

Multifamily Metro Outlook:

Tampa - Q2 2023

Overview:

- Tampa's economy is slowing but remains a standout performer compared to the rest of the nation. Healthcare is buoying the labor market – leading to employment growth advancing nearly 4.5% annually in second quarter ending 2023, though this is down nearly two full percentage points from the growth rate seen during the same time last year. In turn, the unemployment rate declined by just 3 bps from last year's levels to 2.98%, well below the national average.
- However, high interest rates continue to drag on the metro's finance sectors, leading to payroll wages declining - 1.75% over the last year, though it should be mentioned this is the first-time annual wage growth has turned negative in at least two years. Yet, the median household income in Tampa continue to grow, rising 2.63% annually to just over \$66,000 – well below household income seen across the rest of the nation.
- Lackluster incomes in the metro mean that even with estimated mortgage costs that are in line with the rest of the nation, affordability remains more of a challenge in Tampa compared to other parts of the country. Just a little over a year ago, single-family was the more affordable housing option, but since the estimated P&I costs have risen to nearly 50% more than the average asking rents in the metro.

Market Strengths:

- Logistics has emerged as a strong secondary growth driver since the pandemic; robust hiring across firms, especially Amazon, has payrolls growing at nearly twice the national clip since early 2020. Though activity has slowed, consumer spending is still running far ahead of its pre-pandemic trend. While this is expected to slow as the economy downshifts, there is little room for wage improvements, but long term, access to the Port of Tampa Bay and relatively cheap real estate will provide ample growth opportunities for the logistics industry.

Market Weaknesses:

- Bank deposits in Tampa are down more than twice the Southeast average this year, according to the FDIC, weighing on the sector that accounts for an above-average share of the economy. With profit margins smaller, some banks are lessening their footprint in Tampa. Wells Fargo, for example, has announced plans to sell four branches in the metro by the end of the year. The impact of high interest rates and significantly tighter financial conditions is also apparent in the real estate segment of the industry, whose struggles owe at least in part to a softening residential market.

New Development:

- In second quarter ending 2023, just over 1,900 units were delivered to the metro, in line with the amount delivered in the second quarter of the prior year, and well over a fifth of the supply delivered in the past year. Tampa has seen apartment deliveries exceed the historical average in every quarter since the end of 2020 except one. Even so, development does not seem in jeopardy of abating as the construction pipeline increased to just under 20,000 units underway, the highest total seen in the metro to-date. Since 2017, activity in Tampa has rivaled larger more populous metros such as Miami, Charlotte, and Chicago.
- Just over 14,300 single-family units were completed in Q2, pushing the sales inventory in the metro to slightly over 40,000 properties. While this is a decline from last year's development activity, the number of total active listings has increased by nearly 25% over the same time. An additional 14,300 construction permits were issued for single-family properties, pushing construction activity closer to its historical average, but remains short of the supply required to moderate affordability in the metro.

Multifamily Outlook:

- The softness seen at the end of last year has put Tampa's apartment market on the precipice of easing. The vacancy rate remained flat over the last quarter at 5.75%, but this is still a significant increase from 4.5% seen just a year prior. Asking rents were also flat compared to last quarter at \$1,760. However, considering that Class C properties have experienced the greatest rent growth over the past year but much of the new construction, concentrated in the downtown CBD and northern suburbs, is heavily comprised of Class A stock – it's highly unlikely that the market can sustain a rent hike without vacancies jumping.

Economy:

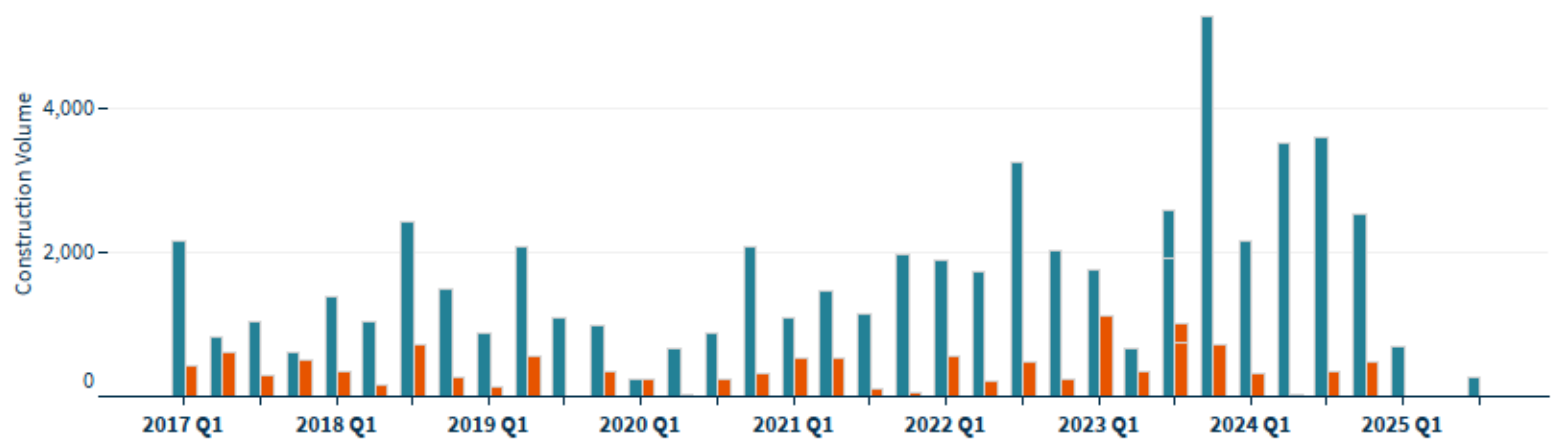
- Growth in Tampa is expected to slow through this year and next, but the metro should remain a step ahead of the rest of the country. Finance will struggle to find another gear until market uncertainty fueled by the current interest rate environment subsides, but robust labor force growth and strong demographics will enable the metro area to withstand the slowdown expected nationwide. In the long run, those advantages should enable Tampa to remain an above-average performer.



Multifamily Apartment Pipeline

Apartments & Condos/Townhomes: Units Completed and Underway

Apartments | Condos



Source: Dodge Data & Analytics SupplyTrack Pipeline

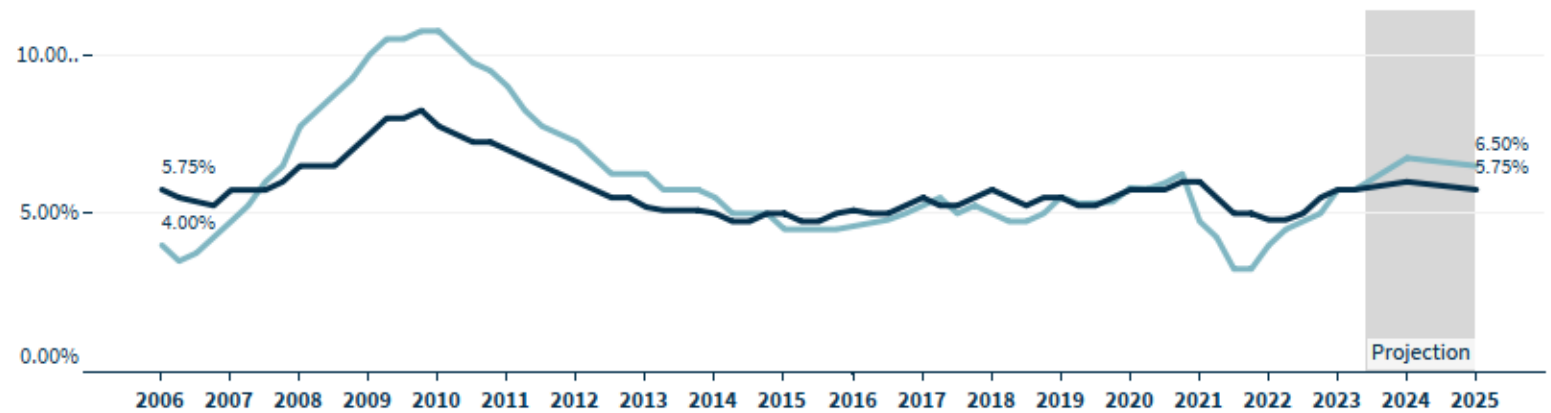
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Tampa | National

Q2 2023 Vacancy Rate:

5.75%



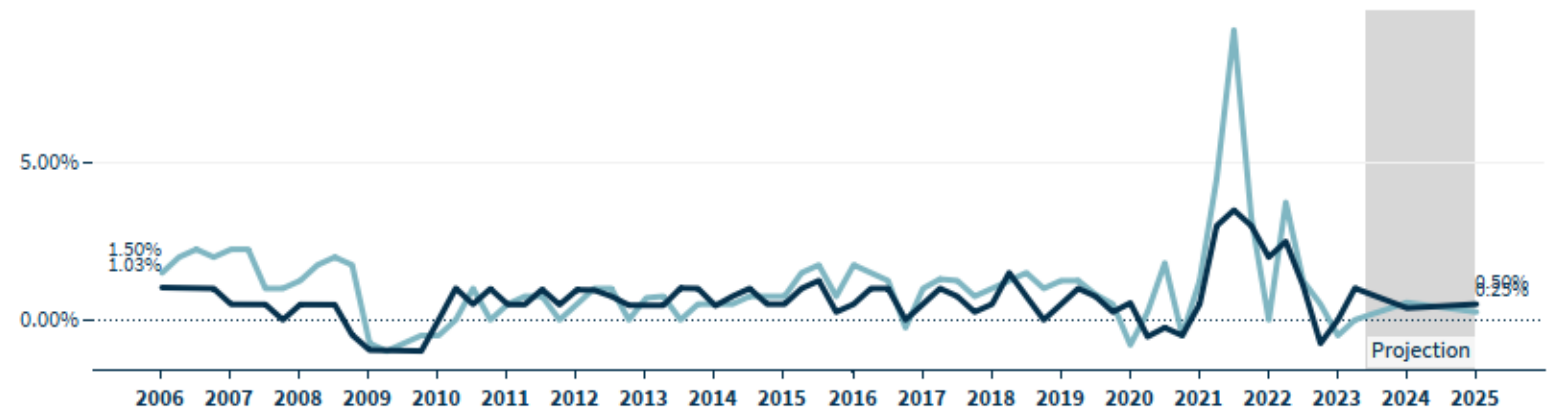
Projection

Asking Rent Growth

Tampa | National

Q2 2023 Asking Rent:

\$1,710

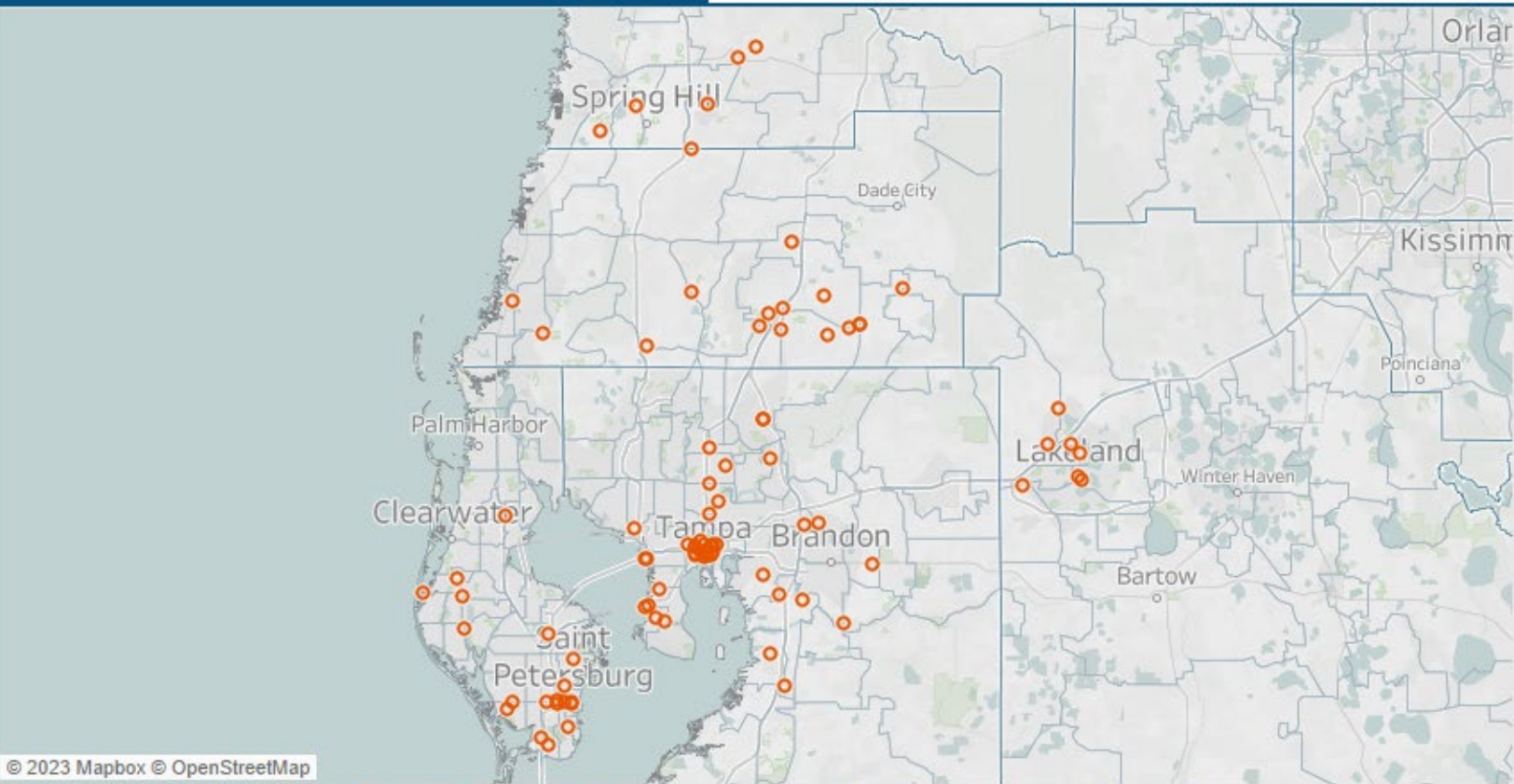


Projection

Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



MultiHousingSubmarketName	Apartments	Units
Brandon/Southeast Hillsborough County	8	2,024
Central Tampa	18	4,309
Clearwater	1	396
Egypt Lake/Lowry Park	8	1,144
Largo/Seminole	4	257
New Tampa/East Pasco County	13	3,414
North St. Petersburg	2	840
Peninsula	5	1,274
South St. Petersburg	12	2,759
Temple Terrace	3	694
Town and Country/Westchase	1	277
University	3	694
West Pasco County/Hernando County	11	1,914
Grand Total	89	19,996

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

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Sources Used

- Axiometrics
- U.S. Bureau of Labor Statistics
- CBRE-Econometric Advisors
- CoStar
- Dodge Data and Analytics
- Fannie Mae
- Moody's Analytics
- MSCI Real Assets
- RealPage
- Redfin
- REIS
- Yardi
- Zillow

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