



Yardi® Matrix

Affordability Anchors Tampa Bay

Multifamily Report Fall 2017

Rent Growth Decelerates

Downtown Demand Fuels Supply

Investment Volume Remains High

Market Analysis

Fall 2017

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Rapid Job Gains Reshape the Market

Above-trend job growth continues to put the Tampa-St. Petersburg metro in the spotlight as a prime coastal market, both in Florida and nationally. Solid fundamentals and a diverse economy fuel Tampa Bay's multifamily sector, with the region producing strong rent gains. Investor interest is robust, and deliveries could hit a cycle peak this year. At \$1,149 as of August, rents are poised to rise, along with occupancy rates, driven by the area's steadily expanding population.

Central Florida markets—including Tampa, Orlando and Jacksonville—are among the top metros leading U.S. job growth, with Tampa adding 48,700 positions year-over-year through July. Professional and business services led gains by far, with 19,200 new jobs. Construction (6,900 positions); education and health services (6,600); and trade, transportation and utilities (4,000) also saw significant gains. Recently breaking ground, Water Street Tampa, one of the largest redevelopments in the city's history, is expected to add to the already large workforce, beginning with the construction industry.

Signaling expansion within the construction sector, roughly 6,900 units were underway as of August. Investment activity is also on the rise: A soaring \$1.3 billion in multifamily assets traded in the first seven months of 2017. Despite these trends, upcoming deliveries could dampen rent growth, at least in areas where development activity is high. Yardi Matrix expects rents to increase 3.8% in 2017.

Recent Tampa Transactions

TGM Bay Isle



City: St. Petersburg
Buyer: TGM Associates
Purchase Price: \$94 MM
Price per Unit: \$167,112

SkyHouse Channelside



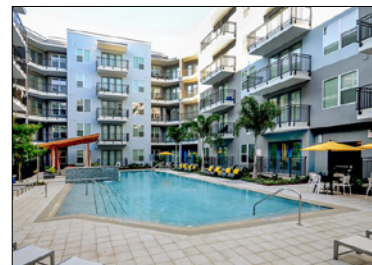
City: Tampa
Buyer: AVR Realty
Purchase Price: \$88 MM
Price per Unit: \$275,000

Trellis at the Lakes



City: St. Petersburg
Buyer: ESG Kullen
Purchase Price: \$81 MM
Price per Unit: \$117,515

Crescent Westshore



City: Tampa
Buyer: Nicol Investment Company
Purchase Price: \$80 MM
Price per Unit: \$213,904

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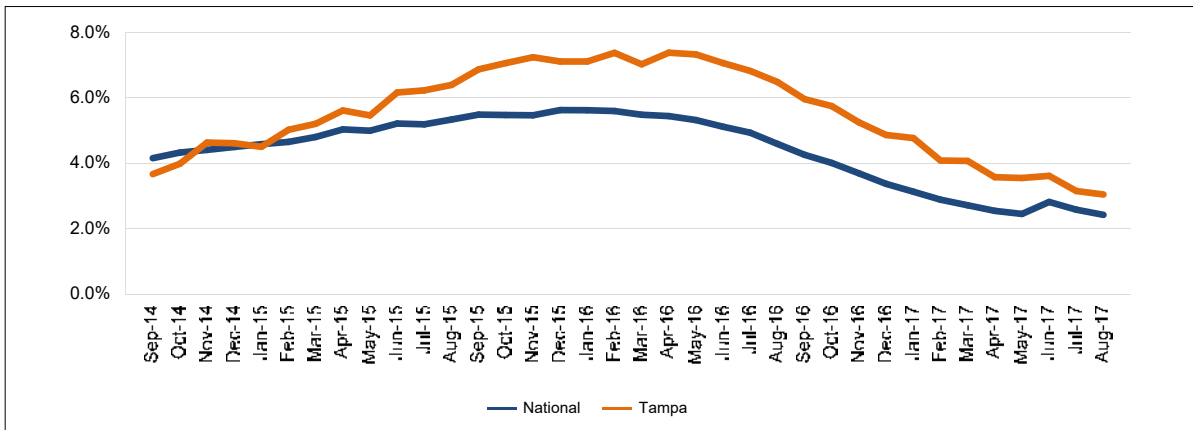
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Rent Trends

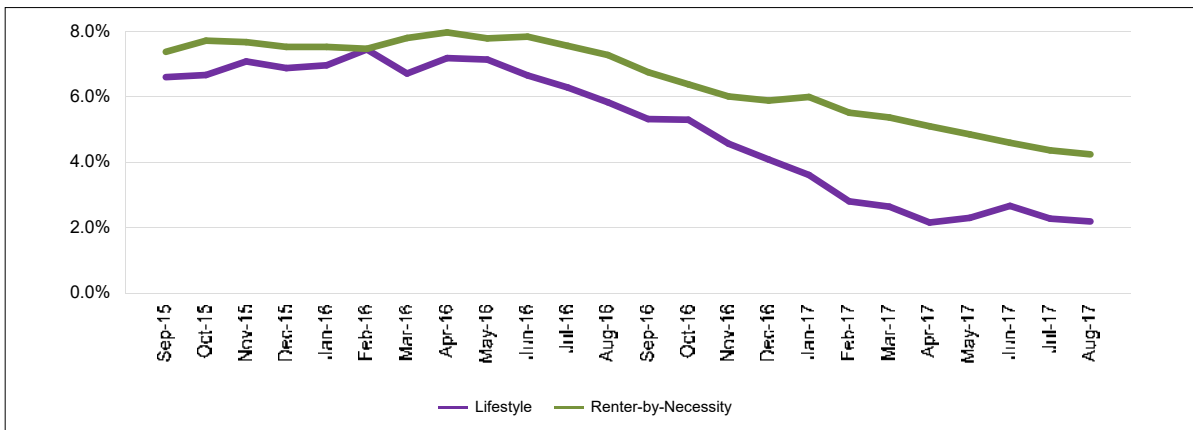
- Rents in Tampa Bay rose 3.0% year-over-year through August, outpacing the 2.4% national rate. At \$1,149, rents were below the \$1,352 U.S. average. Rent growth continues to decelerate slowly, mirroring the nationwide trend.
- The working-class Renter-by-Necessity segment led rent gains, up 4.2% year-over-year to \$982, while the upscale Lifestyle rose 2.2%, to \$1,352. Young workers are seeking live-work-play environments, and developers are paying attention. Core submarkets are driving demand, and most of the upcoming projects are located within or near downtown. Market-rate demand will most likely continue to surge, as the development pipeline mostly consists of upscale projects, putting pressure on the RBN cohort.
- Submarkets with the highest rent spikes include Sunset Park/Bayside (12.2%), Rivercast (11.8%) and Ruskin (9.2%). At the same time, however, rents in Oakford Park and Downtown Tampa / Ybor City dropped (-3.8%).
- As of July, the occupancy rate for stabilized properties was 95.8%, down just 10 basis points in 12 months. Strong economic and demographic expansion should keep fueling the rental market, although upcoming supply could dampen rent growth in the near future. For 2017, we expect rents to appreciate by 3.8%.

Tampa vs. National Rent Growth (Sequential 3-Month, Year-Over-Year)



Source: YardiMatrix

Tampa Rent Growth by Asset Class (Sequential 3-Month, Year-Over-Year)

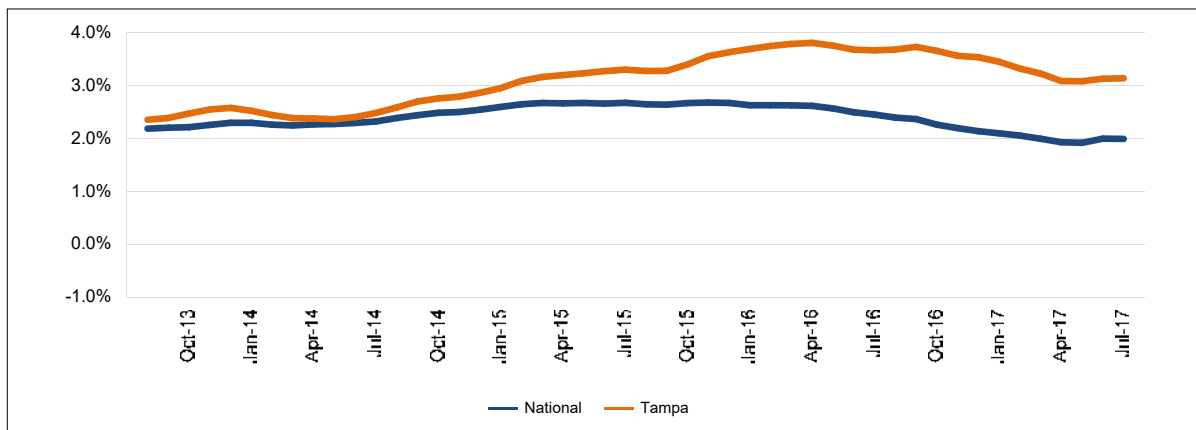


Source: YardiMatrix

Economic Snapshot

- Tampa Bay added 48,700 jobs during the 12 months ending in July. Employment was up 3.1% year-over-year, 110 basis points above the national average. Professional and business services led gains by far, adding 19,200 positions, which represents roughly 40% of all added jobs.
- Tampa leads Florida in jobs related to science, technology, engineering and mathematics (STEM) fields, and the metro strives to boost STEM education opportunities and attract a highly skilled workforce. The tech scene is expanding, as well, partly due to the recent \$180 million business rent tax cut signed in May. A training program dubbed TechHire aims to help with adding more than 100,000 workers to the city's tech industry by 2020.
- The central business district and the Westshore district remain the most sought-after office markets, with some secondary areas also seeing consistent demand, including the I-4 and I-75 corridors. North Carolina-based firms BlueLine Associates and Elior North America recently relocated their headquarters to Tampa, adding to the employment pool. Asking price for Class A space averages \$24 per square foot. With some tenants being priced out of these prime spaces, rents in the Class B sector are poised to rise.
- Tampa is in no shortage of large developments, the list including Water Street Tampa, a \$3 billion, 9 million-square-foot project slated to deliver office, residential, retail, hospitality and cultural space.

Tampa vs. National Employment Growth (Year-Over-Year)



Sources: YardiMatrix, Bureau of Labor Statistics (not seasonally adjusted)

Tampa Employment Growth by Sector (Year-Over-Year)

Code	Employment Sector	Current Employment		Year Change	
		(000)	% Share	Employment	%
60	Professional and Business Services	279	18.1%	19,200	7.4%
15	Mining, Logging and Construction	90	5.8%	6,900	8.3%
65	Education and Health Services	234	15.2%	6,600	2.9%
80	Other Services	56	3.6%	5,300	10.5%
40	Trade, Transportation and Utilities	303	19.6%	4,000	1.3%
70	Leisure and Hospitality	175	11.3%	3,600	2.1%
90	Government	174	11.3%	2,000	1.2%
55	Financial Activities	122	7.9%	1,500	1.2%
50	Information	28	1.8%	100	0.4%
30	Manufacturing	82	5.3%	-500	-0.6%

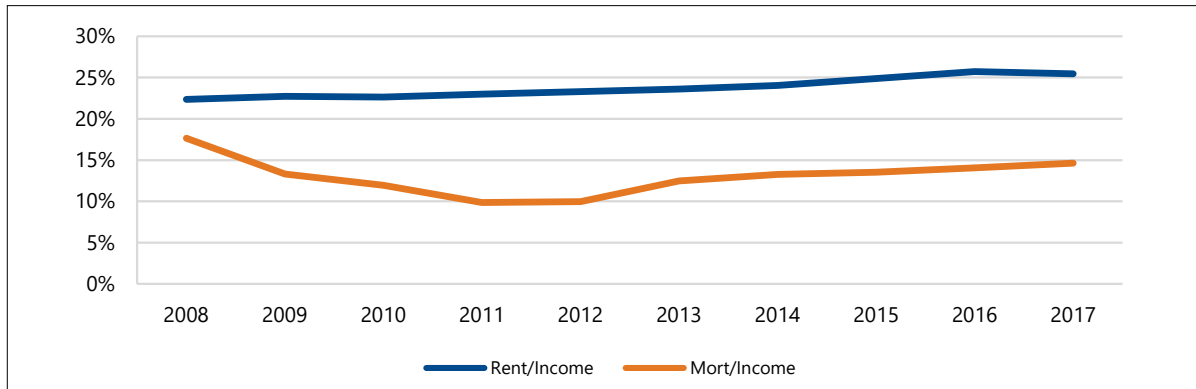
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

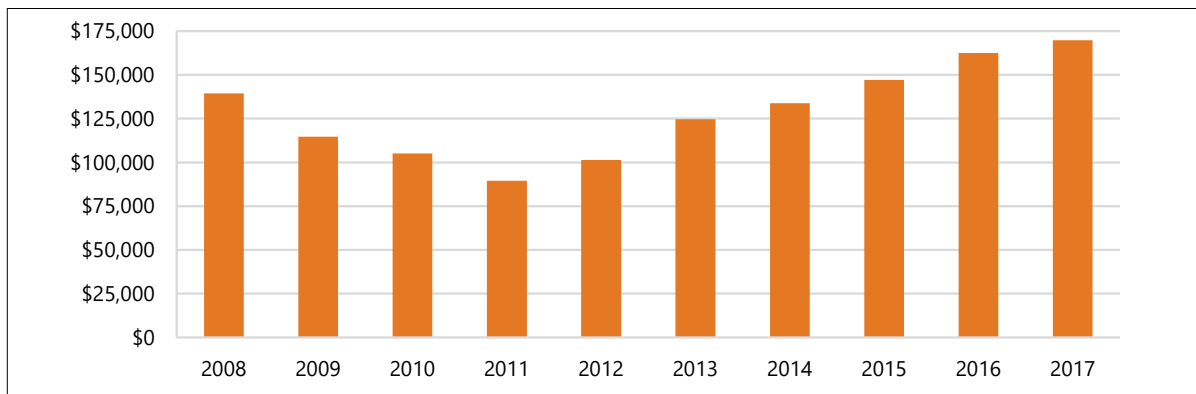
- Resulting from rapid job and population growth, Tampa home prices have steadily risen in the past six years, reaching \$169,860 for the first half of 2017. Owning remains much more affordable than renting: The average mortgage payment accounts for 15% of the metro's median income, while rent comprises 25%.
- Tampa is among the nation's more affordable markets, both statewide and nationwide. A handful of upcoming high-profile projects will include low-cost units, among them the \$350 million West River mixed-use development. Urban Core Holdings is in talks to acquire a 12-story office building and convert it to micro-apartments. The project calls for 400-square-foot floor plans and rents starting at \$800.

Tampa Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Tampa Median Home Price



Source: Moody's Analytics

Population

- Population in the Tampa-St. Petersburg-Clearwater MSA grew by 2.0% last year, nearly triple the 0.7% national growth rate.
- The metro added 61,000 residents in 2016 and more than 184,000 since 2012.

Tampa vs. National Population

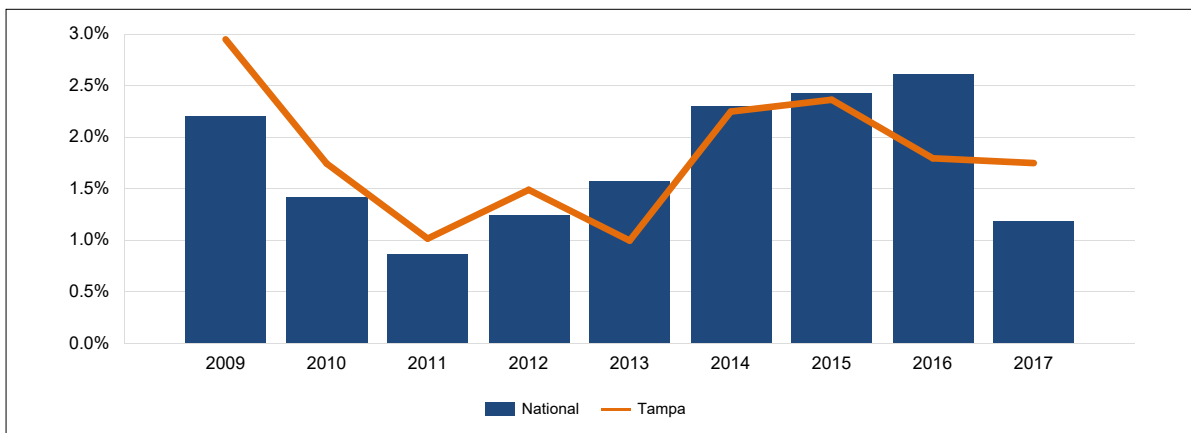
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Tampa Metro	2,847,624	2,871,972	2,915,715	2,971,086	3,032,171

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

Supply

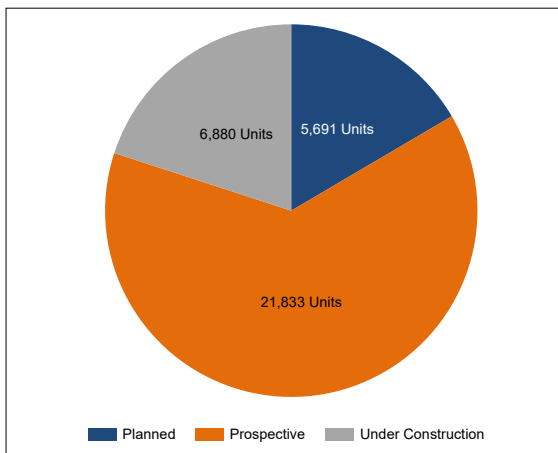
- More than 3,200 units came online this year through August, putting the metro on track to surpass last year's completions. Some 3,550 units were delivered in Tampa in 2016, trailing the nearly 9,000 units that came online in 2014 and 2015.
- Roughly 6,900 units are under construction, of which 3,900 are scheduled for completion by year-end. The total pipeline consists of more than 34,400 units in different stages of development. Of these, 5,700 are in the planning phase. The large amount of new construction may cause concerns of overbuilding; however, employment and population growth are bound to sustain a healthy absorption rate.
- Construction activity is most intense in the Downtown Tampa/Ybor City (1,199 units underway) and Davenport/Haines City (1,072) submarkets. Other areas with substantial development activity include Hyde Park/Davis Island (663 units), Downtown St. Petersburg (584 units) and New Port Richey (500 units).
- The largest project underway is the 394-unit Crescent Riverwalk luxury community in Downtown Tampa/Ybor City. The apartments will be built in two five-story buildings by Charlotte, N.C.-based owner/developer Crescent Communities and will be located close to Tampa's downtown core.

Tampa vs. National Completions as a Percentage of Total Stock (as of August 2017)



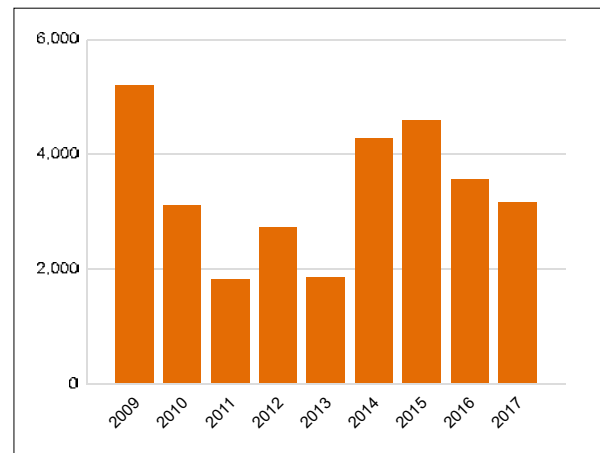
Source: YardiMatrix

Development Pipeline (as of August 2017)



Source: YardiMatrix

Tampa Completions (as of August 2017)

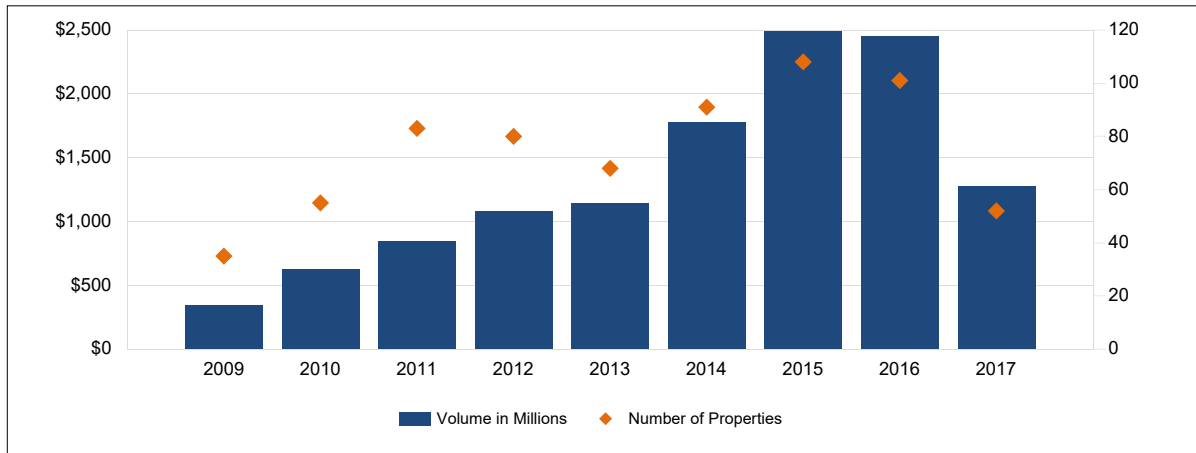


Source: YardiMatrix

Investment Transactions

- Investment activity remains robust in Tampa, with \$1.3 billion in multifamily assets trading this year as of July. The average price per unit surged to a cycle high of \$120,300, still trailing the \$133,500 national average.
- A growing number of institutional and foreign investors are showing interest in the market. However, private buyers seeking value-add deals still take the lion's share, in line with national trends. Acquisition yields for stabilized Class A assets are around the 5.0% mark, while Class B and C assets offer between 5.0% and 7.0%.
- Year-over-year through July, the most sought-after submarket in Tampa was Mainlands, and the most expensive multifamily property to trade was TGM Bay Isle in St. Petersburg. Heitman sold the 561-unit asset to TGM Associates for \$94 million, or \$167,112 per unit, marking the property's fourth sale in the past 10 years. The community's occupancy rate was 97.9% as of July, up 8.6% since December 2016.

Tampa Sales Volume and Number of Properties Sold (as of July 2017)



Source: YardiMatrix

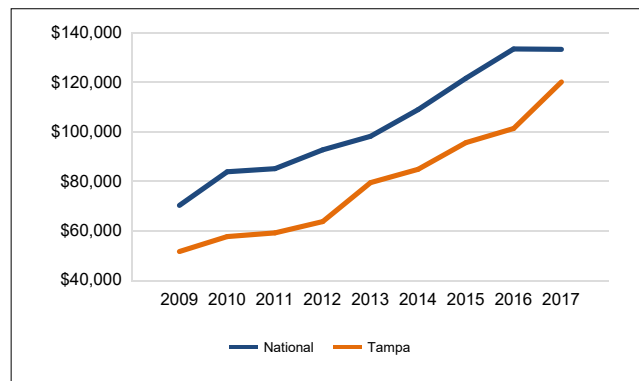
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Mainlands	307
University of South Florida	222
Carrollwood Village	149
Garver City	146
Rocky Creek	127
Land O'Lakes/Odessa	121
Downtown St. Petersburg	115
Livingston	98

Source: YardiMatrix

¹ From August 2016 to July 2017

Tampa vs. National Sales Price per Unit



Source: YardiMatrix

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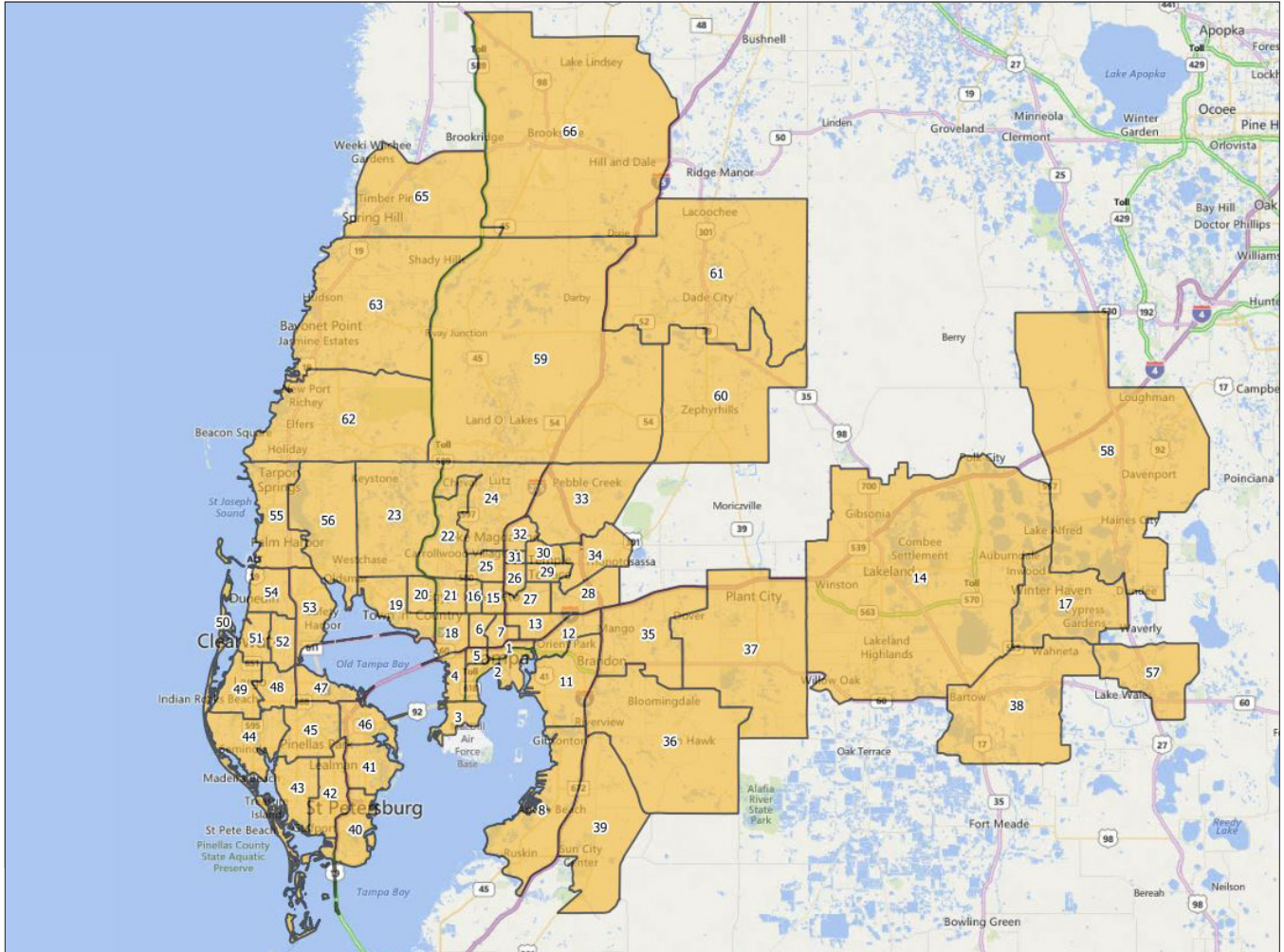


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Tampa Submarkets



Area #	Submarket
1	Downtown Tampa
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 #	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 #	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.

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