

MARKETBEAT

Tucson

Multifamily Q2 2017



CUSHMAN & WAKEFIELD



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ECONOMIC INDICATORS

National

	Q2 16	Q2 17*	12-Month Forecast
GDP Growth	1.3%	2.3%	▲
CPI Growth	1.1%	1.9%	▲
Consumer Spending Growth	2.7%	2.7%	▼
Retail Sales Growth	2.2%	4.0%	■

*Forecast by Cushman & Wakefield

Regional

	Q2 16	Q2 17	12-Month Forecast
Household Income	\$48,739	\$50,538	▲
Population Growth	0.32%	0.37%	▲
Unemployment	4.9%	4.6%	▼

Source: Moody's Analytics

Economy

National consumer sentiment remains favorable amid signs of positive economic direction. Arizona continues to outpace the nation in job creation, with an unemployment rate back to a level last seen before the Great Recession. Tightening labor markets are translating into faster wage and income growth which should boost retail sales. Overall, the outlook calls for the state's economy to accelerate modestly in the near term. Job growth in the Tucson metro area has accelerated significantly due to recent announcements from large in bound employers. While single family home prices rose 6.0% nationally, the one-year price changes for the first quarter 2017 were 8.0% for Phoenix and 5.4% for Tucson. According to Bright Futures Real Estate Research, permits for new home construction in metro Tucson in May were up 51.8% from year earlier levels.

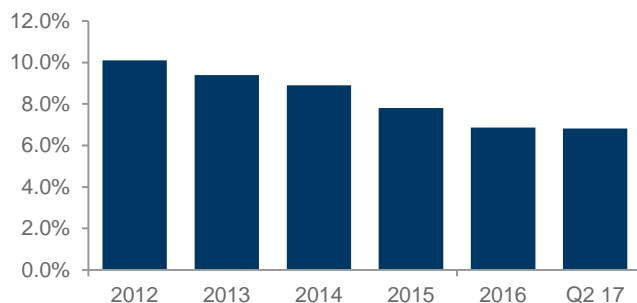
Market Overview

The second quarter statistics for the Tucson multifamily market saw vacancy rate for conventionally-operated, stabilized units increased by 0.3 to 6.82%. The submarket with the lowest second quarter vacancy is Northeast Tucson with a vacancy rate of 5.18%. These submarkets are followed with by Catalina Foothills with a vacancy of 5.32% and Northwest Tucson with a vacancy of 5.45%. This is the first quarter since quarter 2005 that all submarkets had vacancy rates below 10%. There was a total of 191 units added to the marketplace. The total occupancy during the second quarter improved by 191 units. The average monthly gross apartment rent without utilities in Metropolitan Tucson was \$709 per unit or \$0.96 per square foot for the second quarter. This represents a \$16 (2.31%) increase from last quarter. In the second quarter 2017, there were a total of 10 transactions for apartment buildings 40 units and above. The average sale price was \$95,542 per unit and \$119.31 per square foot. The average year of construction for properties sold was 1986.

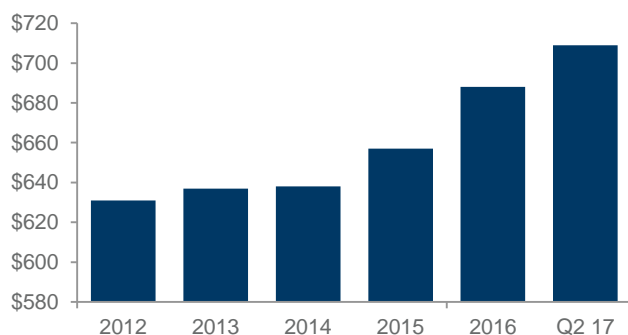
Outlook

The rental market continues to strengthen quarter after quarter. We are making up for the years of stagnant and minimal rental growth Tucson felt compared to the much quicker acceleration by neighboring markets. Investor interest continues to be at a high with the lack of inventory driving the values of apartments. We have seen a significant pick-up in available student housing opportunities with many owners/developers looking at exit strategies. We anticipate similar patterns for the rest of 2017 in the Tucson apartment market.

Vacancy Rate



Average Monthly Rent



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Significant Q2 2017 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
Villas at San Dorado	10730 N. Oracle Road	\$50,550,000	2014	A	274	325,000	\$155,538	\$155.54
Junction at Iron Horse	504 E. 9th Street	\$19,320,221	2014	A	76	100,511	\$257,603	\$192.22
Brookwood Apartment Homes	201 S. Kolb Road	\$13,000,000	1973	B	272	206,784	\$47,794	\$62.87
Zona Village	2855 W. Anklam Road	\$10,050,000	1965	B	183	98,366	\$54,918	\$102.17
Capistrano Apartments	2929 E. 6th Street	\$8,600,000	1974	B	112	100,000	\$76,786	\$86.00
INDI Tucson	1920 N. 1st Avenue	\$8,320,000	1972	B	89	97,818	\$93,483	\$85.06
El Conquistador Apartments	1881 E. Irvington Road	\$7,540,000	1982	B	201	81,074	\$37,512	\$93.00
Casa Madera	7374 N. Mona Lisa Road	\$7,300,000	1995	B	80	94,080	\$91,250	\$77.59
Juniper Canyon	3055 N. Flowing Wells Road	\$6,279,000	1985	C	140	79,407	\$44,485	\$78.43
El Dorado Apartments	2440 E. Glenn Street	\$5,475,000	1973	B	96	61,535	\$57,031	\$88.97
Park Adams Apartments	1425 N. Park Avenue	\$3,750,000	1965	C	46	34,532	\$81,522	\$108.59
Montclair Apartments	811-835 N. Alvernon Way	\$2,400,000	1958	C	59	45,211	\$39,344	\$53.08
Eastpointe Apartments	8477 E. Broadway Boulevard	\$2,100,000	1981	B	49	21,217	\$42,857	\$98.98
Kelso Vista	450 W. Kelso Street	\$1,700,000	1984	C	40	23,884	\$42,500	\$71.18
Belair Apartments	435 E. 18th Street	\$1,515,000	1963	C	33	17,270	\$45,909	\$87.72
Coronado Vista	4424 E. Bellevue Street	\$1,025,000	1978	C	21	15,428	\$48,810	\$66.44
2nd Street Apartments	3653 E. 2nd Street	\$1,000,000	1978	C	39	46,648	\$33,333	\$21.44
Bellevue Apartments	3414 E. Bellevue Street	\$965,000	1955	C	20	11,904	\$48,250	\$81.07
Thurber Apartments	557 W. Thurber Road	\$965,000	1984	C	36	22,916	\$26,806	\$42.11
Craig Apartments	1302-1350 N. Craycroft Road	\$835,000	1962	C	23	18,000	\$36,304	\$46.39
Palo Verde View Apartments	2438 N. Palo Verde Road	\$730,000	1981	C	24	11,350	\$30,417	\$64.32
The Lariat	3264 E. Benson Highway	\$320,000	1950	C	25	21,250	\$12,800	\$15.06
TOTALS / AVERAGES	A and B PROPERTIES	\$132,255,221	1984		1,432	1,186,385	914,772	\$1,042
	C PROPERTIES	\$21,484,000	1970		506	347,800	490,480	\$736
	ALL PROPERTIES	\$153,739,221	1977		1,938	1,534,185	\$1,405,252	\$80.83

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About Cushman & Wakefield

Cushman & Wakefield is a leading global real estate services firm that helps clients transform the way people work, shop, and live. Our 43,000 employees in more than 60 countries help investors and occupiers optimize the value of their real estate by combining our global perspective and deep local knowledge with an impressive platform of real estate solutions. Cushman & Wakefield is among the largest commercial real estate services firms with revenue of \$5 billion across core services of agency leasing, asset services, capital markets, facility services (C&W Services), global occupier services, investment & asset management (DTZ Investors), project & development services, tenant representation, and valuation & advisory. To learn more, visit www.cushmanwakefield.com or follow @CushWake on Twitter.

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Historic Rents- Stabilized Projects (Unfurnished – No Utilities)

SUBMARKET	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	AVG LAST 4 QTRS
Oro Valley/Catalina	\$917	\$941	\$949	\$942	\$945	\$944
Northwest	\$820	\$827	\$840	\$838	\$882	\$847
Catalina Foothills	\$702	\$716	\$724	\$731	\$772	\$736
Northeast	\$856	\$873	\$887	\$868	\$888	\$879
East	\$657	\$663	\$662	\$669	\$677	\$668
North Central	\$615	\$623	\$624	\$630	\$638	\$629
Flowing Wells	\$572	\$596	\$591	\$592	\$602	\$595
Foothills	\$770	\$773	\$787	\$796	\$812	\$792
University	\$719	\$745	\$745	\$745	\$781	\$754
South Central	\$590	\$595	\$602	\$609	\$612	\$604
Pantano/Lakeside	\$632	\$634	\$635	\$650	\$657	\$644
South/Airport	\$538	\$544	\$544	\$550	\$554	\$548
Southwest	\$618	\$626	\$630	\$637	\$661	\$639
Southeast	\$526	\$528	\$528	\$528	\$532	\$529
Average	\$674	\$684	\$688	\$693	\$709	\$690

Percentage Vacant (Stabilized Units)

SUBMARKET	2Q 2016	3Q 2016	4Q 2016	1Q 2017	2Q 2017	AVG LAST 4 QTRS
Oro Valley/Catalina	5.12	6.35	8.32	6.75	9.05	7.62
Northwest	5.83	6.26	6.39	5.24	5.45	5.84
Catalina Foothills	4.85	5.07	5.09	5.45	5.32	5.23
Northeast	4.43	4.63	5.23	5.54	5.18	5.15
East	6.58	5.88	5.81	5.5	5.85	5.76
North Central	6.72	7.02	7.83	7.32	7.29	7.37
Flowing Wells	7.5	5.25	5.3	5.69	6.58	5.71
Foothills	6.48	7.02	7.76	5.65	6.81	6.81
University	15.73	5.78	7.02	7.3	8.97	7.27
South Central	8.51	7.17	9.62	8.26	8.9	8.49
Pantano/Lakeside	6.95	6.44	6.25	7.21	7.94	6.96
South/Airport	8.02	7.3	8.87	6.78	6.91	7.47
Southwest	6.74	6.33	6.47	10.12	8.27	7.80
Southeast	17.56	14.29	19.35	17.56	6.25	14.36
Average	6.83	6.27	6.87	6.52	6.82	6.62

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