

MARKETBEAT MULTIFAMILY SNAPSHOT



TUCSON, AZ

A Cushman & Wakefield Alliance Research Publication

Q3 2012



OPERATING ENVIRONMENT

Operating fundamentals improved from their usual summer dip. General occupancy improved 55 basis points, and absorption improved 516 units Q2 2012 with a total of 570 units absorbed in the past year. Modest growth in absorption and the lowest annual

absorption in the past three years confirm a continued slow improvement in operating fundamentals.

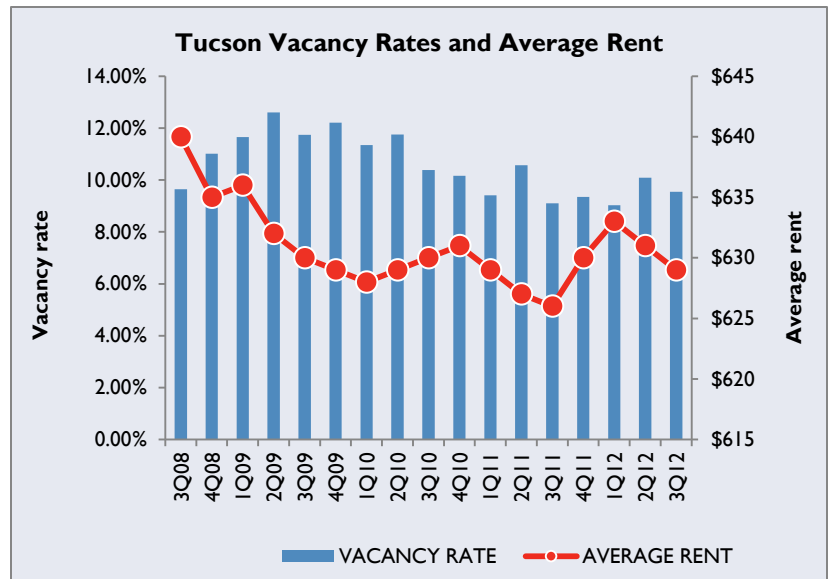
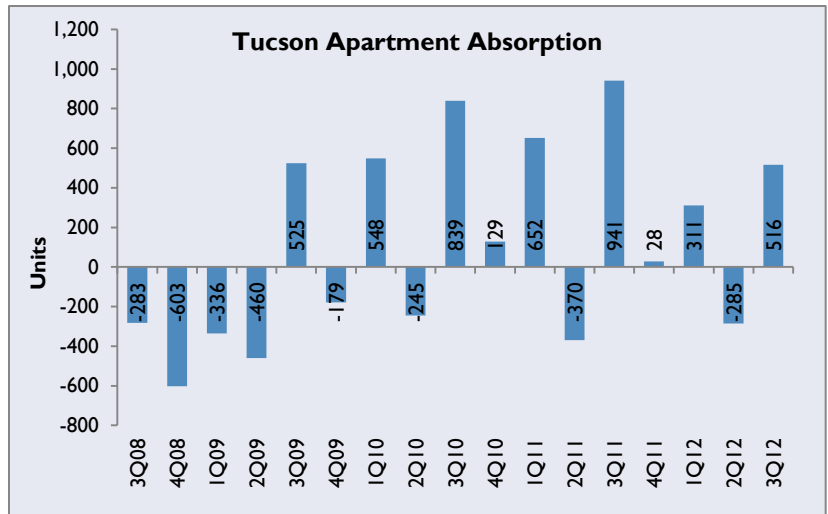
Rental rates remain flat to slightly down. However, concessions, which are much harder to monitor, are decreasing. We see this particularly in B or better properties and in the North and Northwest submarkets, which have seen positive absorption and improvements in occupancy during the past quarter.

INVESTMENT MARKET

The second quarter was extremely slow from a sales standpoint, with only two properties over 25 units trading hands in the third quarter. One was a receiver sale and the other a student housing property sold as part of a portfolio. Numerous properties are currently being marketed, and as many as eight are in escrow that may close before year end. Investor interest remains strong as investors seek higher yields in tertiary markets such as Tucson than they can currently attain in primary and secondary markets due to cap rate compression and extremely strong competition for investment opportunities.

The demand for A and B quality properties and for larger investment deals of 150 units or more is much stronger than demand for lower quality and smaller investment opportunities. The agency lenders continue to shy away from non stabilized properties and properties with economic occupancy below 80%, increasing the cost of debt for these properties and adding to the pricing and demand differential.

Tucson had an unemployment rate of 7.6% as of August 2012 compared to a statewide unemployment rate of 8.3%. The state of Arizona currently is ranked 6th in the nation in job creation, boding well for apartment absorption in the coming year. While job creation in Tucson has been modest year to date, there are many positive factors for the area including a rebound in commercial and home construction, new companies moving into the market and absorption of industrial and office space pointing to additional employment activity and job growth.



Source: Real Data Apartment Insights

PICOR ASSIGNMENTS OF NOTE

PROPERTY	DESCRIPTION	PRICE
Crescent Ridge Apartments	272 Units	\$26,900,000
Built 2002 – 2008		
Bellevue Winstel	40 Unites	\$1,810,000
Annandale Apartments	35 Units	\$975,000