



Yardi® Matrix

MULTIFAMILY REPORT

Tampa's Curtailed Growth

Spring 2020

Rent Gains Soften Substantially

Investment Activity Decelerates

Leisure and Hospitality Sector Plunges

TAMPA MULTIFAMILY

Yardi® Matrix

COVID-19 Impact Begins to Emerge

Boosted by strong demographic and above-trend employment gains, Tampa was among the sturdiest rental markets in the U.S. when the coronavirus pandemic began to strengthen its grip on the country's economy. Slowed rent growth was among the first signs of stress. On a trailing three-month basis through April, rents advanced only 0.1%, to \$1,280.

In early 2019, employment growth in Tampa started to moderate. However, it continued to surpass the national rate, reaching 2.3% in the 12 months ending in March, 90 basis points above the U.S. figure. Leisure and hospitality was hit hardest by the COVID-19 crisis, but other sectors followed. The unemployment rate climbed to 4.3% in March— up 130 basis points from February— according to preliminary data from the U.S. Bureau of Labor Statistics. Meanwhile, construction was deemed essential during the statewide lockdown, and low traffic volumes helped large infrastructure projects move forward. The list includes the \$864 million Howard Frankland Bridge project and Tampa International Airport's \$150 million upgrade.

Roughly \$680 million in assets traded in the first four months of 2020, signaling a softening investor appetite. Deliveries also hit the brakes, with only 772 units coming online this year through April. Despite curbed economic activity, rent growth is expected to endure, as Tampa begins to reopen its economy.

Market Analysis | Spring 2020

Contacts

Jeff Adler

Vice President & General Manager of Yardi Matrix
Jeff.Adler@Yardi.com
(800) 303-615-3676

Jack Kern

Director of Research and Publications
Jack.Kern@Yardi.com
(800) 866-1124 x2444

Ron Brock, Jr.

Industry Principal, Matrix
JR.Brock@Yardi.com
(480) 663-1149 x2404

Author

Laura Calugar

Senior Associate Editor

On the cover: Photo by benkrut/iStockphoto.com

Recent Tampa Transactions

Nine15



City: Tampa, Fla.
Buyer: Blaze Partners
Purchase Price: \$120 MM
Price per Unit: \$331,492

Bainbridge at Westshore Marina



City: Tampa, Fla.
Buyer: Starlight Investments
Purchase Price: \$100 MM
Price per Unit: \$284,900

The Slade at Channelside



City: Tampa, Fla.
Buyer: UDR
Purchase Price: \$85 MM
Price per Unit: \$323,194

Dunedin Commons

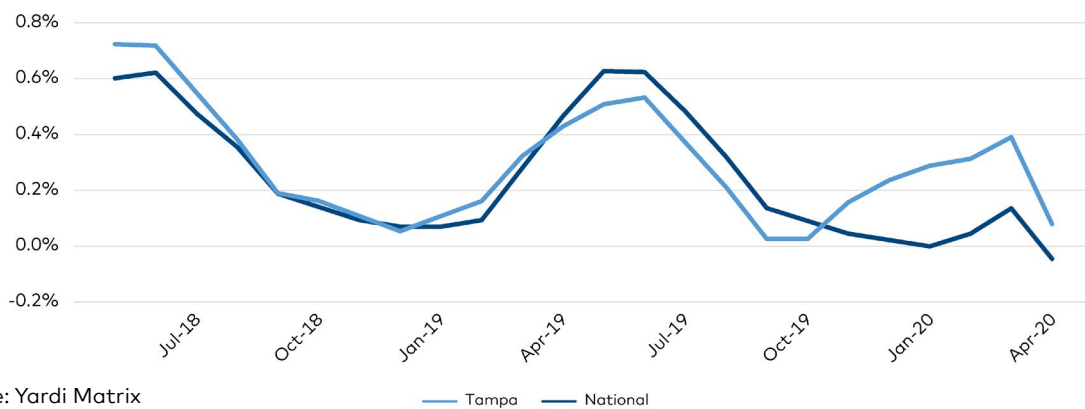


City: Dunedin, Fla.
Buyer: Westdale Real Estate Investment & Management
Purchase Price: \$63 MM
Price per Unit: \$223,214

RENT TRENDS

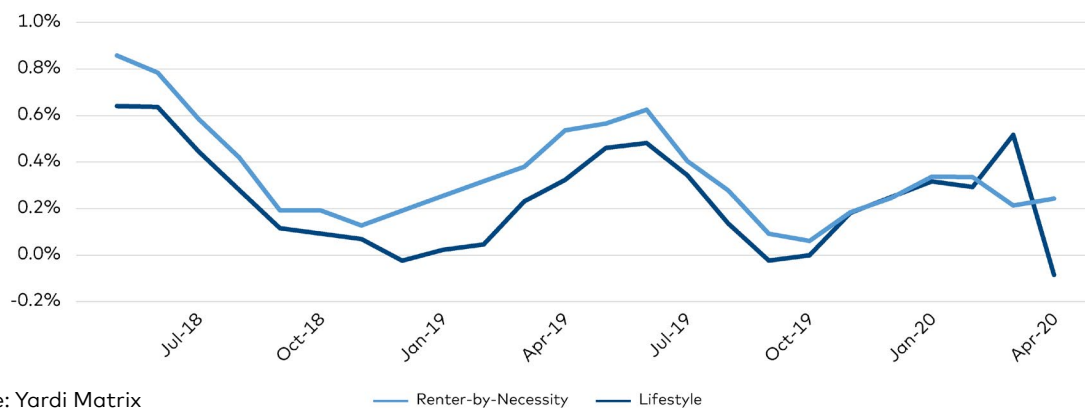
- ▶ Tampa rents rose 0.1% to \$1,280 on a trailing three-month basis through April, while the national rate remained flat. The working-class Renter-by-Necessity segment led growth, with rates up 0.2% to \$1,101, while Lifestyle rents contracted 0.1% to \$1,475.
- ▶ Hillsborough County secured \$257 million from the federal government. Part of the funds from the CARES Act grant assisted households with paying for their utilities, rents and mortgages. This has partially helped with rent collections so far, in addition to other provisions of the CARES Act, but the ongoing coronavirus outbreak is likely to continue challenging renters, particularly those working in retail or hospitality.
- ▶ Rent growth was spotty across the metro, with Largo (12.8%) leading the way year-over-year through April, followed by Rivercrest (12.3%) and Downtown St. Petersburg (8.3%). Despite these increases, core Tampa areas continued to command the highest rates. Hyde Park/Davis Islands was the only submarket where average rents surpassed the \$2,000 mark as of April.
- ▶ With the pandemic keeping the economy on hold, landlords have begun offering concessions, discounts or gift cards to lure potential renters. However, the trend might be short-lived, as the metro and the entire state begin loosening COVID-19 restrictions. Activity is due to pick up, and we expect the average rent to rise 2.6% in 2020.

Tampa vs. National Rent Growth (Trailing 3 Months)



Source: Yardi Matrix

Tampa Rent Growth by Asset Class (Trailing 3 Months)



Source: Yardi Matrix

ECONOMIC SNAPSHOT

- ▶ One-third of the metro's labor force is in at-risk sectors, with retail and tourism being the most vulnerable. Leisure and hospitality had already lost 2,700 jobs in the 12 months ending in March, with most cuts recorded after the pandemic began shuttering the economy.
- ▶ The unemployment rate in Tampa hit 4.3% in March, according to preliminary BLS data—up 130 basis points in one month. However, with Florida's total initial unemployment claims hitting the 2 million mark for the first two months of the health crisis, the figure is expected to rise significantly.
- ▶ Job growth in Tampa has been following the national deceleration pattern since the beginning of 2019, although consistently remaining above the U.S. rate. Construction was deemed essential during the statewide lockdown, and the stay-at-home order created a silver lining for several infrastructure projects. With low traffic volumes, the \$31 million Interstate 275 lane-extension project is now ahead of schedule and work at the \$864 million Howard Frankland Bridge project—which affects Hillsborough and Pinellas counties—has also accelerated. Additionally, with low passenger numbers, Tampa International Airport fast-tracked work on eight essential projects, worth roughly \$150 million.

Tampa Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
65	Education and Health Services	261	15.9%
40	Trade, Transportation and Utilities	316	19.2%
60	Professional and Business Services	283	17.2%
55	Financial Activities	137	8.3%
15	Mining, Logging and Construction	98	6.0%
30	Manufacturing	90	5.5%
90	Government	192	11.7%
80	Other Services	55	3.3%
50	Information	27	1.6%
70	Leisure and Hospitality	188	11.4%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ In 2018, Tampa gained 51,438 residents, a 1.7% uptick and well above the 0.6% national average.
- ▶ By 2024, Hillsborough County's population is projected to grow by 8.7%, more than the Tampa MSA (6.8%), according to the Tampa Bay Economic Development Council.

Tampa vs. National Population

	2015	2016	2017	2018
National	320,742,673	323,071,342	325,147,121	327,167,434
Tampa Metro	2,969,251	3,034,215	3,091,225	3,142,663

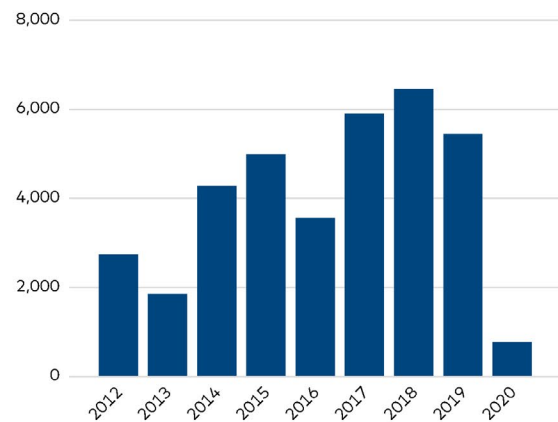
Sources: U.S. Census, Moody's Analytics

SUPPLY

- ▶ Developers had 11,512 units under construction as of April, with the bulk of those catering to the Lifestyle segment. Almost 40% of the projects underway are slated to be delivered by the end of this year, but coronavirus-induced supply chain disruptions and social distancing guidelines are likely to generate delays.
- ▶ Over the first four months of 2020, only 772 units came online in Tampa. This follows three of the strongest years for deliveries this cycle, with a total of 17,834 apartments added to the stock. Developers are under a lot of pressure to balance supply and demand, considering the pandemic has swelled unemployment across the state and temporarily paused the economy.
- ▶ Despite the stay-at-home orders due to COVID-19, construction in Tampa continues, with workers urged to follow stricter safety guidelines. To ensure best practices were put in place, 20 nurse inspectors did spot checks at 52 of the largest construction sites in the Tampa Bay area.
- ▶ Submarkets near large employment hubs and those in urban core areas continue to dominate the pipeline. Davenport/Haines City had 1,245 units under construction as of April,

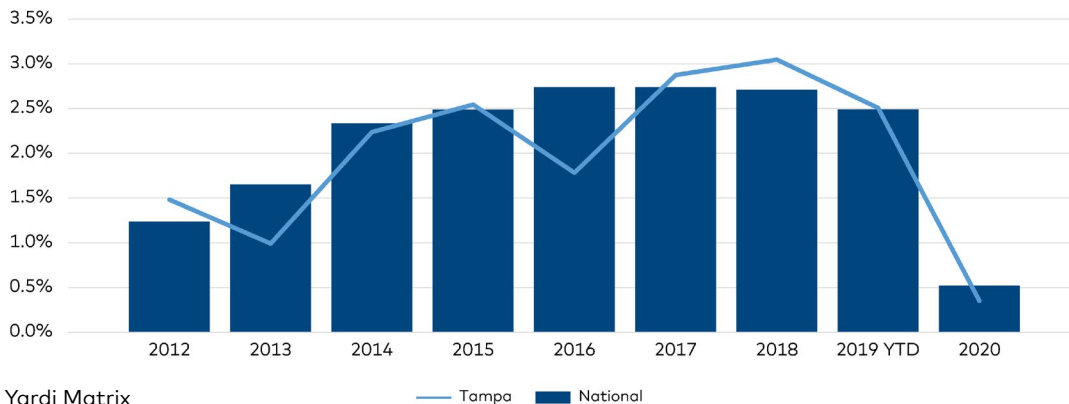
followed by Gandy/Ballast Point with 1,225 units and Downtown Tampa/Ybor City with 1,126 apartments. The largest project underway is Cortland's 589-unit Cortland Westshore, which broke ground in 2018, after Deutsche Bank provided the developer with a \$69 million construction loan.

Tampa Completions (as of April 2020)



Source: Yardi Matrix

Tampa vs. National Completions as a Percentage of Total Stock (as of April 2020)



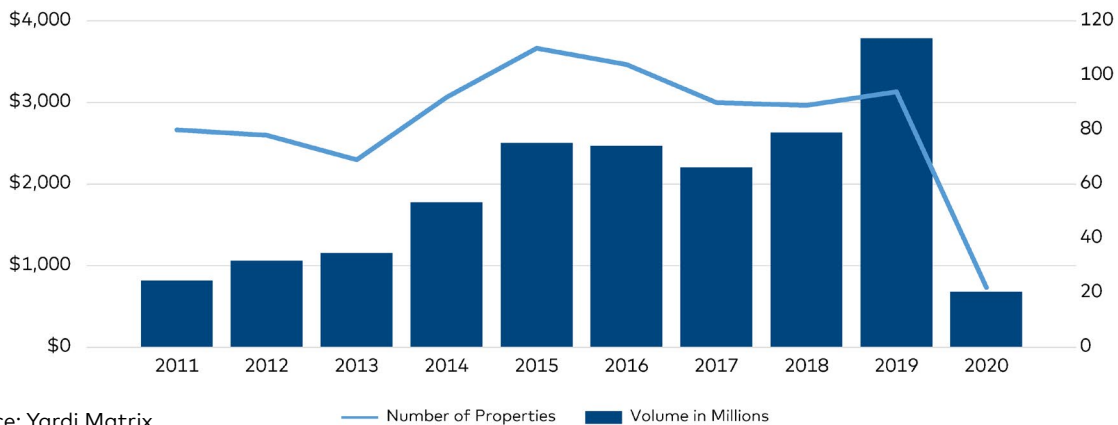
Source: Yardi Matrix

TRANSACTIONS

- ▶ Tampa's multifamily transactions volume reached \$681 million in the first four months of 2020, a steep slowdown following last year's \$3.8 billion cycle peak. Through April, the average price per unit was \$175,683, some 8% above the national figure. Investor interest was split between asset classes, with a slight preference for Renter-by-Necessity product.
- ▶ Urban core submarkets Hyde Park/Davis Island (\$367 million) and Downtown Tampa/Ybor City

(\$243 million) accounted for almost 20% of the total investment volume in the 12 months ending in April. LivCor, Providence Real Estate and Starlight Investments were among the most active buyers, with each spending more than \$160 million on multifamily assets across the Tampa MSA. With the economy still firmly in the grip of the coronavirus pandemic, activity is likely to dampen for the short term, as many investors continue to act with caution due to the unpredictability of the health crisis.

Tampa Sales Volume and Number of Properties Sold (as of April 2020)



Source: Yardi Matrix

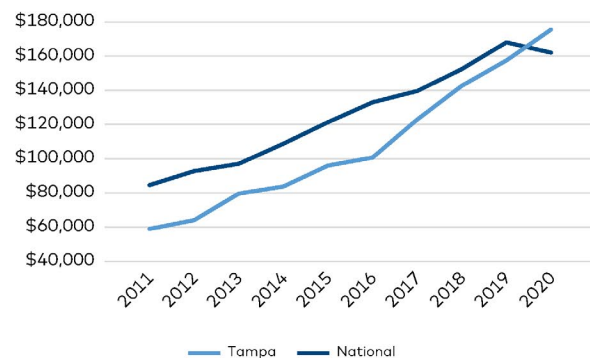
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Hyde Park/Davis Islands	367
Downtown Tampa/Ybor City	243
Mainlands	238
Rocky Creek	205
Lakeland Highlands	186
Egypt Lake	168
Carrollwood Village	165

Source: Yardi Matrix

¹ From May 2019 to April 2020

Tampa vs. National Sales Price per Unit



Source: Yardi Matrix

TOP 5 FLORIDA MARKETS FOR TRANSACTION ACTIVITY



By Razvan Cimpean

data by
Yardi® Matrix

Florida's multifamily sector has expanded significantly over the past decade, as a result of healthy demographic trends and a business-friendly climate. Immigration played a large role in the state's growth, with some 2.5 million residents coming from Latin America. The coronavirus outbreak forced states around the country to adapt to a new reality, with nonessential businesses closed, as well as travel restrictions. The latter will heavily impact Florida, which could result in negative consequences for the multifamily market as well.

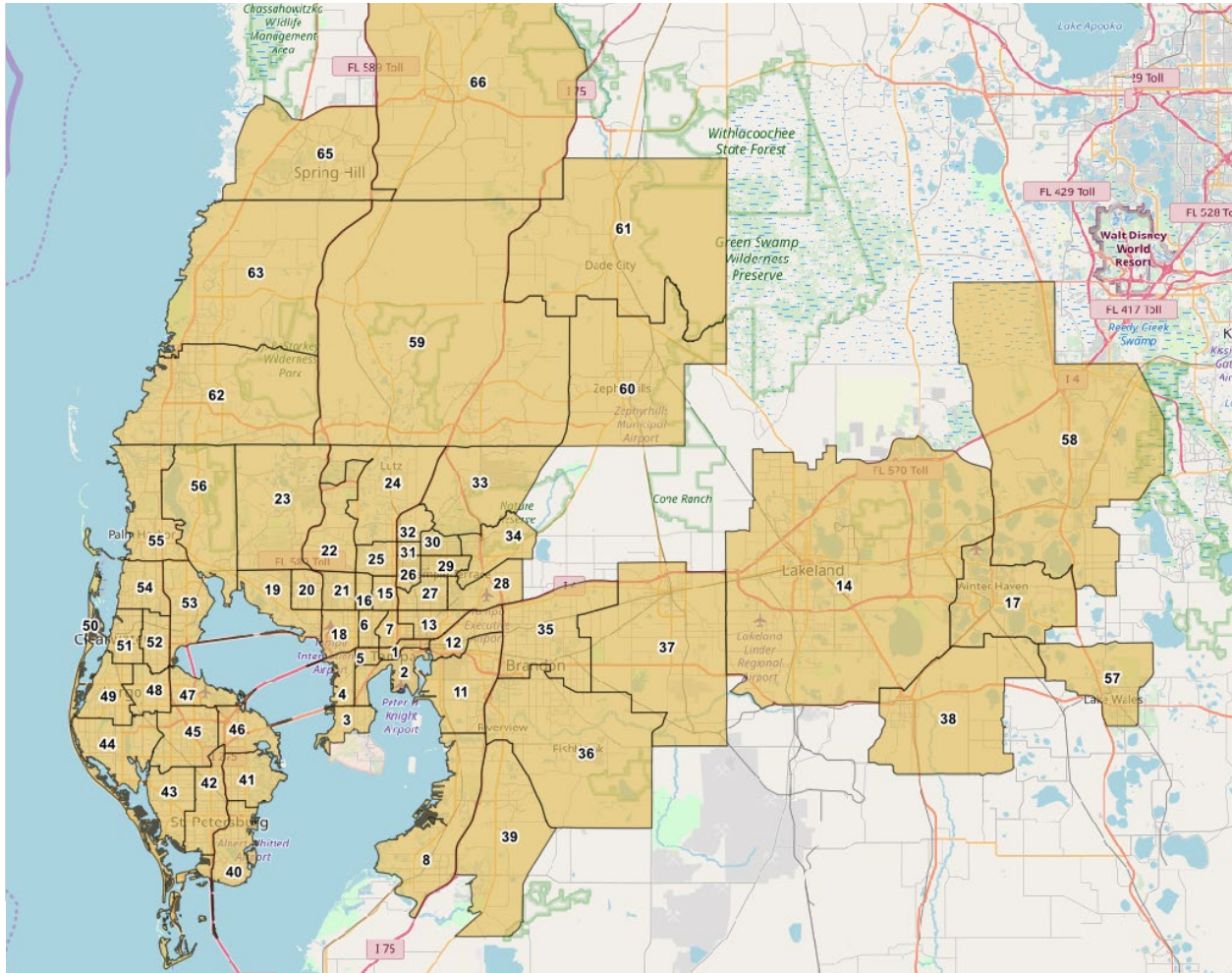
Rank	Metro	Properties Sold	Transaction Volume (MM)	Units Sold
1	Orlando	21	\$994.0	6,664
2	Tampa - St. Petersburg - Clearwater	22	\$681.5	5,005
3	Jacksonville	11	\$348.5	2,443
4	Miami	7	\$297.2	1,580
5	Southwest Florida Coast	8	\$265.0	1,710

Tampa-St. Petersburg-Clearwater

Job growth in the metro was high across several sectors before the pandemic, with economic development yielding improvement for the rental sector as well. It's expected that the COVID-19 crisis will heavily impact these dynamics, but development activity in the metro has not been halted as a result of the coronavirus outbreak, with almost 50 communities underway, totaling more than 11,000 apartments. However, as opposed to the previous metros, investment declined in Tampa–St. Petersburg–Clearwater over the first four months. Investors closed 22 deals for a total of \$682 million.



TAMPA SUBMARKETS



Area No.	Submarket
1	Downtown Tampa/Ybor City
2	Hyde Park/Davis Island
3	Gandy/Ballast Point
4	Sunset Park/Bayside
5	Oakford Park
6	Wellswood
7	Tampa Heights
8	Ruskin
11	Clair-Mel City
12	Orient Park
13	Highland Pines
14	Lakeland Highlands
15	Rivercrest
16	Egypt Lake
17	Winter Haven
18	Garver City
19	Rocky Creek
20	Town 'n' Country
21	Mullis City
22	Carrollwood Village
23	Westchase

Area No.	Submarket
24	Lake Magdalene
25	Forest Hills
26	Sulphur Springs
27	Del Rio/College Hill
28	Harney
29	Temple Terrace
30	University of South Florida
31	University Square
32	Livingston
33	Tampa Palms/Pebble Creek
34	Thonotosassa
35	Brandon/Seffner
36	Riverview/Valrico
37	Plant City
38	Bartow
39	Sun City Center
40	Downtown St. Petersburg
41	Upper St. Petersburg
42	Gulfport/Lealman
43	St. Pete Beach/Pasadena
44	Seminole/Indian Shores

Area No.	Submarket
45	Pinellas Park
46	Mainlands
47	Feather Sound/High Point
48	Largo
49	Belleair
50	Clearwater Beach
51	Clearwater
52	Coachman
53	Safety Harbor
54	Dunedin
55	Palm Harbor/Tarpon Springs
56	Oldsmar
57	Lake Wales
58	Davenport/Haines City
59	Land O'Lakes/Odessa
60	Zephyr Hills
61	Dade City
62	New Port Richey
63	Port Richey
65	Spring Hill
66	Brooksville

DEFINITIONS

Lifestyle households (renters by choice) have wealth sufficient to own but have chosen to rent. Discretionary households, most typically a retired couple or single professional, have chosen the flexibility associated with renting over the obligations of ownership.

Renter-by-Necessity households span a range. In descending order, household types can be:

- *A young-professional, double-income-no-kids household with substantial income but without wealth needed to acquire a home or condominium;*
- *Students, who also may span a range of income capability, extending from affluent to barely getting by;*
- *Lower-middle-income ("gray-collar") households, composed of office workers, policemen, firemen, technical workers, teachers, etc.;*
- *Blue-collar households, which may barely meet rent demands each month and likely pay a disproportionate share of their income toward rent;*
- *Subsidized households, which pay a percentage of household income in rent, with the balance of rent paid through a governmental agency subsidy. Subsidized households, while typically low income, may extend to middle-income households in some high-cost markets, such as New York City;*
- *Military households, subject to frequency of relocation.*

These differences can weigh heavily in determining a property's ability to attract specific renter market segments. The five-star resort serves a very different market than the down-and-outer motel. Apartments are distinguished similarly, but distinctions are often not clearly definitive without investigation. The Yardi® Matrix Context rating eliminates that requirement, designating property market positions as:

Market Position	Improvements Ratings
Discretionary	A+ / A
High Mid-Range	A- / B+
Low Mid-Range	B / B-
Workforce	C+ / C / C- / D

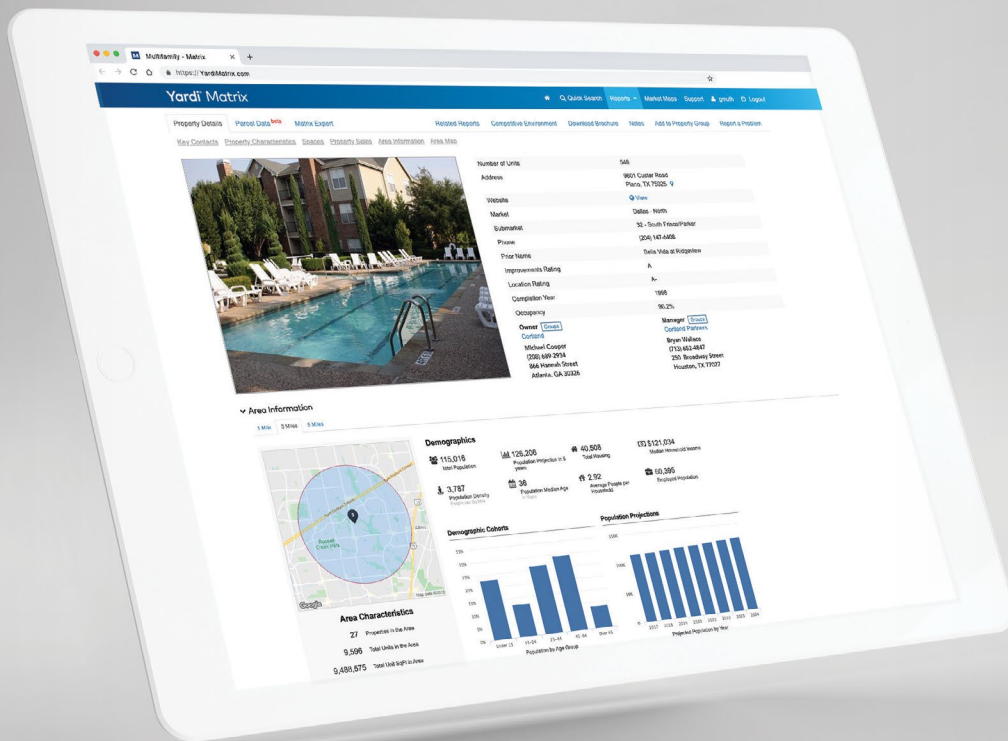
The value in application of the Yardi® Matrix Context rating is that standardized data provides consistency; information is more meaningful because there is less uncertainty. The user can move faster and more efficiently, with more accurate end results.

The Yardi® Matrix Context rating is not intended as a final word concerning a property's status—either improvements or location. Rather, the result provides reasonable consistency for comparing one property with another through reference to a consistently applied standard.

To learn more about Yardi® Matrix and subscribing, please visit www.yardimatrix.com or call Ron Brock, Jr., at 480-663-1149 x2404.

🔍 How do you | find properties to buy or develop?

Invest confidently using the industry's most comprehensive market intelligence service. Only Yardi Matrix continuously updates and verifies critical data for 17 million+ units within more than 90,000 multifamily properties in 133 U.S. metros that encompass 90% of the population.



(800) 866-1144
YardiMatrix.com

DISCLAIMER

Although every effort is made to ensure the accuracy, timeliness and completeness of the information provided in this publication, the information is provided "AS IS" and Yardi Matrix does not guarantee, warrant, represent or undertake that the information provided is correct, accurate, current or complete. Yardi Matrix is not liable for any loss, claim, or demand arising directly or indirectly from any use or reliance upon the information contained herein.

COPYRIGHT NOTICE

This document, publication and/or presentation (collectively, "document") is protected by copyright, trademark and other intellectual property laws. Use of this document is subject to the terms and conditions of Yardi Systems, Inc. dba Yardi Matrix's Terms of Use (<http://www.yardimatrix.com/Terms>) or other agreement including, but not limited to, restrictions on its use, copying, disclosure, distribution and decompilation. No part of this document may be disclosed or reproduced in any form by any means without the prior written authorization of Yardi Systems, Inc. This document may contain proprietary information about software and service processes, algorithms, and data models which is confidential and constitutes trade secrets. This document is intended for utilization solely in connection with Yardi Matrix publications and for no other purpose.

Yardi®, Yardi Systems, Inc., the Yardi Logo, Yardi Matrix, and the names of Yardi products and services are trademarks or registered trademarks of Yardi Systems, Inc. in the United States and may be protected as trademarks in other countries. All other product, service, or company names mentioned in this document are claimed as trademarks and trade names by their respective companies.

© 2020 Yardi Systems, Inc. All Rights Reserved.