

# INVESTMENT FORECAST

Multifamily  
Tampa-St. Petersburg


IPA  
INSTITUTIONAL  
PROPERTY  
ADVISORS


2020

## Demand Soars as Construction Thins; Institutional Investor Activity Rising

**Corporate headquarter prominence, a strong financial sector and an expanding tech center produce solid job gains.** Employment opportunities are contributing to the population expanding at a rate double that of the U.S. and the added residents will create almost 22,000 households, generating a need for additional housing. To meet the increased demand, deliveries rose above the five-year average last year, yet vacancy continued to tighten. This year, the construction pipeline thins, further lowering vacancy and driving rents higher. After investors concentrated in the urban cores during recent years, rising construction and land costs, as well as the need for cost-conscious rental options, drew them farther from the central cities. During 2020, the western portion of Pasco County will receive its largest inventory supply since 2002 with more than 660 units scheduled for delivery. Throughout the market, rising rents are generating robust demand for lower-cost housing. Vacancy in Class C units has sat below 3 percent for more than a year, producing sizable rent growth.

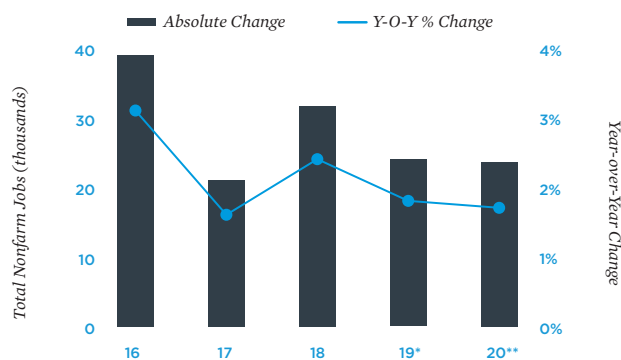
**Attractive yields and property performance keeping acquisition capital flowing.** After hitting a cycle high of \$20 million-plus multifamily transaction volume last year, investor demand will remain elevated as forecasts predict strong rent growth combined with solid absorption continuing into 2020. The excellent performance metrics and demand drivers show no indications of slowing, which will keep pro forma rents rising and pricing highly competitive. Valuations have been slowly rising as the average cap rate has compressed over the past two years, which should continue encouraging existing owners to selectively dispose of non-long-term hold properties in their portfolios to capitalize on current pricing. This, in turn, has also aided significantly in satisfying the high demand for properties in the metro by a deep pool of potential buyers. The depth of the buyer pool also reflects positively on the outlook as institutional and cross-border capital have been expanding their purchases and should remain highly active. Furthermore, despite the recent cap rate compression, Tampa remains the highest-yielding major metro in Florida, which keeps potential investors engaged for all possible opportunities, from value-add properties to newly completed mid-rise or garden-style developments.

**18.7%**  2019 share of local population between 20 and 34 years old

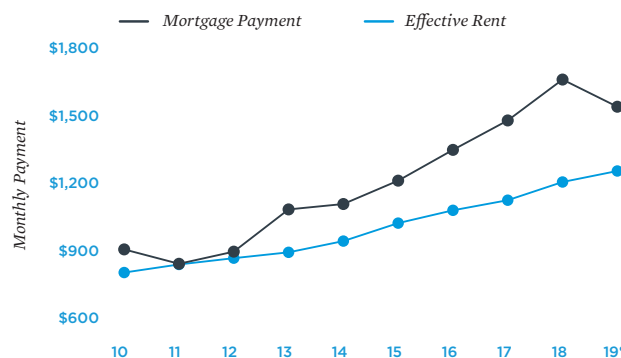
**28.2%**  of local population hold bachelor's degree or higher\*

**\$242,883**  2019 median home price

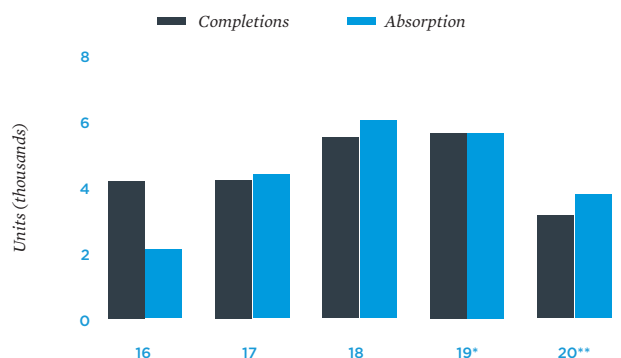
### Employment Trends



### Housing Affordability Gap



### Supply and Demand



\* Estimate \*\* Forecast \* Through 3Q  
\* 2019: 25+ years old

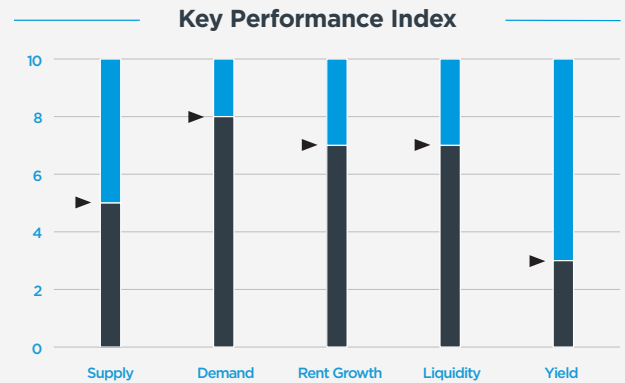
Sources: Marcus & Millichap Research Services; RealPage, Inc.

## 2020 Investment Outlook

Tampa-St. Petersburg's fundamentals in the Key Performance Index represent one of the most balanced indexes nationally after seeing a rise in supply of two points and rent growth holding steady at 7. Demand's solid 8 index did not move since midyear and could drive rent growth higher in the new year.

Sustained investor demand kept liquidity holding at 7. Capital inflows seek to take advantage of the strong fundamentals and elevated return conditions even with the yield index declining from 4 to 3.

*Note: The Key Performance Index provides a metro-level relational benchmark scaled from 1-10 for five key metrics.*



## 2020 Market Forecast

**Employment**  
23,600 jobs



Metro **1.7%**  
U.S. **1.0%**

**Construction**  
as % of inventory\*



Metro **1.2%**  
U.S. **1.7%**

**Class A Vacancy**  
Down 20 bps



Metro **5.5%**  
U.S. **5.3%**

**Class A Rent**  
\$1,752 per month

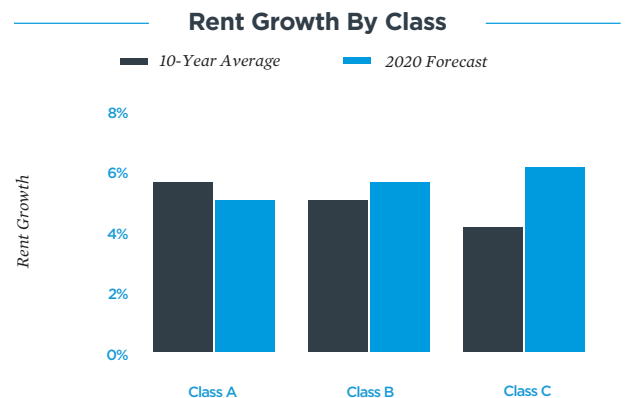
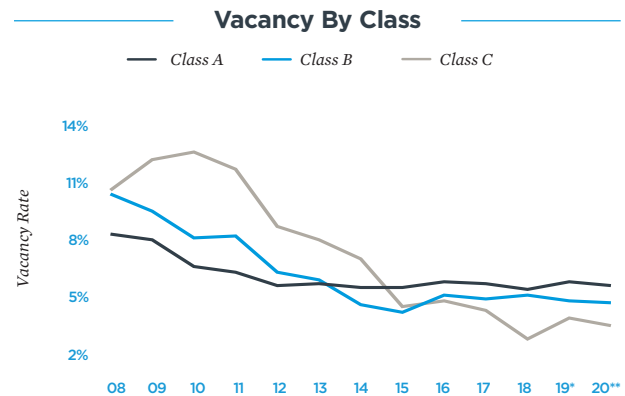


Metro **5.0%**  
U.S. **3.3%**

**Investment**  
3-yr. avg. activity  
\$20+ million



Deals: **54**  
Volume: **\$2.6 billion**



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\* Estimate \*\* Forecast  
\* Arrow reflects completions trend compared with 2019  
Sources: Marcus & Millichap Research Services;  
CoStar Group, Inc.; RealPage, Inc.; Real Capital Analytics