

Tampa's Upward Rent Growth

July 2023

Employment Market Expands

Occupancy Near U.S. Average

Per-Unit Price Slides From 2022 High

TAMPA MULTIFAMILY



Rents Rise, Job Market Continues to Thrive

Mirroring nationwide trends, Tampa's multifamily market bounced back after a period of negative rent growth. Gains increased to 0.3% on a trailing three-month basis through May, on par with the U.S. average. Rates reached an average of \$1,815, nearly \$100 above the national figure.

Tampa gained 82,200 positions in the 12 months ending in March, marking a 4.6% year-over-year uptick. Education and health services led all sectors in job gains, accounting for nearly a fourth of new positions. Tampa General Hospital continued to add to the metro's budding medical and research district. The latest addition is the new TGH Kennedy Emergency Center, a key part of a \$550 million master facility plan. The 83,000-square-foot TGH Behavioral Health Hospital will be yet another addition to the district.

Multifamily developers remained active, as well. Tampa had 16,599 units under construction as of May, with an additional 78,000 in the planning and permitting stages. During the same period, 4,416 units came online, accounting for 1.8% of existing multifamily stock. Transactions amounted to more than \$440 million in the first five months of the year, with sales activity continuing to slow down. The price per unit dropped to \$176,074, just below the \$179,358 U.S. average.

Market Analysis | July 2023

Contacts

Jeff Adler

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

Ron Brock, Jr.

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

Doug Ressler

Media Contact
Doug.Ressler@Yardi.com
(480) 695-3365

Author

Agota Felhazi

Associate Editor

Recent Tampa Transactions

The Boulevard



City: Largo, Fla.
Buyer: The Connor Group
Purchase Price: \$77 MM
Price per Unit: \$295,000

Four Lakes at Clearwater



City: Clearwater, Fla.
Buyer: TruAmerica Multifamily
Purchase Price: \$69 MM
Price per Unit: \$150,544

Aura @ 4th



City: St. Petersburg, Fla.
Buyer: TRIG Investment Group
Purchase Price: \$43 MM
Price per Unit: \$286,667

The Pointe at Siena Ridge

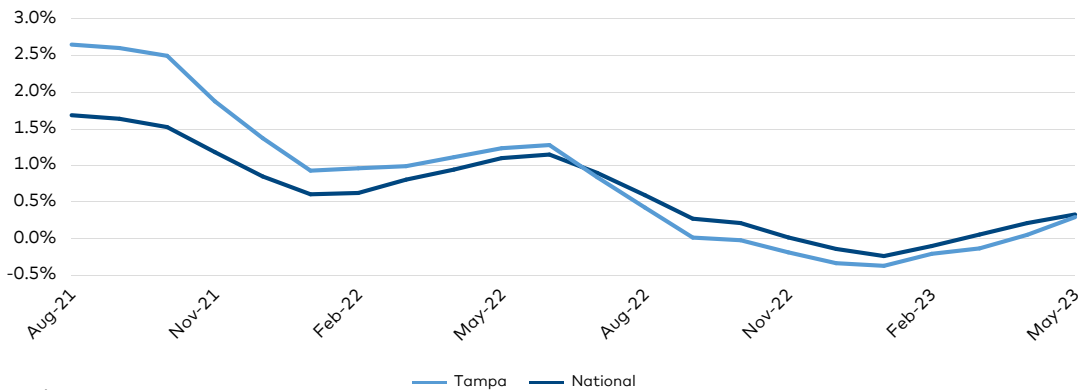


City: Davenport, Fla.
Buyer: Virtus Real Estate Capital
Purchase Price: \$40 MM
Price per Unit: \$245,399

RENT TRENDS

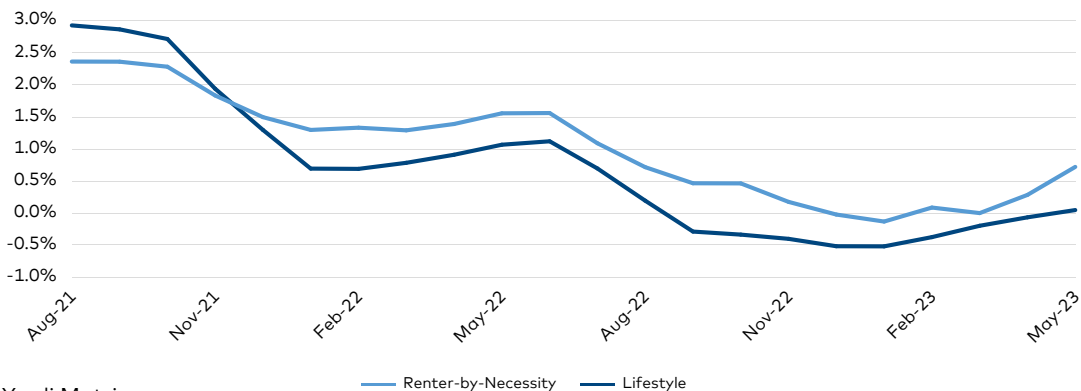
- ▶ Tampa rent growth reached 0.3% on a trailing three-month (T3) basis through May, on par with the national average. On an annual basis, however, Tampa's growth at 1.0%, remained significantly below the 2.6% U.S. figure. The average rate in the metro reached \$1,815 as of May, while the national average was \$1,716—a difference of just under \$100.
- ▶ The Renter-by-Necessity segment drove growth, as rates increased 0.7% on a T3 basis, to \$1,558. Meanwhile, rents in the upscale segment remained flat, at \$2,043. On an annual basis, the divide between the two quality segments is more apparent, as working-class Renter-by-Necessity figures rose 5.2%, while Lifestyle rates saw a 1.6% drop.
- ▶ As of April, the average occupancy rate in stabilized assets was down 130 basis points year-over-year, dropping to 94.6%, 40 basis points below the U.S. average. Both Lifestyle and RBN rates declined to 94.6%, registering a downtick of 110 and 140 basis points, respectively.
- ▶ Of the 51 submarkets tracked by Yardi Matrix, two saw double-digit rent gains during the 12 months ending in May. Port Richey had the largest increases (up 14.8% to \$1,357) followed by Winter Haven (up 10.5% to \$1,501). Nevertheless, downtown Tampa remained the most expensive submarket, with rates increasing to \$2,806, while downtown St. Petersburg was a close second, with rents averaging \$2,734.

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 March, Tampa's unemployment rate was 2.6% and 90 basis points below the U.S. rate, according to data from the Bureau of Labor Statistics. The metro was on par with the state, Orlando and Jacksonville, but fell short of Miami's historic low of 2.2%.
- ▶ Tampa added 82,200 jobs in the 12 months ending in March, for a 4.6% year-over-year growth rate. The education and health services sector saw the largest gains, with 21,500 jobs added. Tampa General Hospital, one of the anchors of the metro's emerging medical and research district, recently opened a 15,000-square-foot, free-standing emergency center. TGH Kennedy Emergency Center is part of Tampa General's \$550 million master facility plan, which kicked off in June 2021 with the opening of Tampa General's new ICU. The hospital is planning a groundbreaking this summer on yet another addition to the medical district. The 83,000-square-foot TGH Behavioral Health Hospital will be staffed with psychiatrists from USF Health and will also provide learning opportunities for medical students at USF Health Morsani College of Medicine.
- ▶ Developers kept busy across the metro. The Imagine Clearwater project and the expansion of the Tampa Convention Center are nearing completion, while the \$100 million expansion of The Straz Center for the Performing Arts is set to begin next year.

Tampa Employment Share by Sector

| Code | Employment Sector | Current Employment | |
|------|-------------------------------------|--------------------|---------|
| | | (000) | % Share |
| 65 | Education and Health Services | 278 | 15.4% |
| 60 | Professional and Business Services | 335 | 18.6% |
| 70 | Leisure and Hospitality | 201 | 11.1% |
| 40 | Trade, Transportation and Utilities | 358 | 19.8% |
| 15 | Mining, Logging and Construction | 110 | 6.1% |
| 80 | Other Services | 57 | 3.2% |
| 30 | Manufacturing | 94 | 5.2% |
| 90 | Government | 184 | 10.2% |
| 55 | Financial Activities | 155 | 8.6% |
| 50 | Information | 31 | 1.7% |

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Tampa gained 36,129 residents in 2021, amounting to a 1.1% increase in population. Meanwhile, the national rate of growth stood at 0.1%.
- ▶ Based on the U.S. Census Bureau's population estimates, Florida is set to become 2022's fastest-growing state.

Tampa vs. National Population

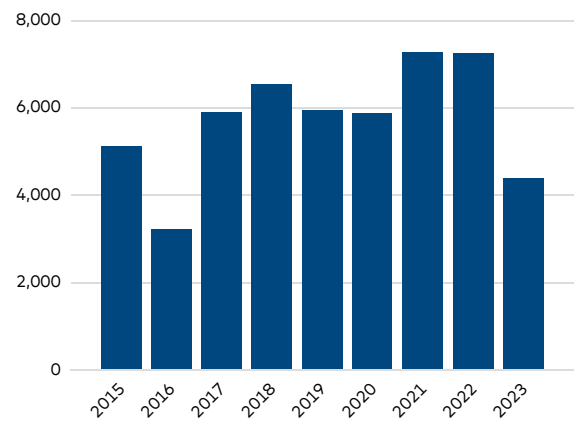
| | 2018 | 2019 | 2020 | 2021 |
|----------|-------------|-------------|-------------|-------------|
| National | 326,838,199 | 328,329,953 | 331,501,080 | 331,893,745 |
| Tampa | 3,158,674 | 3,200,120 | 3,183,385 | 3,219,514 |

Source: U.S. Census

SUPPLY

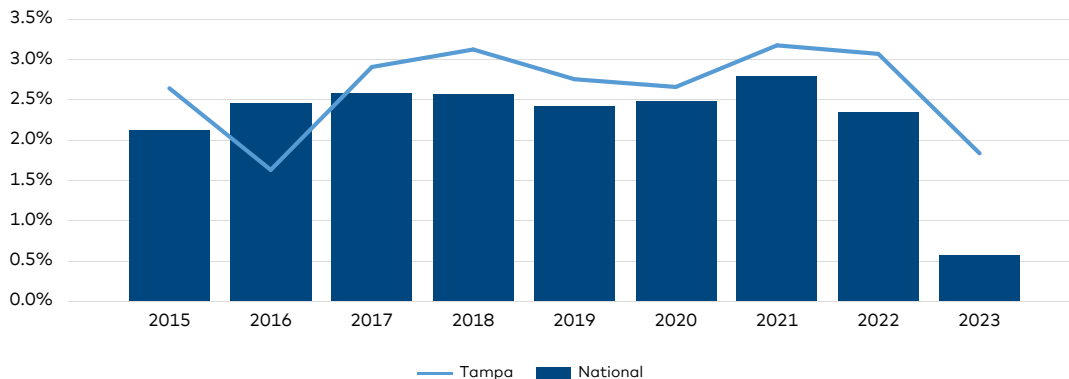
- ▶ Tampa had 16,599 units under construction as of May, with most projects in the Lifestyle segment. The pipeline also included some 78,000 units in the planning and permitting stages.
- ▶ Developers added 4,416 units to metro Tampa's multifamily stock in the first five months of 2023. The bulk of deliveries has been geared to Lifestyle, as only two of the 16 completed projects were RBN assets. Completions accounted for 1.8% of existing inventory, three times the U.S. average. During the decade ending in 2022, nearly 56,000 units came online across the metro. Based on Yardi Matrix's multifamily completions forecast, 2023 is expected to substantially surpass the decade high of 7,268 units completed in 2021. By year-end, more than 10,000 units are expected to come online, representing 4.3% of existing inventory.
- ▶ As of May, more than 40% of the under construction pipeline was concentrated in just five submarkets. Development activity remained highest in Davenport, where 2,417 units were underway. The four other active submarkets—Tampa-Downtown, Wesley Chapel, Lakeland and St. Petersburg-Downtown—each had at least 1,000 units under construction.
- ▶ Brandon Town Center in Brandon, Fla., was the largest project underway in the metro. Rotunda Land and Development kicked off the project in late 2021, with completion set for mid-2024. The developer financed the project with a \$71.5 million loan originated by CoreVest Finance. The 660-unit property will stretch across more than 56 acres.

Tampa Completions (as of May 2023)



Source: Yardi Matrix

Tampa vs. National Completions as a Percentage of Total Stock (as of May 2023)



Source: Yardi Matrix

TRANSACTIONS

- ▶ Multifamily sales totaled \$440 million in the first five months of the year. Investment activity fell significantly compared to the same interval in 2022, when transaction volume totaled nearly \$3.1 billion. Last year also marked the second-best year of the decade for transaction volume, at \$4.3 billion, outpaced only by 2021, when sales totaled more than \$5.3 billion.
- ▶ The average price per unit in Tampa clocked in at \$176,074. The figure marked a 24.6% fall from the record-breaking \$233,476 recorded in

2022. Meanwhile, the U.S. per-unit price came in at \$179,358 this year, just \$3,300 under Tampa's figure.

- ▶ In the 12 months ending in May, six submarkets had at least \$100 million in sales. These accounted for more than half of the \$1.8 billion total transaction volume. The year's largest multifamily deal was The Connor Group's \$76.7 million acquisition of The Boulevard in the Largo submarket. Largo also led sales activity in the past 12 months, at \$269 million.

Tampa Sales Volume and Number of Properties Sold (as of May 2023)



Source: Yardi Matrix

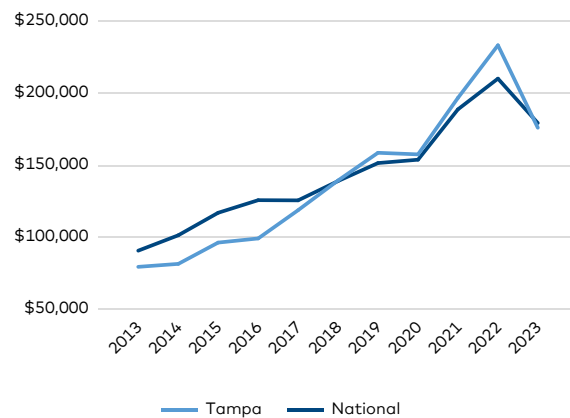
Top Submarkets for Transaction Volume¹

| Submarket | Volume (\$MM) |
|--------------------------|---------------|
| Largo | 269 |
| Tampa-South Tampa | 203 |
| Lake Magdalene-Northdale | 163 |
| Davenport | 141 |
| University | 116 |
| Lakeland | 104 |
| Palm River-Clair Mel | 98 |

Source: Yardi Matrix

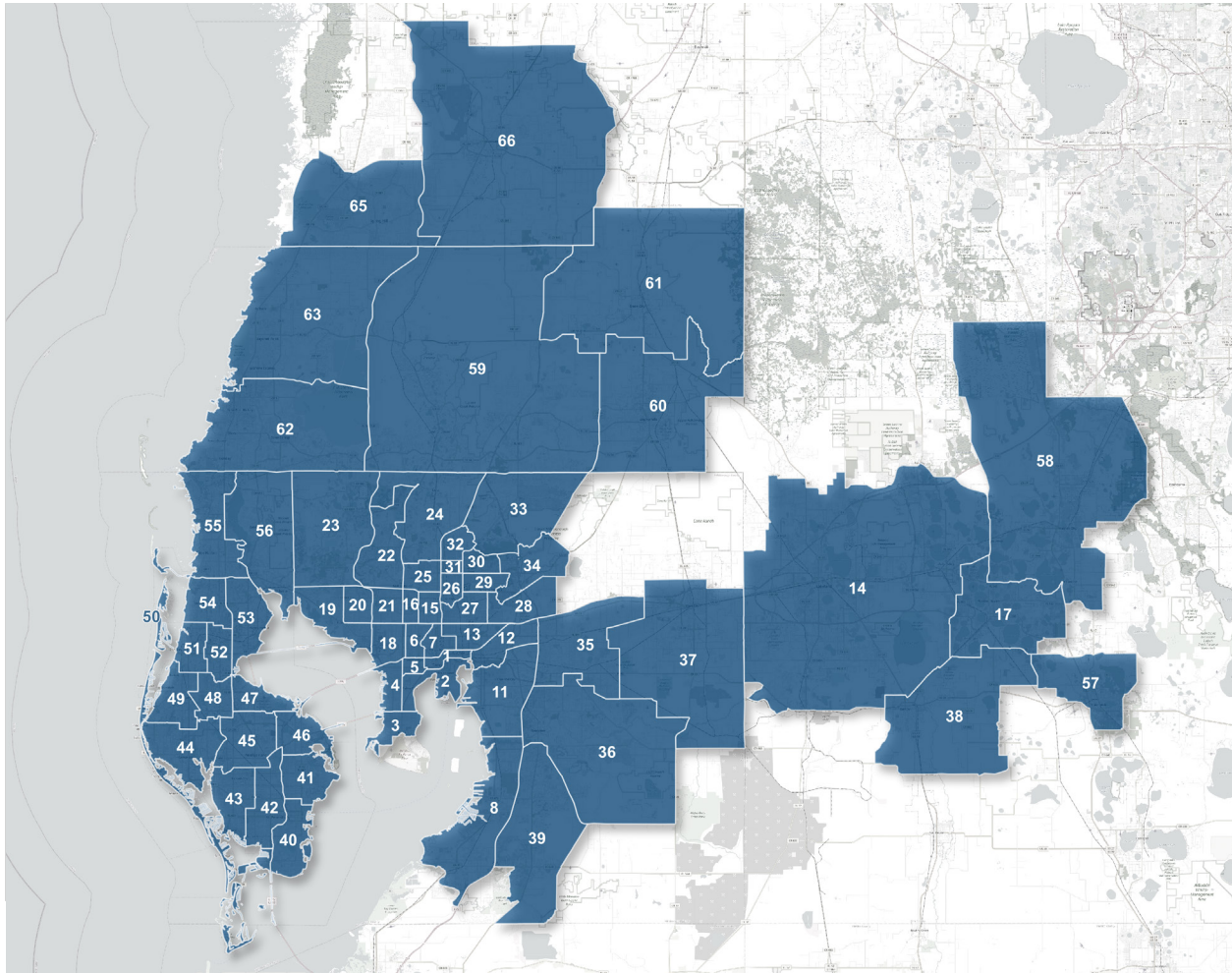
¹ From June 2022 to May 2023

Tampa vs. National Sales Price per Unit



Source: Yardi Matrix

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 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 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, 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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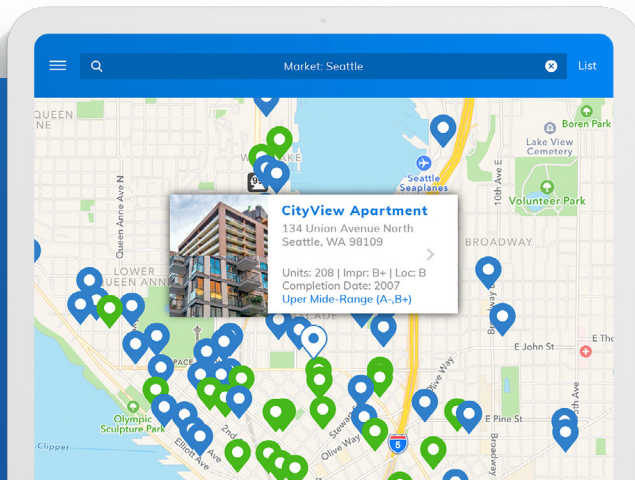
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