Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	12,381
UNITS DELIVERED (Q1 2025)	3,106

MARKET FUNDAMENTALS

VACANCY RATE	6.5%
YEAR-OVER-YEAR CHANGE	+90bps
ASKING RENTS	$1,715
YEAR-OVER-YEAR CHANGE	+2.9%

TRANSACTION ACTIVITY (Q1 2025)

MEDIAN PRICE PER UNIT	$187,000

TAMPA MULTIFAMILY
1Q 2025

MARKET INSIGHTS

Robust demand fuels quarterly decline in vacancy, continued rent growth

HIGHLIGHTS

- Operating conditions in the Tampa multifamily market improved during the first quarter, with vacancy declining and asking rents recording healthy gains. Delivery totals remain strong, as projects totaling more than 3,100 units came online in the first three months of 2025, following a peak of roughly 12,100 units completed in 2024.
- Vacancy conditions continued to improve in recent months following rises in the second and third quarters of last year. Area vacancy declined by 20 basis points during the first quarter to 6.5%. Still, over the past 12 months, area vacancy rose by 90 basis points.
- Asking rents advanced by 0.4% during the first quarter to $1,715 per month. This marked the fifth consecutive quarter of rising rents; asking rents increased by 2.9% in the 12-month period ending in the first quarter.
- Transaction volume during the first quarter of 2025 was closely aligned with levels recorded in the same period of each of the past two years. The median price to this point in the year is $187,000 per unit, and cap rates continue to average 5.5%.

TAMPA MULTIFAMILY MARKET OVERVIEW

The Tampa multifamily market has shown strength in the face of strong supply growth since the beginning of 2024, with most major metrics improving during the opening months of the year. Inventory growth accelerated from the fourth quarter to the first quarter as Hurricane Milton delayed several projects that were slated to come online late last year. Projects totaling approximately 3,100 units came online during the first quarter. The slowdown in the closing months of last year led to slight vacancy improvements which carried over into early 2025. Area vacancy posted a combined vacancy decline of 30 basis points in the fourth quarter of 2024 and first quarter of 2025, after the rate spiked in the middle part of last year. Renter demand has supported recent vacancy tightening. Net absorption totaled nearly 5,700 units in the 12-month period ending in the first quarter, up 29% from the average annual absorption from 2020 to 2024. Elevated absorption has supported rent increases, with average asking rents ticking higher since early 2024.

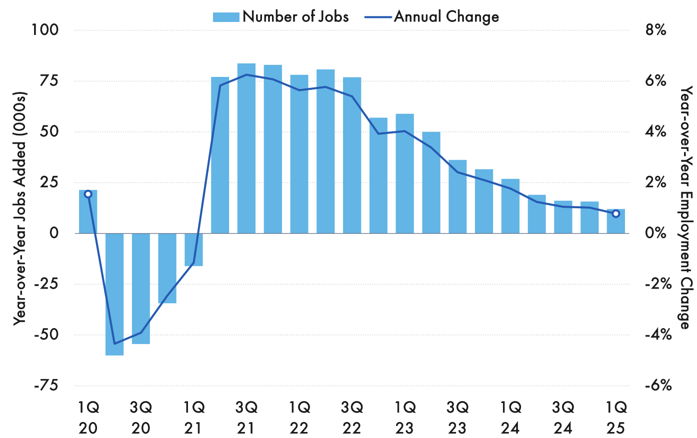
Sales activity in the Tampa multifamily investment market remained limited at the start of this year, mirroring trends that have occurred at the start of both 2023 and 2024. Transaction volume was distributed across the region, with North Tampa continuing to lead in the number of properties changing hands. The market is adjusting to new pricing dynamics. From 2021 to 2024, per-unit prices surged, with the median price ranging between $210,000 per unit to $240,000 per unit. During the first quarter, that figure dipped to $187,000 per unit, a drop that was fueled in part by sales involving older vintages. During the first quarter, 1970s- and 1980s-vintage properties accounted for approximately half of total sales. This is in contrast to last year, where newer assets selling at elevated per-unit prices accounted for the greatest share of transactions.

EMPLOYMENT

- The pace of employment growth in Tampa continues to slow to a more sustainable pace following rapid expansion in the years following COVID. During the 12-month period ending in the first quarter, area employers added 12,000 net new jobs, increasing payrolls by 0.8%. Average rates of employment growth peaked at more than 4% per year from 2021-2023.
- While growth has cooled in white-collar employment sectors, there are segments of the local economy that continue to expand. Construction employment has expanded by more than 3% year over year through the first quarter, with a net gain of 3,200 workers.
- Insurance provider GEICO is expanding in Tampa with the signing of a 190,000 square foot lease near the Tampa International Airport. GEICO plans to fill 1,000 positions in this new campus upon opening later this summer.
- **FORECAST:** Area employment growth in 2025 is expected to closely track levels recorded last year. Employers are projected to expand payrolls by 1% by year end with the addition of 15,000 jobs.

During the past 12 months, local employers expanded payrolls by 0.8%.

EMPLOYMENT OVERVIEW



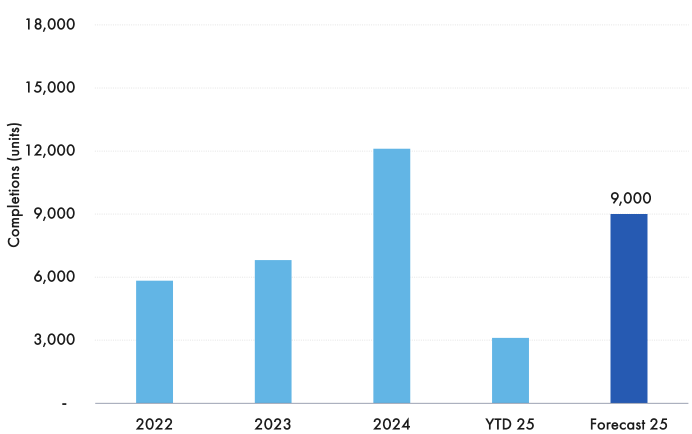
Sources: Northmarq, Bureau of Labor Statistics

DEVELOPMENT & PERMITTING

- The pace of deliveries in Tampa remained strong, though it has slowed following peak levels of supply growth in 2024. Developers completed roughly 3,100 units in the first quarter, down 33% from completions recorded during the same period of last year.
- Nearly 12,400 units are under construction in Tampa, down 3% from one year ago. While the number of units in the pipeline is similar to year-earlier totals, it is down more than 30% from the peak in the first quarter of 2023.
- Permits were pulled for projects totaling over 1,900 units during the first quarter, after permitting bottomed out in the fourth quarter with just 220 units issued permits. Fourth quarter permitting was likely impacted by hurricanes. Despite the spike from the previous quarter, permitting levels in the last three months lagged the quarterly average over the trailing five years by 6%.
- **FORECAST:** Multifamily construction in Tampa is expected to continue slowing throughout 2025. Roughly 9,000 units are forecast to be completed in 2025, a 26% decline from last year.

Developers completed roughly 3,100 units in the first quarter.

DEVELOPMENT TRENDS



Sources: Northmarq, CoStar

VACANCY

Area vacancy improved by 20 basis points during the first three months of the year.

- The vacancy rate in Tampa has inched lower in each of the past two quarters after rising sharply in mid-2024. Area vacancy improved by 20 basis points during the first three months of the year to 6.5%, though it remains 90 basis points higher than one year ago.
- A handful of submarkets in Tampa recorded improvements in vacancy over the past year. Clearwater was the clear leader in the region, with the vacancy rate dropping 210 basis points during the 12-month period ending in the first quarter to 5.8%. The vacancy rate in Clearwater has fluctuated between 2% and 8% over the past decade as annual supply growth averaged 3% per year.
- Vacancy changes were milder in middle-tier and lower-tier properties during the past year. Year over year through the first quarter, the combined vacancy rate for Class B and Class C properties rose by 60 basis points, reaching 5.1%. Class A vacancy increased by 120 basis points during the same timeframe to 7.8%.
- **FORECAST:** Recent and future supply growth should apply upward pressure on vacancy conditions through the end of the year. In 2025 the vacancy rate is forecast to increase by 50 basis points to 7.2%.

VACANCY TRENDS

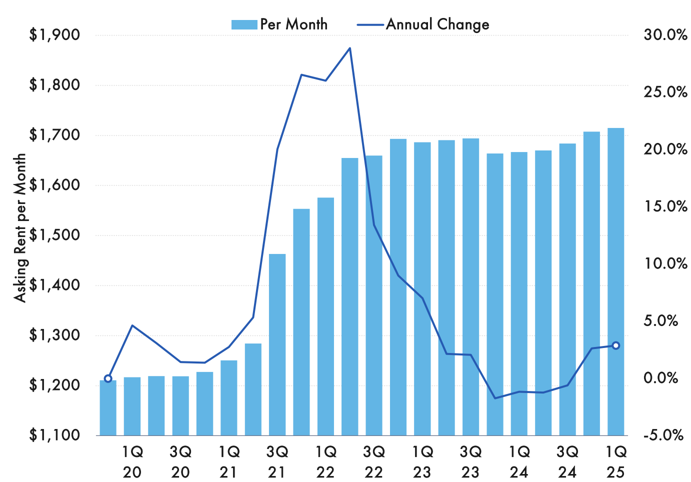
Sources: Northmarq, REIS

RENTS

- Rents in Tampa have advanced at a steady pace for five consecutive quarters. As of the first quarter, asking rents in Tampa had increased by 2.9% year over year, reaching $1,715 per month.
- Central Tampa, the region's most expensive submarket, recorded some of the strongest annual rent growth in recent periods. Asking rents in Central Tampa increased by 4.3% in the 12 months ending in the first quarter, reaching $2,529 per month.
- While much of the fastest rent growth was recorded in coastal and CBD submarkets, inland Pasco County posted the steepest rent increases in the region during the past year. Rents in Pasco County advanced by 5.4% during the past 12 months to $1,670 per month.
- **FORECAST:** Rents in Tampa are expected to rise at a similar pace as in 2024. They are projected to increase by 2.5% this year, reaching $1,750 per month.

Rents in Tampa have advanced for five consecutive quarters.

RENTS TRENDS



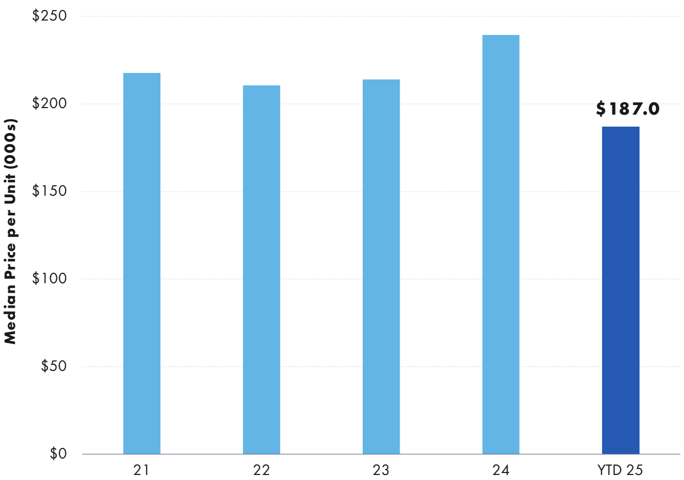
Sources: Northmarq, REIS

MULTIFAMILY SALES

- First quarter transaction volume in Tampa roughly matched levels recorded during the same period of 2023 and 2024. The total number of first quarter sales remains about half of the trailing five-year average.
- In transactions that closed during the first quarter, the median price in Tampa reached approximately $187,000 per unit.
- Prices have varied based on class and vintage. The median price in Class A transactions was $283,000 per unit in the first quarter. In Class B and Class C properties, the median price was closer to $163,000 per unit.
- The average cap rate in Tampa so far this year has been 5.5%. Current levels are roughly in line with last year and 50 to 100 basis points higher than the average cap rate in 2023.

In the first quarter, the median price was approximately $187,000 per unit.

INVESTMENT TRENDS



Sources: Northmarq, CoStar

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

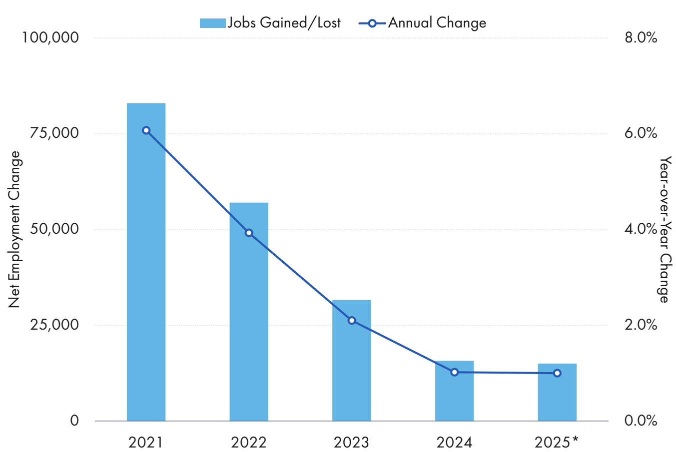
PROPERTY NAME	STREET ADDRESS	YEAR BUILT	UNITS	SALES PRICE	PRICE/UNIT
Amelia at Westshore	6608 S West Shore Blvd, Tampa	2013	246	$73,000,000	$296,748
Charleston Wesley Chapel	33780 Charleston Club Cir., Wesley Chapel	2022	228	$42,630,000	$186,974

LOOKING AHEAD

Changes in operating conditions in the Tampa multifamily market are expected to shift in a more favorable direction in 2025, as vacancy increases should be mild and rents are projected to continue advancing at a healthy pace. Still, supply growth and the cumulative impact of last year's inventory additions will continue to impact the market. While total completions in 2025 are forecast to lag 2024 levels by more than 25%, supply-side pressures will persist for at least a few more quarters. Area vacancy is projected to rise 50 basis points for the full year, following a larger increase in 2024. Operational performance will remain varied across submarkets, though some areas such as Pasco County are primed to outperform. Pasco County has recorded the strongest absorption of any submarket in the region, making it one of the few areas within the Tampa area to post tightening vacancy and positive rent growth.

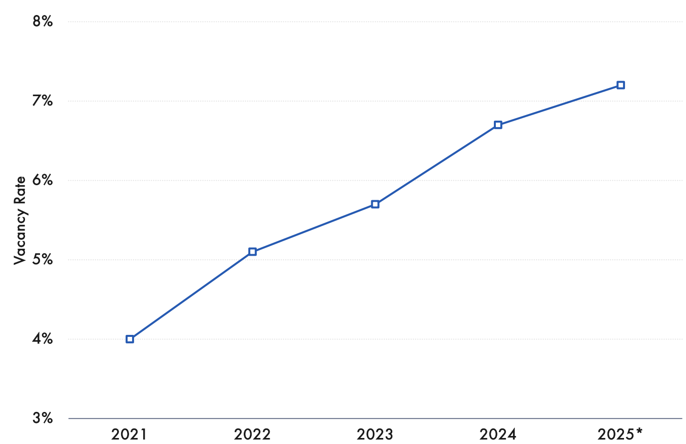
As property performance stabilizes, more investors should begin to come off the sidelines and become active in the market. While cap rates remain in line with last year's levels, they are up from 2023 and may rise again throughout 2025 particularly if the mix of transactions shifts towards older, lower-tier properties. Any increase in cap rates should boost investor interest by aligning buyer and seller expectations, and making acquisitions easier to finance despite elevated interest rates. Any increase in the number of Class A properties that change hands would likely offset the trend of rising cap rates, though top-tier transaction volumes are unlikely to reach last year's elevated levels. North Tampa is projected to remain the region's most active submarket, though the Central Pinellas submarket is also poised to have a heightened level of activity this year.

EMPLOYMENT FORECAST



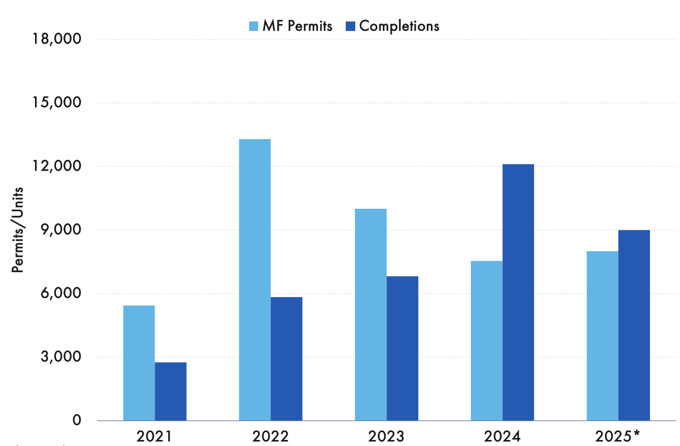
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



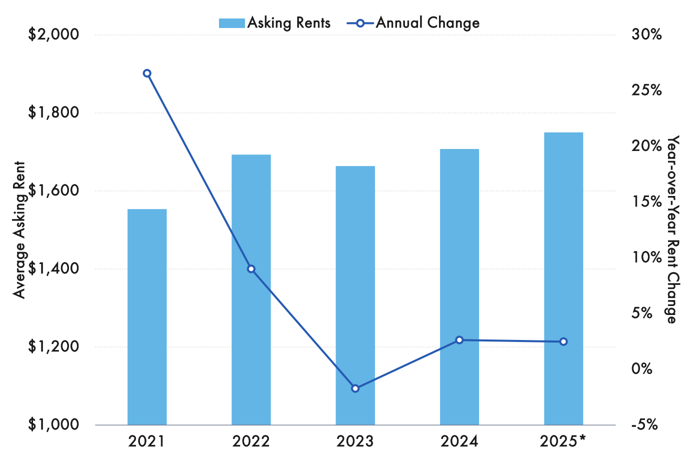
* Year End Forecast
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



* Year End Forecast
Sources: Northmarq, CoStar, Census Bureau

RENTS FORECAST



* Year End Forecast
Sources: Northmarq, REIS

FOR MORE INFORMATION, **PLEASE CONTACT**

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ABOUT **NORTHMARQ**

Northmarq is a full-service capital markets resource for commercial real estate investors, offering seamless collaboration with top experts in debt, equity, investment sales, loan servicing, and fund management. The company combines industry-leading capabilities with a flexible structure, enabling its national team of experienced professionals to create innovative solutions for clients. Northmarq's solid foundation and entrepreneurial approach have built a loan servicing portfolio of more than $76 billion and a two-year transaction volume of $52 billion. Through the 2022 acquisition of Stan Johnson Company, Northmarq established itself as a provider of opportunities across all major asset classes. For more information, visit www.northmarq.com.