

# MARKETBEAT TUCSON

## Multifamily Q1 2024



YOY Chg 12-Mo. Forecast

**8.23%**  
Vacancy Rate



**365**  
New Deliveries, units



**\$1,182**  
Effective Rent, Per Unit



(Overall, All Property Classes)

### ECONOMIC INDICATORS Q1 2024

YOY Chg 12-Mo. Forecast

**402K**  
Tucson  
Employment



**4.1%**  
Tucson  
Unemployment Rate



**\$68.5K**  
Tucson Median  
Household Income



Source: BLS, Census Bureau  
Source: apartmentinsights.com

### Tucson Economy:

As we ended 2024's first quarter, the U.S. economy signaled continued resilience, with mixed expectations ahead. The narrative was bright for Tucson, where household income rose appreciably by 2.9% over the year, reaching \$68,500, playing a role in propelling consumer spending. Robust real GDP expansion of 3.1% nationally bolstered talk of a soft landing. Inflation, which had been steadily retreating, settled at a CPI increase of 3.0%, a notable deceleration versus the 5.7% posted a year earlier. Tucson's nonfarm employment charted moderate growth, with a 0.7% increase. Meanwhile, Tucson's unemployment rate ticked up negligibly to 4.1%, indicative of a stable labor market. Amid economic optimism and stable employment, Tucson mirrored the broader national trends toward sustained economic growth.

### Market Overview:

Tucson's apartment vacancy increased to 8.23% in Q1 2024, up 0.74% from Q1 2023. While this might prompt concern, significant progress was made in six of the submarkets, highlighting strength in specific regions. Inventory increased by 365 units, striving to match the strong demand for housing. However, Tucson's sales velocity slowed considerably in Q1, with only one sale recorded over 100 units. Conversely, ten multifamily sales transacted for properties sized between 5 and 100 units. The average price per unit for all sales in Q1 equated to \$181,212.

### Rents and Lease-up Duration:

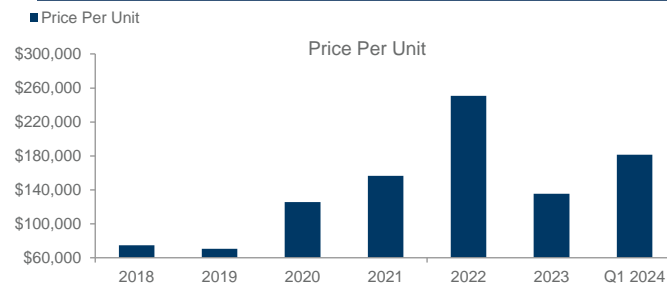
"The rental market in Tucson experienced a lull at the beginning of the year but has been steadily rebounding. Affordable renovated units remained in the highest demand. Setting appropriate unit prices is crucial. Many managers are opting to pause rent increases and prioritize the retention of high-quality tenants. Overall occupancy rates across the portfolio remained consistently high, hovering around the mid-90 % mark."

Michelle Goldberg, Fort Lowell Realty & Property Management

### Supply vs Demand:

In the first quarter of 2024, the market had one transaction occur for properties over 100 units. This trend is expected to continue as many owners and investors remain on the sidelines monitoring interest rates, the outcome of the presidential election, and the overall state of the economy. Demand continues to outweigh supply as properties taken to market receive multiple offers with strong terms. Assets in which the seller can provide Seller Financing have proven to demand significant demand and higher pricing and we expect this to continue throughout the remainder of the year.

### SALE PRICE PER UNIT



### OVERALL VACANCY & EFFECTIVE RENT



# MARKETBEAT TUCSON

## Multifamily Q1 2024



### MARKET STATISTICS

SUBMARKET*ex	INVENTORY (UNITS)	VACANCY RATE	YOY VACANCY RATE CHANGE	AVG EFFECTIVE RENT/UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH
Oro Valley/Catalina	2,615	7.46%	15.9%	\$1,589	\$1.65	1.32%
Northwest	8,851	7.11%	0.84%	\$1,442	\$1.55	-0.34%
Catalina Foothills	5,726	7.11%	18.70%	\$1,225	\$1.60	1.63%
Northeast	2,181	7.05%	-11.3%	\$1,462	\$1.51	0.47%
East	8,222	8.57%	9.10%	\$1,079	\$1.44	0.46%
North Central	8,256	8.69%	4.25%	\$1,009	\$1.46	2.77%
Flowing Wells	8,857	9.04%	3.5%	\$992	\$1.61	1.61%
Foothills	4,277	9.12%	33.99%	\$1,326	\$1.67	0.37%
University	4,511	5.15%	7.76%	\$1,185	\$1.88	-2.94%
South Central	6,602	8.40%	17.5%	\$1,041	\$1.59	7.30%
Pantano/Lakeside	5,412	10.32%	11.82%	\$1,085	\$1.53	1.38%
South/Airport	6,799	9.25%	20.86%	\$1,126	\$1.75	4.44%
Southwest	2,415	6.40%	-18.4%	\$1,103	\$1.51	2.8%
Southeast	1,257	6.17%	-33.72%	\$1,504	\$1.44	-4.87%
<b>Market</b>	<b>75,981</b>	<b>8.23%</b>	<b>8.99%</b>	<b>\$1,182</b>	<b>\$1.59</b>	<b>1.52%</b>

\*Submarket Marana excluded from report due to low inventory

Source: apartmentsights.com

### Financing:

“Reviewing loan production for the first quarter of 2024 was surprising when comparing it to the last five years of loan funding. Pima Federal Credit Union closed just north of 14mm in Q1 with eight transactions, six purchase requests and two refinances. This total production was only outpaced in volume and loan dollars in 2021, which was a staggering 22.44mm. Purchase requests showcase investors with demand in properties located near the University, and B class inventory. Cost of funds has impacted loan dollars; however, investors have adjusted their expectations for high LTV loans. Typically, down payments are around 40%, depending on the asset. Currently we have eight transactions in process for Q2, five are purchase money requests and three refinances. We anticipate an increase in refinance requests for the remainder of 2024, for the first time outpacing purchase requests. Inventory remains tight in Tucson, with little coming to market (or chatter of opportunities). Demand for multifamily remains high, however there is still a gap between seller expectations and buyer expectations. Tucson’s multifamily market fundamentals are strong. Its affordability compared to the Phoenix market is one of the key drivers. Affordability in conjunction with a limited supply leads to a more stable market.”

Robert Motz, Pima Federal Credit Union

### Outlook:

The outlook for the Tucson multifamily market remains neutral for the next two quarters. Positively, Blackstone made significant multifamily purchases to start 2024, which hopefully will trigger institutional companies to become more active. Cash does not seem to be the issue for most investor groups, but the overall perception of the market remains in a “wait and see” approach. The upcoming election, uncertainty with interest rates, and limited supply will continue to make 2024 a relatively stagnant market for larger assets. Sub 100-unit complexes will continue to see a slow, consistent pace of supply with offerings continuing to see significant interest.

### ALLAN MENDELSBERG

Multi-Family Team, Principal

+1 520 546 2721 / [amendelsberg@picor.com](mailto:amendelsberg@picor.com)

### JOEY MARTINEZ

Multi-Family Team, Principal

+1 520 546 2730 / [jmartinez@picor.com](mailto:jmartinez@picor.com)

### A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global real estate services firm that delivers exceptional value for real estate occupiers and owners. Cushman & Wakefield is among the largest real estate services firms with approximately 52,000 employees in 400 offices and 60 countries. In 2024, the firm had revenue of \$10.1 billion across core services of property, facilities and project management, leasing, capital markets, valuation and other services. It also receives numerous industry and business accolades for its award-winning culture and commitment to Diversity, Equity and Inclusion (DE), Environment, Social and Governance (ESG) and more. For additional information, visit [www.cushmanwakefield.com](http://www.cushmanwakefield.com) or follow @CushWake on Twitter.

*©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable. The information may contain errors or omissions and is presented without any warranty or representations as to its accuracy.*

[picor.com](http://picor.com) | [cushmanwakefield.com](http://cushmanwakefield.com)