

ECONOMIC INDICATORS

National

	Q2 18	Q2 19*	12-Month Forecast**
GDP Growth	18,512	18,890	▲
CPI Growth	251	255	▲
Consumer Spending Growth	9,546	9,997	▲
Retail Sales Growth	6,028	6,188	▲

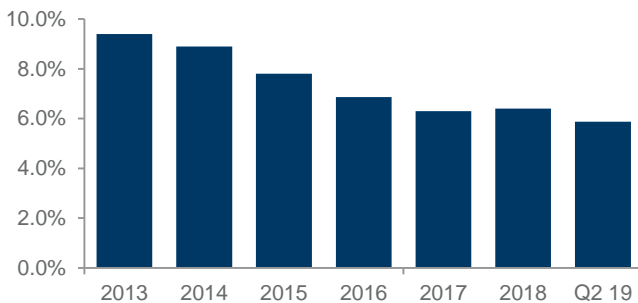
*Q2 19 Estimates. Values represent year-over-year % change.
 **Forecast by Cushman & Wakefield

Tucson MSA

	Q2 18	Q2 19	12-Month Forecast
Median Household Income	\$52,800	\$54,100	▲
Population Growth YOY	1.1%	1.1%	■
Unemployment	4.4%	4.7%	▼

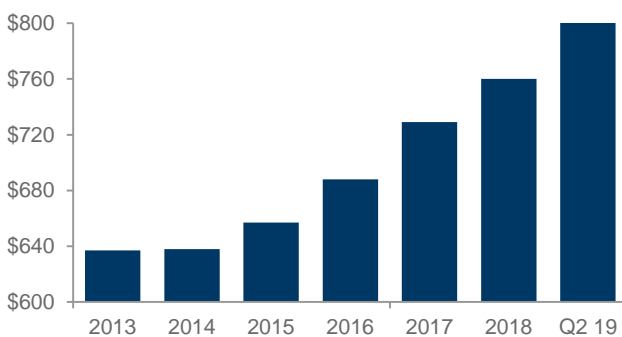
Source: Moody's Analytics

Vacancy Rate



Source: Apartment Insights

Average Monthly Rent



Source: Apartment Insights

Economy

Tucson's regional economy tracked positively alongside state and national metrics at the midpoint of 2019. While slightly behind the broader state's GDP of 3.2%, at 2.9%, Tucson's real GDP shined relative to such other western metro areas as San Diego, Salt Lake City, and Las Vegas. Consumer confidence remained strong in both the region and the US, despite tariff concerns. Tucson added 5,900 jobs over the year. Construction, manufacturing, education and healthcare sectors led Tucson's job growth. By mid-year, Tucson was nearing heights of employment not seen since the cycles of 1969 and 1998.

Market Overview

The vacancy rate for conventionally-operated, stabilized units improved 0.06% from last quarter to 5.88%, and year-over-year improved markedly 0.44%. The Southwest Tucson submarket posted the lowest vacancy at 4.92% while the University submarket's 9.55% vacancy was the highest (up from 3.39% in Q1), as expected due to seasonal student vacancy. The market absorbed a total of 65 units in the second quarter of 2019, while over a one-year period, Metro Tucson experienced a 438-unit increase in occupancy.

Total sales volume for communities of 20 units or more declined considerably in the second quarter, decreasing from \$188.6 million in Q1 to \$92.9 million in Q2. Total units sold also exhibited a downturn from 1,931 to 1,257. Class "A" and "B" property sales reduced significantly, while Class "C" properties increased in both total sales and units sold.

The average monthly gross rent without utilities in Metropolitan Tucson continues to rise. Quarter-over-quarter rents increased by 1.26%, settling Q2 average monthly gross rent at \$804 per unit (\$1.07 per square foot). Over the last year, Tucson's average monthly gross rents increased \$53 (7.06%), with fourteen of the fifteen submarkets recording average rent increases.

Outlook

The second quarter saw a minor slowdown in the Tucson apartment market as owners unsure where to place proceeds led to an overall lack of buying opportunities. New rent control legislation and compressing cap rates across the United States drove more out-of-state buyers into the region. Of the 14 20-plus unit transactions in the second quarter, only one involved a local buyer. Despite some recent compression, Tucson's apartment cap rates remain higher than the region's primary and secondary markets. Attractive financing options paired with Tucson's continued population and job growth should sustain multifamily demand well into the future.

MARKETBEAT

Tucson

Multifamily Q2 2019



Significant Q2 2019 Apartment Sales – 20 Units and Above

PROPERTY NAME	PROPERTY ADDRESS	SOLD PRICE	YEAR BUILT	PROPERTY CLASS	UNITS	TOTAL SF	PRICE PER UNIT	PRICE PER SF	BUYER LOCATION
Fox Point	3700 N Campbell Ave	\$22,125,000	1978	C	296	173,392	\$74,747	\$127.60	Evanston, IL
Mission Tierra Apartments	5505 S Mission Rd	\$15,050,000	1993	B	220	175,648	\$68,409	\$85.68	Provo, UT
Greenview Apartments	1617 W El Rio Dr	\$10,880,000	1972	C	136	119,834	\$80,000	\$90.79	Torrance CA
Crown Villas Apartment Homes	550 S Camino Seco Rd	\$10,800,000	1985	B	144	110,121	\$75,000	\$98.07	Westmount, QC
Wildcat Canyon Village	1050 E 8th St	\$9,194,500	1968	B	76	58,160	\$120,980	\$158.09	Aliso Viejo, CA
INDI Tucson	1920 N 1st Ave	\$8,000,000	1972	C	89	97,818	\$89,888	\$81.78	Los Angeles, CA
University Lofts	819 N 1st Ave	\$5,250,000	1971	B	41	21,722	\$128,049	\$241.69	Los Angeles, CA
Good Rain	801 E 10th St	\$3,200,000	1964	B	34	22,206	\$94,118	\$144.11	Rancho Palos Verdes, CA
Palo Verde Terrace	3493 E Lind Rd	\$2,350,000	1982	C	52	41,600	\$45,192	\$56.49	Scottsdale, AZ
Townhouse East Apartments	3601 E 2nd St	\$1,650,000	1962	C	42	17,918	\$39,286	\$92.09	Cerritos, CA
Bellevue Apartments	5330 E Bellevue	\$1,550,000	1963	C	24	18,437	\$64,583	\$84.07	Beaverton, OR
Laguna Terrace	114 W Laguna St	\$1,050,000	1958	C	37	18,516	\$28,378	\$56.71	Dallas, TX
Sherwood Terrace	114 E Mohave Rd	\$950,000	1980	C	20	27,456	\$47,500	\$34.60	Portland, OR
Bordon's Court	243 E 33rd St	\$883,000	1934	C	46	20,215	\$19,196	\$43.68	Tucson, AZ
Totals / Averages	A and B Properties	\$43,494,500	1976		515	387,857	\$84,455	\$112.14	
	C Properties	\$49,438,000	1967		742	535,186	\$66,628	\$92.38	
	ALL Properties	\$92,932,500	1970		1,257	923,043	\$73,932	\$100.68	

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About Cushman & Wakefield

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 51,000 employees in 400 offices and 70 countries. In 2018, the firm had revenue of \$8.2 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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MARKETBEAT

Tucson

Multifamily Q2 2019



Historic Rents – Stabilized Projects (Unfurnished – No Utilities)

SUBMARKET	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	AVG LAST 4 QTRS
Oro Valley/Catalina	\$1,024	\$1,069	\$1,124	\$1,119	\$1,118	\$1,108
Northwest	\$943	\$957	\$989	\$1,007	\$1,020	\$993
Catalina Foothills	\$801	\$835	\$864	\$859	\$864	\$856
Northeast	\$918	\$930	\$944	\$994	\$991	\$965
East	\$718	\$734	\$741	\$752	\$762	\$747
North Central	\$661	\$666	\$684	\$691	\$698	\$685
Flowing Wells	\$626	\$636	\$651	\$655	\$657	\$650
Foothills	\$845	\$862	\$874	\$891	\$900	\$882
University	\$851	\$886	\$890	\$894	\$904	\$894
South Central	\$662	\$671	\$690	\$679	\$708	\$687
Pantano/Lakeside	\$685	\$697	\$718	\$725	\$737	\$719
South/Airport	\$591	\$596	\$595	\$597	\$609	\$599
Southwest	\$687	\$709	\$711	\$724	\$741	\$721
Southeast	\$595	\$584	\$584	\$585	\$595	\$587
Average	\$751	\$767	\$786	\$794	\$804	\$775

Percentage Vacant (Stabilized Units)

SUBMARKET	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	AVG LAST 4 QTRS
Oro Valley/Catalina	5.93	5.00	5.48	4.74	5.84	5.27
Northwest	6.29	6.48	5.27	4.87	5.71	5.58
Catalina Foothills	4.73	5.28	4.79	5.00	5.24	5.08
Northeast	5.59	4.18	5.54	6.64	5.33	5.42
East	6.68	5.49	5.59	4.99	5.37	5.36
North Central	6.37	6.20	6.59	6.67	6.52	6.50
Flowing Wells	5.05	4.89	6.35	6.43	6.18	5.96
Foothills	6.48	7.97	6.02	6.02	7.02	6.76
University	7.85	4.31	3.7	3.39	9.55	5.24
South Central	7.92	6.61	8.27	7.53	5.57	7.00
Pantano/Lakeside	7.14	7.39	7.03	7.50	5.49	6.85
South/Airport	6.72	6.19	6.98	6.78	6.75	6.68
Southwest	5.51	5.30	5.56	4.03	4.92	4.95
Southeast	8.93	6.25	7.74	7.14	6.85	7.00
Average	6.32	5.96	6.13	5.94	5.88	5.98

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