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TUCSON

MULTIFAMILY MARKET REPORT | MID-YEAR

2025

Jobs Added / Lost

LAST 12 MONTHS
4,400

1.1% YOY

Unemployment

JUNE 2025
4.2%

70 BPS YOY

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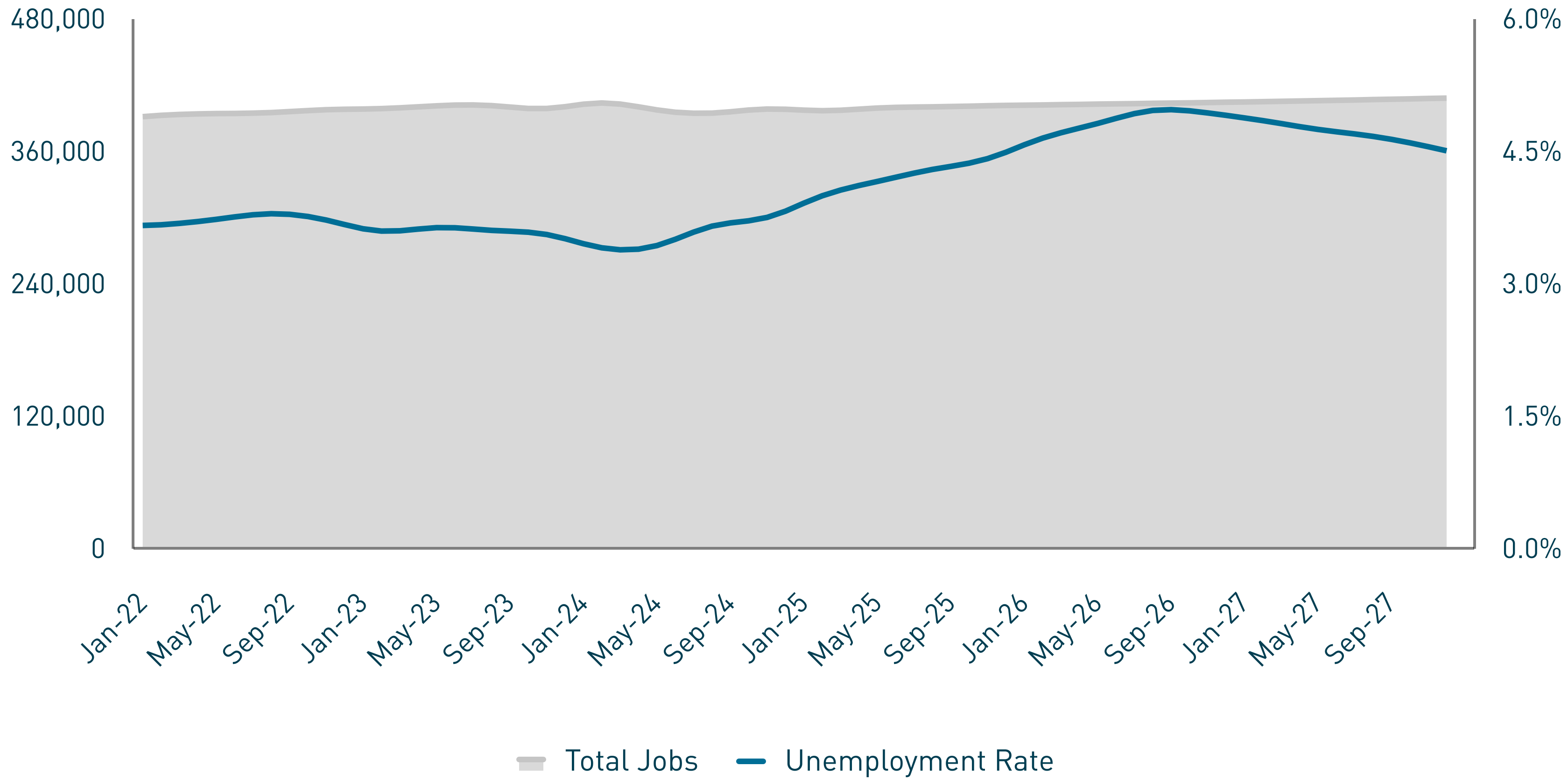
Source: Moody's Analytics

Employment

After the pandemic, Tucson experienced higher-than-average net in-migration, driven by both domestic movers seeking a lower cost of living compared to Metro Phoenix and retirees coming for warm weather and views of the Sonoran Desert. In 2024, nearly 12,400 more residents settled in Tucson than left, marking a 14% increase from the previous year. Although projected net in-migration is more moderate for 2025, with approximately 8,220 new residents, it remains more than double the annual average from 2010 to 2019. The growing and aging population, coupled with a shortage of medical staff, spurred employment growth in Metro Tucson over the past year ending in June 2025. The private education and healthcare sector contributed 50.7% of the new positions, with 3,400 jobs, representing a 4.8% increase from the previous year.

Healthcare employers drove this growth, with ambulatory care centers creating the most jobs. Several outpatient clinics opened during the year, including Enova Collaborative Health's behavioral clinic and Archwell Health's two centers for adults aged 60 and over. Hospitals created around 700 new positions. Tucson Medical Center officially began services at their new Rincon campus in August 2024 to accommodate patients in Southeast Tucson. The acute-care hospital opened with 29 beds and plans to expand to 50 beds. The leisure and hospitality sector also had a substantial increase of 1,400 jobs over the past year. Overall, 4,400 net new jobs emerged in the metro area between June 2024 and 2025, representing a 1.1% year-over-year increase.

Employment Trends



Source: Moody's Analytics

In the News

Mosaic Quarter set to transform Tucson sports scene
[Read More]

Schnitzer Properties investing $73M for two Tucson industrial projects
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ADOT begins $600M I-10 widening
[Read More]

Deliveries & Absorption

2025 Year to Date

DELIVERIES
754 UNITS

ABSORPTION
1,384 UNITS

2025 Total*

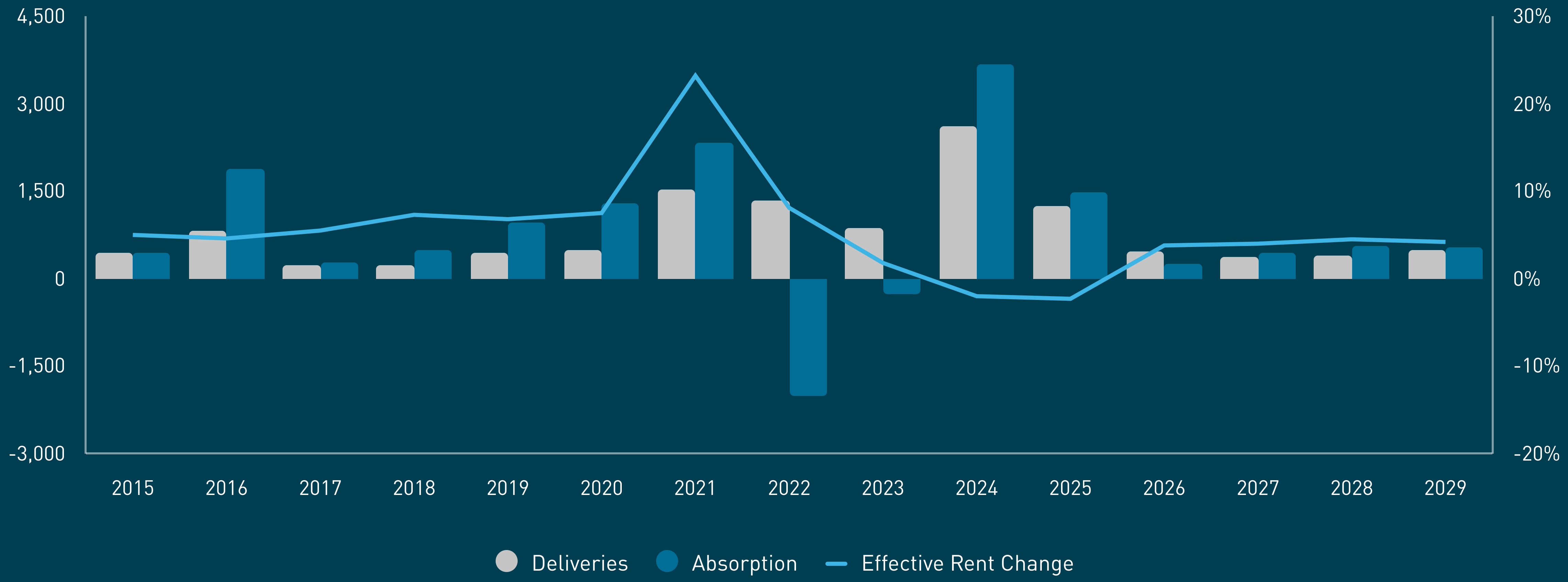
DELIVERIES
1,239 UNITS

ABSORPTION
1,490 UNITS

**Projected*
Source: RealPage

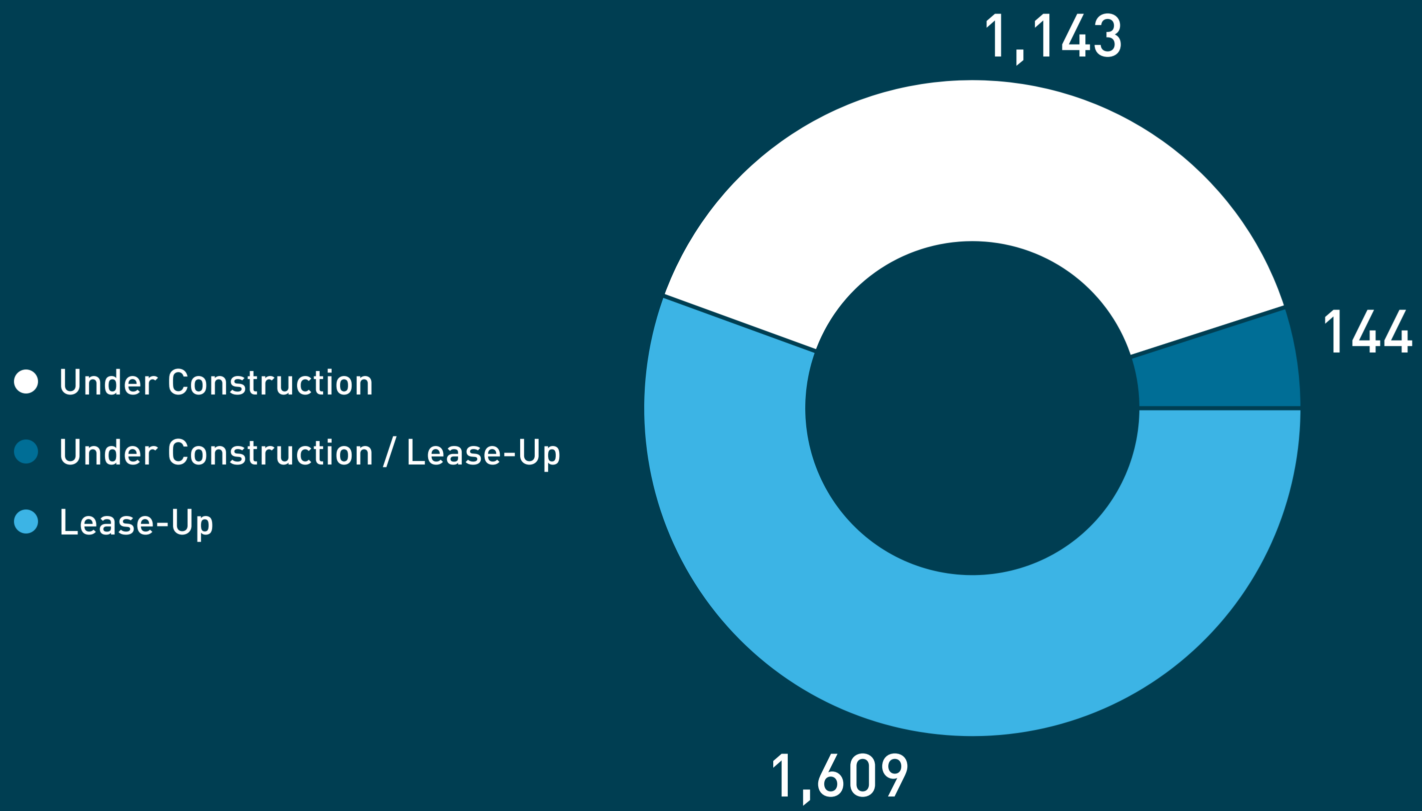
An influx of new residents and increased household formation boosted demand for apartments in Metro Tucson. In 2024, household formation increased 30 basis points from 2023, outpacing population growth. This trend is expected to continue through 2025 with a 10-basis-point increase in household formation year over year. Renters likely felt more confident establishing new leases on their own or with fewer housemates given more affordable rents than they had seen in the past two years. Annualized net absorption reached 4,091 net move-ins since mid-2024, up 229.9% from the year prior. The Casa Adobes/Oro Valley submarket accounted for 39.5% of net move-ins, with over 1,600 in the 12 months that ended in June 2025—over four times higher than the previous year. Developers recognized the demand for apartments in this area, as operators in this submarket recorded a 10.1% inventory increase year over year. The 1,329 units that came online represented 55.4% of the market total over the past year. Casa Adobes and Oro Valley are highly sought-after, upscale areas, particularly among the 55-and-over community. The median home sales price across the metro increased 7.1% between the second quarter of 2024 and 2025, additionally, the Casa Adobes/Oro Valley area already has higher home prices than the rest of the metro, making renting the most affordable option for many people who want to live there.

Deliveries, Absorption, & Effective Rent Change



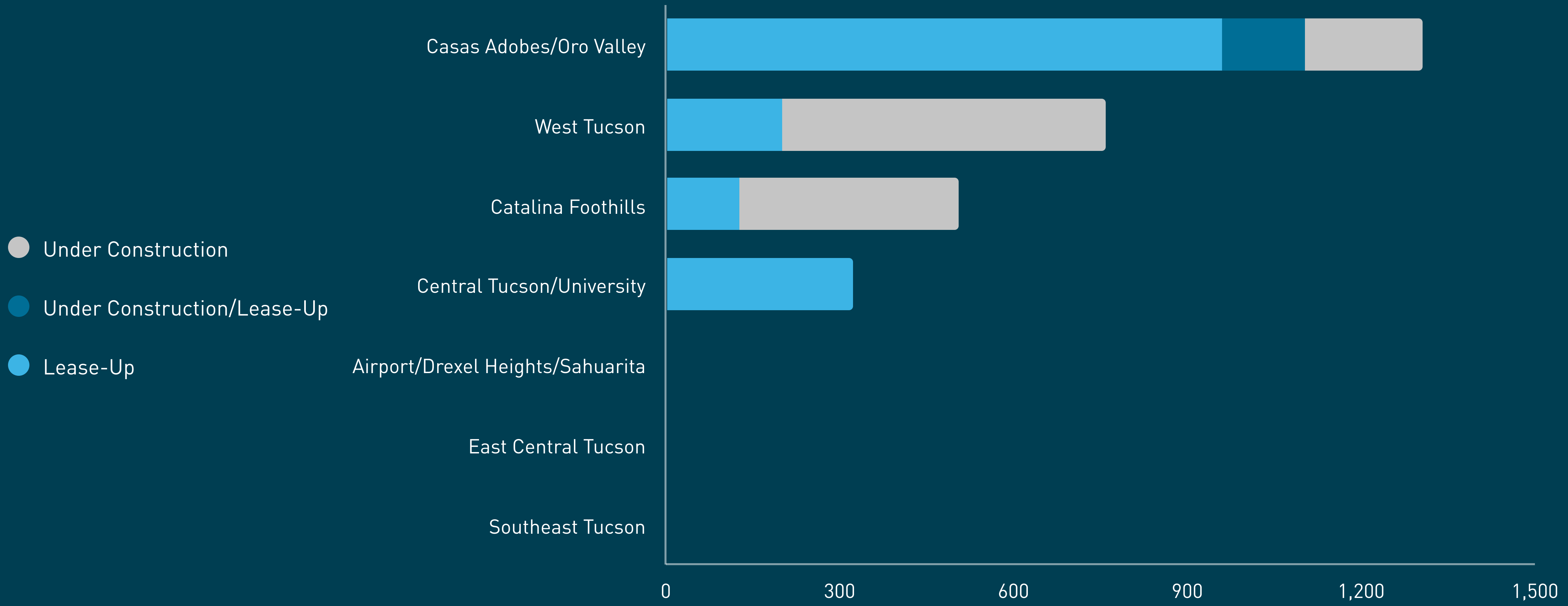
Source: RealPage

Tucson Pipeline



Source: RealPage

Submarket Pipelines



Source: RealPage

Effective Rent

Q2 2025
$1,174

1.3% YOY

Occupancy

Q2 2025
94.7%

210 BPS YOY

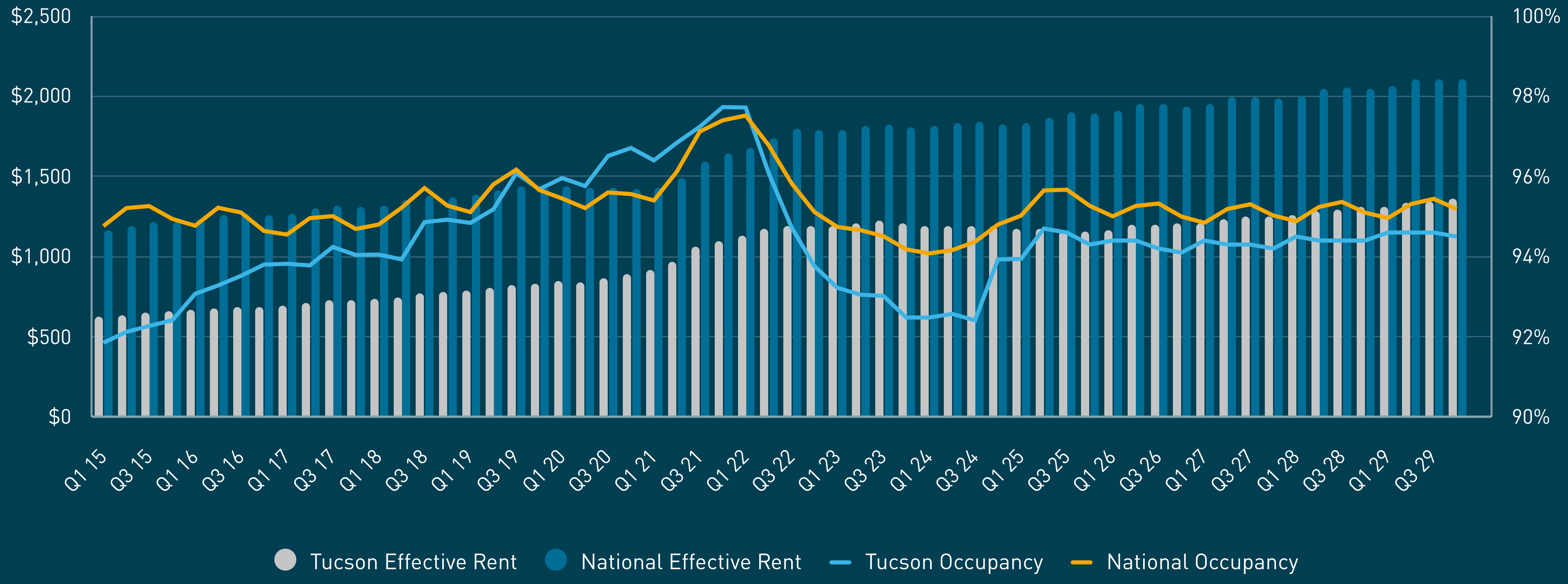
Source: RealPage

Rent & Occupancy

Between mid-2024 and mid-2025, a cooling pipeline and significant rise in renter demand led to increased apartment occupancy rates across all submarkets in Metro Tucson. As net move-ins outpaced new inventory, the metro's occupancy rate rose 210 basis points between mid-2024 and mid-2025 to 94.7%. This is the market's highest occupancy rate since the third quarter of 2022 and situated Tucson 20 basis points above the Phoenix market. With no new inventory delivered since 2022, East Central Tucson posted the largest annual occupancy gain among submarkets as renters absorbed 641 net units over the past 12 months. East Central Tucson's occupancy rate shot up 380 basis points year over year to 96.2%. The submarket appeals to renters because of its low rental cost, as it had the lowest effective rent, at $998, in the second quarter of 2025. Tucson is one of the most affordable major markets in Arizona, which is critical to maintain demand among college-age renters attending The University of Arizona and the service workers that underpin the local economy. Concessions for new leases reduced Tucson's average effective rent by 1.3% over the past year to $1,174 in the second quarter of 2025. However, the Airport/Drexel Heights/Sahuarita submarket defied the trend with a 3.6% annual rent increase to $1,085 in the second quarter. Occupancy growth in the submarket's Class A and Class B apartments contributed to this rise, with a notable 6.5% annual rent increase among Class B units significantly influencing the overall effective rent gain.

Effective rent and occupancy reflect stabilized properties and does not include preleased units or properties in lease-up. A newly constructed property is considered stabilized once it becomes 85% occupied.

Tucson vs. National Effective Rent & Occupancy



Source: RealPage

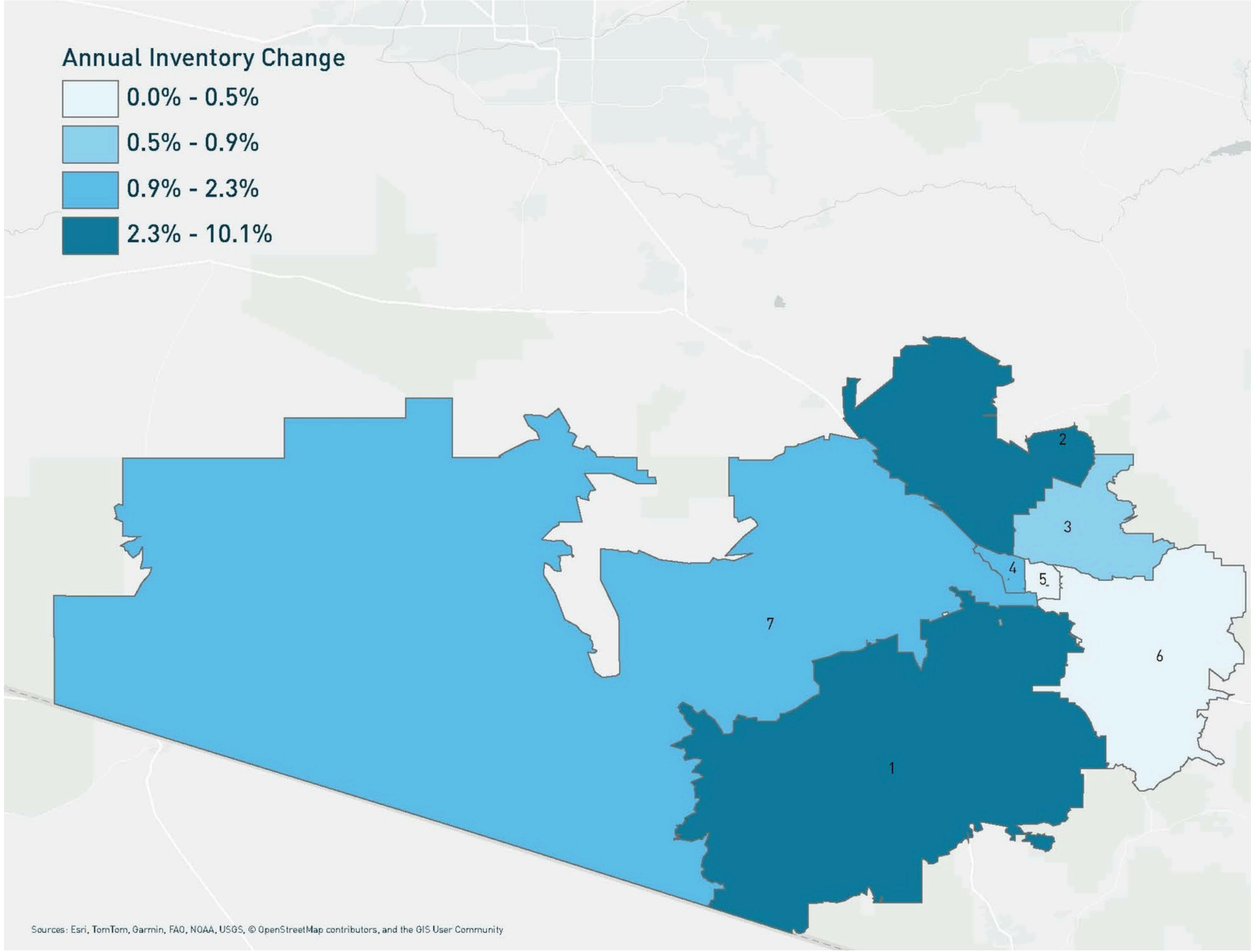
Rent & Occupancy

Submarket Performance

Submarket Name	Q2 25 Occupancy	YOY (BPS)	Q2 25 Effective Rent	YOY
Airport/Drexel Heights/Sahuarita	92.7%	30	$1,085	3.7%
Casas Adobes/Oro Valley	95.7%	260	$1,374	-2.6%
Catalina Foothills	96.3%	300	$1,281	-0.6%
Central Tucson/University	93.0%	170	$1,104	-2.0%
East Central Tucson	96.2%	380	$998	-3.6%
Southeast Tucson	94.0%	120	$1,079	-4.3%
West Tucson	93.9%	200	$1,280	0.9%

Source: RealPage

Submarket Mid-Year 2025 Annual Inventory Change

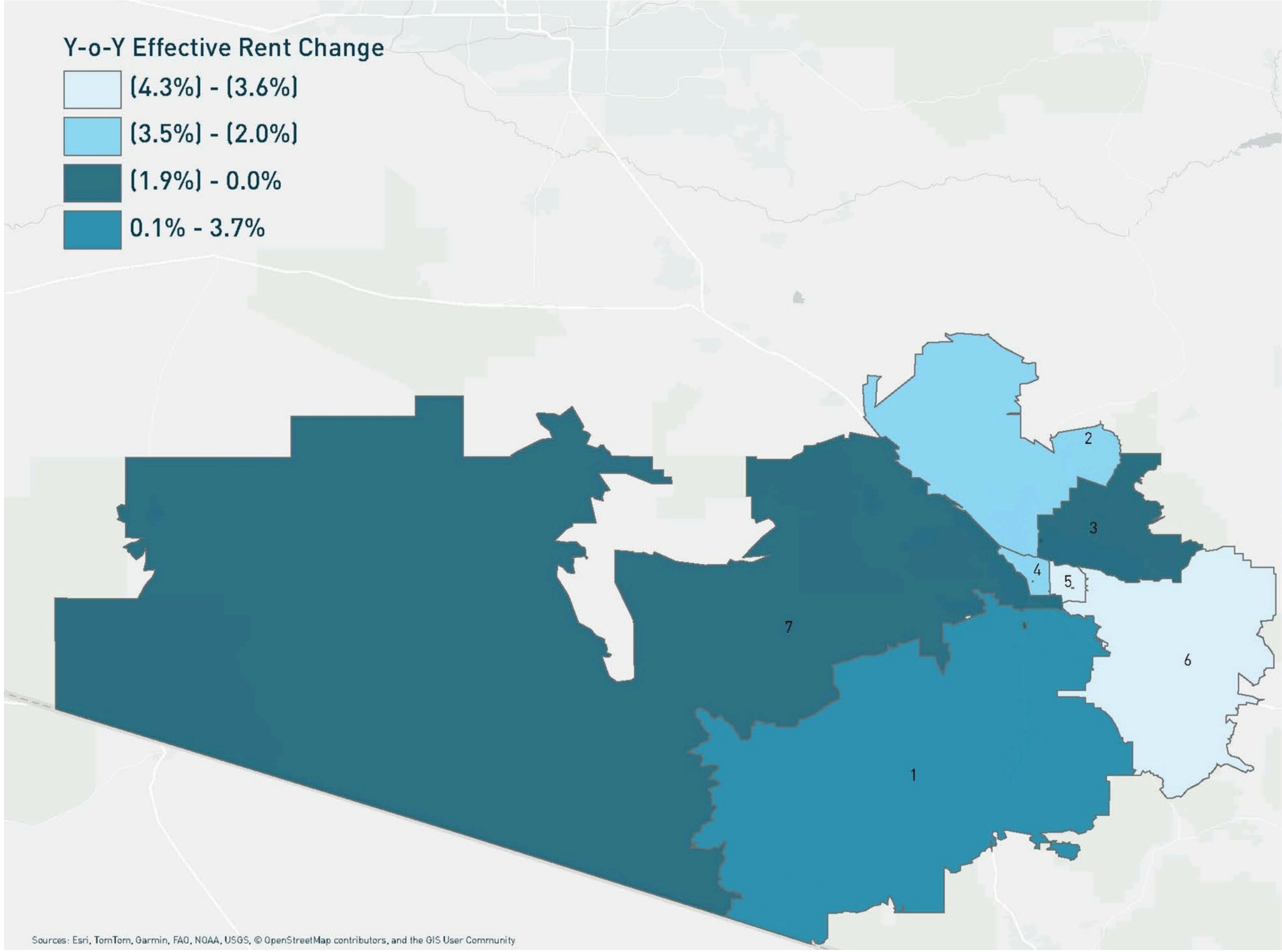


SUBMARKET BOUNDARIES

1. Airport / Drexel Heights / Sahuarita
2. Casas Adobes / Oro Valley
3. Catalina Foothills
4. Central Tucson / University
5. East Central Tucson
6. Southeast Tucson
7. West Tucson

Source: RealPage

Submarket Mid-Year 2025 Annual Effective Rent Change



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Source: RealPage

Sales

2025 Year to Date*		What's Trading?*	
Volume $142.3M	**Price Per Unit (Avg)** $134,670	**Units (Avg)** 137	**Year Built (Avg)** 1990s
Transactions 7	**Cap Rate (Avg)** 6.2%	**Buildings (Avg)** 12	**Acres (Avg)** 7.84

$2.5M+ Transactions

Sources: MSCI Real Capital Analytics; CoStar Group; Berkadia Research

Sales

Top Buyers*

Buyer	Location
MC Companies	Scottsdale, AZ
Olympus Property	Fort Worth, TX
Break of Day Capital	Manhattan Beach, CA
Pro Residential Services	Los Angeles, CA
Prime Capital Investments	Newport Beach, CA

Top Sellers*

Seller	Location
MC Companies	Scottsdale, AZ
Element Property Co.	Los Angeles, CA
Greystone & Co.	New York, NY
Manna Capital	Chicago, IL
M&L Financial	Castaic, CA

$2.5M+ Transactions

Sources: MSCI Real Capital Analytics; CoStar Group; Berkadia Research

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