

2022 MID-YEAR

# TUCSON AZ

## Multifamily Report

**BERKADIA**<sup>®</sup>

a Berkshire Hathaway and Jefferies Financial Group company





## Jobs Added / Lost

### LAST 12 MONTHS

11,800

↑ 3.1%

### NEXT 12 MONTHS\*

4,600

↑ 1.2%

## Unemployment

### MID-YEAR 2022

3.0%

↓ 230 BPS YOY

### MID-YEAR 2023\*

3.4%

↑ 40 BPS YOY

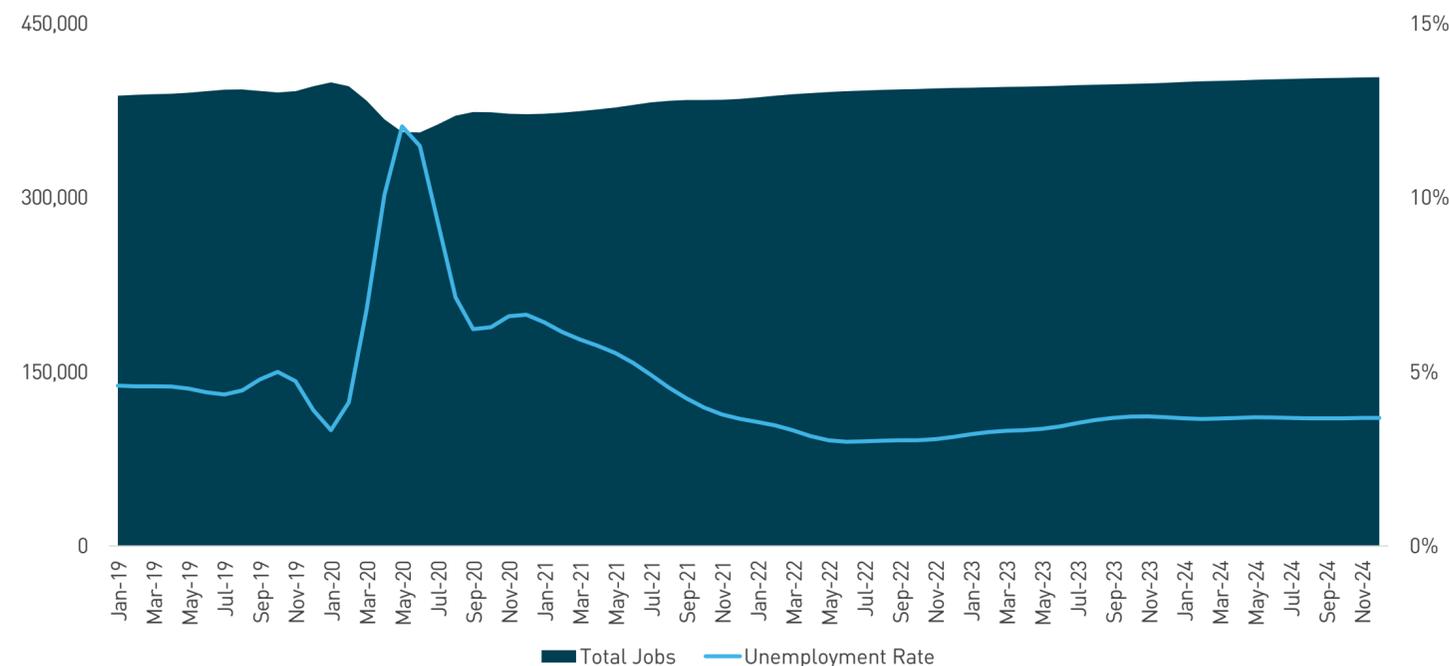
\*Projected

# TUCSON, AZ EMPLOYMENT

Businesses and institutions in the Tucson metro area created or reinstated a net 11,800 jobs year over year through the second quarter of 2022. The increase represented a 3.1% annual gain and placed June 2022 payrolls within 98.1% of peak, pre-pandemic staffing in January 2020. Payrolls in the metro's largest private employment sector—trade, transportation, and utilities—have fully rebounded, along with total recovery in the manufacturing, the financial activities, and the mining, logging, and construction sectors. In the metro's second-largest job sector, education and health services, employers filled 3,600 net new positions in the most

recent 12 months. June 2022 employment among education and health services institutions reached 99.2% of pre-pandemic levels. The University of Arizona is a key contributor to the local economy, as the university and its affiliated programs support 15,600 jobs, drive significant local housing demand, and have a statewide economic impact of \$11.1 billion. Furthermore, commitments to expand operations and hire thousands of employees over the next several years among Caterpillar Inc., GEICO, ADP Inc., HomeGoods, Raytheon Technologies Corporation, and Comcast have boosted metro employment and will continue to underpin the local economy for the long term.

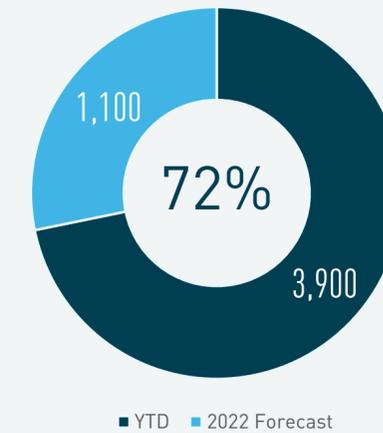
## Employment Trends



SOURCE: Moody's Analytics

## Who's Hiring?

### EDUCATION & HEALTH SERVICES INDUSTRY



18%  
OF ALL JOBS IN THE METRO

\$85,400  
AVERAGE ANNUAL SALARY

## Top Education & Health Services Employers

THE UNIVERSITY OF ARIZONA	15,600 JOBS
Banner Health®	7,700 JOBS
TUCSON UNIFIED SCHOOL DISTRICT	6,500 JOBS

## In The News

- [The Refinery opens, the first building at UA Tech Park](#)
- [Tucson International Airport undergoing \\$350M in improvements](#)
- [Amazon to open distribution center in Marana, add hundreds of jobs](#)



# TUCSON, AZ DELIVERIES & ABSORPTION

2022 Units\*

**DELIVERIES**

731

**ABSORPTION**

-645

2023 Units\*

**DELIVERIES**

1,719

**ABSORPTION**

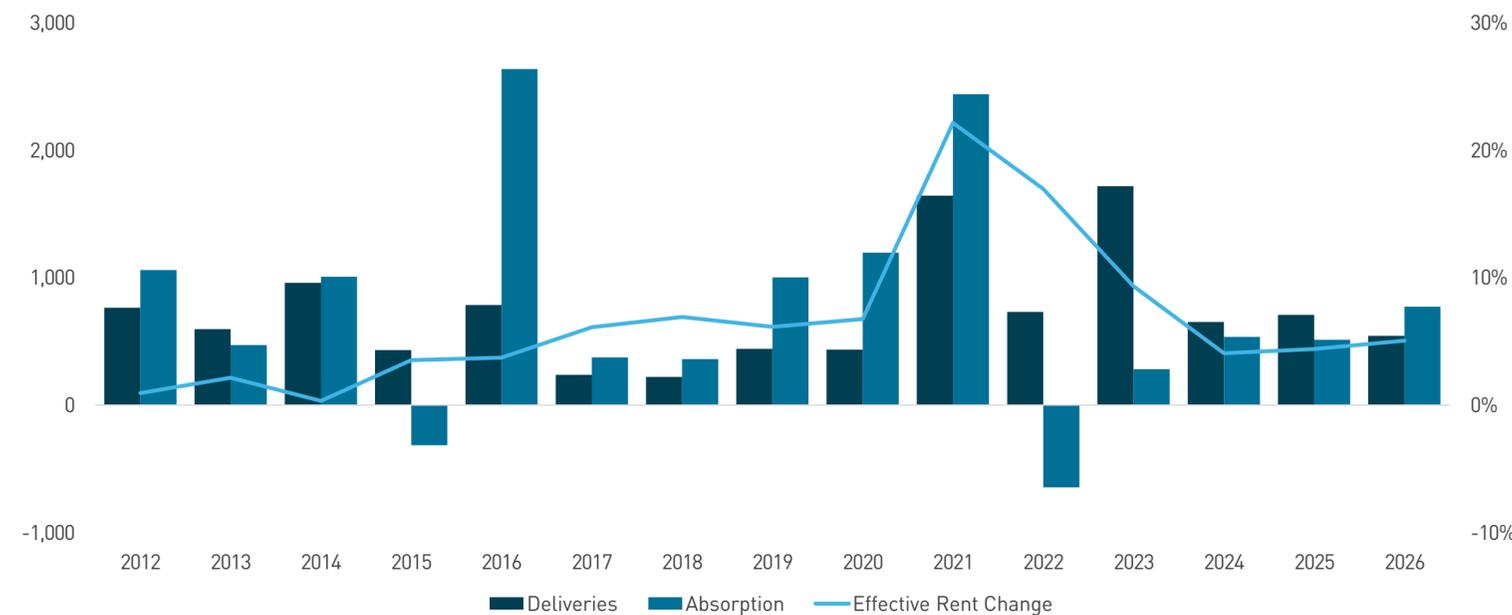
282

\*Projected

In the five years following the Great Recession, annual net in-migration to the Tucson metro area averaged about 2,700 persons. As the residual effects of the recession faded and people recognized the affordability and quality of life the metro area offered, in-migration increased. From 2016 through 2020, annual net in-migration averaged nearly 9,700 persons. Multifamily developers, wanting to meet the demand the influx generated, ramped up apartment construction. The effect of this increased construction was realized in the last year, as six apartment communities were completed, and significant progress was made on the 312-unit Encantada Saguaro National apartment development through the second

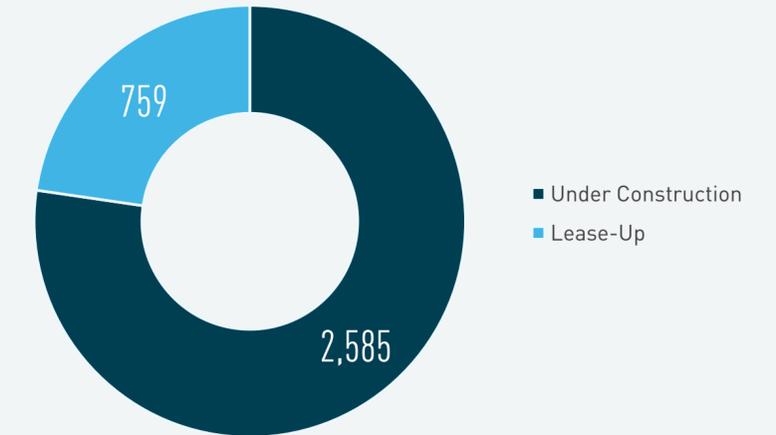
quarter of 2022. This activity resulted in 1,428 apartments delivered from mid-2021 to mid-2022, a 1.8% increase in local apartment inventory. Tucson's apartment rents tend to be lower than Phoenix and also lower than most other similar-sized tertiary markets in the Rocky Mountain region and the West Coast. For that reason, most new apartment construction are Class A communities, which make return on investment easier to attain. New apartment inventory continued to attract renters. Net absorption averaged 240 units among submarkets with new apartments in the last four quarters, while the submarkets with no new inventory averaged negative absorption of 49 units.

## Deliveries, Absorption, & Effective Rent Change

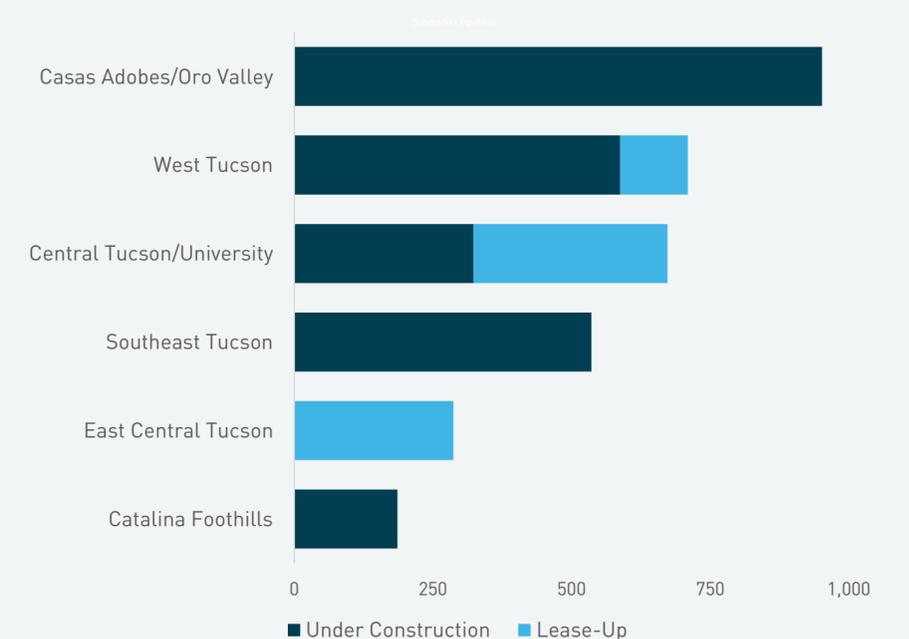


Source: RealPage

## Market Pipeline



## Top Submarket Pipelines

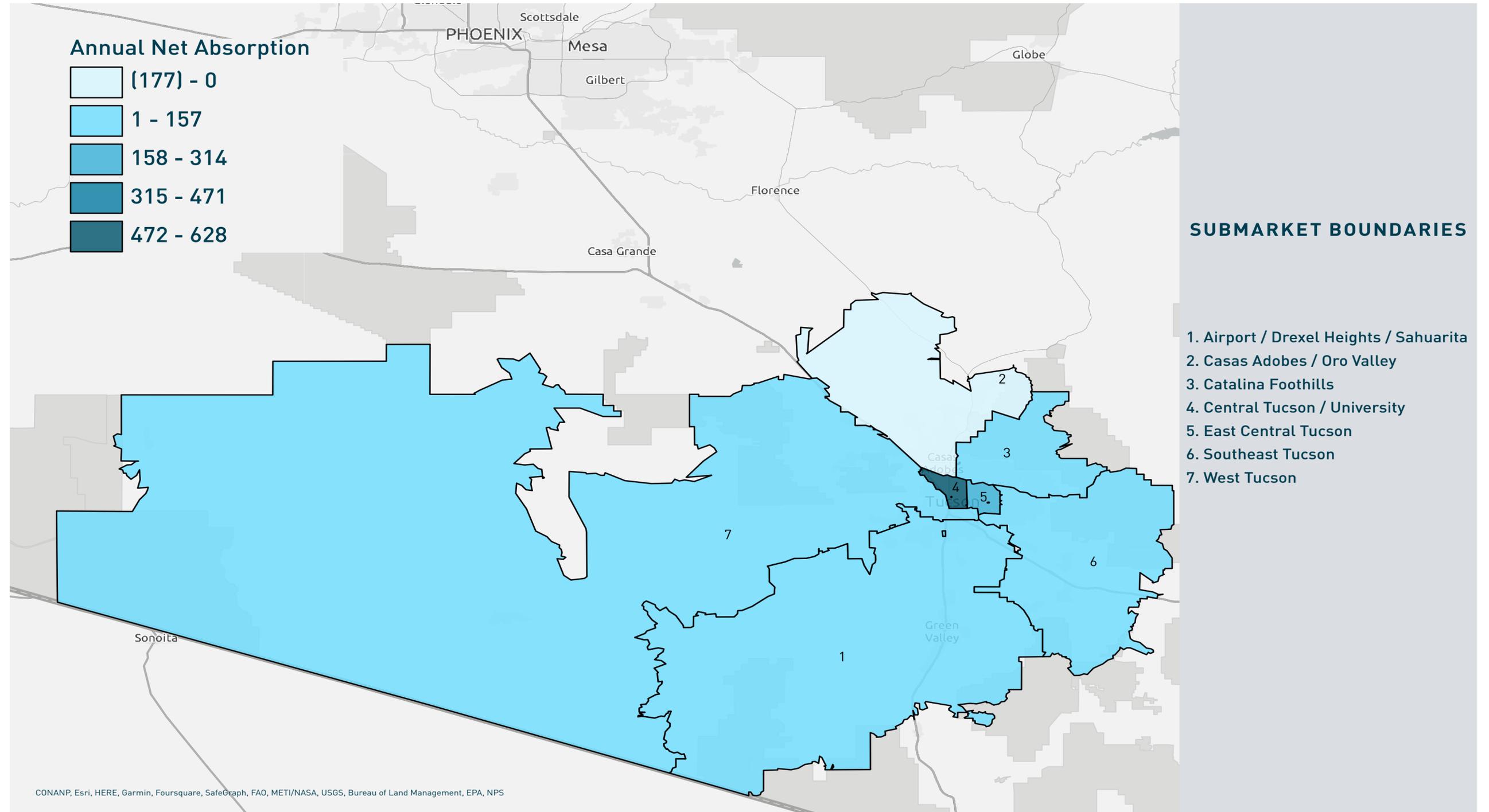




## TUCSON, AZ

# SUBMARKET ANNUAL ABSORPTION

Of the 814 net apartments absorbed in the Tucson metro area during the last four quarters, 628 units were in the Central Tucson/University submarket. The submarket encompasses Downtown Tucson and the University of Arizona. One of the reasons for the submarket's popularity among renters is that the downtown area has an excellent live-work-play environment because it is one of the few places in the metro area with walkable amenities and a high concentration of mixed-use offices. Another reason is the University of Arizona. Of its 49,470 students in the fall 2021 semester, 39,110 students attend the main campus in Tucson, and of those, more than 31,600 students live off campus, many in the Central Tucson/University submarket to be close to classes, activities, and events on campus.





# TUCSON, AZ RENT & OCCUPANCY

## Effective Rent

**2Q 2022**  
\$1,129  
↑ 19.0% YOY

## Occupancy

**2Q 2022**  
96.1%  
↓ 70 BPS YOY

Effective rent averaged \$1,129 per month in the Tucson metro area in the second quarter of 2022, a 19.0% year-over-year gain. Like many other metro areas in the country in the last year, Tucson's economic recovery and housing shortage contributed to the increase in apartment rent. At the same time, the median home price in the metro area rose 17.7%, resulting in a typical monthly mortgage costing about 32% more than the average Class A apartment rent in the second quarter of 2022.

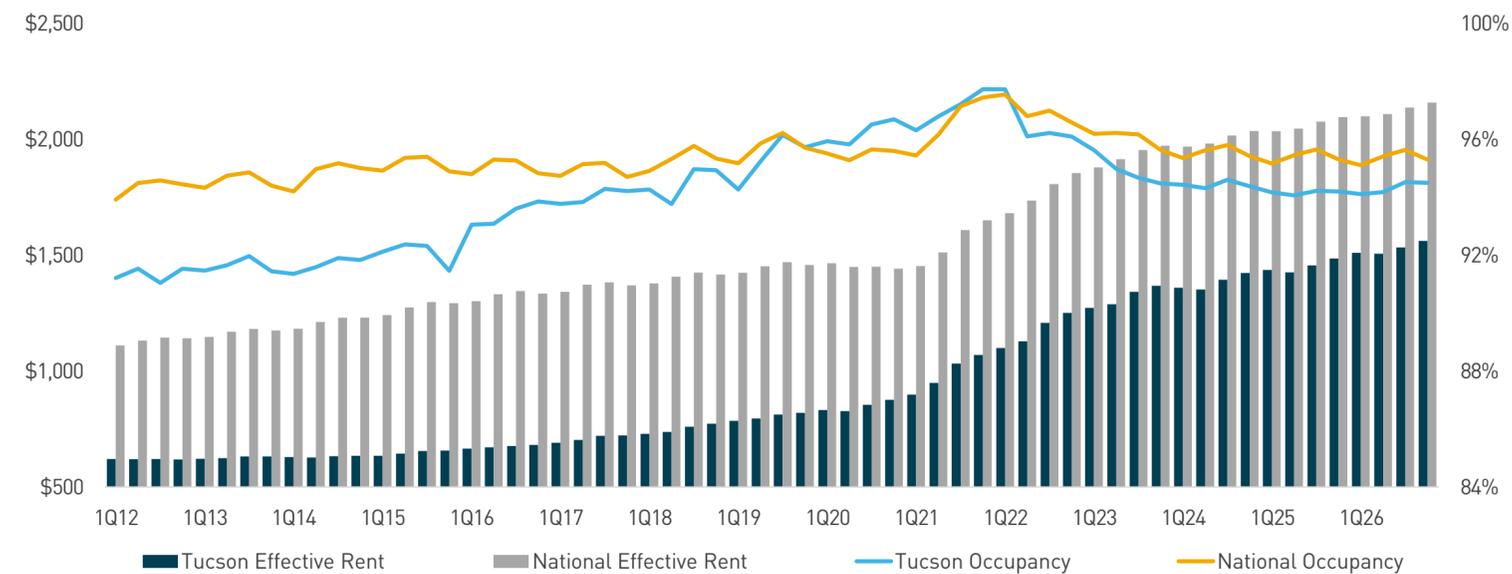
Operators in the Tucson metro area recorded average occupancy of 96.1% in the second quarter of 2022, down 70 basis points from one year earlier. The downturn in

the occupancy rate occurred as net absorption fell in the second quarter of 2022. A combination of factors spurred the decrease in apartment leasing activity. These factors included lower apartment demand as the local job market neared full employment, the rush of some homebuyers to lock in interest rates to beat further interest rate increases, and competition from the large selection of single-family rentals in the metro area. In the near term, however, apartment demand is expected to resume, as the net in-migration of over 54,800 new residents is expected in the metro area through 2027.

## Submarket Performance

SUBMARKET NAME	2Q22 OCCUPANCY	YOY (BPS)	2Q22 EFFECTIVE RENT	YOY
Airport/Drexel Heights/Sahuarita	97.4%	160	\$968	22.9%
Casas Adobes/Oro Valley	95.9%	-130	\$1,438	16.3%
Catalina Foothills	95.8%	-130	\$1,320	21.8%
Central Tucson/University	96.3%	-20	\$1,004	17.5%
East Central Tucson	96.4%	-50	\$974	17.7%
Southeast Tucson	96.1%	-80	\$1,108	22.0%
West Tucson	94.8%	-220	\$1,213	19.4%

## Tucson vs. National Effective Rent & Occupancy



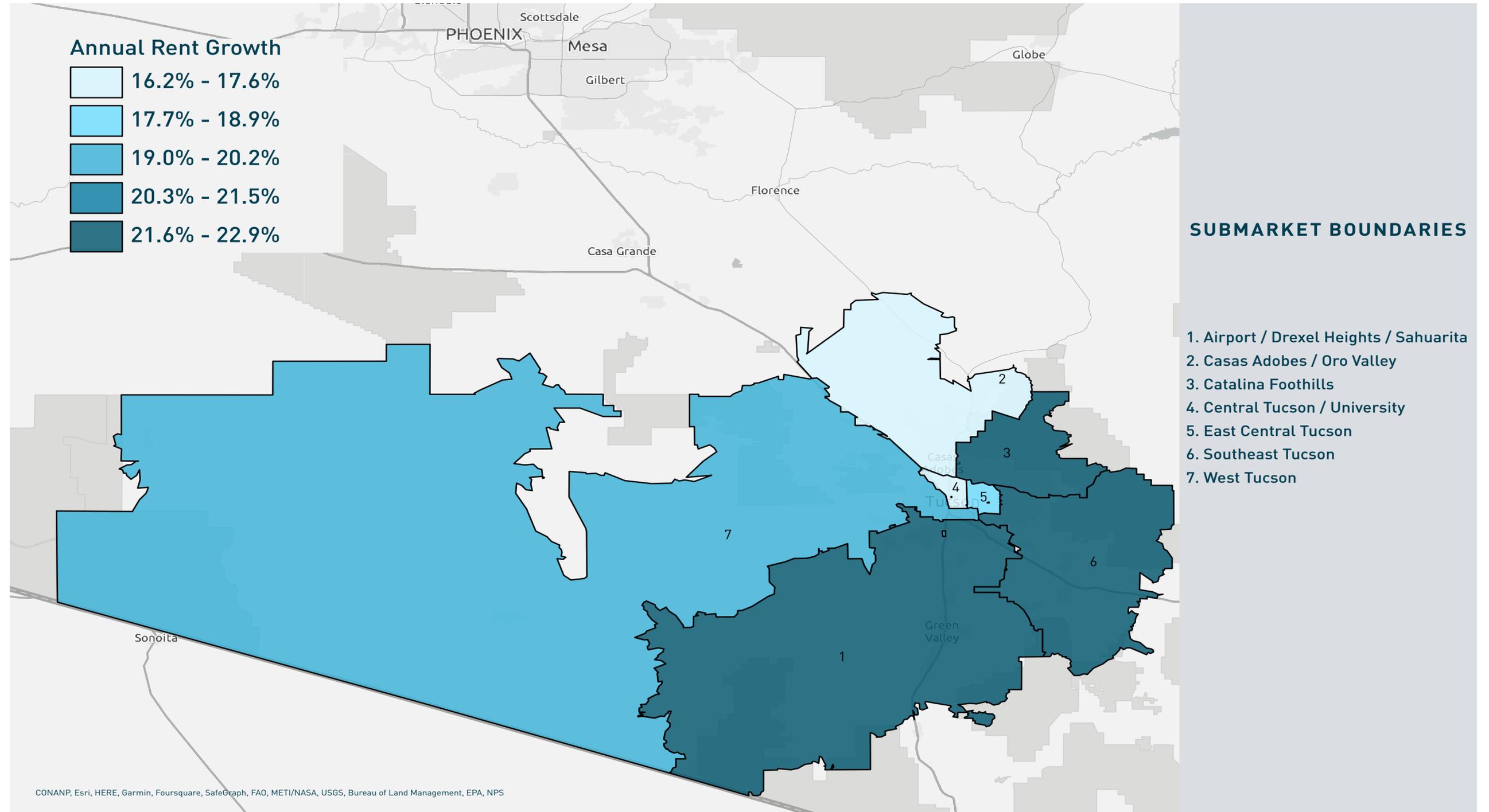
Source: RealPage



## TUCSON, AZ

# SUBMARKET ANNUAL RENT CHANGE

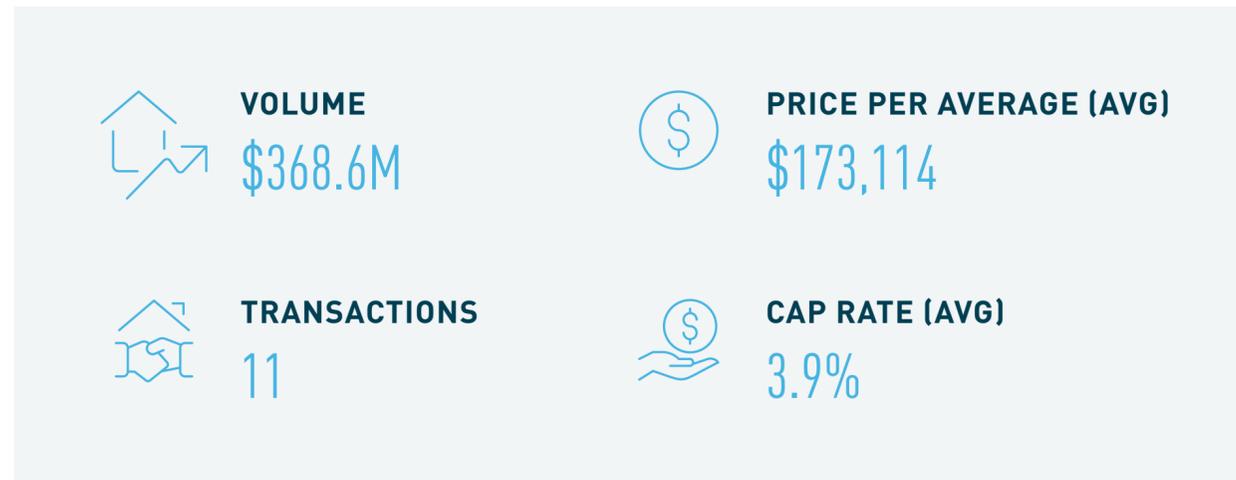
The greatest year-over-year rate of rent growth—exceeding 20%—occurred in three neighboring submarkets: Catalina Foothills, Southeast Tucson, and Airport/Drexel Heights/Sahuarita. The three submarkets offer unique types of desirability that fueled their rent growth. The Catalina Foothills submarket has the second-highest rent among the seven submarkets in the metro area. This fact is due largely to its desirability. The Airport/Drexel Heights/Sahuarita submarket appeals to renters on a budget, offering the lowest average effective rent in the metro area, even after the 22.9% annual rent increase. Dining and shopping destinations in the metro's core are also a short drive from the Airport/Drexel Heights/Sahuarita submarket. The Southeast Tucson submarket is the choice of many renters for its easy access to major employers that include Tucson Medical Center, the UA Tech Park, and Amazon.com Inc.



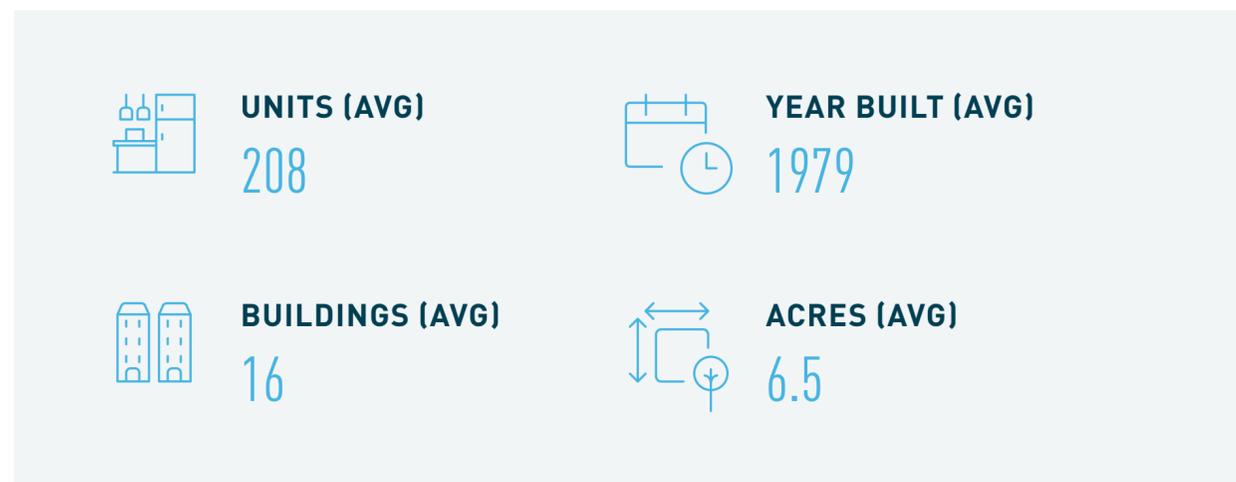


# TUCSON, AZ SALES

2022 Year to Date\*



What's Trading?\*



Source: Real Capital Analytics  
\*\$10m+

Top Buyers\*\*

BUYER	LOCATION
Cortland	Atlanta, GA
Bridge Investment Grp	Sandy, UT
Thayer Manca Res	Bellevue, WA
Western Wealth Capital	North Vancouver, British Columbia, CAN
Greenwater Investments	Coral Gables, FL

Top Sellers\*\*

SELLER	LOCATION
Monarch	Franktown, CO
HSL Properties Inc	Tucson, AZ
Weidner Apt Homes	Kirkland, WA
Element Property Company	Los Angeles, CA
Northland Investment Corp	Newton, MA

\*\*Past 24 Months

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Sources: RealPage; Moody's Analytics; Real Capital Analytics

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