

# With vacancy at a 7-year low, developers ramp up activity

## CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **15,973**

UNITS DELIVERED (YTD) **5,833**

## MARKET FUNDAMENTALS



VACANCY RATE **3.6%**

YEAR-OVER-YEAR CHANGE **-20bps**

ASKING RENTS **\$1,812**

YEAR-OVER-YEAR CHANGE **+6.3%**

## TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$210,600**

## HIGHLIGHTS

- Most property performance metrics improved in Tampa during the fourth quarter, as local vacancy remained at a cyclical low, and asking rents inched higher. Multifamily development picked up in recent months as more than 5,800 units came online in 2022.
- Local vacancy was mostly stable from the third quarter to the fourth quarter, finishing the year at 3.6 percent. The rate improved by 20 basis points in 2022 and is 100 basis points lower than the region's long-term average.
- Average rents inched higher in the fourth quarter, ending the year at \$1,812 per month. Asking rents rose 6.3 percent in 2022.
- Multifamily sales activity picked up somewhat during the fourth quarter, although deal volume has declined significantly from the first half to the second half of the year. The median sales price in 2022 was \$210,600 per unit, while cap rates averaged around 4.7 percent during the fourth quarter.

## TAMPA MULTIFAMILY MARKET OVERVIEW

Multifamily property fundamentals in Tampa posted positive gains during the fourth quarter, as vacancy held steady at a cyclical low, and asking rents again ticked higher. Apartment developers were active in 2022. More than 5,800 apartment units were completed during the past 12 months, which was more than the combined total for both 2020 and 2021, when supply chain disruptions limited deliveries. Additionally, multifamily permitting surged in recent quarters, which caused the construction pipeline to expand. Despite development activity gaining momentum, the current vacancy rate remains tight at 3.6 percent, well below the long-term average of 4.6 percent.

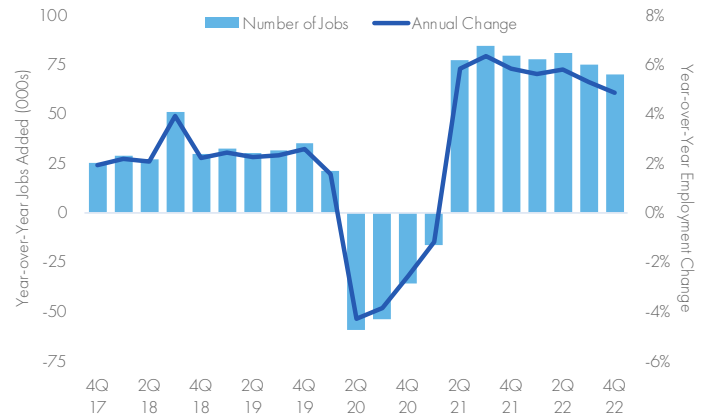
After steep run-ups in recent years, the Tampa multifamily investment market leveled off in 2022. While transaction volume picked up slightly in the fourth quarter, sales velocity in the second half of 2022 declined 65 percent from the first six months of the year. The median sales price in 2022 was \$210,600 per unit, with Class B properties accounting for the largest share of the transaction mix. In addition, there were several sales of large, Class A, recently completed properties that sold at elevated per-unit prices. The impact of these transactions resulted in an elevated average price per unit that topped \$250,000. Sales occurred throughout the Tampa region; some of the more active areas for deals in 2022 included the North Tampa submarkets, Temple Terrace, and Tampa Palms.

## EMPLOYMENT

- Local employers continued to add workers at a healthy pace during the fourth quarter with the addition of 17,000 jobs. During the past 12 months, total employment grew by nearly 70,000 positions, an annual gain of 4.8 percent.
- Tampa’s private education and health services sector was a significant driver of the local labor market during the past year. This industry added 11,000 workers in 2022 and expanded by 5 percent.
- Arrive Logistics, an Austin-based transportation and technology company, recently expanded to the Tampa area and opened a new 26,000-square-foot office near the Westshore commercial district. The company opened the new facility with nearly 50 employees and plans to hire an additional 200 workers in the coming years.
- FORECAST:** Tampa’s employment market will continue to advance in the next 12 months. Total employment is forecast to grow by approximately 1.5 percent in 2023 with the addition of 23,000 jobs.

Total employment in 2022 grew by nearly 70,000 positions.

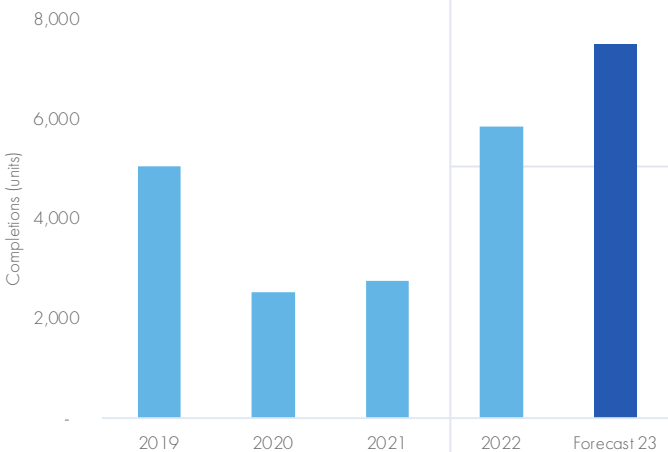
### EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

Approximately 1,040 units came online in the fourth quarter.

### DEVELOPMENT TRENDS



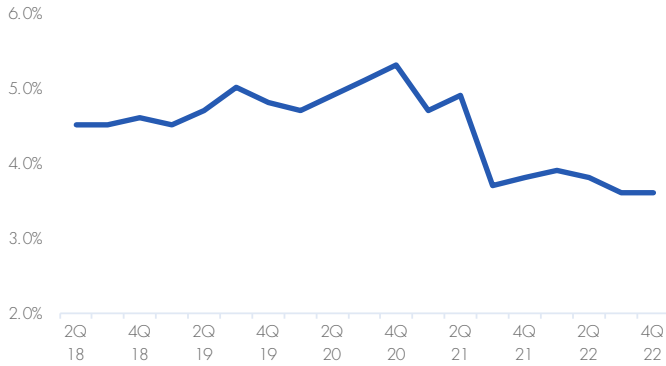
Sources: Northmarq, CoStar

## DEVELOPMENT & PERMITTING

- The pace of apartment completions slowed in recent months as approximately 1,040 units came online in the fourth quarter, down 60 percent from the previous period. Despite the recent slowing, projects totaling more than 5,800 units were delivered in 2022, a cyclical high for Tampa.
- The construction pipeline expanded in the final months of 2022 with projects totaling 14,680 units under construction at the end of the fourth quarter, up 11 percent from the third quarter. Construction activity is ongoing throughout Tampa with more than 3,400 units underway in the Pasco County submarkets.
- Developers pulled permits for more than 4,100 multifamily units in the fourth quarter, which was ahead of the third-quarter total. Permitting in 2022 was significantly higher than the market’s long-term trends; in the past decade, multifamily permitting has averaged about 5,300 units per year.
- FORECAST:** Apartment completions are expected to ramp up in the next 12 months, following the recent surge in construction starts. Projects totaling approximately 7,500 units are slated to come online in 2023.

## Vacancy improved by 20 basis points in 2022.

### VACANCY TRENDS



Sources: Northmarq, REIS

## VACANCY

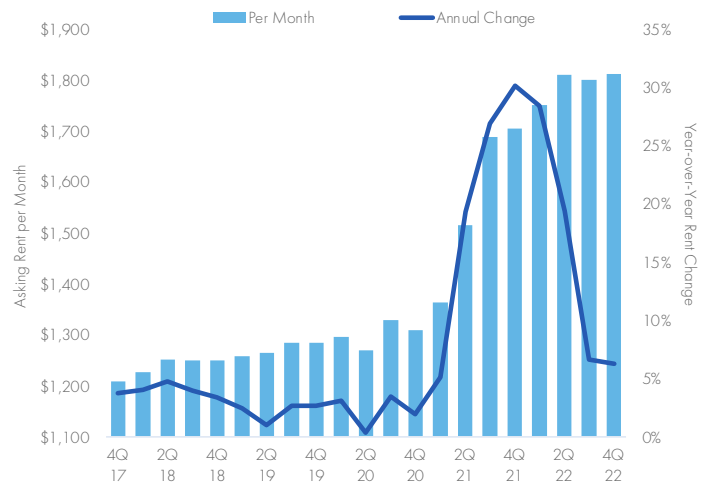
- Local vacancy was stable in recent months as absorption totals closely tracked elevated levels of supply growth. The vacancy rate in Tampa finished 2022 at 3.6 percent, matching the figure from the third quarter.
- Even in a year of heightened supply growth, vacancy improved by 20 basis points in 2022. The current vacancy rate is 100 basis points lower than the region’s five-year average. Vacancy ended 2022 at its lowest level since 2016.
- Class A properties have recorded consistently strong absorption over the past several years, averaging nearly 4,000 units annually since 2018. That trend held in 2022, driving the Class A vacancy rate down 30 basis points to 3.7 percent.
- FORECAST:** With apartment deliveries expected to be higher in the coming quarters, vacancy levels should rise. Area vacancy is projected to increase by 40 basis points in 2023, reaching around 4 percent, which is still below the market’s historical average.

## RENTS

- After recording some of the most rapid increases in the nation throughout 2021 and during the first half of 2022, apartment rents in Tampa held steady in the second half. Asking rents ended the fourth quarter at \$1,812 per month.
- Asking rents increased by 6.3 percent in 2022, building on an increase that topped 30 percent in the previous year. Prior to the recent spikes, rents traditionally averaged an annual rent growth of 3.2 percent from 2016 to 2020.
- While rents pushed higher across all asset classes during the past year, asking rents in Class C properties posted the strongest gains. Apartment rents in lower-tier properties rose 7.8 percent in 2022 to \$1,435 per month. With vacancy conditions tight, absorption strong, and renter demand elevated, Class C operators have significant pricing power.
- FORECAST:** Average rents in Tampa in 2023 are forecast to tick higher at a pace closer to historical norms. Rents are projected to rise 2.5 percent, ending that year around \$1,860 per month.

## Asking rents increased by 6.3 percent in 2022.

### RENT TRENDS



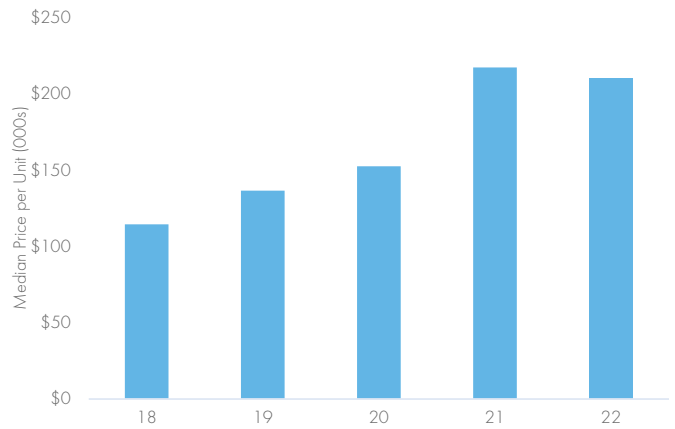
Sources: Northmarq, REIS, CoStar

## MULTIFAMILY SALES

- After a decline in transaction activity during the third quarter, sales volume picked up slightly in recent months, although activity was still fairly limited. Total sales volume in 2022 is down 48 percent from levels recorded in 2021.
- As multifamily sales activity declined in recent quarters, per-unit pricing also ticked lower. The median sales price in 2022 was \$210,600 per unit.
- The average price per unit continued to push higher in 2022, fueled by the sale of newer, Class A properties at elevated properties. The average price spiked to more than \$250,000 per unit in 2022. Approximately one fourth of all transactions in the market closed at more than \$350,000 per unit in the past year.
- Cap rates have increased significantly in recent periods. The headwinds of elevated property insurance in Florida and continued economic uncertainty have resulted in more conservative valuations throughout the state. Cap rates in Tampa have increased 120 basis points from the end of 2021 to the end of this year to approximately 4.7 percent.

The median sales price in 2022 was \$210,600 per unit.

### INVESTMENT TRENDS



Sources: Northmarq, CoStar

## RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

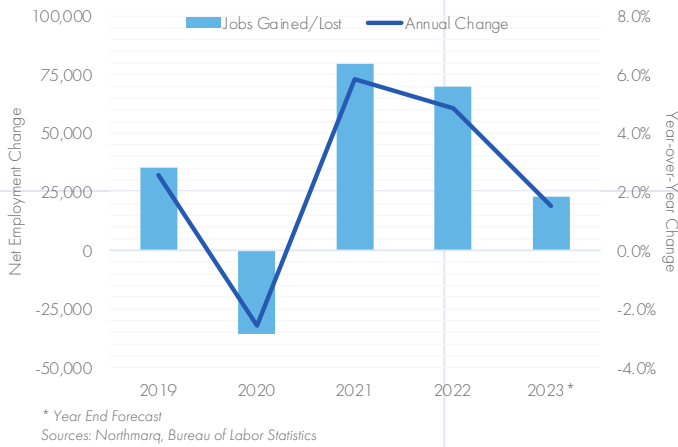
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
The Caroline	1906 Griffin Rd., Lakewood	228	\$68,115,000	\$298,750
Waterchase	401 Rosery Rd NE., Largo	278	\$58,550,000	\$210,612
Armature Gate Townhomes	13835 Heritage Club Dr., Tampa	168	\$34,500,000	\$205,357
The Residences at Soho	4009 N Howard Ave., Tampa	218	\$32,339,900	\$148,348
Fairview Cove	3755 Fairview Cove Ln., Tampa	154	\$30,908,100	\$200,702

## LOOKING AHEAD

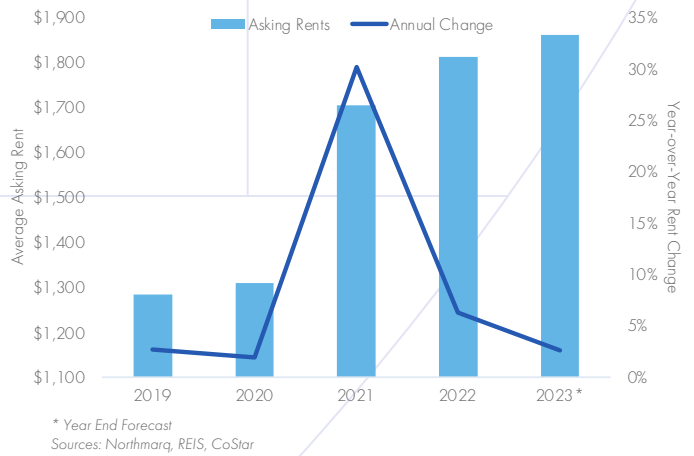
Area multifamily operating conditions are expected to remain strong in 2023, although the Tampa market will show some signs of slowing, following several consecutive years of unprecedented growth. Asking rents are expected to tick higher at a modest pace in 2023, reaching \$1,860 per month. On the supply side, multifamily construction will continue to ramp up in the coming quarters. Projects totaling approximately 7,500 units are slated to come online in 2023, which should result in some upward pressure on vacancy.

After a slow second half of 2022, multifamily sales activity will continue to be somewhat limited in the coming months but is expected to pick up in the latter half of the year. While the employment market remains extremely strong in Tampa, broader economic uncertainty and heightened interest rates have cooled investors' expectations and hampered transactions. Interest rates are projected to taper off in the second half of 2023, which should ultimately allow cap rates to stabilize. As interest rates and cap rates become more aligned, sales volume should gain momentum.

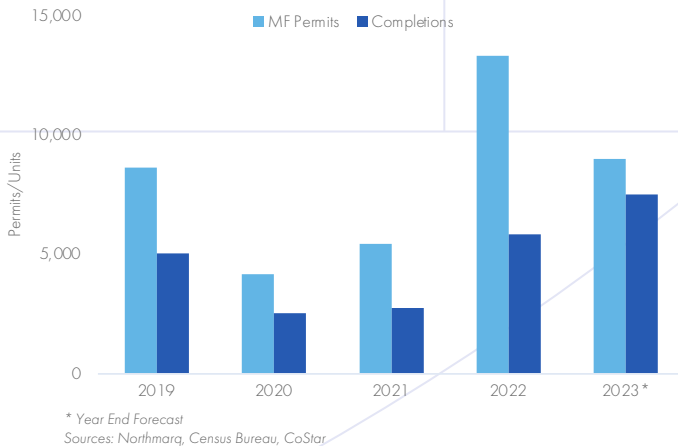
### EMPLOYMENT FORECAST



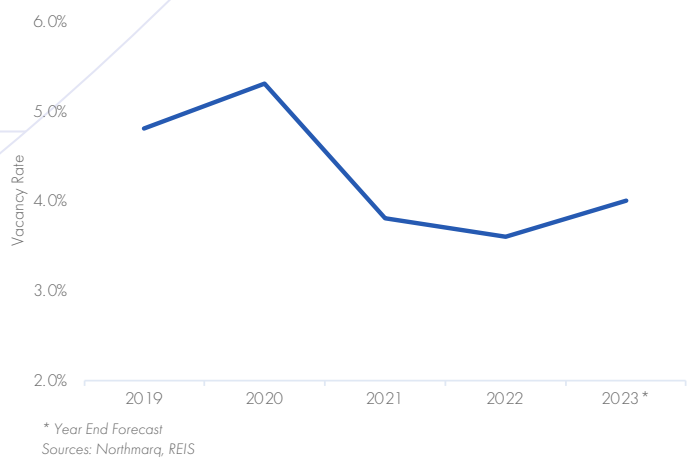
### RENT FORECAST



### CONSTRUCTION & PERMITTING FORECAST



### VACANCY FORECAST





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