

Market Insights

Greater Tampa Multifamily 3Q 2022



Construction Activity



13,125

Units under construction

4,796

Units delivered (YTD)

Market Fundamentals



3.6%

Vacancy

-10bps

Year over year change

\$1,800

Asking Rent

+6.6%

Year over year change

Transaction Activity



\$215,600

Median sales price per unit (YTD)

Vacancy Declines Again in 3Q, Development Gaining Momentum

Highlights

- Most property performance metrics improved in the Tampa multifamily market in the third quarter. The vacancy rate fell and the combination of elevated demand and tight conditions is prompting new development. New development, however, will be tempered by a more restrictive lending market and higher interest rates.
- Vacancy continued to tighten, dropping 20 basis points during the third quarter to 3.6 percent. Year over year, the rate has improved by 10 basis points.
- Apartment rents in Tampa remained relatively flat, coming in at \$1,800 per month. In the past year, average asking rents have advanced 6.6 percent.
- Fewer properties sold during the third quarter, but there have already been signs of a bit of a rebound in transaction counts as 2022 comes to a close. The median sales price to this point in the year is \$215,600 per unit, nearly identical to the median price in 2021. Cap rates tracked higher from the low-4 percent to mid-4 percent range in the third quarter.

Tampa Multifamily Market Overview

Multifamily operating conditions in Tampa were generally favorable during the third quarter. Vacancy rates continued to tighten, even as the pace of construction accelerated significantly. The current vacancy rate is at its lowest point in more than five years. The most significant improvement is being recorded in the region's Class A segment, which accounts for approximately half of the total inventory. That total should grow in the coming quarters, with the market on pace to have another active quarter of deliveries to close 2022, and additional projects in the pipeline to be completed next year. Demand is being fueled by in-migration from other markets and continued employment growth, particularly in high-wage industries. The market had posted rapid gains over the previous 18 months, but now rental rate growth is relatively flat.

Increased short-term uncertainty surrounding the cost of capital and the pace of economic expansion dragged on investment conditions in the Tampa multifamily market during the third quarter. The result was the first significant decline in transaction volume since the start of the pandemic. While fewer properties traded in the last three months, per-unit pricing is closely tracking last year's levels. The median sales price to this point in the year is approximately \$215,600 per unit, essentially unchanged from the median price in 2021. Sales activity occurred in most areas throughout Tampa Bay in recent quarters including a handful of deals in the Temple Terrace, Tampa Palms, and Southeast Tampa submarkets. Cap rates continue to climb, with rates in the low-4 percent to high-4 percent range. Cap rates are tracking consistent with the rising Treasury yields. The prospect of future growth in the region's multifamily market has kept cap rates low to this point in the cycle.

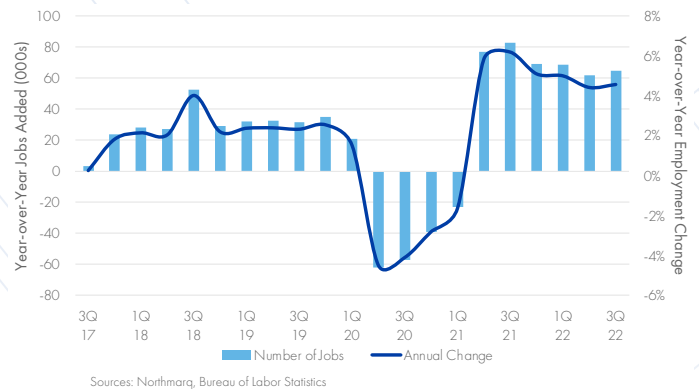
Employment

- Employers in Tampa continue to add workers. Year over year through the third quarter, the local labor market has expanded by 64,800 positions, a gain of 4.6 percent.
- The region's leisure and hospitality sector has continued to rebound and is a significant source of job gains in the overall employment market. This industry added 18,700 jobs in the past year, an increase of 12.3 percent.
- Advantive, a leading manufacturing and distribution software provider, will be opening its new global headquarters in Tampa by the end of the year. Located in Corporate Center III at International Plaza in the Westshore submarket, the company plans to hire 50 people in 2022 and grow to 150 employees in the next three years.
- Forecast:** Area employers will continue to add workers in the final months of the year. Total employment is expected to grow by 68,000 positions in 2022, advancing roughly 4.8 percent.



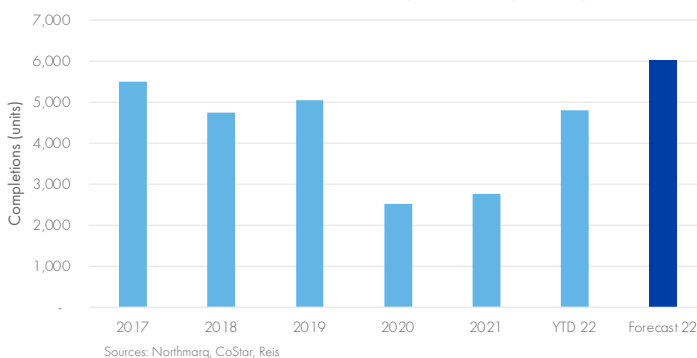
The local labor market has expanded by 64,800 positions.

Employment Overview



To this point in 2022, nearly 4,800 units have come online.

Development Trends



Development and Permitting

- Construction activity gained momentum in recent months as multifamily developers completed more than 2,500 units during the third quarter. This represented more deliveries than occurred in the first half of the year. To this point in 2022, nearly 4,800 units have come online.
- New projects continue to break ground with approximately 13,125 apartment units currently under construction, significantly more than the total one year ago. While construction is ongoing throughout the region, the most active areas for new development include the Pasco County and Southeast Tampa submarkets.
- Permitting activity continued to surge in recent months as developers pulled permits for more than 3,500 multifamily units during the third quarter. Year to date, nearly 9,200 permits have been issued, just shy of the combined annual totals for 2020 and 2021.
- Forecast:** Apartment developers will continue to bring projects online throughout the remainder of the year. Approximately 6,000 multifamily units are slated to be delivered in 2022, up from the market's five-year annual average completions of 4,100 units.

Vacancy

- While absorption levels slowed from previous quarters, renter demand remains elevated, and the vacancy rate tightened once again in the last three months. The rate fell by 20 basis points during the third quarter to 3.6 percent.
- Year over year, local vacancy improved by 10 basis points. The Brandon/Plant City submarket recorded one of the largest declines in vacancy in the past year, with the rate dropping 110 basis points to 1.7 percent.
- As operating conditions tightened across all asset classes in recent quarters, the Class A segment of the market posted the most significant improvement. The vacancy rate in upper-tier units dropped 50 basis points in the past 12 months to 3.1 percent.
- **Forecast:** With apartment construction activity accelerating throughout the region, local vacancy is projected to tick higher in the coming months. Vacancy is on pace to finish 2022 at around 3.7 percent, slightly higher than the current rate but down 10 basis points for the year.



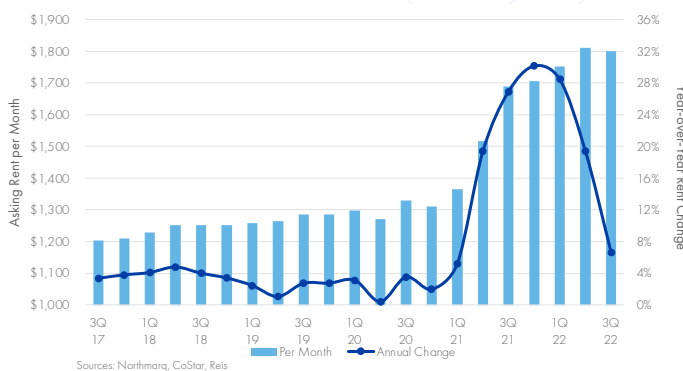
Year over year, local vacancy improved by 30 basis points.

Vacancy Trends



During the past 12 months, average rents have risen by 6.6 percent.

Rent Trends



Rents

- Asking rents in Tampa ticked lower in the last three months after posting some of the most rapid growth in the country for the previous six consecutive quarters. Local apartment rents remained relatively flat in the third quarter at \$1,800 per month.
- During the past 12 months, average rents have risen by 6.6 percent, or more than \$110 per month. Annual rent growth averaged 4.7 percent from 2015 to 2019.
- Asking rents in mid- and lower-tier properties posted the largest increase from one year ago. The combined average rent in Class B and Class C units rose 8.5 percent in the past 12 months to approximately \$1,475 per month.
- **Forecast:** Apartment rents in Tampa are expected to inch higher at a modest pace in the next few months. Annual rent growth is projected to reach nearly 6 percent in 2022, finishing the year at approximately \$1,805 per month.

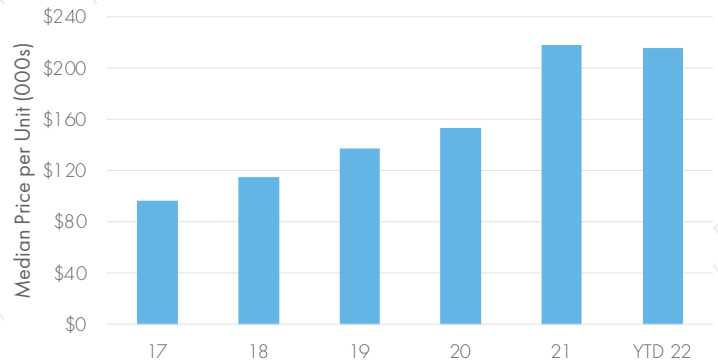
Multifamily Sales

- After a sharp acceleration in activity, multifamily sales volume fell during the third quarter, reaching its lowest level of activity in more than two years. Transaction velocity year to date is down 25 percent from the same period in 2021.
- While the pace of sales slowed to this point in the year, pricing has held steady during the past several quarters. The median sales price thus far in 2022 is \$215,600 per unit, nearly identical to levels from last year.
- Cap rates continued to trend higher in recent months, averaging in the low-4 percent range during the third quarter. Before compressing to the low-to-mid-3 percent range during the final months of 2021, cap rates historically averaged closer to 5 percent in previous years.



The median sales price thus far in 2022 is \$215,600 per unit.

Investment Trends



Sources: NorthMarq, CoStar

Recent Transactions

Multifamily Sales Activity

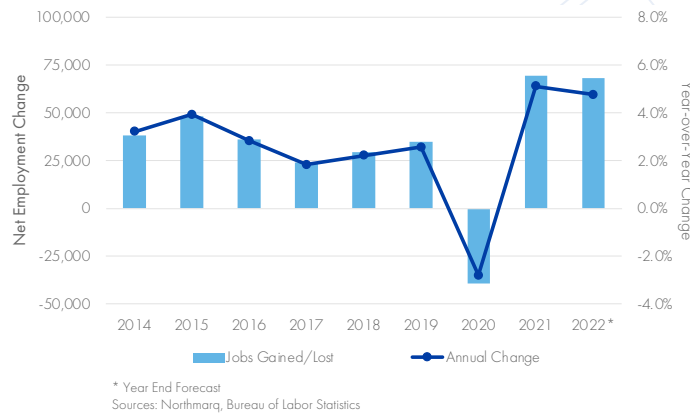
Property Name	Street Address	Units	Sales Price	Price/Unit
The Enclave at Tranquility Lake Apartments	9707 Tranquility Lake Cir., Riverview	348	\$98,000,000	\$281,609
Cypress Manor Apartments	8891 Cypress Manor Dr., Tampa	196	\$73,000,000	\$372,449
The Caroline	1906 Griffin Rd., Lakeland	228	\$67,040,000	\$294,035

Looking Ahead

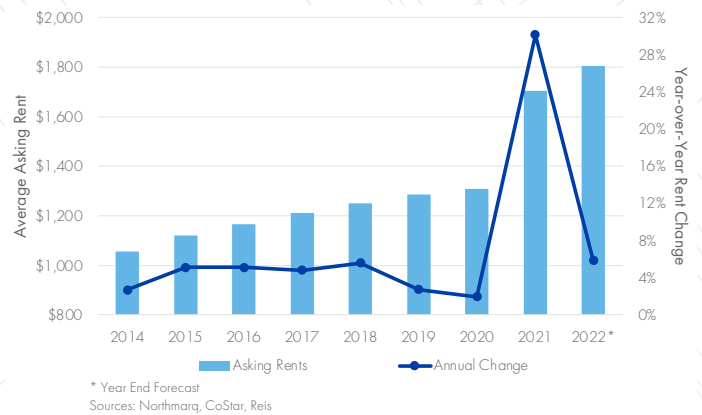
The Tampa multifamily market may show some signs of slowing in the next few quarters, although overall property fundamentals are expected to remain strong. Demographic and employment growth will moderate in Tampa, although overall multifamily property fundamentals will remain strong. The resilience of the market has been most clearly demonstrated by the local vacancy rate, which posted a significant decline in 2021 and has trended lower again to this point in 2022. The rate will likely level off in the coming quarters but should remain about 100 basis points lower than the long-term average of nearly 5 percent. These conditions will support rent growth going forward, with annual increases tracking the region's historical performance; rent growth averaged 4.7 percent from 2015 to 2019.

The multifamily investment market in Tampa should pick up in the final few months of the year, setting the stage for an increase in activity throughout 2023. Although the pace of deals in the coming quarters will not repeat the surge in activity in 2021, investors will be drawn to the robust local economy and strong property fundamentals. Sales prices are expected to fluctuate in the current climate until the Fed ends their interest rate hike campaign. Cap rates have bounced off of earlier lows and will trend higher correlating with interest rate increases.

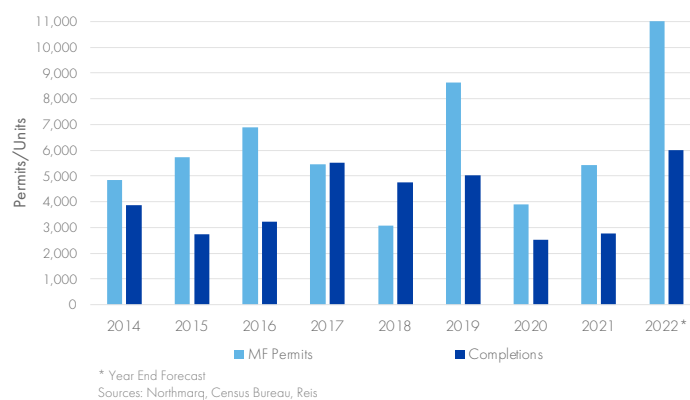
Employment Forecast



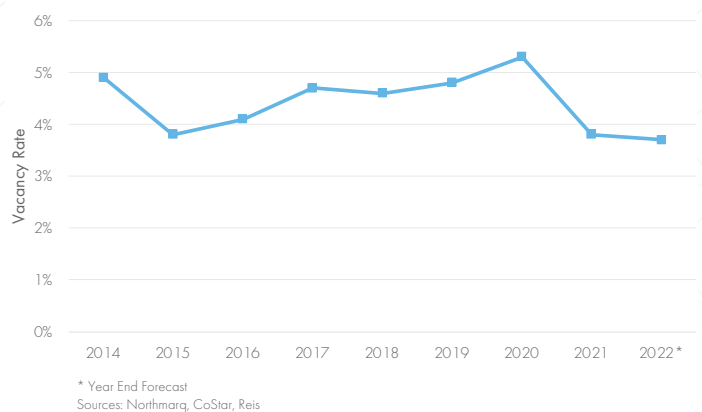
Rent Forecast



Construction & Permitting Forecast



Vacancy Forecast





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