

TUCSON MULTIFAMILY REPORT

A CUSHMAN & WAKEFIELD ALLIANCE RESEARCH PUBLICATION

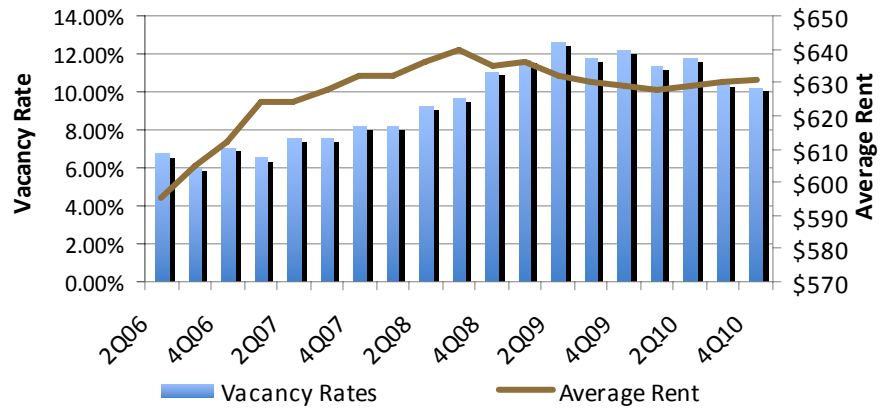
4Q10

AT A GLANCE

- Vacancies continued to drop with a modest 0.23% quarterly improvement to 10.17%, a year-over-year decrease of 2.04% from 12.21% at year-end 2009. Submarket and property type vacancies continue to show extreme disparity, with higher income submarkets such as Oro Valley, Northwest Tucson and the Foothills submarkets reporting 7.55%, 6.36% and 8.02% respectively, while South Tucson and South Central submarkets reflect 17.87% and 13.96% average vacancy rates.
- Absorption continues to be positive with 129 units absorbed this quarter, and total absorption of 1,271 units for 2010.
- Employment and population trends are all moving in the right direction with slightly positive employment and population growth during the year. An improvement in employment is expected in 2011 as the recovery gains momentum.

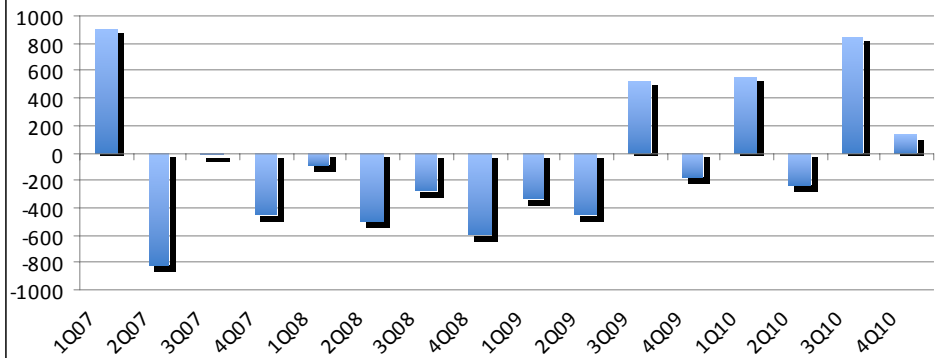
Tucson Vacancy Rates and Average Rent

Source: Real Data Apartment Insights



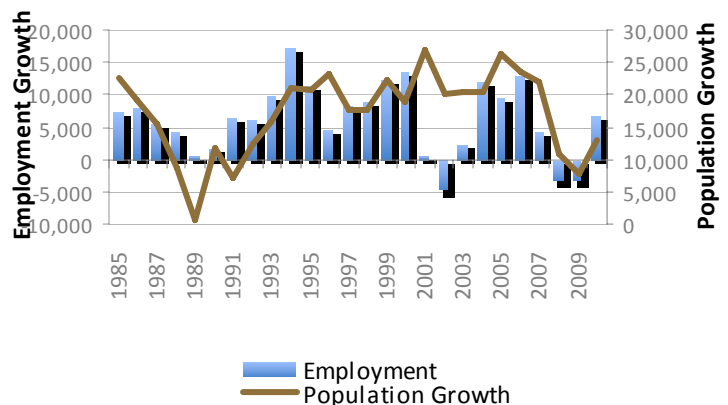
Tucson Apartment Absorption

Source: Real Data Apartment Insights



Pima County Employment & Population Growth

Source: Pima Association of Governments



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AT A GLANCEcontinued

- The sales market has reawakened after two years of silence as distressed and over-leveraged properties came to market in 2010. Average sales price has dropped from \$66,724 per unit in 2007 to \$33,827 in 2010, a 51% price decline in three years. Some class "C" properties will be trading at 30% to 35% of peak values in 2011 as more distressed assets with deferred maintenance work their way through the system.
- In 2011, expect continued modest improvement in the rental market as consumer confidence and job growth both trend upward and decoupling and new household formation returns. We project a 100 to 150 basis point improvement in occupancies combined with a reduction in concessions and a slight increase in rental rates. The end result will be improved net operating incomes for all product types in 2011.

Tucson Apartment Sales 40+ Units					
Year	Units Sold	Average Year Built	Total Sales	Average Unit Price	Average Price PSF
2010	4,157	1982	\$140.6*	\$33,827	\$52.75
2007	7,451	1983	\$497.1*	\$66,724	\$87.92

*Sales in millions Source: Real Data Apartment Insights

ECONOMIC INDICATORS			
	2009	2010	2011F
National			
GDP Growth	-2.6%	2.8%	2.8%
CPI Growth	-0.3%	1.6%	1.5%
Regional			
Unemployment	8.3%	8.8%	9.2%
Employment Growth	-5.1%	-1.2%	0.0%

Source: Moody's | Economy.com

Recent PICOR Broker Transactions of Note

SOLD 01/18/11	Skyview Apartments	76 Units	\$8,285,000
SOLD 11/15/10	Mountain View Apartments	34 Units	\$ 940,000

Notable PICOR Assignments

Riata Court	16 Units	\$2,250,000
Craycroft Gardens	101 Units	\$3,195,000