

Multifamily Metro Outlook:

Tampa - Q2 2024

Overview:

- Tampa is slowly but surely making its way back into the fold. Although its high concentration of financial services firms was affected by continued high interest rates over the past year, there is reason to believe that the future is bright. Strong demographic trends in the long term should allow the metro to flourish as rate-sensitive drivers ease.
- Incomes in the metro, which averaged \$74,500 in 2023, are considerably below the national average of \$80,900, meaning the economic spending environment is weaker than other major metros in the state.
- Despite impressive amounts of supply continuously coming online, Tampa has been able to raise demand to match it as a result of incredibly strong domestic in-migration trends. CoStar estimates that rent-to-income ratios sit around 25.7% due to wage growth in the region. This indicates a relatively high level of affordability compared with the rest of Florida, as it sits below the 30% rule-of-thumb ratio.

Market Strengths:

- Logistics has emerged as a strong secondary growth driver in Tampa 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 in the long term, access to the Port of Tampa Bay and relatively cheap real estate will provide ample growth opportunities for the logistics industry.
- Moody's predicts Tampa's finance sector will do well in the coming years. Tampa boasts a significant cost advantage over other finance hubs in the region and, coupled with strong demographic trends that likely ensure a steady pool of labor, positions the finance industry to expand at an above-average pace when interest rates normalize.
- Tampa is an attractive location for large-scale businesses. Foot Locker has begun preparations to move its headquarters to the area from New York City due to favorable business conditions. This will be the third Fortune 500 company to be headquartered in St. Petersburg.
- Favorable tax policies in Florida entice businesses and consumers from all over the country to come set up shop in the state, bolstering retail spending and multifamily demand.

Market Weaknesses:

- In past years, Tampa relied on the financial sector to boost its economy. However, with high interest rates, the financial sector has taken a hit over the past year and has only managed to claw back some gains. Commercial banks are tightening lending standards, limiting loan volume. Deposits have also been pulling back, which is driving banks to trim costs. Overall, the financial sector will likely continue to struggle until the nation is in a lower interest rate environment. But it seems like relief is coming, with the Federal Reserve signaling interest rate cuts to come in the near future.

Development:

- Dodge Data & Analytics estimates that the metro has around 16,400 units underway as of the second quarter of 2024, with construction far and away concentrated in the Central Tampa submarket, which has just over 4,000 units in progress.

Outlook:

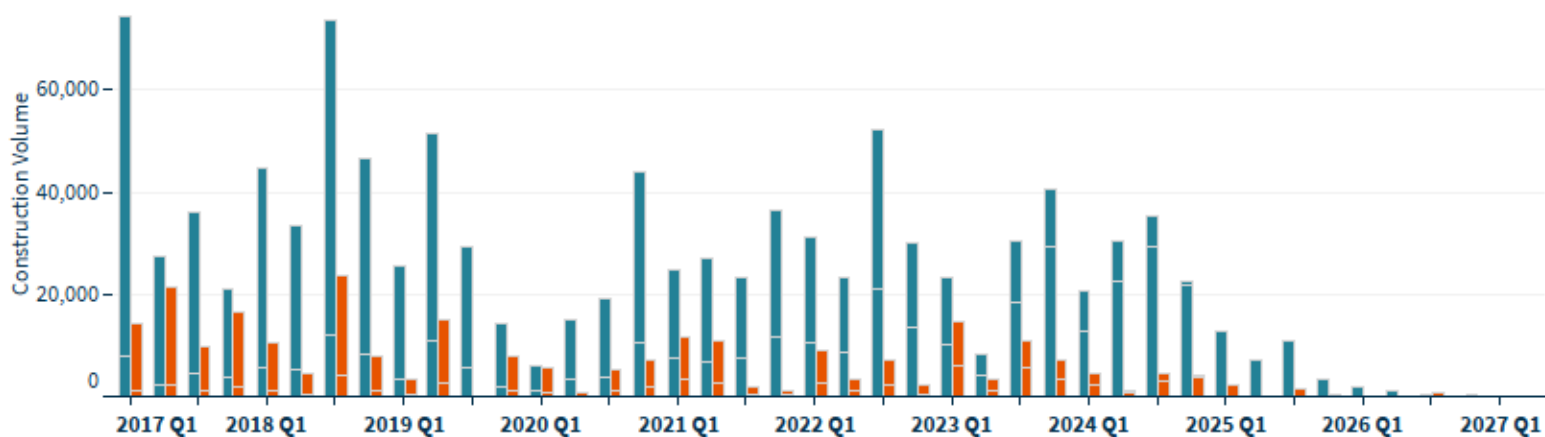
- Tampa's vacancy rate remained flat compared with the end of 2023 at 6.50%. The average asking rent increased slightly (0.2%) to around \$1,700. Class A and Class C appear to be doing reasonably well, but Class B rent growth metrics are meaningfully lower than its peers as of the second quarter 2024.
- Job growth in Tampa has recently bounced back to the regional average over the last three months. Professional services escaped a previously stagnant employment growth rut and contributed to nearly half of all new jobs last quarter. Robust labor force growth and continued strong demographic and migration trends will enable the metro area to withstand the slowing interest-rate-cutting environment. 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

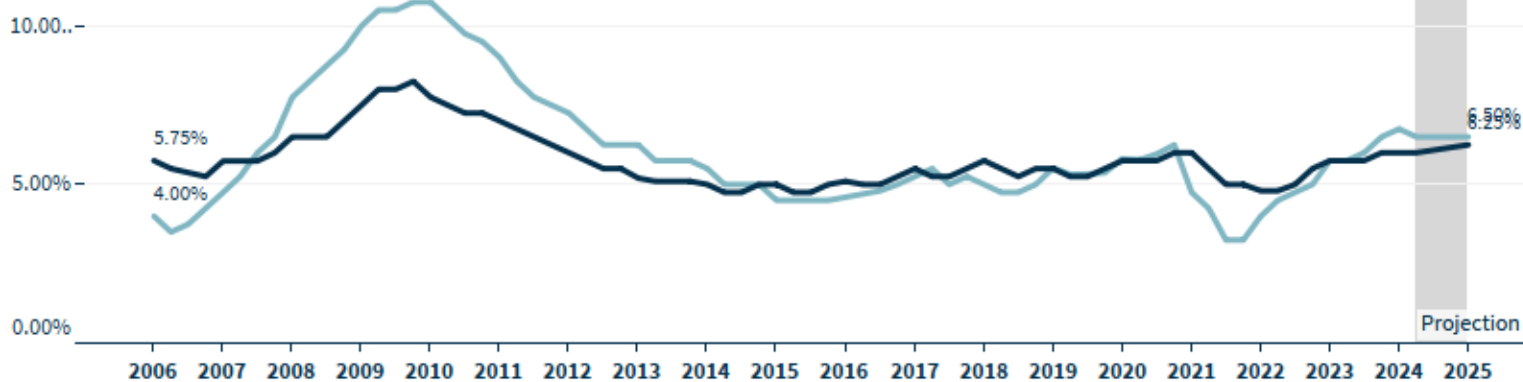
Multifamily Vacancy & Rent Estimates

Vacancy Rates

Tampa | National

Q2 2024 Vacancy Rate:

6.50%

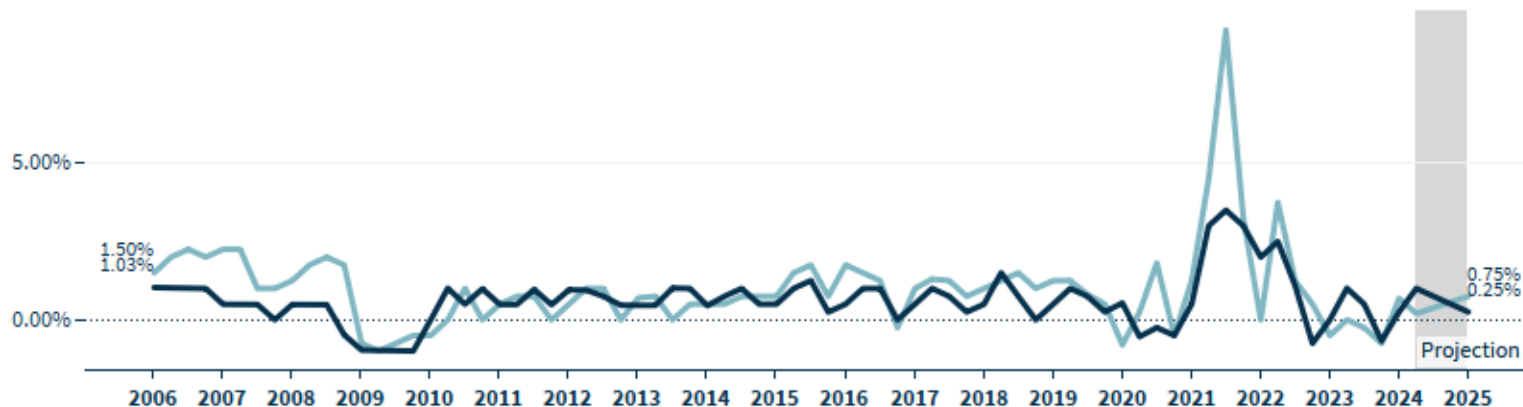


Asking Rent Growth

Tampa | National

Q2 2024 Asking Rent:

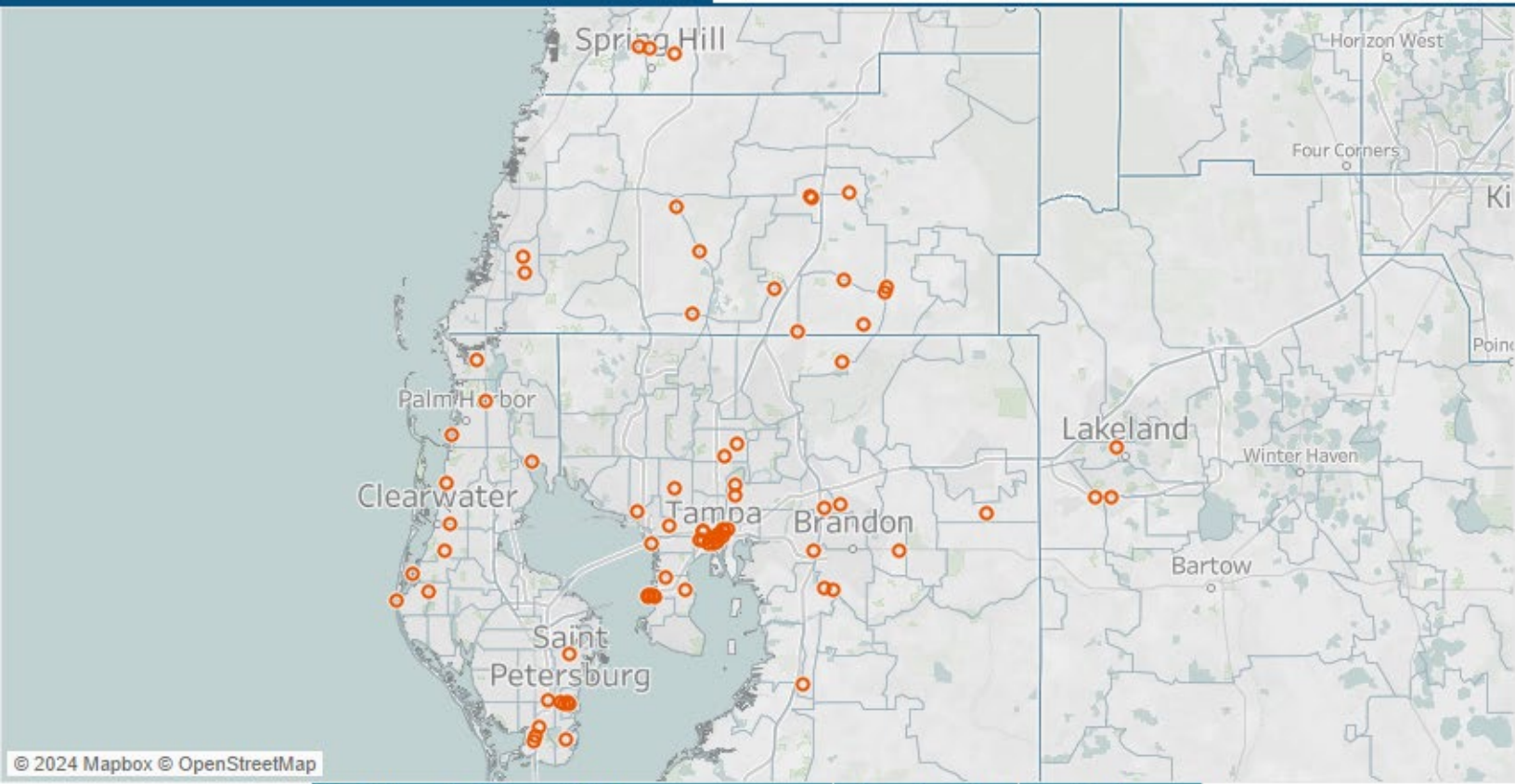
\$1,700



Source: Fannie Mae Multifamily Economics and Research



Multifamily Construction: Bidding & Underway



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MultiHousingSubmarketName	Apartments	Units
Brandon/Southeast Hillsborough County	7	1,464
Carrollwood/Citrus Park	1	234
Central Tampa	16	4,062
Clearwater	2	117
Egypt Lake/Lowry Park	4	791
Largo/Seminole	3	95
New Tampa/East Pasco County	10	2,880
North Pinellas County	5	291
North St. Petersburg	1	415
Peninsula	7	1,624
South St. Petersburg	9	1,622
Temple Terrace	3	794
Town and Country/Westchase	1	277
University	2	276
West Pasco County/Hernando County	7	1,437
Grand Total	78	16,379

Source: Dodge Data & Analytics SupplyTrack Pipeline



Multifamily: ESR Team

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Multifamily Economics and Market Research Team

John Collier, Economic and Strategic Research

Sources Used

- Moody's Economy.com
- Moody's CRE/REIS
- CoStar
- Real Capital Analytics
- RealPage
- Greenstreet
- Dodge Data and Analytics SupplyTrack Pipeline
- CBRE-Econometric Advisors
- Yardi

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