

Market Insights

Greater Tampa Multifamily 3Q 2021



Construction Activity



5,625

Units under construction

1,328

Units delivered (YTD)

Market Fundamentals



3.7%

Vacancy

-140bps

Year over year change

\$1,688

Asking Rent

+26.9%

Year over year change

Transaction Activity



\$210,100

Median sales price per unit (YTD)

3.75%

Cap rates (YTD)

Record-Setting Rent Growth Fueling Investment Demand

Highlights

- The Tampa multifamily market is benefitting from rapid economic growth and a modest pace of new construction. This undersupply is resulting in tightening vacancy levels and some of the steepest rent increases in the country.
- The Tampa market has recorded some of the strongest rent increases in the nation for the past few quarters. During the third quarter, asking rents spiked 11.3 percent, reaching \$1,688 per month. Year over year, asking rents have advanced 26.9 percent.
- Vacancy fell 120 basis points in the third quarter, ending the period at 3.7 percent. The rate is down 140 basis points year over year.
- The investment market continued to accelerate in the third quarter. Transaction activity spiked by approximately 60 percent. Prices are on the rise, with the median price reaching \$210,100 per unit and cap rates averaging 3.75 percent.

Tampa Multifamily Market Overview

The Tampa multifamily market posted healthy levels of net absorption during the third quarter, driving the local vacancy rate to its lowest point in five years. This has fueled another sharp rise in rents, which advanced more than \$150 per month during the third quarter and are up more than \$300 per month from one year ago. Net absorption in the most recent period outpaced the total number of units absorbed in the Tampa area in 2020. Developers are struggling to meet the inventory levels required to match the growing renter demand. Permitting activity for the construction of additional new units has increased, but conditions are likely to remain tight for the next several quarters.

The strength of local property performance is being reflected in the investment market. Transaction activity surged during the third quarter, and sales velocity to this point in 2021 is up roughly 35 percent from the average level recorded in recent years. Per-unit pricing has risen dramatically in 2021, particularly during the second half of the year as several new, Class A units that have been successfully leased-up have changed hands. In the third quarter alone, 10 transactions sold for more than \$50 million each, with that figure on pace to be exceeded in the fourth quarter. The combined forces of rising property revenues and high-quality properties being sold have caused cap rates to compress to 3.75 percent on average.

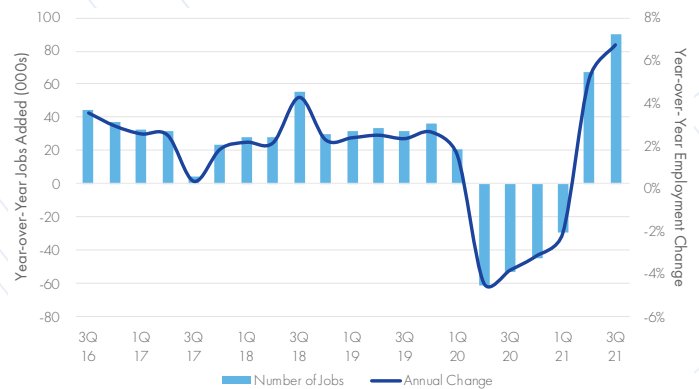
Employment

- The Tampa labor market has fully recovered from cuts recorded during the COVID-19 period, and current employment levels are 20,000 positions higher than the earlier peak. Year over year through the third quarter, total employment in Tampa has expanded by 6.7 percent with the addition of more than 90,000 jobs.
- Gains are being recorded across several industries, but white-collar employment growth has been leading the way. The professional and business services sector has accounted for nearly 30 percent of the jobs added in the past year. Professional employment in Tampa has expanded by nearly 11 percent in the past year, with the addition of 26,800 jobs.
- Village MD, a primary care clinic company owned by Walgreens, recently announced plans to open 20 new primary care facilities in the Tampa area over the next year. The expansion is expected to create nearly 1,000 jobs throughout the region, 400 of which will be for high-wage healthcare professionals.
- **Forecast:** The employment market in Tampa is on pace to expand at one of the fastest rates of any major market in the country in 2021. Employers are expected to add nearly 100,000 jobs this year, representing an annual increase of more than 7 percent.



Year over year, employment in Tampa has expanded by 6.7 percent.

Employment Overview

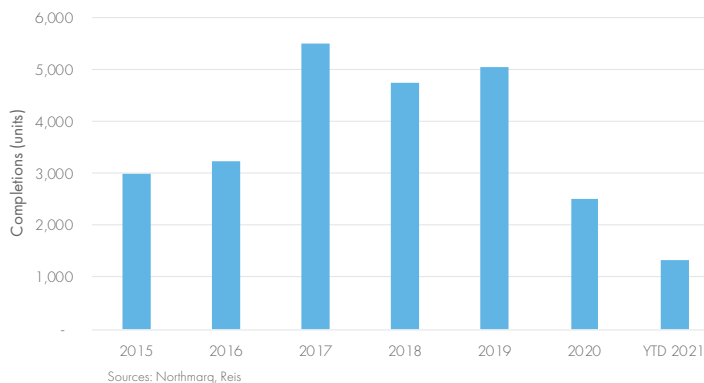


Sources: Northmarq, Bureau of Labor Statistics



Year to date, permits for more than 4,300 multifamily units were pulled.

Development Trends



Sources: Northmarq, Reis

Development and Permitting

- New apartment construction is lagging the pace of renter demand growth. Developers completed projects totaling approximately 1,325 units through the first three quarters of this year, a slower pace of new construction than has been recorded in nearly a decade.
- The construction pipeline includes fewer units than in recent years, suggesting the market will likely be undersupplied for at least another year. There are currently projects totaling approximately 5,625 units under construction throughout the Tampa region, down 24 percent from the total one year ago.
- While current construction activity has slowed, developers are taking steps to move new projects into the development pipeline. Year to date through the third quarter, permits for more than 4,300 multifamily units were pulled, up 5 percent from one year earlier.
- **Forecast:** Several projects are scheduled to finish during the fourth quarter, bringing the total new apartment construction for 2021 to approximately 2,000 units, after more than 2,500 units came online last year.

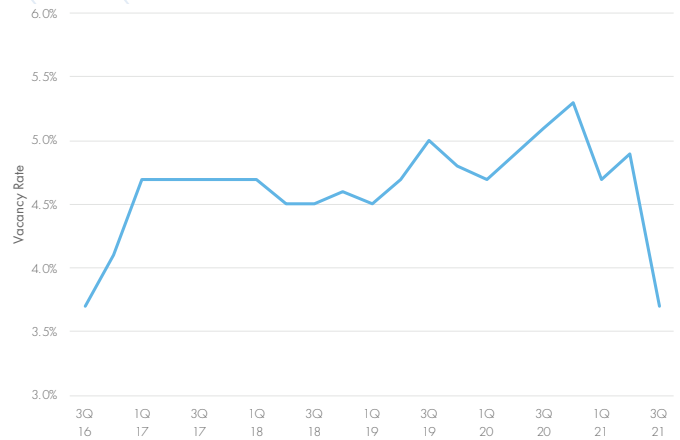
Vacancy

- The vacancy rate tightened significantly during the third quarter, after remaining in a fairly tight range for the past few years. Multifamily vacancy in Tampa fell 120 basis points, ending the third quarter at 3.7 percent.
- Year over year, the local vacancy rate has dropped 140 basis points. The current rate is the lowest vacancy figure since the end of 2016.
- Robust levels of net absorption have fueled vacancy declines. Absorption topped 2,200 units in the third quarter, and year to date, net absorption levels have more than doubled the total from the same period in 2020.
- **Forecast:** After renter demand accelerated in the third quarter, additional improvement is likely through the end of the year. Vacancy is forecast to fall to 3.5 percent, an annual improvement of 180 basis points.



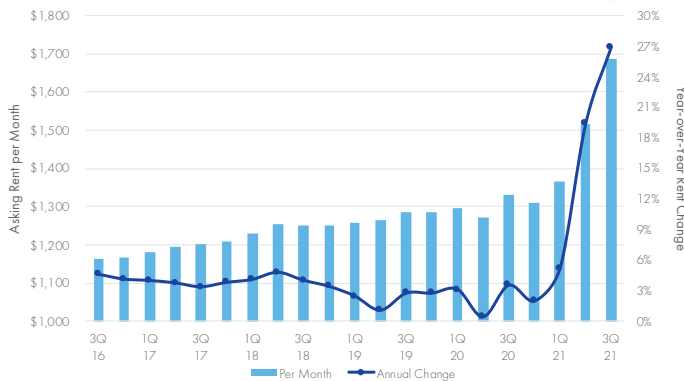
During the third quarter, vacancy in Tampa fell 120 basis points.

Vacancy Trends



Asking rents rose almost \$200 per month during the third quarter.

Rent Trends



Sources: Northmarq, CoStar, Reis

Rents

- The pace of rent growth in Tampa accelerated for the third consecutive quarter, with rents spiking 11.3 percent from July to September. Asking rents rose almost \$200 per month during the third quarter, building on a gain of \$150 per month in the second quarter.
- Year over year, rents in Tampa have surged 26.9 percent, ending the third quarter at \$1,688 per month. The rapid pace of job growth is fueling demand, driving vacancy rates lower and sparking some of the strongest rent growth in the country.
- Rents in Tampa's Class A properties topped \$2,100 per month in the third quarter. Rents among Class A properties have spiked by 30 percent in the past year, expanding by nearly \$500 per month.
- **Forecast:** Apartment rents in Tampa are forecast to end the year posting the largest year-over-year rent growth on record. Asking rents in the area are forecast to post an annual increase of more than 33 percent in 2021, ending the year at approximately \$1,750 per month.

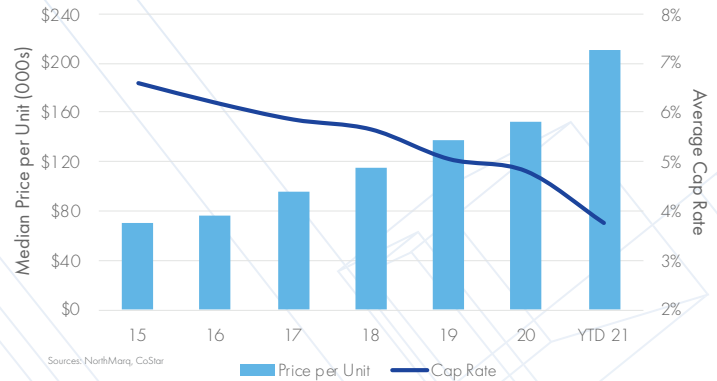
Multifamily Sales

- Sales velocity gained momentum during the third quarter, with activity up nearly 60 percent compared to the previous period. Year to date, total transaction activity has nearly doubled the levels recorded in 2020.
- Prices have trended higher in 2021, with significant gains recorded in the second half of the year. The median price has pushed up to approximately \$210,100 per unit. Rapid rent growth and a bright economic outlook are fueling the spike in per-unit prices.
- With prices spiking and competition for properties intensifying, cap rates are trending lower. Cap rates have averaged approximately 3.75 percent this year, 75 basis points lower than the average in 2020.



The median price has pushed up to approximately \$210,100 per unit.

Investment Trends



Recent Transactions

Multifamily Sales Activity

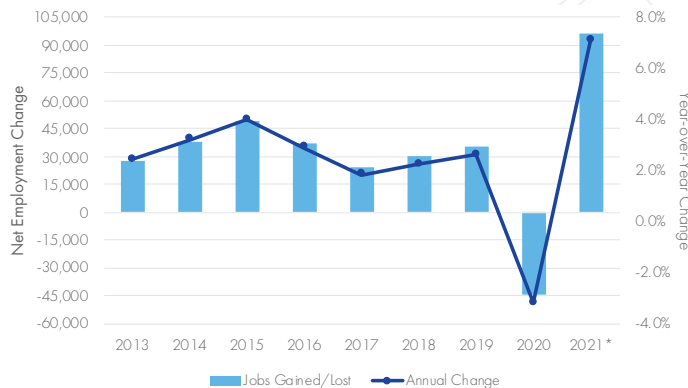
Property Name	Street Address	Units	Sales Price	Price/Unit
Camden Central	855 Central Ave., Saint Petersburg	368	\$149,653,300	\$406,667
Lansbrook Village	3751 Pine Ridge Blvd., Palm Harbor	733	\$162,259,784	\$221,364
Stillwater Palms	2350 Cypress Pond Rd., Palm Harbor	396	\$70,525,000	\$178,093
Hanley Place	7315 W Hanna Ave., Tampa	400	\$65,000,000	\$162,500
Bayvue	5902 Memorial Hwy., Tampa	368	\$59,500,000	\$161,685
The Vinings at Hunter's Green	8801 Hunter's Lake Dr., Tampa	240	\$57,500,000	\$239,583

Looking Ahead

The Tampa multifamily market is positioned for continued strong performance through the remainder of this year and for the next several years. The market is becoming increasingly popular with businesses looking for expansion opportunities, particularly companies that are relocating from more expensive Northeast markets. One region in the market that highlights the rapid growth profile of the Tampa market is the Water Street development in downtown. At full build-out, the \$3 billion project is forecast to include more than 9 million square feet of commercial and residential space highlighted by the USF College of Medicine and Heart Institute. More than 2,000 apartment units are under construction in the area surrounding the project, with most of the units scheduled to come online in 2022.

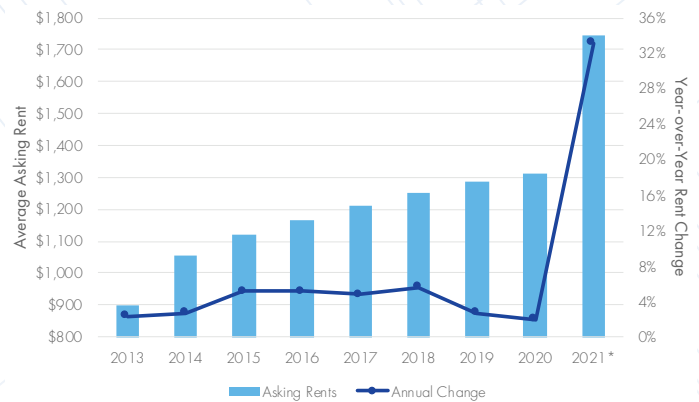
Investment activity in apartment properties in Tampa is forecast to remain very active for the next several quarters. The region's economic outlook will fuel additional acquisition activity, especially if the region continues to record some of the most rapid rent growth in the country. The outlook for the rest of 2021 and through much of next year is for continued rent increases, as the pace of new inventory growth is unlikely to keep up with net absorption from new residents moving into the area. Preliminary forecasts for rent growth in 2022 call for gains ranging from 8 percent to 10 percent, which will support a competitive acquisitions climate and keep cap rates low for several quarters.

Employment Forecast



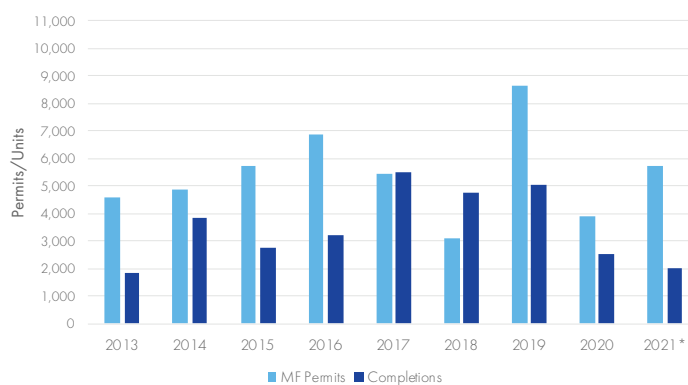
* Year End Forecast
Sources: Northmarq, Bureau of Labor Statistics

Rent Forecast



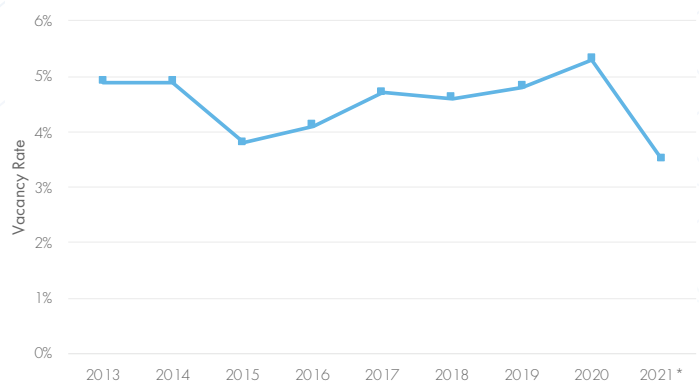
* Year End Forecast
Sources: Northmarq, CoStar, Reis

Construction & Permitting Forecast



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

Vacancy Forecast



* Year End Forecast
Sources: Northmarq, Reis



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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.