



ECONOMY:

Tucson's economy ended 2025 on stable footing, even as national and local labor markets cooled. Median household income continued to rise, supporting consumer activity, while some Q4 statistics were delayed by the fall federal government shutdown, obscuring a full real time read. National unemployment reached about 4.6 percent by November, it's highest in four years, and Tucson's rate drifted into the mid 4 percent range but remained near its long run average and below many peer metros. For Southern Arizona, slower hiring and higher borrowing costs were balanced by steady population gains and ongoing investment in logistics, manufacturing, and energy projects, setting the stage for gradual growth as conditions normalize in 2026.

MARKET OVERVIEW:

Tucson's multifamily market demonstrated an increasingly cooling trend across the region. Vacancy rose to 9.56% driven by a measurable expansion in available units across multiple submarkets, with Southeast Tucson posting the highest vacancy (14.23%). C and D class assets faced difficulty in maintaining occupancy in a more competitive leasing environment. Investment activity remained slow, as buyers and sellers showed a continued struggle to bridge pricing expectations; valuations continued to trend downward with conservative underwriting standards. Average pricing declined to \$96,992 per unit and \$148.74 per square foot, reflecting ongoing downward pressure on values. The average built year for properties traded this quarter was 1983, reflecting investor focus on older, value-add assets.

RENTS AND LEASE-UP DURATION:

Vacancy continued to trend higher, creating increased competition among properties and a more tenant-driven leasing environment. Average rents declined to \$1,130 per unit with concessions climbing to \$61 per unit—the highest incentives offered in more than fifteen years—highlighting the increased pressure on owners to attract new residents and retain current ones. Leasing performance became uneven across the market, with properties slower to adapt facing longer lease-up times and greater incentives. At the same time, operating costs increased, particularly for insurance, maintenance, and utilities, placing additional strain on margins. In this environment, disciplined expense management and proactive asset strategies are increasingly critical for preserving long-term 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 Growth
Oro Valley/Catalina	2,615	8.90%	0.45%	\$1,476	\$1.49	-8.38%
Northwest	9,633	8.89%	16.76%	\$1,354	\$1.45	-3.42%
Catalina Foothills	5,727	7.93%	14.63%	\$1,183	\$1.54	-3.74%
Northeast	2,181	6.64%	4.52%	\$1,408	\$1.45	-1.47%
East	8,222	8.50%	-4.92%	\$1,025	\$1.37	-5.44%
North Central	8,256	10.80%	21.30%	\$948	\$1.38	-3.27%
Flowing Wells	8,824	10.30%	7.67%	\$950	\$1.52	-4.90%
Foothills	4,677	9.86%	-3.14%	\$1,338	\$1.58	0.90%
University	4,745	8.15%	2.33%	\$1,141	\$1.91	-2.31%
South Central	6,621	11.72%	18.43%	\$956	\$1.44	-5.81%
Pantano/Lakeside	5,412	9.36%	-1.58%	\$1,016	\$1.43	-7.38%
South/Airport	7,028	10.11%	26.51%	\$1,139	\$1.73	-2.57%
Southwest	2,415	8.74%	22.88%	\$1,038	\$1.42	-5.98%
Southeast	1,577	14.23%	44.83%	\$1,497	\$1.44	-0.99%
MARKET	78,317	9.56%	11.82%	\$1,130	\$1.48	-4.07%

*Submarket Marana excluded from report due to low inventory

Source: apartmentinsights.com

FINANCING:

"In Q4 2025, Tucson multifamily lending improved incrementally as market volatility cooled and more lenders leaned back in. The Fed's December 25-bps cut helped reinforce a steadier rate backdrop, with the 10-year Treasury closing the year around the low-4% range. Credit unions and banks remained the workhorse capital for stabilized deals, typically pricing over the 5-year treasury for more aggressive rates in the high 5's to low 6's. Value-add opportunities had been split between a handful of strong relationship-based banks and credit unions, and lower cost, hyper competitive debt funds. As debt funds price closer to conventional debt, the differentiator becomes structure – recourse, reserves, extension fees, cash management, and exit tests. For serious, sophisticated borrowers, surgically aligning the debt to the deal is critical to increasing probability of investment success. Tucson's long-term demand story remains supported by the UA and the I-10 corridor, with overall continued lender optimism."

- Matthew Poulton, 520-202-0672, Debt Broker

OUTLOOK:

As we closed the book on 2025, the Tucson multifamily market demonstrated notable resilience amid an uneven economic backdrop. Transaction volume increased in Q4, with many buyers positioning themselves ahead of Q1 2026 to complete 1031 exchanges. The market largely adjusted to new norms, including flatter rent growth projections, modestly higher cap rates, and rising insurance costs. On the financing front, growing optimism around potential interest rate reductions improved investor sentiment. Even a modest downward trend in rates could meaningfully increase investment inventory while simultaneously attracting a fresh wave of capital ready to transact. Property managers, however, express concern around longer rental lead times, extended vacancy periods, and slower lease-up velocity. As a result, concessions and tenant retention strategies will be key themes in the coming quarters.

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

A CUSHMAN & WAKEFIELD RESEARCH PUBLICATION

Cushman & Wakefield (NYSE: CWK) is a leading global commercial real estate services firm for property owners and occupiers with approximately 52,000 employees in nearly 400 offices and 60 countries. In 2024, the firm reported revenue of \$9.4 billion across its core services of lines of Services, Leasing, Capital markets, and Valuation and other. Built around the belief that Better never settles, the firm receives numerous industry and business accolades for its award-winning culture. For additional information, visit www.cushmanwakefield.com

©2025 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.