

MARKET REPORT

Multifamily

Tampa-St. Petersburg Metro Area

IPA INSTITUTIONAL
PROPERTY
ADVISORS

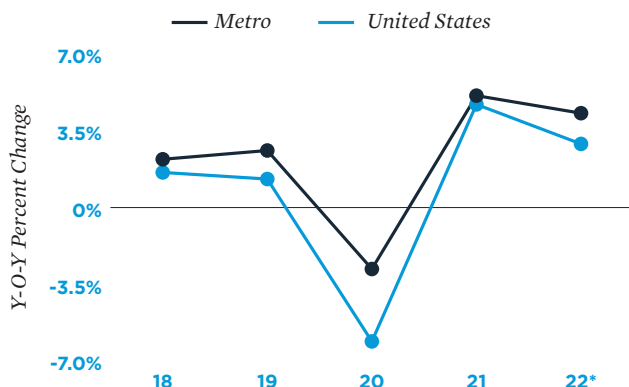
3Q/22

New Residents Warrant Historic Supply Wave in Tampa; Deal Flow Reaches All-Time High

Historic rent gains recalibrate tenant preferences. Net in-migration to Tampa is outpacing all other Florida metros, resulting in historic levels of renter demand, which is placing significant upward pressure on housing costs. Since 2019, the average effective rent has risen nearly 43 percent, a growth rate that leads all major markets in the nation. With a median household income nearly 14 percent below the national mean, many long-term residents are seeking lower-cost units to cut down on expenses amid widespread inflation. This was a factor behind vacancy in both Class A and B properties increasing by 60 basis points over the past year. Even with the slight uptick, however, availability in these property tiers remains well below historical norms. Meanwhile, job creation and recruiting efforts in higher-paying industries should attract new Class A and B renters to the market.

Developers are bullish on Tampa. The preference to rent in Tampa is largely influenced by a low for-sale single-family housing inventory. Scant listings led to a 24 percent surge in the median home price over the past year, making renting a more attractive option than home-ownership for many residents. Additionally, the metro is projected to increase its population by more than 150,000 people over the next five years. These factors indicate demand for apartments will remain robust for the foreseeable future, and developers are looking to capitalize on this opportunity. As of June, there were over 12,500 units underway, with the bulk of near-term deliveries slated in Central Tampa and Brandon-Southeast Hillsborough County.

Employment Trends



* Forecast

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

Multifamily 2022 Outlook



**62,000
JOBS**

will be created

EMPLOYMENT:

The addition of over 30,000 new positions during the first half helped lower the unemployment rate to 2.8 percent in June. This low rate will require many employers to recruit new hires from outside the metro, further strengthening renter demand.



**7,500
UNITS**

will be completed

CONSTRUCTION:

Apartment inventory increases by 2.8 percent, as annual supply additions reach an all-time high in 2022. The largest project slated for second half completion is Sentosa Riverview, delivering 368 units in Brandon-Southeast Hillsborough County.



**150
BASIS POINT**

increase in vacancy

VACANCY:

Record levels of construction will place upward pressure on availability, lifting the rate from its all-time low to 3.7 percent. Even with this increase, vacancy will remain 100 basis points below the pre-pandemic level.



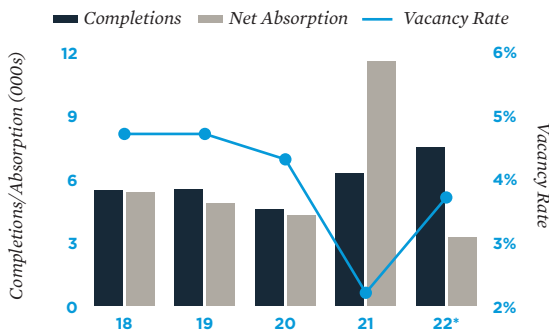
**15.9%
INCREASE**

in effective rent

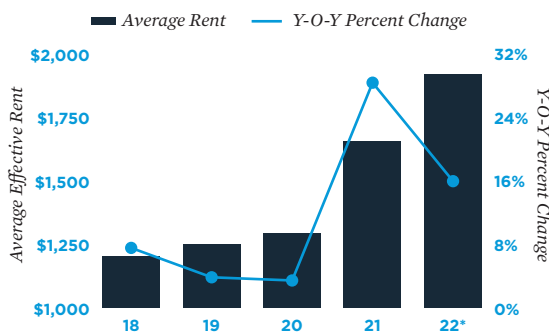
RENT:

Effective rents will observe double-digit gains for the second straight year, following the 28.3 percent surge recorded in 2021. The average rate will rise to \$1,920 per month, the sixth-largest gain among all major markets across the U.S. this year.

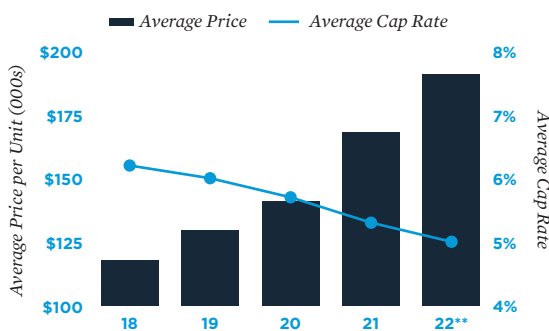
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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Price: \$250

2Q 2022 - 12-Month Period

CONSTRUCTION

7,166 units completed

- More than 2,600 units delivered in the second quarter alone, marking the largest quarterly supply gain on record in Tampa. This elevated metro inventory by 2.7 percent over the past year ending in June.
- Central Tampa had the largest stock expansion during this span, with local inventory increasing by more than 11 percent.

VACANCY

30 basis point increase in vacancy Y-O-Y

- A record number of deliveries contributed to vacant stock increasing in Tampa by more than 3,200 units in just the second quarter, lifting the market's vacancy rate to 3.4 percent.
- Although availability is up metrowide, vacancy declined by 140 basis points in South St. Petersburg year-over-year ending in June.

RENT

25.8% increase in the average effective rent Y-O-Y

- Over the past four quarters ending in June, 14 of Tampa's 15 submarkets observed rent gains exceeding 20 percent, boosting the average effective metrowide rent to \$1,782 per month.
- Egypt Lake-Lowry Park noted the largest jump during this span, with local effective rents surging by more than 30 percent on average.

Investment Highlights

- Tampa has been among the U.S. leaders in rent growth and net in-migration since the onset of the pandemic, and institutions have taken notice. Transaction velocity over the 12-month period ending in June was up over 90 percent relative to the previous yearlong span, elevating annual deal flow to an all-time high. This rise in buyer activity resulted in the metro registering the largest price growth among major Florida markets, with entry costs surging over 23 percent. Average pricing rose to \$191,000 per unit, lowering the median cap rate to 5 percent.
- Luxury properties are highly sought after, evidenced by the 65 percent increase in Class A transactions over the past year. Institutions are targeting higher-tier properties in Central Tampa, Brandon-Southeast Hillsborough County and Pinellas County most often, where entry costs frequently rise above \$300,000 per unit. Central Tampa has sustained an unchanged Class A vacancy rate of 3.5 percent over the past year despite a slew of new supply, allowing the mean rent for luxury units here to surge more than 25 percent.
- Robust net in-migration and household creation make large mid-tier assets in suburbs attractive. Clearwater north to Pasco County and Bradenton south to Sarasota are capturing a significant share of suburban growth.

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.

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