

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **3,564**

UNITS DELIVERED (YTD) **378**

MARKET FUNDAMENTALS



VACANCY RATE **7.7%**

YEAR-OVER-YEAR CHANGE **-110bps**

ASKING RENTS **\$1,149**

YEAR-OVER-YEAR CHANGE **-0.6%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$140,900**

TUCSON MULTIFAMILY Q2 2026

MARKET INSIGHTS

Conditions improve ahead of supply

HIGHLIGHTS

- Multifamily operating conditions improved during the second quarter as rents climbed and the vacancy rate dropped. The pace of deliveries remained relatively light, with fewer than 400 units completed since the start of the year.
- The vacancy rate declined by 100 basis points during the second quarter, the greatest quarterly improvement since late 2020. Year over year, the vacancy rate is down 110 basis points to 7.7%.
- Asking rents increased during the second quarter to \$1,149 per month. Despite the quarterly gain, rents remained 0.6% below year-ago levels, as declines among Class C properties offset annual rent growth in both the Class A and Class B segments.
- Multifamily transaction volumes were elevated through the first half of the year, marking the most active start to a year since 2022. The median sale price increased nearly 18% from last year to \$140,900 per unit, while cap rates have continued to average around 5.5%.

TUCSON MULTIFAMILY MARKET OVERVIEW

The second quarter proved to be a period of improvement in the Tucson multifamily market, closing out a first half where the market gained ground. A surge in net absorption fueled the fundamental improvements. Net absorption across the market totaled 1,725 units in the first half, nearly tripling the market's long-term first-half average. Rents pushed higher in recent months, particularly across the market's limited Class A inventory and Class B properties. Class C rents are down compared to one year ago, but did record a slight uptick in recent months; Class C vacancies have also begun to trend lower, ending the second quarter at 8.2%, after topping 10% at the end of last year.

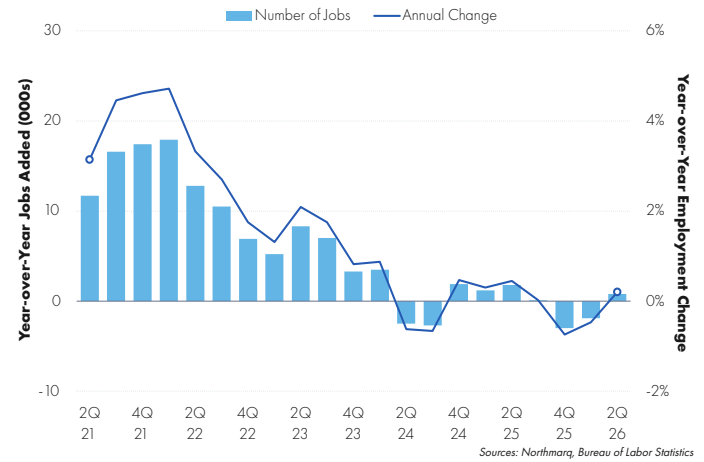
Despite a slowdown from the first quarter to the second quarter, investment activity in Tucson is ahead of the 2025 transaction pace and is up significantly from the very light volumes recorded in 2023 and 2024. Central Tucson and the East Side accounted for the majority of transactions, with each submarket capturing roughly one-third of total sales. Pricing has improved in 2026, with the median sale price increasing 18% year over year to \$140,900 per unit. To this point in 2026, transaction activity has been split almost evenly between Class B and Class C assets, with no Class A properties traded during the period. While a few properties built around 2000 changed hands at the beginning of the year, the bulk of the activity has occurred in properties that were delivered between 1965 and 1985. Cap rates have largely remained stable, matching averages recorded in both 2024 and 2025.

EMPLOYMENT

- The pace of new hires in Tucson has picked up in recent periods after total employment contracted during most of 2025. Year over year, employers in Tucson expanded payrolls 0.2% with the addition of 800 workers.
- The professional and business services sector had the greatest rate of growth in recent periods. In the past 12 months, employers in this sector have hired 1,400 workers, a 3.0% increase.
- Costco is developing a new store on Old Vail Road in Southeast Tucson. Set to open in 2027, the location is expected to create more than 300 jobs, including approximately 100 full-time positions.
- **FORECAST:** After the market recorded net employment losses in 2025, employers are on pace to add back to payrolls this year. In 2026, employers in Tucson are forecast to add 2,000 workers, a 0.5% annual increase.

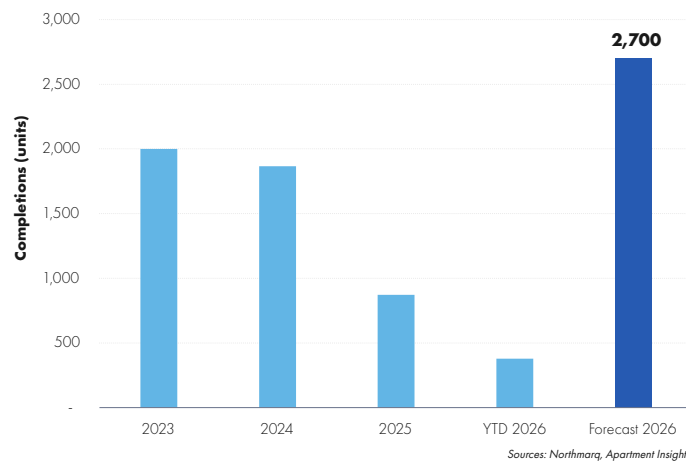
Employers in Tucson have expanded payrolls by 0.2%.

EMPLOYMENT OVERVIEW



Permitting activity has slowed in recent periods.

DEVELOPMENT TRENDS

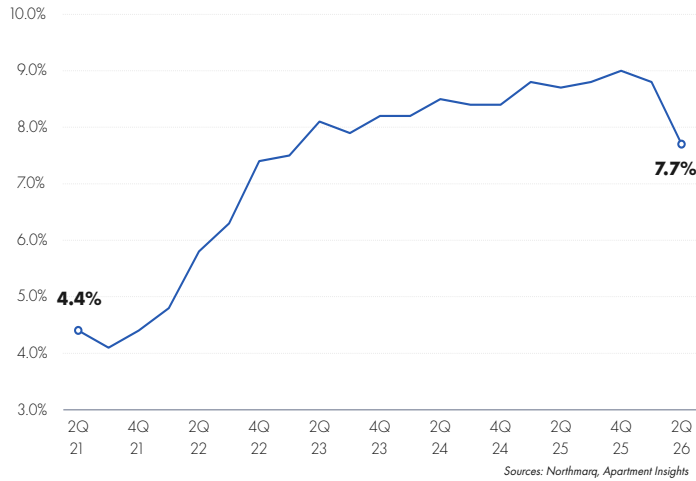


DEVELOPMENT & PERMITTING

- The pace of deliveries remained modest, though completions outpaced the first half of 2025. Projects totaling approximately 400 units were completed year to date in Tucson, up from roughly 200 units completed during the same period last year.
- Construction activity remains elevated relative to historical norms. Nearly 3,600 units were underway in Tucson at midyear, down 6% year over year but still 26% above the trailing five-year average.
- Permitting activity has slowed in recent periods. Year to date, permits have been issued for just over 250 units in Tucson, down 19% from one year ago. Full-year permitting is forecast to total roughly 500 units in 2026, about half the level recorded in 2025.
- **FORECAST:** While completions totals during the first half were fairly light, the pace of deliveries is expected to accelerate in the coming quarters. Projects totaling approximately 2,700 units are set to deliver in 2026, more than doubling the market's five-year average supply growth.

Vacancy declined 110 basis points year over year.

VACANCY TRENDS



VACANCY

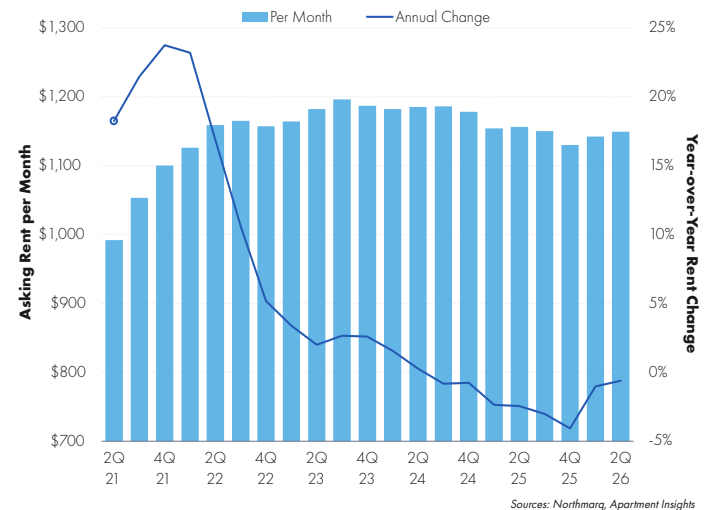
- Following a modest improvement in the first quarter, the vacancy rate dropped 100 basis points during the second quarter to 7.7%. During the past 12 months, the vacancy rate in Tucson has declined by 110 basis points.
- The Oro Valley/Catalina submarket remained the market leader for vacancy improvement. In the past year, vacancy has tightened by 490 basis points to 4.2%. Southeast Tucson also recorded a rapid improvement, with vacancy declining 440 basis points during the same period to 4.8%.
- Elevated renter demand has driven the recent improvement in vacancy. Net absorption totaled 1,725 units year to date, up sharply from roughly 300 units during the first half of 2025 and marking the strongest demand performance of the current cycle.
- FORECAST:** Vacancy should post modest improvement in the second half of the year, building on gains recorded in the second quarter. In 2026, the vacancy rate is forecast to decrease 150 basis points to 7.5%, marking the first annual decline since 2020.

RENTS

- Average rents rose 0.6% to \$1,149 per month during the second quarter. Despite recent gains, rents remained 0.6% below year-ago levels, reflecting sharper declines recorded during the second half of 2025.
- Southeast Tucson is currently leading the market for rent growth, with rents advancing 3.4% in the past 12 months to \$1,533 per month. The Tucson Mountain Foothills area ranked second with growth of 2.1%, bringing rents to \$1,334 per month.
- Rent trends were uneven across property classes. Class B properties, which make up a large share of total inventory, recorded a 4.1% increase in rents in the past 12 months to \$1,371 per month.
- FORECAST:** Rent growth is expected to continue at a steady pace throughout the remainder of the year. In 2026, asking rents in Tucson are forecast to rise 2.7% to roughly \$1,160 per month. This would mark the largest annual gain since 2022.

Class B property rents are up 4.1% year over year.

RENTS TRENDS

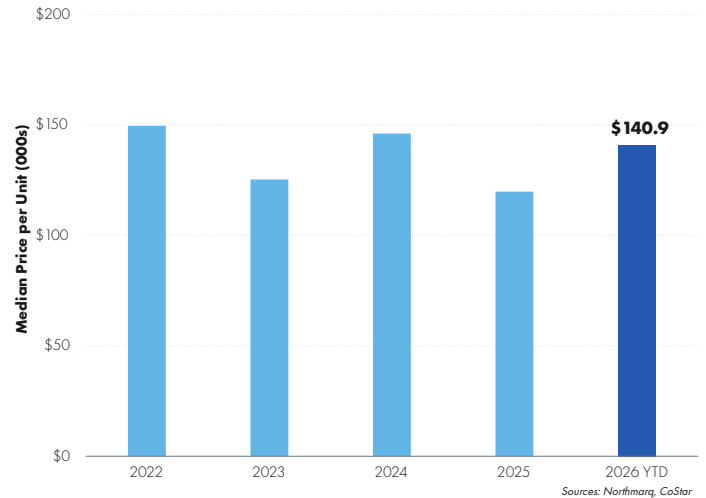


MULTIFAMILY SALES

- The pace of multifamily sales slowed during the second quarter, though the strong first quarter transaction count has kept year-to-date activity elevated. This was the most active first half for multifamily transactions in Tucson since 2022.
- Pricing is up this year. The year-to-date median sale price is \$140,900 per unit, up 18% from 2025. Compared to peak multifamily pricing recorded in 2022, the current median sale price is down by 6%.
- Cap rates averaged roughly 5.5%, remaining within the narrow range established during the past two years. After rising approximately 100 basis points between 2022 and 2023, cap rates stabilized in 2024 and have remained largely unchanged since.

The median sale price is \$140,900 per unit.

INVESTMENT TRENDS

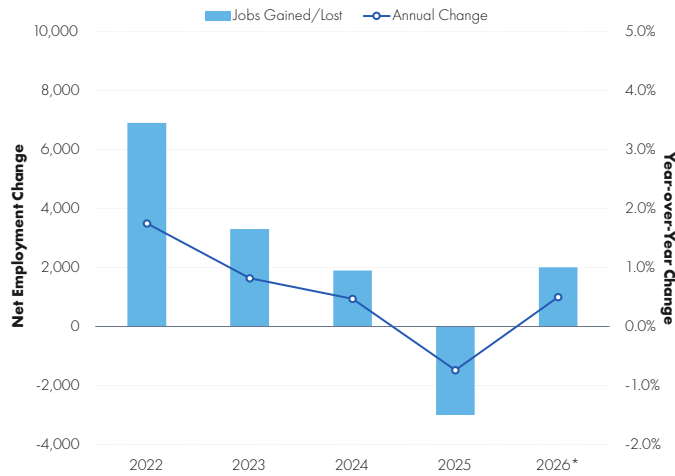


LOOKING AHEAD

The second half of 2026 is expected to be an active period in the Tucson multifamily market. Developers are on pace to deliver the most new units to the market in years, following a second quarter where net absorption spiked. Operating conditions are in a position to continue to improve, particularly if absorption levels prove to be sustainable. The supply slated to come online in the second half of the year is expected to be a short-term trend. Only a few new projects have broken ground in recent periods, and permitting activity is expected to remain modest. The Oro Valley/Catalina submarket may experience an outsized impact on rents and vacancy as it contains the greatest concentration of new construction despite having one of the smallest existing inventories. A similar trend emerged recently in areas such as the South Tucson/Airport submarket.

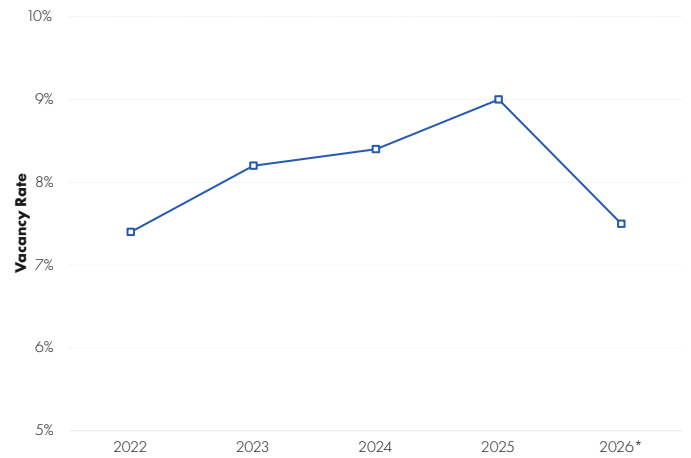
Multifamily sales activity appears to have rebounded from very low levels in recent years and should continue near the current pace. Recent upticks in rents and improvements in vacancy may add to the already increasing investor interest, though a long-term sustained improvement may be required before activity can climb back to near-peak levels. As the influx of completions weighs on operating conditions, especially in a few submarkets, there may be a sustained interest in older and lower-tier properties. With most new construction this year being in the northwestern and southern submarkets of Tucson, areas such as Central Tucson and the East Side are poised to remain the leading areas for investment sales activity. Cap rates are expected to remain relatively stable in the near term, with only minimal movement anticipated.

EMPLOYMENT FORECAST



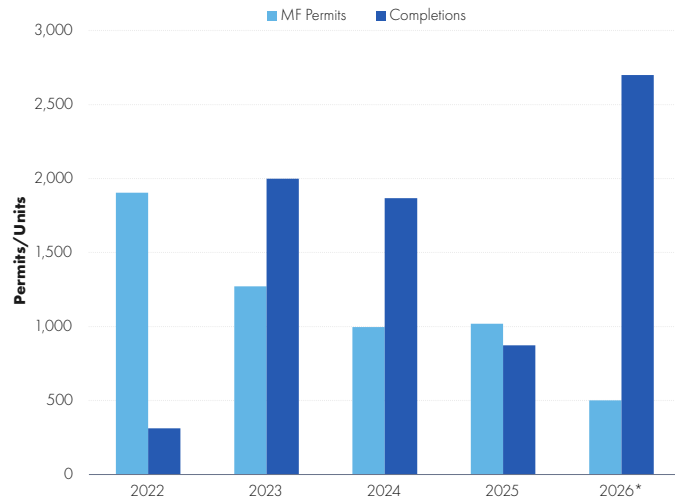
* Year-End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



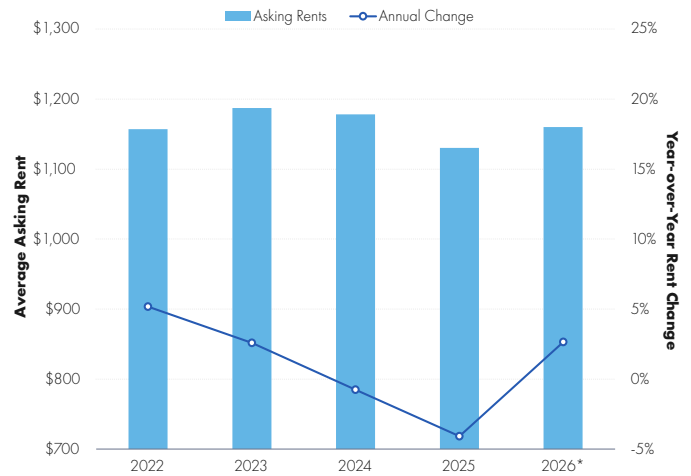
* Year-End Forecast
Sources: Northmarq, Apartment Insights

CONSTRUCTION & PERMITTING FORECAST



* Year-End Forecast
Sources: Northmarq, Apartment Insights, Census Bureau

RENTS FORECAST



* Year-End Forecast
Sources: Northmarq, Apartment Insights



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