

# TUCSON AZ

Multifamily Report

**BERKADIA**<sup>®</sup>

a Berkshire Hathaway and Jefferies Financial Group company



# TUCSON, AZ EMPLOYMENT

## Jobs Added / Lost

### LAST 12 MONTHS

20,900

↑ 5.9%

### NEXT 12 MONTHS\*

13,700

↑ 3.6%

## Unemployment

### MID-YEAR 2021

6.4%

↓ 540 BPS YOY

### MID-YEAR 2022\*

4.0%

↓ 240 BPS YOY

\*Projected

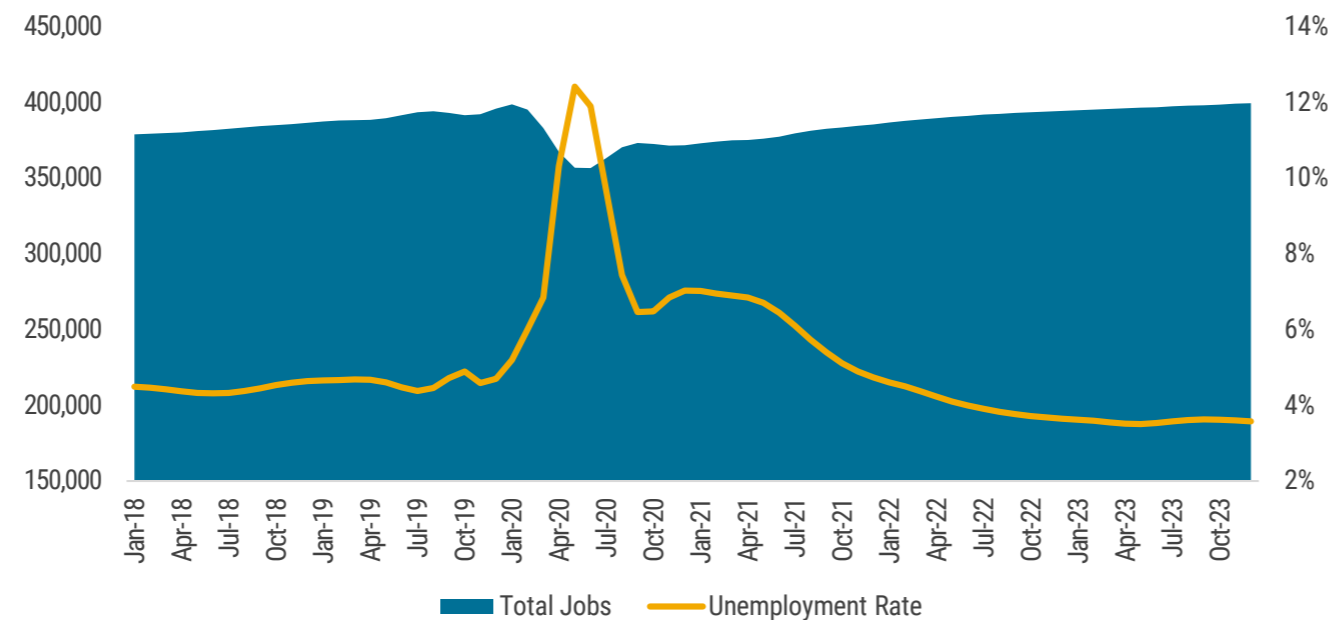
Tucson-area payrolls rebounded after 10.6% of jobs were lost in the first half of 2020. In the 12 months ending in June 2021, employers created or restored 20,900 positions, a 5.9% annual gain.

Arizona's return to normalcy began before many other states, which benefited numerous service industries. Leisure and hospitality industry employment surged 34.0% in the last 12 months as 9,700 workers were hired or reinstated. In the trade, transportation, and utilities sector, payrolls expanded 10.8% year over year with 6,600 new or restored jobs. Staffing levels rose nearly 26% in the transportation, warehousing, and utilities subsector, fueled by hiring needed to accommodate ramped-up online purchasing activity. Meanwhile, retail trade employment

fully recovered by June of this year. Specialty trade and general labor workers found employers eager to hire as projects shelved during the pandemic were revived. Payrolls in the construction industry grew 5.7% year over year with 1,000 new workers.

Early in the pandemic, suspended elective medical procedures resulted in furloughs at hospitals statewide, but as this mandate was lifted, employment in the health care industry bounced back. By June 2021, many of the metro's 4,400 new jobs in the education and health services sector were among health care providers.

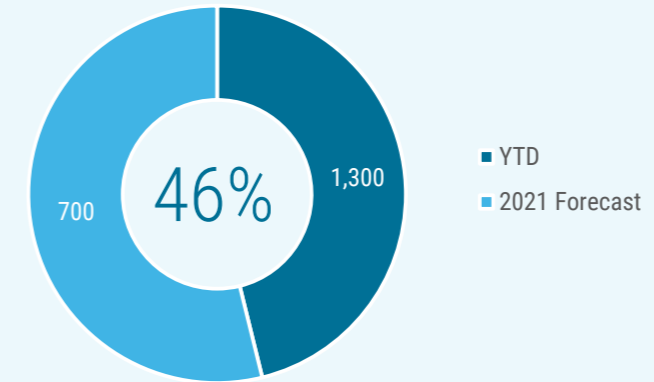
## Employment Trends



SOURCE: MOODY'S ANALYTICS

## Who's Hiring?

### PROFESSIONAL & BUSINESS SERVICES INDUSTRY



12%  
OF ALL JOBS IN THE METRO

\$70,300  
AVERAGE ANNUAL SALARY

## Top Professional & Business Services Employers



1,400 JOBS



450 JOBS



400 JOBS

## In The News

Tucson-based Raytheon unit creating new \$2B cruise missile

Data-center supplier to add 100 jobs in Tucson expansion

Arizona tech companies, jobs, & wages growing in 2021

Optics company expanding in Tucson, adding 50 tech jobs

New Amazon sort facility bringing jobs to Tucson

GEICO Hiring for 250 Positions In Tucson



## TUCSON, AZ

# DELIVERIES & ABSORPTION

### 2021 Units\*

#### DELIVERED

1,053

#### ABSORBED

884

### 2022 Units\*

#### DELIVERED

1,020

#### ABSORBED

765

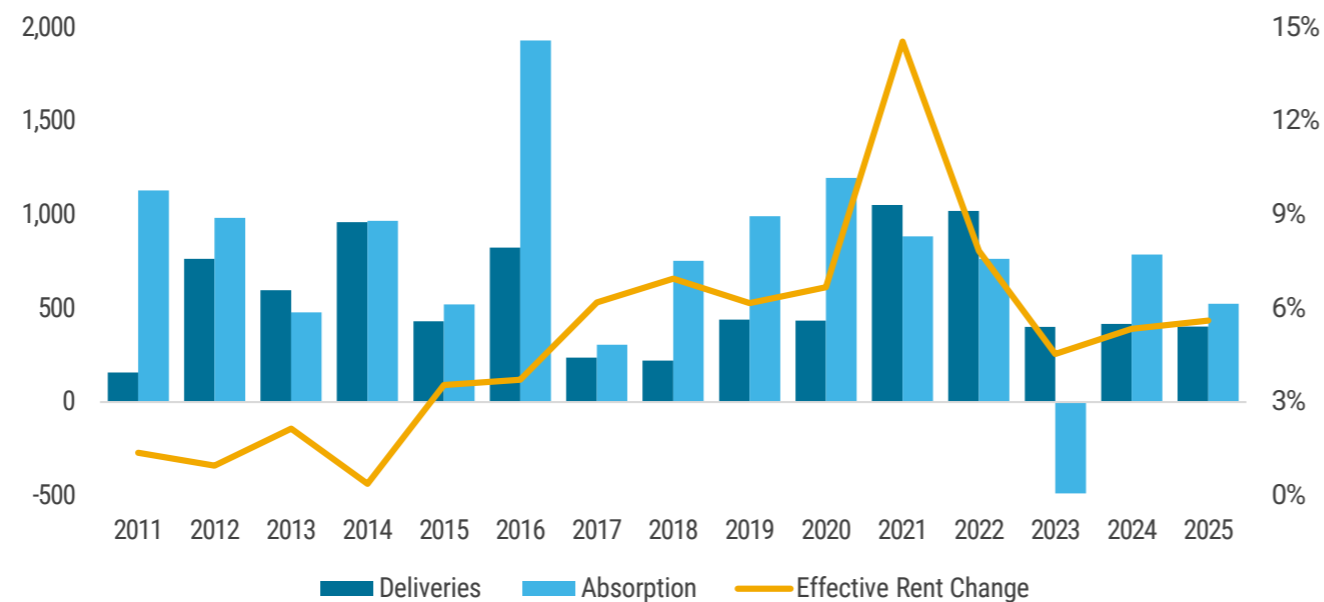
\*Projected

Renters occupied 264 additional apartments in the last four quarters in the Casas Adobes/Oro Valley submarket. Demand was persistent despite no new apartments emerging there during that time. The submarket, a mix of suburban neighborhoods and rural areas in northern Pima County, was the favored destination for those departing more densely populated areas of Tucson.

Metrowide, net apartment absorption totaled 1,284 units in the last four quarters. Leasing activity widely outpaced the 488 units that were delivered during that time—the continuation of a trend that started in 2014 when annual net absorption led deliveries every year through 2020. As of mid-2021, eight multifamily properties

representing a total of 1,728 apartments were under construction. Approximately 1,120 of these units are expected to be completed during the next four quarters. More than half of these new apartments will be among the Encantada Saguardo and Encantada Rita Ranch apartment communities in the Southeast Tucson submarket. An additional 25 multifamily developments comprising a total of 4,567 units are in various stages of the planning process. Of these, five properties with a total of 1,143 units are expected to break ground by year-end 2021. The largest of these projects is the 13-story, Partners on Fourth high-rise apartment community on 4th Avenue between 8th and 9th Streets, just outside Downtown Tucson.

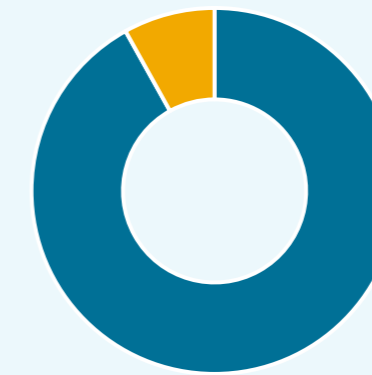
### Deliveries, Absorption, & Effective Rent Change



SOURCE: REALPAGE

### Market Pipeline

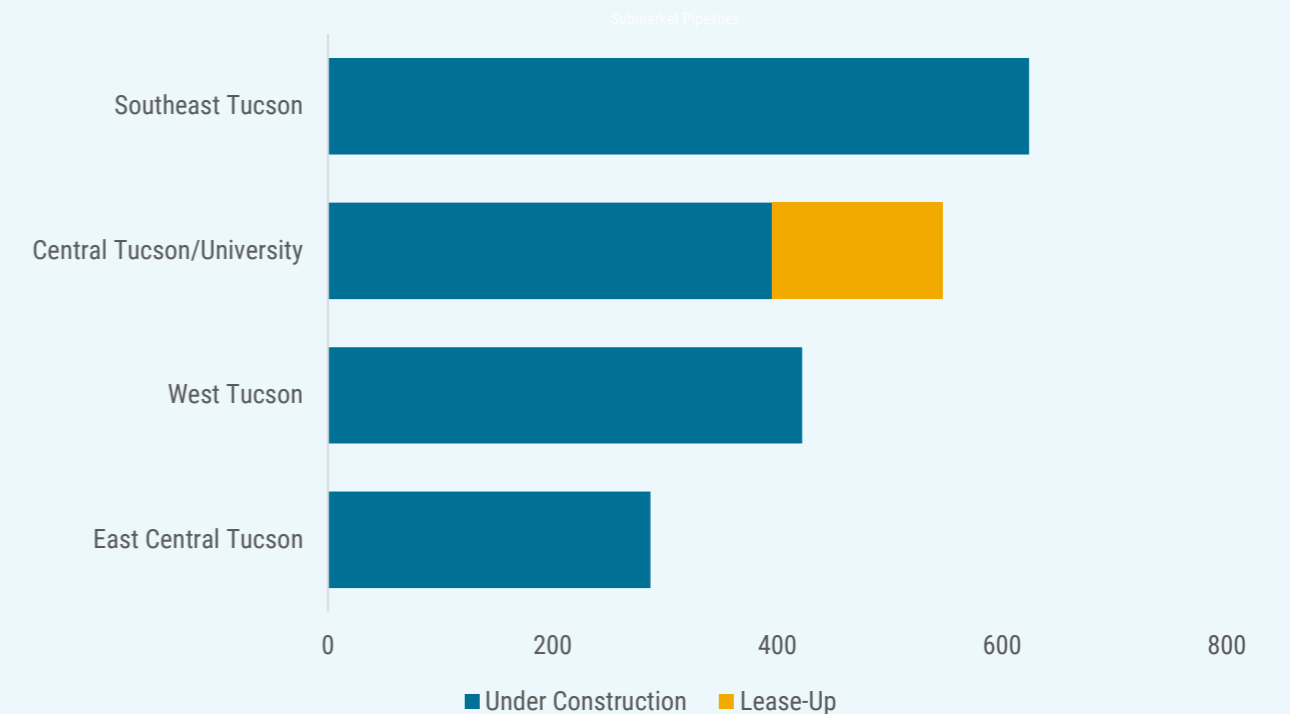
152



1,728

■ Under Construction  
■ Lease-Up

### Top 10 Submarket Pipelines



For a complete list of properties in the pipeline, [CLICK HERE](#)



# TUCSON, AZ

## RENT & OCCUPANCY

### Effective Rent

2Q 2021  
 \$943  
 ↑ 14.6% YOY

### Occupancy

2Q 2021  
 96.8%  
 ↑ 100 BPS YOY

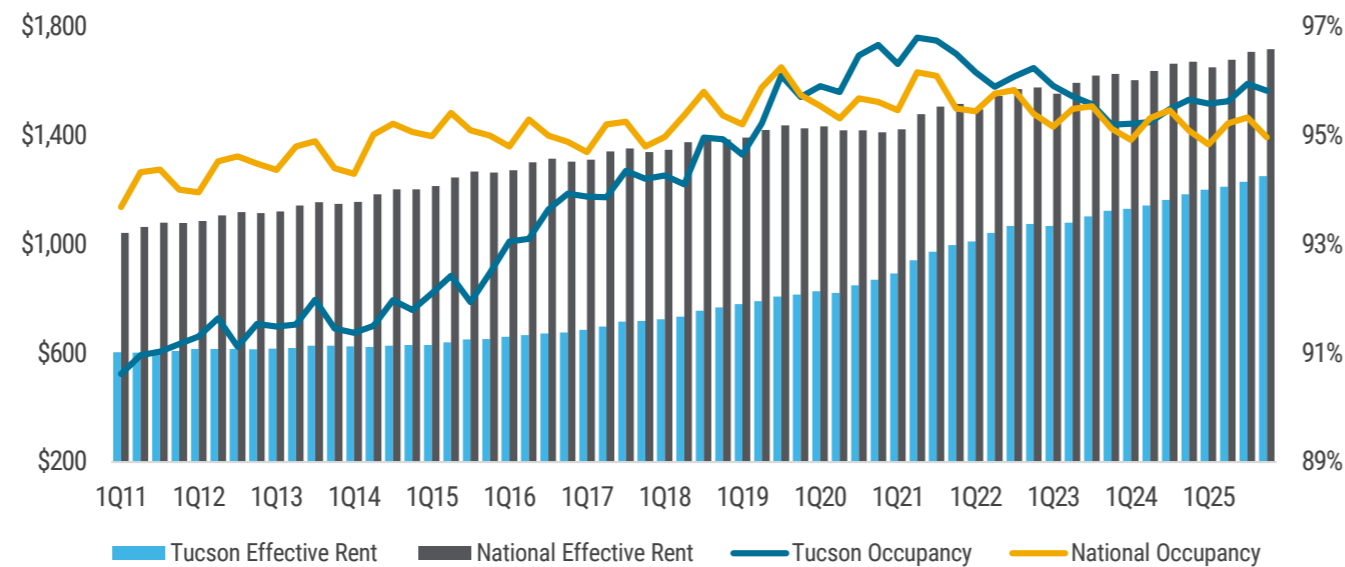
The Tucson metro area's cost-of-living index is 5.3 points lower than the national average, making it a desirable destination for people who work from home and want an affordable area to live in. Over the last several years, household formation in the metro area has outpaced multifamily and single-family inventory growth. In mid-2016, metrowide apartment occupancy was in the low-93% range; by mid-2021, occupancy reached 96.8%. During the same five-year period, the median single-family home price vaulted over 63% to \$302,100 in the second quarter of this year.

Continued in-migration and household formation, the inadequate housing supply, the rising cost of homeownership, and the reopening of the economy have fueled

exceptional multifamily rent growth in the last four quarters. Since mid-2020, average monthly effective apartment rent in the metro area surged 14.6% to \$943 by the second quarter of this year.

Apartment fundamentals in the Casas Adobes/Oro Valley submarket outpaced the other submarkets. Operators recorded 97.2% occupancy—the highest in the metro—a 200-basis-point year-over-year gain, which was also the largest increase among the submarkets. Average effective rent reached \$1,246 per month, a 22.2% annual surge, also the highest rate of increase in the metro.

### Tucson vs. National Effective Rent & Occupancy



SOURCE: REALPAGE

### Submarket Performance

| SUBMARKET NAME                   | 2Q21 OCCUPANCY | YOY (BPS) | 2Q21 EFFECTIVE RENT | YOY   |
|----------------------------------|----------------|-----------|---------------------|-------|
| Airport/Drexel Heights/Sahuarita | 95.9%          | -80       | \$792               | 7.6%  |
| Casas Adobes/Oro Valley          | 97.2%          | 200       | \$1,246             | 22.2% |
| Catalina Foothills               | 97.1%          | 170       | \$1,078             | 18.9% |
| Central Tucson/University        | 96.6%          | 70        | \$833               | 12.8% |
| East Central Tucson              | 96.9%          | 100       | \$812               | 9.9%  |
| Southeast Tucson                 | 96.9%          | 100       | \$904               | 14.1% |
| West Tucson                      | 97.0%          | 90        | \$1,010             | 13.5% |



# TUCSON, AZ SALES

## 2021 Year to Date\*



VOLUME

\$304.3M



PRICE PER UNIT (AVG)

\$153,825



TRANSACTIONS

11



CAP RATE (AVG)

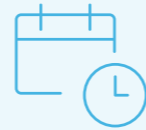
4.6%

## What's Trading?\*



UNITS (AVG)

196



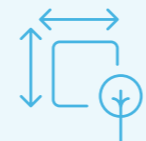
YEAR BUILT (AVG)

1980's



BUILDINGS (AVG)

14



ACRES (AVG)

8.42

\*\$10M+  
SOURCE: REAL CAPITAL ANALYTICS

## Top Buyers\*\*

| BUYER                     | LOCATION     |
|---------------------------|--------------|
| Heitman                   | Chicago, IL  |
| Thayer Manca Res          | Bellevue, WA |
| APRA Capital              | Irvine, CA   |
| Bridge Investment Grp     | Sandy, UT    |
| Northland Investment Corp | Newton, MA   |

## Top Sellers\*\*

| SELLER             | LOCATION           |
|--------------------|--------------------|
| Bascom Group       | Irvine, CA         |
| Dinerstein Cos     | Houston, TX        |
| Oaktree            | Los Angeles, CA    |
| Millburn & Company | Salt Lake City, UT |
| HSL Properties Inc | Tucson, AZ         |

\*\*Past 24 Months



# TUCSON, AZ SALES

**\$10+ Million Transactions**



### SUNDOWN VILLAGE

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 330          | 1984         |
| PRICE / UNIT | SALES PRICE  |
| \$165,000    | \$54,450,000 |



### RIVER WALK

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 300          | 1999         |
| PRICE / UNIT | SALES PRICE  |
| \$146,667    | \$44,000,000 |



### TIERRA VIDA\*

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 200          | 2000         |
| PRICE / UNIT | SALES PRICE  |
| \$178,750    | \$35,750,000 |



### AGAVE AT TWENTY TWO\*

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 266          | 1984         |
| PRICE / UNIT | SALES PRICE  |
| \$125,752    | \$33,450,000 |



### GALERIA DEL RIO

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 101          | 2014         |
| PRICE / UNIT | SALES PRICE  |
| \$317,079    | \$32,025,000 |



### TREEHOUSE

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 167          | 1973         |
| PRICE / UNIT | SALES PRICE  |
| \$137,725    | \$23,000,000 |



### VILLAS AT ROGER ROAD

Tucson, AZ

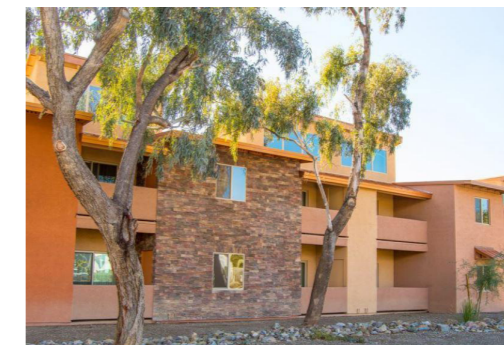
| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 232          | 1984         |
| PRICE / UNIT | SALES PRICE  |
| \$81,897     | \$19,000,000 |



### LA MIRADA

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 200          | 1970         |
| PRICE / UNIT | SALES PRICE  |
| \$90,000     | \$18,000,000 |



### CASA PRESIDIO

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 78           | 2013         |
| PRICE / UNIT | SALES PRICE  |
| \$224,359    | \$17,500,000 |



### WINTERHAVEN TERRACE

Tucson, AZ

| UNITS        | YEAR BUILT   |
|--------------|--------------|
| 96           | 1986         |
| PRICE / UNIT | SALES PRICE  |
| \$161,458    | \$15,500,000 |

\*BERKADIA TRANSACTION

# **BERKADIA**<sup>®</sup>

Sources: RealPage; Moody's Analytics; Real Capital Analytics; Federal Reserve Bank of Cleveland

© 2021 Berkadia Real Estate Advisors LLC

Berkadia® is a trademark of Berkadia Proprietary Holding LLC

Commercial mortgage loan origination and servicing businesses are conducted exclusively by Berkadia Commercial Mortgage LLC and Berkadia Commercial Mortgage Inc. This website is not intended to solicit commercial mortgage loan brokerage business in Nevada. Investment sales and real estate brokerage businesses are conducted exclusively by Berkadia Real Estate Advisors LLC and Berkadia Real Estate Advisors Inc. For state licensing details for the above entities, visit: [www.berkadia.com/legal/licensing.aspx](http://www.berkadia.com/legal/licensing.aspx)

The information contained in this flyer has been obtained from sources we believe to be reliable; however, we have not conducted any investigation regarding these matters and make no warranty or representation whatsoever regarding the accuracy or completeness of the information provided. While we do not doubt its accuracy, we have not verified it and neither we, nor the Owner, make any guarantee, warranty or representation of any kind or nature about it. It is your responsibility to independently confirm its accuracy and completeness. Any projections, opinions, assumptions or estimates used are for example and do not necessarily represent past, current or future performance of the property. You and your advisors should conduct a careful and independent investigation of the property to determine to your satisfaction the suitability of the property and the quality of its tenancy for your records.