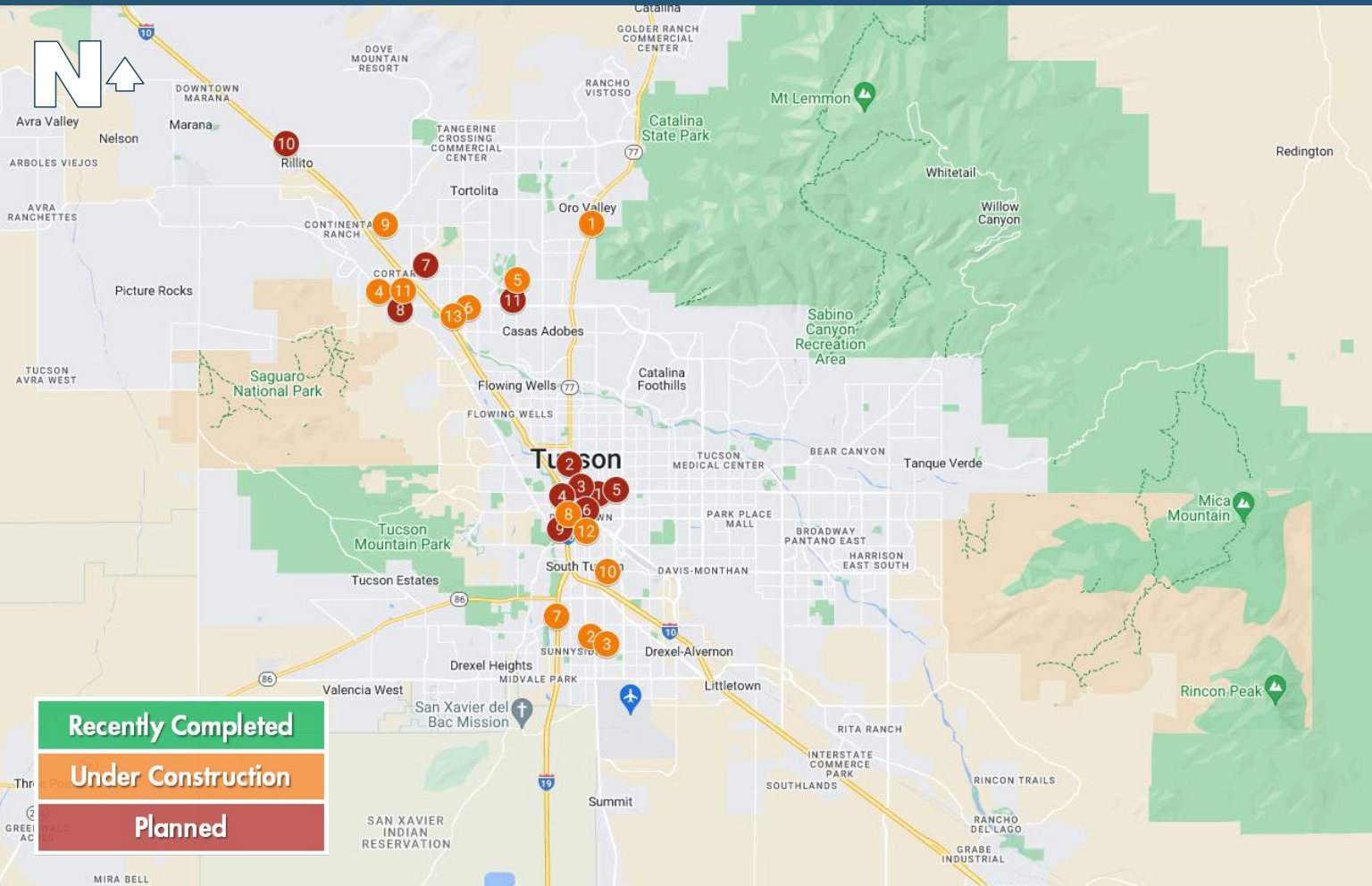
TOP 3 TRANSACTIONS BY PRICE/UNIT (10-99)

	2750 - 2772 North Forgeus Avenue Tucson, 12 Units \$1,725,000 \$143,750/unit \$199.65/SF Built 1959 (6 units), 1960 (6 units)
	Don Martin Apartments Tucson, 24 Units \$3,250,000 \$130,000/unit \$199.18/SF Built 1929
	Pima Camilla Tucson, 16 Units \$1,665,000 \$104,063/unit \$161.76/SF Built 1957

Q2 2023 Transactions by Year Built

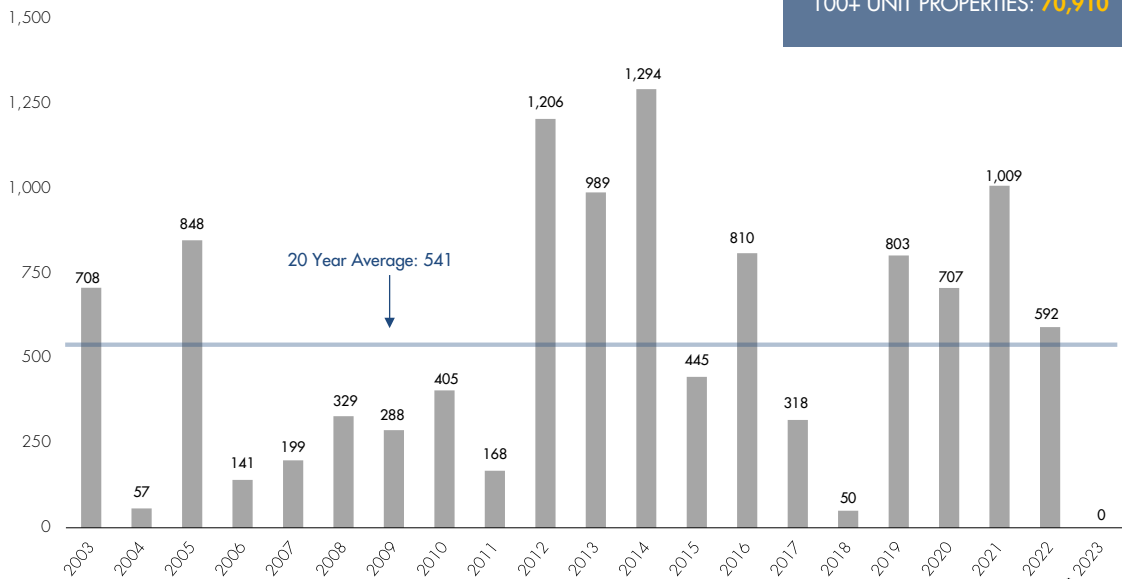
	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	--	--	--
1990-99	1	\$86K	\$141
1980-89	1	\$74K	\$136
Pre-1980	8	\$102K	\$179

COMPLETED CONSTRUCTION



- Recently Completed**
- Under Construction**
- Planned**

TUCSON MULTIFAMILY CONSTRUCTION PIPELINE Q2 2023



TOTAL UNIT INVENTORY
 10+ UNIT PROPERTIES: **100,304**
 100+ UNIT PROPERTIES: **70,910**

PRE-LEASE ABSORPTION RATE
5
 Units/Property/Month
 (Q2 2023 Avg)

RECENTLY COMPLETED
 TOTAL # OF UNITS: **0**
 TOTAL # OF PROPERTIES: **0**

UNDER CONSTRUCTION
 TOTAL # OF UNITS: **2,764**
 TOTAL # OF PROPERTIES: **13**

PLANNED
 TOTAL # OF UNITS: **1,987**
 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

TUCSON & THE NATIONAL ECONOMY

In the face of a tightening lending environment and a series of bank collapses, the national economic landscape is experiencing increased caution among financial institutions when extending credit, heavily influencing the multifamily real estate market. The economy's inflationary pressures, including rising construction costs, have impacted consumer purchasing power and overall market dynamics, leading to fluctuations in property valuations and transaction volume within the multifamily real estate market.

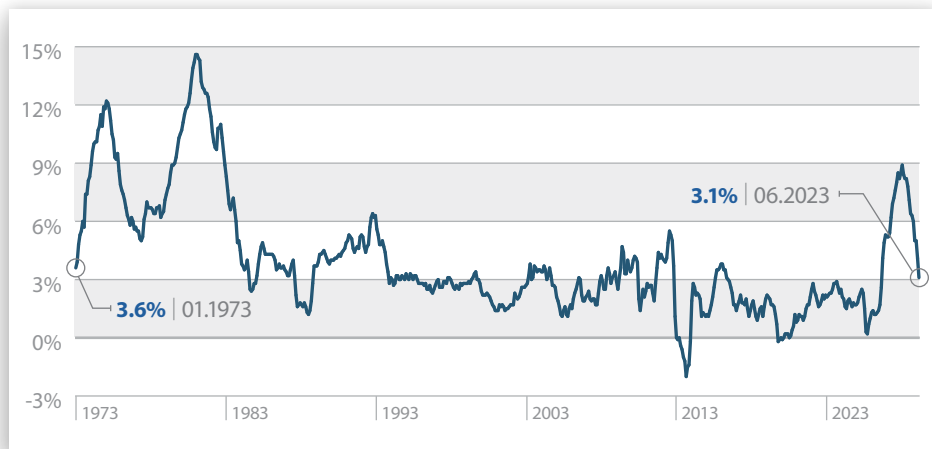
The Federal Reserve has raised interest rates ten times since last March, bringing rates to the highest level in 16 years. These moves have had a real impact on easing price pressures, but they have also discouraged borrowing and slowed economic activity. Fed signaling indicates that we can expect one or two more rate hikes this year, before starting to reduce

them in 2024. The overall market may take a while to normalize, but a promising outlook emerges, indicating that the end of the most challenging market conditions may be just around the corner.

Amidst this shifting economic horizon, the Tucson Metropolitan Statistical Area (MSA) shows some promising long-term prospects. With favorable demographic

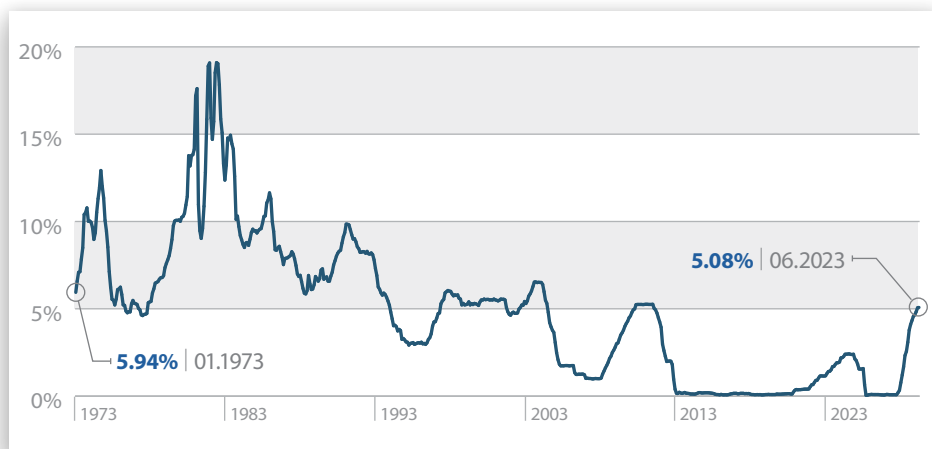
trends and an affordable environment, Tucson remains an enticing destination. An increasing population correlates with a demand for housing, providing continuing opportunities for multifamily investors and developers.

However, Tucson has felt the pressures of interest rate hikes and difficult market conditions, notching a 94% drop in multifamily transaction volume year-over-year. This follows the first quarter of the year which saw a 92% transaction volume drop, leading to a combined \$700 million less in activity this year through June. Nevertheless, this slowdown should be viewed as a temporary setback amidst the broader economic landscape, and with the region's inherent resilience, it is poised to regain its momentum in due course.



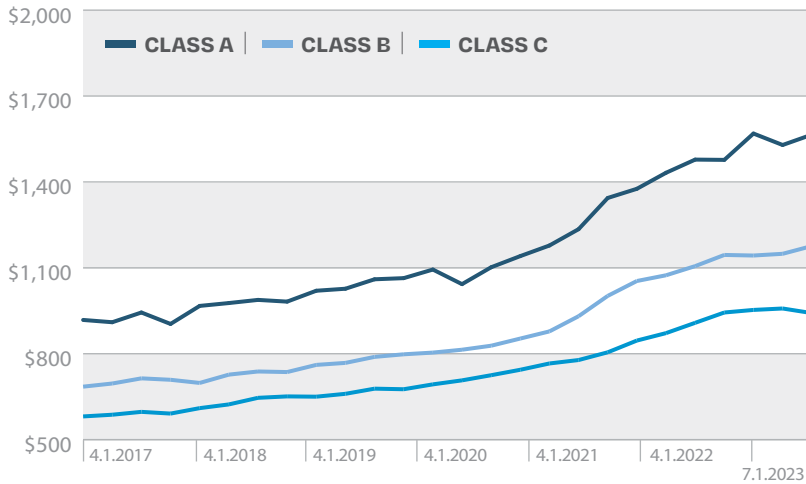
NATIONAL CONSUMER PRICE INDEX (CPI-U)

- Annual inflation has dropped to 3.1% after reaching a peak of 8.9% last summer. This drop is a crucial indicator for the Federal Reserve to determine whether to decelerate or reverse course on rate hikes.
- 8.9% is the highest inflation rate the U.S. has seen in 40 years, and housing is playing a major role in that number. The Bureau of Labor Statistics estimates that shelter costs are accounting for over 70 percent of current inflation.



NATIONAL FEDERAL FUNDS RATE/ INTEREST RATES

- Federal Reserve rate hikes have pushed the Federal Funds rate to its highest point in over a decade, standing at 5.08% at the end of Q2 2023, marking an increase of nearly 400 basis points since the same time last year.
- Coinciding with these hikes, the national average interest rate for a 30-year fixed rate conventional mortgage loan has ballooned to over 7% at the end of Q2 2023.

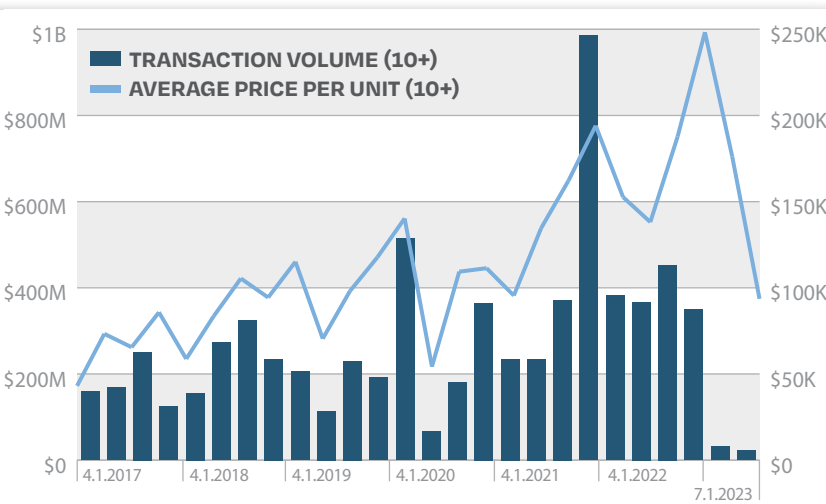
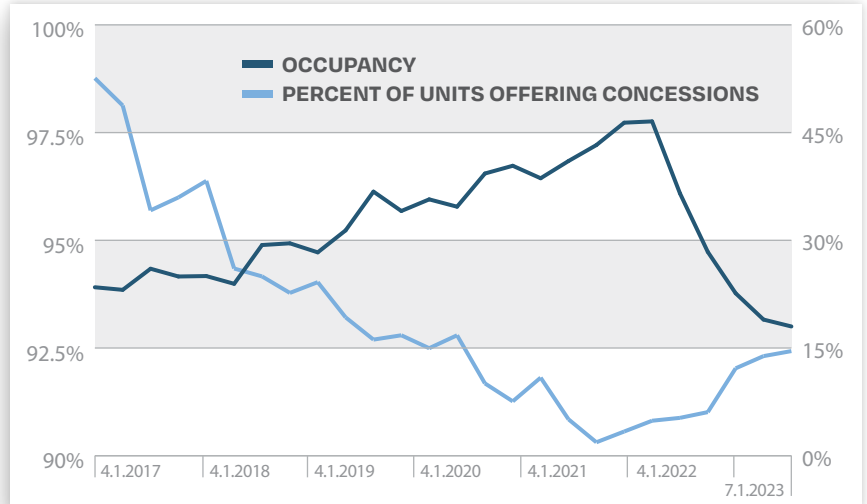


**TUCSON MSA
EFFECTIVE RENT BY ASSET CLASS**

- Over the previous 12-month period, rental rates saw a modest increase, rising 3.2% to \$1,202.
- On average, Class A units rented for \$1,565 a month, Class B units went for \$1,176, and Class C rentals were \$942.
- Despite experiencing rapid rent growth in recent years, Tucson has maintained its affordability, with rental rates remaining roughly two-thirds that of the national average.

**TUCSON MSA
OCCUPANCY/CONCESSIONS**

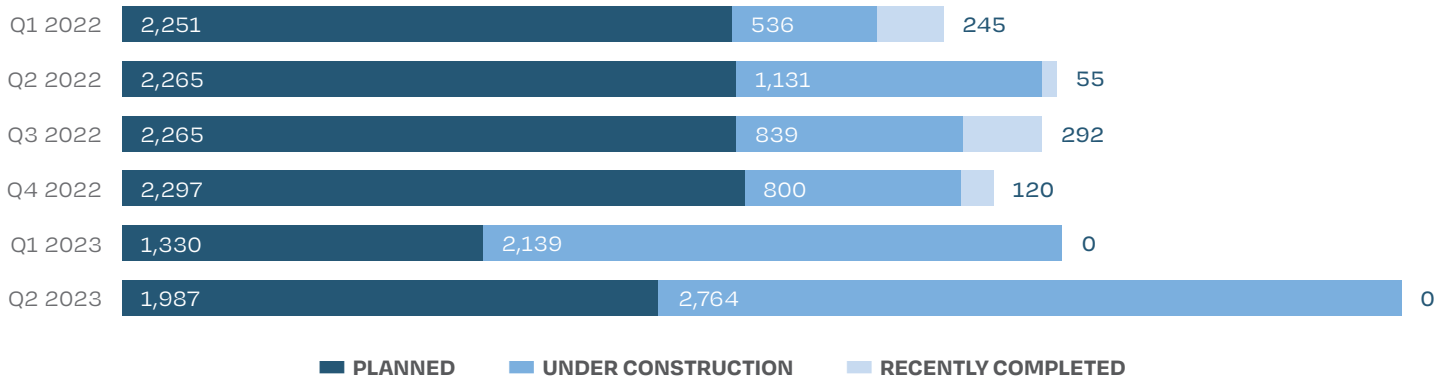
- Following national trends, occupancy decreased to 93.2% in the Tucson MSA, a drop of 2.9% year-over-year.
- Despite inflationary pressure, occupancy levels have moved consistently across all asset classes, with Class A units at 93.4%, and Class B/C properties hovering around 92.9%.
- As occupancy continues to trend downward, the inverse can be seen in concessions, with 14.2% of units offering concessions, up from 4.5% the same time last year.



**TUCSON MSA
TRANSACTION VOLUME**

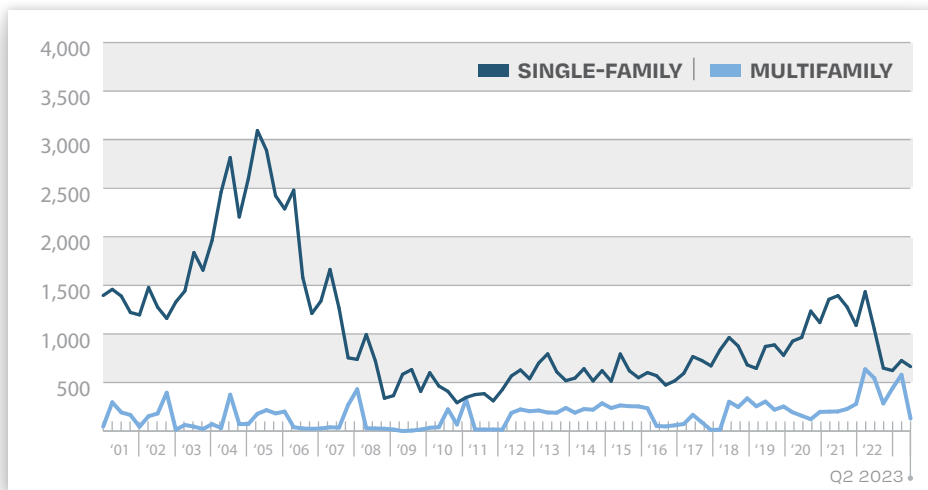
- \$22 million in multifamily transactions occurred in the second quarter this year, representing a 94% decrease in sales from the same quarter in 2022.
- This level of volume is the lowest in a quarter witnessed by Tucson in the last 10 years.
- Average Price per Unit witnessed a substantial, but less sizable dip, and settled at \$93,608/unit, a 32.2% decrease year-over-year.

TUCSON MSA | MULTIFAMILY CONSTRUCTION (50+)



■ No multifamily projects with 50 or more units have been delivered so far in 2023, but up to 1,000 units are expected to be completed throughout the remainder of the year.

■ At the end of Q2, Tucson had 2,764 units under construction, a 144% increase from the same time last year.



TUCSON MSA PERMITTING ACTIVITY

■ In Q2 2023, there were 664 single-family and 128 multifamily permits issued in the Tucson MSA, respectively a 37% and 77% decrease from the same period in the year prior.

■ Recent proposed zoning revisions are intended to relieve developers of current provisions that hinder the construction of housing, and could increase the pace of permitting.

PRIMED FOR FUTURE GROWTH

A substantial drop-off in transactions, new permits, and occupancy rates, along with flattening rent growth, may not be as dire as it initially appears. Market conditions were anything but normal in the aftermath of the pandemic, and a correction was inevitable. The leadup to 2023 saw consecutive years of record-breaking transaction volume and rental growth hitting 23% year-over-year, both of which have positive permanent impact on the market.

Despite the more recent challenges, Tucson maintains a strong foundation

through its robust fundamentals. The region's population growth, projected to be more than triple the national average, is fueled by an attractive combination of an affordable cost of living and a desirable climate, ultimately contributing to an increasing housing demand that remains intact during market fluctuations. Recent regulatory proposals aim to streamline the development of multifamily structures by removing provisions that currently impede housing construction, making it easier for developers. Additionally,

economic development from infrastructure investments, and capital from companies like Raytheon and Caterpillar, has further bolstered the region's appeal as a solid investment destination.

As the real estate market continues to stabilize, Tucson's multifamily sector appears well-positioned for future growth. With its sturdy foundation and a promising long-term outlook, the region remains an appealing market that has ample opportunity for investors, developers, and residents.

ABI COMPARATIVE MARKET REVIEW: Q2 2023



TUCSON



PHOENIX



LAS VEGAS

DEMOGRAPHICS

RENT/OCCUPANCY/CONSTRUCTION

SALES

Total Population (June 2023*)	1,062,472	5,045,448	2,353,099
Unemployment Rate (June 2023*)	3.4%	3.2%	5.6%
Employment Growth (y-o-y)	1.6%	2.0%	4.6%
Median HH Income (June 2023*)	\$64,964	\$82,121	\$68,171
GDP Per Capita (June 2023*)	\$50,303	\$68,088	\$61,016
Rent (Q2 2023)	\$1,202	\$1,633	\$1,484
y-o-y % Increase/Decrease	+3.2%	-2.4%	-1.7%
Occupancy (Q2 2023)	93.2%	93.3%	93.6%
y-o-y % Increase/Decrease	-2.9%	-2.5%	-2.2%
Total Inventory (10+)	100,304	400,940	231,012
Total Under Construction (50+)	2,764	43,854	10,837
Units Delivered (50+, YTD)	0	7,167	1,399
Total Sales Volume (Q2 2023)	\$22M	\$854M	\$147M
y-o-y % Increase/Decrease	-94.0%	-85.0%	-88.0%
Average P/U (Q2 2023)	\$93,608	\$320,054	\$169,071
y-o-y % Increase/Decrease	-32.2%	-6.8%	-26.7%

* Forecasted

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



MISSION ANTIGUA

5525 South Mission Road
Tucson, AZ 85746

Sold Price: \$59,000,000
Units: 248
Year Built: 1989

COMMONS ON STELLA

6534 East Stella Road
Tucson, AZ 85730

Sold Price: \$37,000,000
Units: 199
Year Built: 1964

CANYON HEIGHTS

550 North Pantano Road
Tucson, AZ 85710

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

MIDTOWN ON SENECA

3201 East Seneca Street
Tucson, AZ 85716

Sold Price: \$28,000,000
Units: 176
Year Built: 1972

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

NATHANIEL MCADOO

ASSOCIATE

520.265.1945
nathaniel.mcadoo@abimultifamily.com
AZ Lic # SA698399000

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 © 2023 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 / CoStar Group / RealPage