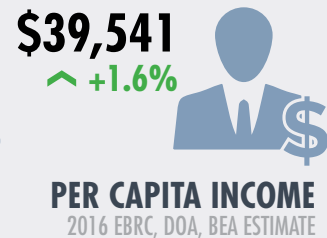
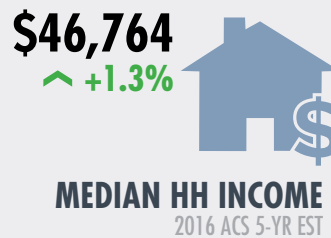
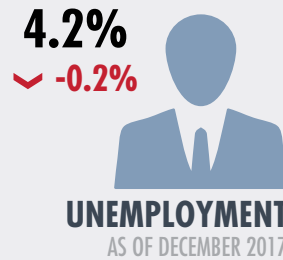


## TUCSON MSA | MULTIFAMILY | YE 2017 REPORT

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10+ UNIT PROPERTIES	YE 2017	INCREASE/DECREASE	YE 2016
<b>Total Sales Volume</b>	<b>\$687M</b>	<b>+37%</b>	<b>\$502M</b>
<b>AVERAGE Price/Unit</b>	<b>\$62,367</b>	<b>+4%</b>	<b>\$59,698</b>
<b>AVERAGE Price/SF</b>	<b>\$88.16</b>	<b>+16%</b>	<b>\$75.85</b>
<b>AVERAGE Year Built</b>	<b>1972</b>	<b>-3 yrs</b>	<b>1975</b>
<b>10+ Average Rent</b>	<b>\$796</b>	<b>+3.8%</b>	<b>\$767</b>
<b>Occupancy Rate</b>	<b>94.5%</b>	<b>-0.2%</b>	<b>94.7%</b>
<b>Units Delivered</b>	<b>318</b>	<b>-61%</b>	<b>810</b>



### ABI GEONEWS - TUCSON MSA YE 2017 SELECT NEWS

CONTINUED ON PAGE 05



Raytheon confirms plans to add 2,000 Tucson jobs



TuSimple, developer of self-driving technology for semi-trucks, arrives in Tucson

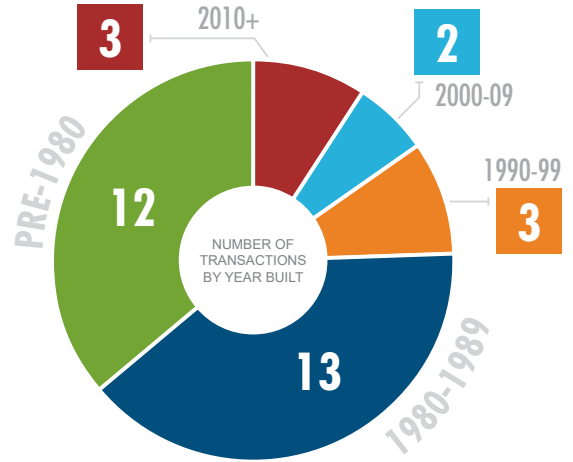


Pima County marks completion of World View HQ, SpacePort



# 100+ UNIT PROPERTIES

	YE 2017	INCREASE/DECREASE	YE 2016
<b>Total Sales Volume</b>	<b>\$500M</b>	<b>+17%</b>	\$426M
<b>AVERAGE Price/Unit</b>	<b>\$66,954</b>	<b>+1%</b>	\$66,042
<b>AVERAGE Price/SF</b>	<b>\$93.08</b>	<b>+15%</b>	\$81.19
<b>AVERAGE Year Built</b>	<b>1985</b>	<b>3 yrs</b>	1988



## TOP 3 TRANSACTIONS BY PRICE/UNIT (100+)



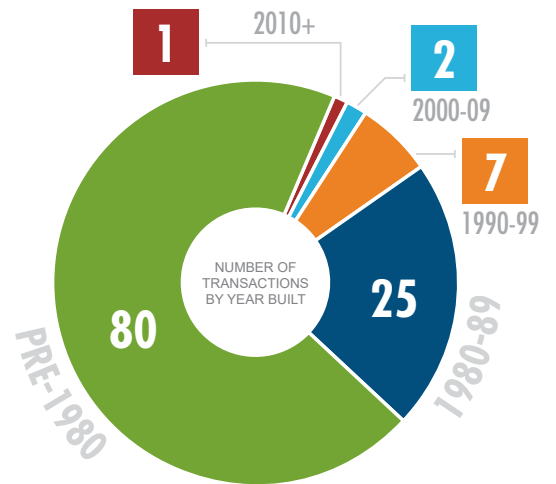
- Villas at San Dorado**  
Oro Valley, 274 Units | \$50,550,000  
\$184,489/Unit | \$173.58/SF | Built 2015
- Avilla Marana I**  
Tucson, 166 Units | \$26,560,000  
\$160,000/Unit | \$163.40/SF | Built 2013
- Avilla Marana II**  
Tucson, 118 Units | \$18,880,000  
\$160,000/Unit | \$166.52/SF | Built 2015

## YE 2017 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>3</b>	<b>\$172K</b>	<b>\$169</b>
<b>2000-09</b>	<b>2</b>	<b>\$86K</b>	<b>\$100</b>
<b>1990-99</b>	<b>3</b>	<b>\$94K</b>	<b>\$102</b>
<b>1980-89</b>	<b>13</b>	<b>\$52K</b>	<b>\$79</b>
<b>Pre-1980</b>	<b>12</b>	<b>\$49K</b>	<b>\$77</b>

# 10 - 99 UNIT PROPERTIES

	YE 2017	INCREASE/DECREASE	YE 2016
<b>Total Sales Volume</b>	<b>\$187M</b>	<b>+146%</b>	\$76M
<b>AVERAGE Price/Unit</b>	<b>\$52,699</b>	<b>+36%</b>	\$38,765
<b>AVERAGE Price/SF</b>	<b>\$77.22</b>	<b>+39%</b>	\$55.38
<b>AVERAGE Year Built</b>	<b>1968</b>	<b>-2 yrs</b>	1970



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



- The Junction at Iron Horse**  
Tucson, 76 Units | \$19,320,221  
\$254,213/Unit | \$222.22/SF | Built 2014
- Sahuaro Point Villas**  
Tucson, 20 Units | \$3,500,000  
\$175,000/Unit | \$100.11/SF | Built 2005
- 4th & 6th Avenue Student Townhomes**  
Tucson, 11 Units | \$1,455,000  
\$132,273/Unit | \$125.05/SF | Built 1996/97

## YE 2017 Transactions by Year Built

	# of Transactions	Avg Price/Unit	Avg Price/SF
<b>2010+</b>	<b>1</b>	<b>\$254K</b>	<b>\$222</b>
<b>2000-09</b>	<b>2</b>	<b>\$135K</b>	<b>\$95</b>
<b>1990-99</b>	<b>7</b>	<b>\$96K</b>	<b>\$92</b>
<b>1980-89</b>	<b>25</b>	<b>\$43K</b>	<b>\$72</b>
<b>Pre-1980</b>	<b>80</b>	<b>\$46K</b>	<b>\$69</b>

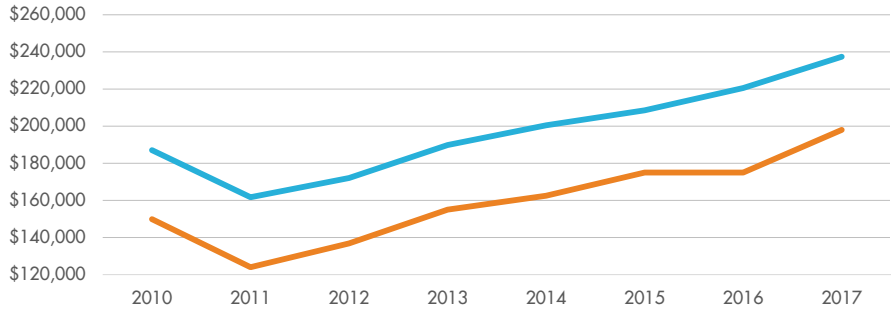
# SINGLE FAMILY RESIDENTIAL - FOR SALE/LEASE

**AVG SALES PRICE \$237,389**

+8%, YEAR-OVER-YEAR AVERAGE

**MEDIAN SALES PRICE \$198,000**

+13%, YEAR-OVER-YEAR AVERAGE



## SFR SALES TRENDS

**TOTAL YTD SALES 18,297**

+4%, YEAR-OVER-YEAR

**AVG DAYS ON MARKET 65**

-6 DAYS, YEAR-OVER-YEAR

**ABSORPTION RATE 3.61**

THE ABSORPTION RATE, IN MONTHS, SHOWS HOW LONG THE CURRENT INVENTORY OF PROPERTIES WOULD LAST AT THE CURRENT RATE OF SALES

## SFR - FOR LEASE

**YE 2017**

Median Lease: \$1,250

Average Lease: \$1,345

Avg. Days on Market: 34

**YE 2016**

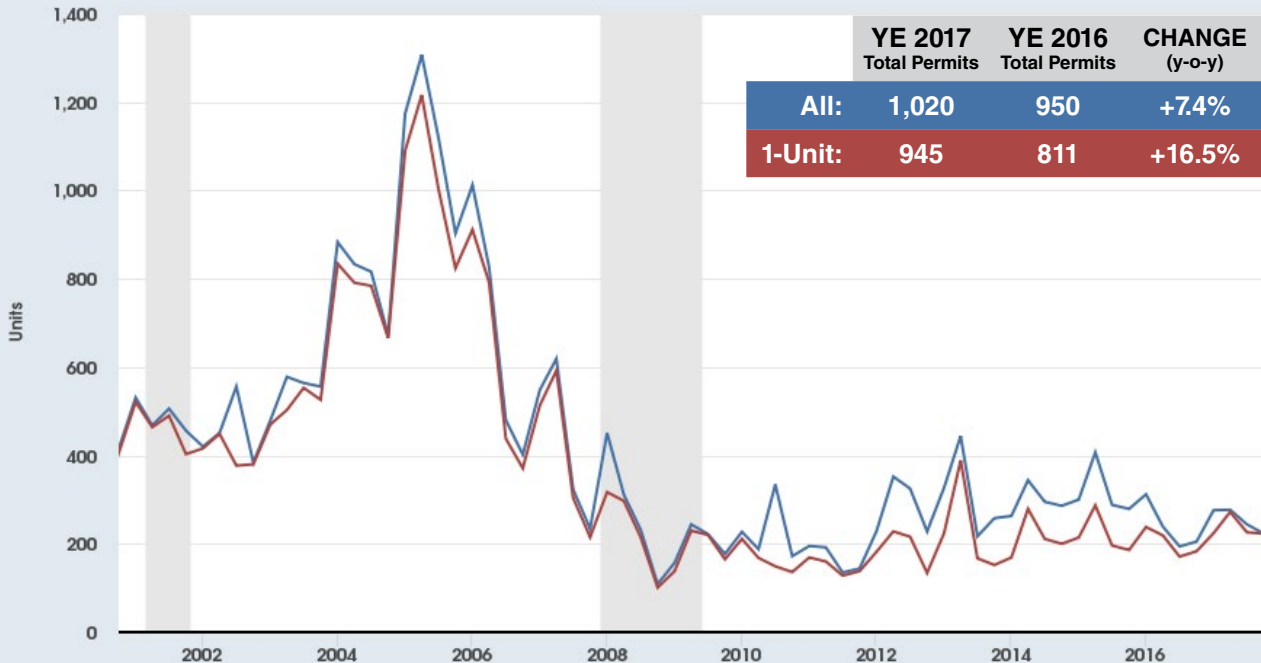
Median Lease: \$1,095

Average Lease: \$1,161

Avg. Days on Market: 40

## HOUSING PERMIT DATA - SFR/MF \*

**FRED** — New Private Housing Units Authorized by Building Permits for Tucson, AZ (MSA)  
 — New Private Housing Units Authorized by Building Permits: 1-Unit Structures for Tucson, AZ (MSA)



Shaded areas indicate U.S. recessions

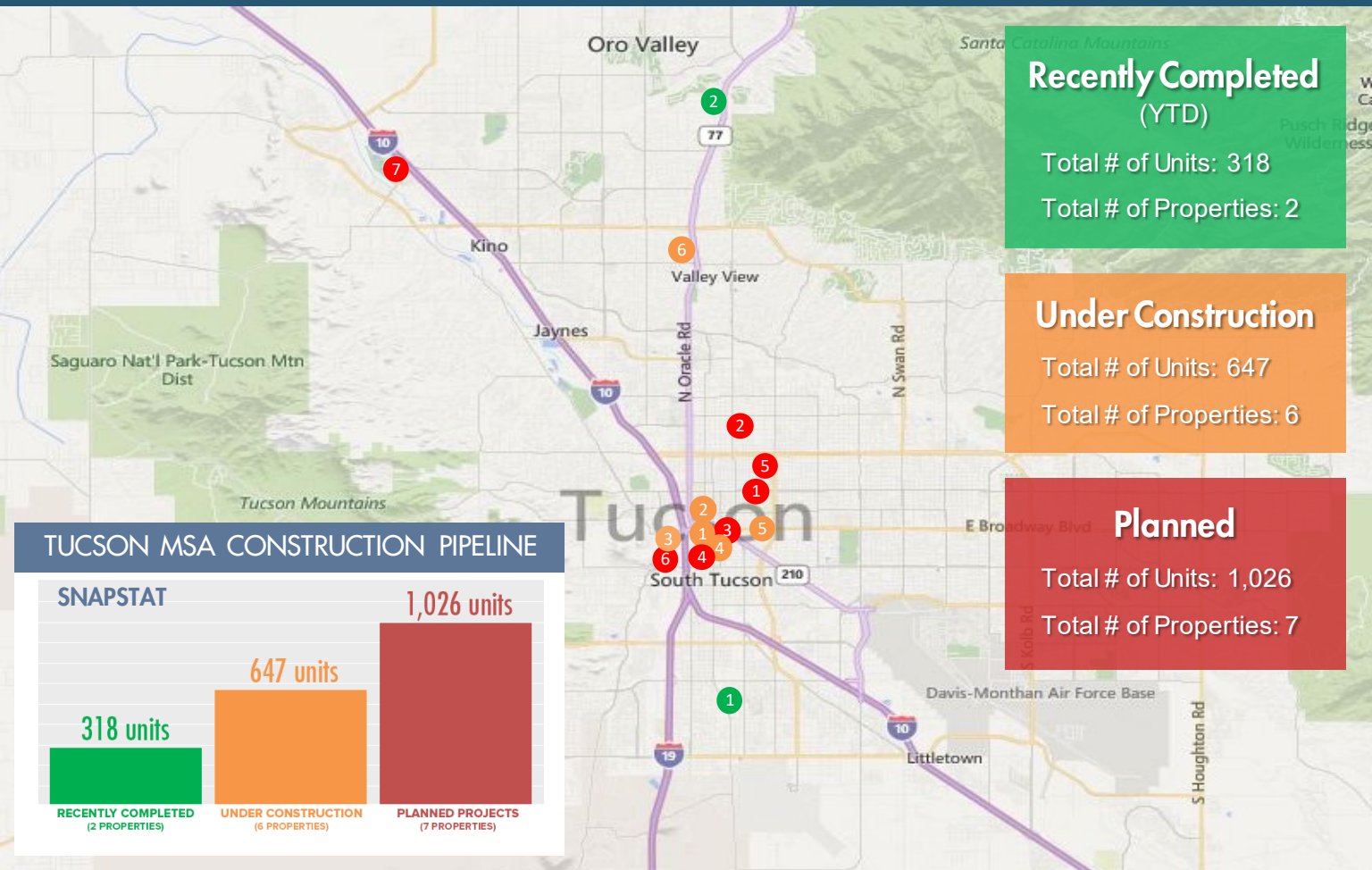
Source: U.S. Bureau of the Census

myf.red/g/hXrt

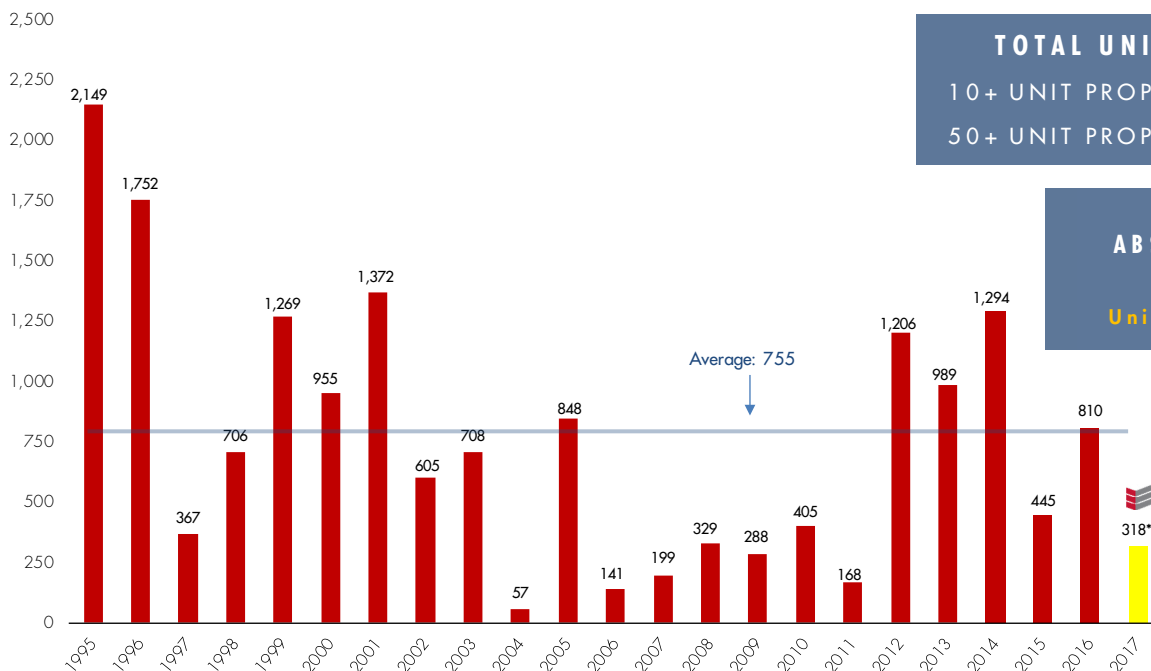
\* Quarterly Total "End of Period" permitted units from 2000 to YTD (FRED)

ABI Research / FRED® COPYRIGHT 2018

# COMPLETED CONSTRUCTION



## TUCSON MULTIFAMILY CONSTRUCTION PIPELINE | YE 2017

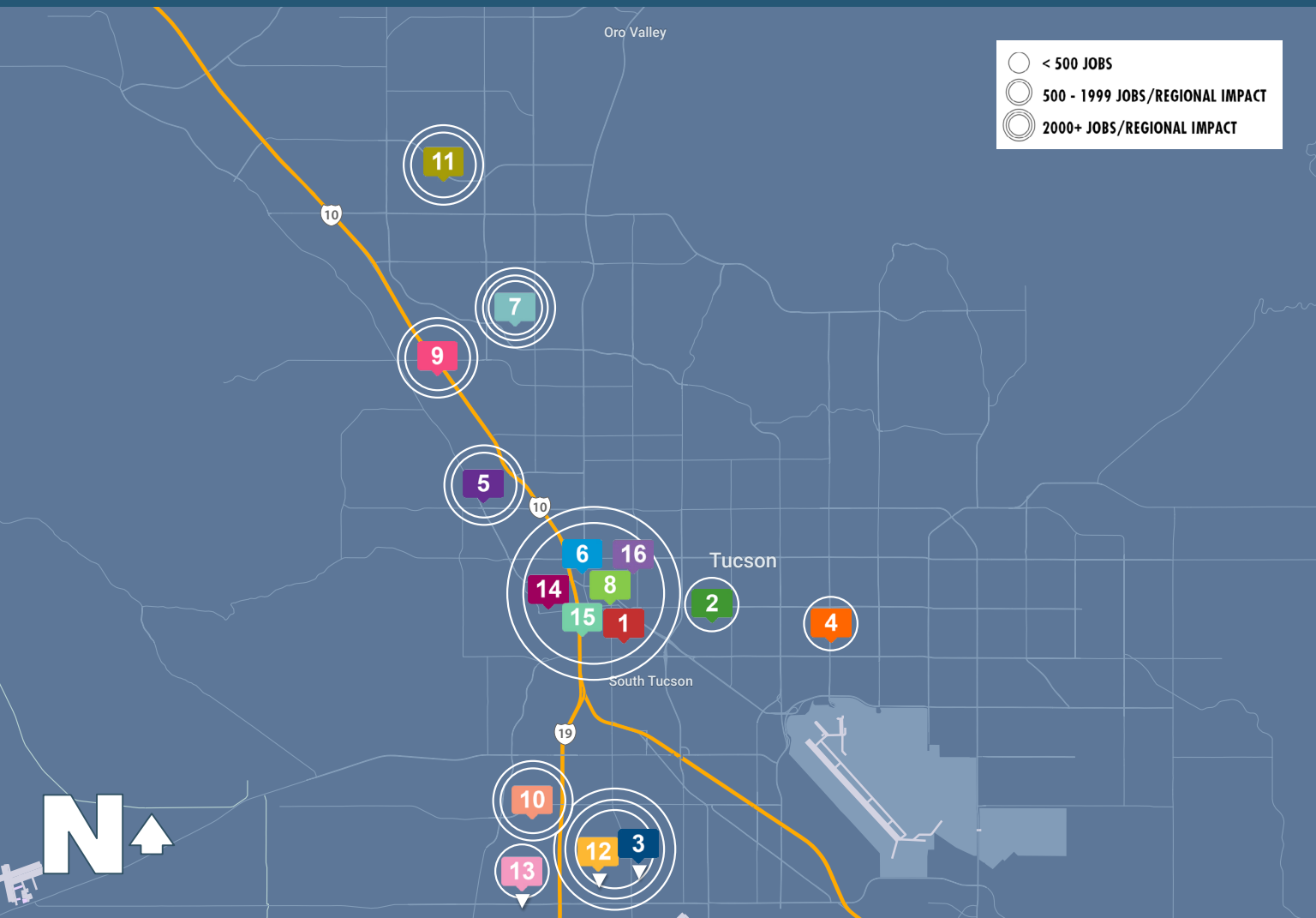


**TOTAL UNIT INVENTORY**  
10+ UNIT PROPERTIES: 117,885  
50+ UNIT PROPERTIES: 67,093

**PRE-LEASE ABSORPTION RATE**  
N/A  
Units/Property (Avg)

\* Project Units Delivered. Project units delivered is based on when the total project is completed, not as individual buildings/units are delivered

# YE 2017 SELECT NEWS



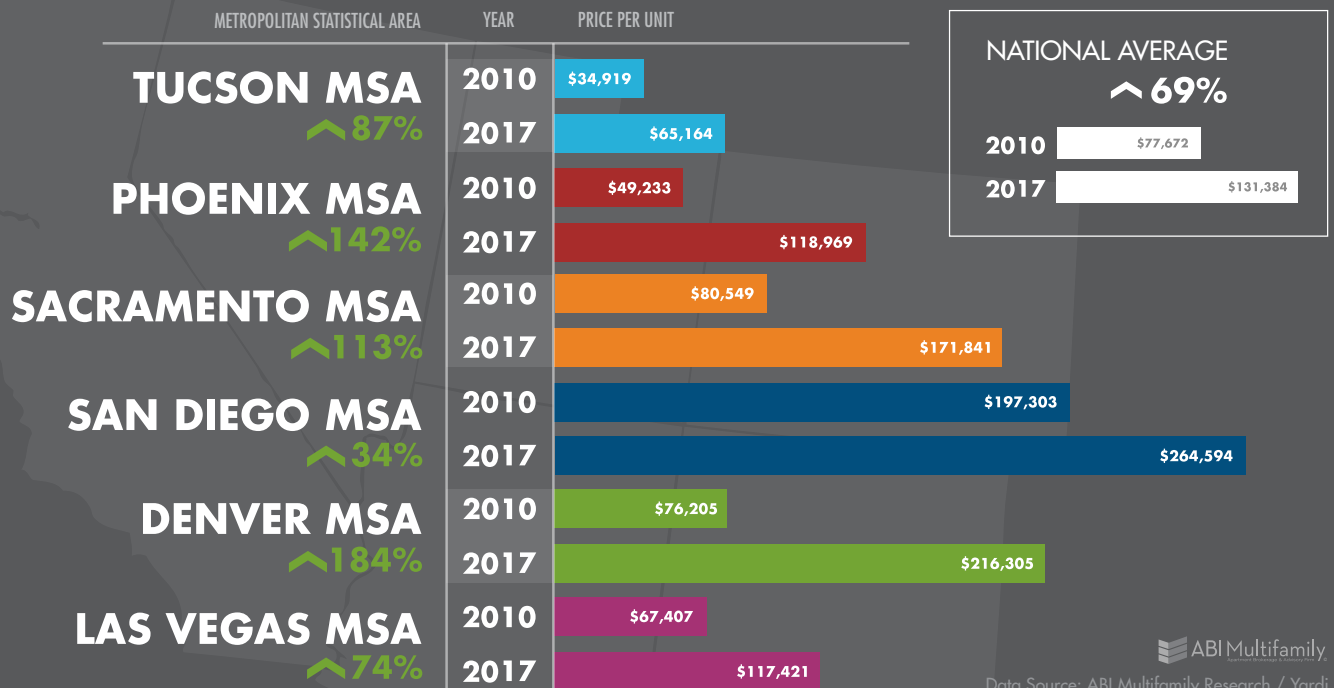
- < 500 JOBS
- 500 - 1999 JOBS/REGIONAL IMPACT
- 2000+ JOBS/REGIONAL IMPACT

- |   |  |
|---|--|
| <p><b>1</b> Vector Space Systems   Vector Space Systems unveils new satellite launcher rocket</p> <p><b>2</b> Alorica   Call center operator, Alorica, adding 200 jobs in Tucson</p> <p><b>3</b> Raytheon   Raytheon confirms plans to add 2,000 Tucson jobs</p> <p><b>4</b> ADP   ADP to add 250 jobs in Tucson</p> <p><b>5</b> TuSimple, developer of self-driving technology for semi-trucks, arrives in Tucson</p> <p><b>6</b> Caterpillar Inc.   Caterpillar Inc. bringing regional HQ to downtown Tucson, 600 jobs</p> <p><b>7</b> Comcast   Comcast marks grand opening of Tucson call center (brings 1,000 jobs to the area)</p> <p><b>8</b> Downtown Links, decades in the making, not far from construction</p> | <p><b>9</b> Convergys   Convergys plans to hire 500 in Tucson</p> <p><b>10</b> C3   Call-center operator C3 to hire 1,132 in Tucson</p> <p><b>11</b> C3   Call-center operator C3 to hire 1,132 in Tucson</p> <p><b>12</b> SpacePort   Pima County marks completion of World View HQ, SpacePort</p> <p><b>13</b> Town of Sahuarita awarded \$3 million Federal Grant for Tech Center Development</p> <p><b>14</b> Hexagon   International mining tech firm Hexagon to expand, relocate HQ to downtown Tucson</p> <p><b>15</b> Ernst &amp; Young   Ernst &amp; Young opening new support center in Downtown Tucson to hire 125</p> <p><b>16</b> UA   University of Arizona, hiring 750. The university is adding positions in Tucson ranging from counselors to research assistants</p> |
|---|--|

BY: THOMAS M. BROPHY, DIRECTOR OF RESEARCH

## AVERAGE PRICE PER UNIT INCREASE 2010 VS. 2017 | WEST U.S. REGION

\* Based on total units purchased (50+ unit properties) for Year End 2010 compared to Year End 2017



## 2017 REVIEW | Tucson MSA Year in Review

As predicted in my YE 2016 review, the Tucson MSA multifamily market had an incredibly robust 2017 as investors, hunting for yield, looked to qualified secondary and tertiary markets. Tucson, which has struggled to find its Post-Recession footing made major steps toward finding economic stability in both 2016/17. For 2017, the Tucson area saw +1.2% jobs growth led by Raytheon (2,000+ jobs), TuSimple's, developer of self-driving technology for semi-trucks, regional expansion and several thousand call center and financial service job announcements, as well as, continued population growth, +1.3%. Given this growth, with little in the development pipeline, should sustain investor's interest throughout 2018.

### TUCSON MARKET METRICS *By the Numbers*

The MSA's total sales volume (10+ unit properties) increased 37%, year-over-year, to \$686.7M across 148 transactions representing 11,010 total units sold. California-based investors, led by The Bascom Group's Southern Arizona portfolio purchase of 810 units and M3 Multifamily's purchase of the 284 unit Avilla Marana properties, continue to be the dominant buyer of multifamily properties in the Tucson MSA accounting for 36% of total units transacted, or 3,961 units. Arizona-based investors came in 2nd with a little over 2,000 units and rounding out the top five: (#3) New York-

investors with 1,237 units purchased, (#4) Illinois-based investors with 1,019 units and (#5) Florida-based investors with 815 units.

Sales of 100+ unit properties increased 17% y-o-y to \$500M as a direct result of larger, Institutional Investors entering/re-entering the market. Additionally, average price-per-unit amount increased 1% to \$66,954. 10 to 99 unit properties witnessed a staggering 146% y-o-y increase to \$186.7M with a surge of 36% in average price-per-unit amounts to \$52,699. Price volumes on smaller sized properties continue to increase due, in large part, to continuing student population growth specifically in the Central Tucson/

BY: THOMAS M. BROPHY, DIRECTOR OF RESEARCH

University submarket.

The Tucson MSA only saw 318 new units delivered for all of 2017, a (61%) decrease over 2016. In fact, Tucson will not see any new construction deliveries until mid-to-late 2018, aside from smaller affordable housing developments. Despite a minor (0.2%) Occupancy Rate contraction to 94.5%, Tucson's Occupancy Rate is still well above Tucson's 10-year average Occupancy Rate of 91%. Average rent continued its rise increasing 3.8% y-o-y to \$796.

## INSTITUTIONAL INVESTORS COMING BACK

As can be referenced from the infographic, the National average price-per-unit (PPU) amount for Institutional Grade (50+ units) properties has been steadily rising, 9% per year, since 2010's nadir to its current \$131,384. In fact, most MSA's referenced in the infographic have experienced 10%+ per annum increases in average PPU amounts. Despite the fact that Tucson has witnessed an average 11% per year PPU appreciation rate since 2010 to its current \$65,164, it's still significantly lower than both the National average and most secondary and tertiary markets in the West.

Driven by the significant value add opportunity, Institutional Investor

spending surged (50+ unit properties) to just below \$600M, 30% y-o-y growth, across 57 transactions, representing 9,183 units. In addition to Bascom and M3 Multifamily, referenced above, other institutional players that have purchased in Tucson include, New York-based Dasmen Residential (1,066 units), Florida-based Stoneweg (543 units) and California-based Institutional Property Advisors (205 units) to name but a few.

## FINAL THOUGHTS

### *The Great Unknown*

In Janet Yellen's final interview before her exit as Fed chief she noted the risk of high asset valuations while making no reference to the Fed's 460% balance sheet explosion to \$4.5 trillion and ZIRP policies, not to mention NIRP and direct equity/bond purchases by Central Banks abroad. Nonetheless, and to be discussed in greater detail in my yet-to-be released Market Forecast, Yellen's penultimate act as Fed Chair was to reacquaint markets with volatility. Markets, in the first few weeks of 2018, chalked up the largest single day point drop in Dow Jones history with 10Y UST's pushing near Bond King Jeffrey Gundlach's 2.99% bond bear market threshold. Given the ferocity of the market's current pogo stick corrections, increasing interest rates and tightening liquidity via QT we find ourselves in a new investment market

'normal.' This new normal is one marked by violent market swings which, if I had to guess, will probably sideline more retail investors as quants and active managed funds battle it out among the various asset classes.

Qui bono? For Institutional Investors, much like we saw in 2016/17, large portfolio purchases and company acquisitions should ramp up as investors look to streamline operations, via technology, and hit high unit count thresholds to gain additional yield. Small CAP investors, as I described in 3Q 2017's review, have definitely chosen Phoenix and Tucson as their markets of choice for investing in multifamily; one, as a hedge against inflation and two, sustained increases in renter population. Make no mistake it's the Federal Reserve's market now with all eyes on the incoming chair Jerome Powell. Thus begins our collective investment journey into the unknown.

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## ABI MULTIFAMILY EXPANDS CALIFORNIA FOOTPRINT, OPENS SACRAMENTO OFFICE

ABI Multifamily, the Western US's leading multifamily brokerage and advisory services firm, is pleased to announce its continued regional expansion with the opening of the Sacramento, CA office.

We are pleased to be able to offer our clients in Sacramento the same high level of service and expertise that has made us the leading dedicated multifamily brokerage in San Diego and Arizona, and look forward to fostering new relationships in Sacramento and surrounding areas.

# ABI COMPARATIVE MARKET REVIEW: YE 2017



**TUCSON**

**PHOENIX**

**SAN DIEGO**

DEMOGRAPHICS

RENT/OCC/CONST (50+)

SALES (50+)

<b>Total Population</b>	1,026,099	4,649,287	3,317,749
<b>Unemployment Rate</b> (as of Sept '17)	4.2%	3.9%	3.3%
<b>Employment Growth</b> (y-o-y)	1.2%	2.6%	1.5%
<b>Median HH Income</b>	\$46,764	\$55,547	\$66,529
<b>Per Capita Income</b>	\$39,541	\$43,249	\$32,482
<b>Rent</b> (YE 2017)	\$796	\$1,006	\$1,833
% Increase / Decrease	+3.8%	+5.6%	+4.8%
<b>Occupancy</b> (YE 2017)	94.5%	94.9%	96.6%
% Increase / Decrease	-0.2%	-0.6%	-0.6%
<b>Total Inventory</b>	67,093	299,394	180,030
<b>Total Under Construction</b>	647	17,456	8,751
<b>Units Delivered</b> (YE 2017 Only)	318	7,785	4,654
<b>Total Sales Volume</b> (YE 2017)	\$598M	\$4.5B	\$1.8B
y-o-y % Increase / Decrease	+30%	-7%	-7%
<b>Average P/U</b> (YE 2017)	\$65,164	\$118,969	\$265,659
y-o-y % Increase / Decrease	+4%	+11%	+5%



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

### NOTABLE RECENT ABI MULTIFAMILY TRANSACTIONS



#### THE QUAILS APARTMENTS

1120 - 1150 East Irvington Road,  
Tucson, AZ

Sold Price: \$12,200,000  
Units: 288 Units  
Year Built: 1984, 1985

#### VILLA PACIFICA

4650 East 29th Street,  
Tucson, AZ

Sold Price: \$7,282,500  
Units: 176 Units  
Year Built: 1986

#### VILLA DELANO

123 West Delano Street,  
Tucson, AZ

Sold Price: \$1,850,000  
Units: 32 Units  
Year Built: 1980

#### TUCSON 55 PORTFOLIO

2015 East Benson Highway,  
Tucson, AZ

Sold Price: \$1,347,500  
Units: 55 Units  
Year Built: 1948-1976

## 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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