

# Greater Tampa Multifamily




## After an Active Year, Deliveries Slow and Vacancy Dips in Fourth Quarter

### Highlights

- > The Tampa multifamily market closed 2019 on an upswing. Both new supply and demand growth were strong during the past year, a trend that is likely to continue in 2020.
- > Vacancy dipped in the fourth quarter, reaching 4.8 percent. While the rate improved in the final few months of the year, vacancy rose 20 basis points in 2019.
- > Asking rents in Tampa rose 4.8 percent in 2019, ending the year at \$1,180 per month. The pace of rent growth slowed slightly in the fourth quarter.
- > Projects totaling approximately 5,000 units were delivered in 2019. Completions are forecast to slow to approximately 4,200 units in 2020. Development has been active for the past few years as builders have stepped up activity to meet renter demand.
- > The Tampa multifamily investment market strengthened in 2019, with sales velocity picking up, prices rising, and cap rates compressing. The median price reached \$136,900 per unit, while cap rates compressed to an average of 5.1 percent.

### Tampa Multifamily Market Overview

The Tampa multifamily market posted improved performance during the fourth quarter. The vacancy rate tightened after inching higher during the summer months. Much of the vacancy rise in the middle part of the year was fueled by a surge of new construction. The pace of deliveries slowed during the fourth quarter, easing supply-side pressures. In 2019, developers delivered approximately 5,000 units to the Tampa market, which was the most robust year of new construction in nearly 20 years. In 2020, the pace of new development is forecast to slow, and the pace of net absorption should closely track supply growth.

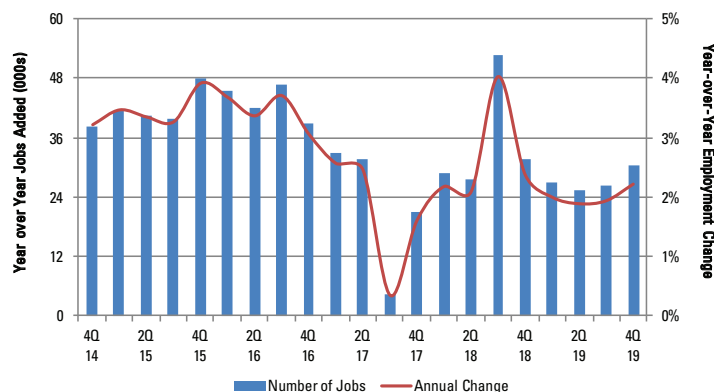
Q4 Snapshot	Tampa Market
	<b>Market Fundamentals</b>
	Vacancy ..... <b>4.8%</b>
	- Year Over Year Change ..... <b>+20 bps</b>
	Asking Rent ..... <b>\$1,180</b>
	- Year Over Year Change ..... <b>+4.8%</b>
	<b>Transaction Activity</b>
	Median Sales Price Per Unit (YTD) ..... <b>\$136,900</b>
	Cap Rates (Avg YTD) ..... <b>5.1%</b>
	<b>Construction Activity</b>
	Units Under Construction ..... <b>8,108</b>
	Units Delivered YTD ..... <b>5,009</b>

Investor demand for multifamily assets in Tampa strengthened in 2019. While sales activity inched lower in the fourth quarter, more apartment properties sold in 2019 than in 2018, and transaction volume rose from \$2.8 billion to \$3.5 billion. Prices rose at a rapid pace; the median price rose 19 percent in 2019, reaching \$136,900 per unit. With prices rising, cap rates compressed down to an average of 5.1 percent. The average cap rate in the past year was 60 basis points lower than the average in 2018 sales. This marked the most significant decline in cap rates in the past several years, indicating the demand in the market.

## Employment

- > Employers in Tampa added 30,300 net new jobs in 2019, a 2.2 percent expansion. Expansion in Tampa lagged gains in Miami and Orlando, which each added more than 40,000 positions, but outpaced Jacksonville, where approximately 22,000 jobs were added.
- > The rebound in the local housing market has fueled job growth in the construction sector. In 2019, single-family permitting reached its highest point since 2006, and builders are hiring to keep up with demand. In 2019, construction employment in Tampa expanded 8.6 percent with the addition of 6,700 new jobs.
- > Professional employment in Tampa should get a boost as PricewaterhouseCoopers consolidates and expands. The company consolidated offices in the Westshore area during the fourth quarter and is expected to add 350 workers to its existing local workforce of 3,000.
- > **Forecast:** After adding approximately 30,000 jobs per year during the past two years, the pace of expansion is forecast to slow a bit in 2020. Employers are expected to add nearly 28,000 workers this year, expanding payrolls by 2 percent.

## Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

*The rebound in the local housing market fueled job growth in the construction sector in 2019*

## Vacancy

- > Vacancy tightened in the fourth quarter, dipping 20 basis points to end the year at 4.8 percent. This marked the most significant quarterly vacancy dip since mid-2018.
- > While the rate ticked lower in the final few months of the year, vacancy inched higher in 2019. The rate rose 20 basis points from the end of 2018. Vacancy has averaged 4.4 percent during the past five years.
- > Apartment deliveries accelerated in 2019, pushing the vacancy rate higher in Class A units. The vacancy rate in Class A properties rose 60 basis points in 2019, reaching 6.3 percent.
- > **Forecast:** Apartment construction will slow in 2020, allowing for a modest vacancy decline. The rate is forecast to dip 20 basis points in 2020, ending the year at 4.6 percent.

## Vacancy Trends



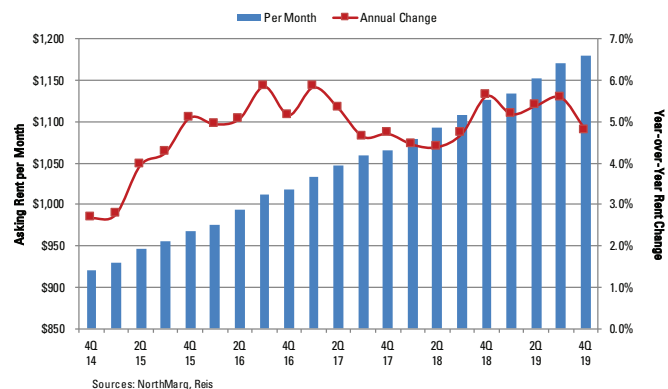
Sources: NorthMarq, Reis

*Vacancy tightened in the fourth quarter, dipping 20 basis points to end the year at 4.8 percent*

## Rents

- > Asking rents in the Tampa area rose 0.8 percent from the third quarter to the fourth quarter. This was a slower pace of growth than has been recorded in recent quarters; since the beginning of 2017, rents have risen an average of 1.2 percent per quarter.
- > In 2019, asking rents in Tampa rose 4.8 percent to \$1,180 per month, following a gain of 5.6 percent in 2018. Annual rent growth in the area has averaged approximately 5 percent since 2015, following gains in the 2 percent to 3 percent range in earlier years.
- > Asking rents in the Class A segment approached \$1,400 per month as the year came to a close. Asking rents ended 2019 at \$1,397 per month, up 4.9 percent year over year.
- > **Forecast:** Local rent growth should closely track its recent pace in 2020. Asking rents in Tampa are forecast to rise 4.7 percent this year, reaching \$1,235 per month. The strongest rent gains are likely to be recorded in the area's Class B and Class C properties.

## Rent Trends

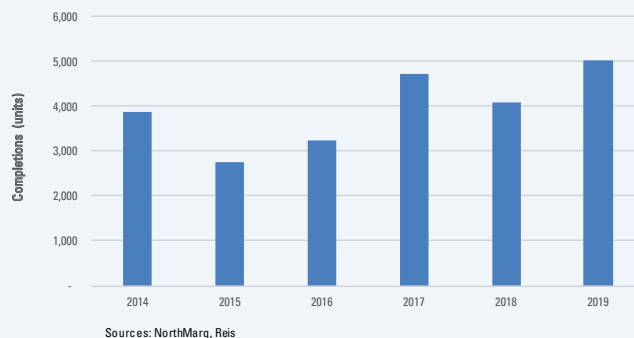


*In 2019, asking rents in Tampa rose 4.8 percent to \$1,180 per month*

## Development and Permitting

- > After very active second and third quarters, deliveries of new units slowed in the final three months of the year. Fewer than 200 units came online during the fourth quarter. For the year, developers delivered projects totaling more than 5,000 units, the highest annual total in nearly 20 years.
- > Projects totaling approximately 8,100 units were under construction at the end of 2019. Roughly half of the units under construction are forecast to be delivered in the coming year.
- > Multifamily permitting had its strongest quarter in more than three years during the fourth quarter, when permits for more than 2,300 units were pulled. In 2019, permits for approximately 8,600 multifamily units were pulled, nearly tripling the total from the previous year.
- > **Forecast:** Developers are scheduled to deliver approximately 4,200 apartment units in Tampa in 2020; this would mark the fourth consecutive year of completions of more than 4,000 units.

## Development Trends

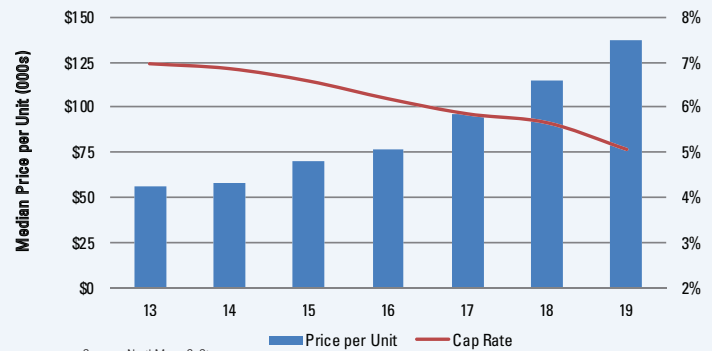


*Deliveries are forecast to drop to 4,200 units in 2020, allowing for a modest occupancy improvement*

## Multifamily Sales

- > Sales velocity in the fourth quarter was about 10 percent lower than during the third quarter due to fewer properties available for sale. Despite the modest dip in activity levels in the final few months of the year, transaction counts in 2019 were up 5 percent from levels recorded in 2018.
- > Sales prices rose in 2019, with the median price reaching \$136,900 per unit, up 19 percent from the median price in 2018. Class A buildings accounted for approximately 25 percent of total sales in 2019; the median sales price in Class A properties was \$215,000 per unit, although a handful of assets sold for more than \$300,000 per unit.
- > Cap rates compressed in 2019, falling 60 basis points on average to just 5.1 percent. Cap rates have been getting lower in recent years, but the decline in 2019 was larger than in any year since 2011.

## Investment Trends



*Sales prices rose in 2019, with the median price reaching \$136,900 per unit*

## Recent Transactions in the Market

### MULTIFAMILY SALES ACTIVITY

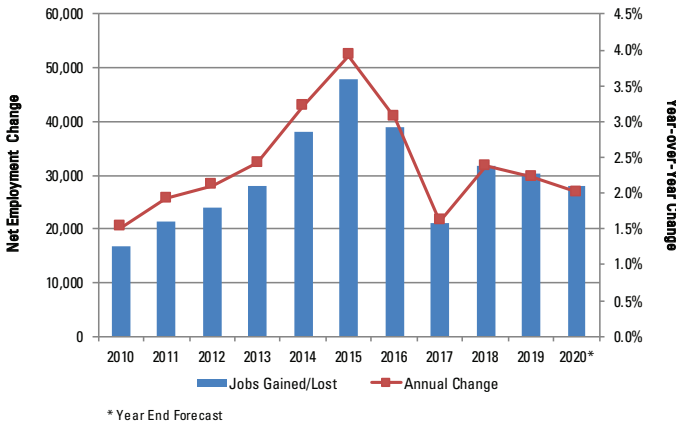
Property Name	Street Address	Units	Sales Price	Price/Unit
Olympus Harbour Island	301 Harbour Place Dr., Tampa	340	\$131,500,000	\$386,765
Provenza at St. Pete	540 Trinity Lane N., Saint Petersburg	308	\$70,250,000	\$228,084
Vue at Belleair	1551 Flourney Circle, W, Clearwater	339	\$77,650,000	\$229,056
Canopy	13306 Canopy Grove Dr., Tampa	318	\$69,400,000	\$218,239
Charleston on 66th	12700 66th St. N., Largo	258	56,783,000	\$220,089
Boulevard	2098 Seminole Blvd., Largo	260	\$54,538,000	\$209,762

## Looking Ahead

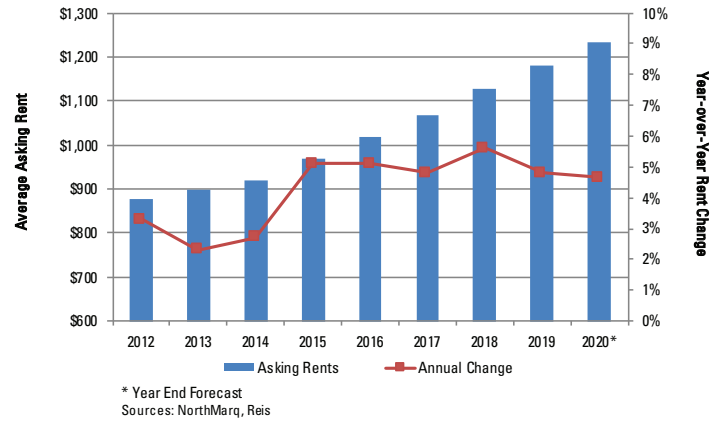
The Tampa multifamily market is poised for another strong year in 2020, as renter demand is forecast to remain healthy as employers continue to expand payrolls. The employment growth is providing the fuel for apartment demand, which has accelerated in each of the past three years. In 2020, net absorption should closely track levels recorded in 2019, while deliveries will slow. This should allow for a modest vacancy decline in the year to come and allow for additional rent increases.

The investment market is likely to remain active in 2020. Activity levels have been largely consistent in recent years, and prices have been on an upward trajectory. In 2019, the median price rose nearly 20 percent, in part because several newer properties changed hands. The other driving force of rising prices was cap rate compression, as investor demand for performing properties crept higher. In the year to come, investor demand for Florida multifamily properties is expected to remain elevated, which should help keep cap rates at current levels.

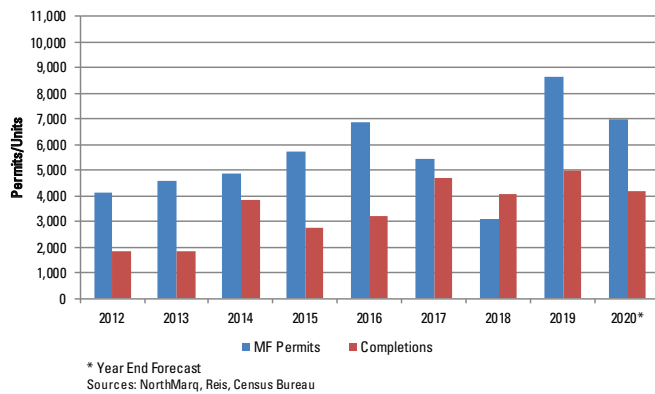
### Employment Forecast



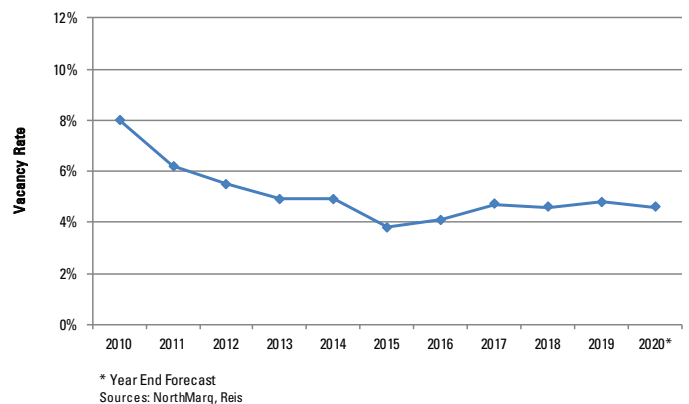
### Rent Forecast



### Construction & Permitting Forecast



### Vacancy Forecast



## About NorthMarq

As a capital markets leader, NorthMarq offers commercial real estate investors access to experts in debt, equity, investment sales, and loan servicing to protect and add value to their assets. For capital sources, we offer partnership and financial acumen that support long- and short-term investment goals. Our culture of integrity and innovation is evident in our 60-year history, annual transaction volume of more than \$14 billion, loan servicing portfolio of more than \$61 billion and the multi-year tenure of our nearly 600 people.

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