

# Greater Tampa Multifamily




## Investment Market Roars Back to Life to Close 2020

### Highlights

- > The Tampa multifamily market remained relatively stable during the second half of 2020. The local vacancy rate ticked up as the pace of development pushed higher, but rents rose as the economy reopened and renter demand accelerated.
- > Apartment vacancy in Tampa ended 2020 at 5.3 percent. The rate inched up 20 basis points during the fourth quarter.
- > Asking rents reached \$1,228 per month in the fourth quarter; for the full year, rents gained 4.1 percent.
- > Investment activity surged during the fourth quarter, pushing prices higher. The median price rose to \$152,800 per unit, while sales of newer properties commanded more than \$230,000 per unit.

### Tampa Multifamily Market Overview

The Tampa multifamily market made gains in 2020, despite economic volatility in the first half of the year. Absorption was positive and rents rose. The Tampa area's diversified economic base, which features a healthy mix of white-collar and blue-collar industries, supported the local multifamily performance. Amazon has been one of the companies to expand in Tampa. The company recently signed two leases totaling more than 1.1 million square feet in Lakeland and Seffner, is developing a site in Temple Terrace, and is completing construction on another facility in Auburndale. Amazon's massive expansion will bring thousands of jobs to the Tampa area over the next few years.

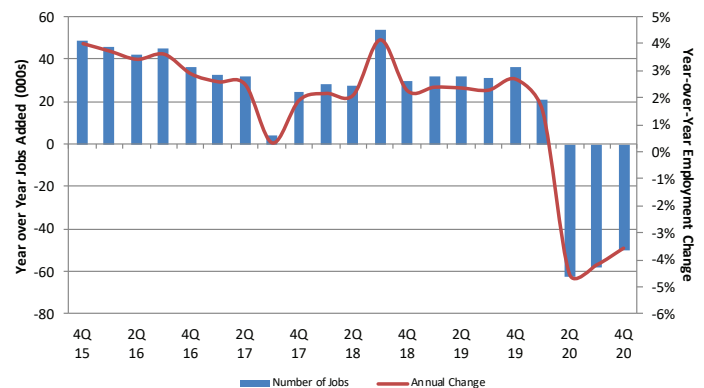
Q4 Snapshot	Tampa Market
	<b>Market Fundamentals</b>
	Vacancy ..... <b>5.3%</b>
	- Year Over Year Change ..... <b>+50 bps</b>
	Asking Rent ..... <b>\$1,228</b>
	- Year Over Year Change ..... <b>+4.1%</b>
	<b>Transaction Activity</b>
	Median Sales Price Per Unit ..... <b>\$152,800</b>
	Cap Rates (Avg YTD) ..... <b>4.8%</b>
	<b>Construction Activity</b>
	Units Under Construction ..... <b>8,103</b>
	Units Delivered YTD ..... <b>2,208</b>

Investment activity in Tampa rallied in the fourth quarter. Sales volume in the final three months of the year nearly matched the total transaction activity in the first three quarters combined. The fourth quarter surge in activity was most evident in the sales of larger assets. Transactions of at least \$75 million accounted for approximately 30 percent of all sales during the fourth quarter, and more than half of the transactions in the quarter topped \$50 million. Per-unit prices rose across the market in 2020, with the larger transactions generating a median price of nearly \$185,000 per unit in the fourth quarter. Several transactions involving properties built since 2018 closed during the fourth quarter; the median price in these sales was \$230,000 per unit.

## Employment

- > The Tampa employment market has been steadily recovering, adding jobs from May through the end of the year. Local employment contracted by 3.6 percent in 2020, nearly half the rate of job losses in the national economy.
- > The local leisure and hospitality industry suffered the most significant losses in 2020, mirroring trends at the national level. The sector has recovered more than 60 percent of the positions that were cut during the shutdown, with additional recovery forecast for 2021.
- > During 2020, Amazon substantially expanded its industrial presence in the Tampa area. The online retail giant recently purchased and began construction on an 82-acre site in Temple Terrace. When completed during 2021, it will serve as a fulfillment center and employ around 750 people.
- > **Forecast:** Job growth averaged approximately 35,000 positions per year from 2014 to 2019, and the forecast for 2021 is to top that figure. Area employers are expected to add approximately 40,000 jobs in the coming year, a growth rate of nearly 3 percent.

## Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

*Area employers are expected to add approximately 40,000 jobs in the coming year*

## Vacancy

- > Vacancy ticked higher in the second half of the year as new construction came online. The local vacancy rate rose 20 basis points in the fourth quarter, closing 2020 at 5.3 percent.
- > In 2020, vacancy rose 50 basis points, ticking above the Tampa area's long-term average. Before the rise in the second half, the local vacancy rate had consistently remained at or below 5 percent since the beginning of 2013.
- > Class B and Class C units generally fared better in 2020. With supply in check and renter demand for units healthy, the combined vacancy rate in lower-tier units finished 2020 at 3.9 percent.
- > **Forecast:** Vacancy is forecast to rise 30 basis points in 2021, ending the year at 5.6 percent. The rate is expected to inch higher due to an active pace of new construction.

## Vacancy Trends



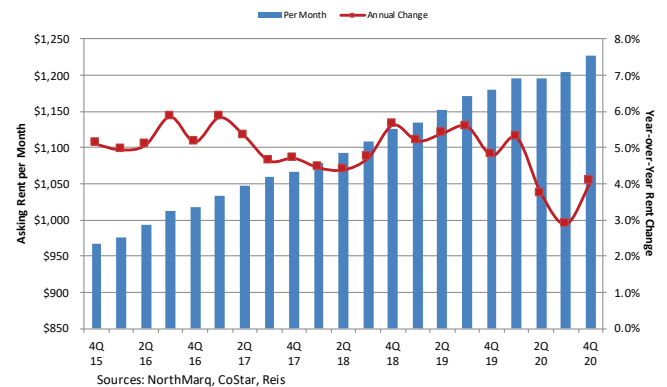
Sources: NorthMarq, Reis

*Vacancy rose 20 basis points in the fourth quarter, closing 2020 at 5.3 percent*

## Rents

- > Asking rents in Tampa finished 2020 on an upswing, reaching \$1,228 per month by year end.
- > Apartment rents in Tampa rose 4.1 percent in 2020, with the strongest gains recorded in the second half of the year.
- > The pace of rent growth in Class A buildings accelerated in 2020. Asking rents in Class A properties rose 3.7 percent year over year, advancing to \$1,529 per month.
- > **Forecast:** Rent growth is expected to total approximately 4 percent in 2021, with asking rents likely to top \$1,275 per month.

## Rent Trends



*Rents in Tampa rose 4.1 percent in 2020*

## Development and Permitting

- > After a slow start, apartment deliveries accelerated in consecutive quarters to end the year. Developers completed more than 1,400 multifamily units in the second half, bringing the total in 2020 to approximately 2,200 units, less than half of the annual total for 2019.
- > Projects totaling approximately 8,100 units were under construction at the end of 2020, similar to the figure from one year ago.
- > After a robust year in 2019, multifamily permitting returned closer to historical averages in 2020. Developers pulled permits for approximately 3,900 multifamily units in 2020, down 55 percent from last year; 2019 was the most active year for multifamily permitting in more than two decades.
- > **Forecast:** Apartment construction is expected to gain steam in the year to come. Developers are forecast to bring nearly 4,900 apartment units online during 2021.

## Development Trends



*Developers completed more than 1,400 multifamily units in the second half*

## Multifamily Sales

- > Investment activity in the Tampa area spiked during the fourth quarter, increasing 80 percent from the third quarter, which had previously been the most active period in 2020. The fourth quarter was the strongest period of sales volume on record for the Tampa market.
- > Sales prices of multifamily complexes strengthened in 2020, reflecting the investor demand in the area. The median price in sales occurring during 2020 was \$152,800 per unit, up 12 percent from last year.
- > During 2020, cap rates in the Tampa area compressed 30 basis points to average 4.8 percent. The annual decline marked the seventh consecutive year in which cap rates have fallen.

## Investment Trends



*Cap rates in the Tampa area compressed 30 basis points in 2020 reaching 4.8 percent*

## Recent Transactions in the Market

### MULTIFAMILY SALES ACTIVITY

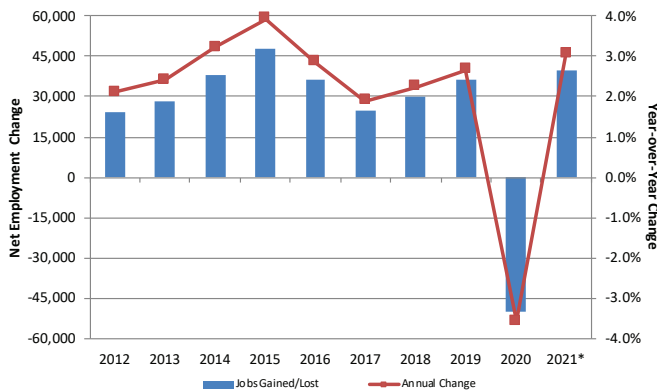
Property Name	Street Address	Units	Sales Price	Price/Unit
Andover Place	10328 Venita Real Ave., Tampa	672	\$122,350,000	\$182,068
Trellis at the Lakes	11401 Dr Martin Luther King Jr St., N Saint Petersburg	688	\$114,000,000	\$165,698
Bainbridge Bayside	19355 US Highway 19 N., Clearwater	360	\$104,200,000	\$289,444
Tapestry at Cypress Creek	2300 Tapestry Park Dr., Land O Lakes	341	\$78,500,000	\$230,205
Century Cross Creek	10821 Cross Creek Blvd., Tampa	297	\$55,539,000	\$187,000
Eagles Point Apartments at Tampa Palms	14551 N 46th St., Tampa	192	\$31,500,000	\$164,063

## Looking Ahead

The Tampa multifamily market is forecast to record accelerating renter demand in 2021, fueled by an anticipated rebound in the local labor market. Employers have been bringing back workers for the past several months, a trend that is expected to continue in 2021 as the economy continues to strengthen. One event that recently supported the area, particularly the hard-hit leisure and hospitality industry, is the Super Bowl, which Tampa hosted earlier this month. While the game was played with a smaller attendance than in past years, the event and the surrounding activities had a multimillion-dollar impact on the local economy.

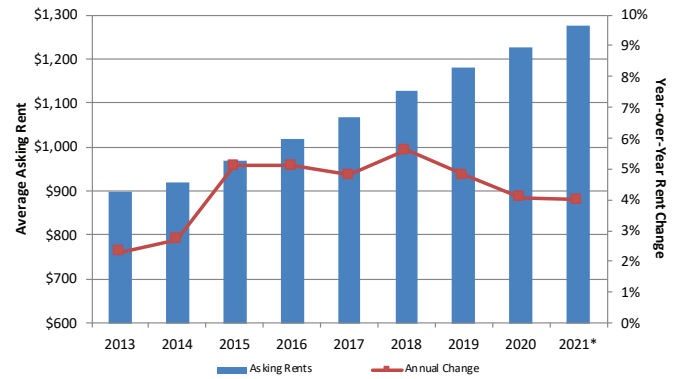
Investment activity in Tampa spiked in the final few months of 2020, setting the stage for continued transaction activity in the year ahead. Investors were active across several segments of the market at the end of the year, but activity was pronounced among newer projects commanding elevated per-unit prices. Developers are on pace to remain active for the next few years, bringing projects to the market to meet growing renter demand, which should support ongoing investment activity. With the limited supply of multifamily properties in the market, continued low interest rates, and exceptionally high investor demand, we already see further cap rate compression of 25 to 50 basis points in 2021.

### Employment Forecast



\* Year End Forecast

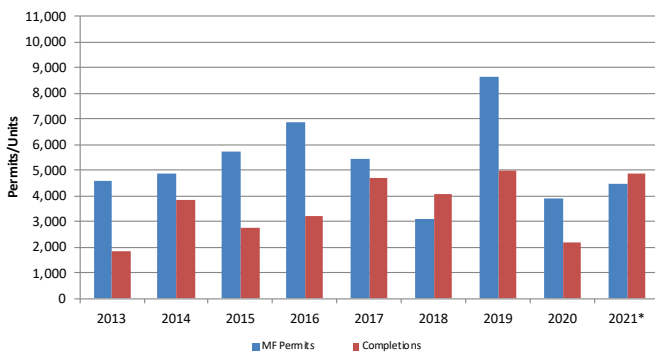
### Rent Forecast



\* Year End Forecast

Sources: NorthMarq, CoStar, Reis

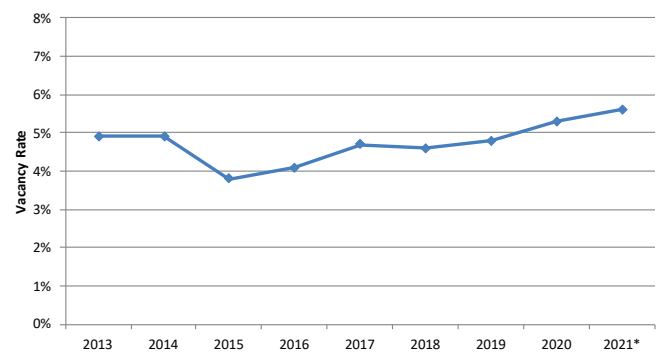
### Construction & Permitting Forecast



\* Year End Forecast

Sources: NorthMarq, Reis, Census Bureau

### Vacancy Forecast



\* Year End Forecast

Sources: NorthMarq, Reis

## 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.

### For more information, contact:

#### Luis Elorza

MANAGING DIRECTOR – INVESTMENT SALES  
812.223.5207  
lelorza@northmarq.com

#### Justin Hofford

SENIOR ASSOCIATE – INVESTMENT SALES  
813.227.8577  
jhofford@northmarq.com

#### Bob Hernandez

SENIOR VICE PRESIDENT, MANAGING DIRECTOR –  
DEBT & EQUITY  
813.223.4939  
rhernandez@northmarq.com

#### Lee Weaver

SENIOR VICE PRESIDENT, MANAGING DIRECTOR –  
DEBT & EQUITY  
813.223.2256  
lweaver@northmarq.com

#### Trevor Koskovich

PRESIDENT – INVESTMENT SALES  
T 602.952.4040  
tkoskovich@northmarq.com

#### Pete O'Neil

DIRECTOR OF RESEARCH  
602.508.2212  
poneil@northmarq.com

Copyright © 2021 NorthMarq Multifamily, LLC.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report.

