Yardi® Matrix

Flourishing Economy Powers Tampa

Multifamily Report Summer 2018

Rent Growth Tops Nation

Financial Sector Leads Job Gains

Construction Surges In Downtown Core Submarkets

Market Analysis
Summer 2018

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Job Gains Sustain Demand

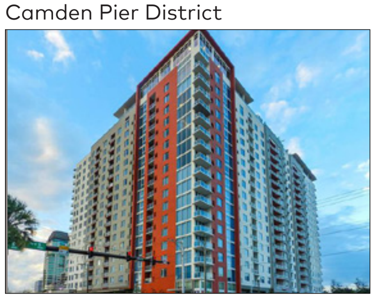
The Tampa–St. Petersburg multifamily market has several factors keeping it stable: Above-trend population and employment gains have created healthy demand, pushing rents up 4.0% to $1,200—trailing the $1,381 national average. The area's main draws are relative affordability compared to top markets, as well as a strengthening economy that's adding jobs at an above-average rate.

Employment growth has been diverse, with the financial activities and education and health services sectors leading the expansion, adding 6,700 and 6,600 jobs, respectively. The construction sector is also strong and expected to expand, aided by the $3 billion redevelopment project set to change Tampa's skyline and double its downtown size: the 9 million-square-foot Water Street Tampa project scheduled for completion in 2027.

Given the declining return environment, investors are racing to find higher-yield potential in high-growth secondary markets, pushing the per-unit price in Tampa to $146,389, surpassing the $145,823 national average for the first time this cycle. More than $690 million in multifamily assets traded in the metro this year through April. Apartment construction is hot, with more than 8,000 units underway and an additional 31,400 in various planning stages. Yardi Matrix expects that rent growth will reach 3.9% by year-end.

Recent Tampa Transactions

Camden Pier District



City: St. Petersburg, Fla.
Buyer: Camden Property Trust
Purchase Price: $126 MM
Price per Unit: $352,793

Madison Gateway

City: St. Petersburg, Fla.
Buyer: Equus Capital Partners
Purchase Price: $64 MM
Price per Unit: $204,140

Havana Square

City: Tampa, Fla.
Buyer: Nicol Investment Co.
Purchase Price: $58 MM
Price per Unit: $212,000

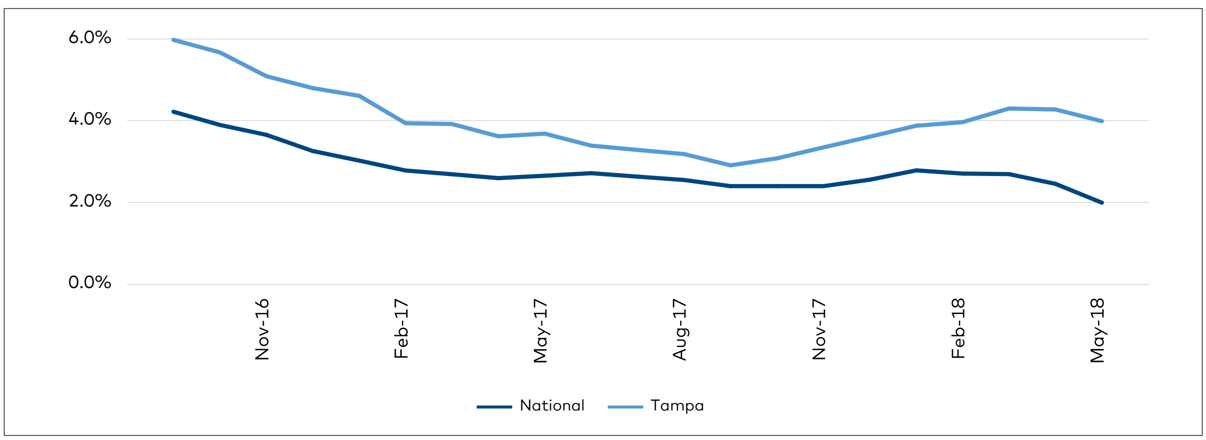
Courtney Trace

City: Brandon, Fla.
Buyer: White Oak Partners
Purchase Price: $46 MM
Price per Unit: $160,590

Rent Trends

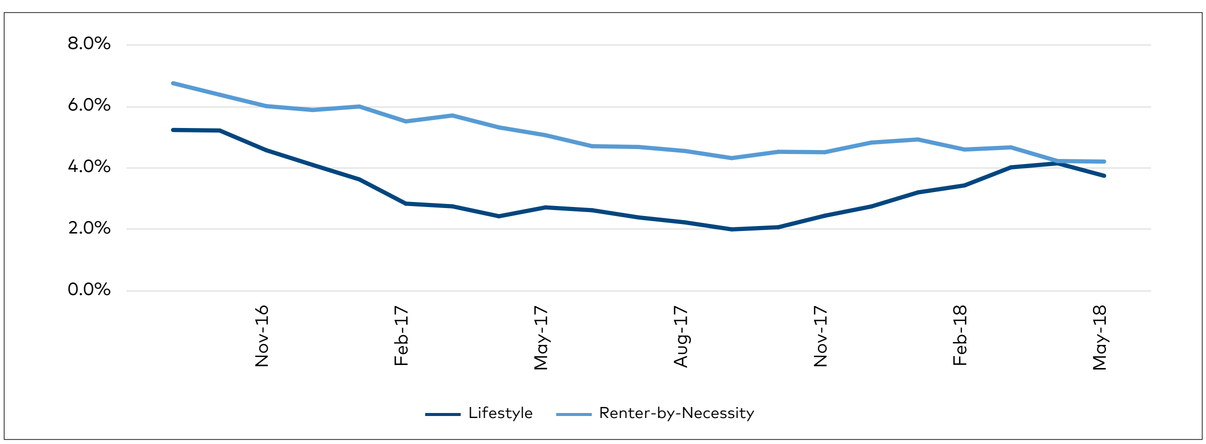
- Tampa rents grew 4.0% year-over-year through May, double the 2.0% national rate and among the fastest-rising rents in the nation. Average Tampa rents rose to $1,200 year-over-year by May, $181 below the $1,381 national average. Demand is strong due to an improving job market, while its relative affordability compared to other Florida metros continues to drive population growth. Occupancy clocked in at 95.1%, 70 basis points lower year-over-year, slightly above the nationwide trend.
- Rents in the working-class Renter-by-Necessity segment rose 4.2% to $1,015, while Lifestyle rents followed closely, increasing by 3.8% to $1,411. Demand for workforce-level housing will likely rise, as the development pipeline consists mostly of upscale projects, which will put pressure on RBN rents.
- Most of Tampa's submarkets saw rents rise, with only four of them having rents contract over the past year. Sunset Park/Bayside marked the steepest drop (down 3.3% to $1,244). Rents in the most affordable submarket, Lake Wales, rose 2.5% to $702, while rents in the most expensive submarket, Hyde Park/Davis Island, increased by 3.6% to $1,915.
- Although deliveries decelerated this year, after the 2017 surge there is a high number of units underway in the metro, which will likely dampen rent growth. Yardi Matrix expects rents to rise 3.9% 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

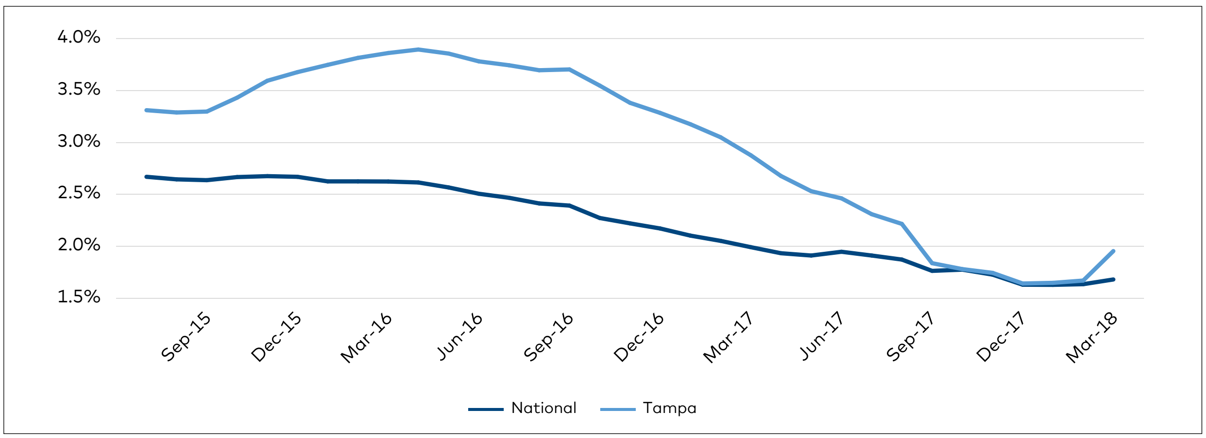
Economic Snapshot

- The metro added 32,800 jobs in the 12 months ending in March, up 2.0% and 30 basis points more than the national rate. Employment gains were significant even as the metro approaches full employment. Unemployment was at around 3.2% in April—Tampa has not yet regained all the jobs it lost between 2007 and 2010, estimated at about 140,200 jobs, but it continues to make good progress.

- Tampa Bay ranked first in Florida for the availability of high-wage jobs in fields like information technology and financial services. Leading the way was the financial activities sector, which gained 6,700 jobs, and education and health services, which grew by 6,600 jobs. The trend will likely continue, as insurance company Progressive announced it will add 1,300 jobs to the market through the end of the year, while biotechnology firm Amgen looks to add 450 positions to their newly opened facility by the end of 2018.

- Tampa is poised for a shift in its office market. Overall vacancy fell to 11% in the first quarter of 2018, while Class A assets hovered around the 6% mark, putting pressure on developers. New construction will alleviate some of that pain—PwC and landlord MetLife will break ground on a 250,000-square-foot office asset at the MetWest campus in the Westshore submarket, while a 150,000-square-foot speculative office project, fully leased to AAA, will be delivered in 2018.

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)

		Current Employment		Year Change	
Code	Employment Sector	(000)	% Share	Employment	%
55	Financial Activities	129	8.2%	6,700	5.5%
65	Education and Health Services	244	15.5%	6,600	2.8%
70	Leisure and Hospitality	186	11.8%	5,800	3.2%
15	Mining, Logging and Construction	90	5.7%	4,000	4.7%
40	Trade, Transportation and Utilities	306	19.4%	3,500	1.2%
60	Professional and Business Services	265	16.8%	2,800	1.1%
30	Manufacturing	86	5.5%	2,300	2.8%
80	Other Services	53	3.4%	1,900	3.7%
90	Government	189	12.0%	200	0.1%
50	Information	26	1.7%	-1,000	-3.7%

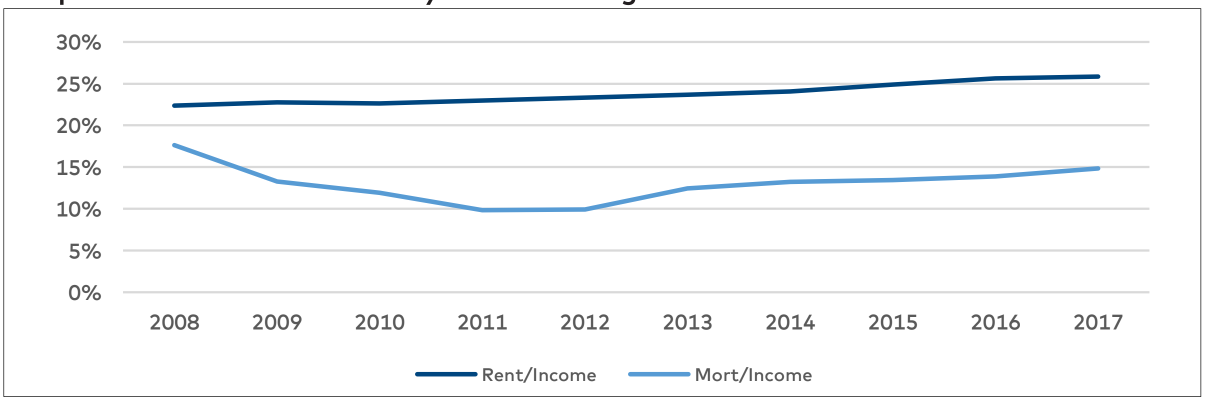
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

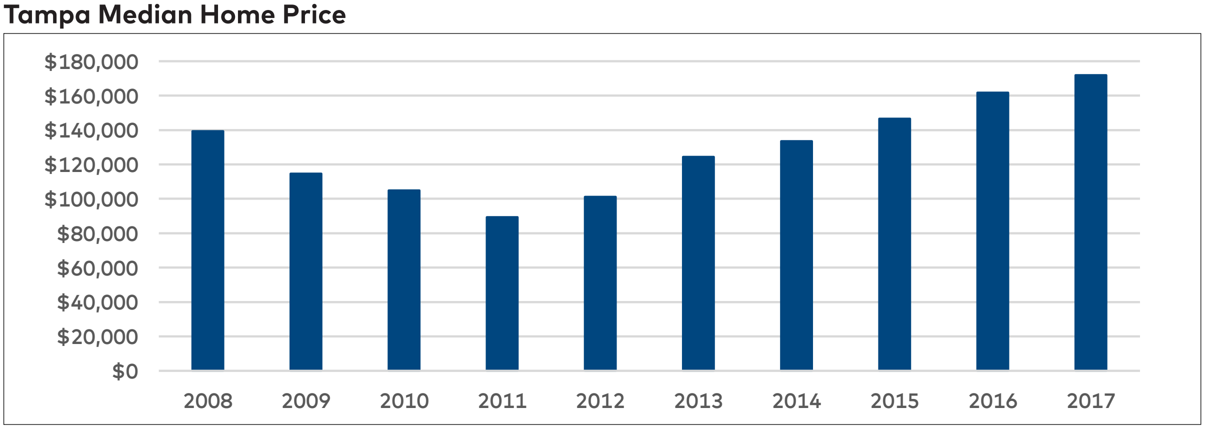
- The median home value continued to surge, up 6.2% in 2017 compared to 2016 and 92.4% since the 2011 trough, hitting $171,801 in 2017. Owning is less expensive than renting in Tampa, comprising only 15% of the area's median income. Rents rose to $1,200 in May, accounting for 26% of incomes.
- Tampa's affordability issues have deepened. Over the past decade, the number of low-income residents has increased by more than 35%, according to University of Florida researchers. The situation is exacerbated by state policies, which continue to be focused on cutting funding for affordable housing. There were only 351 affordable units underway in the metro that were slated for delivery by year's end.

Tampa Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

Tampa Median Home Price



Source: Moody's Analytics

Population

- The Tampa–St. Petersburg metro grew by 1.8% in 2017, well above the national average growth rate of 0.7%.
- The metro expanded by more than 54,800 residents in 2017 and more than 218,800 since 2013.

Tampa vs. National Population

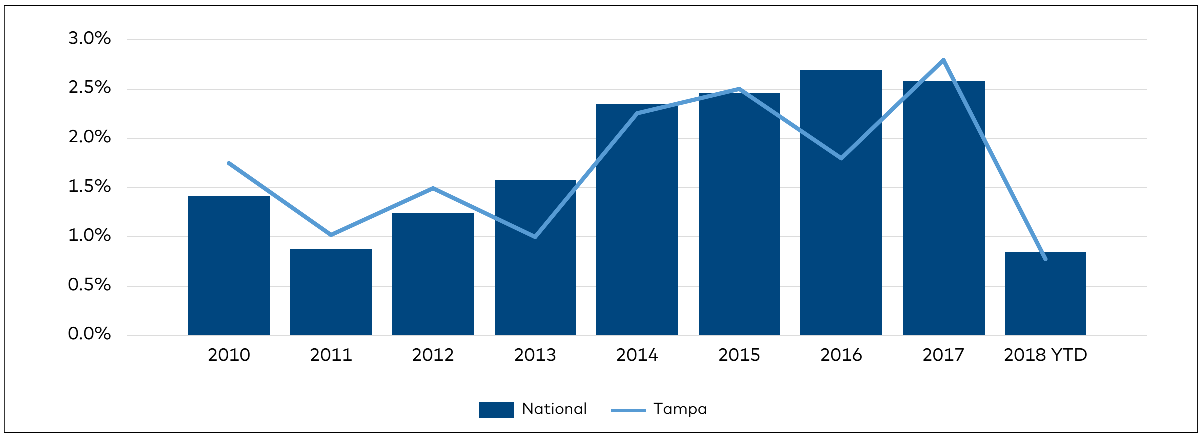
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Tampa Metro	2,872,530	2,916,839	2,973,756	3,036,525	3,091,399

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

Supply

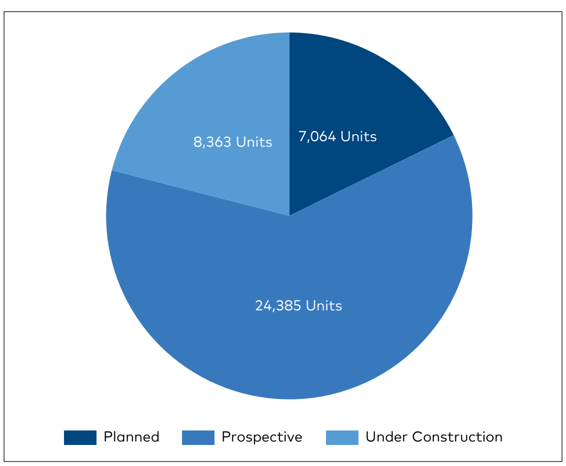
- More than 1,500 units were delivered this year through May, roughly 2.8% of the total stock. Consistent employment and population growth has been Tampa's main driver of accelerated housing demand.
- More than 8,000 units were underway as of May, while another 31,400 units were in the planning and permitting stages. By the end of 2018, more than 5,500 units are slated for completion. The occupancy rate in stabilized properties dropped 70 basis points over the past 12 months, to 95.1% as of April, raising the issue of overbuilding on the upscale end of the spectrum, which could postpone or cancel some Lifestyle projects.
- More than 45% of the upcoming rental inventory is concentrated in just four submarkets: Downtown Tampa/Ybor City (1,311 units), Downtown St. Petersburg (952), Gandy/Ballast Point (888) and Land O'Lakes/Odessa (740).
- The largest project underway is Suncoast Credit Union, a 450-unit community that will occupy more than eight acres in the Harney submarket and scheduled for completion by fall 2018.

Tampa vs. National Completions as a Percentage of Total Stock (as of May 2018)



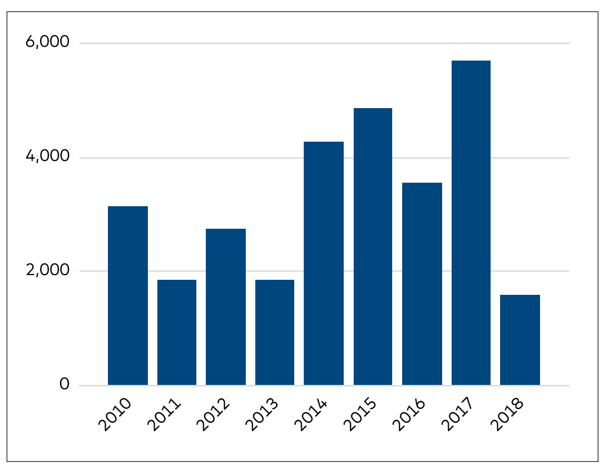
Source: YardiMatrix

Development Pipeline (as of May 2018)



Source: YardiMatrix

Tampa Completions (as of May 2018)

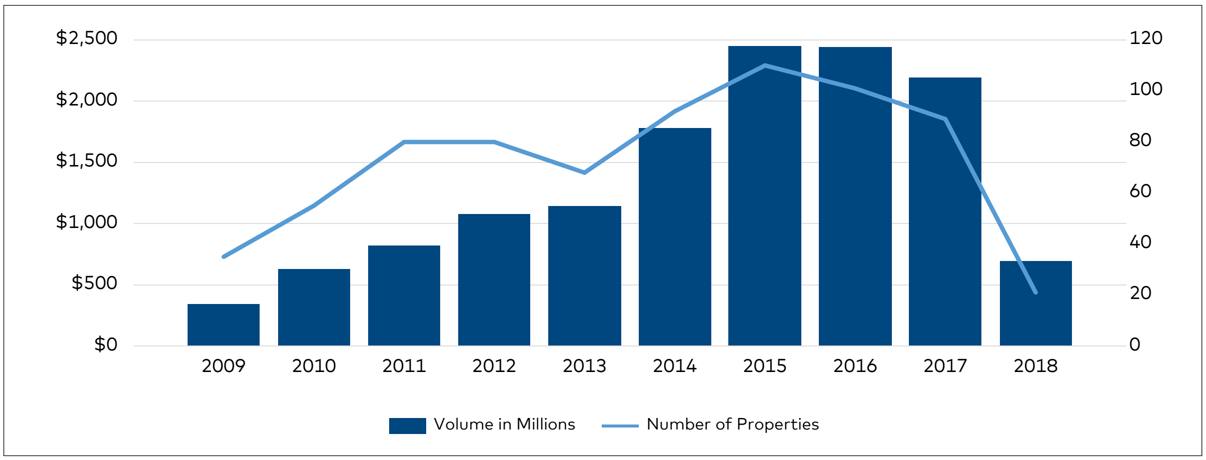


Source: YardiMatrix

Transactions

- Tampa's transaction activity softened in 2018, with more than $690 million in multifamily assets changing hands in the metro this year through April. Two-thirds of the properties that traded were in the RBN segment. Investor interest has led to an 18.9% increase in per-unit prices compared to 2017, now at an average of $146,389, exceeding the national average—$145,823—for the first time.
- The metro's population and job growth have created an environment that's ripe for investors seeking value-add opportunities. Sales activity stayed high in some spots, with Downtown St. Petersburg being the most sought-after submarket ($215 million), followed by Clair–Mel City ($214 million) and Riverview/Valrico ($192 million). The most expensive multifamily property to trade in 2018 was Camden Pier District in Downtown St. Petersburg. American Land Ventures sold the 358-unit property to Camden Property Trust for $126 million, or $352,793 per unit.

Tampa Sales Volume and Number of Properties Sold (as of April 2018)



Source: YardiMatrix

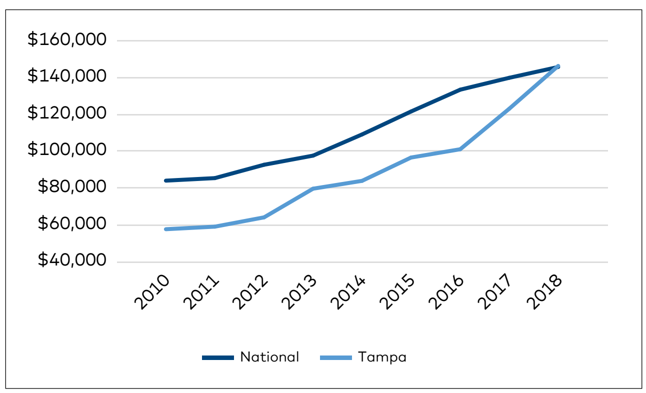
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Downtown St. Petersburg	215
Clair–Mel City	214
Riverview/Valrico	192
Mainlands	145
Lakeland Highlands	143
Land O'Lakes/Odessa	131
Downtown Tampa/Ybor City	112
University of South Florida	91

Source: YardiMatrix

[1] From May 2017 to April 2018

Tampa vs. National Sales Price per Unit



Source: YardiMatrix

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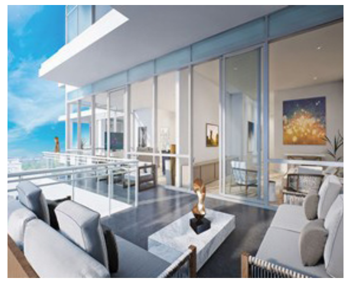
Hunt Mortgage Arranges $10M For FL Acquisition

The firm secured a Freddie Mac loan on behalf of Eric Schifferli for its purchase of Seaside Villas, a 121-unit garden-style community located in Gulfport.



Stantec Breaks Ground on Luxury Condo Project

Core Development's 400,000-square-foot BLVD tower will comprise 49 units upon completion. Amenities will include a wine cellar, a rooftop pool and an outdoor summer kitchen.

GMC Properties Lands Refi For 477-Unit Tampa-Area Asset

Berkadia provided nearly $30 million in Fannie Mae financing to retire a prior CMBS loan on the St. Petersburg property.

Tampa Community Changes Hands For $97M

Brokers from Berkadia's Tampa, Orlando and Jacksonville offices worked together in finding a buyer for The Cove Apartment Homes, a 689-unit garden-style property.

Tampa Senior Community Fetches $29M

Kayne Anderson Capital Advisors acquired The Watermark at Trinity, a 97-unit assisted living and memory-care facility, for $300,000 per unit.

Passco Buys FL Asset for $78M

The company acquired Springs at Bee Ridge in Sarasota, Fla., from Continental Property, and plans to rebrand the community as Longitude 82°.

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Keys to a Successful Development Strategy

Ten years after the financial crash, the smartest players in the industry are still reaping the benefits of their thorough planning and prudent ventures throughout the tough times. BTI Partners is one company that used the effects of the Great Recession as part of its long-term investment strategy. As Managing Partner Noah Breakstone revealed in a discussion with Senior Writer Alexandra Pacurar, BTI acquired assets at low prices and sold them to developers once the market started to recover. His company also found creative ways to finance its projects. Breakstone discussed why he is optimistic about 2018 and where to look for the next wave.

BTI Partners' strategy involves community development district bonds. What can you tell us about this way of financing construction of new residential communities?

Community development districts (CDD) are once again gaining popularity among developers, years after the Great Recession. The advantage of these districts is that they can issue bonds to help pay for the infrastructure of a development, including roads, water and sewer lines, lighting and much more. The bonds save Florida developers the cost of building the infrastructure and they pass that saving to the homebuyer. At the height of the last real estate cycle, Florida had close to 600 CDDs, which had issued more than $6 billion in municipal bonds to finance their infrastructure.

What should we expect in 2018 when it comes to financing multifamily development?

We will continue to see financing for multifamily projects, but each project will have to prove that the

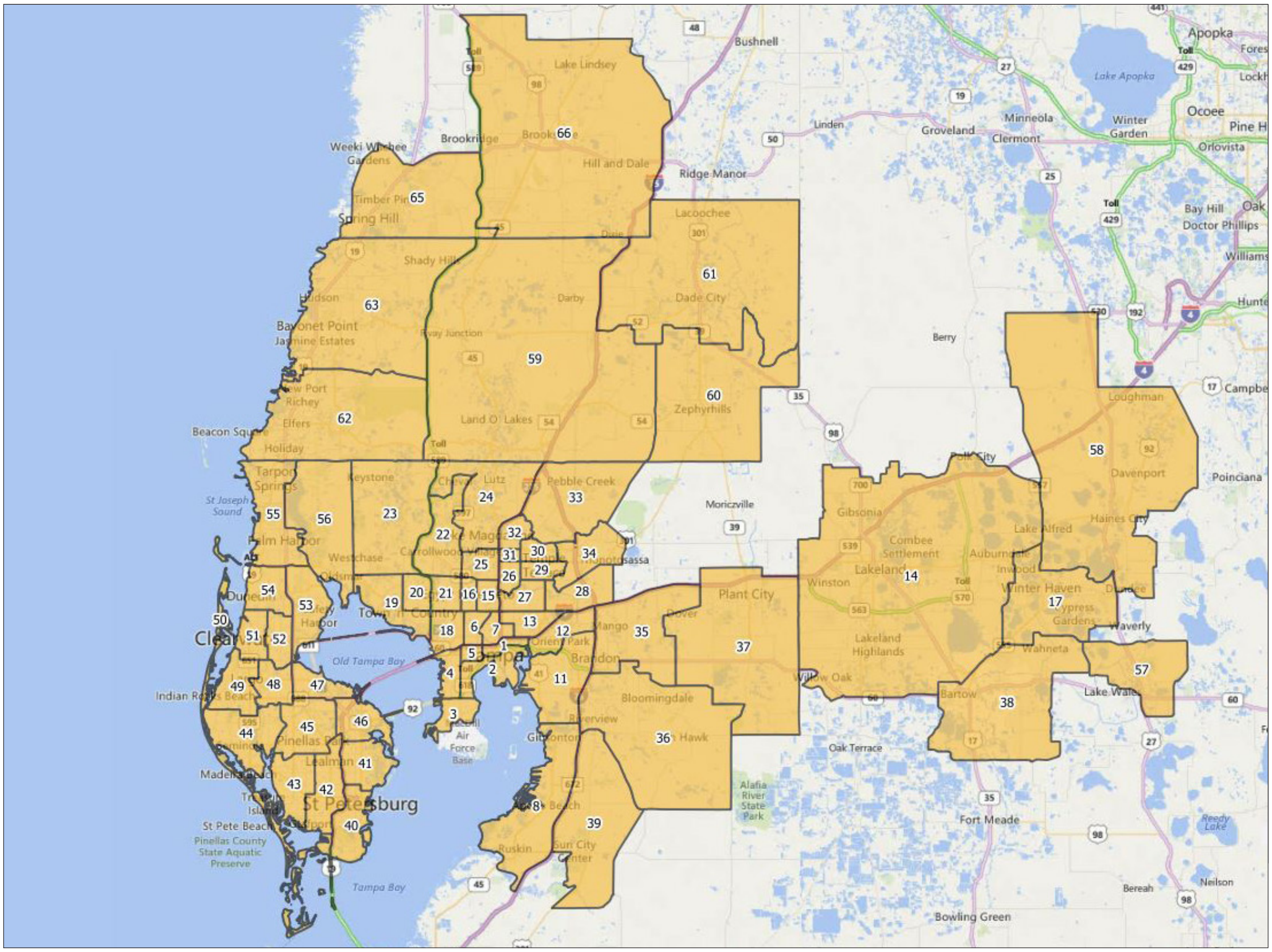
market needs that type of product. Markets with strong demographics and job growth will lead the next wave of development. Non-bank lenders will continue to play an important role in the lending world of multifamily projects, including condominiums. Non-traditional lenders will continue to compete favorably on high loan-to-value loans of mezzanine, construction and transitional loans, compared with banks and insurance companies.

The supply of affordable housing is low in major U.S. markets. What can you tell us about affordable housing development in South Florida?

Addressing the demand for attainable-priced homes for the middle class does require creativity to overcome the high cost of land in South Florida. One strategy we are applying to help solve that problem is building single-family homes on land we acquired very cheaply during the Great Recession. Back then, we acquired defaulted muni bonds backed by large development sites and eventually took title to the ready-to-build parcels.

As a result, we are now able to offer a product that is affordable to the middle class. For example, we just started construction of Arbor Parc, consisting of 500 single-family lakefront homes and townhomes in the heart of Palm Beach County. The median price of a single-family home in the county is close to $340,000, but our home prices at Arbor Parc start in the $200,000s. Arbor Parc offers a solution to our region's affordability problem, and the homes are designed for families who not only want to enjoy a comfortable lifestyle but also build wealth in years to come.

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.

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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