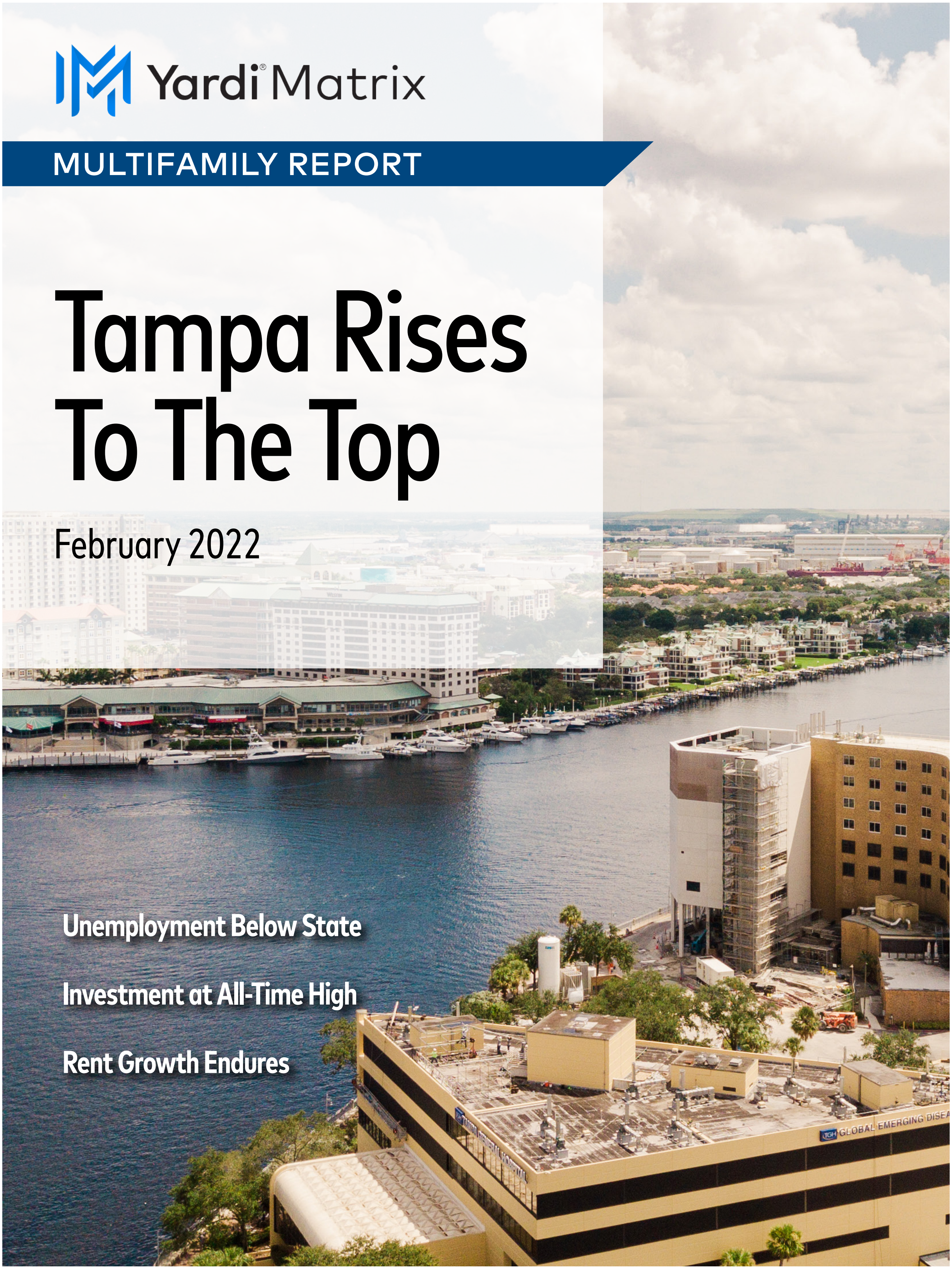
Yardi Matrix

MULTIFAMILY REPORT

Tampa Rises To The Top

February 2022



Unemployment Below State

Investment at All-Time High

Rent Growth Endures

TAMPA MULTIFAMILY

Yardi Matrix

Tampa Bay Catches Lightning in a Bottle

Tampa's multifamily market performed strongly across metrics in 2021, with new highs for transactions, occupancy and rents. With an influx of talent and residents in search of more affordable housing and looser restrictions, Tampa Bay is growing at a strong clip. As a result of demand boosts, the average rent reached $1,676, on the back of 1.0% growth on a trailing three-month basis.

Similar to most major Florida metros, Tampa has seen its job market swell as the recovery continued. The metro added 83,700 jobs in the 12 months ending in October, as only the public sector saw job losses during the interval. Tampa's economy is faring even better than the state of Florida's. The metro's unemployment rate stood at 3.9%, 60 basis points below the state. A number of infrastructure projects are underway across Tampa, with the extension of the streetcar, the new Howard Frankland Bridge and a new master plan at the Tampa International Airport promising to establish conditions for further economic development.

Metro Tampa saw a surge in apartment transactions in 2021, to a new decade high of $4.6 billion, $2 billion higher than in 2020. Development has been elevated in the metro since 2017. Since then, developers added more than 31,000 units, but the average occupancy rate actually improved, up 130 basis points year-over-year, to 96.9%.

Market Analysis | February 2022

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Recent Tampa Transactions

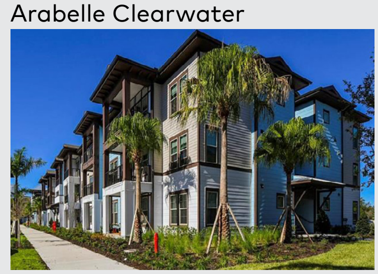
Channel Club

City: Tampa, Fla.
Buyer: Snell Properties
Purchase Price: $136 MM
Price per Unit: $419,753

Elements on Third

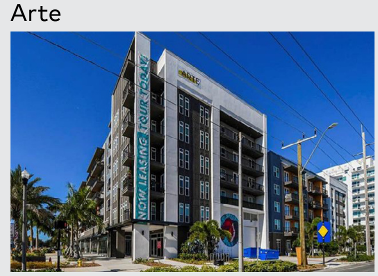
City: St. Petersburg, Fla.
Buyer: Lurin Capital
Purchase Price: $126 MM
Price per Unit: $412,829

Arabelle Clearwater



City: Clearwater, Fla.
Buyer: Black Creek Group
Purchase Price: $116 MM
Price per Unit: $370,223

Arte



City: St. Petersburg, Fla.
Buyer: Avanti Residential
Purchase Price: $92 MM
Price per Unit: $375,407

RENT TRENDS

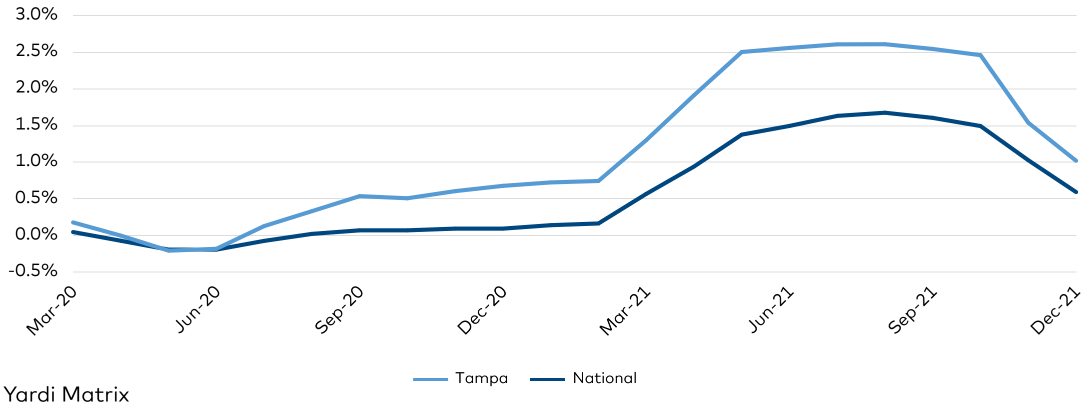
- Rents in Tampa rose 1.0% on a trailing three-month basis as of December, 40 basis points higher than the national rate of improvement. The metro's overall average rent reached $1,676, significantly outpacing the U.S. figure, after years of falling well under the standard.

- Continued rent improvement was boosted by heavy in-migration, as more than 150,000 residents were added between 2017 and 2020. The pandemic has exacerbated that trend, as many flocked to states such as Florida and Texas in search of more affordable housing than what major coastal markets had to offer, as well as more lenient policies when it comes to implementing restrictions. As a result, the market's average occupancy rate in stabilized properties reached 96.9% as of November, up 130 basis points year-over-year.

- Rent improvement was driven by the Lifestyle segment for the bulk of 2021, but more muted performance toward the end of the year meant that working-class Renter-by-Necessity assets saw a stronger finish, at 1.3% on a T3 basis as of December. That's 50 basis points higher than the upscale segment.

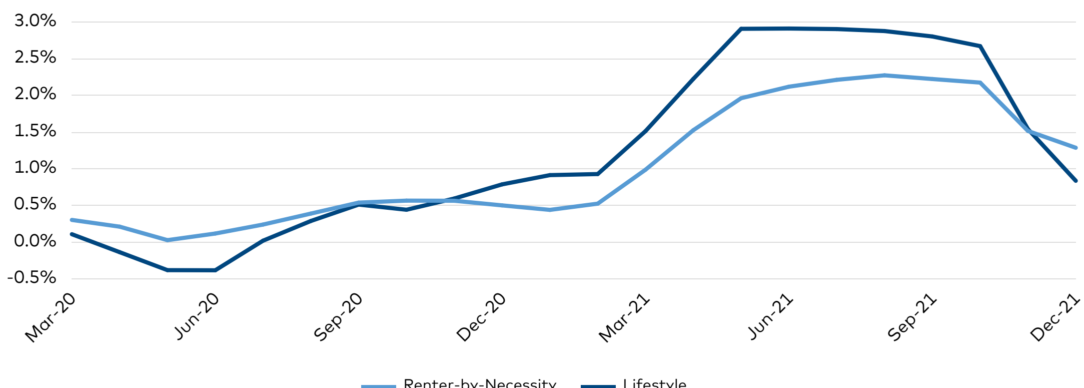
- Growth was strong across metro Tampa, but some submarkets recorded particularly sharp increases on a year-over-year basis: Carrollwood (37.1%), Town 'n' Country (32.3%), Citrus Park (32.3%), Palm Harbor (32.1%) and Tampa-South Tampa (32.1%).

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

- Tampa's unemployment rate was 3.9% in November 2021, according to Bureau of Labor Statistics data. That's 60 basis points below Florida's rate, which stood at 4.5%. The state has been less impacted than most, due to more limited restrictions throughout the pandemic.

- Tampa's employment market continued to recover in 2021, with some sectors adding jobs at a very quick rate, leading improvement to 5.6% and 83,700 jobs as of October 2021.

- Professional and business services and leisure and hospitality added 24,300 jobs each through the interval. Tourism is quickly rebounding in Florida due to lower restrictions, while the market's tech sector continued seeing improvement with relocations and expansions. The only sector to contract was the public sector, which lost 4,500 jobs.

- Pfizer and CodeBoxx are just some of the companies undergoing expansions in the metro, as the health-care and software sectors are growing in Tampa. The metro also has several infrastructure projects underway, including the streetcar expansion plan and the new Howard Frankland Bridge, while the Tampa International Airport is nearing a new master plan.

Tampa Employment Share by Sector

		Current Employment	
Code	Employment Sector	(000)	% Share
60	Professional and Business Services	307	18.4%
70	Leisure and Hospitality	178	10.6%
40	Trade, Transportation and Utilities	331	19.8%
65	Education and Health Services	257	15.4%
80	Other Services	58	3.5%
55	Financial Activities	144	8.6%
15	Mining, Logging and Construction	103	6.2%
50	Information	28	1.7%
30	Manufacturing	86	5.1%
90	Government	181	10.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- Tampa's population has grown rapidly and consistently throughout the past few years, having added more than 150,000 residents between 2017 and 2020.

- Looser restrictions and wider affordability have pushed migration to Florida during the pandemic.

Tampa vs. National Population

	2017	2018	2019	2020
National	325,147,121	327,167,434	328,239,523	329,484,123
Tampa Metro	3,091,225	3,142,663	3,194,831	3,243,963

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

SUPPLY

- Tampa's multifamily inventory grew by 6,435 units in 2021, as the market continued a solid streak in development. The metro has added more than 6,000 units each year since 2017, having consistently outpaced the national rate of apartment development throughout the interval.

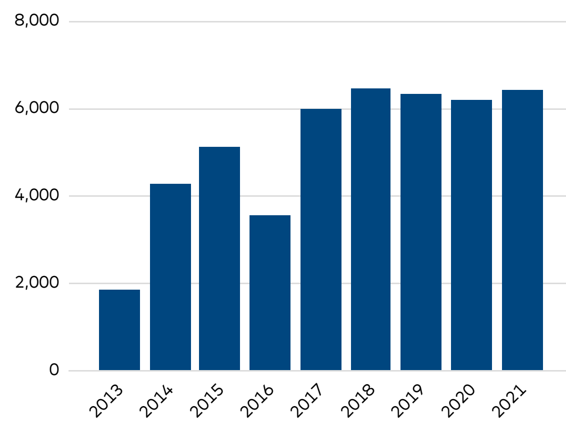
- Of the units delivered in Tampa in 2021, the vast bulk, or 92%, were in the Lifestyle segment. Demand in the upscale segment has significantly accelerated during the health crisis, with increased mobility and an influx of residents from overpriced, more densely populated markets facilitating the fast growth of secondary markets in the Sun Belt. As a result, the average occupancy rate in stabilized assets in the upscale quality segment rose 110 basis points from January, to 96.8% as of November.

- Developers had 18,452 units under construction at the end of 2021, with further inventory expansion in the cards for Tampa Bay. Another 56,000 units are in the planning and permitting stages across Tampa-St. Petersburg, pointing to further sustained inventory additions.

- Development activity was highest in the University submarket, where developers had 2,610 units under construction. Overall, six submarkets had multifamily pipelines of at least 1,450 units: Davenport, Tampa-West, Brandon, Tampa-Downtown and Tampa-Sun Bay South.

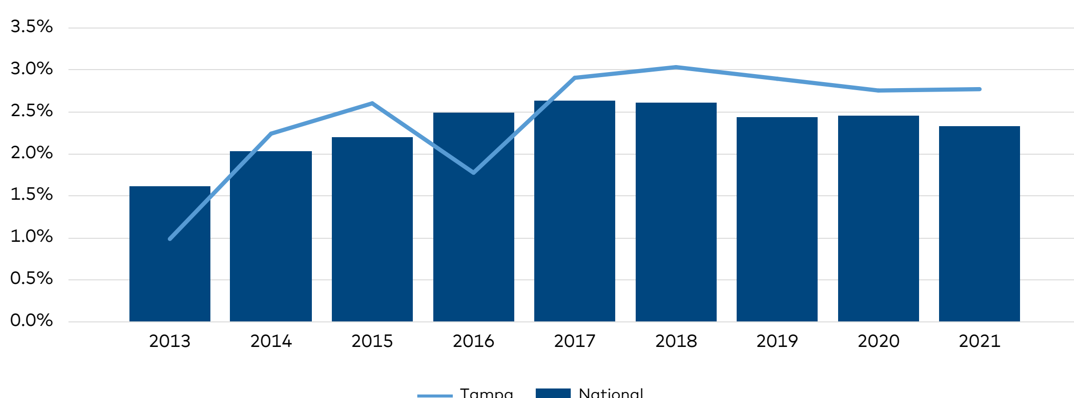
- The metro's largest project under construction is the 1,627-unit RITHM at Uptown, an RD Management project in the University submarket.

Tampa Completions (as of December 2021)



Source: Yardi Matrix

Tampa vs. National Completions as a Percentage of Total Stock (as of December 2021)

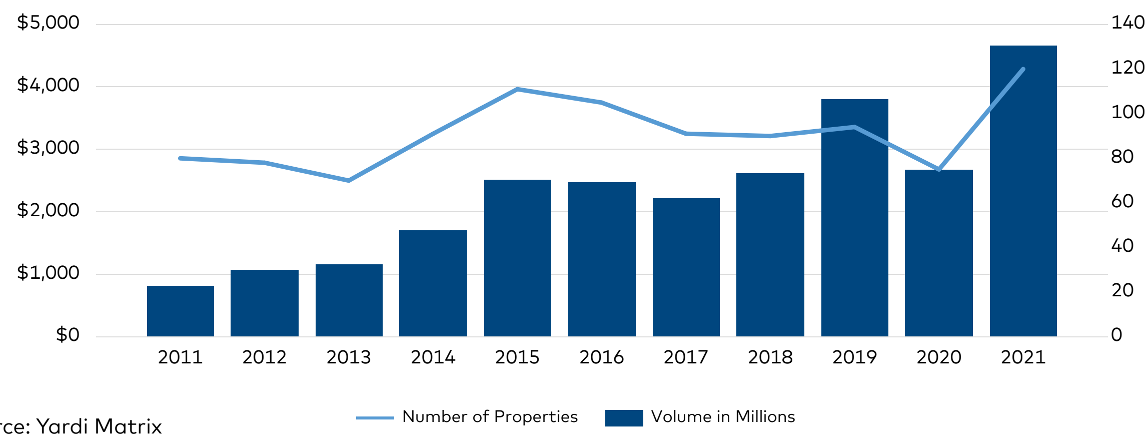


Source: Yardi Matrix

TRANSACTIONS

- Multifamily sales reached $4.6 billion in 2021 in Tampa, rounding out the market's best year for investment in the past decade. A surge in demand has translated into increased transaction activity, as 120 sales were finalized during the year, a 60% increase in deal frequency. Sales volume was up $2 billion compared to 2020 levels.
- Per-unit prices have been largely on par with the national figure since 2018, but heightened activity has pushed property values well past the $188,338 U.S. average, to $202,364. The rate improved 24% compared to 2020.
- Activity was highest in core submarkets, as both downtown St. Petersburg ($339 million) and downtown Tampa ($313 million) were among the top three areas for multifamily investment over the past 12 months. Morgan Properties paid $241 million for four assets in 2021, the largest amount committed by a single company.

Tampa Sales Volume and Number of Properties Sold (as of December 2021)



Source: Yardi Matrix

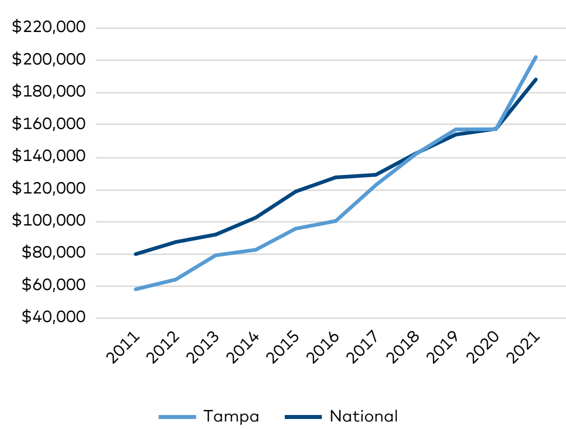
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
St. Petersburg-Downtown	339
Brandon	335
Tampa-Downtown	313
Lakeland	210
New Port Richey	207
Lake Magdalene-Northdale	205
Largo	198

Source: Yardi Matrix

[1] From January 2021 to December 2021

Tampa vs. National Sales Price per Unit



Source: Yardi Matrix

Why the Southeast Remains the Star of Multifamily

By Laura Calugar

The perfect climate, a lower cost of living, tax breaks and some of the highest-paying jobs—the Southeast has got them all. No wonder so many people have been relocating to this region, even before the health crisis. The move continues to fuel a surge in multifamily demand across several established metros, but smaller cities are also performing well. First Communities Executive Vice President Pauline Houchins has seen the rise of southeastern cities firsthand.

The Southeast has been something of a Mecca for people fleeing large, densely populated coastal metros. In the past 18 months, what metros were the most sought-after and why?

As people came out of lockdown, individuals were drawn to areas that provided outdoor accessibility—lakes, beaches, mountains—to escape the feeling of confinement. As a result, we are seeing demand and population increases in South Carolina, North Carolina and Florida in areas that provide access to these features.

The move from high-tax states such as New York and New Jersey to Florida is notorious. How have you perceived this trend?

We have seen an influx of residents moving from the Northeast to our Florida region, and while many attribute it to tax breaks, the cost of living plays a role. Residents often tell us that their money goes further than what they are accustomed to seeing up north.

Would you say the Southeast is a haven for remote workers?

Our Texas and Florida communities have benefited significantly from the relocation of remote workers and are experiencing higher occupancy trends and increased rental rates due to the influx of residents entering the southern markets.

We've received consistent feedback from new residents in these markets that their quality of life is improved as they appreciate the size of the units available in the Southeast.

Will those who have experienced living in the Southeast want to go back to large coastal cities?

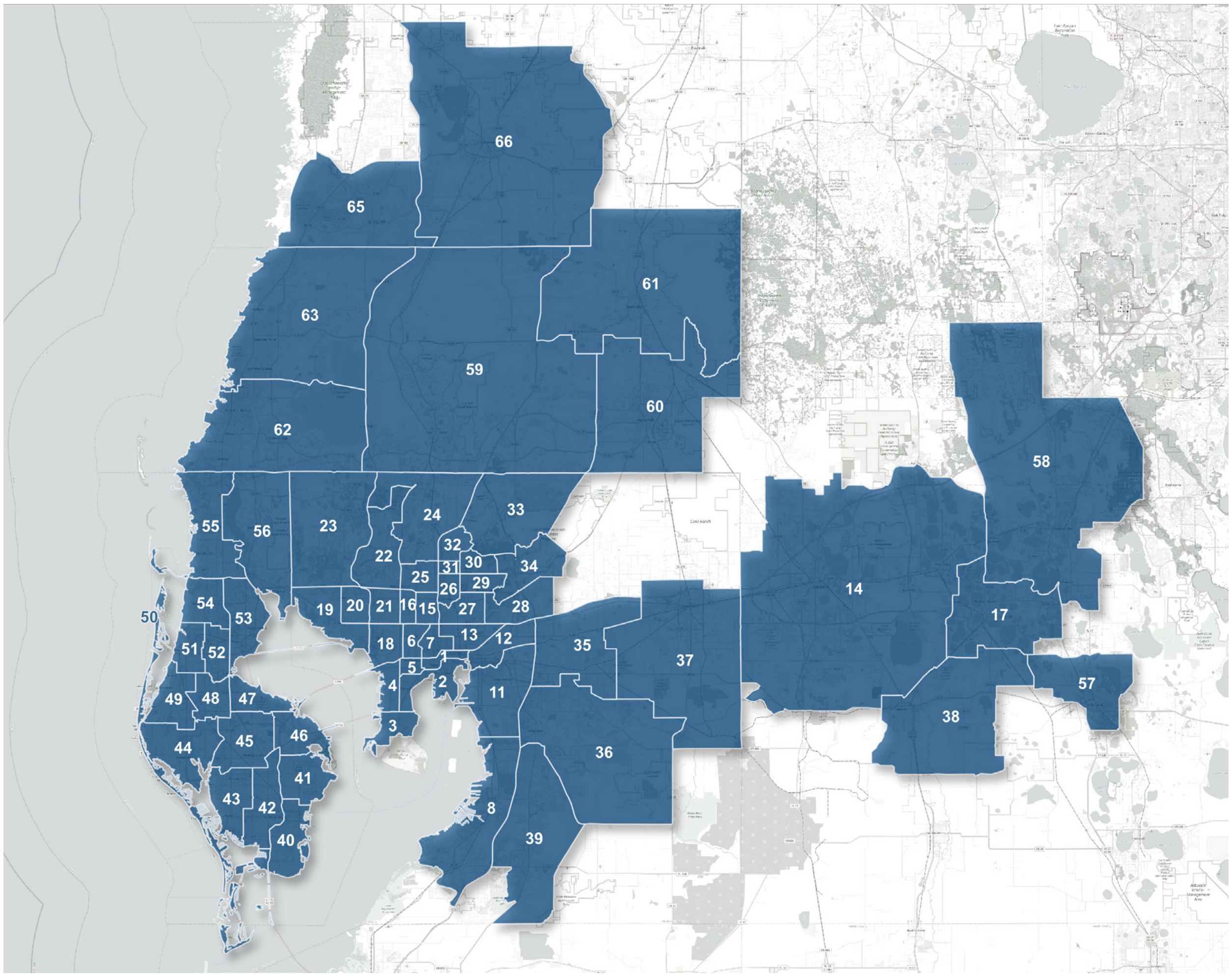
I think COVID-19 has redefined how and where we choose to spend our time. Markets are cyclical and so are the trends that we see in rental and housing markets. Rates will be the driver on where people are able to live, and their employer requirements will dictate when they need to make that change.

What challenges should property managers expect to face in 2022?

I think multifamily managers will face challenges when the market changes. Although our teams have experienced hardships during COVID-19, they've learned to adapt in different work environments, and the high occupancies and demand made things manageable. As the market changes, our managers will have to adapt yet again to working in a far more competitive market.

(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 December 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 December 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, December 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.

Yardi Matrix

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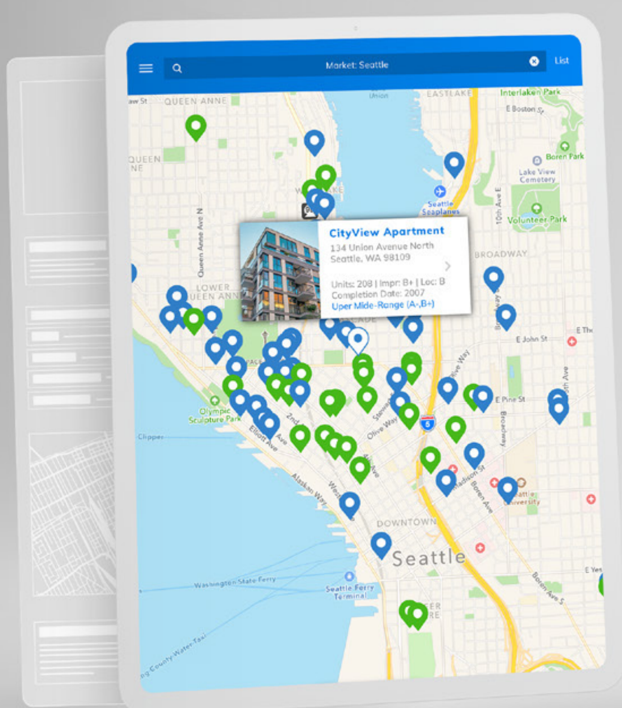

Yardi Matrix Multifamily provides accurate data on **19+ million units**, covering over **90% of the U.S. population**.

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