

Greater Tampa Multifamily




Hiring Surge, Population Gains Fueling Unprecedented Rent Growth

Highlights

- > The Tampa multifamily market ended the first half of 2021 in a very strong position, with vacancy rates below 5 percent, unprecedented rent growth, absorption ahead of last year's pace, and the labor market on an upswing. The strong market fundamentals are expected to continue throughout the remainder of the year.
- > Vacancy ended the second quarter at 4.9 percent, matching the level from one year ago. The rate has improved in 2021; year to date, vacancy is down 40 basis points.
- > With momentum building in the economy and demand elevated, rents are posting significant gains. Asking rents surged by more than 19 percent year over year, the strongest gain in the nation.
- > Transaction activity accelerated, and prices pushed higher during the second quarter. The median price in deals closed to this point in 2021 is \$160,000 per unit, while cap rates continue to compress to less than 4 percent. Preliminary indications suggest the second half of this year should be particularly active in the local multifamily investment market.

Tampa Multifamily Market Overview

The Tampa multifamily market recorded particularly strong property performance during the second quarter, with rent growth accelerating at a record-setting pace. The market has returned to growth mode with significant momentum, particularly with the addition of white-collar jobs in traditional high-wage industries. The professional and business services sector, which grew at an average pace of nearly 4 percent per year from 2014 to 2019, has expanded by more than 10 percent in the past year. Current employment totals in the professional and business services sector are up more than 5 percent from the pre-COVID peak. With the labor market fueling renter demand, rents are on the rise, and vacancy levels are forecast to continue to tighten in the coming quarters.

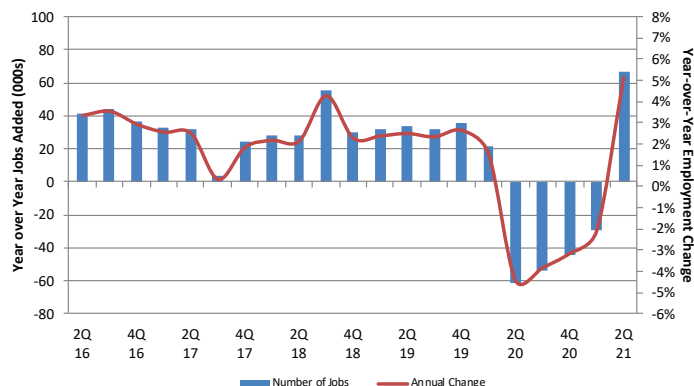
Q2 Snapshot	Tampa Market
	Market Fundamentals
	Vacancy 4.9%
	- Year Over Year Change 0 bps
	Asking Rent \$1,516
	- Year Over Year Change +19.4%
	Transaction Activity
	Median Sales Price Per Unit \$160,000
	Cap Rates (Avg YTD) 3.75%
	Construction Activity
	Units Under Construction 6,639
	Units Delivered YTD 962

Investment activity in Tampa's multifamily market gained momentum during the second quarter. Sales velocity accelerated and prices rose. In the early part of the year, transaction activity was concentrated in the lower tiers, but in subsequent months, there has been a more broad-based mix of properties changing hands. Several Class A properties sold during the second quarter, with pricing for these newer properties over \$250,000 per unit. Several 1970s- and 1980s-vintage properties have traded in recent months, with pricing for these properties ranging between \$150,000 per unit and \$170,000 per unit. Current development costs including land for well-located garden properties are approximately \$250,000 per unit, and market values are topping \$300,000 per unit.

Employment

- > The Tampa employment market has rebounded quickly. Year over year through the second quarter, total employment in Tampa is up 5.1 percent, with the addition of more than 67,000 jobs. The strongest gains have been recorded in recent months; employers added more than 22,000 jobs in the second quarter.
- > One of Tampa’s core industries is trade, transportation, and utilities. Over the past 12 months, the industry grew by nearly 5 percent, expanding by over 11,000 jobs.
- > In April, Pfizer announced that the company would be expanding operations and opening a professional services office in the Tampa Heights region. Pfizer’s expansion to Tampa places it among other big pharma companies like Johnson & Johnson, Bristol Myers Squibb, and Amgen. Together, these companies have pledged to bring more than 1,500 jobs to Tampa.
- > **Forecast:** This year is forecast to be a strong one for area employment growth. Businesses are on pace to create approximately 60,000 new jobs in the Tampa area in 2021, a 4.4 percent increase to payrolls.

Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

Year over year, total employment in Tampa is up 5.1 percent

Vacancy

- > The vacancy rate in Tampa remained below 5 percent in the first half of 2021. The rate ended the second quarter at 4.9 percent.
- > Year to date, vacancy in Tampa is down 40 basis points. The market vacancy rate has averaged 4.8 percent since the beginning of 2017.
- > Year over year through the second quarter, vacancy in the Tampa market ticked up 10 basis points. Vacancy is forecast to tighten in the second half of this year in response to the expanding local labor market.
- > **Forecast:** After tightening in the first half of 2021, additional improvement is likely in the second half. For the full year, the local vacancy rate is forecast to decline 80 basis points to 4.5 percent.

Vacancy Trends



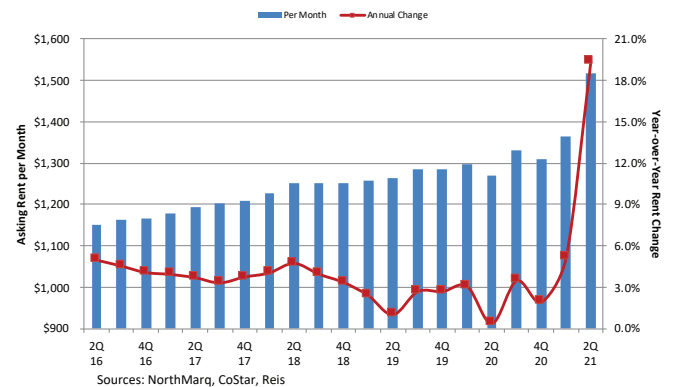
Sources: NorthMarq, CoStar, Reis

Year to date, vacancy in Tampa is down 40 basis points

Rents

- > Rents in Tampa have been trending higher for the past several quarters, but the pace quickened during the second quarter. Asking rents spiked more than 10 percent from the first quarter to the second quarter, reaching \$1,516 per month. Through the first half of 2021, rents are up approximately 16 percent.
- > Year over year, asking rents have spiked by 19.4 percent, the highest mark in the nation. With the local economy strengthening and vacancy rates forecast to tighten, rent growth is expected to maintain momentum in the second half of this year.
- > Year over year, rent growth in every submarket in the Tampa metro area is up at least 9 percent. This rapid rent growth throughout the region reflects the strength of the entire metro area, not just the core business districts.
- > **Forecast:** Rent growth in Tampa is forecast to reach 25.8 percent in 2021, and asking rents are expected to reach \$1,644 per month.

Rent Trends

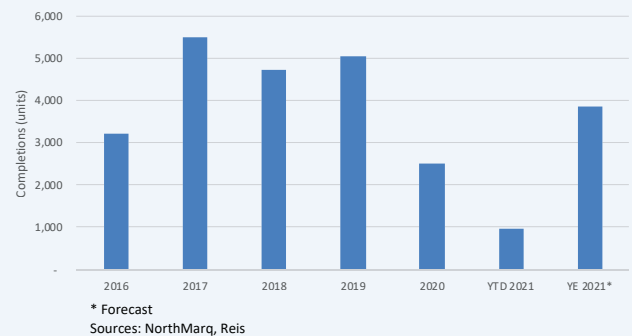


Year over year, asking rents have spiked by 19.4 percent, the highest mark in the nation

Development and Permitting

- > Developers have delivered fewer than 1,000 units through the first half of 2021, although construction activity will accelerate in the second half. The pace of deliveries started to slow in 2020, following a three-year period where deliveries averaged approximately 5,000 units per year.
- > The construction pipeline has begun to thin. As of the second quarter, projects totaling approximately 6,650 units were under construction in Tampa, down 15 percent from one year earlier. The bulk of projects that are currently underway are scheduled to be completed by the end of this year and in the beginning of 2022.
- > While current construction is slowing, permitting activity is accelerating, as developers work to move new projects into the pipeline. Permits have been pulled for more than 4,000 multifamily units through the first half of 2021. This is nearly a 60 percent increase compared to the first half of last year.
- > **Forecast:** Multifamily developers are expected to continue to bring new units online to keep pace with surging renter demand for apartments. Projects totaling approximately 3,800 units are forecast to be delivered in 2021.

Development Trends

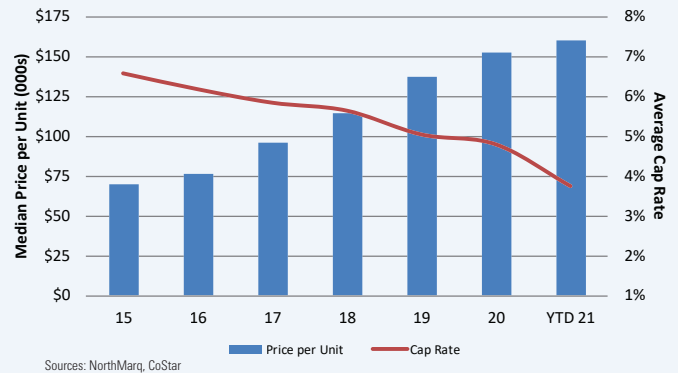


Permits have been pulled for more than 4,000 multifamily units through the first half of 2021

Multifamily Sales

- > Sales velocity gained momentum during the second quarter, with the number of sales nearly doubling the total from the first three months of the year. Transaction activity in the first half of 2021 was ahead of the pace recorded in 2020 but has not reached the peak levels from the first half of 2019.
- > Prices pushed higher in recent months. The median price year to date is approximately \$160,000 per unit, about 5 percent higher than the median price in 2020. Per-unit prices have increased in each of the past eight years.
- > Cap rates have averaged approximately 3.75 percent thus far in 2021, down about 75 basis points from 2020 levels. Cap rates for newer, Class A assets continue to compress further into the low- to mid-3 percent range.

Investment Trends



The median price year to date is approximately \$160,000 per unit

Recent Transactions in the Market

MULTIFAMILY SALES ACTIVITY

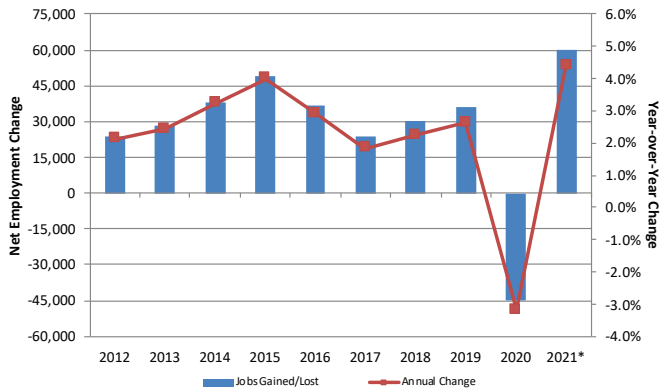
Property Name	Street Address	Units	Sales Price	Price/Unit
Altis Promenade	18064 Promenade Park Ln., Lutz	338	\$92,886,000	\$274,811
Volaris Starkey Ranch	1470 Long Spur, Odessa	384	\$87,000,000	\$226,563
Wildgrass Luxury Apartments	13555 Yellow Fern Way, Riverview	321	\$80,000,000	\$249,221
Cortona South Tampa	5145 S Dale Marby Hwy., Tampa	300	\$76,500,000	\$255,000
Century Ariva	5190 Ariva Dr., Lakeland	312	\$75,850,000	\$243,109
Lola Apartments	9960 Jonas Salk Dr., Riverview	264	\$61,200,000	\$231,818

Looking Ahead

The drivers that fueled the Tampa multifamily market during the first half of this year are forecast to support continued improvement in the second half. The local employment market is expanding at a rapid pace, sparking in-migration from more expensive metro areas, and supporting renter demand for apartments. The Tampa area's population has been expanding at an average of more than 50,000 residents per year since 2014, with similar gains likely in the coming years. Developers are moving to keep up, and deliveries of new projects are forecast to gain momentum in the coming quarters. Tightening vacancy and rapid gains in high-wage industries should allow for rapid rent growth, particularly in the Tampa area's Class A properties.

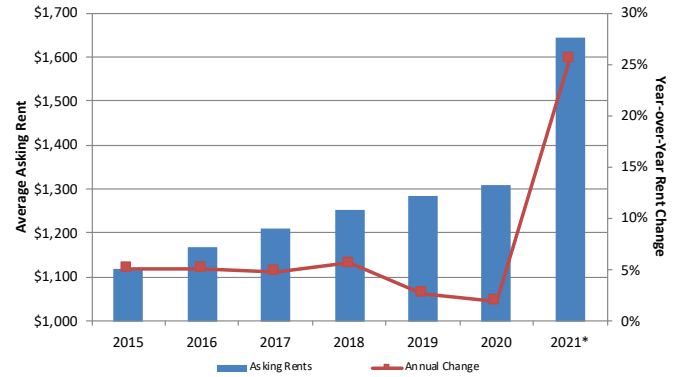
The accelerating pace of transaction activity and rising prices that occurred in the second quarter have set the stage for a strong second half of the year in the local multifamily investment market. In just the first few weeks of the third quarter, sales velocity gained momentum and prices pushed higher. Cap rates are expected to remain low, as investor competition for properties is elevated. In addition, buyers are underwriting acquisitions in anticipation of significant rent gains in the coming quarters, allowing for lower cap rates on in-place financials. As market fundamentals continue to strengthen, cap rates are likely to push lower.

Employment Forecast



* Year End Forecast

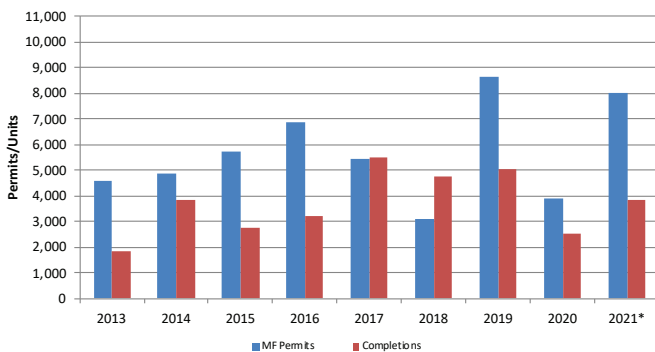
Rent Forecast



* Year End Forecast

Sources: NorthMarq, CoStar, Reis

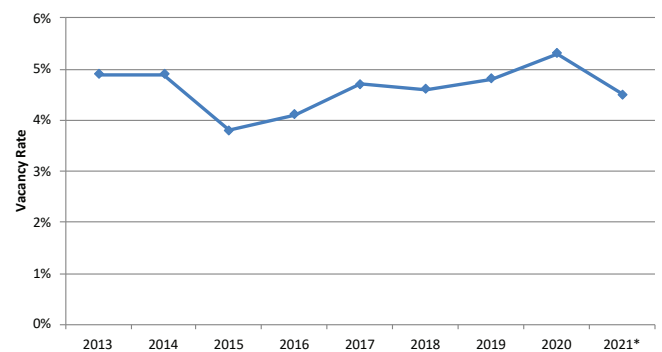
Construction & Permitting Forecast



* 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 \$16 billion, loan servicing portfolio of more than \$65 billion and the multi-year tenure of our nearly 600 people.

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