



MARKET AT A GLANCE



OCCUPANCY RATE **95.0%**
Up **60 bps** since 1Q18



EFFECTIVE RENT **\$784**
Up **7.7%** since 1Q18

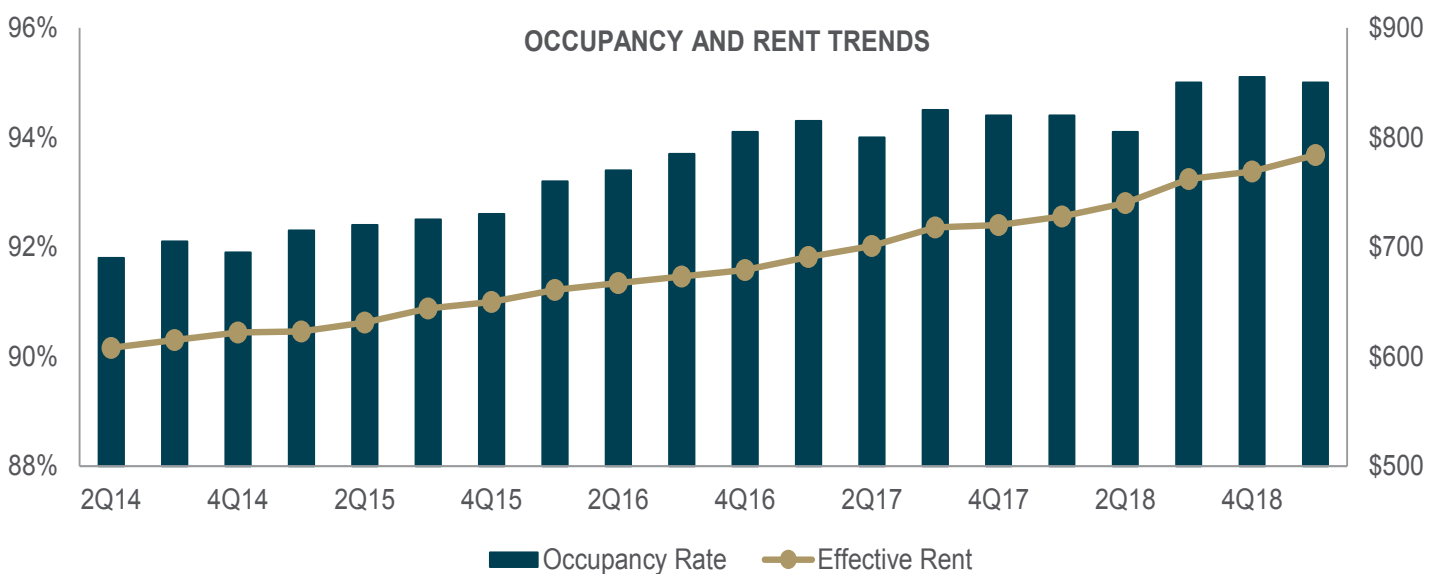


TOTAL INVENTORY **83,230**

OCCUPANCY AND RENT TRENDS

RENT RISES 7.7% AS APARTMENT OCCUPANCY ELEVATES

A rapidly growing population and an expanding labor force boosted the apartment market in the Tucson metropolitan area during the last year. Developers worked to meet the demand as deliveries in the last four quarters were more than three times the additions during the preceding year; however, still at low levels of under 1,000 units delivered. All the latest inventory was in the Casas Adobes/Oro Valley submarket, as the 240-unit Pima Canyon community completed. The new inventory facilitated leasing activity, as annual absorption was highest in the submarket. Apartment demand was also healthy in the Southeast Tucson submarket, home to one of the metro's largest employers—Davis-Monthan Air Force Base. Metrowide, leasing activity surpassed inventory growth during the last 12 months as average apartment occupancy elevated 60 basis points to 95.0% in the first quarter of 2019. Apartment operators capitalized on rising occupancy amid an expanding economy by accelerating rent growth. After advancing 5.4% in the previous year, average effective rent in Greater Tucson advanced 7.7% year over year to \$784 per month in March 2019. The local rent growth was among the top five markets in the nation during the last year.



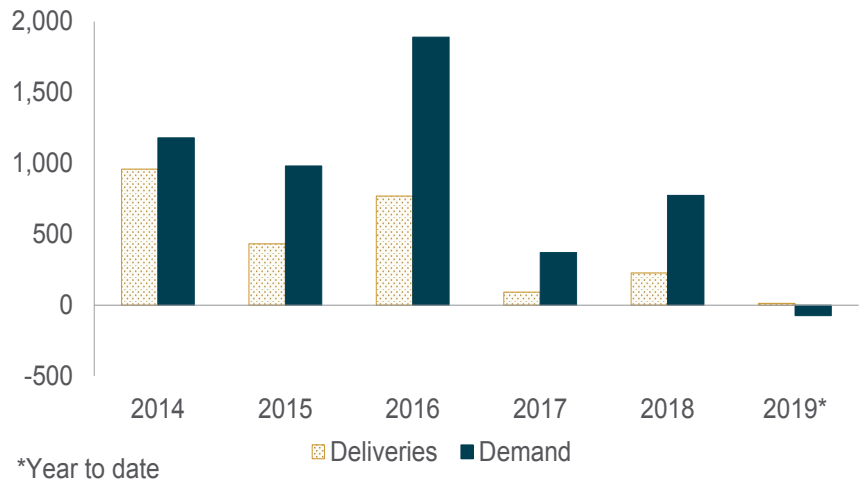
DELIVERIES AND DEMAND



DELIVERIES 13
Units YTD



NET ABSORPTION -74
Units YTD



ECONOMIC TRENDS

2018 **UNEMPLOYMENT*** 2019
4.6% **10 BPS CHANGE** 4.7%

2018 **EMPLOYMENT*** 2019
378.4k **1.8% CHANGE** 385.1k

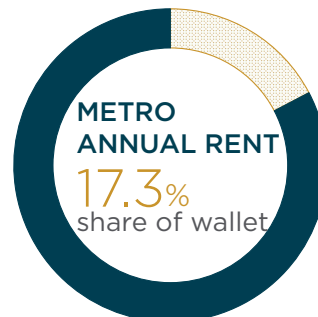
2018 **EXISTING SFH SALES**** 2019
18.3k **-2.2% CHANGE** 17.9k

2018 **MEDIAN SFH PRICE**** 2019
\$218.3k **4.5% CHANGE** \$228.1k

2018 **10-YEAR TREASURY**** 2019
2.84% **-30 BPS CHANGE** 2.57%

*January; **March

Several employment sectors posted gains in the last year, boosting the Tucson economy. Employment grew 1.8% annually from January 2018, accelerating from 0.5% increase during the preceding year. The public sector was a positive factor in the upswing, as the work force grew 2.2% with 1,700 new government positions. In the private sector, an additional 1,600 education and health services workers were hired since January 2018. The sector will continue to grow as Northwest Healthcare plans a new 70-bed, 183,000-square-foot hospital. This project, along with several large-scale developments like the University of Arizona's Tech Park, boosted expansion in the construction industry. The sector increased a metro-leading 6.7% annually, with 1,100 new workers since January 2018. Professional and business services employers recruited an additional 1,200 white-collar personnel at the same time. Part of the additions came as C3 filled 1,800 full-time positions, ranging from service agents, supervisors, and quality assurance representatives, at three locations across the metro.



SUBMARKET BREAKDOWN

SUBMARKET NAME	OCCUPANCY		AVG RENT INCREASE		AVG RENT		NET ABSORPTION		DELIVERED UNITS	
	1Q18	1Q19	1Q18	1Q19	1Q18	1Q19	1Q19	ANNUAL	1Q19	ANNUAL
Airport/Drexel Heights/Sahuarita	95.8%	95.5%	4.3%	6.4%	\$628	\$668	-30	-22	0	0
Casas Adobes/Oro Valley	93.8%	94.2%	8.4%	10.0%	\$933	\$1,026	-43	230	13	186
Catalina Foothills	95.8%	95.4%	12.6%	7.4%	\$882	\$947	30	-30	0	0
Central Tucson/University	94.9%	95.7%	3.4%	5.6%	\$645	\$681	-59	118	0	0
East Central Tucson	93.2%	93.9%	3.0%	6.2%	\$647	\$687	0	117	0	0
Southeast Tucson	93.8%	95.2%	5.5%	8.0%	\$688	\$743	63	221	0	0
West Tucson	95.6%	96.0%	0.1%	8.1%	\$730	\$789	-36	29	0	0
TOTALS	94.4%	95.0%	5.4%	7.7%	\$728	\$784	-74	662	13	186

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