TUCSON

QUARTER 2, 2026

CUSHMAN & WAKEFIELD | PICOR

THOUGHTS FROM THE MULTI-FAMILY MARKET

C&W | PICOR's Thoughts

"The third quarter of 2025 reflected continued stability in Tucson's multifamily sector, with minimal shifts in overall market dynamics. Transaction velocity remains elevated, supported by sustained investor demand that continues to exceed available supply, particularly for well-located, stabilized assets. On the rental front, operators have increasingly relied on concessions to maintain occupancy, signaling softening tenant demand and heightened competition among properties. Renewal rates remained relatively flat, though many owners report extended lease-up periods and increased marketing costs for vacant units. Financing conditions remain consistent, characterized by conservative underwriting and moderate leverage requirements. Market performance remains highly segmented by location: core and infill submarkets continue to demonstrate pricing resilience and strong absorption, while peripheral areas face slower rent growth and reduced investor interest. Absent significant shifts in capital markets or employment growth, these trends are expected to persist through year-end 2025."

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"The third quarter of 2025 saw a healthy amount of market activity across Tucson's small to mid-sized multifamily sector. Demand remains solid for well-priced assets, particularly those in stronger locations. Properties in less desirable areas continue to feel the pressure from higher vacancy rates, increased turnover costs, and ongoing crime and homelessness issues. The leasing market remains slow and fairly stagnant, though owners willing to offer concessions or modest rent reductions are seeing noticeably stronger absorption than those holding firm on market rents. The Fed's announcement of expected rate cuts over the next 12–24 months has sparked renewed interest from buyers who had been sitting on the sidelines. That said, we anticipate the usual seasonal slowdown after Thanksgiving as many investors pause activity through the holidays. Insurance continues to be a major headwind for transactions, particularly for properties over 25 years old — which make up the bulk of Tucson's small to mid-sized multifamily inventory. Premiums remain elevated, often creating challenges in both underwriting and closing deals. "

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Lender's Thoughts

"In Q3 2025, Tucson's multifamily market remained active, with purchase transactions ranging from stabilized assets to value-add opportunities, and student housing. Loan-to-cost ratios continued to improve, averaging 67.33%. Cap rates remained consistent from Q2, while interest rates showed signs of softening following a 25-basis point cut to the Fed Funds rate—which the treasury markets adjusted prior to the announcement. Pima Federal Credit Union is currently pricing multifamily loans in the mid-to-high 6% range, depending on origination fees and fixed-rate terms. Underwriting challenges persist, particularly in securing insurance coverage at reasonable premiums. Despite these headwinds, Tucson's fundamentals remain strong, supported by the I-10 corridor, the University of Arizona, and the potential $3.6 billion Project Blue data center. "

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Appraiser's Thoughts

"For Q2 2026, Tucson's multifamily market is expected to continue its slow but steady pace, with modest sales activity, stable rental rates, and vacancy remaining relatively flat after peaking in 2025. Elevated borrowing costs, persistent inflation, rising insurance premiums, and the narrow spread between lending rates and cap rates continue to challenge acquisitions, driving increased use of seller financing, loan assumptions, 1031 exchanges, and all-cash transactions. Despite these headwinds, the market is supported by favorable tax policies for apartment owners, major employment growth from projects such as American Battery Factory, Copper World, and Mosaic Quarter, and the high cost of new development, which should continue to support the long-term value of existing assets. While more than 3,600 units remain under construction and approximately 4,000 are in the planning pipeline, Tucson is not expected to become overbuilt. Looking ahead, investors should continue monitoring risks including federal workforce reductions, reduced funding for affordable housing, potential declines in international student enrollment, a softening labor market, and broader uncertainties surrounding immigration policy, affordability, government regulations, and long-term water availability."

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Manager's Thoughts

"The Tucson multifamily market continues to show signs of stabilization as renter demand absorbs much of the new inventory delivered over the past several years, leading to improving vacancy, though levels remain above historical norms. As a result, competition for qualified residents remains strong, with the best-performing communities focusing on resident retention, responsive management, and competitive pricing. Rent growth has remained modest, making strategic pricing and maintaining occupancy more important than aggressively pursuing rent increases. At the same time, rising operating expenses—including insurance premiums, maintenance, utilities, and property taxes—continue to pressure owners' bottom lines, placing greater emphasis on proactive budgeting, operational efficiency, and disciplined expense management to achieve long-term success."

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