

MARKET FUNDAMENTALS

	YOY Chg	12-Month Forecast
8.42% Vacancy Rate	▲	▼
1431 New Deliveries, units	▲	▼
\$1,186 Effective Rent, PSF	▬	▬

(Overall, All Property Classes)

ECONOMIC INDICATORS

Q3 2024

	YOY Chg	12-Month Forecast
403.4K Tucson Employment	▲	▲
3.3% Tucson Unemployment Rate	▼	▲
70.90K Tucson Median Household Income	▲	▲

Source: BLS, Census Bureau, apartmentinsights.com

ECONOMY:

As Q3 2024 concluded, Tucson's economy demonstrated significant achievements. The median household income rose by 4.7% year-over-year to \$70,900, boosting local consumer spending. The nonfarm employment sector expanded modestly by 0.2% year-over-year, reaching 403,400 jobs. Notably, Tucson's unemployment rate decreased to 3.3%, lower than the national rate of 4.2%, reflecting a tightening local labor market, while Tucson's population growth outpaced the national average, growing at 1.3% year-over-year, compared to the U.S. rate of 0.5%. This trend underscores Tucson's continued economic strength and resilience, signaling sustained growth and a stable employment environment.

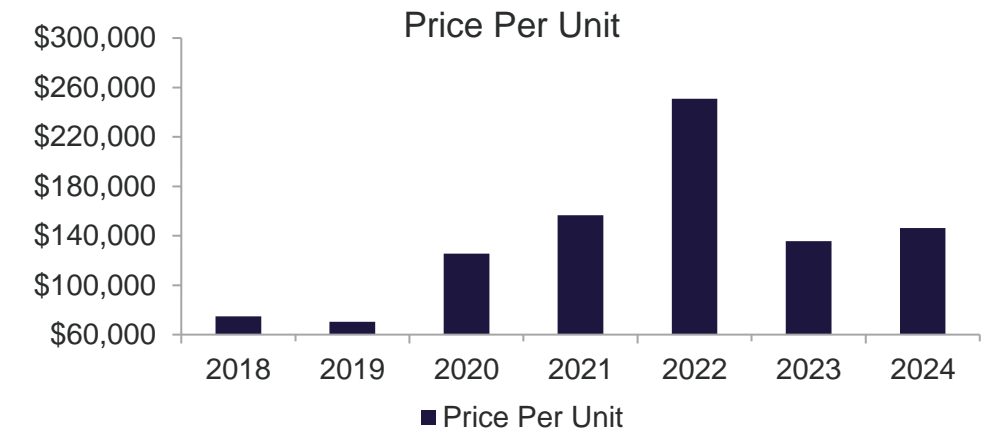
MARKET OVERVIEW:

Tucson's apartment vacancy decreased to 8.42% in Q3 2024, down 0.70% from Q2 2024. Highlighting continuous improvements, six of Tucson's 15 submarkets experienced improvements in vacancies. Inventory increased by 1,431 units showing the strong demand for housing. Market activity remained steady for properties under 100 units with most transactions receiving multiple offers. In Q3 2024, no transactions occurred for properties over 100 units. Which was anticipated following a considerable slowdown in sales of larger properties over the past year; as many owners and investors continue to monitor interest rates, the outcome of the presidential election, and the overall state of the economy.

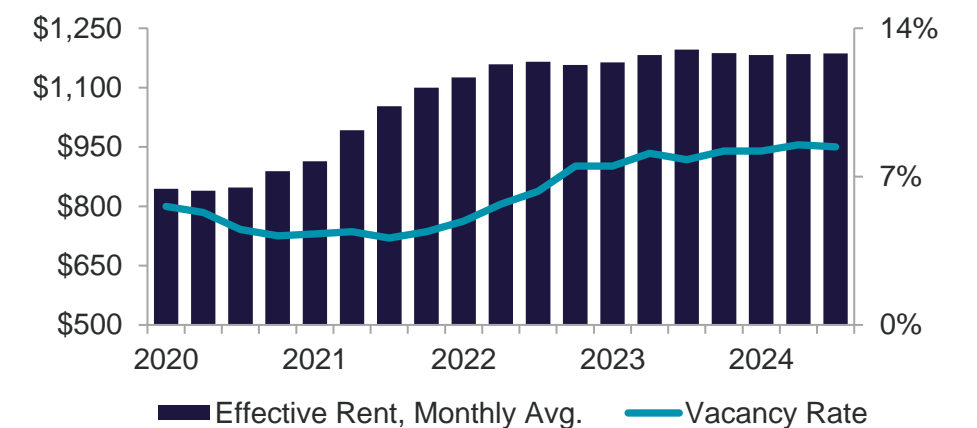
RENTS AND LEASE-UP DURATION:

This time of the year Tucson slows down with prospects searching for rentals. The units that on the market need to have a strong marketing strategy, materials and, show well when prospects tour. Every tour counts and there is typically more product available this time of year for prospects to be more selective. We have seen prospects looking for value and trying to keep their budget in line for housing due to the current economy. Retention is key and keeping increases within line of the current market. There are still pockets of Tucson that are looking for renovated units at a premium value.

SALE PRICE PER UNIT



OVERALL VACANCY & EFFECTIVE RENT



Source: (Add 3rd party data source if applicable)

MARKET STATISTICS

SUBMARKET	INVENTORY (UNITS)	VACANCY RATE	YOY VACANCY RATE	AVG EFFECTIVE RENT / UNIT	AVG EFFECTIVE RENT PSF	YOY % EFFECTIVE RENT GROWTH0
Oro Valley/Catalina	2,615	9.70%	31.64%	\$1,620	\$1.68	2.53%
Northwest	9,439	8.04%	9.57%	\$1,429	\$1.53	-1.98%
Catalina Foothills	5,726	7.16%	-9.70%	\$1,264	\$1.65	-1.25%
Northeast	2,181	7.80%	-10.44%	\$1,451	\$1.50	-3.07%
East	8,222	8.07%	-18.97%	\$1,094	\$1.46	-2.75%
North Central	8,256	8.71%	4.24%	\$998	\$1.45	-0.39%
Flowing Wells	8,857	9.36%	6.73%	\$1,006	\$1.63	-0.49%
Foothills	4,477	7.20%	5.27%	\$1,319	\$1.66	-3.86%
University	4,838	8.88%	54.95%	\$1,195	\$1.90	-3.39%
South Central	6,602	9.44%	10.59%	\$1,031	\$1.56	3.00%
Pantano/Lakeside	5,412	9.14%	1.09%	\$1,097	\$1.54	0.82%
South/Airport	6,927	8.24%	10.55%	\$1,117	\$1.73	1.43%
Southwest	2,415	7.25%	-27.28%	\$1,118	\$1.53	2.50%
Southeast	1,577	7.22%	-13.73%	\$1,525	\$1.46	-4.62%
MARKET	77,540	8.42%	6.53%	\$1,186	\$1.56	-0.86%

*Submarket Marana excluded from report due to low inventory

Source: apartmentinsights.com

FINANCING:

“Third quarter of 2024 PFCU did not hit our targeted loan production; this was a first for our entire program history. While we closed 8 transactions, 6 of which were purchase request, our firms pricing could not complete with Agency debt and their new buy down program in conjunction with additional competition from Banks and Credit Unions reentering the market. Q3 of 2024 may be marked as the peak of interest rates, average interest rate for our closing July was 7.16%, Sept average interest rate was 6.41%. The Federal reserve peeling back the FEDSFUND by 50 bps created excitement in the lending community and investor community. This loosely translated to the 5-year CMT at 3.5% on 9/30/2024, compared to 4.44% as 07/01/2024. While I don’t have a crystal ball, I would state, we are in a downward trending interest rate environment. Average LTV ranged from 60.87% to 70.89% with an average advance rate of 65.16% for the purchase price. Underwriting challenges remain persistence, rent growth is endemic with concessions offered to attract new tenants, insurance cost, and a recent trend upward in vacancy. Quality inventory for Multifamily remains tight, with assets trading with multiple offers.”

Robert Motz, Pima Federal Credit Union

OUTLOOK:

The outlook for the Tucson multifamily market remains neutral for the third quarter. For current owners, maintaining effective management and retaining high-quality tenants will be crucial for sustaining strong asset performance in the face of prevailing challenges. Key factors such as the upcoming election, projected declines in interest rates, and limited supply will remain significant concerns for owners and investors alike. The market is expected to primarily feature supply from small to mid-sized complexes, while institutional investment is likely to gain traction in 2025 as existing debt matures.

Source: (BLS, Census Bureau, apartmentinsights.com)

ALLAN MENDELSBERG

Multi-Family Team, Principal

Tel: +1 520 546 2721 / amendelsberg@picor.com

JOEY MARTINEZ

Multi-Family Team, Principal

Tel: +1 520 546 2730 / jmartinez@picor.com

©2024 Cushman & Wakefield. All rights reserved. The information contained within this report is gathered from multiple sources believed to be reliable, including reports commissioned by Cushman & Wakefield (“CWK”). This report is for informational purposes only and may contain errors or omissions; the report is presented without any warranty or representations as to its accuracy.

Nothing in this report should be construed as an indicator of the future performance of CWK’s securities. You should not purchase or sell securities—of CWK or any other company—based on the views herein. CWK disclaims all liability for securities purchased or sold based on information herein, and by viewing this report, you waive all claims against CWK as well as against CWK’s affiliates, officers, directors, employees, agents, advisers and representatives arising out of the accuracy, completeness, adequacy or your use of the information herein.