

MARKET REPORT

MULTIFAMILY

Houston Metro Area

IPA
INSTITUTIONAL
PROPERTY
ADVISORS

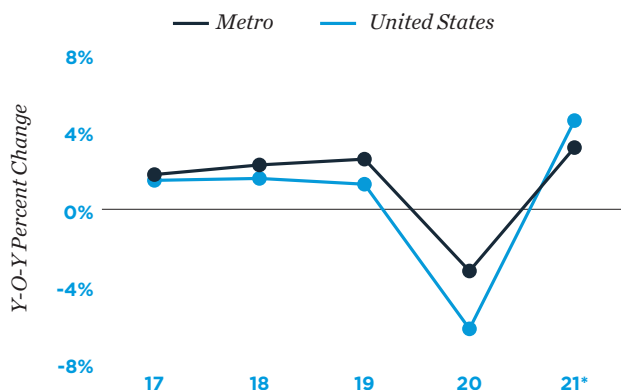
3Q/21

Net In-Migration Accelerates Rental Demand Jointly Across the Urban Core and Suburbs

Market fundamentals flourish. Metro apartments experienced a demand surge over the past 12 months ending in June as Tampa's relative affordability and pandemic-related factors induced moves out of higher-density markets. With over 10,400 units absorbed during that yearlong span, multifamily demand has continued to outpace deliveries, reducing the market's average vacancy rate to an all-time low of 3.1 percent. Tight market conditions are propelling some of the strongest rent gains of the last 20 years, more than doubling the national pace. Tampa's average effective rent is nevertheless still well below major gateway markets, helping to stimulate demand from those seeking lower living costs. Quality-of-life considerations such as the warm climate and new career opportunities are also drawing in renters.

CBD and suburban markets improve in tandem. The urban core and the suburbs both rebounded substantially from the initial months of the pandemic. Vacancy in the CBD was down 270 basis points year over year in June to 3.4 percent, despite Central Tampa receiving the most inventory of any submarket. The suburbs observed a 180-basis-point decline to 3.1 percent during that same period. Rents in the urban core increased 9.4 percent in the last four quarters while the suburban mean rate experienced an 11.4 percent gain. Market fundamentals may be tested by a new influx of units. Over 2,400 rentals are slated for delivery in the second half of 2021, with approximately 1,000 units allocated to the CBD.

Employment Trends



* Forecast

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

Multifamily 2021 Outlook



**43,000
JOBS**

will be created

EMPLOYMENT:

Total employment will grow 3.2 percent in 2021, reaching within 0.5 percent of the pre-pandemic level. The unemployment rate sat at 4.2 percent as of June, recovering from a high of 14.0 percent in the second quarter of 2020.



**5,700
UNITS**

will be completed

CONSTRUCTION:

Inventory will expand 2.2 percent this year following a 1.8 percent gain in 2020. The number of deliveries scheduled for 2021 will be the highest in the past 20 years, with Central Tampa and South St. Petersburg receiving the bulk of new supply.



**120
BASIS POINT**

decrease in vacancy

VACANCY:

A boost in demand during the first half of 2021 will result in vacancy falling to 3 percent, the lowest rate in the last two decades. Approximately 8,700 units will be absorbed in 2021, nearly double the amount recorded in 2020.



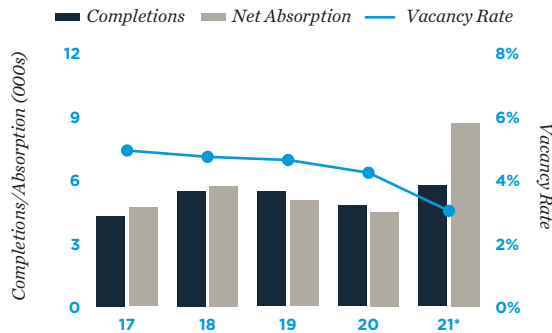
**14.6%
INCREASE**

in effective rent

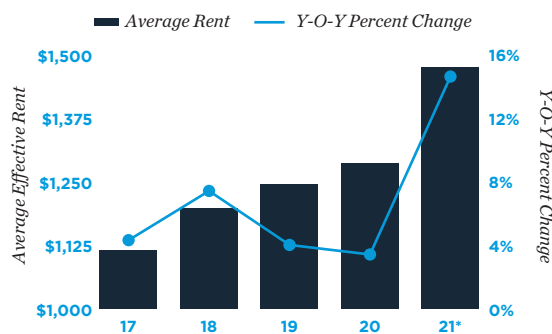
RENT:

The combination of falling vacancy and an influx of high-end apartments delivering in 2021 will push the average effective rent to \$1,475 per month. The annual growth rate is the highest for the metro since before the year 2000.

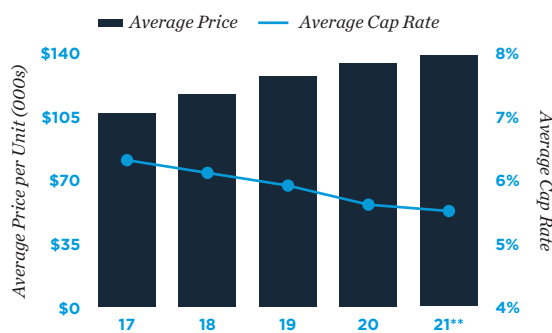
Supply and Demand



Rent Trends



Sales Trends



* Forecast, **Through 2Q

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

IPA Multifamily

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Price: \$250

2Q21 – 12-Month Period



CONSTRUCTION

6,146 units completed

- Supply in the metro increased by 2.4 percent year over year in June, surpassing the previous 12-month period's pace of 1.6 percent.
- The Brandon-Southeast Hillsborough, Central Tampa, North and South St. Petersburg submarkets each delivered over 900 units in the last four quarters.



VACANCY

190 basis point decrease in vacancy Y-O-Y

- Record levels of absorption over the 12-month period ending in June led to vacancy tightening to 3.1 percent, the lowest since 2000.
- Class A properties experienced a substantial decline in vacancy, falling 290 basis points to 3.3 percent. Vacancy in Class B and C properties dropped to 3.1 and 2.9 percent, respectively.



RENT

13.0% increase in the average effective rent Y-O-Y

- The average effective rent elevated to \$1,410 per month over the last four quarters, the highest recorded rent growth in the last 20 years.
- The North Pinellas County, Clearwater, and Town and Country-Westchase submarkets' average effective rent increased above 17 percent in the past 12 months due elevated demand and low supply pressure.

Investment Highlights

- Transaction velocity was up about 20 percent year over year in June, resulting in the most closings in a 12-month period since 2005. During that time period the metro observed a 45 percent increase in dollar volume compared with the 12-month period prior.
- Average pricing rose nearly 6 percent in the last four quarters to \$138,200 per unit, while the average cap rate decreased 20 basis points to 5.5 percent. Notable submarkets that piqued investor interest were North Tampa, Central Pinellas and South Pinellas. North Tampa and Central Pinellas both had lower entry costs averaging in the mid-\$90,000 and low-\$130,000 range per unit, respectively. All three submarkets offered attractive yields in the high 5 percent area.
- Tampa's strong multifamily fundamentals are appealing to out-of-state investors, particularly from New York and California. Buyers from outside the metro accounted for nearly 30 percent of all transactions over the last four quarters. Strong rent and population growth coupled with low vacancies should fuel additional interest among this investor pool 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. Note: 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: IPA Research Services; Bureau of Labor Statistics; CoStar Group, Inc.; Real Capital Analytics; RealPage, Inc.