

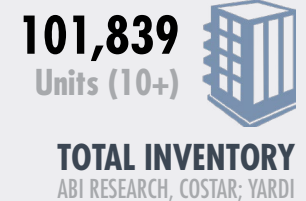
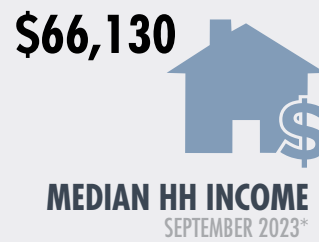


TUCSON MSA | MULTIFAMILY | Q3 2023 REPORT



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: Q3 2023	07

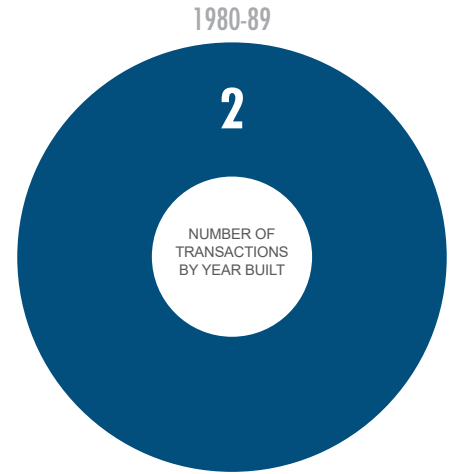
10+ UNIT PROPERTIES	Q3 2023	INCREASE/DECREASE	Q3 2022
Total Sales Volume	\$64M	-85.8%	\$453M
AVERAGE Price/Unit	\$124,660	-33.6%	\$187,769
Price/SF	\$214.99	-23.5%	\$280.94
Year Built	1972	+3 Yrs	1969
Average Rent	\$1,203	+1.6%	\$1,184
Occupancy Rate	93.4%	-1.3%	94.7%
Units Delivered	0	-100.0%	292



* Forecasted

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2023	INCREASE/DECREASE	Q3 2022
Total Sales Volume	\$39.3M	-90.9%	\$432.40M
AVERAGE Price/Unit	\$130,565	-33.5%	\$196,367
Price/SF	\$227.66	-20.5%	\$286.35
Year Built	1985	+4 Yrs	1981



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



Juniper Canyon
Tucson, 141 Units | \$19,800,000
\$140,426/unit | \$251.27/SF | Built 1985



Via Alamos Apartments
Green Valley, 160 Units | \$19,500,000
\$121,875/unit | \$207.84/SF | Built 1984

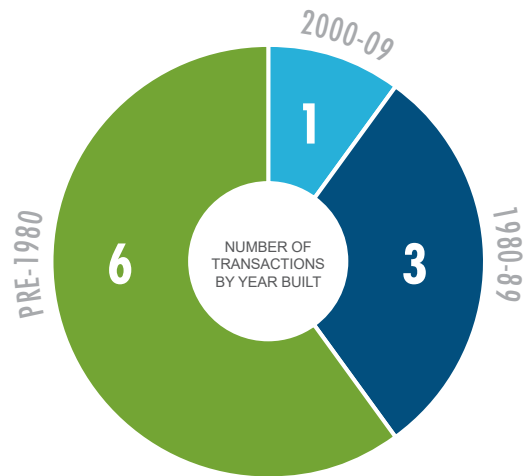
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Q3 2023 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	--	--	--
1990-99	--	--	--
1980-89	2	\$131K	\$228
Pre-1980	--	--	--

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	Q3 2023	INCREASE/DECREASE	Q3 2022
Total Sales Volume	\$25M	+20.5%	\$21M
AVERAGE Price/Unit	\$116,432	+18.2%	\$98,467
Price/SF	\$197.78	-2.1%	\$201.92
Year Built	1969	+11 Yrs	1958



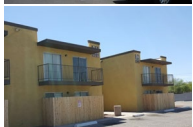
TOP 3 TRANSACTIONS BY PRICE/UNIT (10-99)



Halmark Apartments
Tucson, 12 Units | \$2,310,000
\$192,500/unit | \$255.98/SF | Built 1978



The Vistas on Fort Lowell
Tucson, 57 Units | \$8,475,000
\$148,684/unit | \$289.44/SF | Built 1984

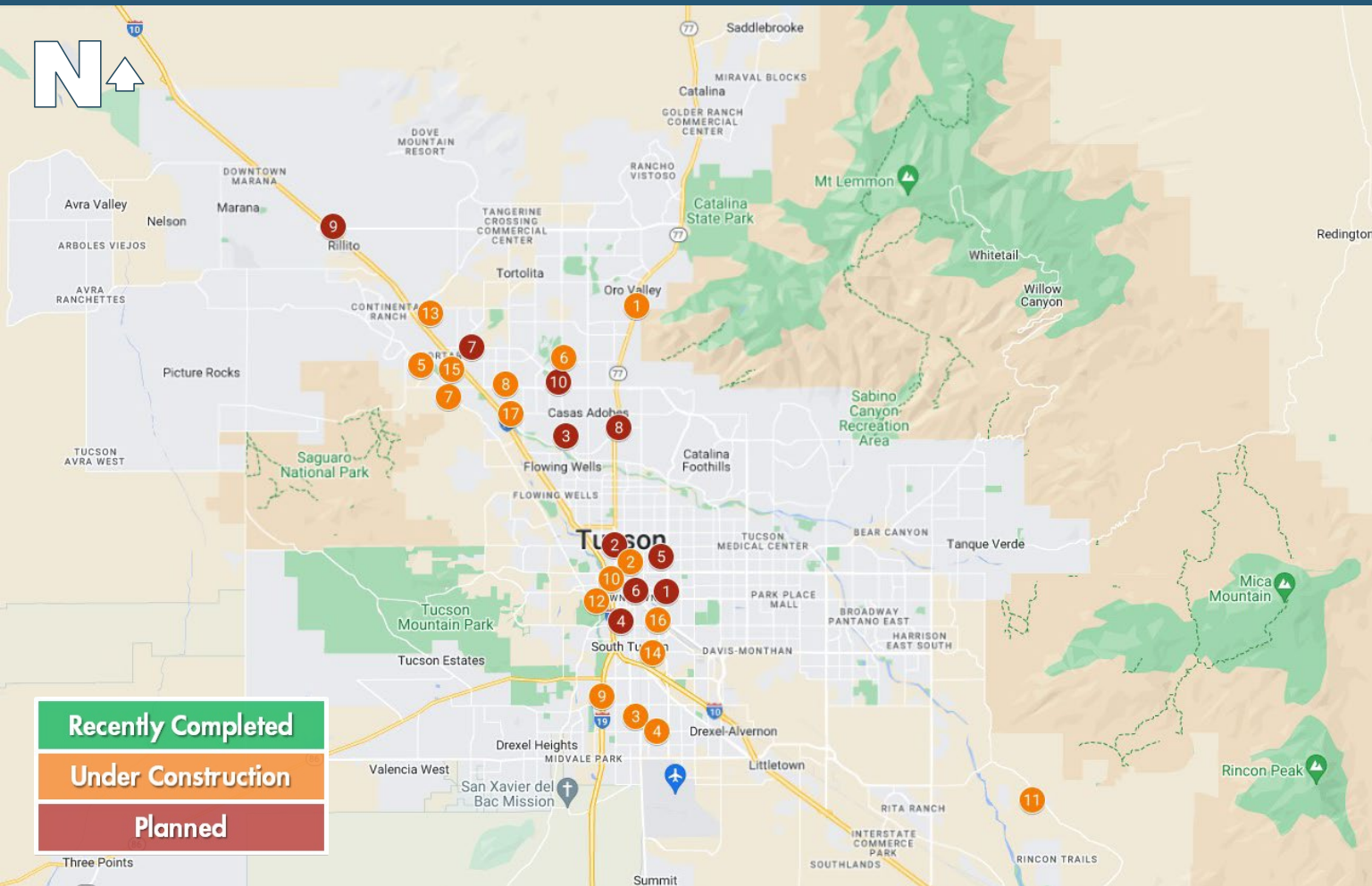


Sevilla
Tucson, 24 Units | \$2,920,000
\$121,667/unit | \$146.59/SF | Built 1980

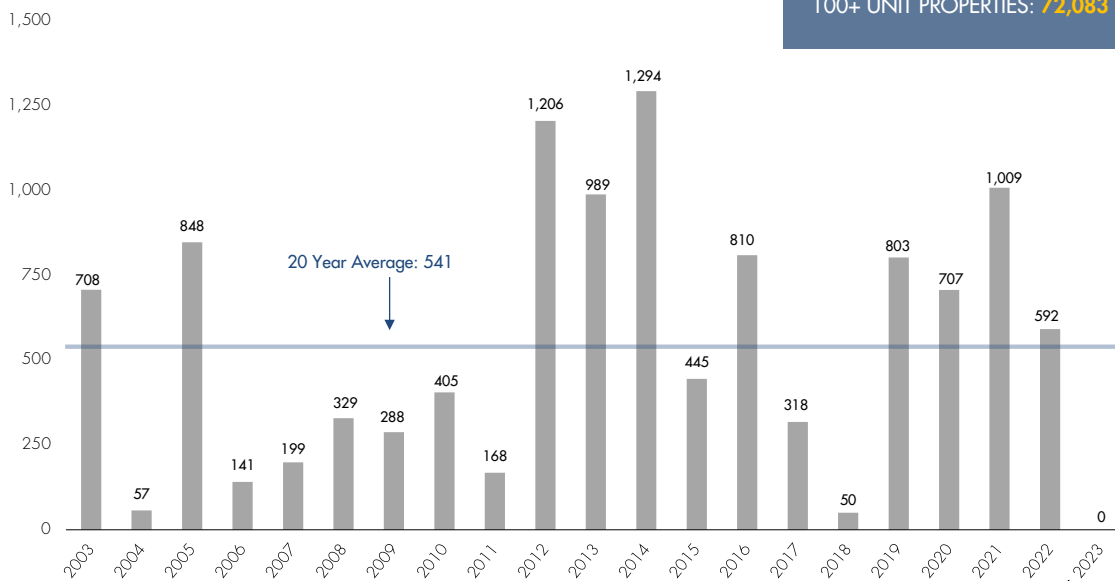
Q3 2023 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	1	\$119K	\$134
1990-99	--	--	--
1980-89	3	\$135K	\$227
Pre-1980	6	\$98K	\$182

COMPLETED CONSTRUCTION



TUCSON MULTIFAMILY CONSTRUCTION PIPELINE Q3 2023



TOTAL UNIT INVENTORY
 10+ UNIT PROPERTIES: **101,839**
 100+ UNIT PROPERTIES: **72,083**

PRE-LEASE ABSORPTION RATE
11
 Units/Property/Month
 (Q3 2023 Avg)

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

UNDER CONSTRUCTION
 TOTAL # OF UNITS: **3,501**
 TOTAL # OF PROPERTIES: **17**

PLANNED
 TOTAL # OF UNITS: **1,815**
 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

TUCSON & THE NATIONAL ECONOMY

Throughout Q3 inflation has proven tough to quell and economic conditions have remained hotter than many economists predicted. These conditions imply that further rate hikes may be necessary before we see the Federal Reserve (The Fed) start to reduce interest rates. Notably, The Fed raised interest rates only once in the third quarter and markets predict that it is more likely than not that there will be no further hikes this year, implying that further moves by The Fed will not occur until 2024.

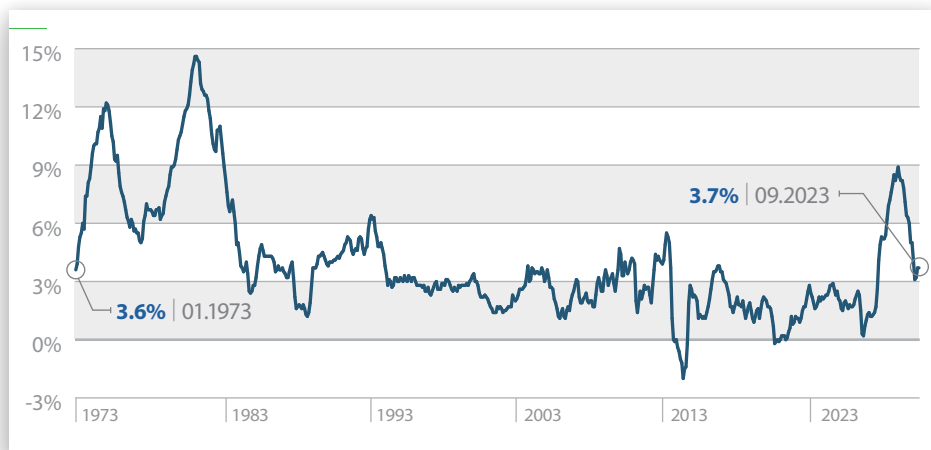
Last year, a majority of economists believed the U.S. would fall into a recession by the end of 2023, but data from this quarter showed strong 3rd quarter GDP growth and employment numbers. This does not mean the U.S. is out of the woods, but the Fed's wish for an economic 'soft landing' may be more

realistic than some experts expected.

A majority of that strong GDP growth in the third quarter was driven by an increase in consumer spending. However, if you asked the average American about the state of the economy you would hear a story that conflicts with some of these classical benchmarks. Recent polling has

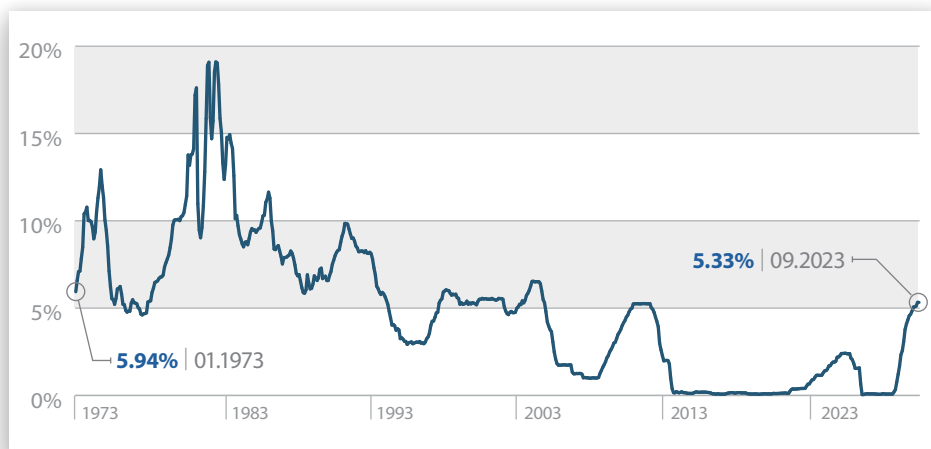
shown that U.S. residents have a largely negative view of the economy and the direction that it is heading. With mortgage rates climbing above 8% and real wages dropping as inflation ebbs and flows, a lot of Americans feel frustrated with the current climate.

This entire economic environment weighs on the commercial real estate sector, especially on multifamily. Tucson has realized this tougher transaction market, seeing only \$118 million in transactions through the 3rd quarter of the year, compared to more than \$1.2 billion over the same period in 2022. It may be a while before a full recovery occurs, but underlying fundamental conditions should inspire optimism about medium- and long-term prospects.



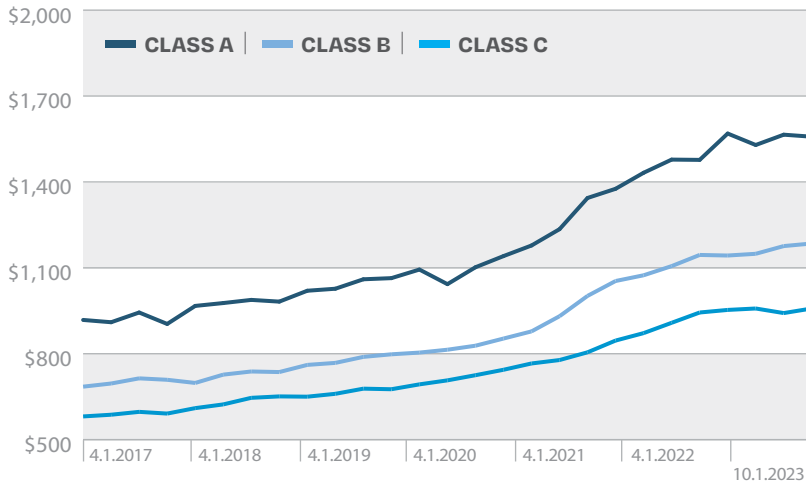
NATIONAL CONSUMER PRICE INDEX (CPI-U)

- Annual inflation has dropped to 3.7% after reaching a peak of 8.9% last summer. This is a crucial indicator for the Federal Reserve to determine whether to decelerate or reverse course on rate hikes.
- Inflation has proven tough to quell as y-o-y inflation has ticked up from the previous quarter. Signaling from the Fed indicates that levers will continue to be pulled until the inflation rate reaches their 2% mandate.



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 5.33% at the end of Q3 2023, marking an increase of nearly 280 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 8% at the end of Q3 2023.

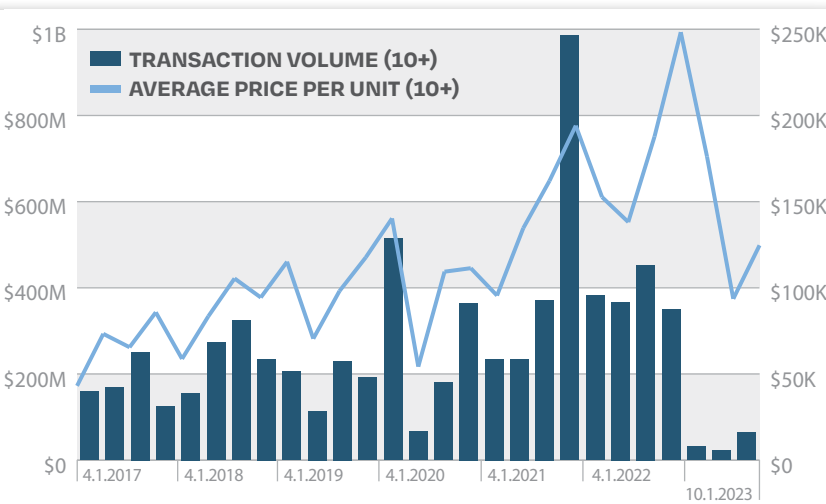
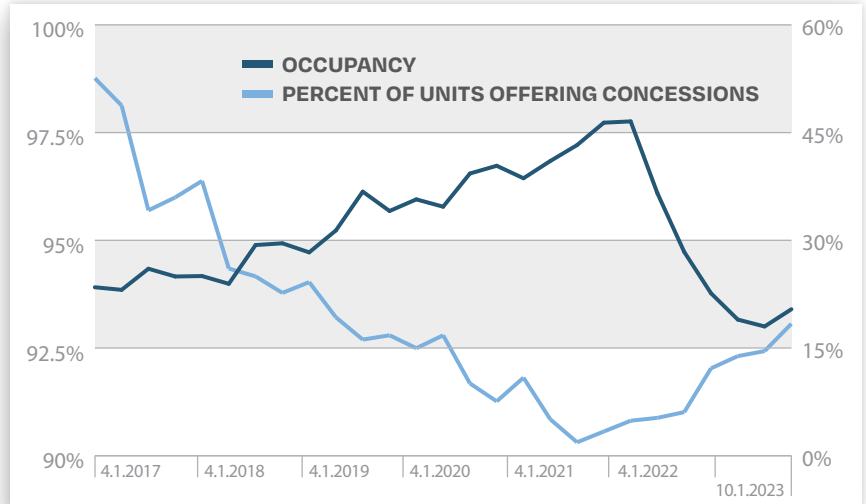


**TUCSON MSA
EFFECTIVE RENT BY ASSET CLASS**

- Over the previous 12-month period, rental rates saw a modest increase, rising 1.6% to \$1,203.
- On average, Class A units rented for \$1,558 a month, Class B units went for \$1,185, and Class C rentals were \$958.
- 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**

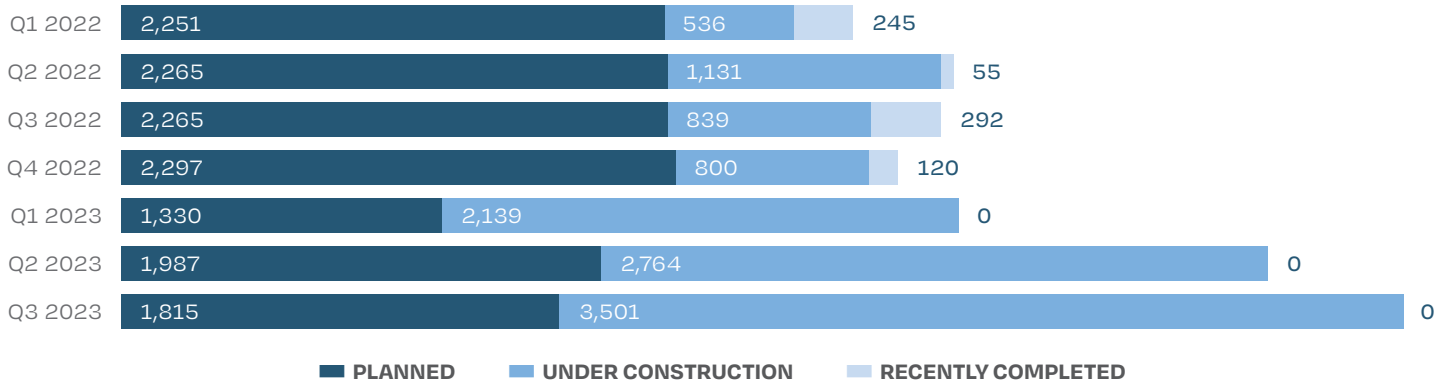
- Following national trends, occupancy decreased to 93.4% in the Tucson MSA, a drop of 1.3% year-over-year.
- Despite inflationary pressure, occupancy levels have moved consistently across all asset classes, with Class A units at 93.7%, and Class B/C properties hovering around 92.9%.
- As occupancy continues to trend downward, the inverse can be seen in concessions, with 18.4% of units offering concessions, up from 5.7% the same time last year.



**TUCSON MSA
TRANSACTION VOLUME**

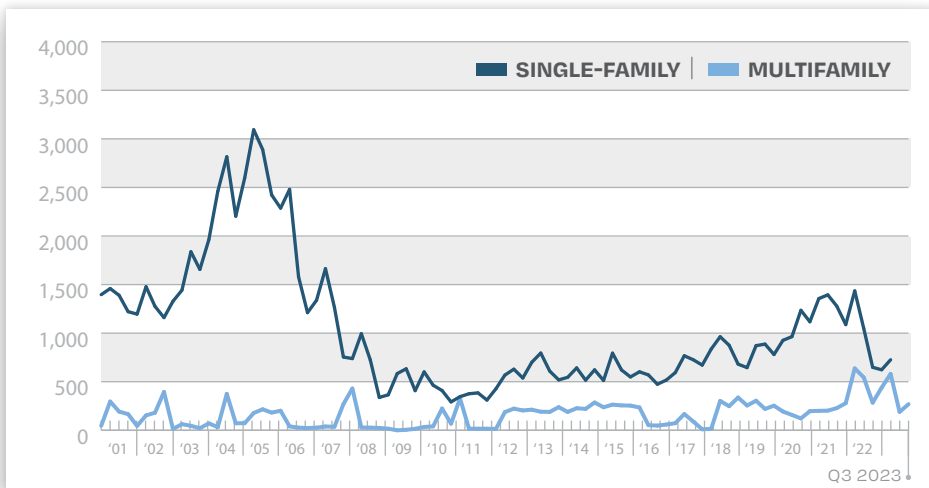
- \$64 million in multifamily transactions occurred in the third quarter this year, representing an 86% decrease in sales from the same quarter in 2022.
- In the third quarter, two multifamily properties that had more than 100 units transacted, the only ones so far this year. Over the last ten years, Tucson sees an average of 7 properties with over 100 units transact in a calendar year.
- Average Price per Unit witnessed a substantial, but less sizable dip than transaction volume, and settled at \$124,660/unit, a 33.6% decrease year-over-year.

TUCSON MSA | **MULTIFAMILY CONSTRUCTION (50+)**



■ No multifamily projects with 50 or more units have been delivered so far in 2023. In the last 20 years, Tucson has averaged more than 500 units completed per year.

■ At the end of Q3, Tucson had 3,501 units under construction, more than three times the amount than at the same time last year.



TUCSON MSA **PERMITTING ACTIVITY**

- In Q3 2023, there were 1,026 single-family and 269 multifamily permits issued in the Tucson MSA, respectively a 58% increase and 5% 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.

TUCSON DRIVERS

The initial shock of a higher interest rate environment has worn out, but in its wake are bank collapses, tightened lending conditions, and disgruntled citizens. Queue the depths of a stagnant multifamily market, in contrast to the previous couple years of rapid-moving fundamentals and immense levels of activity.

Fortunately, Tucson maintains a strong foundation through its robust fundamentals. The region's population growth, projected to be more than triple

the national average rate, 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, incentivizing developer activity. 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.

Despite national turmoil from higher interest rates, Tucson has solid groundwork laid for the future. Immigration, new business activity, and beneficial regulatory changes will drive economic activity and the multifamily market. Challenges are bound to arise, but the market adapts and long-term trends will prevail.

ABI COMPARATIVE MARKET REVIEW: Q3 2023



TUCSON



PHOENIX



LAS VEGAS

DEMOGRAPHICS

RENT/OCCUPANCY/CONSTRUCTION

SALES

Total Population (September 2023*)	1,063,751	5,055,752	2,359,408
Unemployment Rate (September 2023*)	5.0%	4.5%	6.3%
Employment Growth (y-o-y)	1.5%	1.8%	3.1%
Median HH Income (September 2023*)	\$66,130	\$86,099	\$71,674
GDP Per Capita (September 2023*)	\$50,664	\$68,736	\$61,317
Rent (Q3 2023)	\$1,203	\$1,621	\$1,465
y-o-y % Increase/Decrease	+1.6%	-3.3%	-3.6%
Occupancy (Q3 2023)	93.4%	93.2%	93.5%
y-o-y % Increase/Decrease	-1.3%	-1.1%	-0.9%
Total Inventory (10+)	101,839	407,991	233,169
Total Under Construction (50+)	3,501	43,375	10,743
Units Delivered (50+, YTD)	0	12,643	1,943
Total Sales Volume (Q3 2023)	\$64M	\$1.17B	\$88M
y-o-y % Increase/Decrease	-85.8%	-63.6%	-85.4%
Average P/U (Q3 2023)	\$124,660	\$298,216	\$293,533
y-o-y % Increase/Decrease	-33.6%	-3.9%	+0.1%

* Forecasted

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200+ YEARS OF COMBINED MULTIFAMILY BROKERAGE EXPERIENCE
SEASONED ADVISORS WITH REGIONAL INSIGHT
COLLABORATION & COOPERATION

NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS



VIA ALAMOS APARTMENTS

300 West Via Alamos Drive
Green Valley, AZ 85614

Sold Price: \$19,500,000
Units: 160
Year Built: 1984



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

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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