

TUCSON MSA | MULTIFAMILY | YE 2023 REPORT

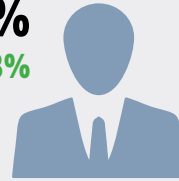


TUCSON MSA OVERVIEW	01
MULTIFAMILY PROPERTY ANALYSIS: 100+ & 10-99 UNITS	02
ABInsight® TUCSON & THE NATIONAL ECONOMY	03-05
ABI COMPARATIVE MARKET REVIEW: YE 2023	06

10+ UNIT PROPERTIES	YE 2023	INCREASE/DECREASE	YE 2022
Total Sales Volume	\$175M	-88.9%	\$1.57B
AVERAGE Price/Unit	\$119,920	-30.9%	\$173,491
Price/SF	\$185.79	-24.9%	\$247.42
Year Built	1968	-5 Yrs	1973
Average Rent	\$1,206	+2.2%	\$1,180
Occupancy Rate	92.6%	-1.2%	93.8%
Units Delivered	141	-80.2%	712

1,064,960  **POPULATION**
DECEMBER 2023*

3.8%
-0.3%



UNEMPLOYMENT
Q-0-Q AS OF DECEMBER 2023*

0.8%



EMPLOYMENT GROWTH
Y-0-Y AS OF DECEMBER 2023*

\$66,692



MEDIAN HH INCOME
DECEMBER 2023*

\$55,068



GDP PER CAPITA
DECEMBER 2023*

3,715
Units (50+)



UNDER CONSTRUCTION
YARDI

102,247
Units (10+)

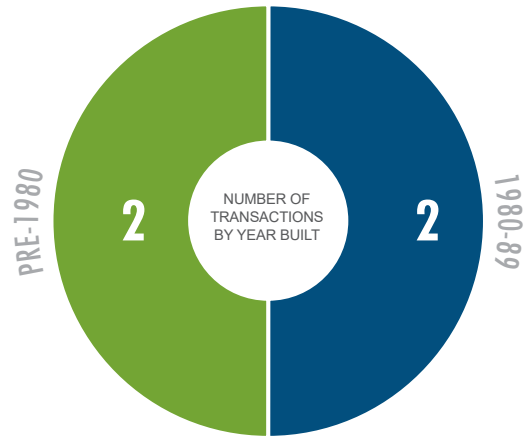


TOTAL INVENTORY
ABI RESEARCH, COSTAR; YARDI

* Forecasted

100+ UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2023	INCREASE/DECREASE	YE 2022
Total Sales Volume	\$86.8M	-93.5%	\$1.34B
AVERAGE Price/Unit	\$130,723	-29.7%	\$185,917
Price/SF	\$205.19	-23.4%	\$267.87
Year Built	1978	-4 Yrs	1982



TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



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



Equinox on Pima
Tucson, 107 Units | \$14,500,000
\$135,514/unit | \$217.07/SF | Built 1963



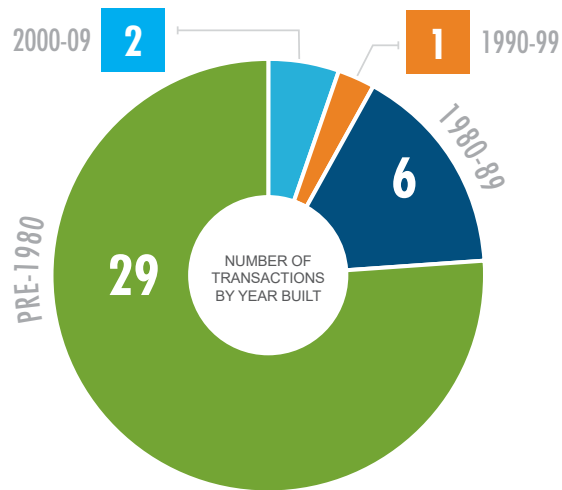
The Place at Spanish Trail
Tucson, 256 Units | \$33,000,000
\$128,906/unit | \$179.73/SF | Built 1979

YE 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	2	\$131K	\$190

10 - 99 UNIT MULTIFAMILY PROPERTY ANALYSIS

	YE 2023	INCREASE/DECREASE	YE 2022
Total Sales Volume	\$88M	-61.7%	\$229M
AVERAGE Price/Unit	\$110,875	-11.1%	\$124,655
Price/SF	\$169.94	-0.6%	\$170.91
Year Built	1966	-1 Yr	1967



YE 2023 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
2010+	--	--	--
2000-09	2	\$157K	\$172
1990-99	1	\$86K	\$141
1980-89	6	\$107K	\$177
Pre-1980	29	\$108K	\$169

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 Beverly on 5th
Tucson, 35 Units | \$6,075,000
\$173,571/unit | \$183.05/SF | Built 1970



Sahuarita Mission
Green Valley, 52 Units | \$8,800,000
\$169,231/unit | \$182.98/SF | Built 2000

TUCSON & THE NATIONAL ECONOMY

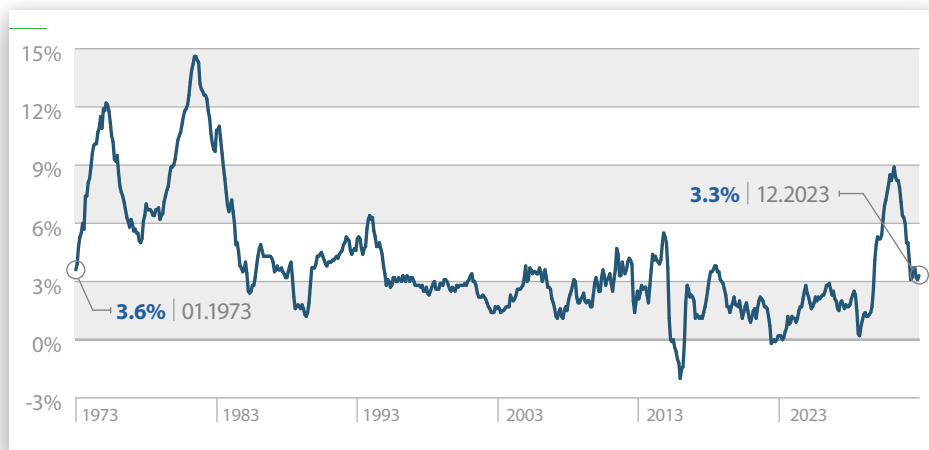
2023 proved a tough year for the multifamily market as rapidly rising interest rates decimated transactions. National sales volume for the year reached a decade-spanning low as deals dried up and real estate prices fell. Investor expectations are slowly adapting to the new norm as more consistent and predictable interest rate movements will drive the market in the coming year. Market forecasts anticipate six rate cuts in 2024 as inflation continues to cool. However, Fed signaling indicates closer to three, with those more likely to occur in the latter half of the year. Excessively strong economic data, or an inability to quell inflation, would be cause for concern for Federal Reserve officials, and could cause rate cuts to be pushed further into the future.

Economically, 2023 yielded several positive indicators that defied comparatively more bearish expectations from economists. A recession was widely heralded as inevitable

in the later parts of the year, based on 2022 discourse, but no such thing occurred. GDP growth reached 3.3% in Q4, crushing 2.0% expectations by analysts, and far ahead of

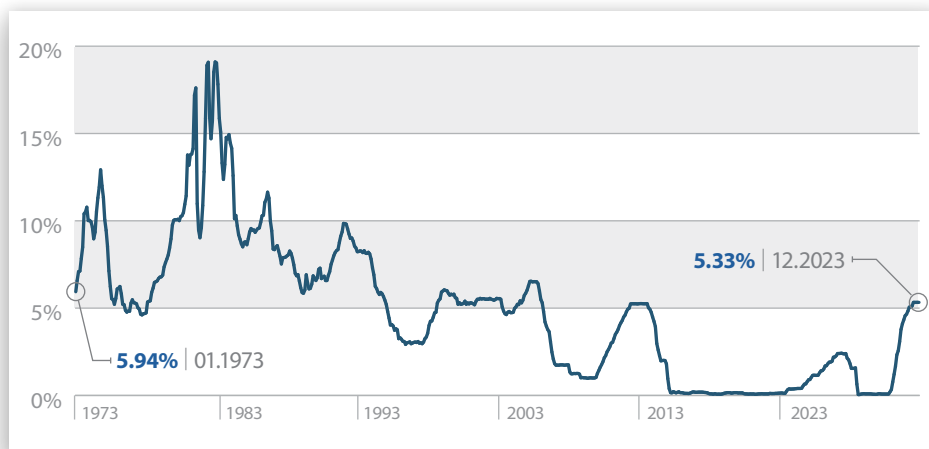
the negative growth expected by many a year prior. As has been the case for the whole year, a majority of this strong GDP growth stemmed from strong consumer spending, as consumer sentiment reached its highest levels in three years.

The 'soft landing' long targeted by the Federal Reserve now seems like a far more likely scenario than it did a year ago. The drop in inflation from 6.3% at the beginning of the year to 3.3% by the end has boosted optimism about avoiding a recession and staying on course for rate cuts. However, this size of inflationary drop for an economy this large has virtually never happened without a recession, but expert economists and Federal Reserve officials are encouraged by the most recent data.



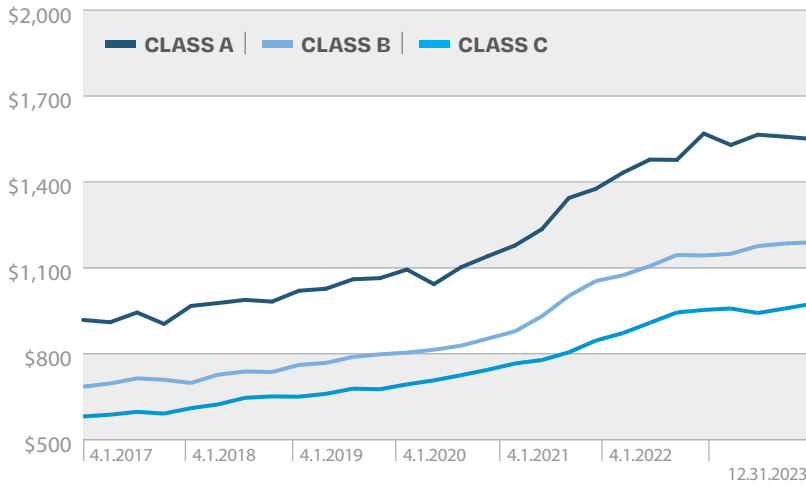
NATIONAL CONSUMER PRICE INDEX (CPI-U)

- Annual inflation ended the year at 3.3% 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 dropped significantly throughout the year, from 6.3% at the beginning of the year. Signaling from the Fed indicates that they want to see this number continue to tick down and hold near their 2% target before interest rate cuts begin.



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 2023, marking an increase of over 120 basis points since the end of 2022.
- The national average interest rate for a 30-year fixed rate conventional mortgage loan finished the year at 6.6%, dropping from a peak of over 8%.

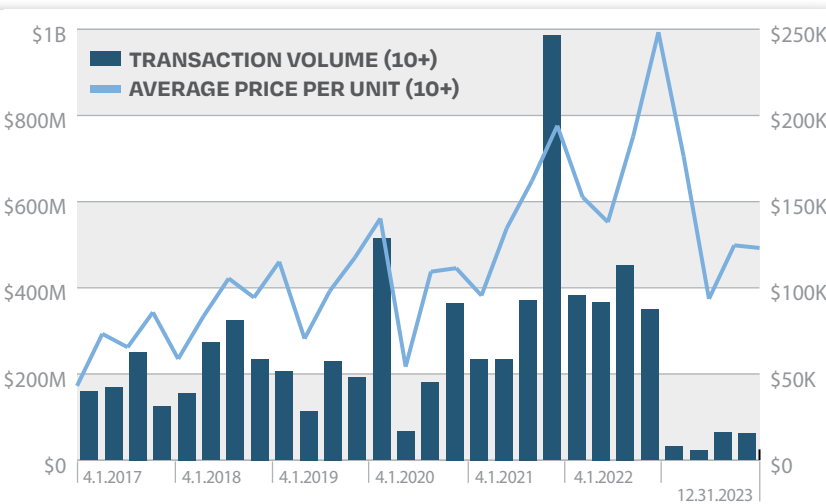
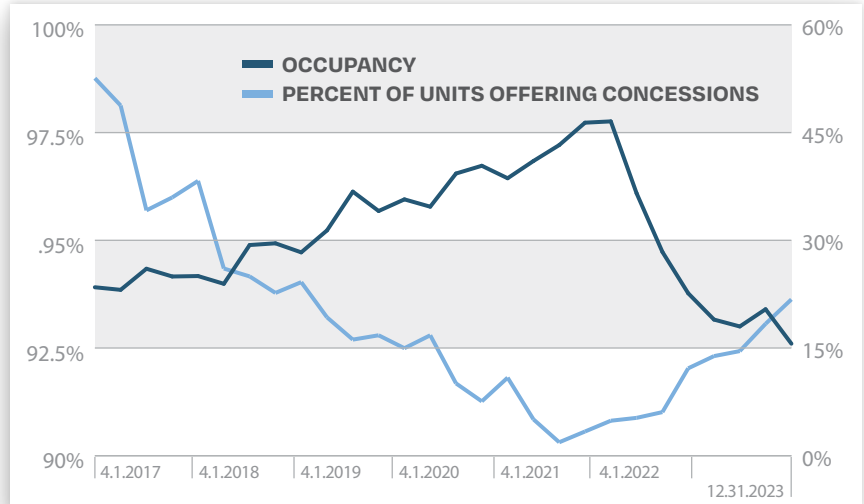


**TUCSON MSA
EFFECTIVE RENT BY ASSET CLASS**

- Over the previous 12-month period, rental rates saw a modest increase, rising 2.2% to \$1,206.
- On average, Class A units rented for \$1,550 a month, Class B units went for \$1,189, and Class C rentals were \$974.
- 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**

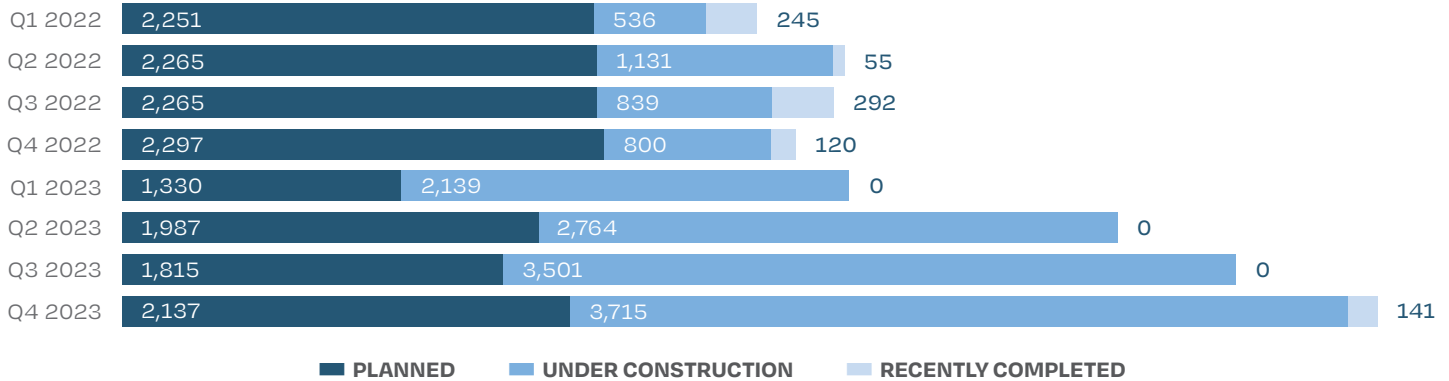
- Following national trends, occupancy decreased to 92.6% in the Tucson MSA, a drop of 1.2% year-over-year.
- Occupancy levels are slowly diverging among asset classes, with Class A units at 93.4%, Class B properties at 92.5%, and Class C properties at 91.9%.
- As occupancy continues to trend downward, the inverse can be seen in concessions, with 21.4% of units offering concessions, up from 11.8% the same time last year.



**TUCSON MSA
TRANSACTION VOLUME**

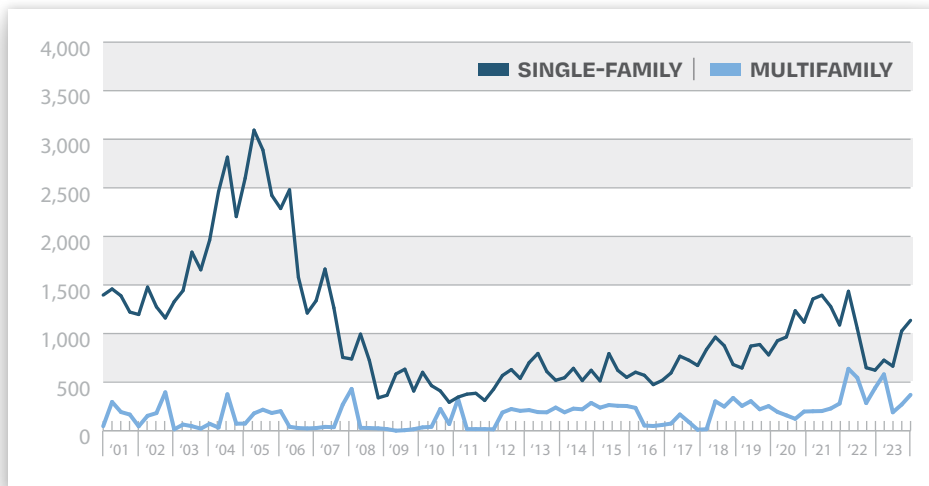
- \$175 million in multifamily transactions occurred this year, representing an 89% decrease in sales from 2022.
- Over the course of the year, four multifamily properties that had more than 100 units transacted. Over the last ten years, Tucson sees an average of seven properties with over 100 units transact per calendar year.
- Average price per unit witnessed a substantial, but less sizable dip than transaction volume, and settled at \$119,920/unit, a 30.9% decrease year-over-year.

TUCSON MSA | MULTIFAMILY CONSTRUCTION (50+)



■ 141 multifamily units were delivered under projects with greater than 50 units in 2023. In the last 20 years, Tucson has averaged more than 500 units completed per year.

■ At the end of the year, Tucson had 3,715 units under construction, more than four times the amount than at the same time last year.



TUCSON MSA PERMITTING ACTIVITY

- In Q4 2023, there were 1,136 single-family and 369 multifamily permits issued in the Tucson MSA, respectively an 82% increase and 16% 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

In 2023, multifamily transaction volume underperformed, but the current expected trend in interest rates suggests a turning point. In anticipation of future rate cuts and bolstered by robust recent economic data, an acceleration in transaction pace is expected during the latter half of the year. However, it is unlikely to reach the fervor seen in 2021 and 2022.

Tucson's solid foundation is upheld by robust fundamentals. The region has a population growth trend projected to surpass triple the national average, driven by an enticing mix of affordable

living costs and a favorable climate. This combination sustains a consistent demand for housing that remains resilient even in the face of market fluctuations.

Recent regulatory proposals seek to enhance the development of multifamily structures by eliminating current provisions that hinder housing construction. This move aims to incentivize developer activity and streamline the construction process. Furthermore, economic development spurred by infrastructure investments and funding from key companies

like Raytheon and Caterpillar has strengthened Tucson's allure as a dependable investment destination, anchored by the student population drawn by the University of Arizona.

Despite recent challenges stemming from higher interest rates, Tucson has solid groundwork laid for the future. In-migration, new business activity, and beneficial regulatory changes will drive economic activity and the multifamily market. These foundational trends position the market well to adapt and prevail in the long-run.

ABI COMPARATIVE MARKET REVIEW: YE 2023



TUCSON



PHOENIX



LAS VEGAS

DEMOGRAPHICS

RENT/OCCUPANCY/CONSTRUCTION

SALES

Total Population (December 2023*)	1,064,960	5,065,484	2,365,366
Unemployment Rate (December 2023*)	3.8%	3.6%	5.0%
Employment Growth (y-o-y)	0.8%	1.5%	4.2%
Median HH Income (December 2023*)	\$66,692	\$87,127	\$72,290
GDP Per Capita (December 2023*)	\$55,068	\$76,149	\$69,463
Rent (YE 2023)	\$1,206	\$1,570	\$1,447
y-o-y % Increase/Decrease	+2.2%	-4.0%	-2.6%
Occupancy (YE 2023)	92.6%	92.7%	92.6%
y-o-y % Increase/Decrease	-1.2%	-0.8%	-1.2%
Total Inventory (10+)	102,247	412,530	235,180
Total Under Construction (50+)	3,715	44,008	10,973
Units Delivered (50+, YTD)	141	16,880	2,834
Total Sales Volume (YE 2023)	\$175M	\$3.72B	\$452M
y-o-y % Increase/Decrease	-88.9%	-74.0%	-87.9%
Average P/U (YE 2023)	\$119,920	\$280,470	\$182,586
y-o-y % Increase/Decrease	-30.9%	-10.5%	-28.2%

* 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



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.

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

PHOENIX HEADQUARTERS

5227 N. 7th Street
Phoenix, AZ 85014
602.714.1400

LAS VEGAS OFFICE

9830 W. Tropicana Ave., Ste. 180,
Las Vegas, NV 89147
702.820.5660

SAN DIEGO OFFICE

1223 Cleveland Ave., Ste. 200
San Diego, CA 92103
858.256.5454
CA Lic #02015648

TUCSON OFFICE

3360 N. Country Club Road
Tucson, AZ 85716
520.265.1993

DISCLAIMER © 2024 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