COMPREHENSIVE HOUSING MARKET ANALYSIS

Tucson, Arizona

U.S. Department of Housing and Urban Development,
Office of Policy Development and Research

As of August 1, 2022

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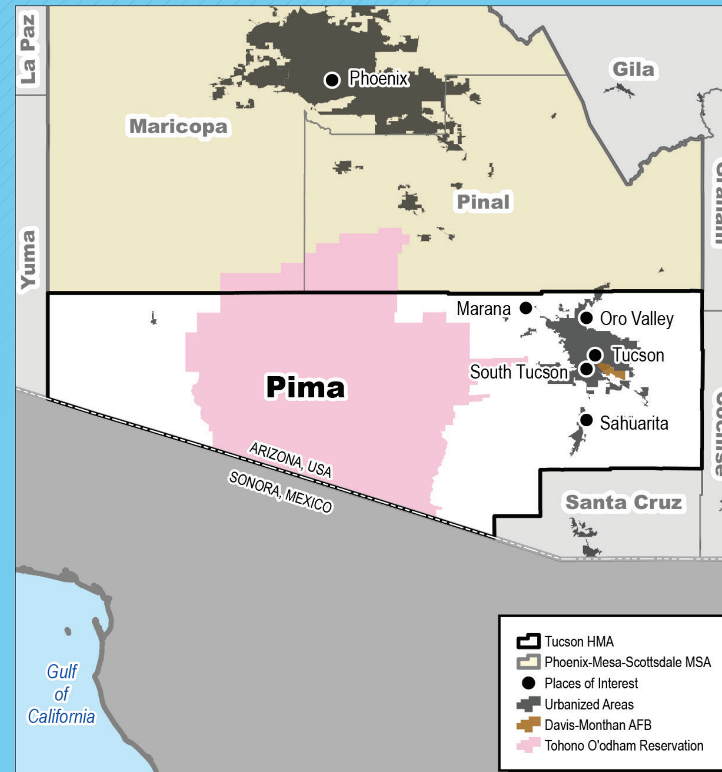
Executive Summary

Housing Market Area Description

The Tucson, Arizona Housing Market Area (HMA) is coterminous with the Tucson Metropolitan Statistical Area (MSA), and Pima County. The city of Tucson is the county seat and the largest city in the HMA. Incorporated towns include Marana, Oro Valley, Sahuarita, and South Tucson.

The current population of the HMA is estimated at 1.06 million.

The Tucson HMA is along the United States–Mexico border in the Sonoran Desert of Arizona, where a dry, desert climate attracts vacationers and retirees. The HMA is also home to the University of Arizona, the Davis-Monthan Air Force Base, and two sovereign nations, the Tohono O'odham Nation and the Pascua Yaqui Tribe.



Tools and Resources

Find interim updates for this metropolitan area, and select geographies nationally, at PD&R's Market-at-a-Glance tool.
Additional data for the HMA can be found in this report's supplemental tables.
For information on HUD-supported activity in this area, see the Community Assessment Reporting Tool.

Market Qualifiers

Economy

Improving: Economic conditions in the HMA improved during the past year, following a year of nonfarm payroll decline. By April 2022, the economy had recovered 89 percent of the 45,900 nonfarm payroll jobs lost during the recession of March and April 2020 (monthly data, not seasonally adjusted; April is used as the latest monthly comparison because of job seasonality in the HMA).

During the 12 months ending July 2022, nonfarm payrolls in the Tucson HMA increased by 13,000 jobs, or 3.5 percent, to 387,400 jobs, compared with a 4.4-percent increase nationwide. Before the COVID-19 pandemic, the economy in the HMA was stable, increasing by an average of 6,000 jobs, or 1.6 percent, annually from 2016 through 2019. During the 3-year forecast period, nonfarm payroll growth is estimated to moderate and average 1.5 percent annually, fully recovering the jobs lost due to the pandemic in the first 2 years of the forecast period.

Sales Market

Slightly Tight: As of July 2022, a 1.7-month supply of homes was available for sale, up from 1.1 months a year earlier and 1.4 months in July 2020 (Multiple Listing Service of Southern Arizona).

The home sales vacancy rate is currently estimated at 1.4 percent, down significantly from 2.9 percent in April 2010 when conditions were soft. During the 12 months ending July 2022, new and existing home sales in the HMA totaled 27,450, unchanged compared with a year earlier, and the average sales price rose 15 percent to $374,300 (Zonda, with adjustments by the analyst). By comparison, sales and prices rose 17 and 19 percent, respectively, during the 12 months ending July 2021. During the next 3 years, demand is estimated for 10,550 new homes. The 2,700 homes currently under construction will satisfy a portion of that demand.

Rental Market

Balanced: The estimated overall rental vacancy rate is 7.0 percent, down significantly from 11.3 percent in April 2010, when rental market conditions were soft.

Apartment market conditions are also balanced, with a vacancy rate of 6.6 percent during the second quarter of 2022, up from 4.6 percent during the second quarter of 2021 when conditions were tight (CoStar Group). The average apartment rent in the HMA was $1,082 during the second quarter of 2022, up 11 percent from a year ago. During the next 3 years, demand is estimated for 3,775 new rental units. The 1,650 units currently under construction will satisfy a significant portion of that demand during the forecast period.

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3-Year Housing Demand Forecast

		Sales Units	Rental Units
Tucson HMA	Total Demand	10,550	3,775
	Under Construction	2,700	1,650

Notes: Total demand represents estimated production necessary to achieve a balanced market at the end of the forecast period. Units under construction as of August 1, 2022. The forecast period is August 1, 2022, to August 1, 2025.
Source: Estimates by the analyst

Economic Conditions

Largest Sector: Government

The government sector provides a stable base for the local economy, with an average of 75,000 jobs during the 12 months ending July 2022, or 19 percent of all nonfarm payrolls in the HMA.

Primary Local Economic Factors

Anchored by the presence of the University of Arizona (UA) and the Davis-Monthan Air Force Base (AFB), the government sector is the largest nonfarm payroll sector in the Tucson HMA. Approximately 32 percent of the jobs in the sector are in the state government subsector, including UA, the second largest employer in the HMA, with 12,500 employees (Table 1) and approximately 39,100 students on its main campus in the city of Tucson as of fall 2021 (University of Arizona). The federal government subsector constitutes nearly 17 percent of all government jobs in the HMA. Although active-duty military personnel are not included in nonfarm payroll data, Davis-Monthan AFB, the fourth largest employer in the HMA, employs approximately 8,400 military personnel and civilians, with an estimated economic impact of $3.0 billion in the HMA during 2017 (Economic Impact of Arizona's Principal Military Operations 2017, The Maguire Company). The presence of the AFB supports the aerospace manufacturing and research industry through contracts with Raytheon Missiles & Defense, the largest employer in the HMA and one of the largest manufacturers of unmanned aircraft in the nation. Statewide, the aerospace and defense industry was awarded $17.3 billion in Department of Defense contracts during 2020 (Arizona Commerce Authority).

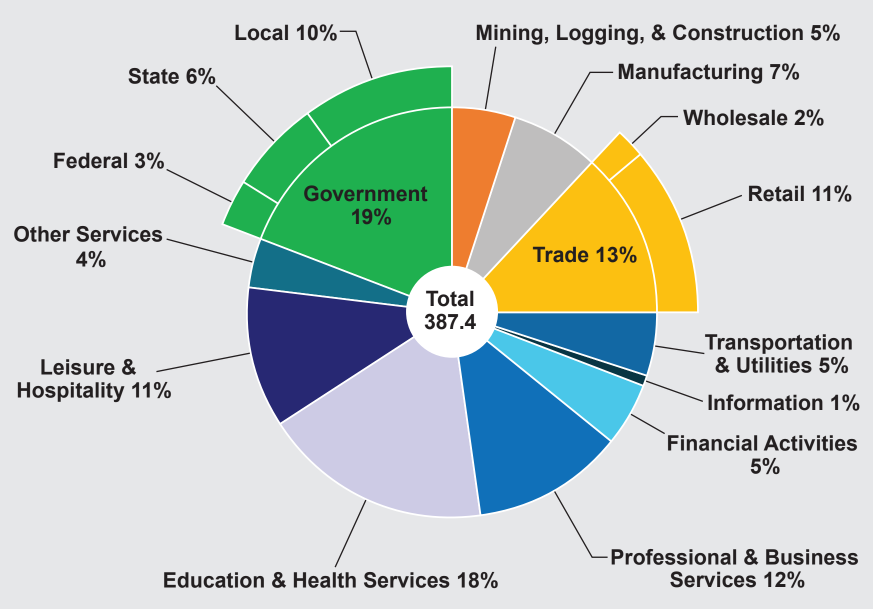
The education and health services sector accounted for 68,600 jobs, or 18 percent of nonfarm payrolls in the HMA, during the 12 months ending July 2022 (Figure 1). The growing share of retirees in the HMA contributes to continued growth in the education and health services sector. As such, the

Table 1. Major Employers in the Tucson HMA

Name of Employer	Nonfarm Payroll Sector	Number of Employees
Raytheon Missiles & Defense	Manufacturing	13,300
University of Arizona	Government	12,500
Banner - University Medical Center Tucson	Education & Health Services	7,700
Davis-Monthan Air Force Base	Government	8,400
Pima County Government	Government	7,400
U.S. Customs and Border Protection	Government	5,750
Freeport-McMoRan Inc.	Mining, Logging, & Construction	5,525
State of Arizona	Government	4,825
Walmart Inc.	Wholesale & Retail Trade	4,775
Tucson Medical Center	Government	4,350

Notes: Excludes local school districts. Data for Davis-Monthan AFB include active duty military personnel who are not included in nonfarm payrolls.
Sources: Pima County Annual Comprehensive Financial Report, 2021; City of Tucson Annual Comprehensive Financial Report, 2021

Figure 1. Share of Nonfarm Payroll Jobs in the Tucson HMA, by Sector



Notes: Total nonfarm payroll is in thousands. Percentages may not add to 100 percent due to rounding. Based on 12-month averages through July 2022.
Source: U.S. Bureau of Labor Statistics

education and health services sector has been the second fastest growing sector in the HMA during the past 2 decades (Figure 2).

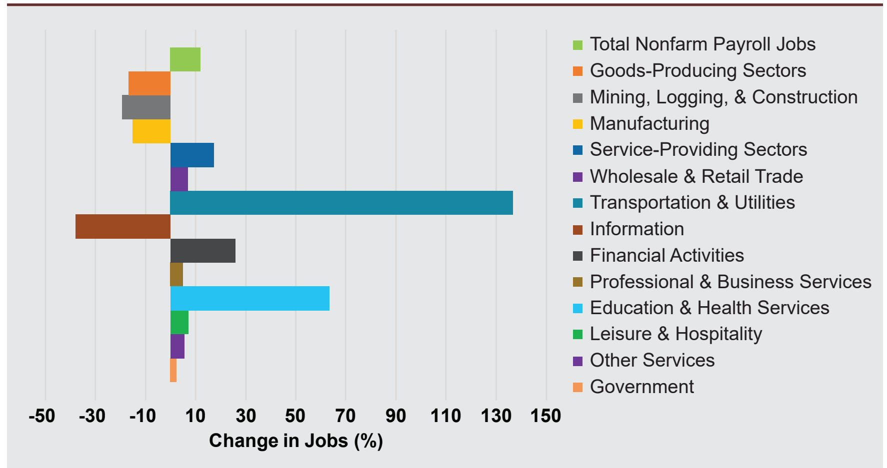
Since 2001, the transportation and utilities sector has led payroll growth in the HMA in percentage terms. Growth has been particularly strong since 2018, increasing at an average rate of 14.5 percent a year. Since opening its first site in the HMA in 2018, Amazon.com, Inc. has expanded to a total of four distribution sites and is estimated to currently employ more than 2,000 full-time employees. The transportation and utilities sector, with 20,800 jobs, or 5 percent of all nonfarm payroll jobs in the HMA, has increased with a growing number of e-commerce, warehousing, and distribution centers near the Port of Tucson. This active inland port between the United States and Mexico also impacts the wholesale and retail trade sector with approximately 49,300 jobs, or 13 percent of all nonfarm payrolls in the HMA.

Current Conditions—Nonfarm Payrolls and Impacts of COVID-19

The impacts of the COVID-19 pandemic were significant in the Tucson HMA, and nonfarm payrolls have yet to return to the prepandemic high. During March and April 2020, nonfarm payrolls declined by 45,900, or nearly 12 percent of total nonfarm payrolls in the HMA (monthly basis, not seasonally adjusted). By April 2022, the local economy recovered 40,900 jobs, or 89 percent, of nonfarm pandemic losses (April is used as the latest monthly comparison because of job seasonality in the HMA).

During the 12 months ending July 2022, nonfarm payrolls in the HMA increased by 13,000, or 3.5 percent, to 387,400 jobs (Table 2), compared with a loss of 8,200 jobs, or 2.1 percent, a year earlier. Job growth occurred in 9 of 11 sectors during the period, and the largest gains were in the leisure and hospitality sector, which increased by 6,300, or 17.3 percent, to 42,700, compared with a decrease of 9.7 percent a year earlier. Job losses in the HMA during March and April 2020 were greatest in the leisure and hospitality sector, which declined by 19,300 jobs, or 42.3 percent, accounting for 47 percent of all job losses during the period (monthly basis, not seasonally adjusted). Payrolls in this sector as

Figure 2. Sector Growth in the Tucson HMA, 2001 to Current



Note: Current data are based on the 12-month averages ending July 2022.
Source: U.S. Bureau of Labor Statistics

Table 2. 12-Month Average Nonfarm Payroll Jobs (1000s) in the Tucson HMA, by Sector

	12 Months Ending July 2021	12 Months Ending July 2022	Absolute Change	Percentage Change
Total Nonfarm Payroll Jobs	374.4	387.4	13.0	3.5
Goods-Producing Sectors	47.0	48.0	1.0	2.1
Mining, Logging, & Construction	19.7	19.9	0.2	1.0
Manufacturing	27.4	28.0	0.6	2.2
Service-Providing Sectors	327.4	339.4	12.0	3.7
Wholesale & Retail Trade	48.5	49.3	0.8	1.6
Transportation & Utilities	18.5	20.8	2.3	12.4
Information	4.9	5.1	0.2	4.1
Financial Activities	18.8	18.6	-0.2	-1.1
Professional & Business Services	47.2	45.5	-1.7	-3.6
Education & Health Services	66.7	68.6	1.9	2.8
Leisure & Hospitality	36.4	42.7	6.3	17.3
Other Services	12.6	13.7	1.1	8.7
Government	73.8	75.0	1.2	1.6

Notes: Based on 12-month averages through July 2021 and July 2022. Numbers may not add to totals due to rounding. Data are in thousands.
Source: U.S. Bureau of Labor Statistics

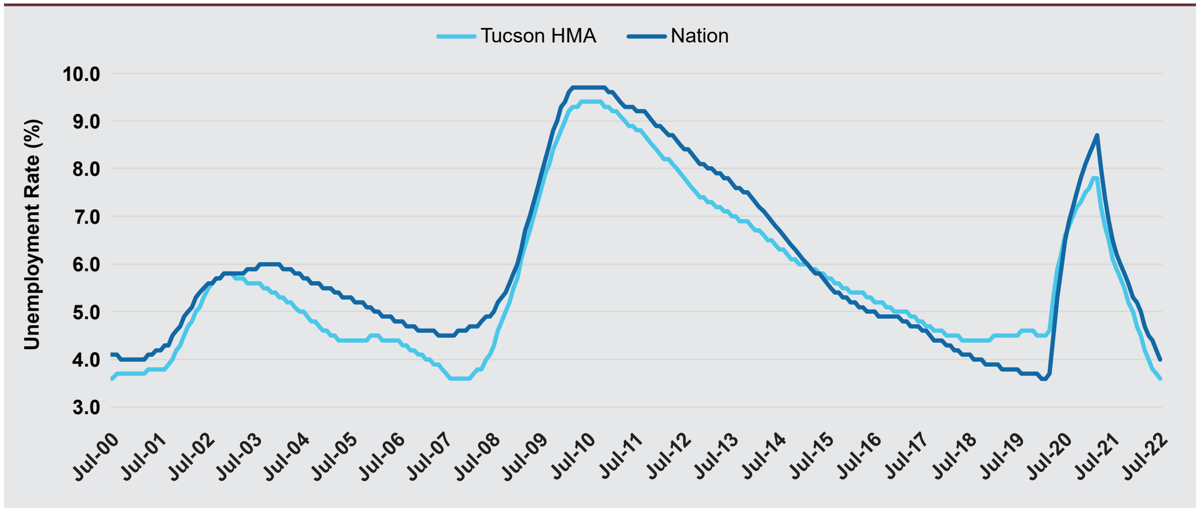
of July 2022 are down 1,700 jobs, or 3.7 percent below prepandemic levels (monthly data, not seasonally adjusted).

Job growth was also strong in the transportation and utilities sector, with jobs increasing by 2,300, or 12.4 percent, to 20,800 during the 12 months ending July 2022, compared with a gain of 3,400 jobs, or 22.3 percent, a year earlier. During March and April 2020, the transportation and utilities sector declined slightly, by 200 jobs, or 1.4 percent, but as of July 2022, the sector surpassed the prepandemic level of 14,800 by 6,000 jobs, or 41 percent, compared with February 2020 (monthly basis, not seasonally adjusted). Recent gains in the sector were supported by the increased use of e-commerce platforms and delivery services. During the 12 months ending July 2022, the education and health services sector increased by 1,900 jobs, or 2.8 percent, compared with a decline of 1,300 jobs, or 1.9 percent, a year prior. A new Northwest Healthcare hospital opened in 2022, adding approximately 600 jobs. The only two sectors to lose jobs during the 12 months ending July 2022 were the financial services and the professional and business services sectors, down by 200 and 1,700 jobs, or 1.1 and 3.6 percent, respectively. The large decrease in the professional and business services sector was due in large part to declines in the administrative and support and waste management and remediation services industries as work from home continued after the pandemic. After declining 5.4 percent during the 12 months ending July 2021, the government sector regained momentum during the 12 months ending July 2022, increasing by 1,200 jobs, or 1.6 percent. All of the gains were in the state and local government subsectors, which benefitted from enhanced federal aid and the resumption of normal operations, including in-person learning at UA.

Current Conditions—Unemployment

Before the impact of the COVID-19 pandemic, the unemployment rate in the Tucson HMA declined from a high of 9.3 percent in 2010 to a low of 4.4 percent in 2018. Strong resident employment growth in the HMA during the 12 months ending July 2022 contributed to an average unemployment rate of 3.6 percent (Figure 3). By comparison, the average rate was 6.1 percent a year earlier, and it recently peaked at 7.8 percent during the 12 months ending February 2021. The current unemployment rate in the HMA is below the 3.7-percent rate for Arizona and the 4.0-percent national rate.

Figure 3. 12-Month Average Unemployment Rate in the Tucson HMA and the Nation



Note: Based on the 12-month moving average.
Source: U.S. Bureau of Labor Statistics

Economic Periods of Significance

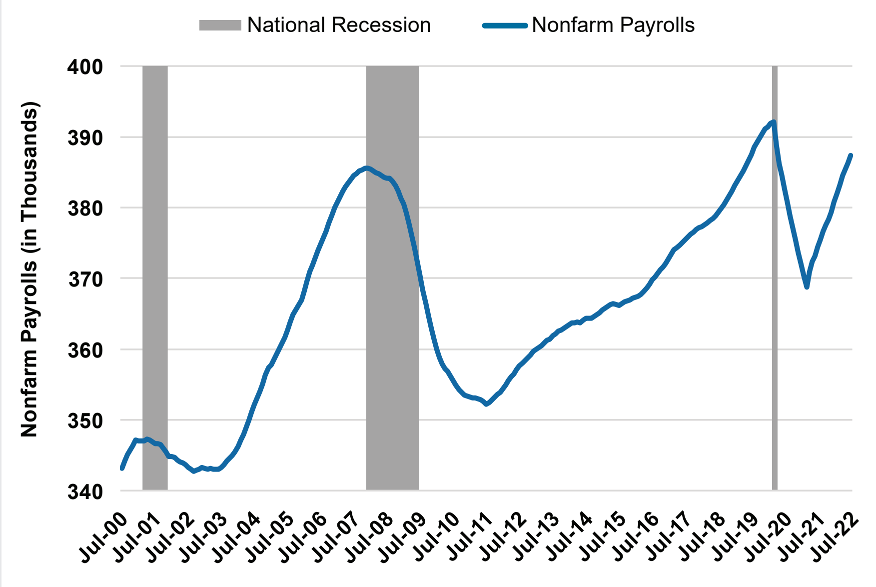
2001 Through 2002

Following rapid expansion in the aerospace, teleservices, and optics industries in the HMA, the dot-com recession combined with the September 11 attacks during 2001 to negatively impact the local economy. During 2001 through 2002, nonfarm payrolls in the HMA decreased by an average of 2,000 jobs, or 0.6 percent, a year. By comparison, nonfarm payrolls in the nation decreased by an average of 0.5 percent annually. The leisure and hospitality sector led overall job losses in the HMA, decreasing by 1,300 jobs, or 3.3 percent, annually. Manufacturing payrolls declined by an average of 1,200 jobs, or 3.5 percent, annually, partly because of a 550-job layoff at Bombardier Aerospace in 2002—layoffs that resulted from the downturn in the aerospace industry following September 11, 2001. Offsetting some of these losses were gains in the government sector, which added an average of 800 jobs, or 1.1 percent, annually. The local government subsector added an average of 900 jobs, or 2.1 percent, whereas the state subsector remained unchanged, and the federal subsector declined by 100 jobs, or 0.5 percent, annually.

2003 Through 2007

Economic conditions in the HMA strengthened during the subsequent 5 years, and very strong population growth occurred during the period, leading to continued growth in service-providing sectors. From 2003 through 2007, nonfarm payrolls increased by an average of 8,500 jobs, or 2.4 percent, annually, reaching a high of 385,600 jobs in 2007 (Figure 4). By comparison, nonfarm payrolls in the nation increased by an average of 1.1 percent annually during this period. Economic expansion in the HMA during the period was partly a result of significant growth in the professional and business services sector, as the aerospace industry strengthened, and from gains in the education and health services sector to meet the needs of the growing population. From 2003 through 2007, these two sectors each added an average of 2,200 jobs annually, or 4.9 and 4.7 percent, respectively. Meanwhile, the government sector added an average of 600 jobs, or 0.8 percent, a year, with growth attributed to the federal and local government subsectors, which had respective average annual increases of 300 and 500 jobs, or 2.7 percent and 1.1 percent, whereas the state government subsector lost an average of 100 jobs, or 0.5 percent, annually. Growth in the government sector was partly due to the establishment of the U.S. Department of Homeland Security in March 2003 in response to the September 11 attacks.

Figure 4. 12-Month Average Nonfarm Payrolls in the Tucson HMA



Note: 12-month moving average.
Sources: U.S. Bureau of Labor Statistics; National Bureau of Economic Research

2008 Through 2010

The HMA economy contracted from 2008 through 2010, in large part because of the Great Recession and the national housing downturn. Nonfarm payrolls in the HMA decreased by an average of 10,800 jobs, or 2.9 percent, annually throughout the period. Payrolls in 9 of the 11 payroll sectors declined during the period in the HMA. The mining, logging, and construction sector lost the most jobs, down by an average of 3,800 jobs, or 15.8 percent, annually, partly because the Freeport-McMoRan Inc. mining company laid off 1,500 workers throughout the state due to a decline in metal demand. Residential construction declined in response to decreased population growth as many residents sought jobs in larger employment centers, including the nearby Phoenix-Mesa-Scottsdale metropolitan area (hereafter Phoenix metropolitan area). During the 3-year downturn, the only two sectors to add jobs were the education and health services and the government sectors, which increased by an average of 1,200 and 100 jobs, or 2.1 and 0.1 percent, respectively. In the government sector, the federal government subsector added an average of 800 jobs, or 6.8 percent, offsetting losses of 100 and 600 jobs, or 0.1 and 1.5 percent, in the state and local government subsectors, respectively.

2011 Through 2015

The economy in the Tucson HMA began to improve in 2011, but economic growth was relatively slow compared with the height of the early 2000s. From 2011 through 2015, nonfarm payrolls rose by an average of 2,800 jobs, or 0.8 percent, annually. During the period, job gains in the HMA were led by the education and health services and the leisure and hospitality sectors, which each rose by a respective average of 900 jobs, or 1.4 and 2.3 percent, annually. Job losses in the manufacturing sector did occur, however, averaging 200 jobs, or 0.9 percent, annually, as the collapse in demand for durable goods during the Great Recession continued throughout the period. A decline in oil prices in 2014 and a continued decline in copper prices since 2011 contributed to zero growth in the mining, logging, and construction sector during the period. The government sector declined by an average of 400, or 0.5 percent, annually, and the local government and federal government subsectors declined by respective averages of 500 and 100 jobs, or 1.3 and 0.6 percent. Offsetting losses were gains of 200, or 0.9 percent, in the state government subsector.

2016 Through 2019

Economic growth in the Tucson HMA accelerated during 2016, and by 2018, nonfarm payrolls surpassed the prerecession high of 2007. By comparison, nationally, payrolls recovered to the prerecession high by 2014. From 2016 through 2019, nonfarm payrolls in the HMA increased by an average of 6,000 jobs, or 1.6 percent, annually. The education and health services sector added the most jobs during the period, with an average annual increase of 1,400 jobs, or 2.2 percent. In 2016, the UA Health Network merged with Banner Health, one of the largest nonprofit healthcare systems in the country, to form the private company Banner-University Medical Center Tucson, the third largest employer in the HMA. The merger included a $500 million investment, resulting in hospital expansions throughout the period to meet the needs of residents. After a long period of decline, jobs in the manufacturing sector began to increase, and from 2016 through 2019, the sector had average gains of 1,100 jobs, or 4.2 percent, annually, due in part to increases in the manufacturing of aerospace and renewable energy products. Downtown revitalization projects throughout the period, including several new businesses, hotels, and restaurants, contributed to the mining, logging, and construction sector increasing by an average of 800 jobs, or 4.3 percent, annually. Job gains during the period were also supported by Caterpillar Inc. completing construction of their $50 million, 150,000 square-foot headquarters in 2019. Partly because of new Amazon.com, Inc. fulfillment centers, the transportation and utilities sector increased the fastest throughout the period, adding an average of 1,000 jobs, or 8.4 percent, annually. Partly offsetting nonfarm payroll gains during the period, however, were losses in the wholesale and retail trade sector, declining by an average of 300, or 0.5 percent, a year, partly because of a shift toward online shopping.

Agriculture and Water

Agriculture in Pima County accounts for approximately 0.2 percent of private employment with an economic impact of $64.5 million to the county (College of Agriculture and Life Sciences, University of Arizona). According to the 2017 United States Department of Agriculture census of farms, there were 661 farms in the HMA encompassing approximately 29,200 acres of cropland and over 2.5 million acres of pastureland with nursery, greenhouse, floriculture, sod, cotton, and cattle as the major agricultural commodities in the county. Approximately 28 percent of water usage in the county is attributed to agricultural use (2015 United States Geological Survey). Amid the past two decades of drought, the water levels of Lake Mead, which distributes Colorado River water allocated to Arizona, California, Nevada, and Mexico, have continued to decline. The U.S. Department of the Interior recently announced the Colorado River had reached a Tier 2 shortage to start January 2023, further reducing the amount of water that Arizona, Nevada, and Mexico can claim from the river. Of the impacted states, Arizona will face the largest cuts of approximately 21 percent of the state's yearly allotment of river water. The most recently announced cuts will disproportionately impact the agricultural sector.

Forecast

During the 3-year forecast period, economic recovery is expected to continue, but moderate, in the HMA, with nonfarm payrolls increasing by an average of 1.5 percent annually. Jobs lost due to the pandemic are estimated to be fully recovered in the first 2 years of the forecast period. Job growth is expected to be strongest during the first year of the forecast, partly because of continued strong gains in the transportation and utilities sector and continued use of e-commerce. Amazon.com, Inc. is expected to open a new distribution site by the end of 2022 in the town of Marana, creating hundreds of new jobs. Steady growth is also expected in the education and health services and the government sectors.

Population and Households

Current Population: 1.06 Million

Since 2020, population growth in the Tucson HMA has slowed, in part because of negative net natural change.

Population Trends

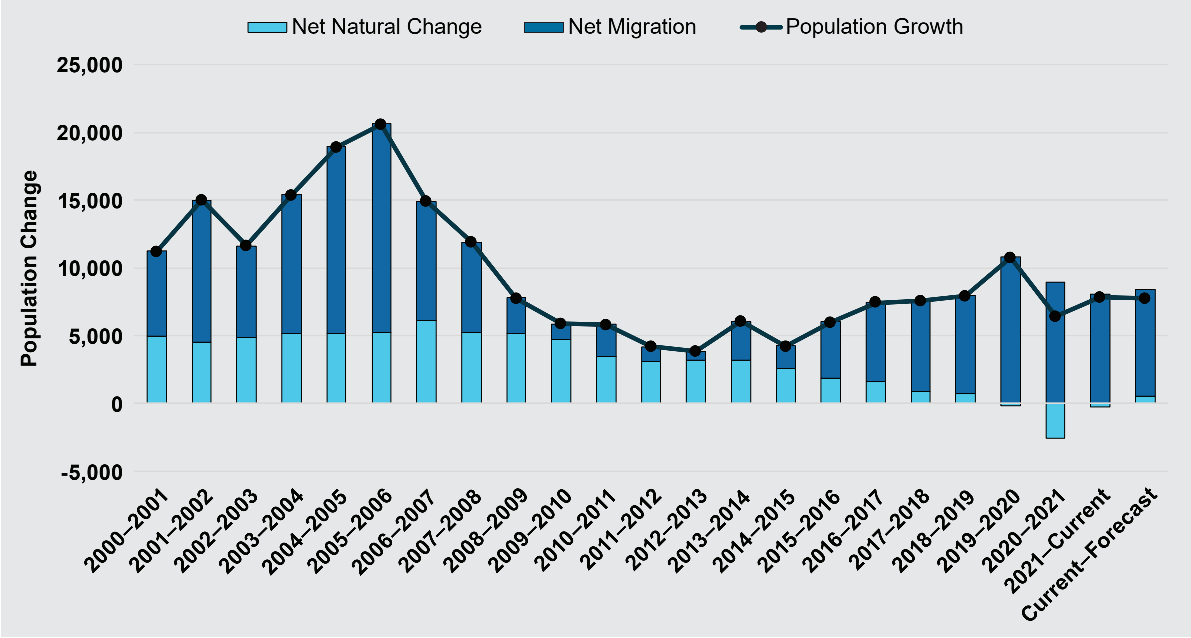
Population trends have generally mirrored economic conditions in the Tucson HMA since 2000. The current population of the Tucson HMA is estimated at 1.06 million, reflecting an average increase of 6,525, or 0.6 percent, annually since 2010 (Table 3). From 2000 to 2007, a period that included both an economic contraction and expansion, the population of the HMA increased by an average of 15,450, or 1.7 percent, annually (U.S. Census Bureau decennial census count and population estimates as of July 1; Figure 5). During this period, the population grew rapidly, largely the result of high levels of net in-migration, propelled by strong economic growth following the dot-com recession and robust net natural change. Net in-migration averaged 10,300 people a year from 2000 to 2007, and net natural change averaged 5,150 people annually. Population growth slowed significantly, however, with the onset of the Great Recession in 2007, averaging a gain of 7,875 people, or 0.8 percent, a year from 2007 to 2011, because of a combination of

Table 3. Tucson HMA Population and Household Quick Facts

		2010	Current	Forecast
Population Quick Facts	Population	980,263	1,061,000	1,086,000
	Average Annual Change	13,650	6,525	8,425
	Percentage Change	1.5	0.6	0.8
		2010	Current	Forecast
Household Quick Facts	Households	388,660	435,900	448,600
	Average Annual Change	5,625	3,825	4,225
	Percentage Change	1.6	0.9	1.0

Notes: Average annual changes and percentage changes are based on averages from 2000 to 2010, 2010 to current, and current to forecast. The forecast period is from the current date (August 1, 2022) to August 1, 2025.
Sources: 2000 and 2010—2000 Census and 2010 Census; current and forecast—estimates by the analyst

Figure 5. Components of Population Change in the Tucson HMA, 2000 Through the Forecast



Notes: Data displayed are average annual totals. The forecast period is from the current date August 1, 2022 to August 1, 2025.
Sources: U.S. Census Bureau; current to forecast—estimates by the analyst

decreased net natural change, averaging 4,650 people a year, and a significant reduction in net in-migration, averaging 3,225 people annually.

From 2007 to 2011, there was a net out-migration of approximately 1,700 Pima County residents to nearby Pinal County, part of the Phoenix metropolitan area, because historically low housing prices attracted HMA residents who were previously commuting to the county (County-to-County Migration Flows, 5-year American Community Survey [ACS] data; Arizona Office of Employment). Both net natural change and net in-migration continued to decline, and from 2011 to 2015, population growth averaged 4,600 people, or 0.5 percent, annually. During the period, net in-migration averaged 1,575 people annually, and net natural change slowed to an average of 3,025 people a year. An increase in older residents over 65 years of age, combined with declining birth rates, contributed to the overall slowing of net natural change in the HMA. From 2015 to 2019, net natural change slowed further, to an average of 1,275 people a year, but population growth accelerated to an average of 7,275, or 0.7 percent, a year, and net in-migration increased to an average of 6,000 people annually. Migration into the HMA from 2015 to 2019 was primarily from the neighboring Phoenix metropolitan area (Table 4) but also the result of business relocations and expansions in the aerospace and defense industries. Since 2019, the population of the HMA has increased by an average of 8,375 people a year, or 0.8 percent, entirely the result of a surge in net in-migration, which averaged 9,275 people a year. During the same period, net natural decline averaged 900 people a year, mostly because of a continued decrease in the number of births and an elevated number of deaths stemming from the effects of COVID-19.

Table 4. Metro-to-Metro Migration Flows in the Tucson HMA: 2015–2019

Into the HMA	
Phoenix-Mesa-Chandler, AZ Metro Area	11,601
San Diego-Chula Vista-Carlsbad, CA Metro Area	1,063
Los Angeles-Long Beach-Anaheim, CA Metro Area	1,029
Austin-Round Rock-Georgetown, TX Metro Area	943
Sierra Vista-Douglas, AZ Metro Area	936
Out of the HMA	
Phoenix-Mesa-Chandler, AZ Metro Area	11,191
Los Angeles-Long Beach-Anaheim, CA Metro Area	2,319
Sierra Vista-Douglas, AZ Metro Area	2,107
San Diego-Chula Vista-Carlsbad, CA Metro Area	1,603
Seattle-Tacoma-Bellevue, WA Metro Area	1,449

Source: U.S. Census Bureau Migration Flows, 2015–2019 American Community Survey 5-year data

Population by Geography

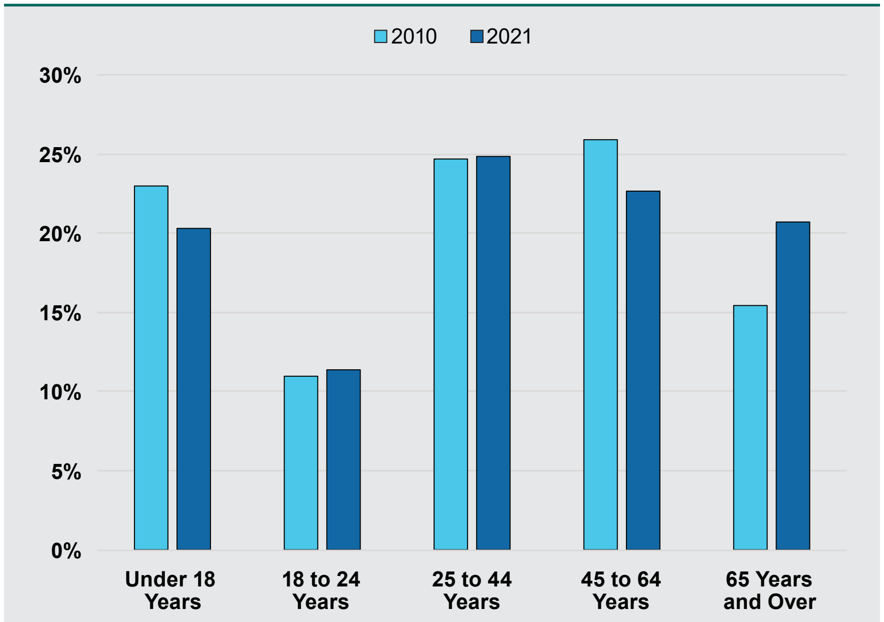
The population of the HMA is generally concentrated in the eastern portion of the county, where the city of Tucson is located. More than 543,200 residents, or approximately 52 percent of the HMA population, resided in the city of Tucson as of July 1, 2021 (ACS 1-year estimates). From 2016 to 2021, the population of the city of Tucson expanded by an average of 2,500, or 0.5 percent, a year, slower than respective averages of 1.8, 4.2, and 4.6 percent, annually, in the towns of Oro Valley, Sahuarita, and Marana, the fastest growing jurisdictions in the HMA (ACS 1-year supplemental estimates). The western portion of the HMA is generally Native American Reservation land and covers approximately 42 percent of the land in Pima County.

Age Cohort Trends

In-migration of retirees and the declining number of those under 18 years of age are contributing to an overall increase in the median age in the HMA. The median age in the Tucson HMA during 2021 was

39.1 years, up from 37.8 years in 2010 (2021 and 2010 ACS 1-year data). By comparison, the median age in the nation during 2021 was 38.8 years, up from 37.2 years in 2010. From 2010 through 2021, the retirement-age portion of the population, generally defined as residents aged 65 and older, increased by an average of 5,925, or 3.3 percent, annually in the HMA (ACS 1-year estimates). The rising share of residents in the over-65 age cohort, which increased from less than 16 percent to more than 20 percent of the total population during the period, has also contributed to slowing net natural change (Figure 6). By comparison, the working-age population in the HMA, generally those aged 18 to 64 years, increased by an average of 1,475 people, or 0.2 percent, a year, and the population under 18 years old declined by an average of 1,050 people, or 0.5 percent, a year throughout the period.

Figure 6. Population by Age Range in the Tucson HMA

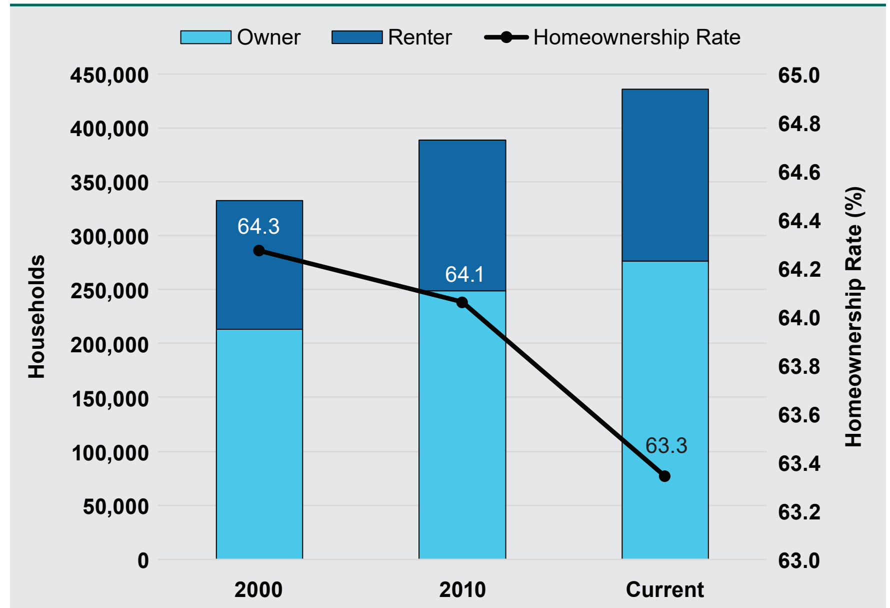


Source: 2021 American Community Survey 1-year data

Household Trends

Changing household composition, including smaller household sizes due in part to the prevalence of older residents, has contributed to slightly faster household growth than population growth in the HMA since 2000. As of August 1, 2022, an estimated 435,900 households reside in the Tucson HMA, reflecting an average annual increase of 3,825 households, or 0.9 percent, since April 2010—a faster pace than the 0.6-percent population growth rate in the HMA during the same period. The slightly faster pace in household growth compared with population growth since 2010 was partly due to rapid new household formation following the COVID-19 pandemic, particularly smaller households. Currently, an estimated 63.3 percent of households are homeowners, down from 64.1 percent in 2010 (Figure 7).

Figure 7. Households by Tenure and Homeownership Rate in the Tucson HMA



Note: The current date is August 1, 2022.
Sources: 2000 and 2010—2000 Census and 2010 Census; current—estimates by the analyst

Forecast

During the next 3 years, the population of the HMA is expected to increase by an average of 8,425, or 0.8 percent, annually, to nearly 1.09 million. That growth rate is higher than the estimated 2020-to-current rate of 7,200, or 0.7 percent, annually, as the HMA continues to recover from negative net natural change associated with elevated deaths during the COVID-19 pandemic. Most of the population growth will be due to continued net in-migration. Household growth is expected to average 4,225, or 1.0 percent, annually, reaching 448,600 households in the HMA by the end of the forecast period.

Home Sales Market

Market Conditions: Slightly Tight

During the 3 months ending July 2022, home sales declined 14 percent, and home sales prices rose 13 percent, compared with sales and prices increasing 12 and 19 percent, respectively, during the 3 months ending July 2021 (Zonda, with adjustments by the analyst).

Current Conditions

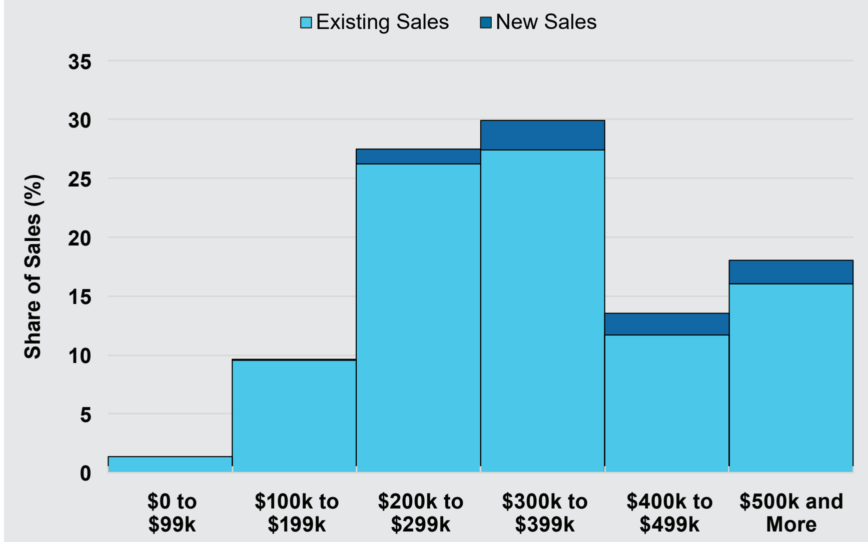
The sales housing market in the Tucson HMA is slightly tight, with an estimated sales vacancy rate of 1.4 percent (Table 5), down significantly from 2.9 percent in April 2010, when the market was soft. The HMA was significantly impacted by the housing crisis, due in part to substantial building and lenient mortgage lending standards during the mid-2000s. Increased job growth and net in-migration during most years of the latter 2010s led to tighter housing market conditions. As of July 2022, a 1.7-month supply of homes was available for sale in the HMA, up from 1.1 months a year earlier and 1.4 months in July 2020 (Multiple Listing Service of Southern Arizona). By comparison, the supply of homes available for sale was 3.6 months in 2011. During the 12 months ending July 2022, home sales (including new and existing homes) totaled 27,450, relatively unchanged from the previous 12 months (Zonda, with adjustments by the analyst). Recently, however, the rising cost of homeownership resulted in home sales declining 14 percent during the 3 months ending July 2022, compared with the 3 months ending July 2021, when home sales market conditions were tighter. During the 12 months ending July 2022, the average home sales price increased approximately 15 percent to $374,300, compared with a 19-percent increase a year earlier. More recently, however, home sales prices rose 13 percent during the 3 months ending July 2022, compared with a 19-percent increase a year ago. Figure 8 shows the share of home sales by price range during the 12 months ending July 2022.

Table 5. Home Sales Quick Facts in the Tucson HMA

		Tucson HMA	Nation
Home Sales Quick Facts	Vacancy Rate	1.4%	NA
	Months of Inventory	1.7	1.9
	Total Home Sales	27,450	7,030,000
	1-Year Change	0%	-9%
	Existing Sales Price	$370,000	$425,500
	1-Year Change	16%	12%
	New Sales Price	$415,300	$471,500
	1-Year Change	11%	14%
	Mortgage Delinquency Rate	0.9%	1.4%

NA = data not available.
Notes: The vacancy rate is as of the current date; home sales and prices are for the 12 months ending July 2022; and months of inventory and mortgage delinquency data are as of July 2022. The current date is August 1, 2022.
Sources: Vacancy rate—estimates by the analyst; months of inventory and mortgage delinquency rate—CoreLogic, Inc.; home sales and prices—Zonda

Figure 8. Share of Overall Sales by Price Range During the 12 Months Ending July 2022 in the Tucson HMA



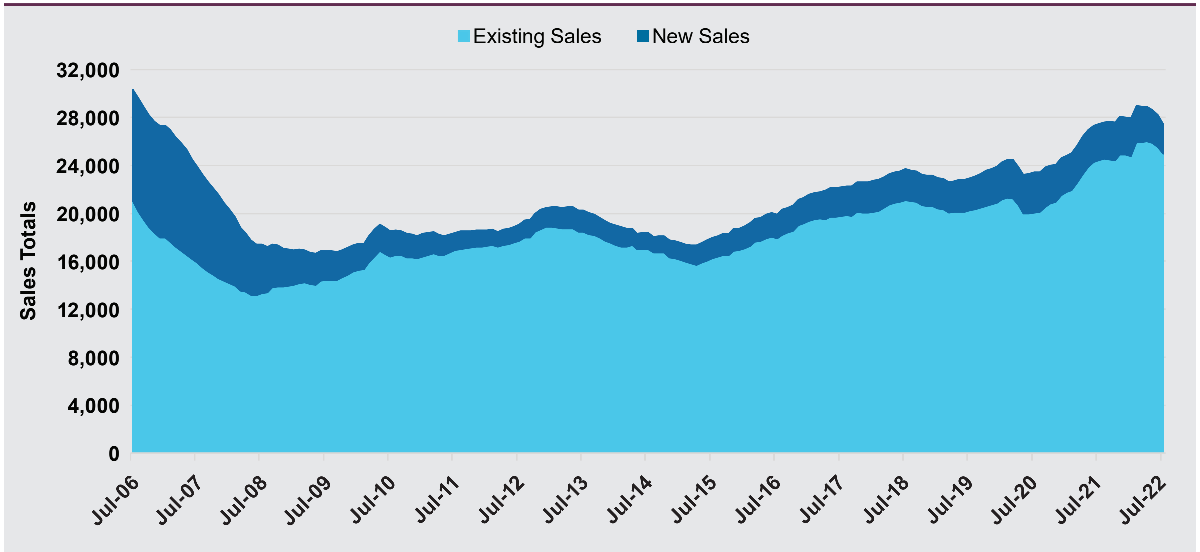
Note: New and existing sales include single-family homes, townhomes, and condominium units.
Source: Zonda

Investor purchases, as a share of all residential purchases in the HMA, increased from approximately 31 percent during the second quarter of 2021 to nearly 39 percent during the second quarter of 2022 (John Burns Real Estate Consulting, LLC). By comparison, during 2011, when investor purchases peaked, approximately 55 percent of home sales were investor purchases, before generally trending downward to a low of 21 percent during 2020.

Existing Home Sales and Prices

The number of existing home sales, which includes resale sales, real estate owned (REO) home sales, and short sales, was generally high during the early to mid-2000s. After a high of 25,100 existing sales in 2005, the number of existing homes sold declined by an average of 18 percent a year from 2006 through 2008 to a low of 13,950 existing sales in 2008 (Zonda; Figure 9). Economic conditions in the HMA weakened, and population growth declined because of the national recession and housing crisis. Existing home sales subsequently increased an average of 5 percent a year from 2009 to 2013, to 17,550 sales, as many distressed sales entered the market, but existing home sales declined to 16,250 homes sold during 2014. As population growth increased, so too did demand for housing, and beginning in 2015, existing home sales increased by an average of 930 homes, or 5 percent, annually, culminating in 20,900 homes sold in 2019. The number of existing home sales

Figure 9. 12-Month Sales Totals by Type in the Tucson HMA



Source: Zonda, with adjustments by the analyst

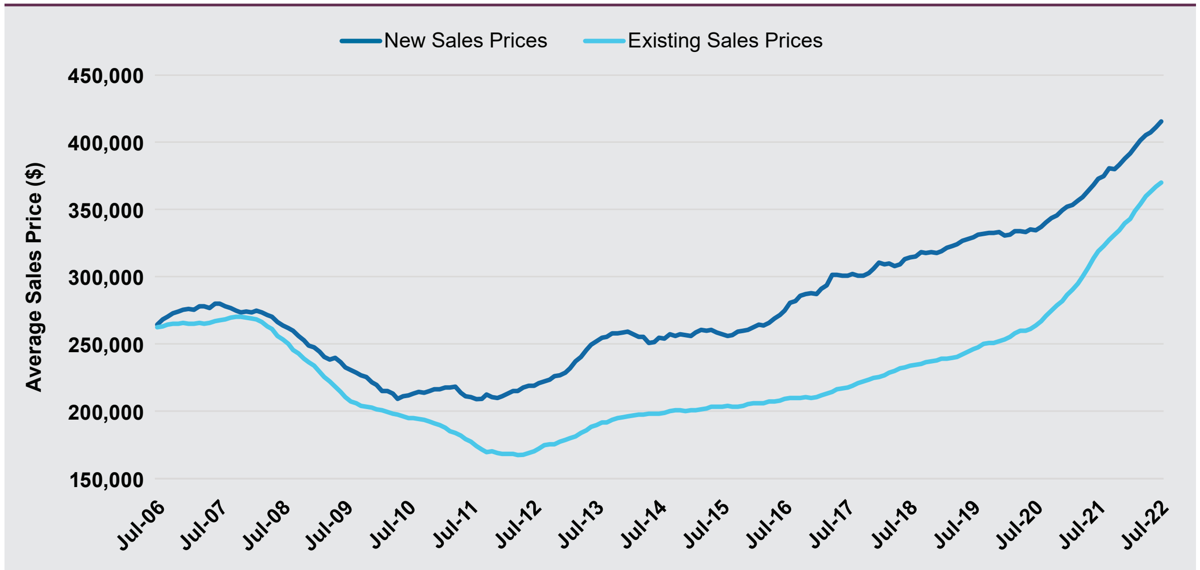
increased further to 21,450 homes sold in 2020, largely in response to historically low mortgage interest rates, especially in the latter part of 2020. During the 12 months ending July 2022, 24,900 existing homes sold, up 2 percent from a year earlier. During the 3 months ending July 2022, however, the number of existing home sales declined approximately 10 percent, compared with the 3 months ending July 2021, as increased mortgage rates recently tempered housing demand.

Although the average existing home sales price in the HMA has increased each year since 2012, the HMA was slow to recover existing home values after the housing market crash of 2008. During 2006 through 2007, before the local economic downturn, the average price for an existing home in the HMA increased by an average of $12,050, or 5 percent, annually, to a high of $269,500 in 2007 (Figure 10). From 2008 through 2011, the average price declined by an average of $25,100, or 11 percent, annually, to a low of $169,000 in 2011. Lower demand for existing home sales in the HMA, stemming from local job losses, contributed to a decrease in the average existing home sales price during the period. Even as economic growth remained low compared with the early 2000s, existing housing prices remained strong from 2012 through 2014, increasing an average of $10,500, or 6 percent, annually, in large part because of heightened investor purchases following the housing market crisis (John Burns Real Estate Consulting, LLC). From 2015 through 2019, increased demand for existing home sales continued because of stronger job growth, despite a declining share of investor purchases. The average price of an existing home increased during the period, by an average of 5 percent a year, to $252,500 in 2019. Demand for existing homes increased, but a declining inventory of existing homes available for sale during the COVID-19 pandemic placed further upward pressure on existing home prices. During 2020, the average price of an existing home increased by $29,650, or 12 percent, to $282,100. During the 12 months ending July 2022, the average price of an existing home increased 16 percent to a new high of $370,000, compared with a 21-percent increase a year earlier. More recently, however, existing home sales price growth slowed to 14 percent during the 3 months ending July 2022, compared with a 20-percent increase during the same period a year ago.

New Home Sales and Prices

New home sales have not rebounded to the number of new homes sold prior to the local housing market downturn in the late 2000s, when lending standards were more lenient and new housing construction was more abundant. New home sales peaked in 2006 at 9,350 new homes sold. In response to the national recession and the local impact of the housing crisis, the number of new home sales declined during each of the 5 subsequent years by an average of 1,600, or 32 percent, annually, to 1,350 new homes sold in 2011. New home sales rose slightly, to an average of 1,650 a year, from 2012 through 2015. From 2016 through 2019, when economic and population growth increased, new home sales generally increased, up 13 percent annually, to 3,050 new homes sold in 2019. The number of new home sales increased another 4 percent during 2020, largely because of rising demand and the low supply of existing homes available for sale during the COVID-19 pandemic. Rising mortgage rates, persistent labor shortages, and ongoing supply chain challenges, however, constrained new home sales. During the 12 months ending July 2022, approximately 2,525 new homes sold, down nearly 18 percent from the 3,075 new homes sold during the previous 12 months. The decrease has been more severe recently, with new home sales declining nearly 47 percent during the 3 months ending July 2022, compared with increasing 6 percent during the 3 months ending July 2021, when new home sales market conditions were tighter.

Figure 10. 12-Month Average Sales Price by Type of Sale in the Tucson HMA



Source: Zonda, with adjustments by the analyst

The average new home sales price in the HMA declined sharply during the housing crisis in the late 2000s, but new home sales prices recently increased significantly as the inventory of new homes has generally trended downward since the highs of the early 2000s. After reaching a high of $275,700 in

2006, the average new home sales price declined as the market softened, falling an average of 5 percent annually from 2007 through 2011 to a low of $210,200 in 2011. With a stronger economy, prices rose an average of 11 percent a year during 2012 and 2013, before declining less than 1 percent in 2014, as slower economic growth occurred in the HMA. From 2015 through 2020, new home sales prices increased an average of 5 percent a year, to $349,300 in 2020, as net in-migration increased each year during the 6-year period. During the 12 months ending July 2022, the average sales price of a new home increased by $42,100, or 11 percent, to $415,300, compared with an average increase of 11 percent during the previous 12 months. More recently, however, new home sales price growth has slowed to 8 percent during the 3 months ending July 2022, compared with a 10-percent increase a year ago.

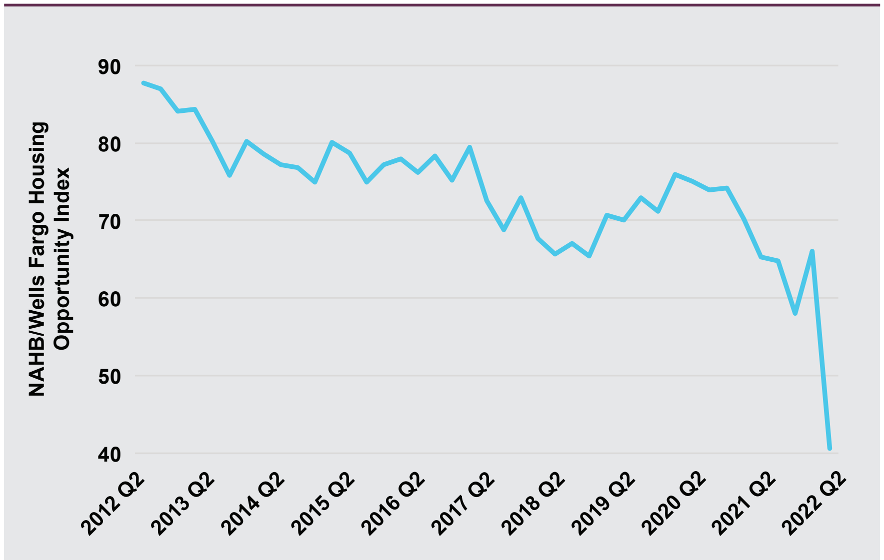
REO Sales and Delinquent Mortgages

The housing crisis in the mid-to-late 2000s had a significant effect on loan delinquencies in the HMA, but the market has improved since then. The percentage of seriously delinquent mortgage loans and REO properties in the HMA peaked at 7.7 percent in February 2010, 1 month after the peak rates for Arizona and the nation of 12.0 and 8.6 percent (CoreLogic, Inc.), respectively. The rate in the HMA generally declined to a low of 0.8 percent during December 2019. The economic contraction caused by the impacts of the COVID-19 pandemic contributed to an overall increase in the rate of seriously delinquent and REO properties in the HMA as homeowners struggled to make mortgage payments, reaching a high of 3.3 percent in September 2020, compared with a 3.0-percent rate statewide and a 4.3-percent rate nationwide. The increase in the rate in the HMA from January to September 2020 was due to a 320 percent increase in the number of home loans that were 90 or more days delinquent. During the same period, the number of home loans that were in foreclosure declined 52 percent as many residents took advantage of mortgage forbearance programs. As of July 2022, the rate of seriously delinquent loans and REO properties in the HMA was 0.9 percent, down from 2.2 percent a year ago; that proportion is below the 1.4 percent rate for the nation but slightly above the 0.7-percent rate for Arizona.

Housing Affordability

Affordability in the HMA declined significantly during the past year. The affordability of homes in the Tucson HMA has generally trended downward since the early 2010s as home price increases have exceeded income growth. The National Association of Home Builders (NAHB)/Wells Fargo Housing Opportunity Index (HOI), which represents the share of homes sold that would have been affordable to a family earning the local median income, was 40.6 for the HMA during the second quarter of 2022, down significantly from 65.3 during the second quarter of 2021, as home prices increased significantly since 2020 (Figure 11). The median prices for homes increased over 24 percent, whereas median incomes rose 18 percent during the period (NAHB). By comparison, 42.8 percent of new and existing homes nationally were considered affordable during the second quarter of 2022, down from 56.6 percent the previous year. The HOI has declined since reaching a high of 87.7

Figure 11. Tucson HMA Housing Opportunity Index



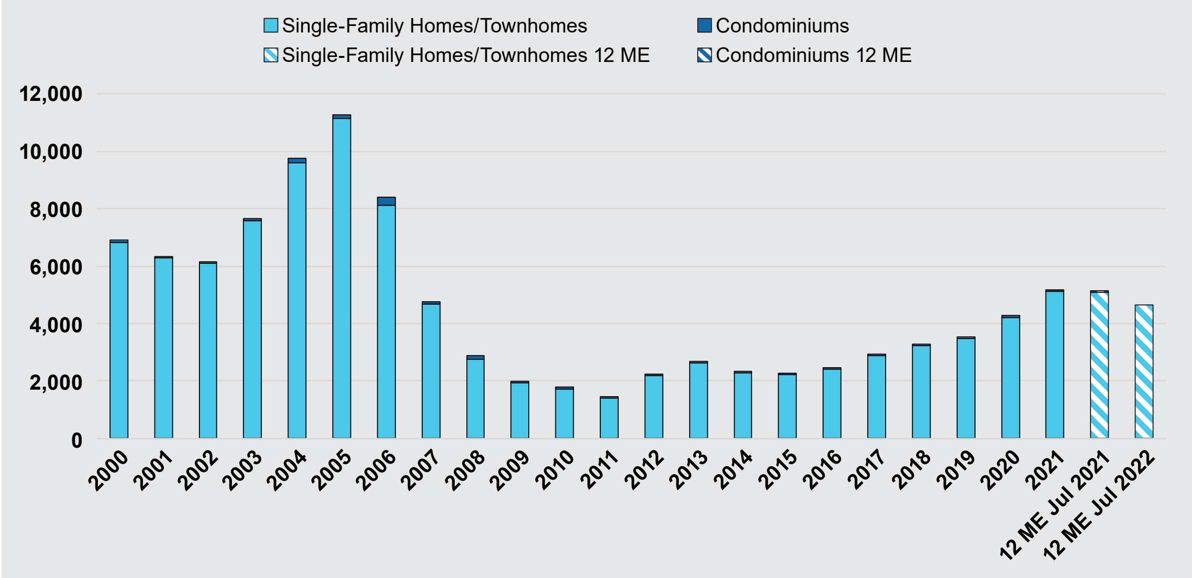
NAHB = National Association of Home Builders. Q2 = second quarter.
Sources: NAHB; Wells Fargo

in the HMA during the second quarter of 2012. The median home price in the MSA has increased approximately 160 percent since the second quarter of 2012, and the median income increased 30 percent (NAHB). Approximately 62 percent of the 240 ranked metropolitan areas were more affordable than the Tucson HMA during the second quarter of 2022. Homeownership remains relatively affordable in the HMA, however, when compared with many nearby metropolitan areas, including Los Angeles, Phoenix, and San Diego, where the respective HOIs were 3.6, 22.3, and 6.9 during the second quarter of 2022.

Sales Construction Trends

Sales construction activity in the HMA, as measured by the number of single-family homes, townhomes, and condominium units permitted, has trended upwards since 2016. Sales construction activity increased during the most recent 12 months, but it is significantly below the historically high levels reached during the mid-2000s, when a peak of 11,300 homes were permitted during 2005. Beginning in 2006, sales construction activity fell by an average of 29 percent annually to a low of 1,400 homes permitted in 2011, as builders responded to declining home prices (Figure 12). From 2012 through 2015, an average of 2,350 homes were permitted each year in response to rising new home sales. Stronger home sales demand stemming from an expanding local economy

Figure 12. Annual Sales Permitting Activity in the Tucson HMA



12 ME = 12 months ending.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

and increased net in-migration contributed to an increase in homebuilding, and the number of homes permitted increased an average of 14 percent annually from 2016 through 2020. During the 12 months ending July 2022, 4,650 homes were permitted in the HMA, a 9-percent decrease from the previous 12 months (preliminary data and estimates by the analyst).

New Sales Construction

During the 12 months ending July 2022, more than 80 percent of home construction activity was concentrated in the unincorporated areas of the HMA, in the town of Marana, and in the city of Tucson. In the fast-growing town of Marana, approximately 20 miles northwest of the city of Tucson, a new community, The Legends at Gladden Farms, is projected to open in September 2022. Construction began at the master-planned community Gladden Farms in 2002 but stalled in 2009 during the housing crisis. New owners acquired the property in 2013 and increased production during 2016, with multiple subdivisions added on the 1,340 acres and 2,100 homes completed as of 2021. Approximately 4,000 homes are expected at buildout. At The Legends subdivision, approximately 140 home lots are available. Prices start in the low $300,000s for a three-bedroom home and range in size from approximately 1,250 to 2,200 square feet. Entrada La Coraza at Rancho Sahuarita, a single-family home community under construction in the town of Sahuarita, is expected to have 144 homes upon completion, with prices starting from $350,000.

Forecast

During the next 3 years, demand is expected for an estimated 10,550 new homes in the HMA (Table 6). The estimated 2,700 homes currently under construction are expected to satisfy a large portion of the estimated demand during year 1 of the forecast period. Most of the demand will be for new homes priced below $350,000. New development will be constrained to areas where an assured 100-year water supply certificate exists or is approved from the Arizona Department of Water Resources (ADWR).

Table 6. Demand for New Sales Units in the Tucson HMA During the Forecast Period

	Sales Units
Demand	10,550 Units
Under Construction	2,700 Units

Note: The forecast period is from August 1, 2022, to August 1, 2025.
Source: Estimates by the analyst

Rental Market

Market Conditions: Balanced

Job growth and elevated net in-migration since 2015 have contributed to currently balanced rental market conditions compared with soft conditions in 2010.

Current Conditions and Recent Trends

The rental housing market in the Tucson HMA is balanced, with a current overall rental vacancy rate estimated at 7.0 percent (Table 7). Rental market conditions have improved since April 2010, when the rental vacancy rate was 11.3 percent and conditions were soft. The apartment market is also currently balanced, having improved since 2010, when conditions were soft. The average apartment vacancy rate during the second quarter of 2022 was 6.6 percent, up from 5.8 and 4.6 percent during the second quarters of 2020 and 2021, respectively, and well below the 11.3-percent rate during the second quarter of 2010 (CoStar Group). Rental market conditions have improved since 2010 despite a significant increase in unsold homes that converted to the rental market. Single-family homes represented approximately 29 percent of renter-occupied units in 2000 and rose to 40 percent in 2010 (ACS 1-year data). In 2019, renter-occupied single-family homes in the HMA accounted for approximately 38 percent of the total number of occupied rental units.

Table 7. Rental and Apartment Market Quick Facts in the Tucson HMA

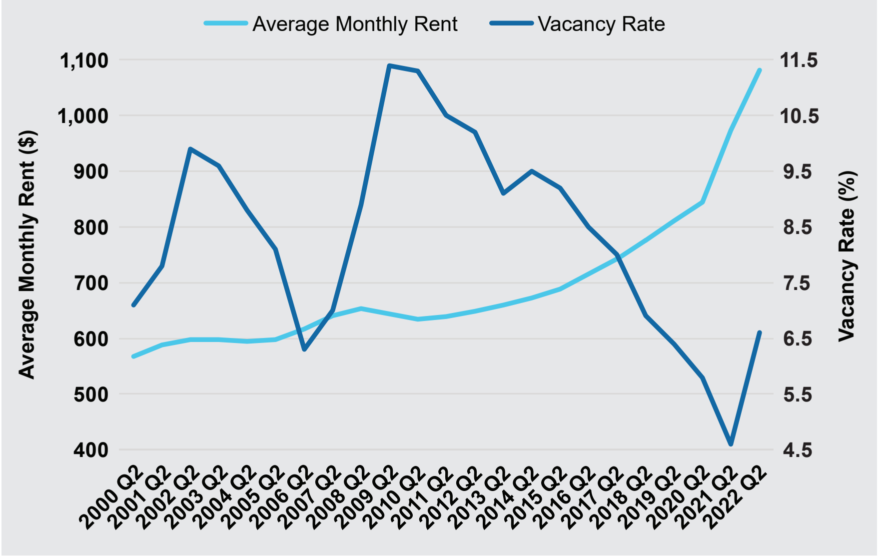
		2010 (%)	Current (%)
Rental Market Quick Facts	Rental Vacancy Rate	11.3	7.0
		2010 (%)	2019 (%)
	Occupied Rental Units by Structure		
	Single-Family Attached & Detached	40	38
	Multifamily (2–4 Units)	11	12
	Multifamily (5+ Units)	43	45
	Other (Including Mobile Homes)	6	5

Notes: The current date is August 1, 2022. Percentages may not add to 100 due to rounding.
Sources: 2010 vacancy rate—2010 Census; current vacancy rate—estimate by the analyst; occupied rental units by structure—2010 and 2019 American Community Survey 1-year data; apartment data—CoStar Group

Apartment Market Trends

Apartment market conditions in the HMA are balanced, with a vacancy rate of 6.6 percent during the second quarter of 2022, compared with 4.6 percent a year ago, and the average asking rent increased 11 percent to $1,082 (CoStar Group). Apartment market conditions in the HMA were generally soft during most of the 2000s, with very modest rent growth and generally high vacancy rates. During the second quarters of 2000 through 2002, vacancies increased from 7.1 to 9.9 percent, and the average rent increased 3 percent to $598 (Figure 13). Between the second quarter of 2003 through the second quarter of 2005, the apartment vacancy rate in the HMA declined to 8.1 percent, and rent growth was flat. Overbuilding of apartments in the early 2000s, combined with a strong competing home sales market, contributed to persistently high average apartment vacancy rates throughout the period. By the second quarter of 2006, the average apartment vacancy rate had decreased to 6.3 percent,

Figure 13. Apartment Rents and Vacancy Rates in the Tucson HMA



Q2 = second quarter.
Source: CoStar Group

however, and rents increased 3 percent to $617. Demand for apartments decreased during the Great Recession, and the apartment vacancy rate increased from 7.0 percent during the second quarter of 2007 to 11.4 percent by the second quarter of 2009, when the average rent for an apartment was $644. By the second quarter of 2010, apartment rents declined to an average of $634, and the average apartment vacancy rate was 11.3 percent. Vacancy rates declined beginning in 2011, from 10.5 percent during the second quarter of 2011 to 9.1 percent during the second quarter of 2013. Apartment rents averaged $660 during the second quarter of 2013, an average annual increase of 2 percent since the second quarter of 2011. Relatively slower household growth, however, combined with more available single-family homes for rent, kept apartment vacancies high. During the second quarter of 2014, the average apartment vacancy rate was 9.5 percent, and apartment rents averaged $673. Largely attributed to significantly increased net in-migration and declining rental construction, particularly during 2015 through 2016, the apartment vacancy rate declined as measured in the second quarter of each year from 2015 through 2021, reaching 4.6 percent by the second quarter of 2021. The average rent for an apartment was $973 during the second quarter of 2021. From the second quarter of 2015 through the second quarter of 2019, rent growth in the HMA averaged 4 percent a year and then accelerated to an average of 15 percent annually from the second quarter of 2020 through the second quarter of 2021.

Student Housing

The University of Arizona has a significant effect on the rental market in the HMA and the area surrounding the campus in downtown Tucson. From fall 2013 through fall 2021, total enrollment rose by an average of 1,125 students, or 2.5 percent, a year. Of the 42,100 students enrolled at UA during fall 2021 (excluding online students), approximately 7,100 of the 31,100 students located at the main campus in the city of Tucson were housed in on-campus dormitories. The remaining 24,000 students account for approximately 6 percent of renter households in the HMA. Since 2013, approximately 7,000 student-centered apartment units have been added to the HMA. The average vacancy rate for apartment properties in the CoStar Group-defined University North market area has generally declined every year since 2013, from a high of 10.9 percent during the second quarter of 2013 to 5.9 percent during the second quarter of 2019. During the period, the average rent increased $20, or nearly 3 percent, annually, to $842 during the second quarter of 2019. During the second quarter of 2020, however, vacancies in the University North market area increased to 9.4 percent as the onset of the COVID-19 pandemic affected occupancy levels. Rents declined to $837 by the second quarter of 2020 before rebounding rapidly to $900, reflecting an increase of nearly 8 percent, by the second quarter of 2021 as heightened net in-migration to the HMA increased overall rental demand. The apartment vacancy rate in the University North submarket was 8.0 percent during the second quarter of 2022, up slightly from 7.9 percent during the same period a year earlier, and the average apartment rent increased an average of 14 percent to $1,024.

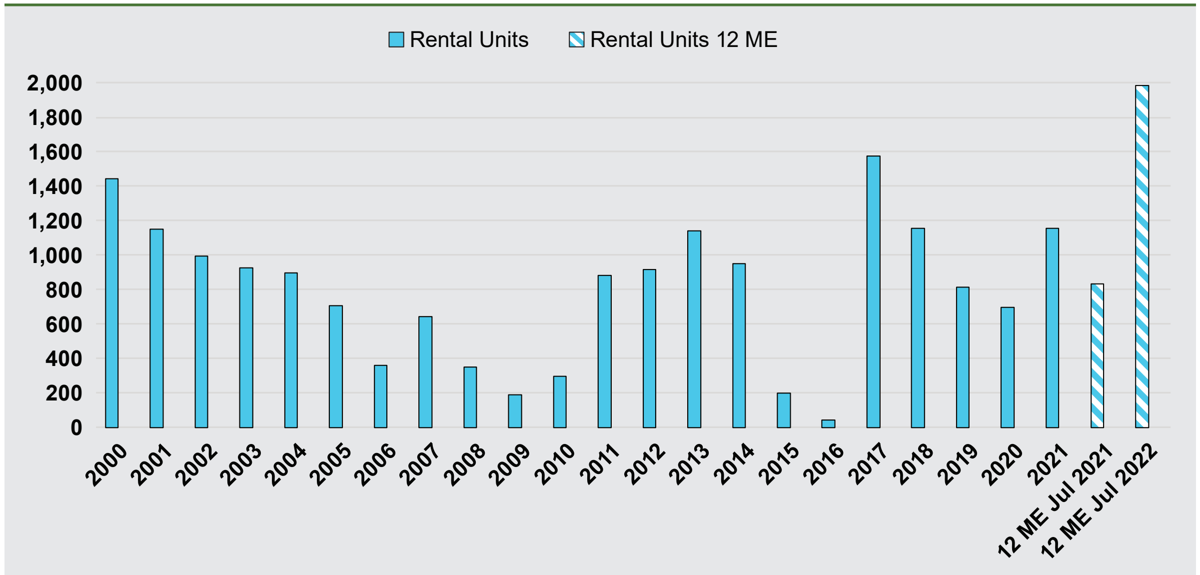
Military Housing

Davis-Monthan AFB has a smaller but noteworthy effect on the rental market in the HMA, and particularly in the area surrounding the AFB. As of 2021, approximately 6,150 active-duty personnel were stationed at the Davis-Monthan AFB. On-base housing capacity includes the 775-bed Unaccompanied Housing option; other AFB housing choices include three privately-operated neighborhoods with 1,175 two-to-five-bedroom single-family and duplex homes. In the CoStar Group-defined Southeast submarket immediately surrounding the AFB, the overall apartment vacancy rate during the second quarter of 2022 was 6.4 percent, up from 4.9 percent during the second quarter of 2021, but down from a high of 9.9 percent during the second quarter of 2013. Rents in the submarket area rose an average of 5 percent a year from the second quarter of 2013 to the second quarter of 2020. The average apartment asking rent in the Southeast submarket area during the second quarter of 2022 was $1,035, an 18-percent increase from the second quarter of 2021.

Rental Construction

Rental construction activity in the Tucson HMA, as measured by the number of rental units permitted, has fluctuated since 2000. Approximately 1,450 rental units were permitted in 2000; subsequently, construction activity fell at an average annual rate of 21 percent to a low of 360 units permitted in 2006 (Figure 14). In response to declining vacancy rates, rental construction increased to 640 units during 2007. During 2008 through 2010, rental construction activity averaged 280 units annually, partly because of an increase in the average apartment vacancy rate. From 2011 through 2014, rental construction activity averaged 970 units built annually as builders responded to declines in the average apartment vacancy rate and local economic growth. The slowdown in job growth during 2014 and an increase in the average apartment vacancy rate contributed to a decrease in rental construction activity during 2015 through 2016, when an average of 120 units were permitted annually. During 2017, rental construction activity increased to a decade-high of 1,575 units as builders responded to stronger demand for apartments. From 2018 through 2020, construction activity declined an average of 24 percent annually to reach 700 units in 2020, despite a continued decline in the vacancy rate, before increasing to 1,150 units during 2021. During the 12 months ending July 2022, rental construction activity in the HMA more than doubled to an estimated 1,975 units compared with a year earlier (preliminary data, with adjustments by the analyst). Record high rent growth and a decline in the average apartment vacancy rate contributed to the increase in rental construction activity during the past year.

Figure 14. Annual Rental Permitting Activity in the Tucson HMA



12 ME = 12 months ending.
Note: Includes apartments and units intended for rental occupancy.
Sources: U.S. Census Bureau, Building Permits Survey; 2000–21—final data and estimates by the analyst; past 24 months of data—preliminary data and estimates by the analyst

New Rental Construction Activity

Among the 1,650 units currently underway are those at Cabana Bridges, an apartment community on the south side of the city of Tucson within the 350-acre The Bridges mixed-use development. Construction began on the 288-unit complex in November 2021, with completion anticipated in early 2023. Average rents are expected to start at $1,000 for 468-square-foot studios, 624-square-foot one-bedroom units, and 828-square-foot two-bedroom units. Recent developments in the HMA include Encantada Rita Ranch, located southeast of Tucson in Rita Ranch. Encantada Rita Ranch was completed during 2021, and rents for one-, two-, and three-bedroom units start at $1,621, $1,849, and $2,201, respectively. Among the recently completed student apartments is the Mark, an eight-story apartment community with 154 units, or 475 bedrooms, approximately 1 mile from UA in the city of Tucson. The development opened in late 2019, with an option to rent per unit or per bedroom. Per bedroom rents for one-, two-, three-, and four-bedroom units start at $1,600, $1,120, $1,075, and $840, respectively.

Forecast

During the 3-year forecast period, demand is expected for an additional 3,775 rental units (Table 8). The 1,650 units currently under construction will meet the demand during the first year and part of the demand during the second year of the forecast period. Rental demand is expected to increase in the second and third years of the forecast period in response to continued household growth and as homeownership becomes increasingly more expensive.

Table 8. Demand for New Rental Units in the Tucson HMA During the Forecast Period

Rental Units	
Demand	3,775 Units
Under Construction	1,650 Units

Note: The forecast period is August 1, 2022, to August 1, 2025.
Source: Estimates by the analyst

Terminology Definitions and Notes

A. Definitions

Building Permits	**Building permits do not necessarily reflect all residential building activity that occurs in an HMA. Some units are constructed or created without a building permit or are issued a different type of building permit. For example, some units classified as commercial structures are not reflected in the residential building permits. As a result, the analyst, through diligent fieldwork, makes an estimate of this additional construction activity. Some of these estimates are included in the discussions of single-family and multifamily building permits.**
Demand	**The demand estimates in the analysis are not a forecast of building activity. They are the estimates of the total housing production needed to achieve a balanced market at the end of the 3-year forecast period given conditions on the as-of date of the analysis, growth, losses, and excess vacancies. The estimates do not account for units currently under construction or units in the development pipeline.**
Distressed Sales	**Short sales and real estate owned (REO) sales.**
Existing Home Sales	**Includes regular resales and REO sales.**
Forecast Period	**8/1/2022–8/1/2025—Estimates by the analyst.**
Home Sales/ Home Sales Prices	**Includes single-family home, townhome, and condominium sales.**
Net Natural Change	**Resident births minus resident deaths.**

Rental Market/ Rental Vacancy Rate	**Includes apartments and other rental units such as single-family, multifamily, and mobile homes.**
Seriously Delinquent Mortgages	**Mortgages 90+ days delinquent or in foreclosure.**

B. Notes on Geography

1.	**The metropolitan statistical area definition noted in this report is based on the delineations established by the Office of Management and Budget (OMB) in the OMB Bulletin dated April 10, 2018.**
2.	**Urbanized areas are defined using the U.S. Census Bureau 2010 Census Urban and Rural Classification and the Urban Area Criteria.**

C. Additional Notes

1.	**The NAHB Housing Opportunity Index represents the share of homes sold in the HMA that would have been affordable to a family earning the local median income, based on standard mortgage underwriting criteria.**
2.	**This analysis has been prepared for the assistance and guidance of HUD in its operations. The factual information, findings, and conclusions may also be useful to builders, mortgagees, and others concerned with local housing market conditions and trends. The analysis does not purport to make determinations regarding the acceptability of any mortgage insurance proposals that may be under consideration by the Department.**
3.	**The factual framework for this analysis follows the guidelines and methods developed by the Economic and Market Analysis Division within HUD. The analysis and findings are as thorough and current as possible based on information available on the as-of date from local and national sources. As such, findings or conclusions may be modified by subsequent developments. HUD expresses its appreciation to those industry sources and state and local government officials who provided data and information on local economic and housing market conditions.**

D. Photo/Map Credits

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