

Greater Tampa Multifamily




Sharp Vacancy Decline Highlights a Very Strong Start to 2021

Highlights

- > The Tampa multifamily market started 2021 in a strong position. Absorption accelerated, vacancy tightened, and rents recorded significant gains.
- > Vacancy for area apartments declined 60 basis points during the first quarter, reaching 4.7 percent. The rate closely tracks long-term averages in the market and is unchanged from one year earlier.
- > Local asking rents continued to post strong gains in the first quarter, reaching \$1,252 per month. Year over year, asking rents are up 4.8 percent.
- > Fewer apartment properties sold at the start of this year, following a rapid pace of deal flow at the end of 2020. In deals that closed in the first quarter, the median price was approximately \$140,000 per unit, while cap rates continued their downward trend, averaging around 4 percent.

Tampa Multifamily Market Overview

The Tampa multifamily market recorded particularly strong property performance during the first quarter, with vacancies tightening and rents posting healthy increases. Renter demand is being fueled by a local labor market that proved to be more resilient than most other regions during the COVID-19 shutdowns. The market has also been a popular spot for corporate expansions and relocations. Growth in Tampa's large professional and business services sector has outperformed and buoyed the labor market as a whole. These employment opportunities will continue to spur in-migration to the Tampa area and be the source of ongoing renter demand for units.

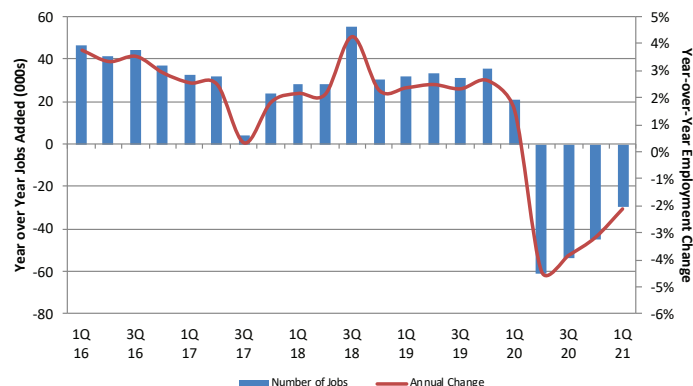
Q1 Snapshot	Tampa Market
	Market Fundamentals
	Vacancy 4.7%
	- Year Over Year Change 0 bps
	Asking Rent \$1,252
	- Year Over Year Change +4.8%
	Transaction Activity
	Median Sales Price Per Unit \$140,000
	Cap Rates (Avg YTD) 4.0%
	Construction Activity
	Units Under Construction 6,901
	Units Delivered YTD 420

After a very strong close to 2020, fewer multifamily properties sold during the first quarter of this year. The pause in activity at the start of 2021 was short term in nature, and sales velocity gained momentum beginning very early in the second quarter. In the handful of transactions that closed at the beginning of the year, Class C properties accounted for a large share of the sales, which weighed on per-unit pricing. As a more representative mix of assets begins to trade, prices will likely push higher, supported by strong rent and occupancy gains.

Employment

- > Job losses in Tampa were less severe than in most other major markets, and the local economy is recovering at a faster rate. Year over year through the first quarter, total employment is down just 2.1 percent. From January to March of this year, employers added 9,600 jobs.
- > Tampa's large professional and business services sector continued to expand even during recent periods of economic volatility. During the past 12 months, professional employment grew nearly 9,000 jobs, a 3.5 percent rate of expansion.
- > Tampa continues to attract companies looking to relocate or expand to the market. Virginia-based tech company ID.me joined the growing list of companies making the move to the area over the past year. ID.me announced plans to hire at least 500 new employees by the end of 2021.
- > **Forecast:** Employers in Tampa are on pace to add approximately 40,000 jobs in 2021, a 3 percent increase to area payrolls.

Employment Overview



Sources: NorthMarq, Bureau of Labor Statistics

During the past 12 months, professional employment grew nearly 9,000 jobs, a 3.5 percent rate of expansion

Vacancy

- > Vacancy tightened at the beginning of 2021. The rate dropped 60 basis points from the end of last year to 4.7 percent. The rate briefly ticked above 5 percent in the second half of 2020, before returning closer to the region's long-term average.
- > Despite some quarterly volatility, the current vacancy rate is identical to the figure from one year ago. Vacancy has averaged 4.6 percent during the past five years.
- > Vacancy in Class A units has trended lower as units have leased up in recent quarters. The Class A vacancy rate ended the first quarter at 5.6 percent, 80 basis points lower than the recent peak in mid-2019.
- > **Forecast:** Construction and absorption are both on pace to accelerate in the second half of this year. With supply and demand closely aligned, vacancy will likely end the year lower than the current level.

Vacancy Trends



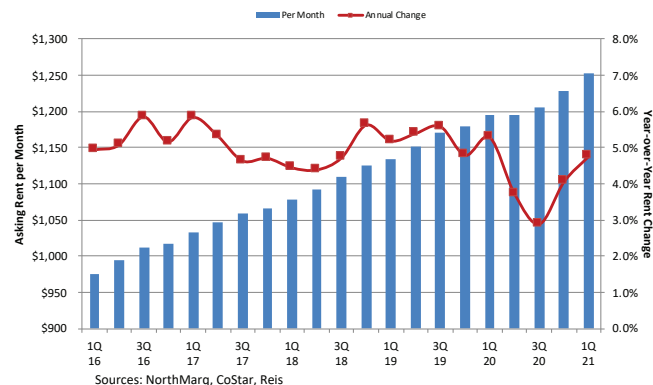
Sources: NorthMarq, Reis

The vacancy rate dropped 60 basis points from the end of last year to 4.7 percent

Rents

- > The sharp decline in vacancy supported healthy rent growth. After strong gains recorded at the end of last year, the momentum in the market carried over into the start of 2021. Asking rents averaged \$1,252 per month in the first quarter.
- > Year over year through the first quarter, asking rents have increased by 4.8 percent. The growth is similar to gains that were being recorded prior to the COVID-19 outbreak; one year ago, rent growth was averaging 5.3 percent.
- > The strongest rent increases are being recorded in Class A properties. Class A asking rents leveled off during the first half of last year but spiked by more than 2 percent during the first quarter of 2021.
- > **Forecast:** Rent growth in Tampa is forecast to reach 5 percent in 2021, closely tracking the annual pace of gains that were routinely recorded from 2015 to 2019.

Rent Trends

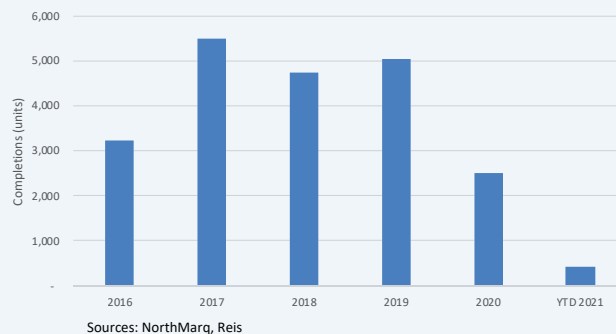


Rent growth in Tampa is forecast to reach 5 percent in 2021

Development and Permitting

- > Projects totaling 420 units came online during the first quarter. Deliveries totaled more than 2,500 units in 2020; completions were most active at the end of last year.
- > Multifamily development activity is gaining momentum. Approximately 6,900 units were under construction at the end of the first quarter, up more than 30 percent from one year earlier. The bulk of the projects that are currently under way are likely to deliver by the end of this year.
- > With renter demand elevated, developers are moving new projects into the pipeline. Builders pulled permits for 1,923 multifamily units during the first quarter, more than tripling the activity from the first quarter of 2020.
- > **Forecast:** After slowing in 2020, apartment development is forecast to accelerate by the end of this year. Projects totaling nearly 6,000 units are likely to come online in 2021, after deliveries in 2020 were artificially low due to the pandemic.

Development Trends

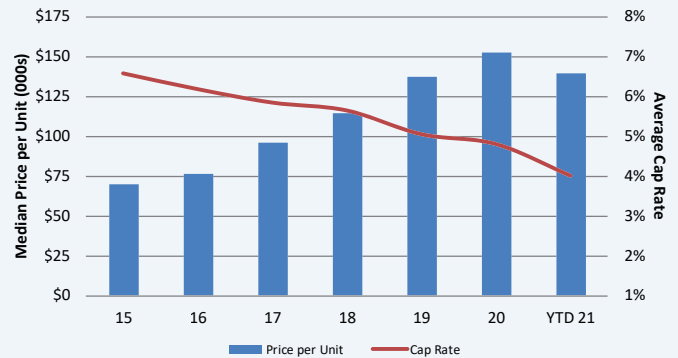


Approximately 6,900 units were under construction at the end of the first quarter

Multifamily Sales

- > Fewer deals closed during the first quarter of 2021 compared to the same period one year ago. Sales velocity declined approximately 50 percent. Transaction activity was particularly active during the final few months of 2020, which may have depleted the inventory of properties that was available for acquisition at the outset of this year.
- > The median price during the first quarter was \$140,000 per unit, down 9 percent from the median price in 2020. More than half of the properties that sold during the first quarter were older, Class C assets, including two workforce housing portfolio sales, which dragged down the median price.
- > At the higher end of the quality spectrum, Class A properties continued to command top pricing. The median price in the Class A properties that sold during the first quarter was approximately \$206,000 per unit.
- > Cap rates for newer properties in the Tampa area compressed approximately 50 basis points to 3.75 percent. Older properties with value-add potential recorded a similar drop in cap rates.

Investment Trends



The median price in Class A properties was approximately \$206,000 per unit

Recent Transactions in the Market

MULTIFAMILY SALES ACTIVITY

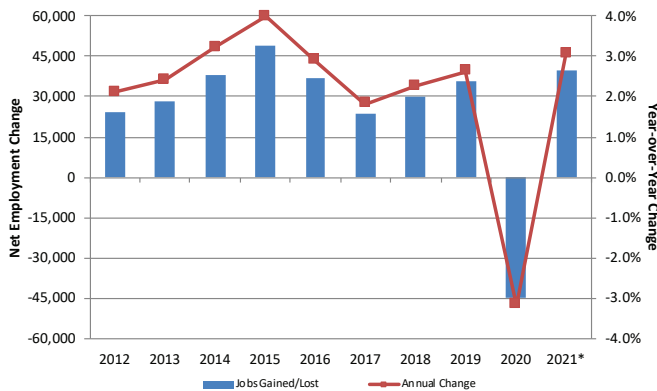
Property Name	Street Address	Units	Sales Price	Price/Unit
Volaris Starkey Ranch	1470 Long Spur, Odessa	384	\$87,000,000	\$226,563
Lola	9960 Jonas Salk Dr., Riverview	264	\$61,200,000	\$231,818
Gateway Lakes	5501 110th Ave N, Pinellas Park	329	\$61,000,000	\$185,410

Looking Ahead

The Tampa multifamily market is positioned to record strong performance in 2021. Companies have continued to announce expansion plans in the area, providing fuel for nearly every segment of the local economy. The strength in the local labor market, particularly in traditionally high-wage sectors such as financial activities and professional services, is expected to allow for rapid rent growth. This trend is most apparent in newer, Class A properties, where rents are forecast to record above-average gains this year. Developers have ramped up activity to meet the new demand, with nearly 6,000 new units forecast to be delivered in 2021.

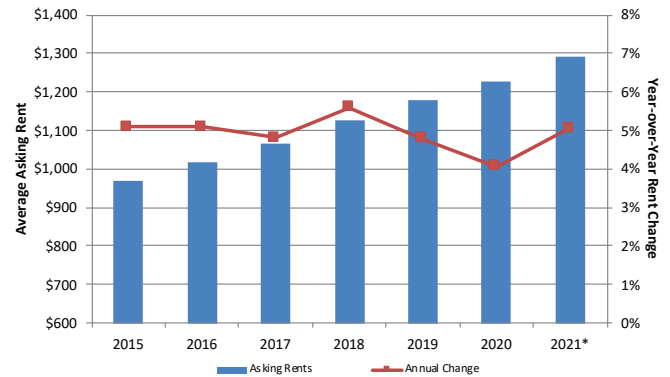
The factors that support the rapid pace of growth will also drive investment activity in Tampa this year. Sales velocity was modest in the first quarter of 2021 but ramped up considerably in April, and there are no signs of activity slowing down in the coming months. Cap rates have been declining in recent years and compressed further in the first quarter, even as sales were clustered near the lower end of the quality spectrum. As more Class A and Class B properties change hands, cap rate compression will likely continue.

Employment Forecast



* Year End Forecast

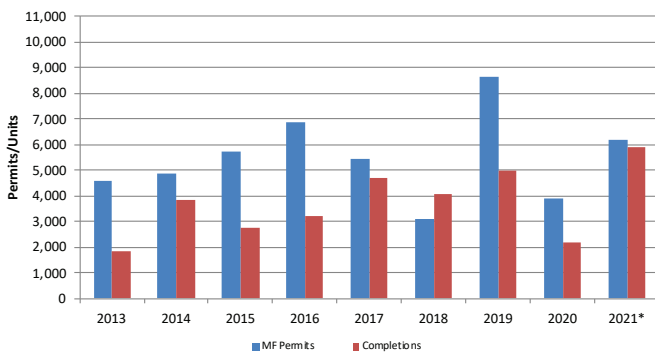
Rent Forecast



* Year End Forecast

Sources: NorthMarq, CoStar, Reis

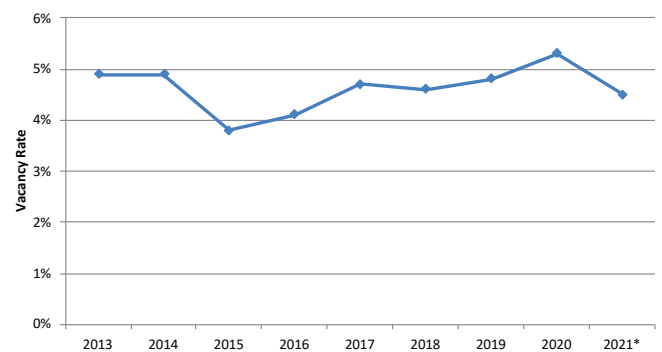
Construction & Permitting Forecast



* Year End Forecast

Sources: NorthMarq, Reis, Census Bureau

Vacancy Forecast



* Year End Forecast

Sources: NorthMarq, Reis

About NorthMarq

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