

Fewer evictions mean Tucson rents may fall

July 15, 2012

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July 15, 2012 12:00 am • Carli Brosseau Arizona Daily Star(0) Comments

http://azstarnet.com/real-estate/fewer-evictions-mean-tucson-rents-may-fall/article_b9773813-a748-5f55-ac81-57b22c46b23b.html

Evictions in Pima County are falling, and that's good news to renters. The trend typically means rents are about to flatten out or even decline. "When evictions go down, that means managers are working with tenants to keep them in there," said Pete TeKampe, vice president investment at Marcus & Millichap Real Estate Investment Services Inc. and a close observer of Arizona multifamily real estate. Rental rates often fall as managers offer concessions to keep their properties full. From a landlord's perspective, evictions get rid of delinquent tenants - but they carry a fairly hefty price. The National Apartment Association estimates that an eviction costs \$2,500, including everything from the court filing fee to marketing to finding a new tenant. Because of the cost, landlords hesitate to go through with an eviction unless they have a prospective new tenant lined up, TeKampe said. Right now in Tucson, it's likely they don't. Evictions in the fiscal year that ended in June decreased 14.1 percent compared with the fiscal year before, data from the Pima County Justice Court show. June's figure - 1,186 - is down just slightly from the 1,193 in the same month in 2011. Many Tucson property managers were reluctant to talk about trends in evictions, saying they had very few. They stressed the care they take in screening potential tenants to avoid the hassle. But managers whose inventory includes properties likely to be rented by lower-income tenants emphasized that they are flexible and communicate with tenants often, especially those who are unlikely to have much financial cushion. Many property managers cited job loss as a leading driver of tenant calls. "We've always worked with our people," said Laura Grijalva, owner and broker at Grijalva Realty. "We've never had a high eviction rate." The company manages about 950 units ranging from single-family homes to multifamily apartment complexes. "If someone's sick and can't work and pays \$350 of \$550 and then pays the balance two weeks later when they get a check, that's OK," she said. "They just call and tell us." The housing bust meant many people lost their homes to foreclosure, presumably turning many of them into renters, but declining eviction numbers indicate that the rental market as a whole is still weakening, experts said. A likely cause? More rentals on the market. In addition to several new apartment complexes being built or in the works, investors are snapping up foreclosures and renting them out, thereby expanding the rental market in ways that are difficult to measure. There is no way to tally exactly how many of these homes are now rentals, but it's safe to say the number is large, TeKampe said. Tucson has been cited in several national publications recently as a top market for investors. As a result, real estate brokers say, they are seeing multiple bids on many homes, cash payments and sometimes final bids higher than the price sought. U.S. census figures from 2010 showed that 48.1 percent of occupied housing units in Tucson were held by renters. That's 98,739 units housing 229,401 people. The current number is likely higher. Real estate analysis firm CoreLogic reported in April that single-family rentals nationwide exceeded the number of rentals in multifamily complexes. In Tucson, average rent prices for multifamily apartments have generally fallen since a peak of \$640 per unit in the third quarter of 2008. That trend has held even as vacancies declined, says the most recent multifamily real estate report from Picor Commercial Real Estate Services. The report cites data from Real Data Inc. Apartment Insights. Although average rents recently rose a bit, from about \$625 in the third quarter of 2011 to \$633 in the first quarter of 2012, they slid in the most recent quarter to \$631, Apartment Insights data show. Lower-quality properties and properties in poorer areas are still charging 10 percent to 20 percent less than they were four years ago, the Picor report said. Even with lower rental rates, more people are looking for legal help to avoid eviction. Anthony Young, executive director of Southern Arizona Legal Aid, said his office has seen requests for renters hoping to avoid eviction go up about 10 percent over the past year and a half. But he said tenants "might feel like they may have no defense" and move out before the landlord actually files eviction documents in court, Young said. Dwight Connely, a real estate attorney who represents landlords of all sizes, said his numbers also don't follow the apparent trend. He saw cases go up in January, February and March and then fall in April, May and June. "I'd like to say that it means our economy is getting better," he said, "but I don't necessarily see that in my numbers." Contact reporter Carli Brosseau at cbrosseau@azstarnet.com or 573-4197.