

MARKET REPORT

Multifamily

Tampa-St. Petersburg Metro Area

IPA INSTITUTIONAL
PROPERTY
ADVISORS

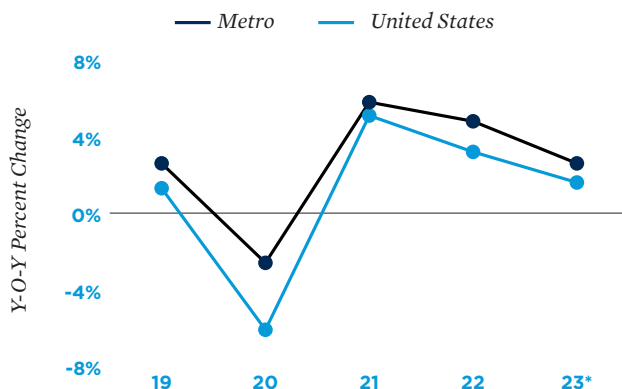
3Q/23

Population Growth and Well-Placed Development Help Reduce Apartment Sector Volatility

Vacancy to climb at a slower pace. The local multifamily sector is showing signs of stabilizing, after metro vacancy doubled in 2022. This year, the market is expected to have the lowest rate of inventory growth among any major Southeastern metro, reducing recent supply-side pressures. At the same time, household growth is helping to recover demand for rentals. The annual formation of 19,700 new households as of June was nearly 30 percent higher than the local long-term average. Healthy levels of migration supported this trend, helping net absorption return to positive territory over the first six months of 2023, and outstripping the volume of net relinquishments during the entirety of last year. Nevertheless, the marketwide vacancy rate should continue on an upward trajectory, as rental demand in 2023 is expected to remain below the historic norm of 2,500 units.

New builds have promising demand outlook. With a metro-low Class A vacancy rate of 4.4 percent in June, new supply in Brandon-Southeast Hillsborough is well-positioned. This year, over 1,400 apartments are slated for completion in the area, a volume that will only be surpassed by New Tampa-East Pasco County. Here, the pipeline represented about 31 percent of local inventory in June, with 1,690 units planned for delivery this year. Despite its higher Class A vacancy rate of 7.1 percent, new supply here also has a favorable outlook. Local absorption was positive for each of the trailing 18 quarters, showing greater stability than any other submarket.

Employment Trends



* Forecast

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

Multifamily 2023 Outlook



**39,000
JOBS**

will be created

EMPLOYMENT:

Hiring was strong during the first six months, with the addition of 22,900 new personnel. Still, the loss of 400 roles in July suggests that job creation will slow, contributing to a 2.6 percent headcount expansion overall this year.



**5,500
UNITS**

will be completed

CONSTRUCTION:

Outside of New Tampa-East Pasco County and Brandon-Southeast Hillsborough, new supply is slated to be relatively mild in 2023. This year's inventory growth of 1.9 percent will be below the trailing five-year average.



**90
BASIS POINT**

increase in vacancy

VACANCY:

The market's vacancy climb should temper relative to last year, amid a meaningful downshift in new supply. However, the metro vacancy rate will close out 2023 at 6.2 percent, the highest year-end figure since 2013.



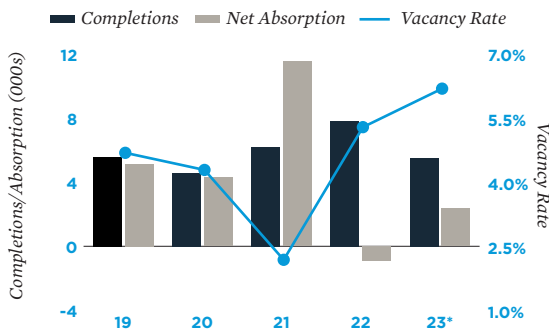
**1.7%
INCREASE**

in effective rent

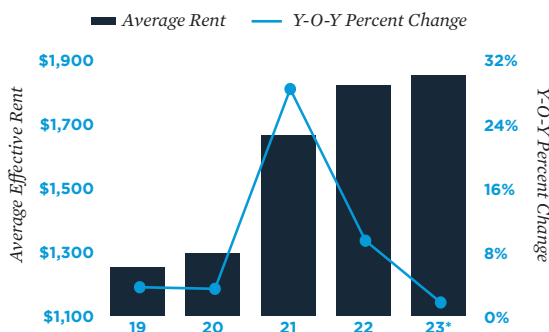
RENT:

Tampa-St. Petersburg is projected to record a 14-year low for rent growth in 2023. Still, positive net absorption will sustain some rent momentum over the near-term, lifting the average effective rate to \$1,850 per month.

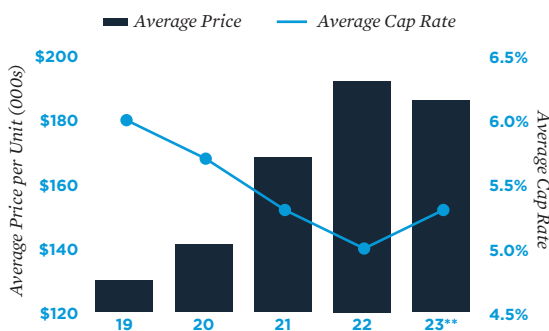
Supply and Demand



Rent Trends



Sales Trends



* Forecast ** Through 2Q

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

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Price: \$250

2Q 2023 - 12-Month Period

CONSTRUCTION

7,468 units completed

- Combined, New Tampa-East Pasco County and Brandon-Southeast Hillsborough County hosted the completion of 3,640 units over the year ended in June. This development helped grow metrowide inventory by 2.6 percent.
- University, North Pinellas County, and Town and Country-Westchase were the largest submarkets with nominal completions during the past year.

VACANCY

250 basis point increase in vacancy Y-O-Y

- Through the 12 months trailing July, all but five of the metro's submarkets noted negative net absorption. Weaker demand in most areas, paired with continued construction, lifted the marketwide vacancy rate to 5.9 percent.
- North and South St. Petersburg's respective 320 and 390 basis point vacancy increases were among the metro's highest in the last year.

RENT

2.5% increase in the average effective rent Y-O-Y

- While rents declined by 3.6 percent in Brandon-Southeast Hillsborough County, the metro's largest submarket, the marketwide average effective rent still rose year-over-year to \$1,837 per month in June.
- Marketwide rent growth over the past year was aided by the Class A segment. These properties noted a 4.2 percent jump to \$2,421 per month.

Investment Highlights

- During the second quarter, local multifamily insurance expenses per unit rose by 52.1 percent year-over-year. This narrowed buyers' margins and depressed trading activity. Most investors that remain active are moving away from higher-risk coastal areas and toward more central locations, a trend most apparent in southern Pinellas County. Here, buyers are shifting from beachfront communities, and are instead trading in suburbs like Allandale or Edgemoor. In these locations, farther distances from the coast warranted comparatively lower insurance premiums and per-unit prices frequently under the metro's mean of \$186,000 per unit over the year ended in June.
- Throughout the first seven months of the year, Dunedin had its highest level of trading activity since 2020. The city was named the most popular retirement location in the U.S. in 2022, helping enable local assets to command premium pricing between \$275,000 and \$315,000 per unit thus far in 2023.
- Trading activity for Class A apartments has mostly been confined to Southeast Tampa over the first six months. With a significant portion of the metro's multifamily pipeline located in the area, investors should find ample opportunities to invest in institutional-grade assets here moving forward.

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.; Zillow © Marcus & Millichap 2023 | www.MarcusMillichap.com