

MARKET REPORT

Multifamily

Tampa-St. Petersburg Metro Area

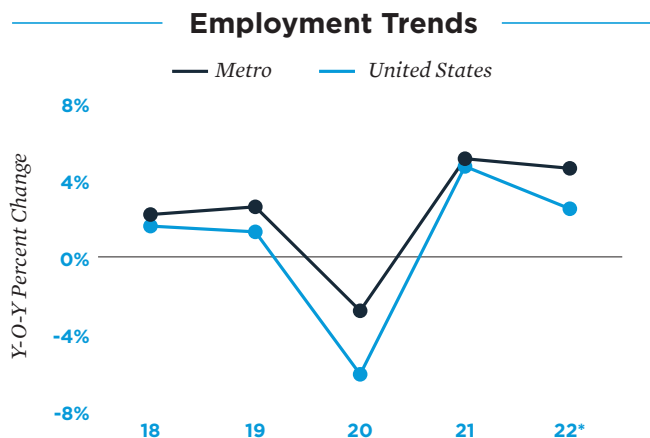
IPA INSTITUTIONAL
PROPERTY
ADVISORS

2Q/22

Migration Trends Bolster Renter Demand and Investment Activity in Tampa

Constrained housing market benefits rentals. Tampa-St. Petersburg experienced its largest spike in new apartment leases on record over the past year ending in March, with renters absorbing nearly 11,000 units during this span. Entering the second quarter, availability was at 2.2 percent — 10 basis points above the market's all-time low. The entire metro is experiencing record levels of rent growth, with all 15 submarkets registering gains that exceeded 23 percent over the past year. The extremely tight single-family housing market is greatly benefiting multifamily fundamentals in Tampa. As of February, there were just over 3,000 active single-family listings throughout the market, compared to the 16,000 listings during the same month in 2019. This is creating challenges for prospective entry-level home buyers, further bolstering demand for rentals.

Developers respond to demand surge. With in-migration expected to prove robust over the next five years, there is an imperative need for new supply to meet future demand. Entering April, over 13,000 units were underway, with completion dates extending into 2023. Developers are primarily targeting Brandon-Southeast Hillsborough County, New Tampa-East Pasco County and Central Tampa, where a large portion of the metro's population growth is concentrated. Deliveries are expected to remain elevated in the near term, as low vacancy and big rent growth encourage additional groundbreakings.



* Forecast

Sources: BLS; CoStar Group, Inc.; RealPage, Inc.

Multifamily 2022 Outlook



**66,000
JOBS**

will be created

EMPLOYMENT:

The pace of hiring exceeds the national rate by more than 2 percent, as local employers expand headcounts by 4.6 percent this year. Unemployment in the metro was at 2.8 percent entering March, 10 basis points above the pre-pandemic rate.



**6,500
UNITS**

will be completed

CONSTRUCTION:

Supply additions exceed the 6,000-unit mark for the second straight year, as developers increase rental inventory by 2.4 percent in 2022. Completions in New Tampa-East Pasco County will surpass 1,000 units this year for the first time on record.



**10
BASIS POINT**

decrease in vacancy

VACANCY:

Renter demand outpaces deliveries in 2022, supporting a third consecutive year of annual vacancy compression in Tampa. By the end of the year, availability will fall to 2.1 percent, 260 basis points below the metro's year-end 2019 rate.



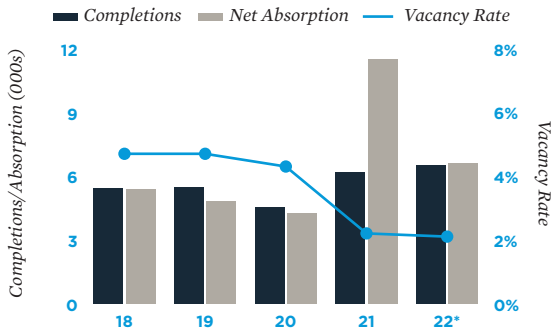
**13.7%
INCREASE**

in effective rent

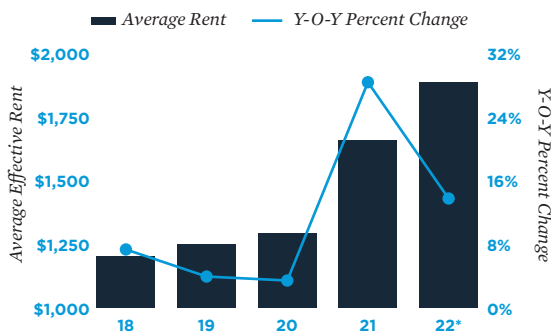
RENT:

Record-low vacancy rates dissipate the need for concessions, stimulating annual rent gains for the 13th year in a row. The average rate will reach \$1,883 per month in 2022, ranking Tampa third among all major United States markets in rent growth this year.

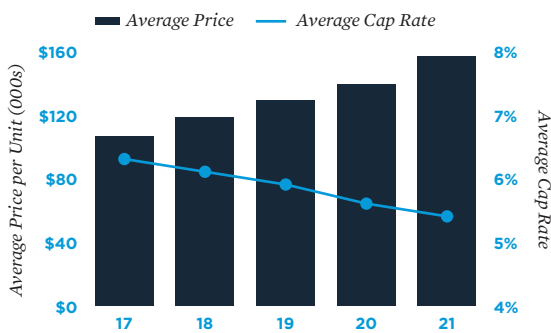
Supply and Demand



Rent Trends



Sales Trends



* Forecast

Sources: CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.

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Price: \$250

1Q 2022 - 12-Month Period

CONSTRUCTION 6,008 units completed

- Rental inventory grew by 2.3 percent over the past four quarters, exceeding the previous yearlong span's growth rate of 1.6 percent.
- Development activity exceeded 4 percent of local existing inventory in the Central Tampa, South St. Petersburg and Peninsula submarkets during this time frame.

VACANCY 190 basis point decrease in vacancy Y-O-Y

- All of the metro's four largest submarkets, each with over 20,000 units of rental inventory, recorded vacancy compressions of at least 170 basis points over the past year ended in March.
- Despite the market experiencing a record supply wave, Class A vacancy contracted 160 basis points over the past four quarters to 2.6 percent.

RENT 28.8% increase in the average effective rent Y-O-Y

- Historically low vacancy stimulated the largest annual rent increase on record, lifting the average effective rent to \$1,712 per month in March 2022.
- The average effective rate in North St. Petersburg and Brandon-Southeast surged 32.2 percent over the past 12 months ending in March, leading all submarkets in rent gains.

Investment Highlights

- Tampa-St. Petersburg's multifamily fundamentals are appealing to a wider range of investors, evident by recent trading activity. Transaction velocity more than doubled the previous year's pace in 2021, resulting in the largest annual transaction total on record for the metro. The average sale price grew nearly 13 percent over the past year, compressing the mean cap rate to 5.4 percent, still the second-highest yield among major Florida metros.
- Class A deal flow rose to a two-decade high in 2021, as activity from cross-border and institutional capital sources elevated over the past year. Buyers targeting high-end assets are most active in the Brandon-Southeast Hillsborough County submarket, where rent growth exceeded 30 percent over the past year. Entry costs for luxury assets here often rise above \$250,000 per unit, with cap rates that average in the high-3 percent range.
- Yield-driven investors are actively pursuing apartment listings in the New Tampa-East Pasco County submarket. Entry costs here often fall below the market average of \$156,700 per unit, with first-year returns that average in the low-6 percent span.

The information contained in this report was obtained from sources deemed to be reliable. Every effort was made to obtain accurate and complete information; however, no representation, warranty or guarantee, express or implied, may be made as to the accuracy or reliability of the information contained herein. Metro-level employment growth is calculated based on the last month of the quarter/year. Sales data includes transactions sold for \$1 million or greater unless otherwise noted. This is not intended to be a forecast of future events and this is not a guaranty regarding a future event. This is not intended to provide specific investment advice and should not be considered as investment advice. Sources: Marcus & Millichap Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.