Yardi Matrix

MULTIFAMILY REPORT

Tampa Gives It Time

Summer 2020

Deliveries Slow, but Construction Endures

Lifestyle Rent Gains Outperform RBN Levels

Jobless Rate Improves, Stays Below Nation

TAMPA MULTIFAMILY

Yardi Matrix

Shifting State of Play Offsets Recovery Goals

What was expected to be a record-breaking year for Florida's tourism sector has been derailed by the pandemic-propelled economic dislocation, and metro Tampa's tourism-reliant economy has also felt the shock. However, multifamily market fundamentals have been less impacted, as the metro continues to draw residents from the Northeast, where renters are used to high rental prices. Tampa rents were up 0.2% to $1,291 on a trailing three-month basis as of August, below the $1,463 U.S. figure.

According to Visit Florida, some 2.7 million overseas tourists visited Florida in the second quarter of 2019, with the number shrinking to 235,000 during the same period in 2020. While summer months indicated a slight rebound in hotel stays and air travel, the Hillsborough County Aviation Authority anticipated a $75 million drop in revenue projections for the fiscal year ending in September. Organizers are moving forward with plans for Super Bowl LV, scheduled for February 2021. Arguably the largest live event in the U.S., the Super Bowl equals a major economic boost for the area.

Year-to-date through August, developers added 2,218 units to inventory and some 12,700 apartments were underway, as construction was deemed an essential service during shelter-in-place orders. Sales volume in 2020 amounted to more than $1 billion through August, less than half of last year's figure for the same interval.

Market Analysis | Summer 2020

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Recent Tampa Transactions

Veranda at Westchase

City: Tampa, Fla.
Buyer: Bridge Investment Group
Purchase Price: $70 MM
Price per Unit: $180,641

930 Central Flats

City: St. Petersburg, Fla.
Buyer: White Oak Partners
Purchase Price: $64 MM
Price per Unit: $293,578

Anthem Clearwater

City: Clearwater, Fla.
Buyer: Ashcroft Capital
Purchase Price: $56 MM
Price per Unit: $134,014

The Ava

City: Tampa, Fla.
Buyer: TLR Group
Purchase Price: $43 MM
Price per Unit: $115,000

RENT TRENDS

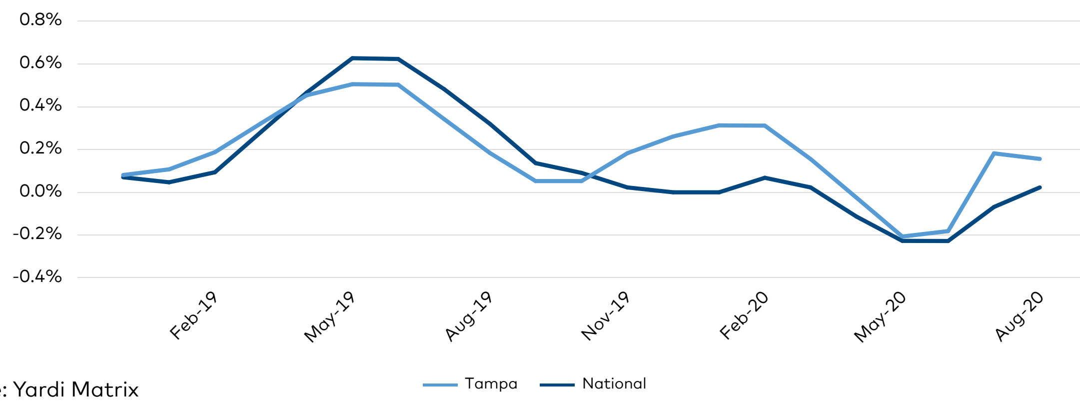
- Metro Tampa rents were up 0.2% on a trailing three-month basis as of August, while the national average stayed flat following a four-month slide. The metro's average rate stood at $1,291, below the $1,463 U.S. figure.

- Rent growth was uneven across the quality spectrum—Tampa is one of the 12 U.S. markets where Lifestyle gains outperformed Renter-by-Necessity rates. Lifestyle prices were up by 0.4% to $1,500 as of August, while RBN rates slid 0.2% to $1,094.

- Florida received $240 million in federal rent and mortgage relief funds—$120 million was allocated to families living in affordable housing, with the rest designated to rental and homeowner assistance programs. At the regional level, Hillsborough County received some $257 million from the federal coronavirus stimulus package, and earmarked at least $15 million for utility, rent and mortgage assistance. Pinellas County also obtained about $170 million, some of which was reserved for rental and housing assistance. Florida's eviction moratorium was extended to Oct. 1, while the Centers for Disease Control and Prevention ordered a nationwide halt on evictions through the end of 2020.

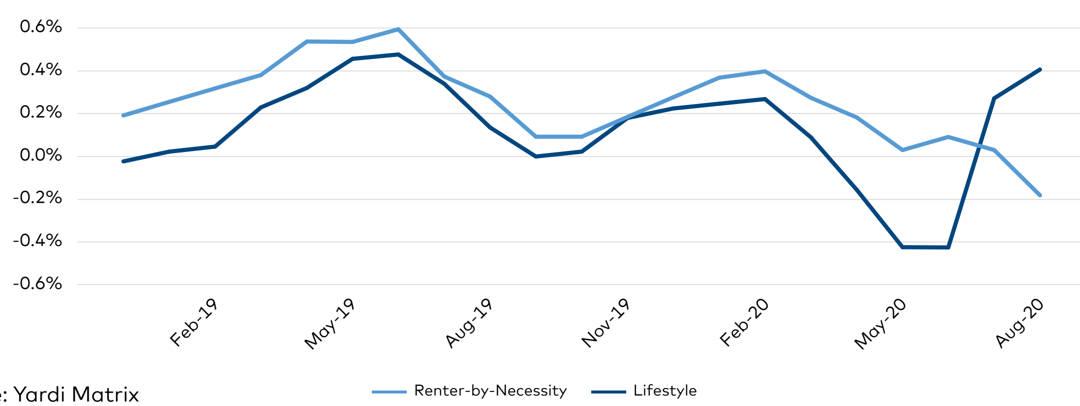
- Tampa Heights (22.3% to $1,425), Downtown St. Petersburg (8.6% to $$1,441) and Seminole/Indian Shores (8.3% to $1,312) led rent growth in the 12 months ending in August. Rents in Downtown Tampa/Ybor City—the priciest submarket—rose 3.3% to $1,949.

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

- As of July, the unemployment rate was 11.3% in Florida and 10.1% in metro Tampa, 10 basis points below the U.S. figure. While unemployment in the metro peaked at 13.2% in April, gradual efforts to reopen the economy—which brought the unemployment rate to 9.0% in June—were offset by a spike in new coronavirus cases. Compared to other Florida markets, Tampa's July jobless rate was still below the levels in Miami (13.2%) and Orlando (15.3%).

- Year-over-year employment growth in metro Tampa took a negative turn in May (-1.3%), and further declined in June (-2.4%). Tampa lost 72,800 jobs, with leisure and hospitality bearing the brunt of the economic fallout (-30,300 positions, down by 16.3%). However, job gains occurred in construction, manufacturing and government—the sectors added a combined 3,800 positions.

- According to a Destinations Florida study, tourism revenue fell statewide by 82% year-over-year in April, which is considered a peak seasonal month for Florida's tourism industry. Leaving room for cautious optimism, the report showed losses lessened to -45% in June. According to Visit Tampa Bay, hotel occupancy in the metro improved from 23.3% in April to approximately 40% in June.

Tampa Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
15	Mining, Logging and Construction	98	6.4%
30	Manufacturing	88	5.7%
90	Government	176	11.5%
55	Financial Activities	134	8.7%
50	Information	26	1.7%
80	Other Services	51	3.3%
65	Education and Health Services	242	15.8%
40	Trade, Transportation and Utilities	299	19.5%
60	Professional and Business Services	263	17.2%
70	Leisure and Hospitality	156	10.2%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Tampa added 282,000 residents between 2014 and 2019—a 9.7% uptick, well above the 3.1% national average.

- Tampa's population is projected to reach 3.9 million in 2040, for a 25.3% increase compared to 2020 forecasts, according to the Tampa Hillsborough Economic Development Corp.

Tampa vs. National Population

	2016	2017	2018	2019
National	323,071,342	325,147,121	327,167,434	328,239,523
Tampa Metro	3,034,215	3,091,225	3,142,663	3,194,831

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

SUPPLY

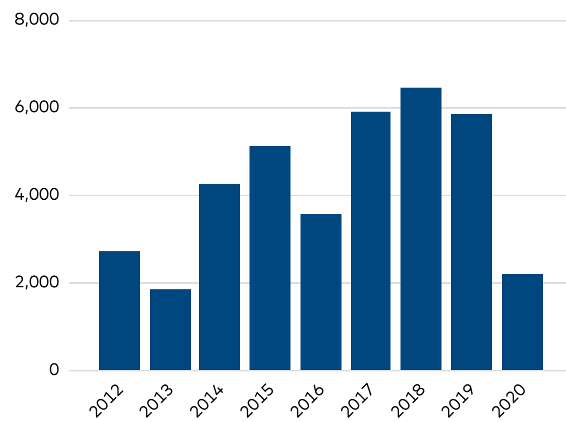
- Tampa had 12,718 units under construction as of August, with more than 80% of those aimed at high-income renters. The bulk of underway units (74%) is scheduled for delivery over the next two years. Due to steady delivery trends before pandemic-driven delays hit, only some 2,900 units are slated for completion by year-end. Supply chain disruptions, material costs and labor shortages are also expected to impact units in the planning and permitting stages (a combined 37,000).

- Developers added 2,218 units to inventory year-to-date through August, equal to 1.0% of total stock and 30 basis points below the U.S. figure. More than 86% of new deliveries year-to-date were in the Lifestyle segment. Despite the coronavirus-propelled slowdown, this year's completions were still 20% above the decade's cycle low of 2013, when only 1,856 units came online.

- Construction was deemed essential during Florida's safer-at-home order, allowing projects to press on. While certain COVID-19-related setbacks occurred, 2020's construction starts (4,488 units) were still 10% above last year's figure. Since 2014, developers have added an average of 5,200 units per year to Tampa's rental stock—a steady rate of deliveries.

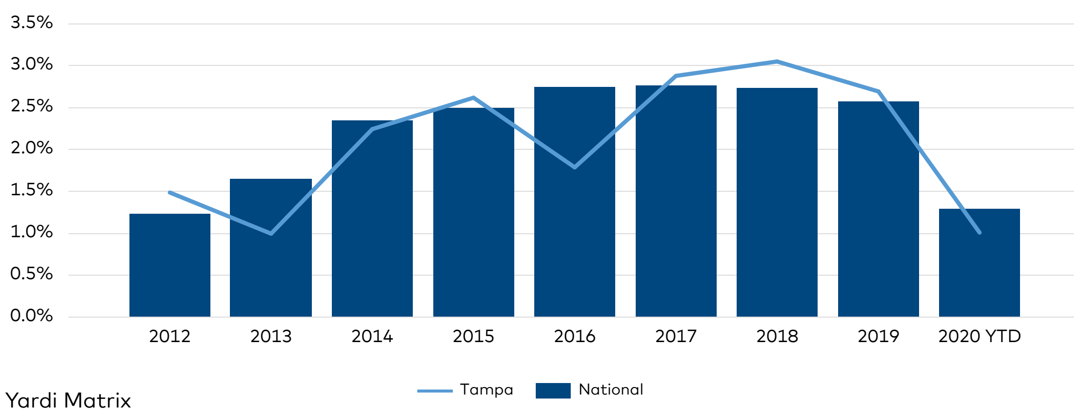
- As of August, Hyde Park/Davis Island led development activity, with 1,319 units underway. Downtown Tampa/Ybor City (1,318) and Gandy/Ballast Point (1,033) rounded out the top three. The 598-unit Cortland Westshore was the metro's largest community under construction.

Tampa Completions (as of August 2020)



Source: Yardi Matrix

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

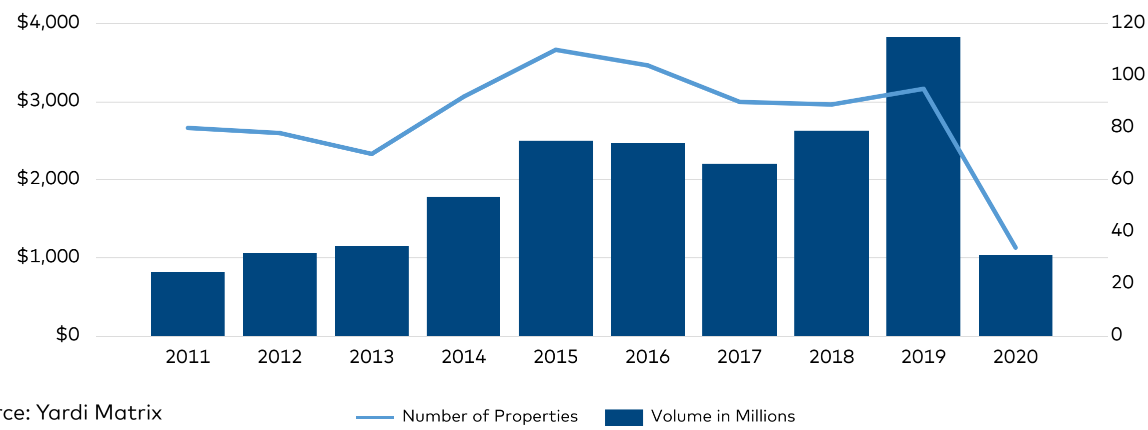


Source: Yardi Matrix

TRANSACTIONS

- More than $1 billion in assets traded in 2020 through August, at an average per-unit price of $158,714, below the $164,458 U.S. figure. The volume was half that of the same period in 2019, when transactions hit $2.4 billion. Some 8,067 units traded year-to-date, a 50% drop compared to 2019, when 16,137 units sold.
- In the first quarter of 2020, investors targeted the two quality segments almost equally—51% for Lifestyle and 49% for RBN assets. That balance was slightly disrupted in the second quarter, as COVID-19 moved the needle in favor of the Renter-by-Necessity segment: 53% of units sold between April and June catered to RBN renters. That dynamic fully shifted over the summer—86% of units sold in July and August were in RBN communities with value-add potential.
- Bridge Investment Group's $70.5 million acquisition of the 390-unit Veranda at Westchase in Tampa marked the largest deal of the summer.

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



Source: Yardi Matrix

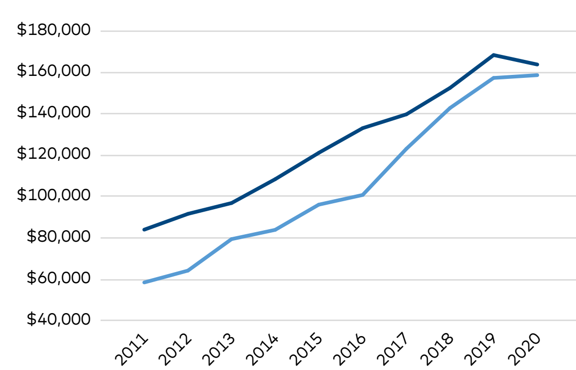
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Hyde Park/Davis Island	320
Downtown Tampa/Ybor City	243
Egypt Lake	184
Mainlands	165
Rocky Creek	164
Lakeland Highlands	142
Gandy/Ballast Point	108

Source: Yardi Matrix

[1] From September 2019 to August 2020

Tampa vs. National Sales Price per Unit



Source: Yardi Matrix

Brought to you by: MULTI-HOUSING NEWS

What Trends Should Florida Investors Keep Tabs On?

By Laura Calugar

Integra Investments Principal Victor Ballestas talks about what he's seeing in the state's real estate market six months into the crisis and why he expects a quick rebound across several markets, despite short-term uncertainties brought on by the coronavirus outbreak.

How is the Florida multifamily market navigating the pandemic?

The multifamily market is weathering the pandemic better than most. Vacancies remain low and collections were only a challenge for a few months. Low interest rates and the net migration to Florida contribute to the stability of the product.

The pandemic's circumstances have created homebuyers and strengthened the suburban market, as residents look for outdoor space, especially as more people spend time working and learning from home. Thus, dense urban markets are being affected as individuals relocate away from the urban core. However, I expect a wave back to urban markets will happen again, but it will likely take a few years.

New York and New Jersey have seen residents moving to Florida, Texas and other Sun Belt states since the onset of the pandemic. Tell us about this pattern.

With roughly 1,000 Americans flocking daily from high-tax northern cities to South Florida, new contracts for single-family homes and condominiums have doubled, and continue to rise in five south and central West Coast counties. Experts forecast the supply of multifamily housing units will not outpace the underlying demand, thus requiring added product to meet ongoing needs.

What trends in multifamily should Florida real estate players keep an eye on going forward?

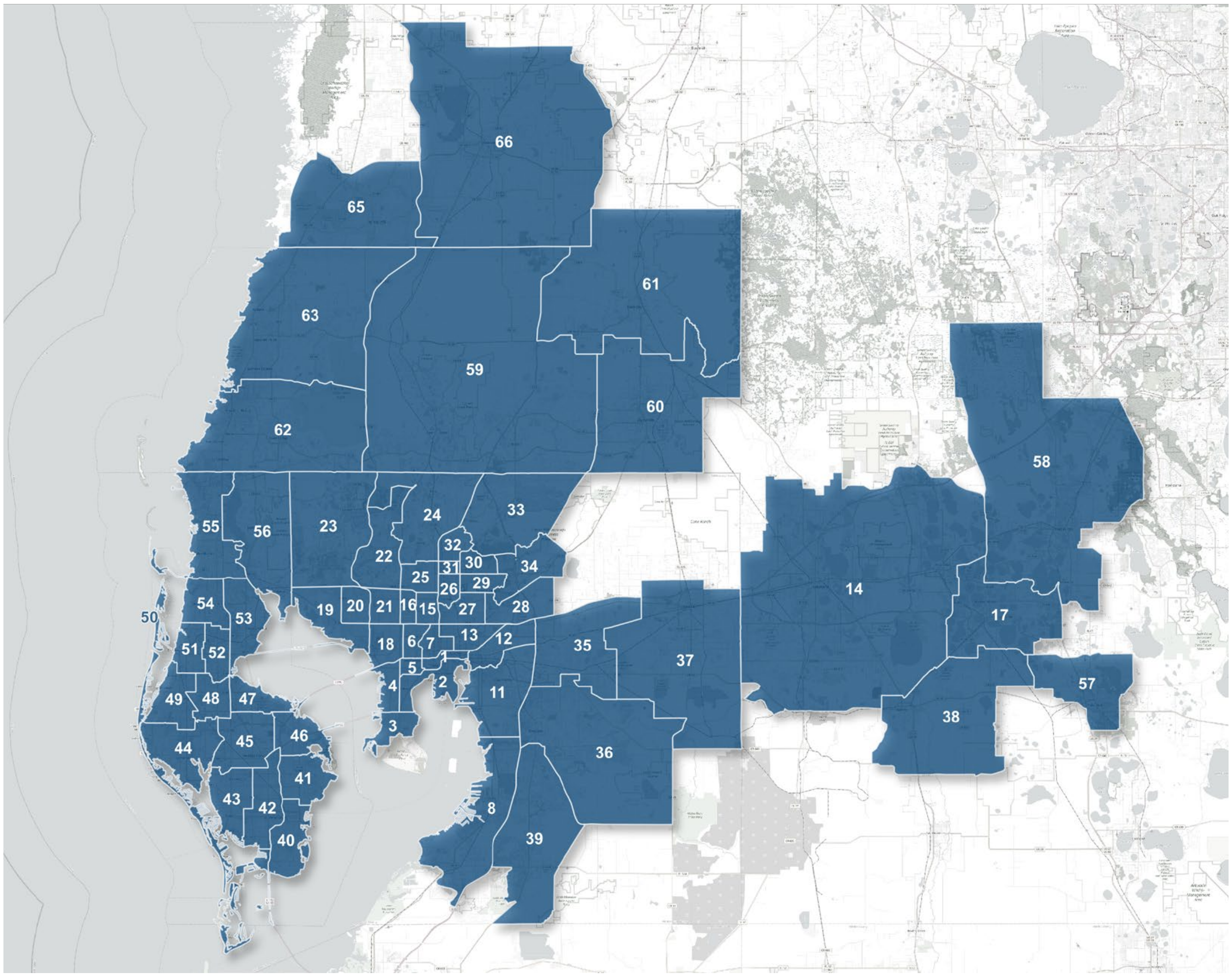
From now on, developers and users will place increased value on live-work-play environments, with added emphasis on suburban housing products with high walkability scores to parks and outdoor amenities. Considering the shift in remote work, internet speed and accessibility to different residential areas will become the most-valued amenities. With this in mind, our firm is incorporating dens and home offices in more units in our new multifamily developments.

What are your predictions for Florida's multifamily market?

The general outlook for real estate in 2020 at the start of the first quarter was positively supported by asset classes positioned for stability based on strong market fundamentals, steady rent growth and low interest rates. With a continued positive migration and increased desire to relocate to and live in Florida, I predict multifamily will continue to be a predominant asset class.

(Read the complete interview on multihousingnews.com.)

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 August 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 August 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, August 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.

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