# Market Insights

Tampa Bay MSA Multifamily 2Q 2022

Northmarq

## Construction Activity

**12,629**

Units under construction

**2,270**

Units delivered (YTD)

## Market Fundamentals

**3.8%**

Vacancy

**-110bps** | Year over year change

**$1,810**

Asking Rent

**+19.4%** | Year over year change

## Transaction Activity

**$230,000**

Median sales price per unit (YTD)

# Vacancy Improves, Rents Continue to Push Higher

## Highlights

- The Tampa Bay multifamily market sustained its momentum throughout the first half of this year, posting some of the strongest operational performance in the country. Vacancies inched lower, and rents continued to push higher at a rapid pace.
- Vacancy dipped 10 basis points during the second quarter, reaching 3.8 percent. The rate has improved significantly in the past year, tightening by 110 basis points.
- Rents in the Tampa Bay metro area have been growing at one of the fastest rates in the country for more than a year. During the second quarter, asking rents advanced an additional 3.3 percent to $1,810 per month. Year over year, area rents have spiked 19.4 percent.
- The local investment market gained momentum during the second quarter. Transaction activity accelerated, and prices pushed higher. Sales velocity through the first half of 2022 is ahead of the robust pace of transactions that closed in the first half of last year.

## Tampa Bay Multifamily Market Overview

The Tampa Bay multifamily market continued to record strong operational performance through the first half of 2022. The sustained health in the market is being demonstrated by a rapid pace of net absorption, which was considerably higher in the first half of this year than in the same period in prior years. This ongoing renter demand for units is prompting developers to ramp up activity. More than 2,200 units were delivered during the first half of the year, and completions in 2022 will more closely track the market's pre-COVID levels helping to return supply-and-demand conditions to equilibrium. With the total vacancy rate low and conditions remaining tight, operators have been able to continue to push rents higher at a rapid pace.

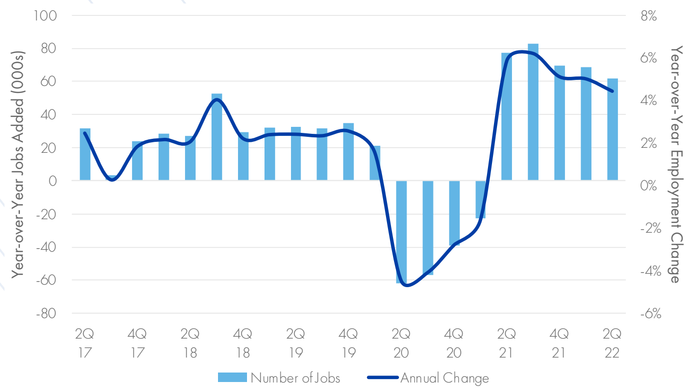
The local investment market strengthened during the second quarter with more properties changing hands at higher prices than during the first few months of 2022. Multifamily transaction volume in Tampa set an all-time high in 2021, and investment activity in the first half of this year was ahead of the pace established one year earlier. This heightened buyer demand and competitive investment landscape have kept cap rates low. Rising interest rates have started to put upward pressure on cap rates, but strong local market fundamentals are softening the impact of volatility in the debt markets. During the second half, cap rates will likely exceed 4 percent.

# Employment

- Year over year, total employment in Tampa is up 4.4 percent with a net gain of 61,800 positions. The health of the local economy is reflected in the market's consistently strong pace of job growth. Average annual rates of expansion have exceeded 5 percent during the past five quarters.
- The local trade, transportation, and utilities sector has outperformed most other industries during the past year, accounting for approximately 25 percent of all new job growth. Employment in this sector has grown by 6 percent in the past 12 months with the addition of 15,500 workers.
- Avande, a Seattle-based technology company founded by Microsoft and Accenture, chose Tampa as to be the location of the company's first U.S. engineering hub. The facility is expected to employ 500 new software engineers in the next few years.
- **Forecast:** The Tampa market is on pace for another year of strong employment growth. Employers are forecast to expand payrolls by 3.6 percent, adding approximately 52,000 net new jobs in 2022.

“ Year over year, employment is up 4.4 percent.

### Employment Overview



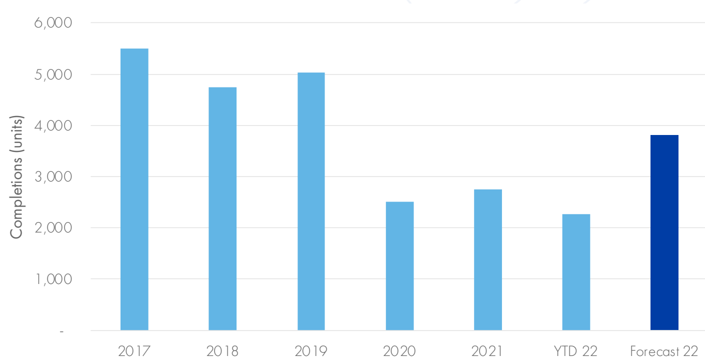

Sources: Northmarq, Bureau of Labor Statistics

# Development and Permitting

“ Nearly 1,200 units came online during the second quarter.

- Deliveries picked up in the second quarter, and total completions through the first half of the year outpaced levels recorded one year ago. Nearly 1,200 units came online during the second quarter, bringing the total completions year to date to 2,270 units, up from around 1,500 units delivered during the first half of 2021.
- While several projects have come online in recent months, the construction pipeline has continued to expand. There are currently projects totaling more than 12,600 units under construction in the metro area, nearly double the total from one year ago.
- To keep up with the growing demand, developers have increased permitting activity in recent months. Year to date, developers have pulled permits for nearly 3,900 multifamily units, about 10 percent higher than the total issued during the first six months of 2021.
- **Forecast:** With many projects still slatted to come online in the coming quarters, developers are on pace to deliver approximately 5,200 units in 2022, similar to annual totals recorded from 2017 to 2019.

### Development Trends




Sources: Northmarq, CoStar, Reis

# Vacancy

- Following a slight uptick at the start of the year, the local vacancy rate dipped by 10 basis points during the second quarter, falling to 3.8 percent.
- Vacancy in Tampa ended the second quarter 110 basis points lower than the figure from one year ago. The current rate is also 70 basis points below the market's long-term average of around 4.5 percent.
- The improving vacancy rate can be attributed to accelerating absorption levels. Through the first half of 2022, net absorption totaled approximately 2,300 units, up nearly 70 percent from the average first-half absorption since 2015.
- **Forecast:** Apartment communities are expected to come online at a slightly faster pace in the second half of this year, which will cause vacancy to level off after some significant improvement in the past 18 months. The vacancy rate is forecast to end this year at 4 percent.

> The local vacancy rate dipped 10 basis points during the second quarter.

## Vacancy Trends

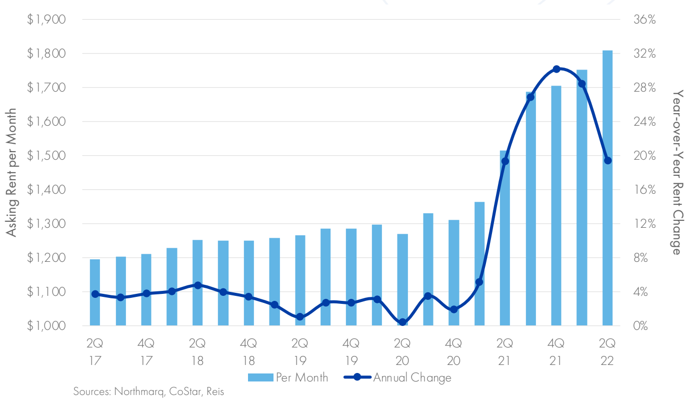

Sources: Northmarq, Costar, Reis

# Rents

- Asking rents continued to trend higher with the pace of growth accelerating from the beginning of the year. Asking rents in Tampa advanced 3.3 percent in the second quarter, reaching $1,810 per month.
- Year over year, asking rents expanded by 19.4 percent, one of the most rapid upward climbs in the country.
- Rents in Class A units continue to push higher, supported by elevated demand and the delivery of new, more expensive units. Asking rents in Class A properties reached $2,304 per month in the second quarter, up 24 percent from one year earlier.
- **Forecast:** Annual rent growth is expected to be more modest than the unprecedented rate recorded in 2021, however, rents will still expand at a heightened pace relative to the historical average. Rents are forecast to advance by roughly 9 percent in 2022, ending the year at $1,860 per month.

> Asking rents reached $1,810 per month in the second quarter.

## Rent Trends



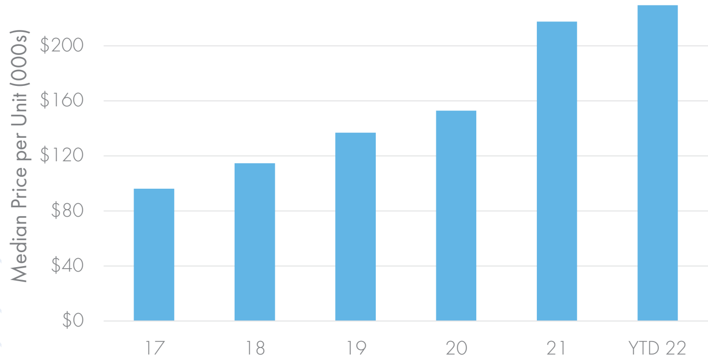

Sources: Northmarq, CoStar, Reis

# Multifamily Sales

- Investor demand gained momentum in the second quarter as transaction activity accelerated, rising more than 30 percent from the first three months of the year. Year to date, sales velocity is up 15 percent from the same period in 2021.
- Following a sharp spike in 2021, pricing year to date has trended higher. The median price in transactions that closed in the first half of 2022 was $230,000 per unit, up 5 percent from the 2021 median price.
- Cap rates have followed a similar path as per-unit prices. The average cap rate in the second quarter was 3.6 percent, just 10 basis points higher than cap rates at the end of last year and at the beginning of 2022.

> Cap rates averaged 3.6 percent in the second quarter.

### Investment Trends




Sources: NorthMarq, CoStar

# Recent Transactions

### Multifamily Sales Activity

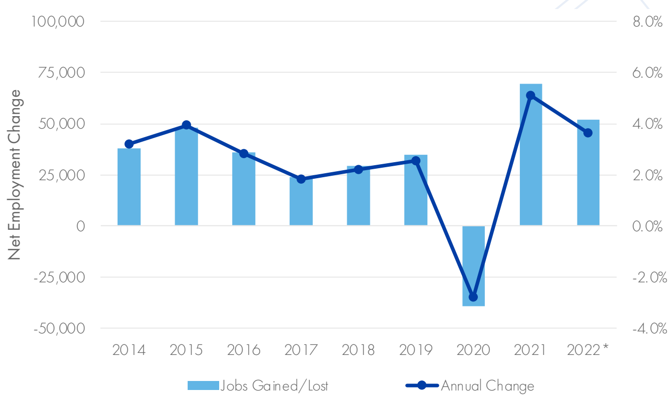
| Property Name | Street Address | Units | Sales Price | Price/Unit |
|---|---|---|---|---|
| NOVEL Midtown | 3730 Midtown Dr., Tampa | 390 | $236,400,000 | $606,154 |
| Nine 15 | 915 N Franklin St., Tampa | 362 | $184,000,000 | $508,287 |
| Addison Skyway Marina | 3951 34th St S., St. Petersburg | 308 | $123,200,000 | $400,000 |
| Amelia at Westshore | 6608 S West Shore Blvd., Tampa | 246 | $90,000,000 | $365,854 |
| Lake 28 | 22743 Preakness Blvd., Land O'Lakes | 252 | $71,000,000 | $281,746 |

# Looking Ahead

The tight operating conditions that have prevailed in the Tampa multifamily market for the past several quarters are forecast to remain in place for the remainder of this year and likely into 2023. While the national economy is showing some signs of slowing, employers are expected to remain active in Tampa, supporting continued demand for apartment units. On the supply side, the pace of new development is scheduled to accelerate in the coming quarters, following an extended period of undersupplied conditions. With vacancy likely to remain low and demand forecast to maintain recent levels, rents will continue to push higher. Gains will be more modest than in recent periods of rapid growth, but will remain among the most rapid in the country.

While property fundamentals are expected to remain quite healthy in the coming months, higher debt rates will have an impact on transaction volume and cap rates. The changes in the market will take a few months as buyers and sellers adjust to the new investment and financing conditions. Still investor interest in the Tampa multifamily market has remained elevated for the past several quarters, a fact that is made clear by the volume of transactions in the market. Additionally, the strength of the underlying property fundamentals will continue to attract investment and should temper potential increases in cap rates in the coming quarters.

## Employment Forecast

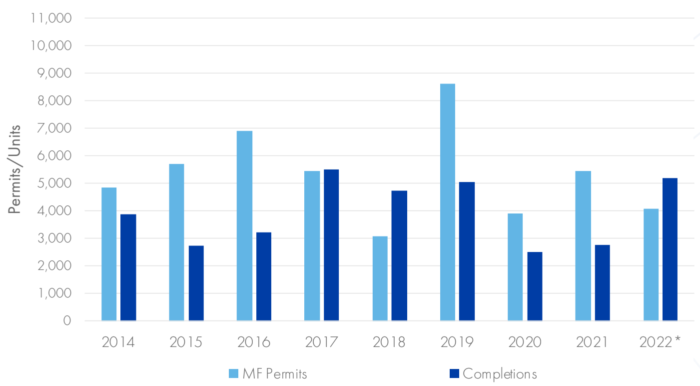



* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

## Rent Forecast

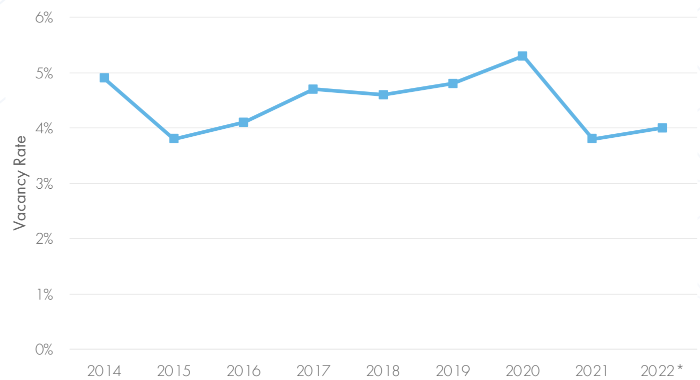

* Year End Forecast
Sources: Northmarq, CoStar, Reis

## Construction & Permitting Forecast




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

## Vacancy Forecast




* Year End Forecast
Sources: Northmarq, CoStar, Reis

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## About Northmarq

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