



Yardi® Matrix

Tampa Bay's Apartment Boom

Multifamily Report Winter 2018

STEM Jobs in High Demand

Deliveries Soar, Target City Core

Property Values Reach New Cycle Peak

Market Analysis

Winter 2018

Contacts

Paul Fiorilla

Associate Director of Research
Paul.Fiorilla@Yardi.com
(800) 866-1124 x5764

Jack Kern

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

Author

Adriana Pop

Senior Associate Editor

Robust Development Tempers Occupancy

Multifamily demand stayed high in Tampa, thanks to a strong economic engine powered by a talented workforce of local college and university graduates—dynamics that continue to fuel the metro's booming labor market. Due to the limited impact of Hurricane Irma, Tampa added 33,500 jobs in the year ending in October, primarily in professional and business services. Statewide, the city ranks first in demand for high-skill, high-wage STEM occupations, which are shifting toward smaller metros. In recent years, Tampa has become a tech industry hotbed, due to its housing affordability and favorable tax and regulatory environment.

The construction sector is also expanding, boosted by mega-developments such as the upcoming \$3 billion Water Street Tampa, which is set to double the city's downtown footprint by 2027. Already in motion, the new waterfront district will deliver 9 million square feet of hotel, retail and office space, along with cultural amenities and 3,500 rental and for-sale residences. This activity has spurred the development of other properties in the downtown area, where there were 1,900 apartments underway as of December.

Above-average population and job gains, along with positive macroeconomic trends and historically low interest rates, have intensified competition for multifamily assets in Tampa, lifting prices to new highs. As demand is expected to absorb the new supply, we anticipate 3.7% rent growth in 2018.

Recent Tampa Transactions

Element



City: Tampa, Fla.
Buyer: Northland Investment Corp.
Purchase Price: \$112 MM
Price per Unit: \$284,620

Lantower Brandon Crossroads



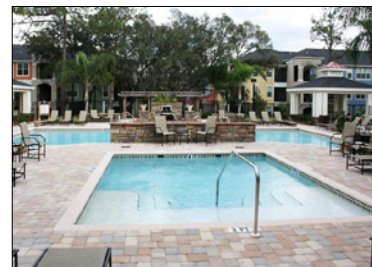
City: Tampa, Fla.
Buyer: Lantower Residential
Purchase Price: \$94 MM
Price per Unit: \$208,889

Crescent Westshore



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

Seneca at Cypress Creek



City: Lutz, Fla.
Buyer: Lantower Residential
Purchase Price: \$79 MM
Price per Unit: \$174,867

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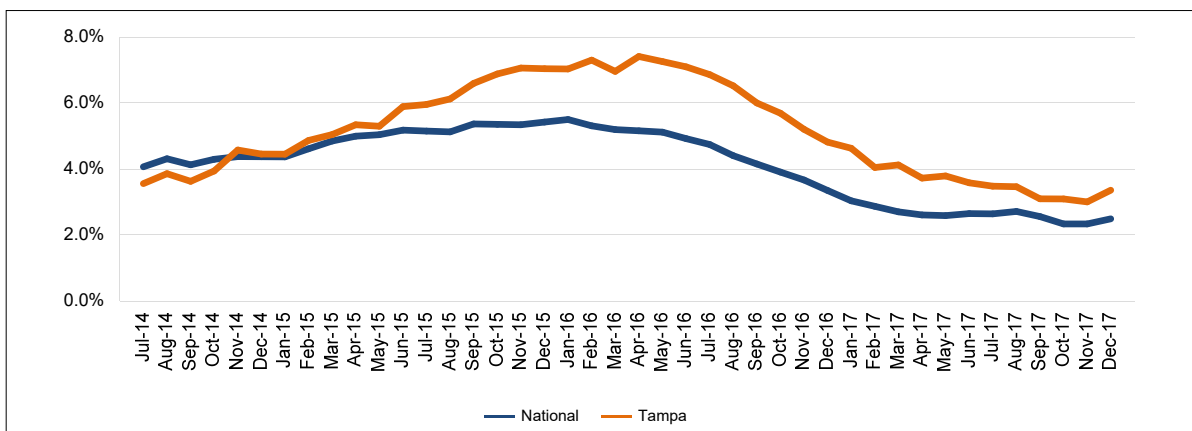
Hollie Zepke

Audience Development Specialist
Hollie.Zepke@Yardi.com
(800) 866-1124 x5389

Rent Trends

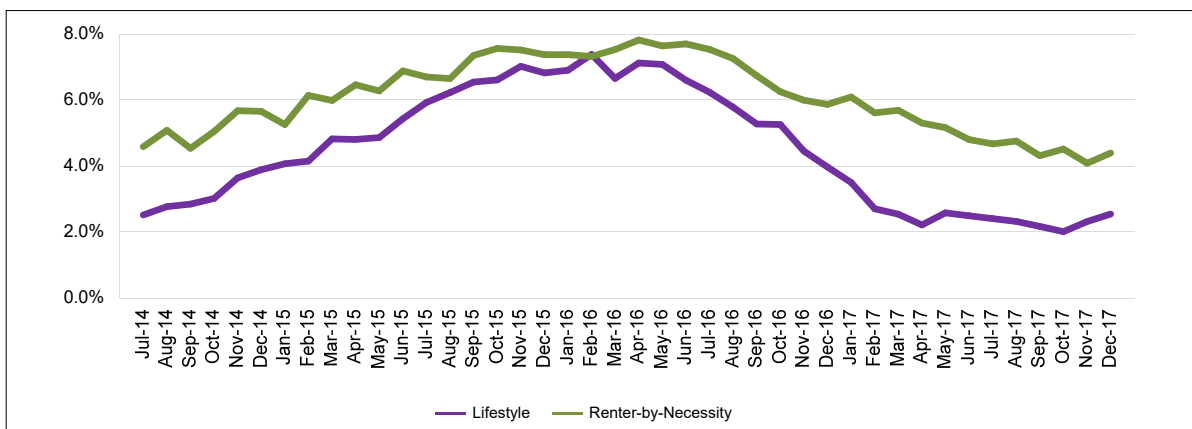
- Rents in Tampa rose 3.4% year-over-year as of December, outpacing the 2.5% national rate. The metro's average rent stood at \$1,169, \$190 below the \$1,359 national average. Amid robust development, rent growth has been decelerating since the spring of 2016, mirroring the national tendency of moderation. Occupancy in stabilized properties slightly declined over the past three years, reaching 95.4% as of November.
- Rents in the working-class Renter-by-Necessity segment rose 4.4%, to \$997, while Lifestyle rents increased by 2.5%, to \$1,368. Demand is strongest among Millennials, young families and empty nesters. Tampa's population is expected to grow twice as fast as the national average over the next two years. However, the relatively low cost of homes is driving many apartment dwellers toward homeownership, putting a damper on rent growth.
- Rent hikes were highest in Spring Hill (12.4%), Tampa Heights (10.9%) and Ruskin (10.6%). On the other end of the spectrum, rents decreased in some of the most expensive submarkets, such as Oakford Park (-4.8%) and Downtown Tampa/Ybor City (-1%), where more than 1,900 units were underway as of December.
- Tampa's prime renter cohort of 20-34 year olds is expected to rise three times faster than the national average by 2020. As the supply influx coincides with steady job gains, we anticipate 3.7% rent growth in 2018.

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)

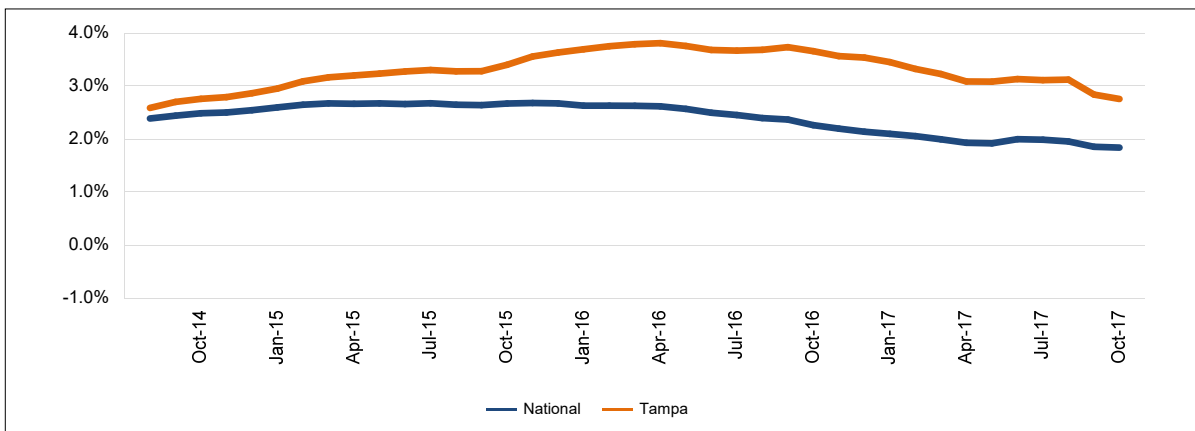


Source: YardiMatrix

Economic Snapshot

- Despite the impact of Hurricane Irma, Tampa added 33,500 jobs in the year ending in October, a 2.8% increase, higher than the 1.9% national average. Unemployment stood at 3.3%, one of the lowest rates on the East Coast.
- Growth was highest in professional and business services, which gained 8,300 positions. The metro continues to rank first in the state in demand for high-skill, high-wage STEM occupations, with 14,839 openings as of November. Tampa is also a new tech hotbed, thanks to an affordable cost of living, a favorable tax and regulatory regime and a pool of talented workers. TransferWise, an international money transfer business, which had a local workforce of 50 employees in 2015, plans to hire up to 240 people by 2019, working from its new office in Ybor City. The construction sector is also growing, boosted by large scale developments such as the \$3 billion Water Street Tampa mixed-use district and more than \$1.2 billion in health-care development projects.
- From a vacancy and asking rate perspective, the Tampa office market ended 2017 on a strong note. Leasing activity remained steady, depleting the market of large Class A availabilities. Rents are expected to continue rising, especially in the CBD and Westshore submarkets. Vision Properties' 150,000-square-foot building at Renaissance Center ranks as the only speculative office project to break ground in the metro over the past two years.

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	275	17.6%	8,300	3.1%
15	Mining, Logging and Construction	91	5.8%	5,800	6.8%
80	Other Services	56	3.6%	4,800	9.3%
40	Trade, Transportation and Utilities	305	19.5%	3,600	1.2%
90	Government	190	12.1%	2,700	1.4%
65	Education and Health Services	239	15.3%	2,100	0.9%
55	Financial Activities	123	7.9%	2,100	1.7%
70	Leisure and Hospitality	173	11.1%	1,800	1.1%
50	Information	28	1.8%	1,300	4.9%
30	Manufacturing	83	5.3%	1,000	1.2%

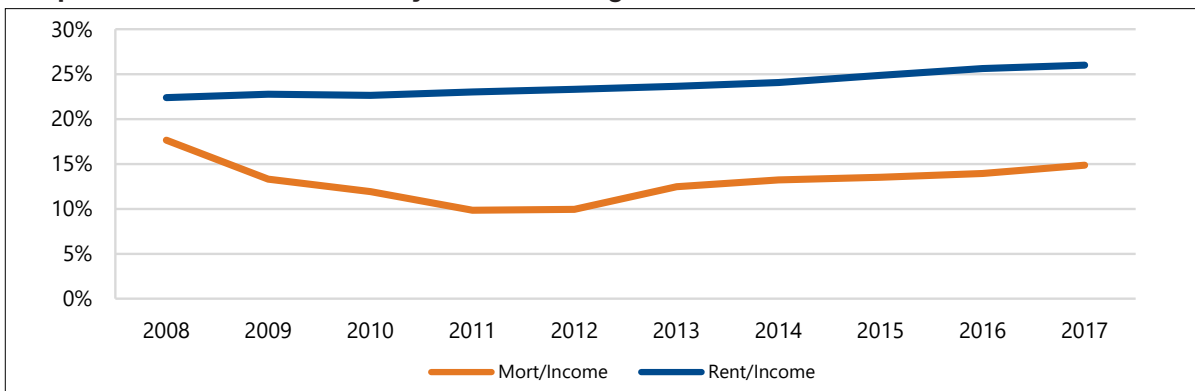
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

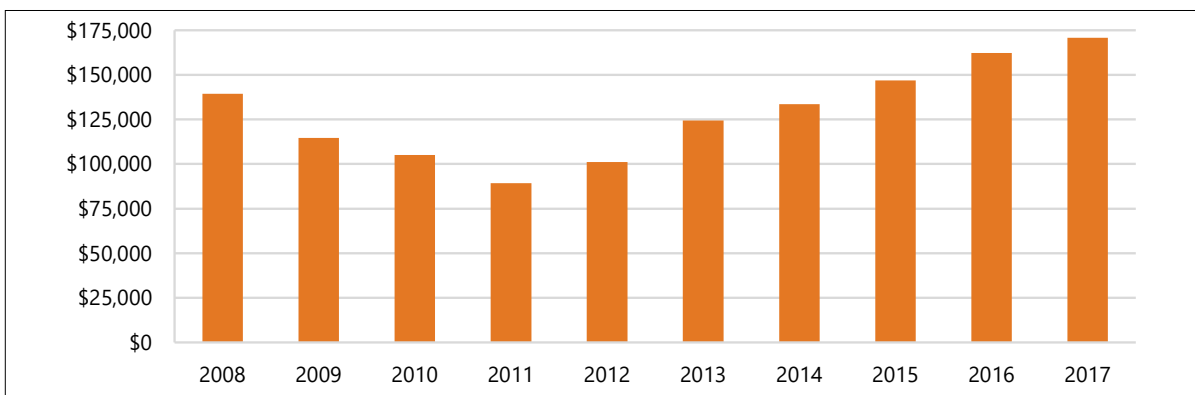
- The median home price in Tampa rose to \$170,861 in 2017, marking a new cycle high. The average mortgage payment accounted for 15% of the area’s median income, while the average rent took up 26%.
- Despite the rapid recovery of the housing market, Tampa continues to rank highly in affordability, which helps attract young families to the city. The median price is still low, as compared to most major metros in the U.S. Moreover, some submarkets are hitting the brakes: While Hillsborough and Pinellas generally see home values appreciate, Pasco and Hernando reflect a more mixed performance, as some homes are losing value, encouraging more renters to become homeowners.

Tampa Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody’s Analytics

Tampa Median Home Price



Source: Moody’s Analytics

Population

- Tampa’s population increased by 2.0% in 2016, nearly three times faster than the 0.7% national rate.
- According to U.S. Census Bureau estimates, Florida ranked fifth in the nation for population growth in 2017.

Tampa vs. National Population

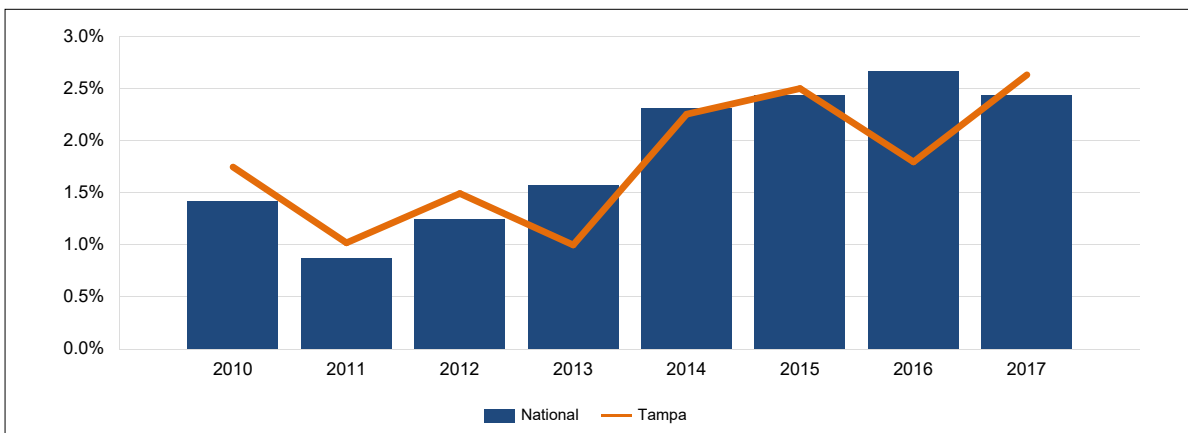
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Tampa Metro	2,847,624	2,871,972	2,915,715	2,971,086	3,032,171

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

Supply

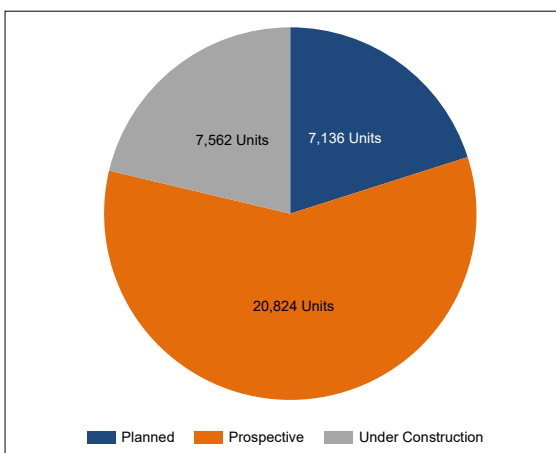
- More than 5,300 units came online in Tampa in 2017, marking a post-recession high. Over the coming year, we expect the number of deliveries to exceed the 7,000-unit mark.
- Some 7,500 apartments were underway as of December, while another 27,900 units were in the planning and permitting stages. The large amount of new deliveries reduced occupancy to 95.4% in November.
- Developers mostly targeted the luxury market in Downtown Tampa/Ybor City, which had some 1,900 units underway as of December, while also commanding the metro's highest rents, at an average of \$1,723. Construction activity was strong in other expensive submarkets, such as Davenport/Haines City (764 units), Land O'Lakes/Odessa (740), Hyde Park/Davis Island (663) and Downtown St. Petersburg (584).
- The upcoming \$3 billion Water Street Tampa district is set to double the city's downtown footprint by 2027. Plans call for hotel, retail, office and cultural amenities, as well as 3,500 new rental and for-sale residences across 10 blocks. The 53-acre mixed-use project is being developed by Strategic Property Partners, a joint venture of Bill Gates' Cascade Investment and local businessman Jeff Vinik, who owns the NHL's Tampa Bay Lightning hockey team and the Arena Football League's Tampa Bay Storm.

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



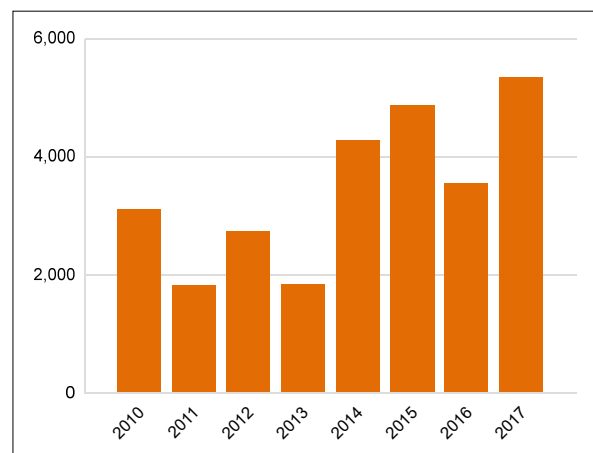
Source: YardiMatrix

Development Pipeline (as of December 2017)



Source: YardiMatrix

Tampa Completions (as of December 2017)

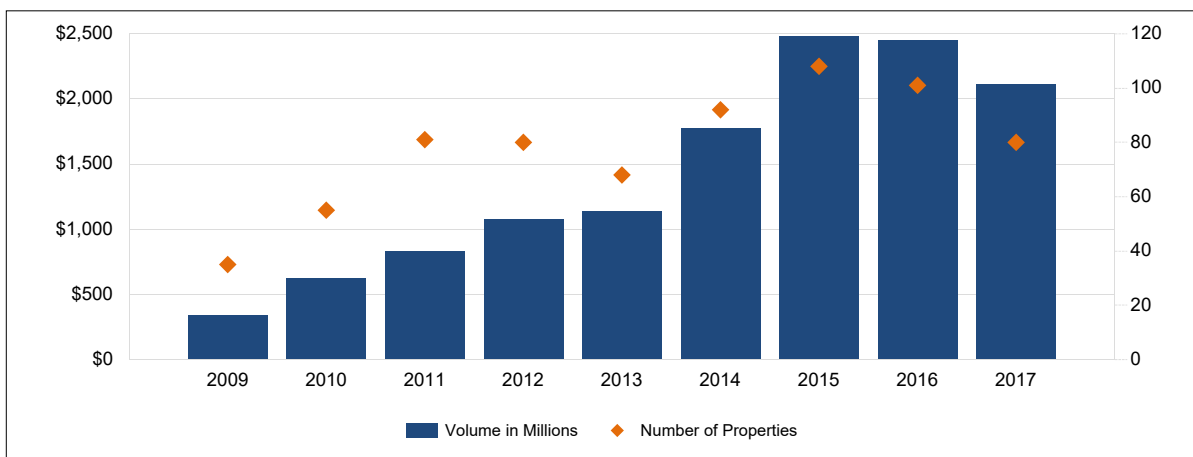


Source: YardiMatrix

Transactions

- More than \$2.1 billion in multifamily assets changed hands in Tampa in 2017. The average price per unit in 2017 was \$125,970, a new cycle peak but still below the \$137,967 national figure.
- Population and employment gains, along with positive macroeconomic trends and low interest rates, have spurred optimism among investors over the past year, intensifying competition for the metro's relatively limited number of assets that were put on the market and pushing acquisition yields to new lows.
- Northland Investment Corp's acquisition of the 35-story Element high-rise in downtown Tampa was the metro's largest multifamily deal of 2017. The Boston-based firm paid \$112.4 million or \$284,620 per unit for the property, which opened in 2009 and includes 15,500 square feet of retail. The transaction cemented the company's place as Florida's second-largest owner and operator of market-rate apartments.

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



Source: YardiMatrix

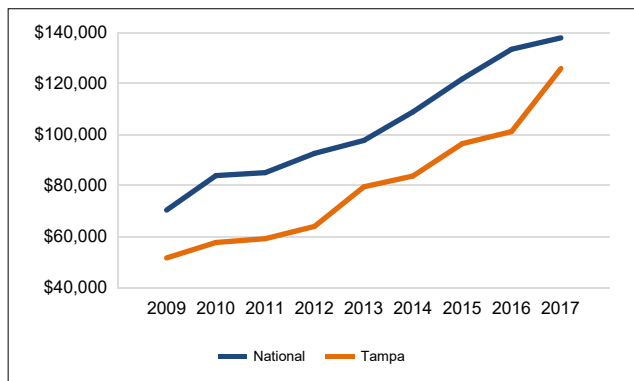
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Clair-Mel City	242
University of South Florida	237
Land O'Lakes/Odessa	184
Carrollwood Village	129
Downtown Tampa/Ybor City	112
Livingston	92
Mainlands	81
Garver City	80

Source: YardiMatrix

¹ From January 2017 to December 2017

Tampa vs. National Sales Price per Unit



Source: YardiMatrix

Read All About It!



Collier Cos. Sells
Tampa Bay Community
For \$30M



Marriott Reopens Doors
In Tampa



Related Breaks Ground
On Tampa Luxury Development

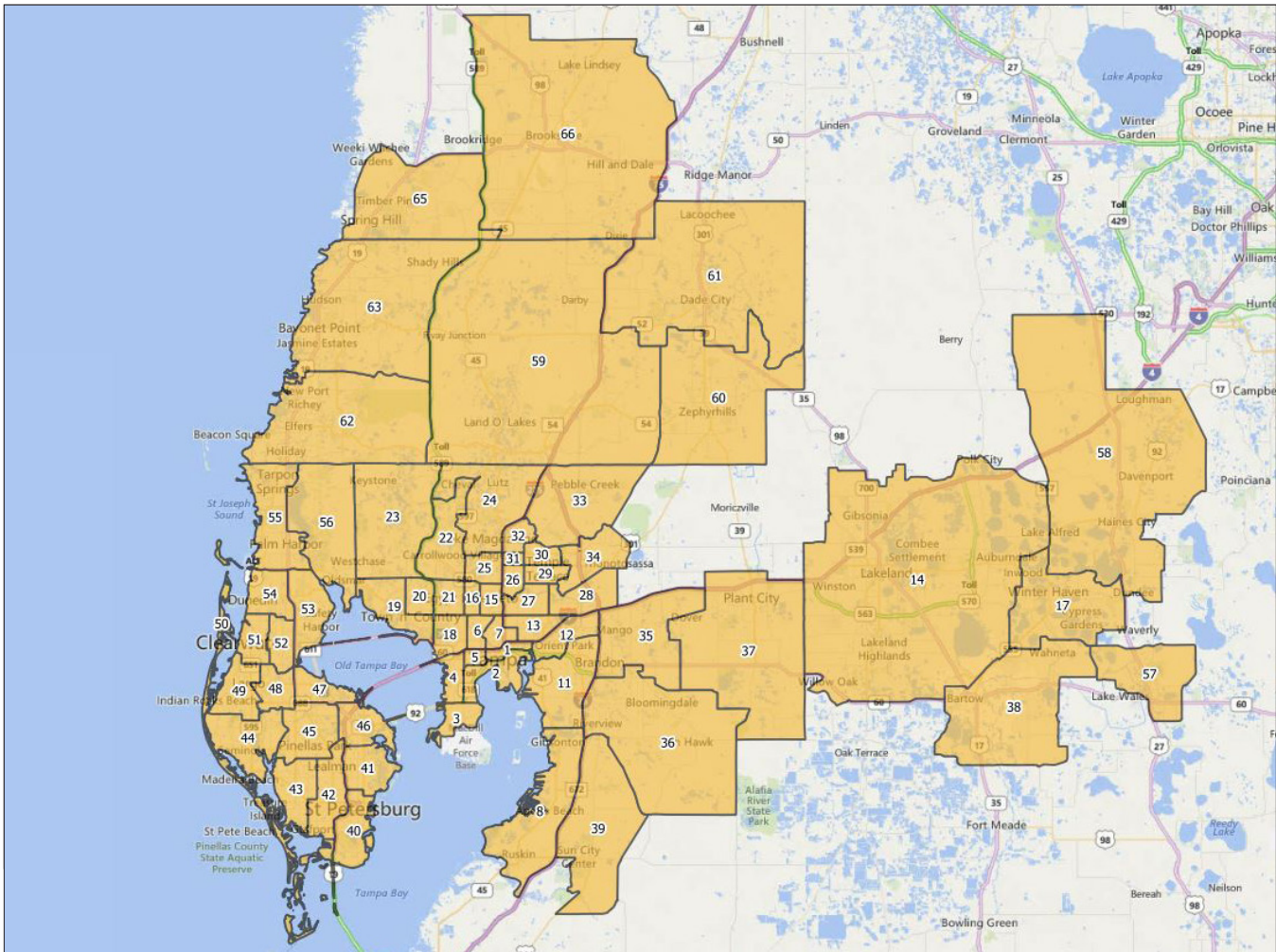


Tampa Office Park
Trades for \$20M

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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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