



YoY Chg 12-Mo. Forecast

4.47%
Vacancy Rate



641
New Deliveries, units



\$867
Effective Rent, Per Unit



(Overall, All Property Classes)

ECONOMIC INDICATORS Q3 2020

YoY Chg 12-Mo. Forecast

376.4K
Tucson Employment



5.9%
Tucson Unemployment Rate



\$56.8K
Tucson Median Household Income



Source: BLS, Census Bureau, Arizona Commerce Authority

ARIZONA UPDATE:

Amid the COVID-19 pandemic, more than 20,000 businesses in Arizona received economic relief from the federal government. Arizona's unemployment rate has fallen from 10.7% in July to 5.9% in September due to nearly 80,000 jobs being added to the economy in August. Job gains were posted across ten private sectors, with the largest increases seen in health care and transportation. Tucson's unemployment correlated almost exactly to Arizona's, falling from 10.7% in July to 5.9% in September. United States unemployment rate now stands at 8.8%.

COVID UPDATE:

With daily COVID-19 cases consistently getting lower in Arizona during Q3 2020, the Governor has opened bars and indoor movie theaters to partial capacity. As of October 12th there were nearly 26,500 cases in Pima County, and the positivity rate is now at 7.6%. Since August, the University of Arizona has administered over 47,000 COVID-19 tests with a positivity rate of 5.1%. On October 12th, the University of Arizona began phase two of their campus reopening plan that now allows in-person instruction for classes with 30 or less students.

TRANSACTION UPDATES:

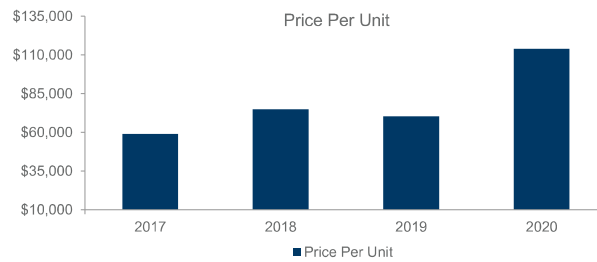
Throughout Q3 2020, the Tucson Multi-Family market remained stable. Transactions and Escrow periods have experienced delays with lending and appraisals taking longer. Rent collections have slightly decreased through the quarter due to government and unemployment benefits coming to an end. Delinquencies and collections are expected to rise in the coming months. The Arizona eviction moratorium is set to end October 31st, many properties will experience high tenant turnover during this transition, which could lead to some change in property value and investor/lender underwriting in 2021.

SUPPLY (INVENTORY) VS. DEMAND (INVESTORS):

As the pandemic continues to linger, supply has remained low while demand has remained high. Investors continue to come to Tucson where the numbers are safer. Owners continue to inquire about their properties' value during this time but some are hesitant to make any moves in the market with the uncertainty due to elections and economic uncertainties. Those in 1031 exchanges during COVID-19 continue to be put in inventory remains low and only slight price adjustments have been made in the Tucson market.

Source: apartmentinsights.com

SALE PRICE PER UNIT



OVERALL VACANCY & EFFECTIVE RENT



MARKETBEAT TUCSON

Multifamily Q3 2020

CUSHMAN & WAKEFIELD



MARKET STATISTICS

SUBMARKET*	INVENTORY (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE	AVG EFFECTIVE RENT/UNIT	AVG EFFECTIVE RENT PSF
Oro Valley/Catalina	2,279	4.17%	-0.44%	\$1,186	\$1.23
Northwest	8,695	4.65%	-1.11%	\$1,083	\$1.16
Catalina Foothills	5,726	4.00%	-0.42%	\$930	\$1.21
Northeast	1,987	3.93%	-1.34%	\$1,083	\$1.11
East	8,217	3.74%	-2.48%	\$827	\$1.11
North Central	8,199	4.69%	-1.16%	\$761	\$1.10
Flowing Wells	8,462	4.42%	-0.38%	\$718	\$1.17
Foothills	3,780	4.86%	-2.11%	\$965	\$1.24
University	3,877	9.98%	5.15%	\$918	\$1.61
South Central	6,210	5.21%	-0.56%	\$738	\$1.14
Pantano/Lakeside	5,363	4.49%	-0.80%	\$792	\$1.12
South/Airport	5,574	3.81%	-2.81%	\$677	\$1.13
Southwest	2,415	3.35%	-1.65%	\$819	\$1.12
Southeast	648	8.33%	-1.79%	\$720	\$1.06
Market	71,512	4.47%	-1.10%	\$847	\$1.15

*Submarket Marana excluded from report due to low inventory

FINANCING

Financing agencies are still extremely active for Multi-Family loans in the \$1-\$10 range. LTV is ranging between 70%-75%. Interest rates for 10 year loans have decreased and are typically ranging between 3.15%-3.75%. While Freddie Mac remains the most aggressive on pricing, life insurance lenders are aggressively pricing lower leverage loans as well. We have seen 5-year quotes under 3%, but the majority of loan quotes in the 2% range are reserved for those greater than \$10 million. Underwriting has been more on the conservative side with a focus on collections since the pandemic hit, which has drastically slowed timelines. However, if collections are supported then underwriting will not change much. Lenders are also starting to waive taxes, insurance, and replacement reserves depending on leverage. *Credit: Kevin Prouty – Commercial Mortgage Broker*

OUTLOOK

Going forward, the Tucson Multi-Family market will continue to remain a strong sellers market as long as collections and financing options remain stable. It is uncertain what government unemployment benefits will be offered in the coming months, so we can assume a slight decrease in property value due to the expected rise of delinquencies, vacancies, and turnovers. With schools going back to in-person classes, you can expect the volumes of transaction to increase into the new year for student housing. As we reach the end of the year and holiday season, transactions will start to slow down.

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A CUSHMAN & WAKEFIELD RESEARCH REPORT

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