

MARKETBEAT

Tucson

Multifamily Q3 2019



ECONOMIC INDICATORS

National

	Q3 18	Q3 19*	12-Month Forecast**
GDP Growth	3.1%	2.1%	▲
CPI Growth	2.6%	1.8%	▲
Consumer Spending Growth	5.9%	4.1%	▲
Retail Sales Growth	5.6%	3.7%	▼

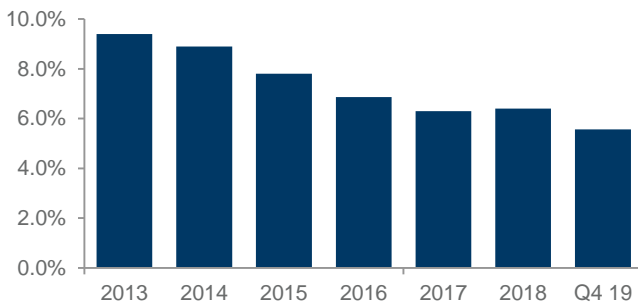
*Q3 19 Estimates. Values represent year-over-year % change.
**Forecast by Cushman & Wakefield

Tucson MSA

	Q3 18	Q3 19	12-Month Forecast
Median Household Income	\$52,900	\$54,300	▲
Population Growth YOY	1.2%	1.4%	■
Unemployment	4.4%	4.7%	▼

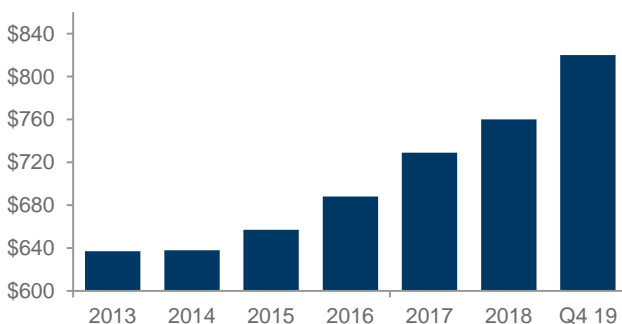
Source: Moody's Analytics

Vacancy Rate



Source: Apartment Insights

Average Monthly Rent



Source: Apartment Insights

Economy

Tucson Median household income is up 2.6% over the past year and US consumer spending growth is up 4.1%. Labor and materials costs continue to increase, effectively increasing development cost. Recent openings of Gunnison Project Copper Mine and South 32 Mine in Patagonia has spurred growth in Southern Arizona Mining and the businesses that support the mining industry. Recent residential master planned communities such as Lazy K, Rocking K, and Gladden Farms continue to move forward, spurring job growth in the construction industry and absorption of industrial property for contractors and construction supplies distributors. Tucson population growth has grown 1.4% over the past year. California residents and companies are increasingly moving to Tucson as California costs continue to rise. US unemployment continued to decrease to 3.7%.

Market Overview

The vacancy rate for conventionally-operated, stabilized units improved 0.31% from last quarter to 5.57%. Catalina Foothills submarket posted the lowest vacancy at 4.42% while the Southeast Tucson submarket's 10.12% vacancy was the highest in the region, and the only district recording a rate at or above 7.0% during this quarter. Metro Tucson absorbed a total of 271 units in the third quarter of 2019, and experienced a 457-unit increase in occupancy year over year.

Total sales volume for communities of 20 units or more increased considerably in the third quarter, from \$92.9 million in Q2 to \$202.9 million in Q3. Total units sold also exhibited an increase from 1,257 to 1,933. Class "A" and "B" property sales increased significantly, while Class "C" properties decreased 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 1.99%, settling Q3 average monthly gross rent at \$820 per unit (\$1.09 per square foot). Over the last year, Tucson's average monthly gross rents increased \$53 (6.91%), with all fifteen submarkets recording average rent increases.

Outlook

Sales velocity remained sluggish in the 3rd quarter as the shortage of available inventory led to an overall lack of buying opportunities. Many local owners have chosen to take advantage of the low interest rates and refinance, instead of considering a possible sale due to the scarcity of up-leg opportunities. The buyer pool continues to be dominated by out-of-state investors, driven to Tucson by more attractive pricing and cap rates than surrounding markets. Lenders remain optimistic and aggressive in the multi-family sector, leading to favorable conditions for buyers. These attractive financing options paired with Tucson's continued population and job growth should sustain multifamily demand well into the future.

MARKETBEAT

Tucson

Multifamily Q3 2019



Significant Q3 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
Pima Canyon	750 W Orange Grove Rd	\$44,850,000	2018	A	240	219,520	\$186,875	\$204.31	Newton
Palm Canyon Apartment Homes	2255 W Orange Grove Rd	\$40,300,000	1986	B	368	305,258	\$109,510	\$132.02	Seattle, WA
Domain 3201	3201-3225 W Ina Rd	\$37,750,000	1984	B	289	207,360	\$130,622	\$182.05	Seattle, WA
Saddle Ridge Apartments	450 W Cool Dr	\$26,000,000	1985	B	248	166,630	\$104,838	\$156.03	Marina Del Rey, CA
Orange Tree Village	645 W Orange Grove Rd	\$15,900,000	1981	B	110	140,148	\$144,545	\$113.45	Long Beach, CA
Tierra Palms Apartments	6420 S Camino De La Tierra	\$7,350,000	1992	B	120	75,600	\$61,250	\$97.22	Marina Del Rey, CA
Tierra Hills Apartments	3350 W Valencia Rd	\$6,850,000	1988	B	112	69,853	\$61,160	\$98.06	Marina Del Rey, CA
La Quinta	6110 E 5th St	\$6,150,000	1972	B	96	84,960	\$64,062	\$72.39	Tucson, AZ
Latitude 32	3202 N Country Club Rd	\$5,600,000	1979	C	76	45,127	\$73,684	\$124.09	Beverly Hills, CA
Sandia Apartments	5570 E Hampton St	\$2,610,000	1972	C	41	38,296	\$63,658	\$68.15	Santa Monica, CA
29 Palms	5550 E 26th St	\$1,875,000	1964	C	53	24,779	\$35,377	\$75.67	Los Angeles, CA
Euclid Apartments	2853-2937 N Euclid Ave	\$1,725,000	1964	B	24	31,216	\$71,875	\$55.26	Scottsdale, AZ
Olde Town Apartments	720 S 5th Ave	\$1,700,000	1961	C	31	16,536	\$54,838	\$102.81	Tucson, AZ
Glenn / Fontana Portfolio	501 E Glenn St	\$1,379,000	1978	C	28	20,000	\$49,250	\$68.95	Miami Beach, FL
Swan Crest Apartments	1060 N Swan Rd	\$1,240,000	1962	C	31	61,084	\$40,000	\$20.30	Los Angeles, CA
Bordon's Court	231 E 33rd St	\$883,000	1943	C	46	20,215	\$19,195	\$43.68	Tucson, AZ
Olive Tree Apartments	1841 S Irving Ave	\$788,642	1964	C	20	15,808	\$39,432	\$49.89	Tucson, AZ
Totals / Averages	A and B Properties	\$186,875,000	1986		1,607	1,300,545	\$103,860	\$123.42	
	C Properties	\$16,075,642	1965		326	241,845	\$46,929	\$69.19	
	All Properties	\$202,950,642	1976		1,933	1,542,390	\$77,069	\$97.90	

Cushman & Wakefield | PICOR
5151 E. Broadway, Suite 115
Tucson, AZ 85711
picor.com

For more information, contact:
Allan Mendelsberg, Principal
amendelsberg@picor.com
Tel: +1 520 546 2721
Fax: +1 520 546 2799

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.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.

MARKETBEAT

Tucson

Multifamily Q3 2019



Historic Rents – Stabilized Projects (Unfurnished – No Utilities)

SUBMARKET	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	AVG LAST 4 QTRS
Oro Valley/Catalina	\$1,069	\$1,124	\$1,119	\$1,118	\$1,166	\$1,132
Northwest	\$957	\$989	\$1,007	\$1,020	\$1,031	\$1,012
Catalina Foothills	\$835	\$864	\$859	\$864	\$879	\$867
Northeast	\$930	\$944	\$994	\$991	\$1,001	\$983
East	\$734	\$741	\$752	\$762	\$777	\$758
North Central	\$666	\$684	\$691	\$698	\$714	\$697
Flowing Wells	\$636	\$651	\$655	\$657	\$668	\$658
Foothills	\$862	\$874	\$891	\$900	\$909	\$894
University	\$886	\$890	\$894	\$904	\$911	\$900
South Central	\$671	\$690	\$679	\$708	\$721	\$700
Pantano/Lakeside	\$697	\$718	\$725	\$737	\$756	\$734
South/Airport	\$596	\$595	\$597	\$609	\$619	\$605
Southwest	\$709	\$711	\$724	\$741	\$773	\$737
Southeast	\$584	\$584	\$585	\$595	\$603	\$592
Average	\$767	\$786	\$794	\$804	\$820	\$801

Percentage Vacant (Stabilized Units)

SUBMARKET	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	AVG LAST 4 QTRS
Oro Valley/Catalina	5.00	5.48	4.74	5.84	4.61	5.17
Northwest	6.48	5.27	4.87	5.71	5.76	5.40
Catalina Foothills	5.28	4.79	5.00	5.24	4.42	4.86
Northeast	4.18	5.54	6.64	5.33	4.73	5.56
East	5.49	5.59	4.99	5.37	6.22	5.54
North Central	6.20	6.59	6.67	6.52	5.85	6.41
Flowing Wells	4.89	6.35	6.43	6.18	4.80	5.94
Foothills	7.97	6.02	6.02	7.02	6.97	6.51
University	4.31	3.7	3.39	9.55	4.83	5.37
South Central	6.61	8.27	7.53	5.57	5.77	6.79
Pantano/Lakeside	7.39	7.03	7.50	5.49	5.29	6.33
South/Airport	6.19	6.98	6.78	6.75	6.62	6.78
Southwest	5.30	5.56	4.03	4.92	5.00	4.88
Southeast	6.25	7.74	7.14	6.85	10.12	7.96
Average	5.96	6.13	5.94	5.88	5.57	5.88

Cushman & Wakefield | PICOR
5151 E. Broadway, Suite 115
Tucson, AZ 85711
picor.com

For more information, contact:
Allan Mendelsberg, Principal
amendelsberg@picor.com
Tel: +1 520 546 2721
Fax: +1 520 546 2799

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.

©2019 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.