



GREA

JUNE 2023



TAMPA METRO AREA
MULTIFAMILY REPORT

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MARKET INVENTORY



92.3%

Current Occupancy Rate



\$239,000

Avg. Price/Unit



215,395

Units



20,249

Units Under Construction



0.2%

12-Mo. Asking Rent Growth



\$1,763

Avg. Rent/Unit

Submarket Overview

The Tampa Metro's overall apartment vacancy has ticked up 1.7% year-over-year to 7.7% as of Q2 2023 following a significant recent supply wave. Around 7,000 new units were completed over the past year, and there are still another 20,000 units underway, the highest number of active units in Tampa's history. The current pipeline represents a 9.4% increase in existing inventory, significantly higher than the national average of 5.6%.

Despite a moderating trend in rent growth, increasing levels of competition from newly delivered products, and still-elevated construction costs developers are still bullish on the market, breaking ground on over 4,600 units so far this year. The urban cores in both Downtown Tampa and Downtown St. Petersburg have been fully in expansion mode over the last few years with over 3,500 units currently under construction. Pasco County is the most active submarket in Tampa with nearly 5,000 units under construction. This wave of new

construction will put further pressure on the market vacancy rate, which is forecasted to rise approximately 9% over the next two years. The pace at which asking rents increase has slowed considerably, up a mere 0.2% year over year, with several submarkets in the area recording asking rate contraction.

The influx of new units, coupled with declining demand, has increased the competition for rents and, as such, has caused concessions to rise by nearly 60 basis points year-over-year, averaging just under 1%. The current trends are in stark contrast to years past, when average asking rents in Tampa increased by roughly 25% in 2021, more than twice the national average. In addition, Tampa's apartment market leads the nation in asking rent increases since Q4 2019, up roughly 35%. Multifamily sales volume has remained muted, with roughly \$245 million trading so far this year (volume of \$1.7 billion traded over the past 12 months).



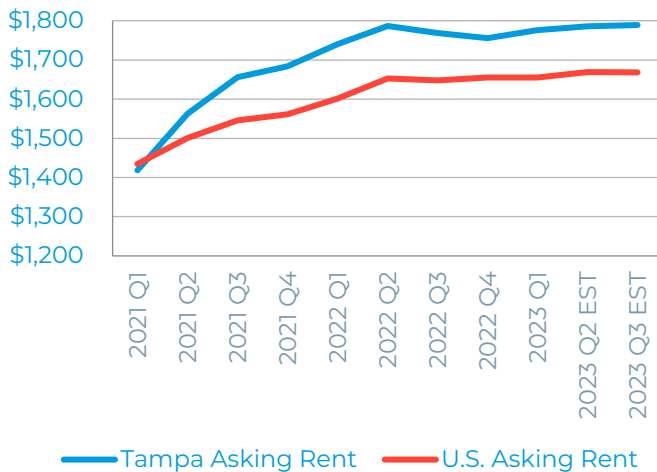
Rent Growth

Rent growth has cooled considerably over the past year, declining to 0.2% year-over-year as of Q2 2023. Prior to recent trends, Tampa's acceleration in asking rents dominated the headlines with annual rent growth reaching a historical high point of nearly 23% in Q4 2021. The Tampa Metro, along with several other areas in Florida, has been on the list of the top U.S. markets for rent growth over the past several years, and moderation was inevitable. Projections call for a further decline in annual rent growth to be under 2% by the end of 2023, well below the 10-year historical average. An increase in the number of units now available due to a fast pace of new construction is partly to blame, along with a slackening in demand from some potential renters that have been discouraged from leasing due to sky-high rental rates and the impact of rising inflation.

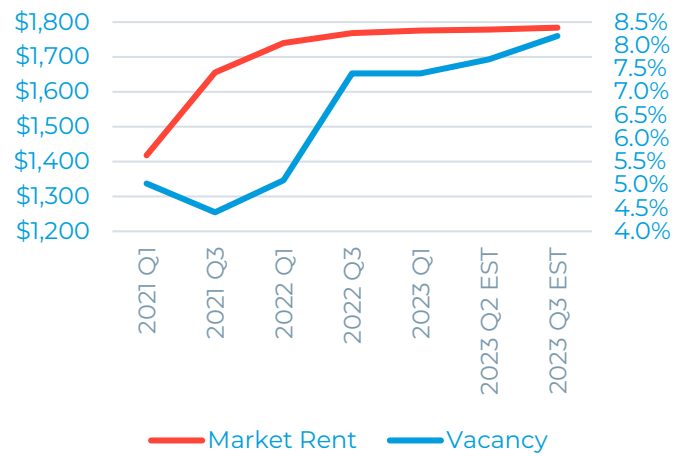
Vacancy

Supply has largely outpaced multifamily demand in Tampa, causing the vacancy rate to increase by 1.7% year-over-year. The market has absorbed 2,900 apartments over the past 12 months, a rate less than half the number of deliveries in that same time period. The number of vacant units has climbed by 30% over the last year, pushing vacancies up to 7.7%, the highest level since late 2018 and above the National Index average of 6.8%. Occupancies in newly delivered projects are also down over the year before, all of which suggest a cooling in demand. The rate of escalation in rents is also contributed to a temporary slackening in demand as a majority of vacant units are in 4- and 5-Star properties, which have a 9.1% vacancy rate as of Q2 2023, an increase of nearly 100 basis points from this time last year. There are bright spots, including suburban communities of Southeast Tampa and Pasco County where an outsized share of demand has been centered over the last year. Those two submarkets alone have accounted for more than three-fourths of all net absorption in the last 12 months.

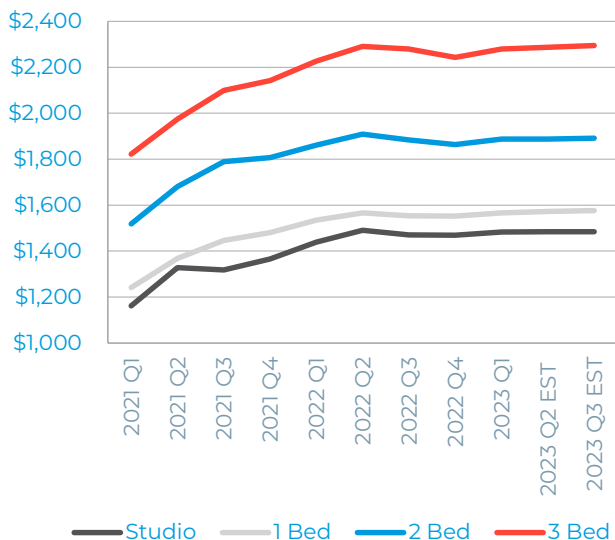
Market Rent per Unit & Growth



Vacancy & Market Asking Rent per Unit



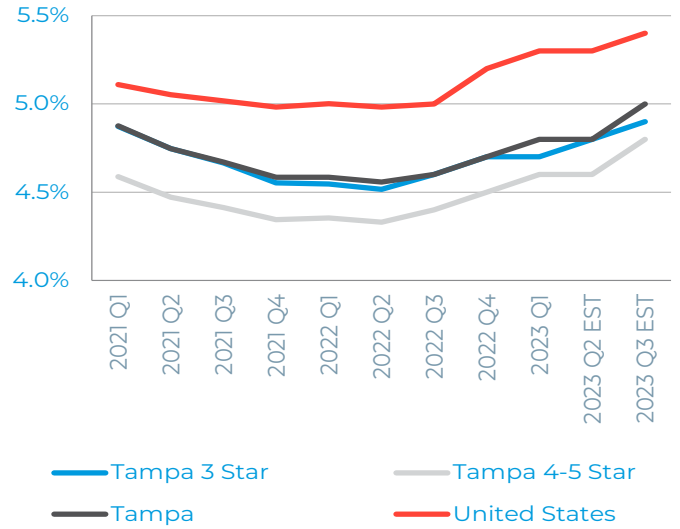
Market Rent per Unit by Bedroom



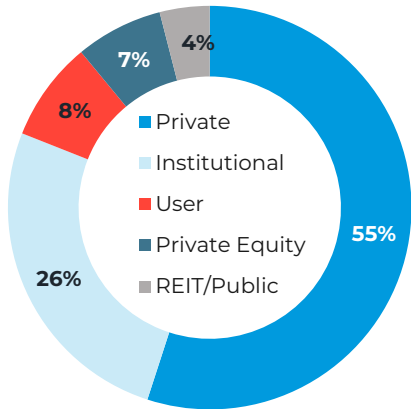
Sales Trends

Economic headwinds and increasing interest rates have caused investment activity to dwindle in recent quarters. In fact, sale activity has decreased for three consecutive quarters, with the first quarter of 2023 marking the worst quarter for transaction volume in the last decade with approximately \$160 million. The second quarter of 2023 is on pace to take that title as less than \$130 million has been traded to date. Total sales volume over the trailing 12-month period reached \$1.7 billion. The largest transaction so far this year was the January 2023 trade of 260-unit The Boulevard in Largo for \$76.7 million (\$295,000 per unit) to Ohio-based The Connor Group.

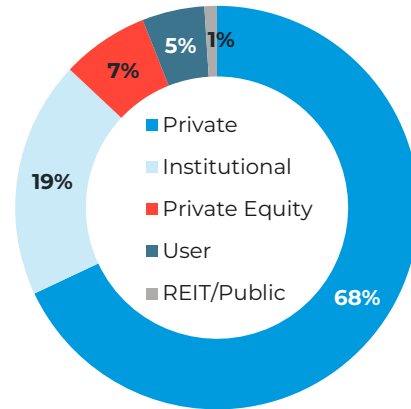
Market Cap Rate



Sales Volume by Buyer Type (Past 3 Years)



Sales Volume by Seller Type (Past 3 Years)



GREA FLORIDA CONTACTS



KEN WELLAR
Founding Partner
215.454.2879
610.745.4800
ken.wellar@grea.com



MANDO DE ARMAS
Vice President, Miami
305.999.5155
786.486.9462
mando.dearmas@grea.com



ANNAMARIA LEIB
Operations Manager
305.999.5155
267.664.5514
annamaria.leib@grea.com



STEFFAN RAMOS
Market Analyst
305.999.5155
832.447.0149
steffan.ramos@grea.com



Florida Office

777 Brickell Avenue
Suite 500
Miami, FL 33131
Tel: 305.999.5155

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Sources: GREA Research; National Multifamily Housing Council; CoStar; Yardi Matrix

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