

Rents continue to push higher, up 4.5% year over year

CONSTRUCTION ACTIVITY



UNDER CONSTRUCTION **18,273**

UNITS DELIVERED **1,450**

MARKET FUNDAMENTALS



VACANCY RATE **4.1%**

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

ASKING RENTS **\$1,830**

YEAR-OVER-YEAR CHANGE **+4.5%**

TRANSACTION ACTIVITY (YTD)



MEDIAN PRICE PER UNIT **\$249,200**

HIGHLIGHTS

- Property performance metrics were healthy in Tampa during the first quarter, as asking rents continued to push higher. The development pipeline continued to expand with projects totaling 18,275 units currently under construction.
- As apartment construction accelerated, vacancy ticked higher. The vacancy rate rose 50 basis points in the first quarter to 4.1 percent, still lower than the market's five-year average. Year over year, the rate is up just 20 basis points.
- Asking rents trended higher during the first quarter, rising 1 percent to \$1,830 per month. Year over year, rents are up 4.5 percent.
- Tighter conditions in the debt markets have limited investment activity in Tampa in recent months. The number of deals during the first quarter was down roughly 50 percent from levels recorded one year ago. The median sales price to this point in the year is \$249,200 per unit, up 18 percent from the median price in 2022.

TAMPA MULTIFAMILY MARKET OVERVIEW

Apartment supply outpaced demand in Tampa during the first quarter, causing occupancy conditions to soften modestly at the start of the year. Despite the recent increase, the current vacancy rate of 4.1 percent is only marginally higher than levels from one year earlier and still remains below the region's five-year average. Multifamily development activity has picked up in recent years in an effort to keep pace with a surge in demand that has been spurred by robust growth in the local labor market. Projects totaling approximately 18,275 units are currently under construction throughout the region, although it will take a few years for all these projects to be added to the local rental inventory. Tampa's continued economic expansion is supporting persistent rent growth; rents advanced again in the first quarter.

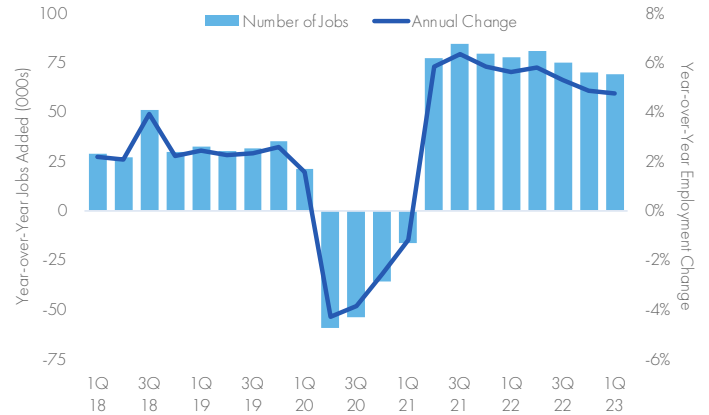
After a slowdown in deal volume in the second half of 2022, multifamily sales activity has remained fairly limited in Tampa to this point in the year. The number of properties that changed hands in the first quarter was down approximately 50 percent from one year ago. This slowdown in transaction activity in recent months is largely attributed to the increases in borrowing costs. Despite fewer properties changing hands, pricing trended higher. The median sales price thus far in 2023 is \$249,200 per unit, which represents the mix of Class A and newer, Class B properties that closed at the beginning of the year. While assets traded in a handful of submarkets, investors were most active in Largo and St. Petersburg during the first quarter.

EMPLOYMENT

- The local labor market continued to expand at a healthy pace during the first quarter with a gain of nearly 15,000 jobs. Year over year, area employers added 68,900 workers, an increase of 4.7 percent.
- Tampa’s professional and business services sector has been a consistent source of new jobs in the region for the past several years, a trend that has continued in recent quarters. The sector added 18,200 jobs in the last 12 months, an annual increase of 6.5 percent.
- Gary Plastic Packaging Corp. recently announced plans to relocate its operations from New York City, where the company was founded, to Tampa. The plastics manufacturer is investing \$16 million in a 279,000-square-foot manufacturing facility, located in Spring Hill. The company will create more than 500 local jobs within the next year.
- **FORECAST:** Total employment in Tampa is expected to continue to advance in the coming periods, with the pace of growth projected to be consistent with the market’s longer-term averages. Employers are on pace to add 30,000 workers in 2023, an annual gain of 2 percent.

Year over year, area employers added 68,900 workers.

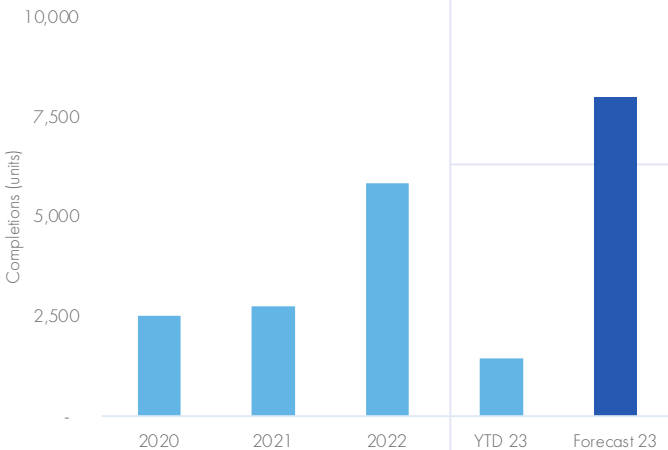
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

Projects totaling 1,450 units were delivered in the first quarter.

DEVELOPMENT TRENDS



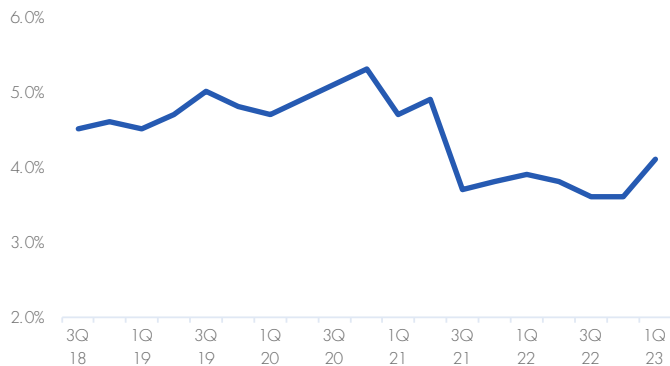
Sources: Northmarq, CoStar

DEVELOPMENT & PERMITTING

- Multifamily construction activity picked up in the early months of 2023. Projects totaling 1,450 units came online in the first quarter, up 40 percent from levels at the end of last year. With demand elevated for the past several years, developers are active; apartment deliveries are on track to reach a cyclical high this year.
- Projects continue to enter the development pipeline, with approximately 18,275 apartment units currently under construction throughout the region. This represents a 15 percent increase from one year ago. The total is forecast to retreat in the coming quarters as more projects are delivered and construction starts slow.
- After multifamily permitting surged last year, the pace of issuance cooled at the start of 2023. Developers pulled permits for roughly 2,950 units in the first quarter, down 28 percent from the previous period.
- **FORECAST:** Apartment deliveries are expected to gain momentum as developers are projected to complete roughly 7,500 multifamily units in 2023. Last year, developers completed more than 5,800 units.

Vacancy rate in the first quarter was 4.1 percent.

VACANCY TRENDS



Sources: Northmarq, REIS

VACANCY

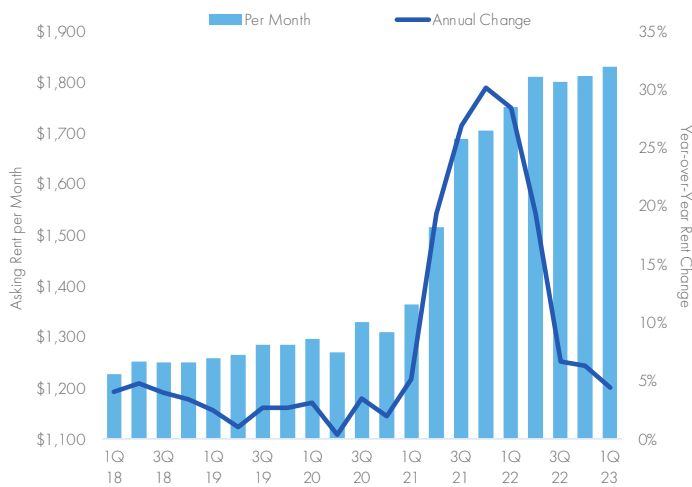
- Renter demand was modest across Tampa in recent months, pushing the vacancy rate higher. Local vacancy rose 50 basis points during the first quarter to 4.1 percent. Year over year, the rate is up just 20 basis points.
- Approximately 330 multifamily units were absorbed during the first quarter, down 70 percent from the quarterly average of the past five years. Absorption levels are forecast to gain momentum in the second and third quarters.
- Vacancy conditions remain tightest in mid-tier and lower-tier properties. The combined vacancy rate in Class B and Class C units ended the first quarter at 3.9 percent and has remained at or below 4 percent in every quarter since 2015.
- **FORECAST:** With the pace of new construction likely to accelerate, vacancy levels are expected to tick higher in the remainder of the year. The vacancy rate is projected to finish 2023 at 4.7 percent, nearly identical to the range that was common in the market from 2017 to 2019.

RENTS

- Asking rents in Tampa inched higher at the beginning of 2023, posting gains that are comparable to the market's long-term average. Rents rose 1 percent during the first quarter to \$1,830 per month.
- Annual rent growth has tapered off in recent periods, following spikes in 2021 and early 2022 that were among the strongest of any market in the nation. Year over year through the first quarter, apartment rents in Tampa increased by 4.5 percent. Rent growth peaked at roughly 30 percent in 2021.
- While asking rents trended higher across all asset classes in recent periods, annual rent gains were strongest in lower-tier properties where conditions are tight, and demand is steady. Average rents in Class C units rose 6.6 percent during the past 12 months to \$1,470 per month.
- **FORECAST:** Apartment rents are forecast to record ongoing gains in 2023. Asking rents in Tampa are expected to rise 3.5 percent this year to \$1,875 per month.

Year over year, rents increased by 4.5 percent.

RENT TRENDS



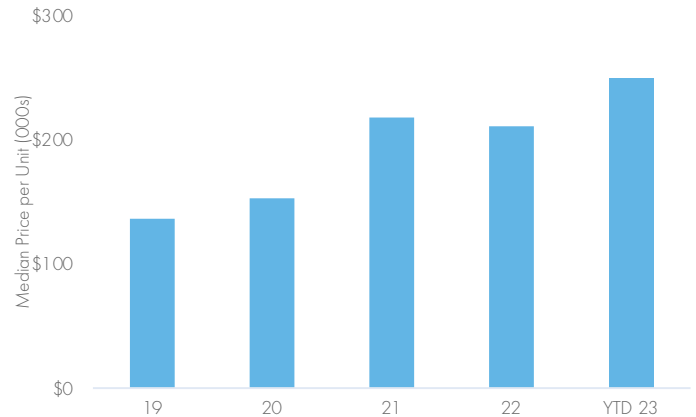
Sources: Northmarq, CoStar, Reis

MULTIFAMILY SALES

- While multifamily transaction activity held mostly steady in recent months, deal volume is down significantly from one year ago. Total sales velocity during the first quarter slowed nearly 50 percent from the same period last year.
- Although transaction activity was fairly limited, pricing strengthened at the outset of 2023. The median sales price to this point in the year is \$249,200 per unit, up 18 percent from the median price in 2022.
- In transactions that have closed to this point in 2023, newer properties have traded for between \$285,000 per unit to \$300,000 per unit.
- Prices have continued to trend higher in the lower tiers. Class C properties are generally trading for between \$150,000 per unit and \$170,000 per unit, up from a range of \$115,000 per unit to \$150,000 per unit from 2020 to 2022.
- Correlating with increases in Treasury yields, cap rates in Tampa have trended higher in recent months, averaging between 4.75 percent and 5.25 percent during the first quarter.

The median sales price is **\$249,200 per unit.**

INVESTMENT TRENDS



Sources: Northmarq, CoStar, Real Capital Analytics

RECENT TRANSACTIONS MULTIFAMILY SALES ACTIVITY

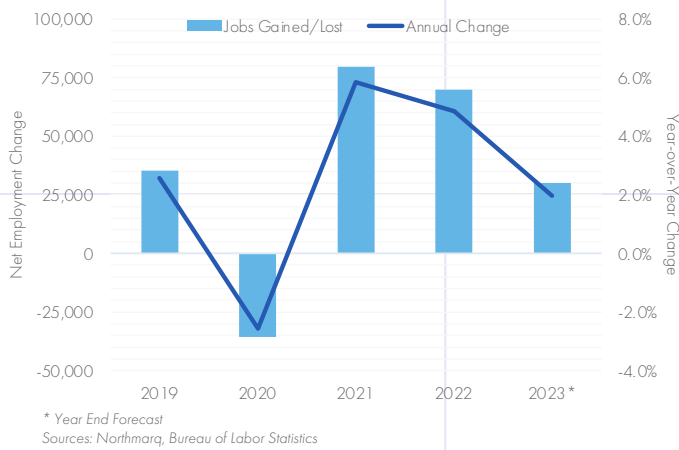
PROPERTY NAME	STREET ADDRESS	UNITS	SALES PRICE	PRICE/UNIT
The Boulevard	2098 Seminole Blvd., Largo	260	\$76,700,000	\$295,000
The Four Lakes at Clearwater	6550 150th Ave N., Largo	461	\$69,400,900	\$150,544
The Oceanaire Apartments	2045 E Bay Dr., Largo	245	\$53,000,000	\$216,327
Aura at 4th	10980 Oak St. NE., Saint Petersburg	150	\$43,000,000	\$286,667
West River Flats	1545 Spruce Ter., Tampa	135	\$26,974,948	\$199,814

LOOKING AHEAD

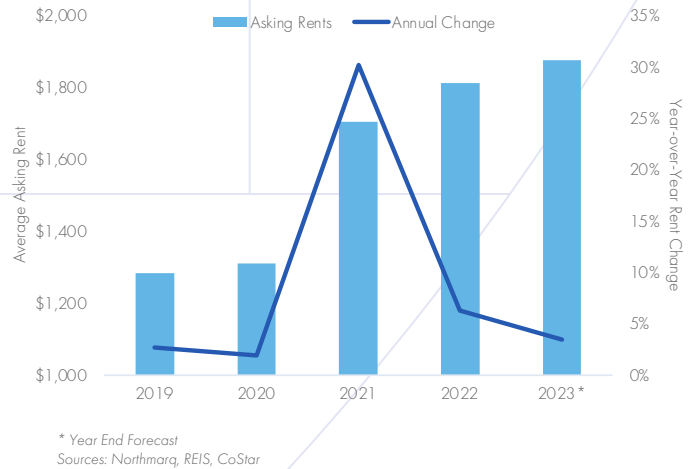
Multifamily property performance in Tampa should remain healthy through the remainder of the year, fueled by continued new household formation and in-migration. Developers are expected to remain active this year, delivering properties that were permitted and started at the height of the market, when market rents were spiking by 20 percent to 30 percent. With new supply likely to surpass demand growth this year, rent increases will be more modest but should still outpace the national average. Longer term, supply and demand are expected to return closer to balance, as permitting slowed at the start of this year and should remain constrained in the coming periods.

The multifamily investment market in Tampa is expected to improve as the year progresses. While there were a limited number of transactions that closed at the start of the year, there were a handful of recently constructed and renovated properties that changed hands. These deals helped strengthen overall pricing to this point in the year; even prices in older, Class C assets have pushed higher. This trend will likely continue in the near future, as the flow of new projects coming to the market should create additional investment opportunities, either during lease-up or at stabilization. As sales volume picks up, per-unit pricing should hold fairly steady and could finish the year well above the 2022 figure. Cap rates should stabilize between 5 percent to 5.5 percent as interest rates level off.

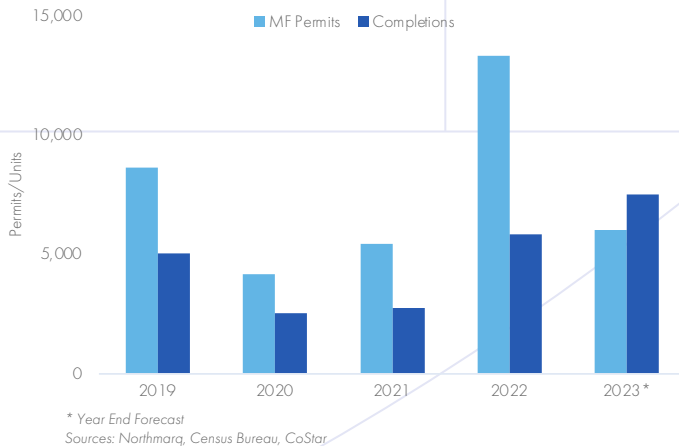
EMPLOYMENT FORECAST



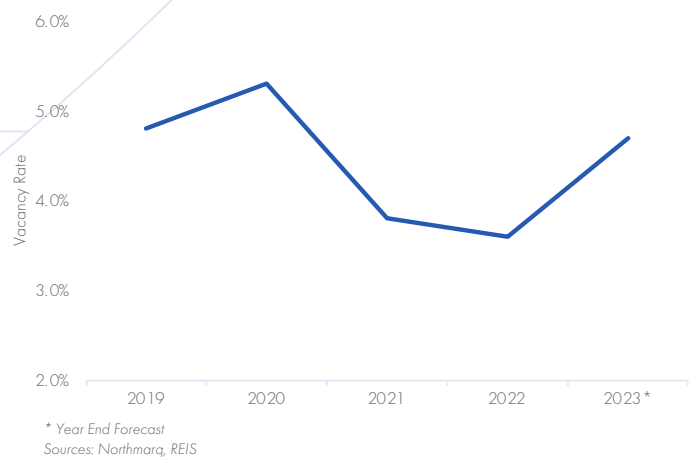
RENT FORECAST



CONSTRUCTION & PERMITTING FORECAST



VACANCY FORECAST





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