

Housing Supply and Analysis

Pima Prospers

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Table of Contents

Executive Summary	3
Introduction	4
County-wide Housing Shortages	5
Rising Rents and Home Values	7
Rising Housing Cost Burden	9
Slow, Poorly-Located Housing Production	13
Conclusion	16

Executive Summary

To aid Pima County in updating its long-range plan, Pima Prospers, this report presents an analysis of housing supply and affordability conditions in the county. To provide context for county-wide trends, we also compare how Pima County performs on key indicators of housing supply and affordability relative to Arizona and relative to Bernalillo County, New Mexico.

Overall, our analysis highlights six closely related housing issues that the county should consider in its plan update, including:

1. Housing Shortages: The county's population has grown faster than the housing supply, which has lowered the residential vacancy rate from 9.9% in 2010 to 6.7% in 2022.

2. Rising rents and home values: Since 2015, the typical home value has increased by 152% to \$342,000, and the typical rent has increased by 81% to \$1,600.

3. More cost-burdened households: By 2023, 50% of homeowners and 65% of renters making less than \$75,000 were housing cost-burdened, paying more than 30% of their income towards housing.

4. Limited multifamily development: Since 2016, there has only been a 5% increase in

multifamily housing units in Pima County. In contrast, there has been 7% increase in multifamily units for the state and a 10% increase for Bernalillo County, New Mexico.

5. Continued Sprawl: Where housing is getting built tends to be on the urban fringe, requiring long commutes to jobs, services, and amenities in the urban core.

6. Affordability issues in Tucson Metro: Of Pima County's 20 least affordable census tracts, 15 are in Tucson, and the remaining five are in suburban parts of the county.

To address these issues, Pima County should explore the impact of land use regulations on new development and consider how to revise regulations that create unnecessary barriers to new development. Pima County should specifically consider how regulatory reforms can bolster multifamily development, particularly in well-located, high-resource areas, as the County has seen fewer multifamily homes built in recent years than the State and Bernalillo County, New Mexico. Pima County should also continue to collaborate with communities in the county to implement and enhance subsidy programs for cost-burdened renters and homeowners, many of whom live in the Tucson metro area.

Introduction

Pima County is in the process of updating its long-range plan, ***Pima Prospers***. Set to be finalized in 2025, the updated plan will include elements from the current plan while also focusing on new issues that have arisen since 2015, when the plan was last updated. The Board of Supervisors and Pima County Development Services have identified insufficient housing supply as a key issue to be addressed in the updated version of Pima Prospers.

In this report, we analyze the county's current housing supply conditions, focusing on housing costs and affordability. To analyze these issues, we use two data sources. First, we use data from the US Census Bureau to describe housing development and affordability trends across the county. Second, we use data from Zillow – a major real estate marketplace company

– to describe how rents and home values have changed in recent years and decades. We selected these data sources because they provide accurate, timely information on housing supply and affordability issues in the county. Using the Zillow and US Census data, we present a longitudinal and comparative analysis of housing trends in the county. The longitudinal analysis focuses on how housing supply and affordability issues have worsened or improved in recent years and decades. The comparative analysis focuses on how trends differ across various Pima County communities. It also focuses on how Pima County fares on key supply and affordability indicators compared to Bernalillo County, New Mexico. We selected the latter as a comparison county due to its similarities to Pima County's size, demographic composition, and exposure to regional economic conditions.

County-wide Housing Shortages

Communities must maintain some residential vacancies because housing shortages increase rents and home prices. Experts generally agree when residential vacancy rates dip below 5% – i.e., 5% of all units are unoccupied – housing shortages begin to drive up prices. In recent years, residential vacancy rates have

declined across Pima County. From 2010 to 2021, the county-level residential vacancy rate dropped from roughly 10% to 6.7% — a trend shown in **Figure 1**. While Pima County has not yet dipped below the 5% threshold, the trend is moving in the wrong direction.

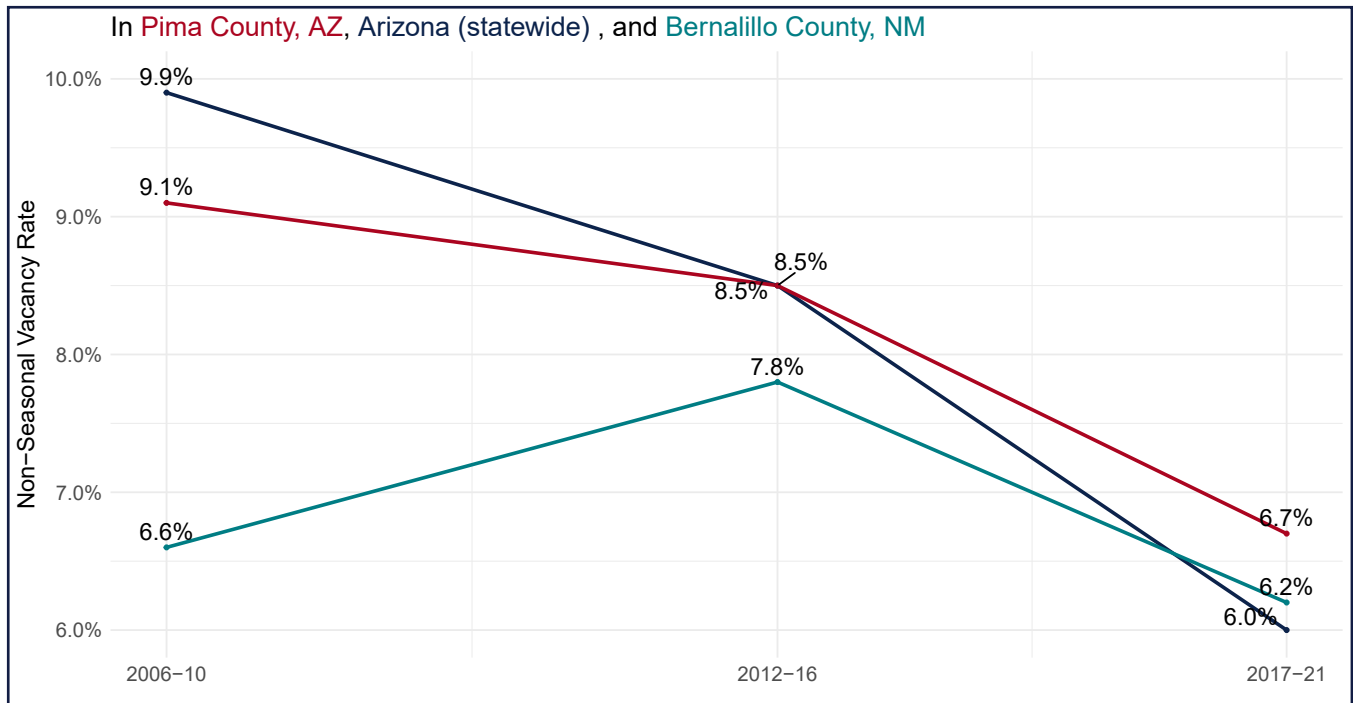


Figure 1: Non-Seasonal Residential Vacancy

Note: Graph created using 2006-10 to 2017-21 ACS data

County-level vacancy trends are important but can obscure important variations in sub-market trends. As **Figure 2** highlights, communities such as Oro Valley and Marana have seen their vacancy rate drop well below the 5% threshold, falling to 4.1% and 3.1%, respectively. Notably, several communities in the Tucson Metro have residential vacancy rates well below the 5% threshold, indicating that housing shortages are most pronounced in Pima County's main population hub.

Recent decreases in residential vacancy rates highlight that population growth is outpacing new housing development, creating housing shortages. Since 2016, the number of

households in Pima County has increased by 9.3%, but the number of housing units has only increased by 7.3% — as shown in **Figure 3**. The mismatch between household growth and new housing development in Pima County is not as severe as in Arizona statewide. However, it is more severe than in Bernalillo County, which saw a 7.1% increase in households and a 6.3% increase in housing units since 2016.

Overall, these trends highlight that rapid population growth coupled with relatively low levels of new housing development are creating county-wide housing shortages. As we will examine further, new housing development has been especially limited in certain communities.

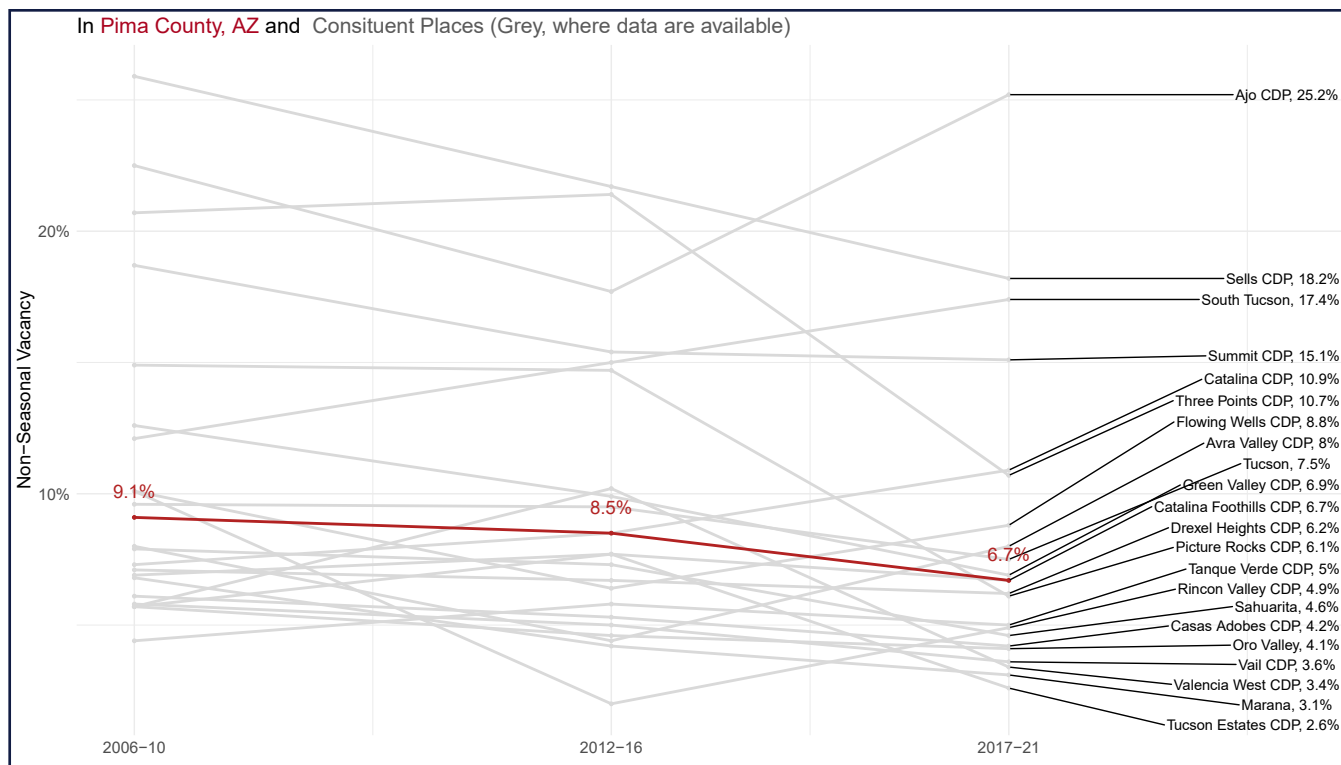


Figure 2: Non-Seasonal Residential Vacancy, 2006-10 to 2017-21 ACS Data

Note: Graph created using 2006-10 to 2017-21 ACS data; Data limited to municipalities & CDPs with more than 500 units.

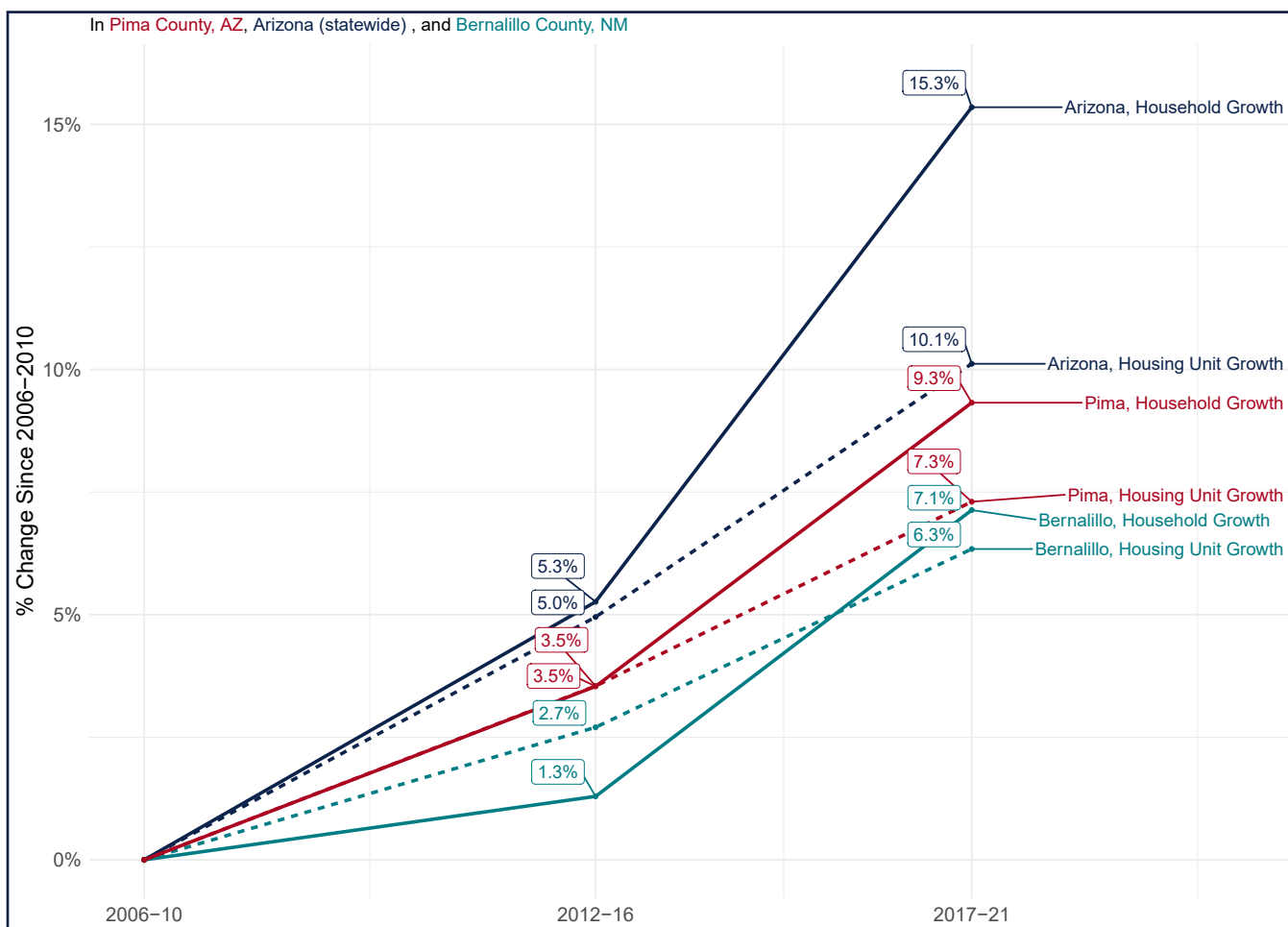


Figure 3: Percentage Change in Total Housing Units

Note: Graph created using 2006-10 to 2017-21 ACS data

Rising Rents and Home Values

Due to the scarcity of vacant units across the county, home values and rent prices have risen dramatically recently. To measure housing price increases, we use the Zillow Home Value Index (ZHVI), which measures “typical” rents and home values for a given geographic area (see inset).

Overall, the Zillow data show that the value of a typical home has increased by 152% between 2002 and 2022, rising to \$342,000 as of October 2023 **(Figure 4)**. Home values have increased more for Arizona as a whole, rising by 179% from 2002 to 2022. However, Pima County has seen greater home value increases than

Bernalillo County, highlighting that the price increases affecting Pima County are not as apparent in other, similar counties.

Rents have also risen dramatically, with the typical asking rent increasing by 81% to roughly \$1,600 between 2015 and 2023. In contrast, Bernalillo County only experienced a 71% increase in typical rents during the same period. As with home values, Pima County has seen greater rent increases compared to a similar county in the Southwest. Unfortunately, no statewide data on rents were available, so we cannot compare Pima County to Arizona.

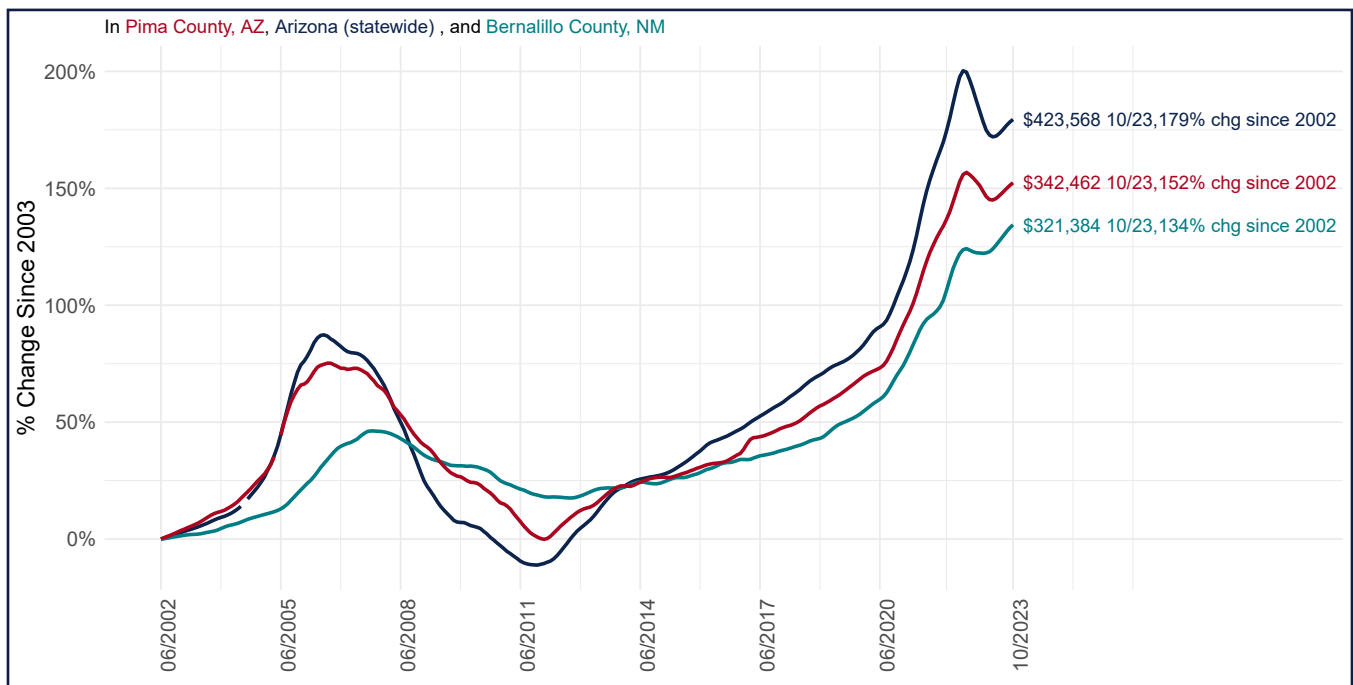


Figure 4: Change in Typical Home Values

Note: Graph created using Zillow, Smoother, Seasonally Adjusted ZHVI data. Estimates the typical value of middle-third housing units.

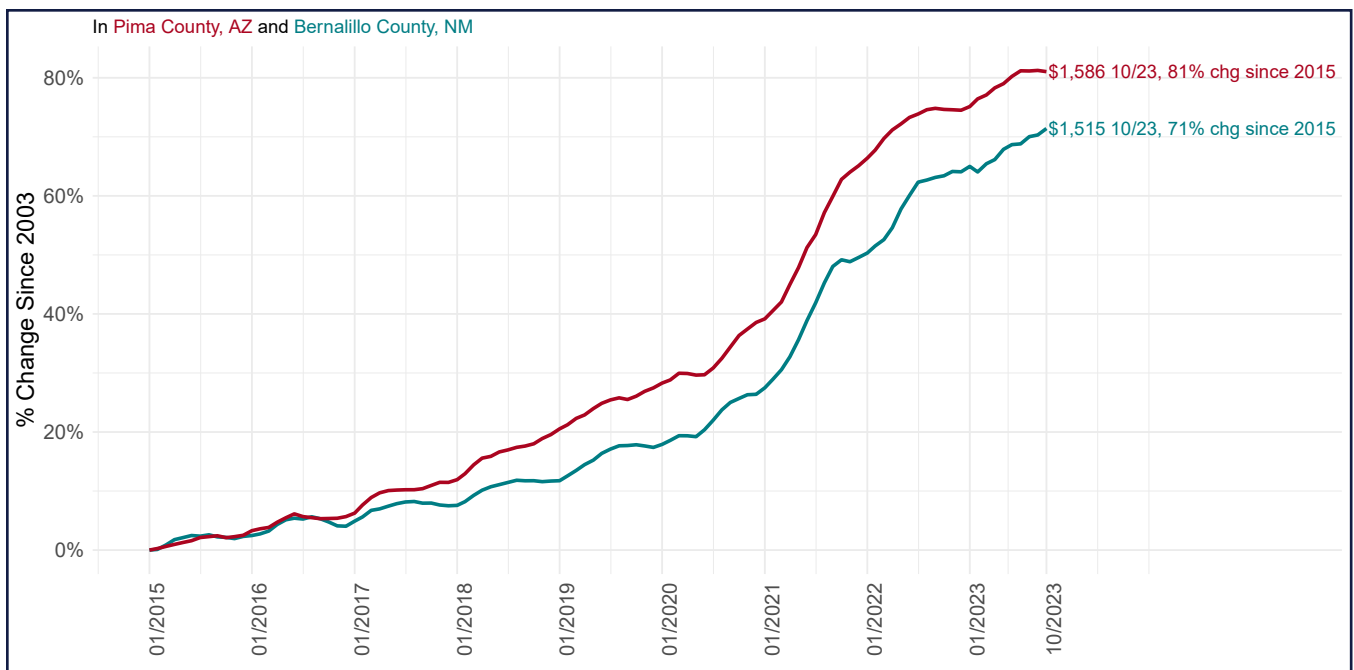


Figure 5: Change in Typical Rents

Notes: Graph created using Zillow, Smoothed, ZORi.

Repeat measure estimate of typical (mean within 40th to 60th percent range) listing rents. Not adjusted for inflation.

Rising Housing Cost Burden

As housing costs have increased across Pima County, so has the percentage of housing cost-burdened households, defined as those spending 30% or more of their monthly income on housing expenses. For three reasons, we focus this analysis on renter households making less than \$75,000, excluding owner-occupying and higher-income households. First, the 30% rent burden best measures financial stress among lower-income households. Second, housing insecurity is more likely to affect renters than households that own their homes. Third, lower-income households tend to be the

first to experience housing instability as prices rise. They may thus serve as a bellwether for expanding housing affordability issues.

Over the last decade, Pima County renters making less than \$75,000 have become increasingly cost-burdened (**Figure 7**). From 2010 to 2021, the rate of housing cost burden among this population increased from 54% to nearly 64%. This trend is affecting the entire region, with comparable increases in housing cost-burdens for both Arizona and Bernalillo County.

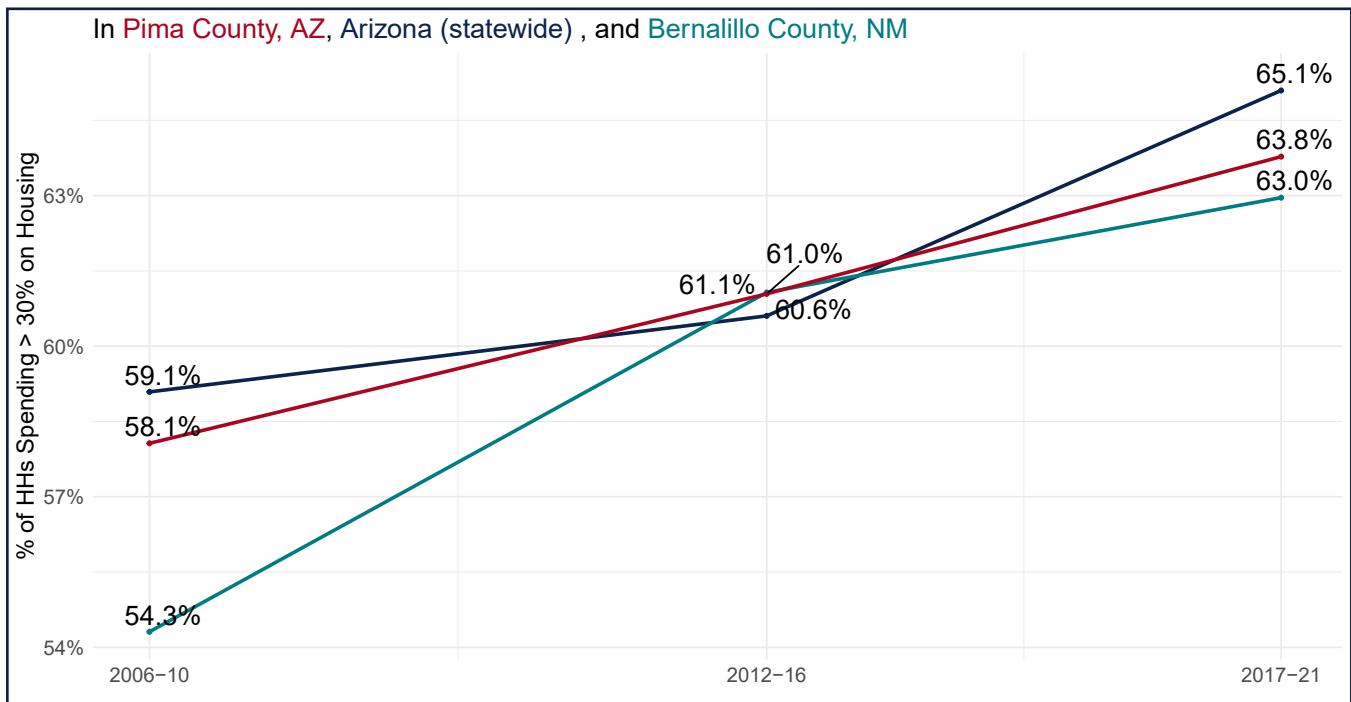


Figure 6: Cost Burden among Renters Making Less than \$75,000

Note: Graph created using 2006-10 to 2017-21 ACS data

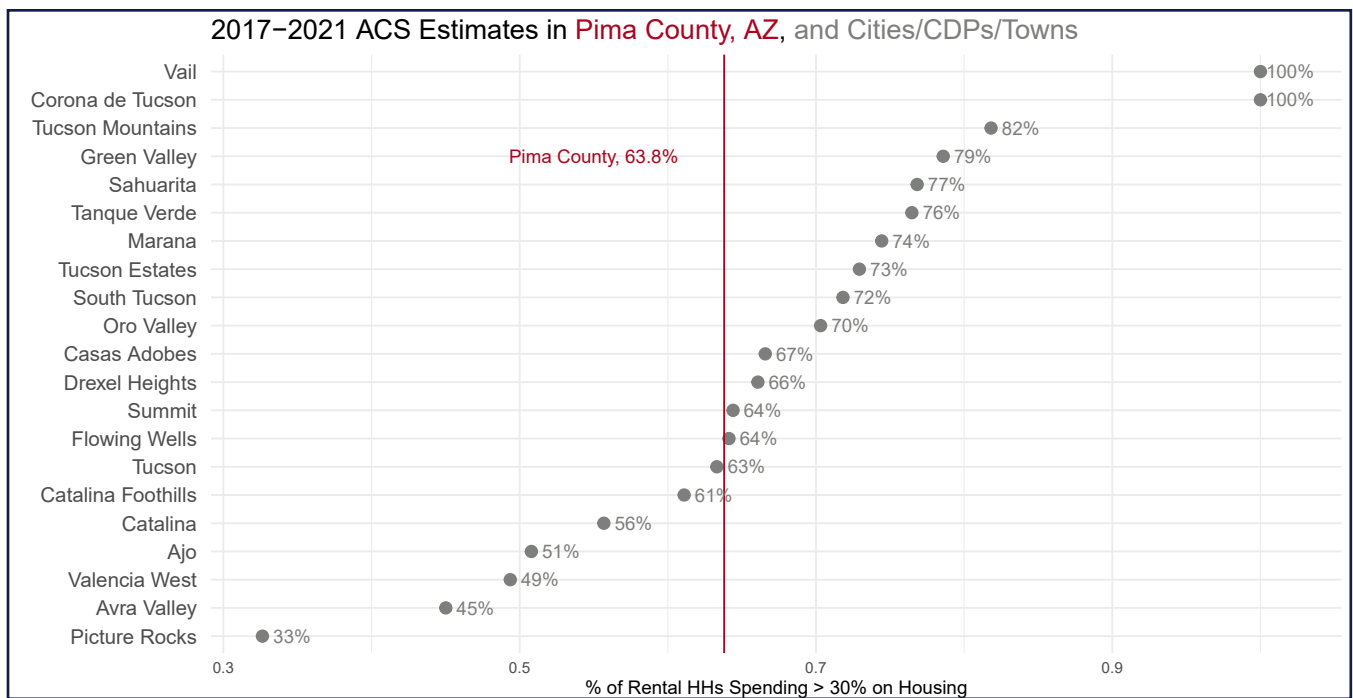


Figure 7: Cost Burden by Community for Renters making \$75,000 or Less

Note: Graph created using 2017-21 ACS data. Limited to CDPS with more than 50 renter households earning under \$75,000.

Like with vacancy, we find important variation across Pima County communities. **Figure 8** shows cost burdens in cities and census-designated places in Pima County. This analysis suggests that rental cost burdens are most severe in and around the Tucson metro. In Oro Valley and Marana, two of Tucson's largest suburbs, 70% or more of renters making less than \$75,000 are cost-burdened. In smaller Tucson Suburbs, such as Green Valley and Vail, cost burdens are even higher, affecting 80% or more of lower-income renters.

The communities where housing cost burdens

are highest are also those where some of the least affordable census tracts are located. To estimate the affordability of census tracts, we computed the percentage of housing units that would be affordable to renters earning the Pima County median income for renter households. Most of the county's least affordable tracts are located in the suburbs, whereas the City of Tucson is home to 16 of the 20 most affordable tracts in the county. Importantly, this suggests that cost-burden is not high in suburban areas because people are choosing to overpay on housing, but rather that there are a lack of affordable housing units in these communities.

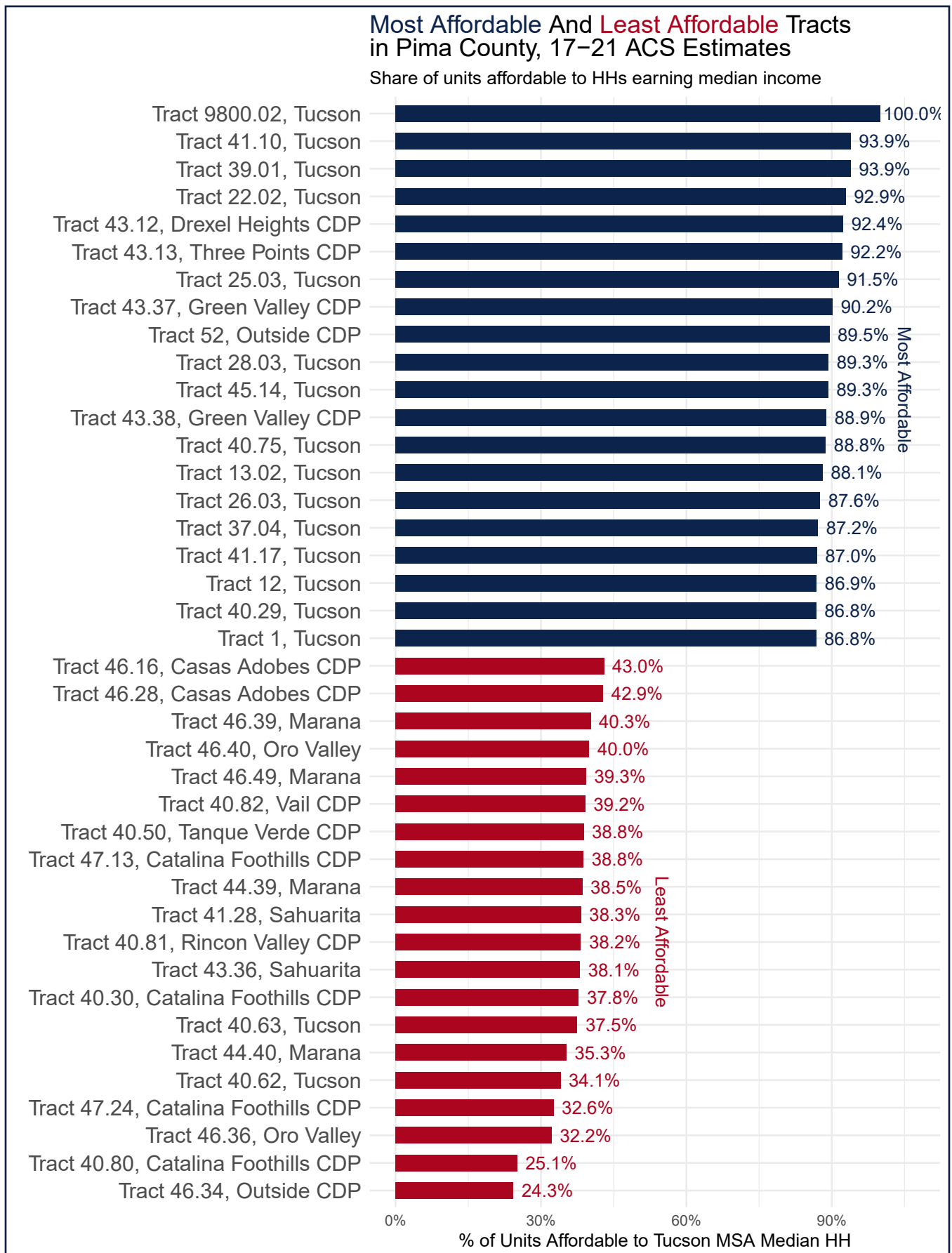


Figure 8: Share of units affordable to households earning Pima County median renter household income

Note: Graph created using 2017-21 ACS data, based on authors' calculations; Units deemed affordable if total housing costs are less than 30% of the median rental households' monthly income across Pima County. Tract boundaries are not coterminous with municipal & CDP boundaries. Tract locations are best estimates.

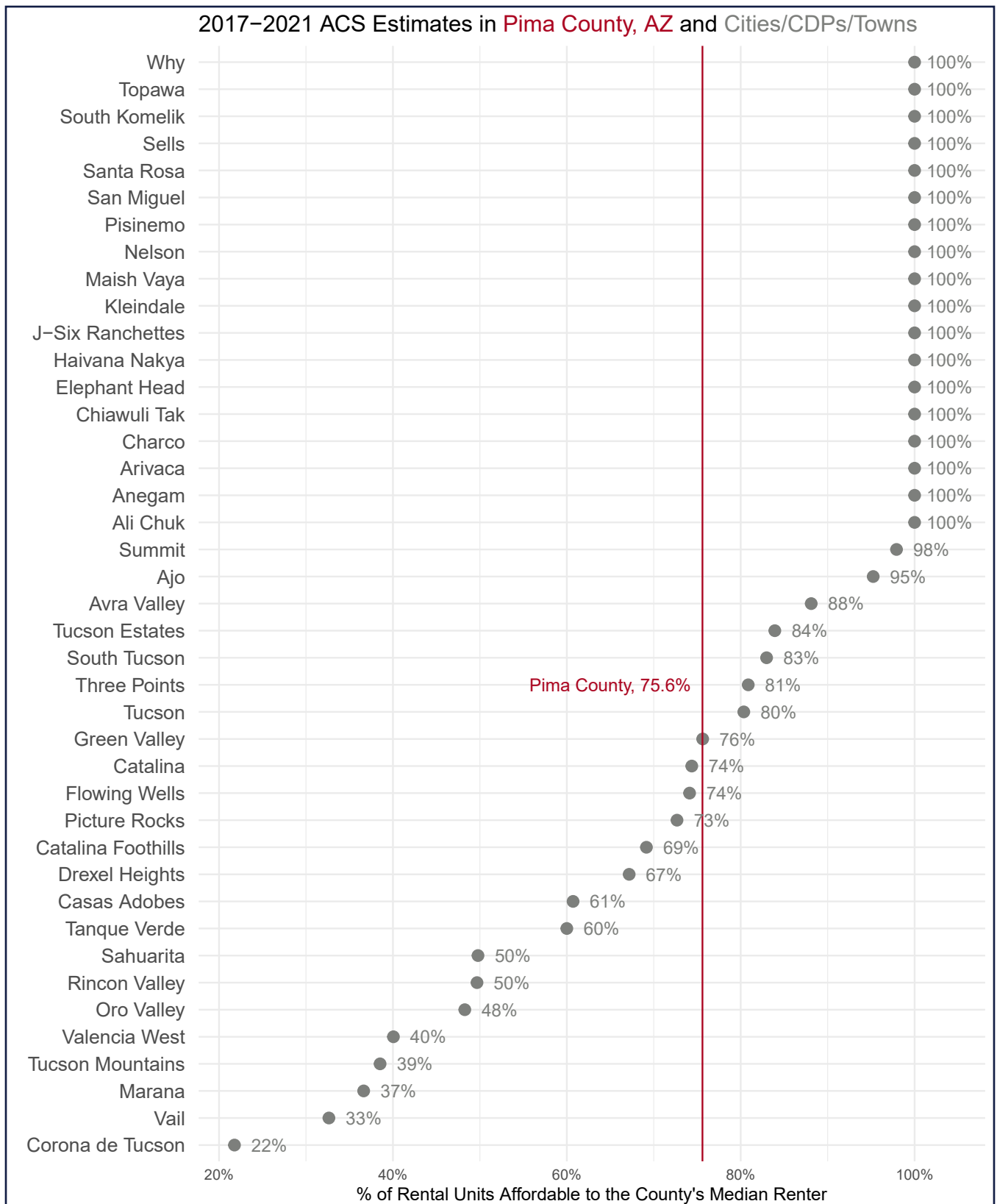


Figure 9: Share of Rental Units Affordable to County Median Income Rental Household

Notes: Graph created using 2017-21 ACS data. Limited to CDPs with adequate rental data.

Slow, Poorly Located Housing Production

Building more homes can help address housing shortages and related affordability issues affecting Pima County. Pima County has seen increased housing production in recent years. However, the county-wide rate of production has been sluggish compared to the state and Bernalillo County, New Mexico, and – equally concerning – new development has further urban sprawl rather than reducing it.

Single-family housing production has increased less in Pima County than in the state, but the trends are similar **(Figure 11)**. Since 2012, Pima County has experienced an 11% net increase in single-family housing production. Arizona, in contrast, has seen nearly a 13% net increase in single-family housing units. Pima County thus has seen comparable increases in single family production compared to the rest of Arizona.

However, Pima County is lagging both the state and Bernalillo County in multifamily production **(Figure 10)**. Since 2016, there has only been a 5% increase in multifamily housing units in Pima County. In contrast, there has been 7% increase in multifamily units for the state and a 10% increase for Bernalillo County, New Mexico.

A close look at the data shows that the development of large multifamily properties has been especially limited in Pima County. Since 2016, Pima County has added roughly the same number of small multifamily buildings (2-9 units per building) as Arizona and Bernalillo County. However, Pima County has seen a paltry 5% increase in large multifamily (10+ units) since 2016, far less than the 15% increase for Arizona and Bernalillo County.

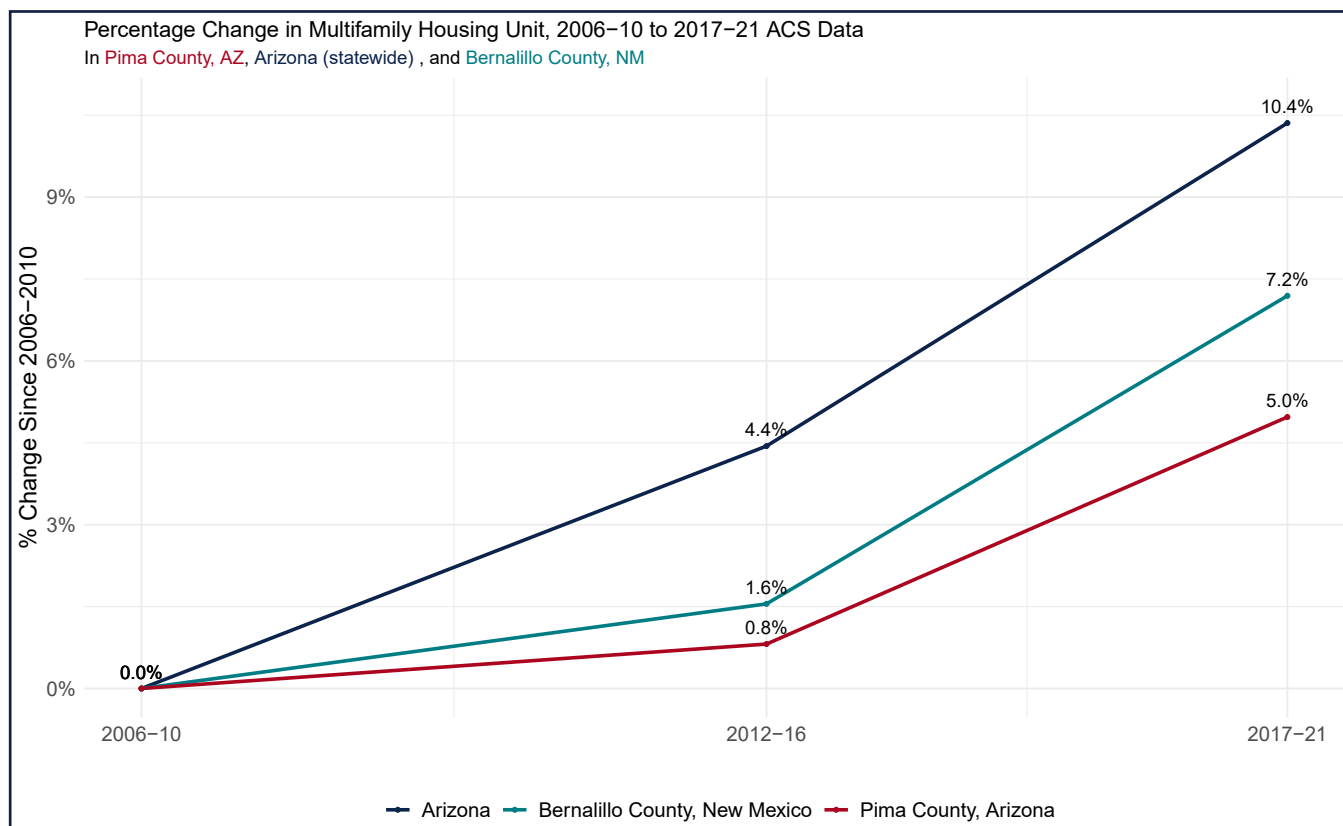


Figure 10: Change in Multifamily Units

Note: Graph created using 2006-10 to 2017-21 ACS data

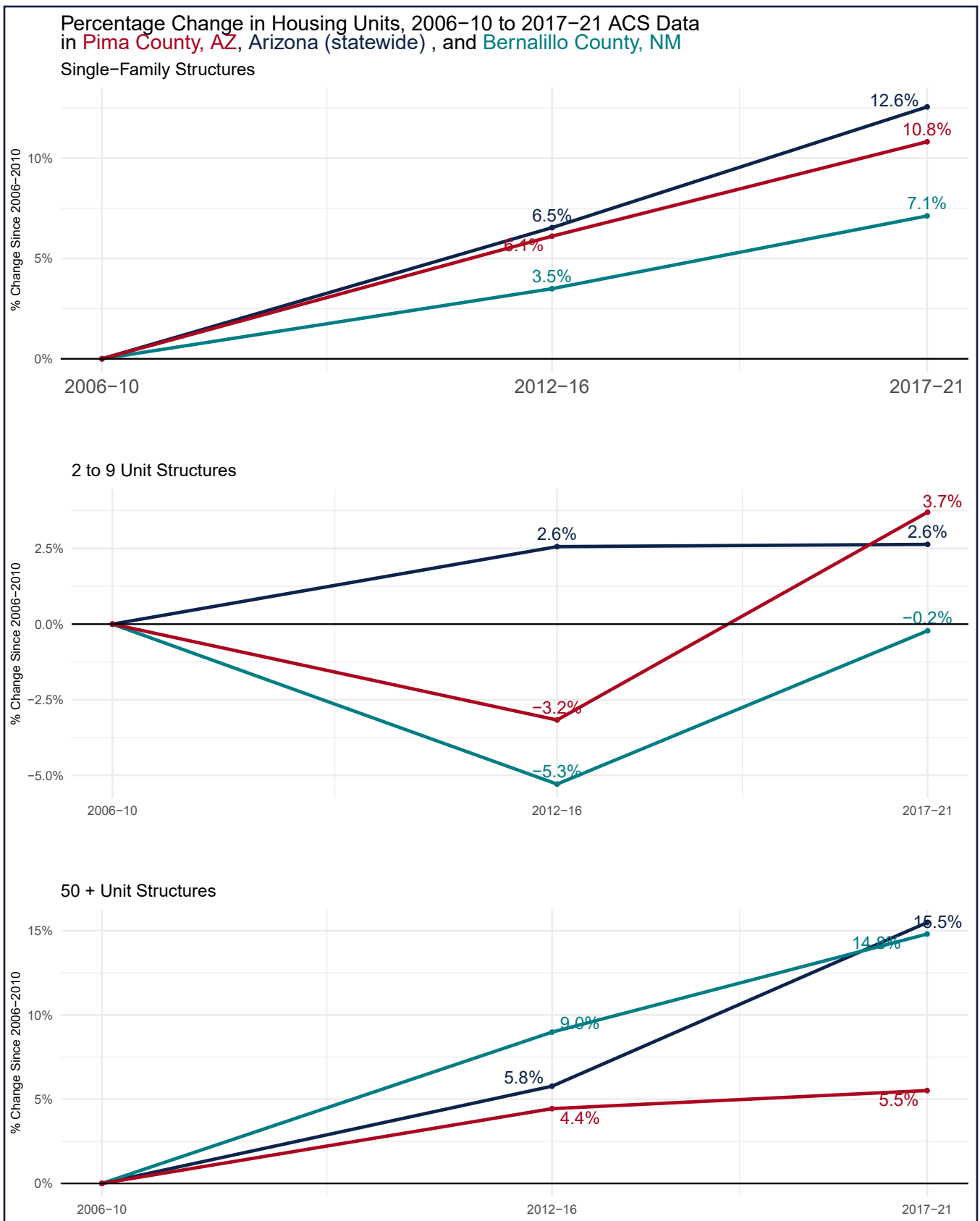


Figure 11: Change in Housing Units by Type

Note: Graph created using 2006–10 to 2017–21 ACS data

It is also notable that new housing growth has furthered patterns of car-oriented sprawl in Pima County. As shown in **Figure 12**, roughly 25% to 70% of residents in the fastest growing

census tracts are spending more than 30 minutes commuting to work, suggesting that these tracts are located in far-flung areas where there are limited job opportunities. While some

slow-growing tracts also see a high percentage of residents spending 30 minutes or more

community to work, there are far more tracts where this is true of 25% or fewer of residents.

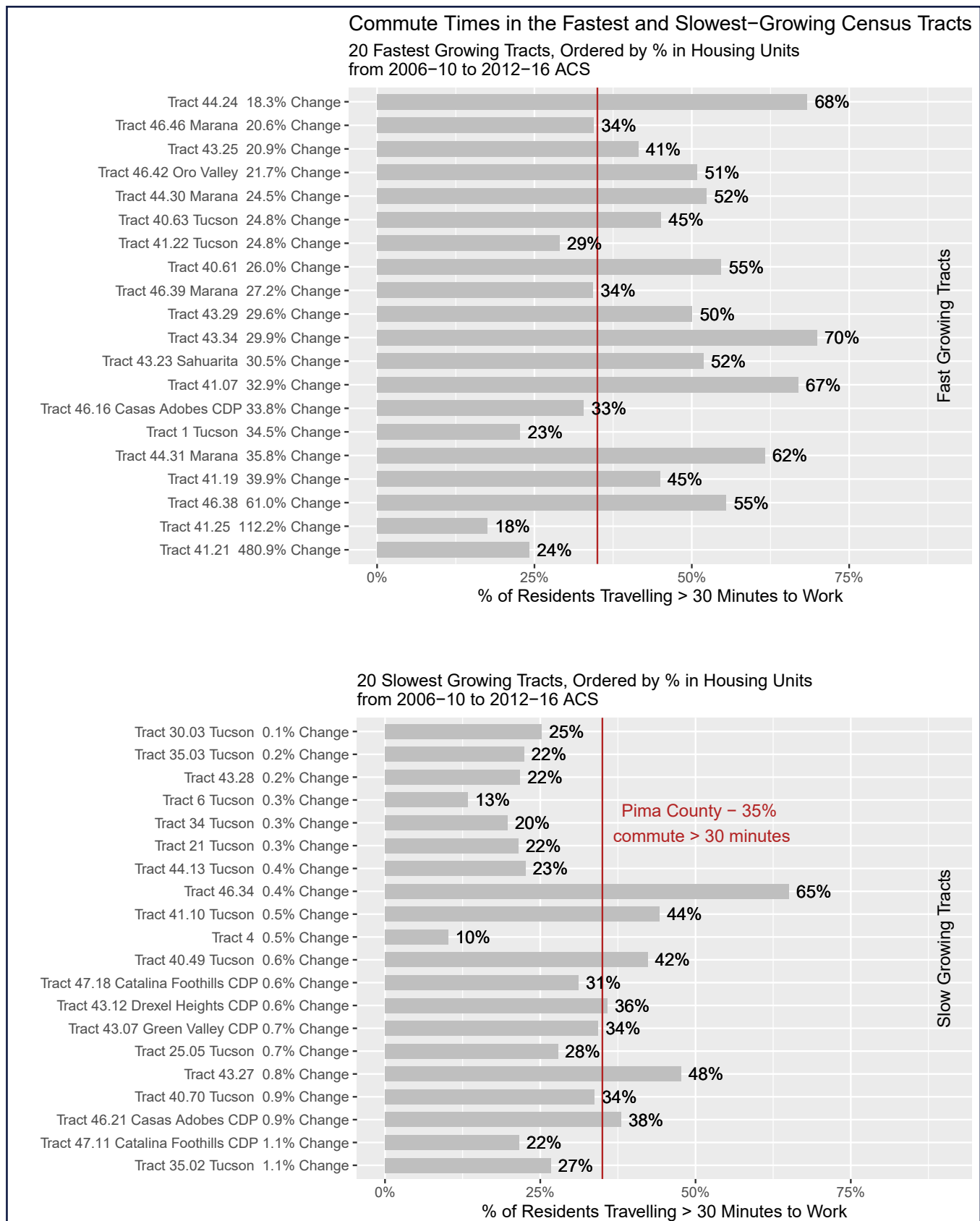


Figure 12: Commute Times in Fastest and Slowest-Growing Census Tracts

Note: Graph created using 2017–2021 ACS estimates. Authors' calculations. Tract boundaries are not coterminous with municipal & CDP boundaries. Tract locations are the best estimates.

Conclusion

Summary of Results

Pima County has not been immune from the nation's worsening housing affordability crisis, caused by a mismatch between housing supply and demand. Like many other cities across the county, housing is increasingly in short supply in Pima County. By 2022, the county's residential vacancy had fallen to 6.7%, which was as low as 3% in some Pima County communities. Housing shortages are particularly severe in suburban communities.

Due to the short supply of housing, rents, and home values are rising. In 2023, the typical rent was nearly \$1,600, and the typical home value was roughly \$342,000. Both renters and homeowners are increasingly cost-burdened due to climbing home prices, with 50% of homeowners and 65% of renters making less than \$75,000 paying 30% or more of their income towards housing. As with housing shortages, housing cost burden and housing unaffordability are particularly severe in the Pima County suburban communities.

Our analysis suggests that housing supply shortages mainly result from inadequate rates of new housing development, especially multifamily development. Pima County's rate of single-family housing development has kept pace with Arizona and Bernalillo County.

However, since 2016, Pima County has seen sluggish multifamily housing development, especially large multifamily development – Pima County has experienced only a 5% increase in large multifamily (10+ units) since 2016, which is far less than the 15% increase for Arizona and Bernalillo County. New development of all types of housing has contributed to sprawl, with a large proportion (25% - 70%) of residents in the fastest-growing census tracts reporting that they must spend 30 minutes more to commute to work.

Some caveats should be considered when interpreting our analysis. While we use some of the most complete and accurate data available, these data do not account for all real estate transactions or market consumers (i.e., renters and homeowners). The Census data used largely comes from the American Community Survey (ACS), which extrapolates population and housing trends for communities based on a sample of residents rather than a census of all residents. Similarly, the Zillow data is based on rental and home sale listings posted to the website, not all of the real estate transactions in the county. Due to these caveats, a similar analysis that uses different data may produce slightly different results.

High-Level Recommendations

There is no “silver-bullet” that will completely solve Pima County's housing supply and affordability issues, but there are basic strategies that can help:

Regulatory Reform: Pima County should explore the impact of regulatory barriers to new development across the county. Such regulations include strict single-family zoning regulations, large-lot size requirements, parking requirements, discretionary review

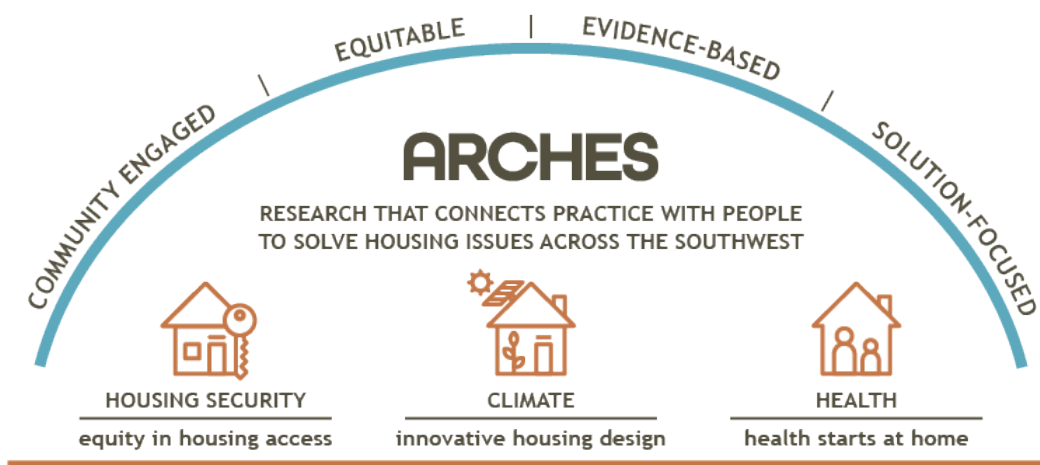
boards, and the like. These regulations add cost and uncertainty to the development process, slowing the pace of new housing production and increasing housing costs. Especially since Pima County has seen lower rates of multifamily development, zoning, and land-use reform, discussions should focus on making these types of property development projects more feasible. The County should also examine how development and land use regulations contribute to sprawling development patterns

and whether targeted reforms can shift development to well-located, high-resource areas. In the long term, regulatory reform can help stabilize prices and promote greater housing affordability.

Investment: It will also be important for Pima County to continue investing in affordable housing programs and funds, as regulatory reforms will take time to produce discernable effects. Of course, financial investment, such as the 2004 affordable housing bond measure, in affordable housing projects and programs are critical, providing nonprofit affordable housing developers with an important source of “gap” funding for their projects. However, Pima County should also continue to invest staff time into the administration of affordable housing programs,

which will help ensure that their existing and, hopefully, expanding affordable housing programs continue to meet their underlying goals.

Collaboration: Pima County does not exist in a vacuum; its housing supply and affordability issues are driven by local, regional, state, and national trends. It will, therefore, be critical for Pima County to work collaboratively with various levels of government to address its housing challenges. Importantly, this report highlighted that housing challenges are most severe in the Tucson metro area, suggesting that it will be critical for Pima County to collaborate with the City of Tucson and nearby municipalities to move the needle on housing supply and affordability issues.



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