



MARKET AT A GLANCE



**OCCUPANCY RATE** **94.4%**  
Up **40 bps** since 3Q16



**ASKING RENT** **\$734**  
Up **4.0%** since 3Q16

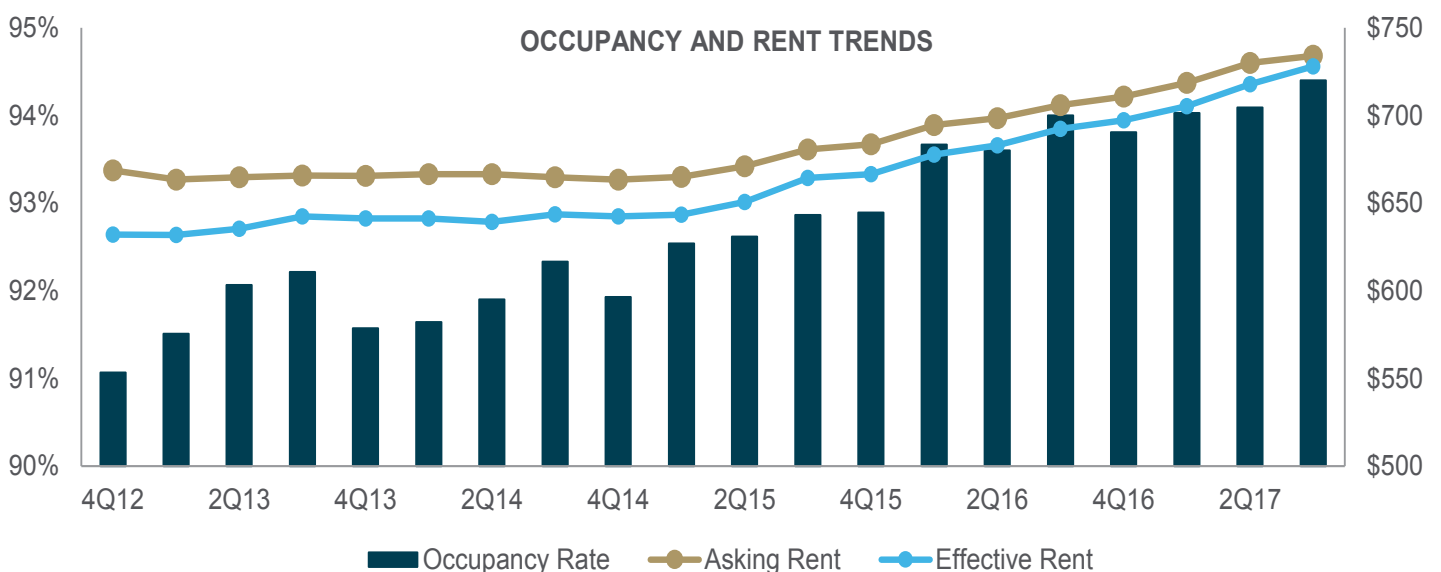


**CONCESSIONS** **0.8%**  
Down **100 bps** since 3Q16

OCCUPANCY AND RENT TRENDS

EFFECTIVE RENT RISES 5.2% ANNUALLY AS OPERATORS TRIM CONCESSIONS

Annual apartment deliveries and absorption through September of this year were down compared to the same period in 2016, though remained positive and reflected the upbeat local economic environment. Multifamily builders delivered 300 units during the last 12 months, all among two developments that were completed: the 368-unit Encantada at Tucson National community in northwest Tucson and the 228-unit Canyons at Linda Vista Trail community in Oro Valley. Leasing activity in the metro area outpaced deliveries by a wide margin as net apartment absorption totaled 745 units. Nearly 50% of metrowide absorption occurred in the North/Northwest Tucson submarket. Over the last 12 months, occupancy across the metro area rose 40 basis points to 94.4% in September. Average asking rent reached \$734 per month, a 4.0% year-over-year gain. Operators reduced renter incentives amid the sustained apartment demand. Since the third quarter of 2016, concessions fell 100 basis points to an average of 0.8% of asking rent. This reduction resulted in a 5.2% annual increase in effective rent to \$728 per month.



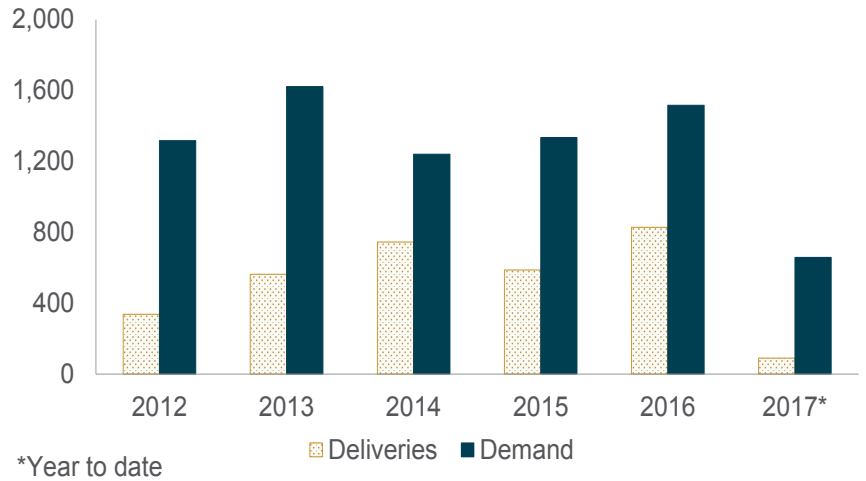
**DELIVERIES AND DEMAND**



**DELIVERIES** 90  
Units YTD



**NET ABSORPTION** 658  
Units YTD



**ECONOMIC TRENDS**

2016 **UNEMPLOYMENT\*** 2017  
4.7% ..... **-10 BPS CHANGE** ..... 4.6%

2016 **EMPLOYMENT\*** 2017  
373.0k ..... **0.6% CHANGE** ..... 375.2k

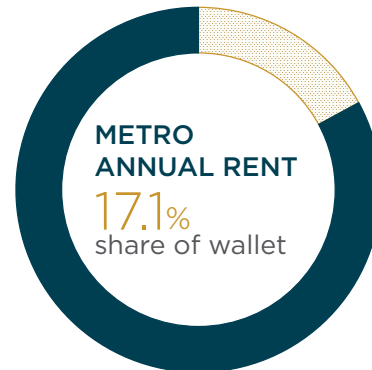
2016 **EXISTING SFH SALES\*\*** 2017  
19.2k ..... **8.9% CHANGE** ..... 20.9k

2016 **MEDIAN SFH PRICE\*\*** 2017  
\$191.6k ..... **10.7% CHANGE** ..... \$212.1k

2016 **10-YEAR TREASURY\*\*** 2017  
1.63% ..... **60 BPS CHANGE** ..... 2.20%

The metro's largest employment sector, government, expanded 2.0% in the 12-month period ending in August of this year as 1,500 positions were filled. Overall employment grew 0.6% annually as 2,200 workers were hired. The leisure and hospitality industry also experienced healthy growth, with 1,300 newly created jobs, a 2.9% year-over-year gain. The financial activities industry expanded at the same rate as companies added 500 workers. Rounding out the high-growth segments was the education and health services sector, where 900 workers were recruited, a 1.4% increase. The combined layoffs of 1,900 workers across four job sectors tamped down overall growth. The addition of hundreds of high-paying jobs among several companies in the near term is expected to substantially lift the local economy. These companies include Caterpillar Inc., Vector Space Systems, and World View Enterprises Inc. Additionally, hundreds of direct and indirect jobs will be created following the completion of the Ronstadt Transit Center in Downtown Tucson.

\*August; \*\*September



**SUBMARKET BREAKDOWN**

SUBMARKET NAME	OCCUPANCY		AVG RENT INCREASE		AVG RENT		NET ABSORPTION		DELIVERED UNITS	
	3Q16	3Q17	3Q16	3Q17	3Q16	3Q17	3Q17	ANNUAL	3Q17	ANNUAL
Catalina	94.2%	94.8%	4.6%	5.0%	\$754	\$792	18	33	0	0
Central Tucson/University-North	94.2%	94.6%	5.2%	1.8%	\$697	\$710	-9	57	0	0
East Tucson	91.8%	92.5%	11.4%	3.9%	\$600	\$623	45	72	0	0
Flowing Wells/West Tucson	94.3%	94.4%	6.8%	2.5%	\$663	\$679	51	11	0	0
North/NW Tucson	94.0%	94.4%	5.7%	4.4%	\$833	\$869	64	367	0	300
Pantano	93.7%	94.5%	4.1%	4.3%	\$660	\$688	-36	133	0	0
South/SW Tucson	93.3%	94.1%	5.3%	4.8%	\$584	\$612	-4	72	0	0
<b>TOTALS</b>	<b>94.0%</b>	<b>94.4%</b>	<b>5.7%</b>	<b>4.0%</b>	<b>\$706</b>	<b>\$734</b>	<b>129</b>	<b>745</b>	<b>0</b>	<b>300</b>



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