

MARKETBEAT TUCSON

Multifamily Q4 2019

CUSHMAN & WAKEFIELD

PICOR

YoY Chg 12-Mo. Forecast

5.54%

Vacancy Rate



289

New Deliveries, units



\$831

Effective Rent, Per Unit



(Overall, All Property Classes)

ECONOMIC INDICATORS Q4 2019

YoY Chg 12-Mo. Forecast

391.2K

Tucson Employment



4.6%

Tucson Unemployment Rate



\$54.5K

Tucson Median Household Income



Source: BLS, Census Bureau

ECONOMY:

Tucson's regional economy continued to track positively alongside state and national metrics at the end of 2019. Personal income was up 5.4% year over year from \$446.6 M to \$470.7 M, consistent with the overall state of Arizona increase of 5.9% but behind the Phoenix area increase of 6.7%. Total non-farm employment continued to increase by 1.5% up to 387,200 jobs from the previous 2018 figure of 381,500 jobs. The employment categories experiencing the greatest growth were manufacturing, construction, healthcare, and leisure and hospitality. Similar increases are predicted for 2020 and 2021 with a flattening in growth occurring in 2022. Population growth in the Tucson area matched its prior modest annual increase of 0.8% and is expected to increase at that same rate through 2022.

SUPPLY AND RENTS:

The average vacancy rate for conventionally-operated, stabilized units improved a nominal .02% from last quarter and .59% year-over-year to 5.54%. The lowest fourth quarter vacancy was experienced in the University Submarket (3.39%) and the Catalina Foothills Submarket (4.24%). The highest vacancy in the Tucson market was in the Southeast Submarket at 9.52%, the only submarket with a vacancy rate above 7.0%. Out of the fifteen submarkets in Tucson, eight experienced occupancy gains. The submarket with the greatest improvement was the Tucson Mountain Foothills Submarket which saw vacancy improve 1.62% from the third quarter. The Pantano/Lakeside Submarket saw the largest negative swing in vacancy, increasing 1.11%.

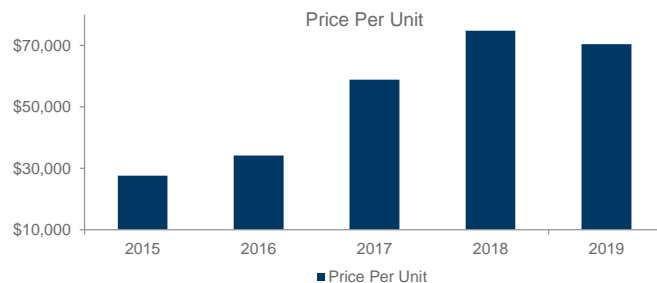
In Q4, Metropolitan Tucson's average monthly gross rent without utilities was \$831 per unit and \$1.11 per square foot. This represented an \$11 (1.34%) increase from Q3, with the Northeast Tucson Submarket posting a \$53 (5.29%) increase. Year over year, Metropolitan Tucson's average gross rent increased \$45 (5.73%) with no submarket seeing average rents decline. The three submarkets with the highest average rents were Oro Valley/Catalina (\$1,184), Northeast Tucson (\$1,054), and Northwest Tucson (\$1,047). Southwest Tucson posted the lowest average rent of \$603.

CONSTRUCTION: Strong Pipeline for 2020

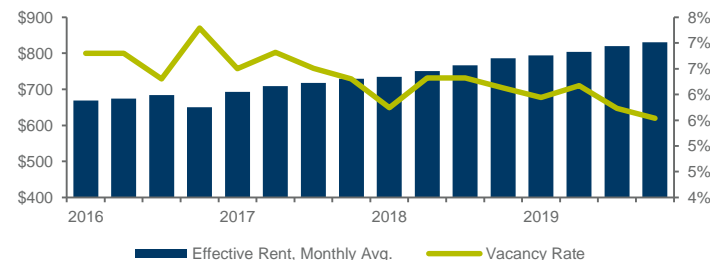
Nearly 1,100 apartment units are either under construction or scheduled to be built, with a heavy concentration in Downtown Tucson and the up and coming Mercado San Augustin District. Almost 500 more units have achieved Final Plan Approval. Increased demand and pressure on rents has added fuel to the development cycle. The current level of new and planned supply appears to be in alignment with demand in a healthy, growing market.

Source: apartmentinsights.com

SALE PRICE PER UNIT



OVERALL VACANCY & EFFECTIVE RENT



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MARKET STATISTICS

SUBMARKET*	INVENTORY (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE	AVG EFFECTIVE RENT/UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Oro Valley/Catalina	2,279	5.22%	-0.26%	\$1,184	\$1.23	5.33%
Northwest	8,695	5.72%	0.45%	\$1,047	\$1.13	5.86%
Catalina Foothills	5,726	4.24%	-0.55%	\$905	\$1.21	4.74%
Northeast	1,987	4.83%	-0.71%	\$1,054	\$1.08	11.65%
East	8,217	5.64%	0.05%	\$778	\$1.04	4.99%
North Central	8,199	6.24%	-0.35%	\$713	\$1.03	4.23%
Flowing Wells	8,400	4.85%	-1.50%	\$682	\$1.11	4.76%
Foothills	3,697	5.35%	-0.67%	\$928	\$1.19	6.17%
University	3,629	3.39%	-0.31%	\$911	\$1.55	2.35%
South Central	6,160	5.51%	-2.76%	\$735	\$1.13	6.52%
Pantano/Lakeside	5,363	6.39%	-0.64%	\$754	\$1.06	5.01%
South/Airport	5,474	6.39%	0.59%	\$619	\$1.03	4.03%
Southwest	2,415	5.64%	0.08%	\$776	\$1.06	9.14%
Southeast	336	9.52%	1.78%	\$603	\$0.89	3.25%
Market	70,657	5.54%	-0.59%	\$831	\$1.11	5.57%

*Submarket Marana excluded from report due to low inventory

Source: apartmentinsights.com

KEY SALES TRANSACTIONS Q4 2019

PROPERTY	SUBMARKET	YEAR BUILT	TOTAL SF	UNITS	PRICE / \$ UNIT
Los Portales Apartments	Pantano/Lakeside	1987	262,860	416	\$40M / \$96,153
Cadillac Estates	Southeast Tucson	1961	140,137	41	\$730K / \$17,804
Bellevue Towers	North Central	1969	95,768	93	\$5.24M / \$56,344
Copper Creek Apartments	Pantano / Lakeside	1973	88,152	99	\$8.36M / \$84,444
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Tuscany Apartment Homes	North Central	1963	87,258	107	\$6.5M / \$60,747
Casa de Catalinas	North Central Tucson	1967	65,600	64	\$420K / \$6,563
St. Philips Corner Apartments	Flowing Wells	1976	38,644	62	\$5.5M / \$88,709
Monte Vista Commons	North Central	1992	21,486	36	\$1.8M / \$50,000
The Lariat	South Tucson/Airport	1950	21,250	25	\$720K / \$28,800
Palo Verde Plaza Apartments	North Central Tucson	1976	21,042	24	\$1.43M / \$59,375
Bordon's Court	South Tucson / Airport	1943	20,215	56	\$438K / \$7,836
Laguna Terrace	Flowing Wells	1958	18,516	31	\$2M / \$64,516
Bryant Apartments	South Central	1962	15,802	18	\$1.27M / \$70277
Limberlost Apartments	Flowing Wells	1976	14,600	23	\$1.56M / \$67,826
La Terraza Apartments	University	1948	14,592	22	\$1.5M / \$68,181

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