

ECONOMIC INDICATORS

National

	Q4 15	Q4 16*	12-Month Forecast
GDP Growth	1.9%	1.8%	▲
CPI Growth	0.4%	1.6%	▲
Consumer Spending Growth	2.6%	2.8%	▼
Retail Sales Growth	2.0%	4.0%	▲

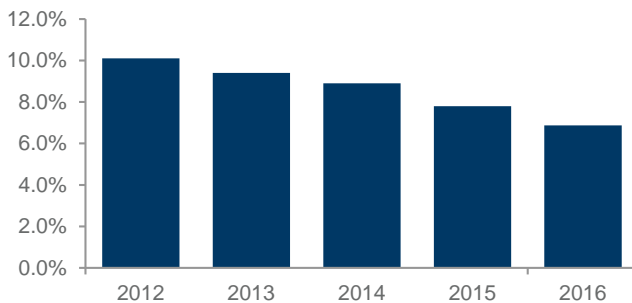
*Forecast by Cushman & Wakefield

Regional

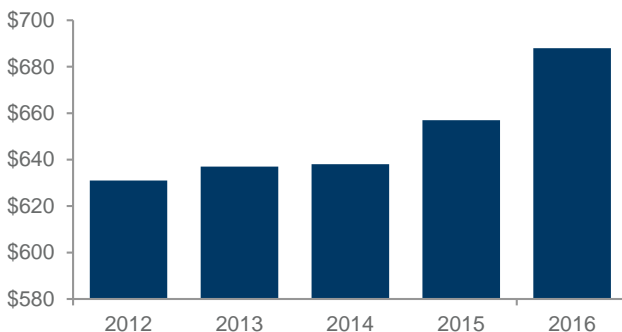
	Q4 15	Q4 16	12-Month Forecast
Household Income	\$47,446	\$50,060	▲
Population Growth	0.38%	0.37%	▲
Unemployment	5.4%	4.8%	▼

Source: Moody's Analytics

Vacancy Rate



Average Monthly Rent



Economy

The unemployment rate in Arizona improved a full percentage point in 2016, with education and health services as the strongest sectors. Specific to Tucson, job growth was accelerating, with 5,300 net new jobs in 2016, and a projected 7,100 in 2017, and 7,600 in 2018, according to Eller's George Hammond. The U. S. economy's growth rate positively impacted Arizona, as increased motility is expected to translate to population growth. Statewide housing prices rose 6.7% in 2016, exceeding the national growth rate of 6.1%. Bankruptcies were down 10.5% over the previous year, another positive sign, and consumer sentiment held at cyclical highs.

Market Overview

The vacancy rate for stabilized units increased by 0.60% from the previous quarter, while improving 0.96% from one year ago to 6.87%. The lowest vacancy of 5.09% was reported in the Catalina Foothills submarket. Twelve of Tucson's fifteen submarkets experienced an increase in vacancy. The greatest vacancy increase occurred in Southeast Tucson (+5.06%). The two submarkets that recorded an improvement in vacancy were Pantano/Lakeside (-0.19%) and East Tucson (-0.06). Absorption decreased by 75 units in fourth quarter 2016. The average monthly rent without utilities in Metropolitan Tucson was \$688 per unit or \$0.93 per square foot. This represented a \$4.00 (0.58%) increase from last quarter. Three of the fifteen submarkets averaged rents greater than \$800 during the fourth quarter including Oro Valley/Catalina (\$949), Northeast Tucson (\$887), and Northwest Tucson (\$840). The lowest average rents were reported in Southeast Tucson and South Tucson/Airport with rents of \$528 and \$544, respectively.

From a lending standpoint, after dropping to a new low of 1.36% in early July 2016, the 10-year Treasury rate climbed to 2.64% on December 16, 2016, while the Fed also raised its short-term funds rate 25 basis points establishing a new target of 0.50% to 0.75%. Expectations are that the Fed will implement two to three rate hikes during 2017 which will increase the fed funds target rate another 50 to 75 basis points. At the long-end of the yield curve, rates have retreated somewhat since their year-end highs with the 10-year Treasury closing at 2.38% on January 11, 2017. A trend of modestly rising long-term rates is anticipated for the foreseeable future.

Outlook

The outlook for 2017 continues to be optimistic. Investor interest will grow in Tucson with the continued positive job growth trends. A slow-down in velocity is expected as interest rates rise. A spread between interest rates and cap rates for investors will provide for achievement of their desired cash-on-cash returns. As interest rates increase, the cap rates will follow. Attractive financing for smaller properties remains challenging locally, while competitive rates are more likely for larger properties. Tucson continues to be a seller's market, and many owners are preparing for disposition with fear of rising interest rates and uncertainty surrounding the new administration's fiscal policies.

MARKETBEAT

Tucson

Multifamily Q4 2016



CUSHMAN & WAKEFIELD



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Significant YTD 2016 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
Overlook at Pusch Ridge + Harrison Park	8851 N. Oracle Road & 350 N. Harrison Road	\$60,050,000	1985	B	784	678,016	\$76,594	\$88.57
Hamilton Zanze's Portfolio	5 Locations	\$47,500,000	1975	C	1004	730,215	\$47,311	\$65.05
Coronado Villas	9225 E. Tanque Verde Drive	\$43,000,000	1992	B	432	431,007	\$99,537	\$99.77
Park Place	11 E. Orange Grove Road	\$28,775,000	1973	B	365	374,135	\$78,836	\$76.91
Mirabella	1345 S. Kolb Road	\$16,200,000	1974	C	410	362,965	\$39,512	\$44.63
Rillito Village	3700 N. 1st Avenue	\$12,800,000	1985	B	272	141,392	\$47,059	\$90.53
Casas Adobes	6200 N. Oracle Road	\$11,750,000	1977	B	204	156,280	\$57,598	\$75.19
Desert Springs	6710 E. Golf Links Road	\$11,050,000	1985	B	248	154,380	\$44,556	\$71.58
Palomino Crossing	750 E. Irvington Road	\$10,200,000	1986	C	240	141,483	\$42,500	\$72.09
Green Leaf at Broadway	8880 E. Broadway Boulevard	\$8,650,000	1980	C	184	124,496	\$47,011	\$69.48
Student Housing Portfolio	4 Locations	\$6,500,000	2009	B	90	21,151	\$72,222	\$307.31
Villa Pacifica	4650 E. 29th Street	\$5,480,000	1986	B	176	112,749	\$31,136	\$48.60
The Quails	1120 E. Irvington Road	\$4,770,000	1984	C	144	95,620	\$33,125	\$49.88
The Quails 2	1150 E. Irvington Road	\$4,630,000	1982	C	144	77,720	\$32,153	\$59.57
Arbor Villas	1625 E. Prince Road	\$3,800,000	1968	C	114	71,854	\$33,333	\$52.89
San Simeon	6091 E. Golf Links Road	\$3,740,000	1963	B	70	57,865	\$53,429	\$64.63
Colonia de Tucson	1335 W. St. Marys Road	\$3,045,000	1983	C	84	45,594	\$36,250	\$66.79
Santuario	1201 N. Alvernon Way	\$3,120,000	1976	C	70	46,540	\$44,571	\$67.04
Tuscany Apartment Homes	4399 E. Pima Street	\$3,000,000	1963	C	80	88,372	\$37,500	\$33.95
Mission Vista	2455 N. Dodge Boulevard	\$2,800,000	2000	C	80	59,320	\$35,000	\$47.20
Tierra Luna & Sol	7440-7450 E. 22nd Street	\$2,700,000	1971	C	88	105,406	\$30,682	\$25.62
Alpine Chalet Apartments	746 E. 5th Street	\$2,050,000	1964	B	28	18,800	\$73,214	\$109.04
Mark Hall Apartments	814 E. 9th Street	\$2,000,000	1969	C	29	23,522	\$68,966	\$85.03
The Edison	5651 E. Edison Street	\$1,975,000	1985	C	56	35,132	\$35,268	\$56.22
Coronado Vista Courtyard	1511 N. Craycroft Road	\$1,700,000	1963	B	41	39,360	\$41,463	\$43.19
Vista Palmilla	3828 E. Fort Lowell Road	\$1,700,000	1985	C	57	36,968	\$29,825	\$45.99
Fairmount Manor	4444 E. Fairmount Street	\$1,605,000	1977	C	53	26,545	\$30,283	\$60.46
Catalina Vista	8550 E. Old Spanish Trail	\$1,550,000	1971	C	50	44,678	\$31,000	\$34.69
Town & Desert Apartments	331 S. Alvernon Way	\$1,325,000	1949	C	33	59,116	\$20,703	\$22.41
Casa De Sherry	2456-2462 N. Sycamore Boulevard	\$1,322,000	1979	C	67	34,488	\$19,731	\$38.33
Navajo Hills Apartments	300-306 E. Navajo Road	\$1,260,000	1993	C	126	79,122	\$10,000	\$15.92
Mountain Casitas	1240 E. Fort Lowell Road	\$1,155,000	1985	C	28	19,678	\$41,250	\$58.69
El Dorado Terrace	6224-6238 E. Fairmount Street	\$1,134,400	1978	C	20	17,920	\$56,720	\$63.30
Wildflower Apartments	2850 N. Alvernon Way	\$1,100,000	1977	C	28	16,438	\$39,286	\$66.92
Los Patios	570 W. Prince Road	\$914,000	1980	C	33	21,106	\$27,697	\$43.31
East Pointe Apartments	8477 E. Broadway Boulevard	\$890,000	1981	B	49	20,044	\$18,163	\$44.40
Coventry Manor Apartments	5770 E. 10th Street	\$860,000	1962	C	32	18,532	\$26,875	\$46.41
Geronimo Apartments	2950-3274 N. Geronimo Avenue	\$850,000	1960	C	28	31,640	\$30,357	\$26.86
2nd Street Apartments	5105-5125 E. 2nd Street	\$750,000	1977	C	22	17,592	\$34,091	\$42.63
Bellevue Manor	4302 E. Bellevue Street	\$600,000	1962	C	26	13,800	\$23,077	\$43.48
Fort Lowell Manor	445 E. Fort Lowell Road	\$587,632	1983	C	22	18,218	\$26,711	\$32.26
Sahuaro Arms	240 W. Sahuaro Street	\$275,000	1963	C	20	8,620	\$13,750	\$31.90
TOTALS / AVERAGES	ALL PROPERTIES	\$319,163,032	1977		6,131	4,677,879	\$40,913	\$61.64
	A and B PROPERTIES	\$187,785,000	1980		2,759	2,205,179	\$57,817	\$93.31
	C PROPERTIES	\$131,378,032	1976		3,372	2,472,700	\$34,151	\$48.97

Portfolio sale

C&W | PICOR
1100 N. Wilmot, Suite 200
Tucson, AZ 85712
picor.com

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

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