Market Insights

Greater Tampa Multifamily 4Q 2021

Northmarq

Construction Activity

5,431

Units under construction

2,756

Units delivered (YTD)

Market Fundamentals

3.8%

Vacancy

-150bps | Year over year change

$1,705

Asking Rent

+30.2% | Year over year change

Transaction Activity

$217,700

Median sales price per unit (YTD)

Rents and Prices Spike as Demand Outpaces Supply

Highlights

- Very strong operating conditions were recorded in the Tampa apartment market during 2021 as the local economy recovered, vacancies tightened, and rents advanced at an unprecedented pace.
- Rents surged 30.2 percent in 2021, the strongest annual rent increase ever recorded in Tampa. While rent growth occurred in each quarter, it was most prominent in the middle of the year when rents increased by more than 11 percent in both the second and third quarters.
- Vacancy in Tampa improved by 150 basis points in 2021, ending the year at 3.8 percent.
- The investment market continued to strengthen through the end of the year. Transaction activity picked up in the final quarter, increasing by 45 percent from the previous period. The median sales price in 2021 spiked to $217,700 per unit while cap rates compressed to 3.5 percent by the end of the year.

Tampa Multifamily Market Overview

The Tampa multifamily market recorded its strongest year on record in 2021. Rents increased at a record-setting pace while vacancies tightened considerably. Improving property fundamentals can be attributed to elevated renter demand, which has been sparked by population in-migration and rapid employment gains. The labor market made a full recovery from the jobs lost during the pandemic, as Tampa continues to attract businesses to relocate or expand their current footprint in the area. The high-demand market conditions created upward pressure on prices for all forms of housing in Tampa. For-sale home prices appreciated almost as rapidly as rental rates in 2021.

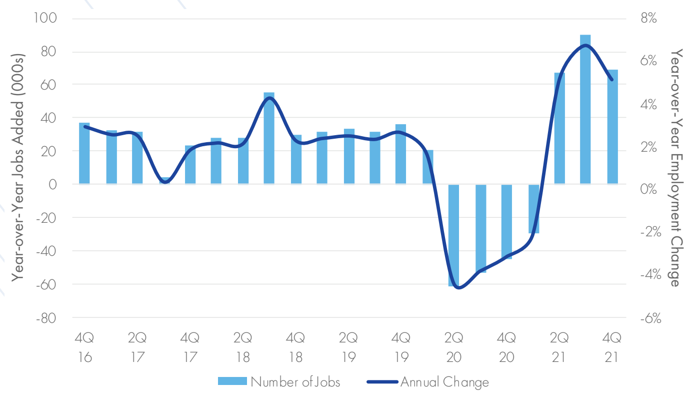
With property revenues on a rapid upward trajectory, investors were drawn to the Tampa multifamily market in 2021. Sales activity spiked by 45 percent from 2020 levels, and transaction dollar volume nearly doubled. Prices increased in response to the tight conditions, rent spikes, and the expectations for continued strength in the market going forward. Transactions involved a diverse group of properties across different submarkets and were not limited to newer, higher-end assets, reflecting the widespread investor demand. One factor fueling the rise in overall transaction volume was an increase in the number of transactions selling for more than $100 million. The number of transactions of this size increased by 60 percent from 2020.

Employment

- Tampa employment levels made a full recovery in 2021, surpassing the pre-pandemic peak by 20,000 jobs. For the full year, employers in Tampa added nearly 70,000 jobs to payrolls, an annual gain of 5.1 percent.
- Financial jobs have been a source of job gains in Tampa for the past several years. In 2021, the sector expanded by 5.1 percent—matching the rate of overall employment growth—by adding 6,400 workers.
- HSP Group, a global expansion services company, announced in December that it is relocating its headquarters from Naples to Tampa in early 2022, a move that will bring hundreds of new jobs to the market over the next three years.
- **Forecast:** Employers in Tampa are forecast to continue to expand payrolls at a rapid pace in 2022. The rate of employment growth is projected to total about 3.4 percent in the year to come, with businesses adding approximately 48,000 jobs.

> Employers in Tampa added nearly 70,000 jobs to payrolls in 2021.

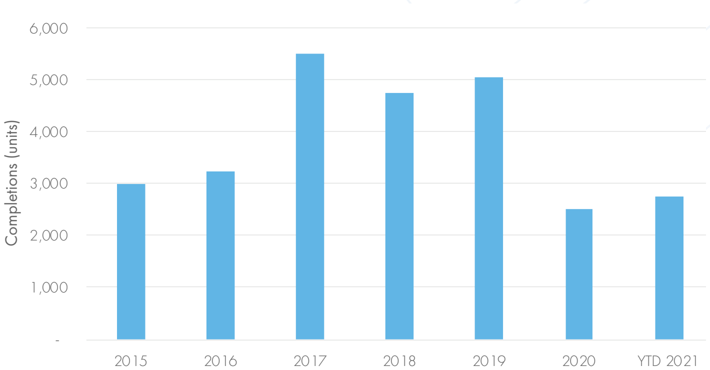
Employment Overview



Sources: Northmarq, Bureau of Labor Statistics

> Permits for more than 5,400 units were pulled in 2021.

Development Trends



Sources: Northmarq, Reis

Development and Permitting

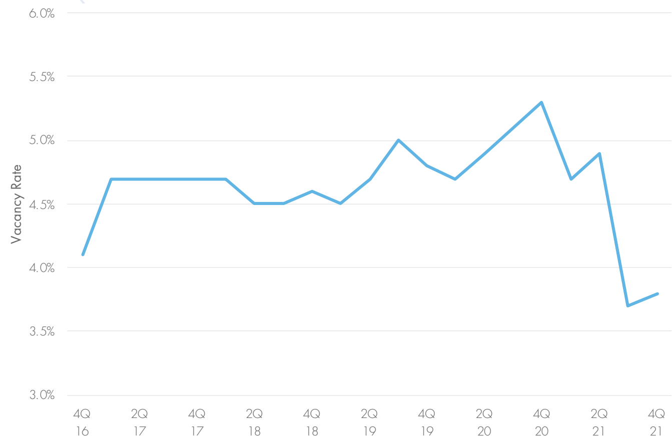
- The pace of apartment deliveries accelerated in 2021 as developers responded to several years of heightened renter demand. Nearly 2,800 units came online during the past year, an increase of roughly 10 percent compared to deliveries in 2020.
- While the pace of deliveries increased in the past year, the development pipeline has thinned and supply growth is not keeping pace with demand. At the end of 2021, projects totaling more than 5,400 units were under construction, down from about 8,100 units at the end of last year.
- Permitting has been active in 2021 as developers move new projects into the development pipeline in attempts to satisfy surging levels of renter demand. Permits for more than 5,400 multifamily units were pulled in 2021, an increase of approximately 30 percent compared to 2020 levels.
- **Forecast:** The pace of deliveries is expected to accelerate in the coming quarters as there are several large projects on track to come online in 2022. Approximately 4,200 units are forecast to be delivered in the year ahead, following two consecutive years of minimal inventory growth.

Vacancy

- After reaching a five-year low in the third quarter, the vacancy rate inched higher in the final months of 2021. The figure ticked up just 10 basis points to 3.8 percent at year end. Prior to recording rapid declines in the past few quarters, the market's long-term average vacancy rate was about 4.7 percent.
- Despite a slight uptick to close out the year, the local vacancy rate improved by 150 basis points in 2021. This marks the lowest year-end vacancy rate for the region in more than a decade.
- The steep drop in vacancy was fueled by an accelerating pace of absorption in the Tampa region. Absorption topped nearly 4,400 units in 2021, an increase of 81 percent compared to levels in 2020.
- **Forecast:** The rapid vacancy decline that was recorded in 2021 leaves little room for additional tightening in the year ahead. In 2022, deliveries and absorption are forecast to closely track one another, and the vacancy rate is expected to tick lower by 20 basis points to 3.6 percent.

> Vacancy in Tampa improved by 150 basis points in 2021.

Vacancy Trends



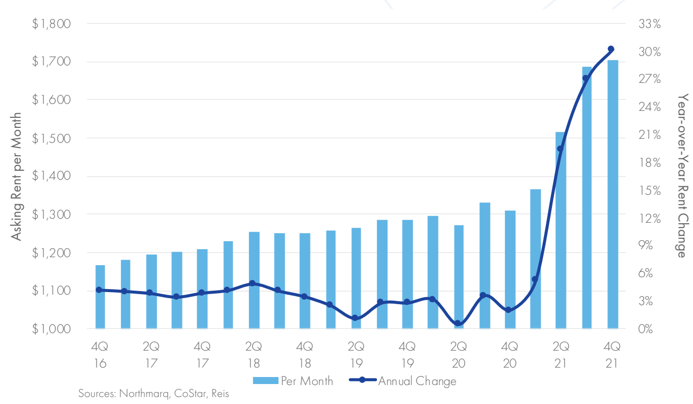
Sources: Northmarq, Reis

Rents

- Following rapid gains recorded in the second and third quarters, rents again trended higher at the end of 2021. Asking rents ended the year at $1,705 per month.
- Local asking rents advanced 30.2 percent from the end of 2020, the largest year-over-year growth on record. Tampa was one of the top multifamily markets in the country; the average apartment rent in Tampa rose nearly $400 per month in 2021.
- Rent growth in Tampa has been recorded across all submarkets and property classes. The average combined asking rents among Class B and Class C units increased by roughly 30 percent in 2021, rising to an average of $1,281 per month.
- **Forecast:** The momentum gained in Tampa's multifamily market is expected to carry over into 2022, although the record-setting pace of rent growth is unlikely to be sustained. Asking rents are forecast to advance about 7 percent in the year ahead, reaching approximately $1,825 per month.

> Local asking rents advanced 30.2 percent in 2021.

Rent Trends



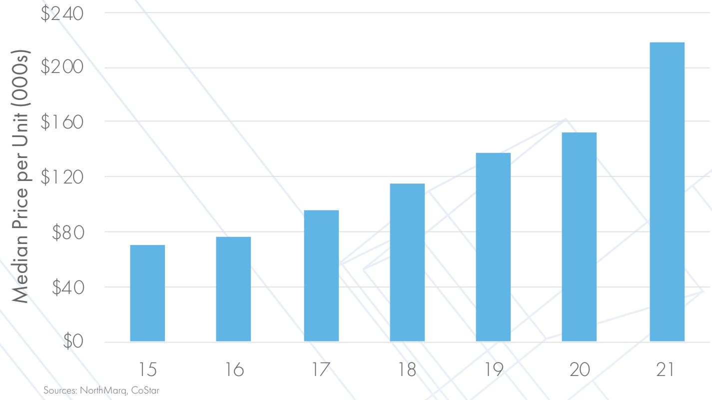
Sources: Northmarq, CoStar, Reis

Multifamily Sales

- Investment activity continued to gain momentum in the final months of 2021, with activity increasing by more than 40 percent compared to the third quarter. The total number of sales for the full year spiked 45 percent compared to the transaction count in 2020.
- Prices rose throughout 2021, including a spike in the fourth quarter. For the full year, the median sales price reached $217,700 per unit, 40 percent higher than the median price in 2020. In transactions that closed in the fourth quarter, the median price rose to $230,400 per unit.
- As investor demand for area apartment properties intensified, cap rates compressed throughout 2021. While a handful of properties changed hands with cap rates around 3 percent during the fourth quarter, the average was closer to 3.5 percent in the final few months of the year.

> The median price reached $217,700 per unit.

Investment Trends



Recent Transactions

Multifamily Sales Activity

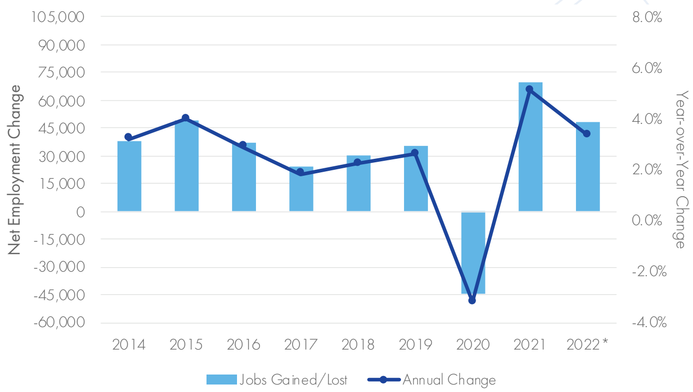
Property Name	Street Address	Units	Sales Price	Price/Unit
Bowery Bayside	6301 S Westshore Blvd., Tampa	608	$142,000,000	$233,553
Elements on Third	3201 3rd Ave N., St. Petersburg	425	$125,000,000	$294,118
The Beck at Hidden River	8801 Hidden River Pky., Tampa	204	$66,300,000	$325,000
Brandon Oaks	110 Summerfield Way., Brandon	160	$30,200,000	$188,750
Palms at Palisades	512 Camino Real Ct., Brandon	125	$23,100,000	$184,800

Looking Ahead

The Tampa multifamily market is forecast to sustain the positive momentum that has been building during the past several years. Tampa has been one of the top relocation destinations for businesses and residents, a trend that is likely to continue going forward. Population growth in the Tampa area is forecast to top 30,000 new residents in the next year. To meet the new demand associated with rapid population growth, multifamily development activity is gaining momentum. The market should be able to easily absorb the new projects that are slated to deliver in 2022. Just a few years ago, developers delivered more than 15,000 units in a three-year period from 2017 to 2019. During that period, the vacancy rate remained essentially flat, and rents rose by 4.5 percent per year on average.

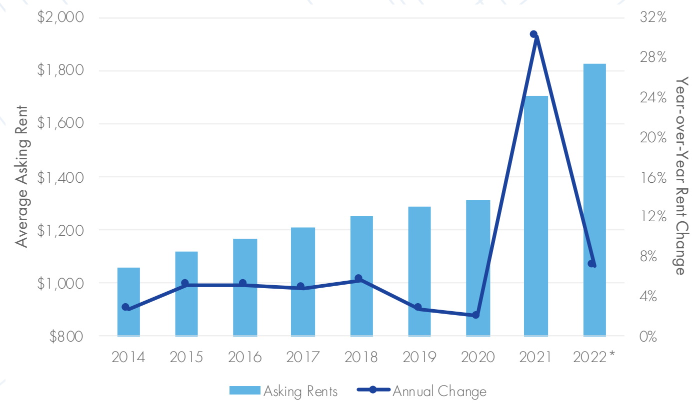
The local investment market is poised to have a very strong 2022 as transaction activity surged through the end of the year, reflecting the robust investor demand for area multifamily assets. Overall pricing is forecast to rise in the coming quarters as the median price of transactions that closed in the fourth quarter was more than $230,000 per unit. With rents on track to post healthy gains again in 2022, and newer, more expensive projects delivering, sale prices should remain at the higher end of the spectrum going forward. Cap rates have compressed and are likely to remain low as investors accept lower yields going in with the expectations for future NOI growth.

Employment Forecast



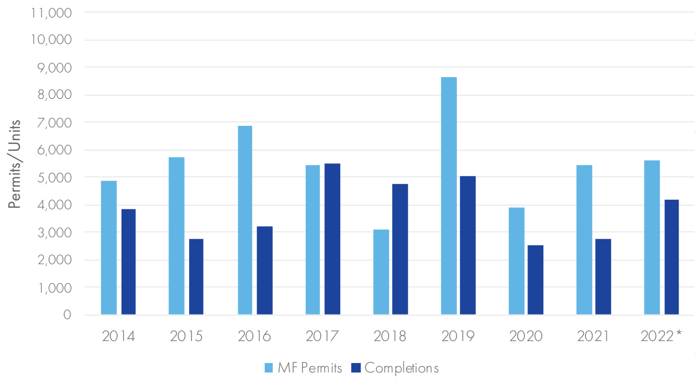
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

Rent Forecast



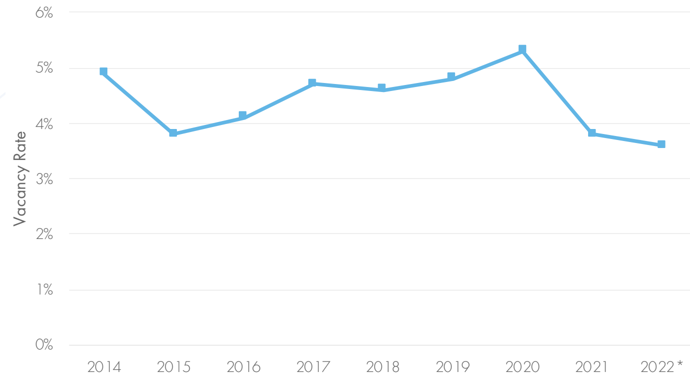
* Year End Forecast
Sources: Northmarq, CoStar, Reis

Construction & Permitting Forecast



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

Vacancy Forecast



* Year End Forecast
Sources: Northmarq, CoStar, Reis

For more information, please 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

Trevor Koskovich
President – Investment Sales
602.952.4040
tkoskovich@northmarq.com

About Northmarq

Northmarq offers real estate investors access to experts in debt, equity, investment sales and loan servicing. We combine industry-leading capabilities with an open, flexible structure, allowing our team of seasoned professionals to do the best work on behalf of clients and lenders. Our solid foundation and innovative approach have led to substantial growth, with more than 700 employees, loan servicing volume approaching $70 billion, and $30+ billion in transaction volume.

Copyright © 2022 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.

BUILT TO THRIVE®

northmarq.com