

# Market Insights

Greater Tampa Multifamily 1Q 2022



## Construction Activity



**7,052**

Units under construction

**1,030**

Units delivered (YTD)

## Market Fundamentals



**3.9%**

Vacancy

**-80bps**

Year over year change

**\$1,752**

Asking Rent

**+28.4%**

Year over year change

## Transaction Activity



**\$202,500**

Median sales price per unit (YTD)

# Rents Remain on Upward Trajectory in 2022

## Highlights

- The Tampa economy continues to add jobs, supporting demand for area apartment properties and prompting demand for new units. Rents are on the rise, even as vacancy rates have inched higher after reaching cyclical lows during the second half of last year.
- Local rents continued to trend higher after a year of rapid growth. Asking rents increased by 2.8 percent during the first quarter, ending the period at \$1,752 per month. Year over year, rents have surged by 28.4 percent.
- The investment market remained active during the first quarter. Nearly twice as many properties sold during the first three months of this year than during the same period in 2021. The median sales price was \$202,500 per unit while cap rates averaged 3.5 percent.

## Tampa Multifamily Market Overview

Following a year of unprecedented growth, the Tampa multifamily market continued to show signs of healthy demand at the start of 2022. Rents remained on an upward trajectory, advancing by nearly 3 percent during the quarter, and pushing the annual pace of increase to more than 28 percent. While area vacancies inched higher at the start of 2022, absorption of units was actually ahead of the pace recorded at the beginning of last year, highlighting the demand present in the market. Vacancy rates should level off in the coming quarters, as the pace of supply growth and demand should closely track one another.

The momentum that was present in the Tampa investment market throughout 2021 was sustained in the first quarter of 2022. Total sales activity outpaced levels from the same time period ago by more than 80 percent. Last year's transactions involved many higher-end properties, which resulted in higher per-unit prices. In the first quarter, transactions of apartment properties were made up of mostly Class B assets. In the Class A properties that have sold, prices generally ranged between \$375,000 per unit and \$450,000 per unit. Cap rates of transactions occurring during the first quarter averaged 3.5 percent, unchanged from the year-end average in 2021.

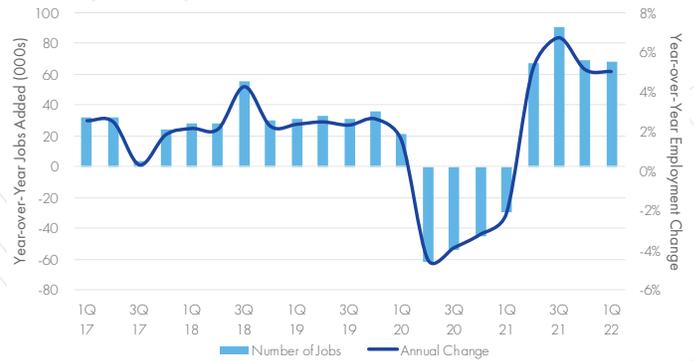
## Employment

- The Tampa labor market continued to expand at a healthy pace at the start of this year. During the past 12 months, employers have added 68,600 workers, increasing total payrolls by 5 percent.
- Rapid population growth is supporting gains in the education and health services sector. Year over year through the first quarter, education and health employment has expanded by 6 percent with the addition of 15,400 new jobs. This sector has accounted for over 20 percent of all new jobs in the region.
- Rapid7, a cybersecurity analytics company, recently announced plans to open a major hub in Tampa, creating more than 100 high-paying jobs. The new office, located at Tampa’s Sparkman Wharf, will open this year, and will eventually be able to accommodate hundreds of new employees when fully staffed.
- **Forecast:** Employers are forecast to continue to expand payrolls as the economy grows. Area employment is expected to rise 3.5 percent in 2022, with employers adding approximately 50,000 jobs.



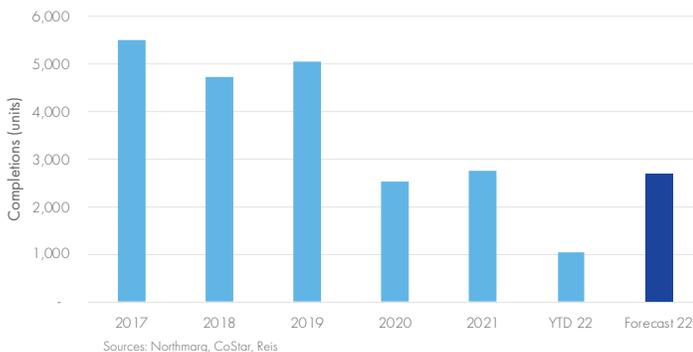
In the past 12 months, employers added 68,600 workers.

### Employment Overview



Projects totaling about 7,050 units are under construction.

### Development Trends



## Development and Permitting

- Developers delivered more than 1,000 apartment units during the first quarter, after roughly 1,500 units came online in the same period in 2021. Construction in Tampa has been active, with deliveries averaging 1,100 units per quarter since 2017.
- In response to heightened demand, developers have increased construction activity. Projects totaling about 7,050 units were under construction in the Tampa area at the end of the first quarter. In Central Tampa alone, there are more than 2,300 units under construction.
- The pace of permitting slowed at the beginning of this year. Permits for approximately 1,000 multifamily units were pulled in the first quarter of 2022, about half of the total from the same period one year earlier.
- **Forecast:** The pace of deliveries is expected to closely track levels from the previous year as developers are forecast to bring around 2,700 new units to the market by the end of 2022. Last year, projects totaling approximately 2,750 units came online.

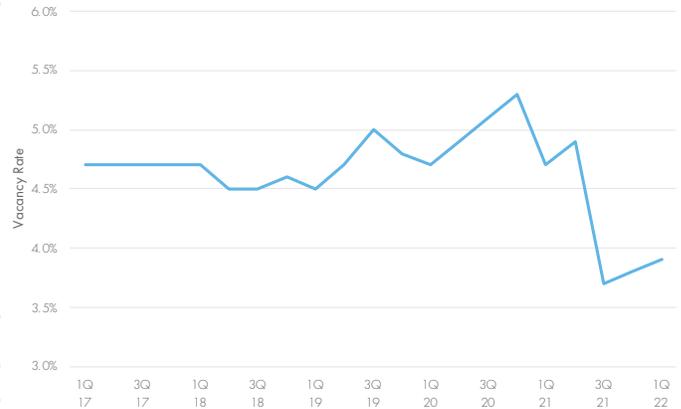
## Vacancy

- Tampa vacancies rose 10 basis points to 3.9 percent at the start of the year. This marked the second consecutive quarter where the rate inched up 10 basis points, following a sharp decline during the first nine months of 2021. The current figure is 80 basis points lower than the market's five-year average.
- The rapid vacancy tightening that occurred throughout much of 2021 puts the current rate considerably lower than levels recorded one year ago. During the past 12 months, area vacancies have declined 80 basis points.
- Renter demand in the first quarter got off to a stronger start than in 2021. Net absorption in the first quarter topped 900 units, an increase of 13 percent compared to levels from one year ago.
- **Forecast:** As supply and demand reach more of an equilibrium, the vacancy rate will become less volatile compared to the large changes recorded last year. The local multifamily rate is forecast to end the year at 4 percent.



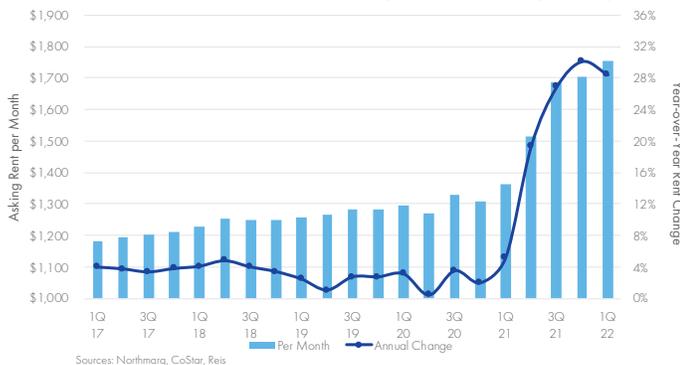
In the past 12 months, area vacancies have declined 80 basis points.

### Vacancy Trends



In the past 12 months, rents expanded by 28.4 percent.

### Rent Trends



## Rents

- Rents continue to push higher at an accelerated pace. Asking rents in Tampa advanced 2.8 percent in the first quarter, reaching \$1,752 per month.
- In the past 12 months, rents in Tampa expanded by 28.4 percent, one of the fastest growth rates in the country. Current rents are nearly \$400 per month higher than levels from one year ago.
- Rent increases are being led by newly constructed, higher-end properties. Class A asking rents spiked by 29 percent in the past 12 months, reaching \$2,230 per month at the end of the first quarter.
- **Forecast:** Rents are forecast to continue to trend higher this year, but gains are not expected to match the rapid pace of growth recorded in 2021. Asking rents in Tampa are on pace to advance nearly 10 percent this year, rising to nearly \$1,875 per month.

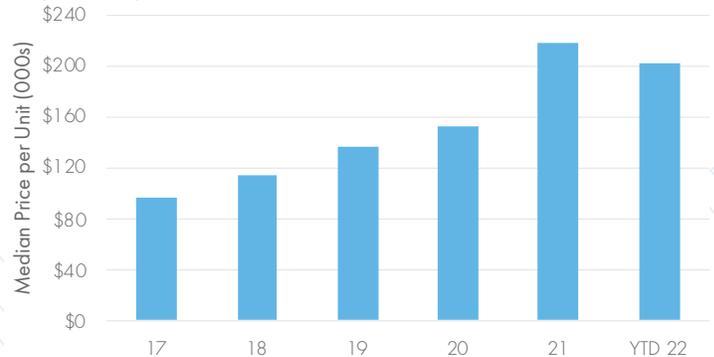
## Multifamily Sales

- Multifamily investment activity got off to a strong start in Tampa during the first quarter. The total number of properties changing hands nearly doubled transaction activity levels from the first quarter of 2021.
- While the investment climate remains competitive, per-unit pricing recorded a slight dip compared to the median price recorded last year. The median sales price of properties transacted during the first quarter was \$202,500 per unit, after topping \$217,000 per unit in 2021.
- Cap rates have remained mostly stable in recent transactions. To this point in 2022, cap rates have averaged approximately 3.5 percent.



The median price in the first quarter was \$202,500 per unit.

### Investment Trends



Sources: NorthMarq, CoStar

## Recent Transactions

### Multifamily Sales Activity

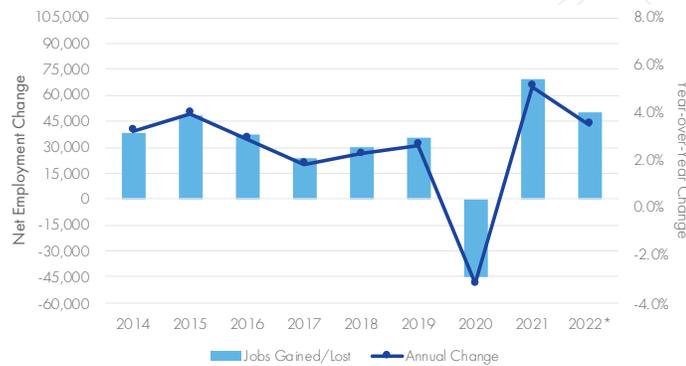
Property Name	Street Address	Units	Sales Price	Price/Unit
Skye Reserve	1918 Plantation Key Cir., Brandon	982	\$225,000,000	\$229,124
Genesis Clearwater	503 & 530 Fairwood Ave., Clearwater	372	\$80,200,000	\$215,591
The Pointe at Carrollwood	4949 Marbrisa Dr., Tampa	224	\$51,520,000	\$230,000
Beach Club	6904 Ralston Place Dr., Tampa	200	\$40,500,000	\$202,500
Terraces at Clearwater Beach	1121 Druid Rd., Clearwater	200	\$32,160,000	\$160,800

## Looking Ahead

The continuing strong growth in the Tampa economy is expected to provide sustained support for the local multifamily market throughout the remainder of this year. The local labor market is being fueled by the combined forces of in-migration and corporate expansions. Tampa has been attracting financial services companies in significant numbers for the past several years but has also recently begun to increase its presence as a top destination choice for growing technology companies. The new jobs created in these industries are supporting demand, particularly for new, high-end rental units in prime submarkets. Multifamily developers are taking steps to meet this demand and are forecast to bring roughly 2,700 units online in 2022, closely tracking levels from the past two years. At the current pace of absorption, supply and demand will be close to equilibrium, which will keep current vacancies around the same level.

Investment activity in the Tampa multifamily market got off to a swift start in 2022. The market's rapid rent growth and strong economic profile are reasons for investors to allocate capital into area properties, reflected by the number of transactions still taking place. Pricing is expected to gain traction, with transactions occurring early in the second quarter indicating a rebound in per-unit values. One key metric in the next few quarters will be cap rates. While current cap rates are in line with the average recorded at the end of last year, rising interest rates could apply some upward pressure in the coming quarters. To this point, rapid increases in rents have offset increased borrowing costs. Investors will closely track absorption and lease rates when underwriting future acquisitions, particularly in new projects.

### Employment Forecast



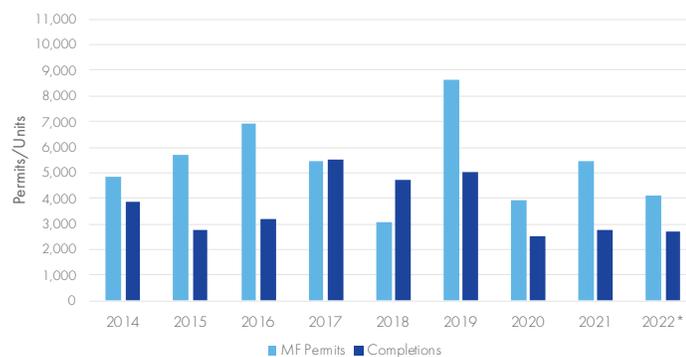
\* Year End Forecast  
Sources: Northmarq, Bureau of Labor Statistics

### Rent Forecast



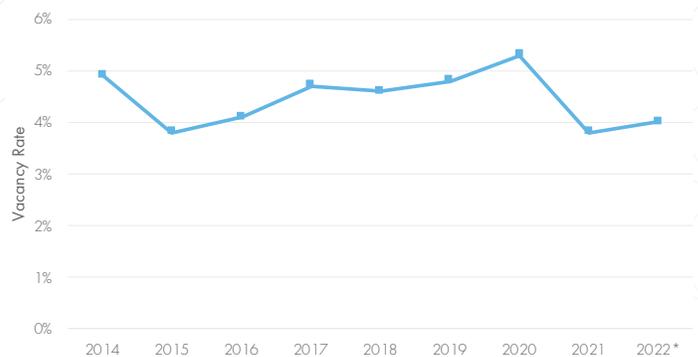
\* Year End Forecast  
Sources: Northmarq, CoStar, Reis

### 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

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.