Northmarq

CONSTRUCTION ACTIVITY

UNDER CONSTRUCTION	11,191
UNITS DELIVERED (YTD)	10,343

MARKET FUNDAMENTALS

VACANCY RATE	5.8%
YEAR-OVER-YEAR CHANGE	90bps
ASKING RENTS	$1,632
YEAR-OVER-YEAR CHANGE	-1.6%

TRANSACTION ACTIVITY (YTD)

MEDIAN PRICE PER UNIT	$200,000

TAMPA MULTIFAMILY
3Q 2024

MARKET INSIGHTS

Transaction counts ahead of the 2023 pace

HIGHLIGHTS

- Operating conditions in the Tampa multifamily market were mixed in the third quarter as rents and vacancies inched higher. Developers have continued to deliver new units at a rapid pace, with over 10,300 units completed so far this year, while net absorption has totaled about 8,000 units.
- Area vacancy ticked up 10 basis points during the third quarter to 5.8 percent. Year over year, the rate is up 90 basis points.
- Asking rents in the Tampa market inched higher during the third quarter, rising by 0.2 percent to $1,632 per month. Despite the recent uptick, rents in the area have decreased by 1.6 percent year over year.
- Investment volume has picked up this year, with transaction counts up nearly 30 percent from 2023 levels. The median price in sales year to date is $200,000 per unit, while cap rates have averaged between 5.5 percent and 6 percent.

TAMPA MULTIFAMILY MARKET OVERVIEW

Multifamily operating conditions in the Tampa region were mixed in recent months, with rents ticking higher for a second consecutive quarter while vacancies posted modest increases. More than 10,300 rental units have come online since the beginning of the year, with additional projects in the development pipeline, although recent storm activity will likely result in construction delays. The current rate of development has been applying upward pressure on vacancies, though high levels of renter demand have limited the rise. Net absorption has totaled approximately 8,000 units year to date, similar to levels recorded during the same period in 2023. At the market level, rents have been soft, but a few submarkets such as Central St. Petersburg and University North have posted annual gains between 2 percent and 2.5 percent.

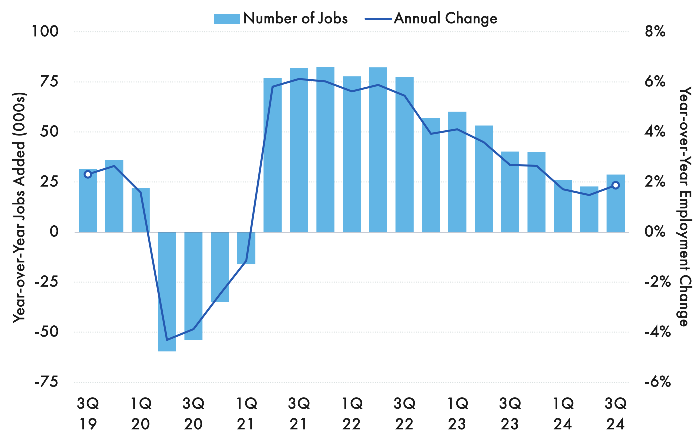
Sales activity picked up from the second quarter to the third quarter, and transaction volume in 2024 continues to outpace the limited levels recorded in 2023. Total sales to this point in the year are nearly 30 percent ahead of the pace recorded last year. Still, recent transaction volumes remain below the area's long-term trend. Investors are currently favoring newer properties, with assets built since 2019 accounting for nearly half of the total transactions that have closed year to date. Investors have been active in the Central Pinellas, Pasco County, and South Tampa submarkets during the last nine months; nearly half of the total properties that have changed hands year to date have been in one of these three submarkets. This is a shift from last year when North Pinellas and Southeast Tampa were the leading submarkets for transaction volume.

EMPLOYMENT

- The pace of new hires picked up in recent months after slowing since early 2023. Year over year, employers in Tampa have added 28,700 workers to payrolls, an increase of 1.9 percent.
- Jobs were added across several industries during the past year, with the construction sector posting some of the most significant growth. During the past 12 months, construction employment has expanded by 3,900 positions, a 4.2 percent increase.
- Foot Locker recently announced that the company will be moving its global headquarters from a location in New York City to St. Petersburg. The company already has a large corporate presence in the region.
- **FORECAST:** Job additions in Tampa Bay should continue at their current pace through the end of the year. The local labor market is forecast to expand by 27,000 positions in 2024, an annual increase of 1.8 percent.

Year over year, employers have added 28,700 workers.

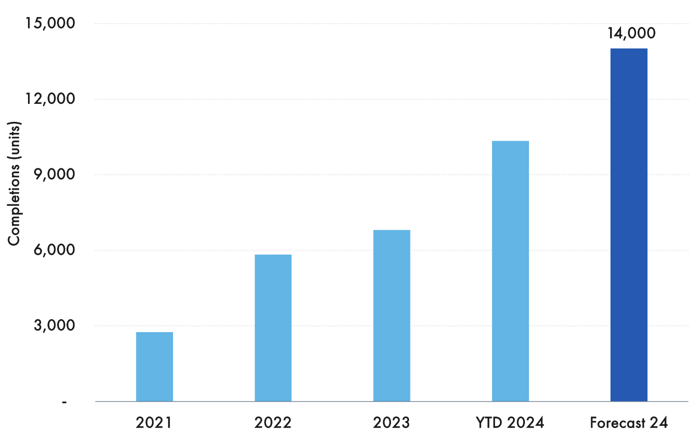
EMPLOYMENT OVERVIEW



Sources: Northmarq, Bureau of Labor Statistics

More than 10,300 units have come online this year.

DEVELOPMENT TRENDS



Sources: Northmarq, CoStar

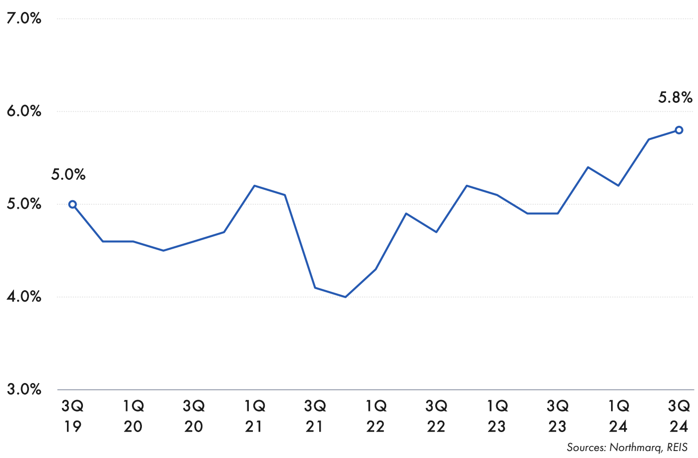
DEVELOPMENT & PERMITTING

- Supply growth has been elevated to this point in 2024, continuing trends from each of the prior two years. Projects totaling more than 10,300 units have come online to this point in the year. The Pasco County submarket continues to lead the region in deliveries, accounting for roughly 40 percent of completions to this point in the year.
- The recent surge in inventory growth has resulted in the construction pipeline thinning in recent months. Projects totaling roughly 11,200 units are currently under construction in Tampa, down nearly 30 percent from the total 12 months ago.
- Multifamily permitting has picked up slightly compared to the same point in 2023. Permits for projects totaling over 7,800 units have been pulled over the past nine months, 7 percent more than in the same period of last year.
- **FORECAST:** Projects totaling 14,000 units are currently scheduled to come online in 2024, though the recent hurricane will likely cause delays across the development pipeline, pushing some of the projects that have not been completed into 2025. Completions in the region have likely already peaked, with totals tapering off in 2025 and 2026.

VACANCY

Net absorption in Class A units has topped 4,000 units.

VACANCY TRENDS



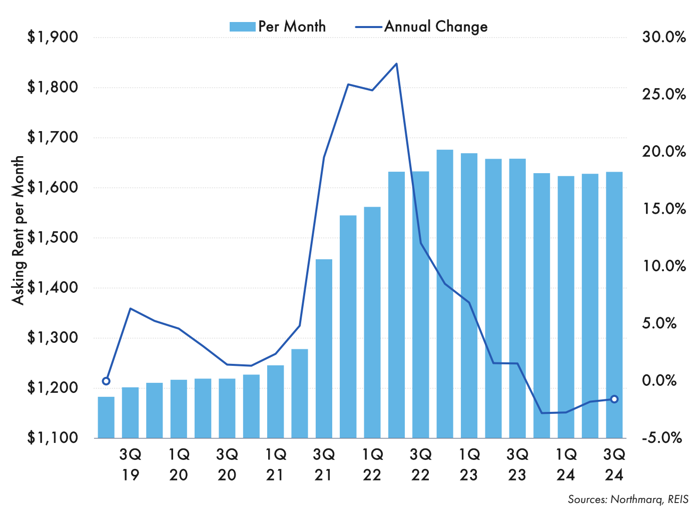
- The vacancy rate in Tampa inched higher by 10 basis points in the third quarter following consistent increases over the past year. Area vacancy rose 90 basis points during the past 12 months to 5.8 percent.
- While the rate has increased across the region, there are segments of the market where vacancy conditions are tightening. The University North area led Tampa's major submarkets in vacancy improvement, decreasing by 80 basis points year over year to 3.3 percent. Vacancies in this submarket have been declining since peaking in the first half of 2022 when a surge in completions pushed vacancies above 5 percent.
- Renter demand In Tampa has been most active in the Class A segment. During the past 12 months, net absorption in Class A units has topped 4,000 units, representing approximately half of the total number of net move-ins across the market.
- **FORECAST:** Supply and demand are expected to continue to expand through the end of the year, and vacancies are forecast to tick higher. The average rate is on pace to end the year at 6 percent, an annual increase 60 basis points.

RENTS

- Apartment rents in Tampa gained some modest ground in recent months, but it has been a challenge for momentum to build across the market. Asking rents ended the third quarter at $1,632 per month, a 0.2 percent increase. The area has posted consecutive quarters of rent increases, although local rents are down 1.6 percent during the past year.
- Before modest rent increases started in the second quarter of this year, asking rents had been steadily ticking lower since spiking in late 2022; rents peaked at $1,676 per month. While current asking rents are down roughly 2.5 percent from peak pricing, they match the average asking rents recorded in early 2022.
- Rent trends were mixed across submarkets during the past year, with one of the region's most expensive submarkets, Central St. Petersburg, posting some of the strongest growth. Year over year, rents in this submarket rose by 2.5 percent, reaching $1,978 per month.
- **FORECAST:** Rents are expected to end this year at $1,630 per month, similar to current levels and nearly identical to the figure from the end of 2023.

Asking rents ended the third quarter at $1,632 per month.

RENTS TRENDS

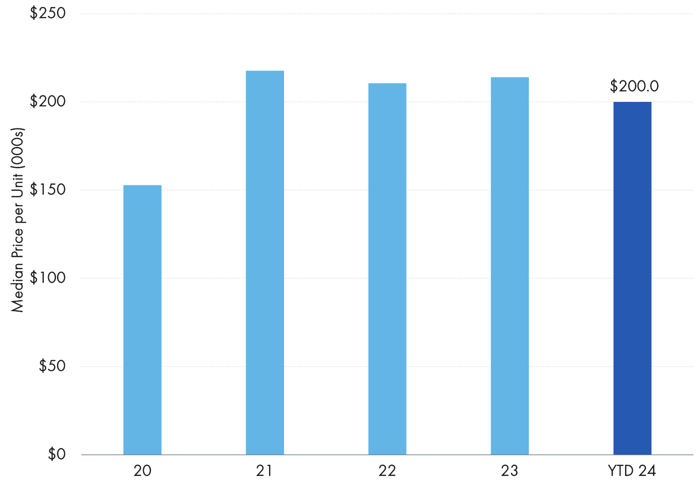


MULTIFAMILY SALES

- Multifamily transactions in Tampa have picked up in 2024, following decreases in annual volume in recent years. Compared to the same period in 2023, the number of sales that have taken place to this point in the year is up nearly 30 percent. Although transaction volume has gained momentum since 2023, current sales activity is still lagging historical norms.
- Year to date, the median sale price is $200,000 per unit, 6 percent lower than in 2023. Class B assets have made up most of the sales in 2024, while transaction volume for top-tier properties is down. Class A assets have accounted for 20 percent of sales this year after totaling more than 40 percent of transactions in 2023.
- Cap rates in Tampa have remained mostly flat since the beginning of the year, after rising steadily in 2023. Cap rates on multifamily properties trading in Tampa this year have averaged between 5.5 percent and 6 percent.

Year to date, the median sale price is $200,000 per unit.

INVESTMENT TRENDS



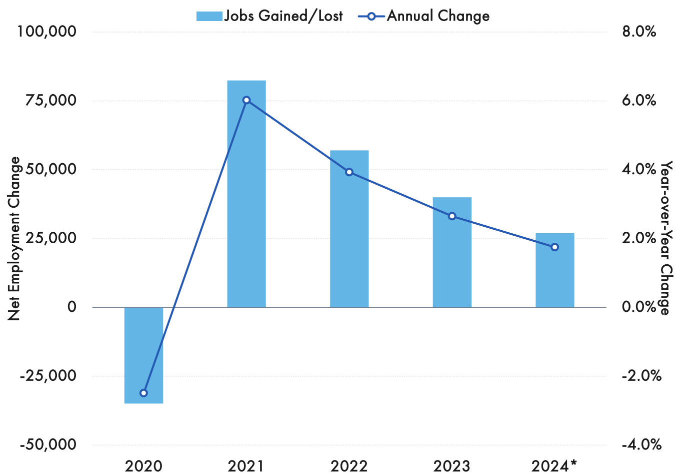
Sources: Northmarq, CoStar

LOOKING AHEAD

The Tampa multifamily market showed signs of improving. In the near term, Hurricane Milton will impact the development pipeline, as projects that were previously scheduled for delivery in the fourth quarter may be pushed into 2025, and projects that are earlier in their development stages may be delayed even further. Absorption should remain positive, and operating fundamentals should keep within close range of current levels as demand remains strong for these new units. This consistent demand should keep rises in vacancy to a minimum. Rents could maintain their trajectory as well, likely inching upwards from current levels.

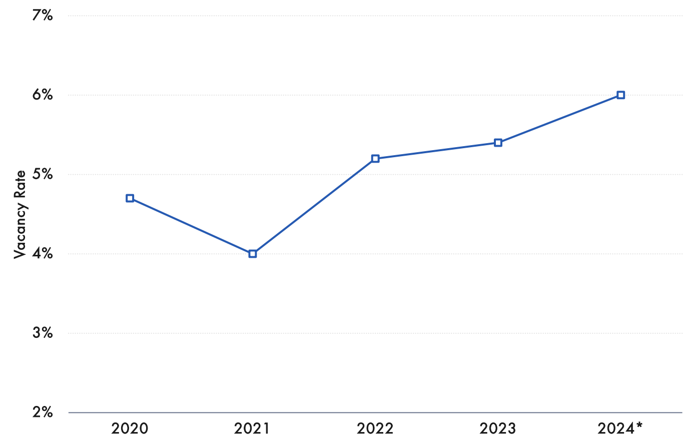
While sales velocity may slow significantly in the coming months, transaction volume in 2024 will still outpace the limited levels recorded last year. Roughly half of all sales this year have been properties built in the past five years, a trend that should continue as completions create acquisition opportunities for investors. In addition, the region's Class B properties will continue to attract attention; these assets typically make up more than half of the multifamily property sales in a given year.

EMPLOYMENT FORECAST



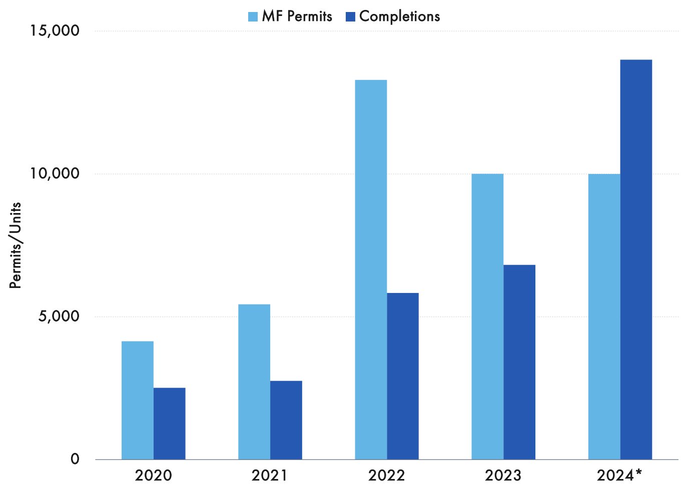
** Year End Forecast*
Sources: Northmarq, Bureau of Labor Statistics

VACANCY FORECAST



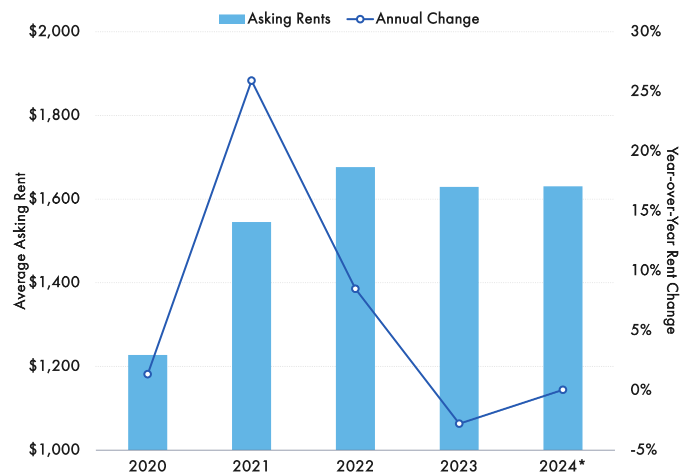
** Year End Forecast*
Sources: Northmarq, REIS

CONSTRUCTION & PERMITTING FORECAST



** Year End Forecast*
Sources: Northmarq, CoStar, Census Bureau

RENTS FORECAST



** Year End Forecast*
Sources: Northmarq, REIS

Northmarq

FOR MORE INFORMATION, **PLEASE CONTACT**

LUIS ELORZA
Managing Director, Investment Sales
813.223.5207
lelorza@northmarq.com

KEN DELVILLAR
Senior Vice President, Investment Sales
689.223.4649
kdelvillar@northmarq.com

BOB HERNANDEZ
Managing Director, Debt + Equity
813.223.4939
rhernandez@northmarq.com

JUSTIN HOFFORD
Associate Vice President, Investment Sales
813.227.8577
jhofford@northmarq.com

JEANNETTE JASON
Senior Vice President, Investment Sales
813.223.2256
jjason@northmarq.com

PETE O'NEIL, *Director of Research* | 602.508.2212 | poneil@northmarq.com

ABOUT **NORTHMARQ**

Northmarq is a full-service capital markets resource for commercial real estate investors, offering seamless collaboration with top experts in debt, equity, investment sales, loan servicing, and fund management. The company combines industry-leading capabilities with a flexible structure, enabling its national team of experienced professionals to create innovative solutions for clients. Northmarq's solid foundation and entrepreneurial approach have built a loan servicing portfolio of more than $76 billion and a two-year transaction volume of $52 billion. Through the 2022 acquisition of Stan Johnson Company, Northmarq established itself as a provider of opportunities across all major asset classes. For more information, visit www.northmarq.com.

The information contained herein has been obtained from sources deemed reliable. While every reasonable effort has been made to ensure its accuracy, we cannot guarantee it. No responsibility is assumed for any inaccuracies. Readers are encouraged to consult their professional advisors prior to acting on any of the material contained in this report. ©2024. All rights reserved.