

An aerial photograph of the Tampa skyline at sunset. The sky is a vibrant blue, transitioning to orange and yellow near the horizon. Several prominent skyscrapers are visible, including the Wells Fargo building and the Sun Life building. In the foreground, a multi-level highway bridge spans across a body of water, with a small white building with a red roof on the bridge. The water reflects the colors of the sky and the buildings.

Yardi® Matrix

# Tampa Sets Steady Course

Multifamily Report Spring 2019

Rent Growth Stays Above US Average

Fast-Paced Economy Fuels Demand

Transaction Volume Hits Cycle Peak



## Market Analysis

Spring 2019

### 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

## Fast-Paced Job Growth Boosts Demand

Multifamily demand continues to outpace supply in Tampa, boosted by above-average population and employment gains. Thanks to its pro-business environment and quality of life, the area is both an affordable and desirable place to live, attracting residents and companies alike.

Professional and business services led job growth in the 12 months ending in February, with the addition of 10,300 jobs. This trend is bound to continue, with the region's talent pool attracting new companies including Mosaic, the first Fortune 500 firm to relocate its headquarters to Tampa, or The WebstaurantStore, the world's largest online restaurant supply store, as well as Liftup, Validity and Frank Recruitment Group. Leisure and hospitality gained 5,600 jobs, boosted by Hillsborough County's record-breaking tourism revenues of \$673 million in taxable hotel sales last year. Financial services (5,300 jobs) rounded out the top three.

Multifamily transaction volume exceeded \$2.5 billion in 2018, marking a new cycle peak, as investors are drawn by the region's solid fundamentals. Developers completed 5,187 units in 2018, with an additional 3,660 units expected to come online this year. With absorption bound to keep up with the pace of new supply, we expect the average Tampa rent to advance 3.3% in 2019.

## Recent Tampa Transactions

Reserve at Brandon



City: Brandon, Fla.  
Buyer: NorthEnd Equities  
Purchase Price: \$123 MM  
Price per Unit: \$125,255

Hermitage



City: St. Petersburg, Fla.  
Buyer: Brass Enterprises  
Purchase Price: \$108 MM  
Price per Unit: \$309,267

Peridot Palms



City: St. Petersburg, Fla.  
Buyer: UDR  
Purchase Price: \$98 MM  
Price per Unit: \$257,874

5 West

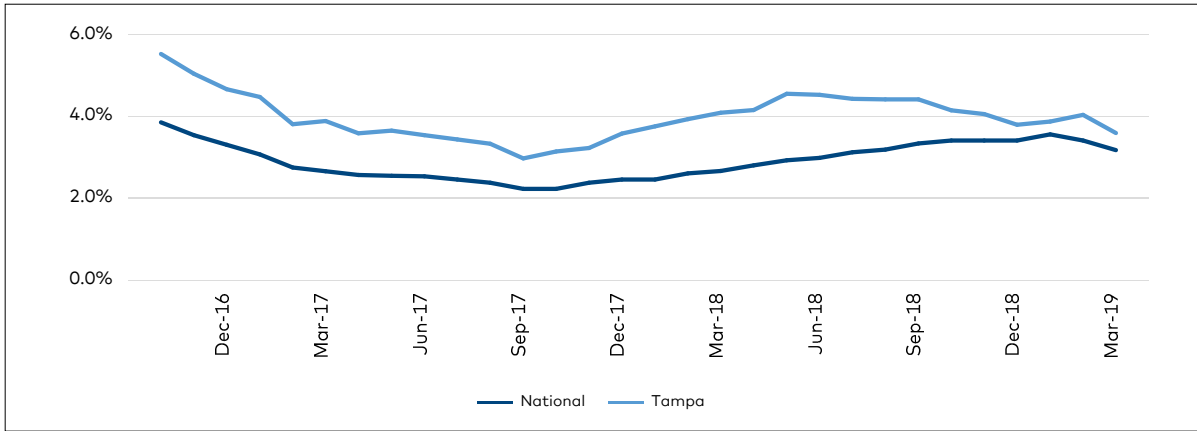


City: Tampa, Fla.  
Buyer: Nuveen Real Estate  
Purchase Price: \$62 MM  
Price per Unit: \$194,654

## Rent Trends

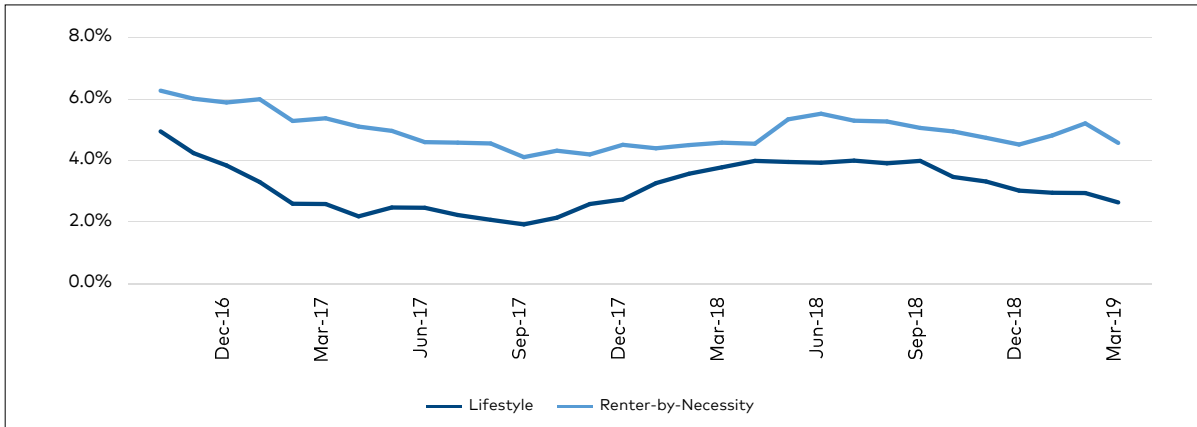
- Rents in Tampa rose 3.6% year-over-year through March, outpacing the 3.2% national rate. The average rent stood at \$1,239, below the \$1,430 U.S. figure. Following the delivery of more than 10,000 units over the past two years, occupancy in stabilized properties dropped just 40 basis points over 12 months, to 94.9% as of February, slightly above the 94.8% national average.
- Rents in the working-class Renter-by-Necessity segment rose 4.6% to \$1,052, while Lifestyle rates were up 2.6%, to \$1,439. Rents have grown rapidly for years due to a combination of below-average rates and above-average economic growth, and that could extend well into the future. As new units come online, demand is bound to remain strong, boosted by prolonged demographic expansion. We expect rent growth to decelerate slightly, reaching 3.3% year-over-year by the end of 2019.
- Rent gains were highest in Gandy/Ballast Point (up 7.7% to \$1,431), which had a flurry of new multifamily projects underway as of March, followed by Palm Harbor/Tarpon Springs (7.5% to \$1,197) and Lakeland Highlands (6.5% to \$1,071). The average rent in Hyde Park/Davis Island, which commands the metro's highest rates, remained flat at \$1,933, while rents in Downtown Tampa/Ybor City rose 6.3% to \$1,758, with several new Class A communities coming online in the last quarter of 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)

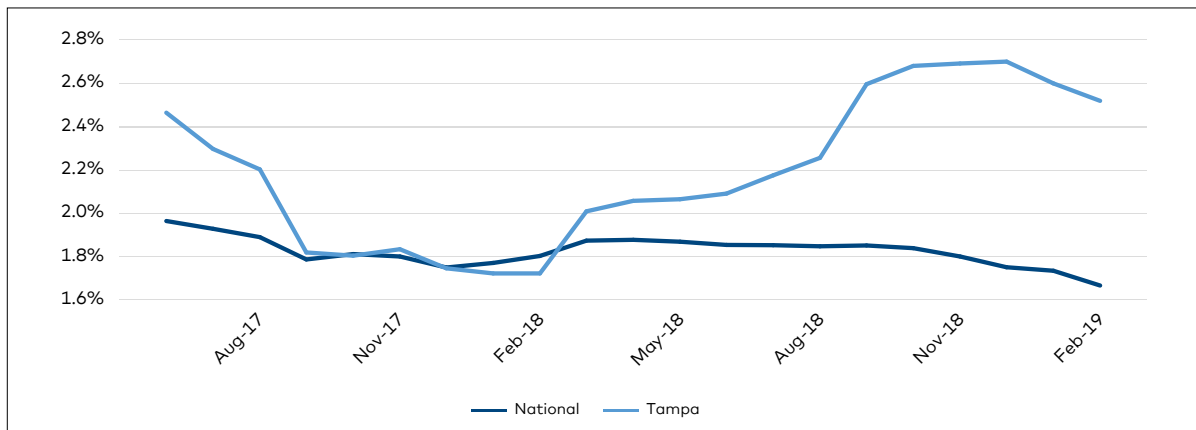


Source: YardiMatrix

## Economic Snapshot

- Tampa added 33,800 jobs in the 12 months ending in February for a 2.5% expansion, outpacing the 1.7% national rate. Following nationwide trends, the metro's unemployment rate contracted in recent years, hitting a record low of 2.9% in September of last year and standing at 3.9% as of January 2019.
- Professional and business services led growth, with the addition of 10,300 jobs. The metro's burgeoning tech hub, pro-business environment and favorable tax climate are drawing companies such as The WebstaurantStore, the world's largest online restaurant supply store, which plans to hire 300 people within five years. The company joins other employers that have chosen to expand in Hillsborough County, including Liftup, Validity and Frank Recruitment Group. Mosaic, the first Fortune 500 firm to relocate its headquarters to Tampa, has signed a lease at Bank of America Plaza, where it plans to move from Minnesota this year.
- Leisure and hospitality gained 5,600 jobs, boosted by record-breaking tourism revenues of \$673 million in taxable hotel sales across Hillsborough County in 2018, according to Visit Tampa Bay. Financial services added 5,300 positions, with companies such as Capital Investment Advisors, Axiom Bank and CFO Strategic Partners expanding to the area and adding new positions.

### 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	17.4%	10,300	3.8%
70	Leisure and Hospitality	187	11.7%	5,600	3.1%
55	Financial Activities	133	8.3%	5,300	4.2%
65	Education and Health Services	248	15.5%	5,000	2.1%
15	Mining, Logging and Construction	94	5.9%	4,200	4.7%
40	Trade, Transportation and Utilities	308	19.2%	2,400	0.8%
30	Manufacturing	86	5.4%	1,800	2.1%
80	Other Services	53	3.3%	400	0.8%
50	Information	28	1.7%	-	0.0%
90	Government	187	11.7%	-1,200	-0.6%

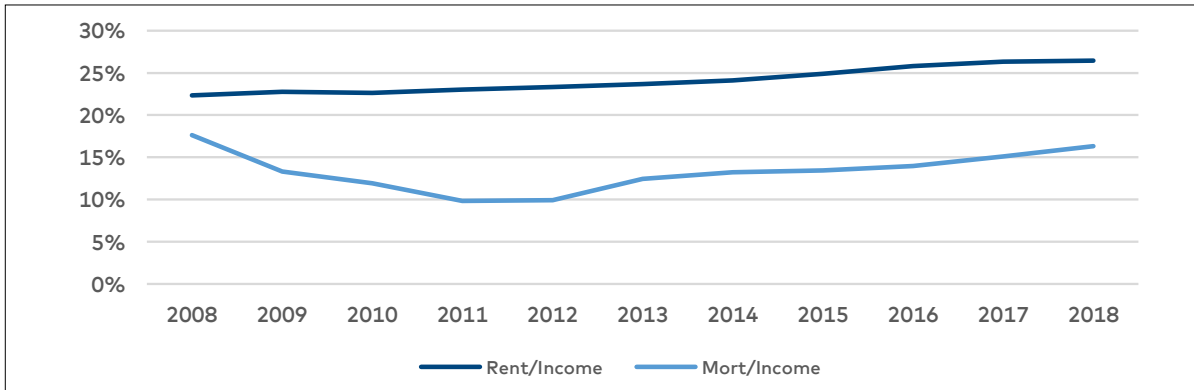
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

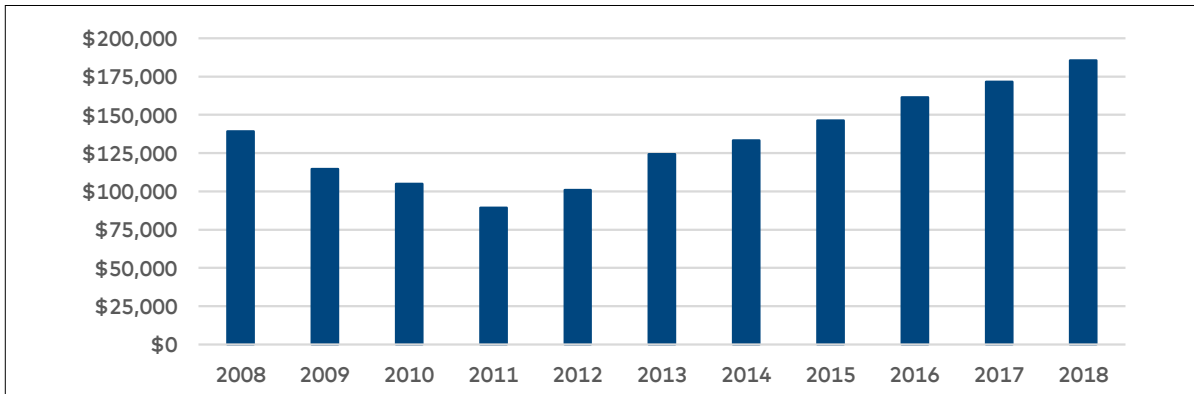
- The median home price in Tampa rose to a cycle peak of \$185,584 in 2018, up 8.2% since 2017 and 108% above the 2011 level. The average rent accounted for 26% of the area median income last year, while the average mortgage payment equated to 16%.
- The metro's hot economy, high quality of life, good weather and tax-friendly environment attract new residents. As Hillsborough County is growing, new home construction is picking up, but the market has yet to fully recover, and it is not addressing the demand for affordable homes, since most new houses are high-end and remain unattainable for middle-income earners.

### 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 added 54,874 residents in 2017, a 1.8% increase, outpacing the 0.7% national growth rate.
- The metro gained 218,869 residents between 2013 and 2017, a 7.6% uptick, well above the 3.0% national rate.

### Tampa vs. National Population

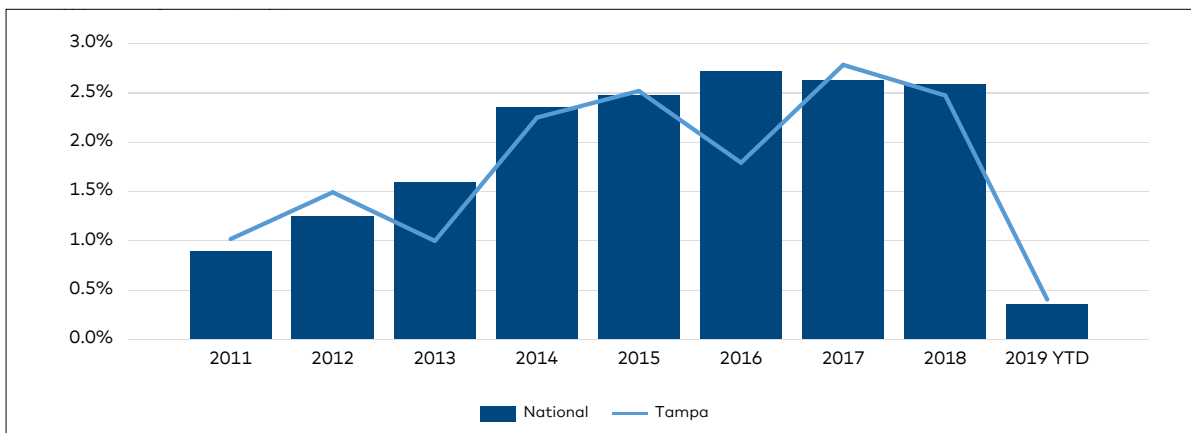
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Tampa Metro	2,872,530	2,916,839	2,973,756	3,036,525	3,091,399

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

## Supply

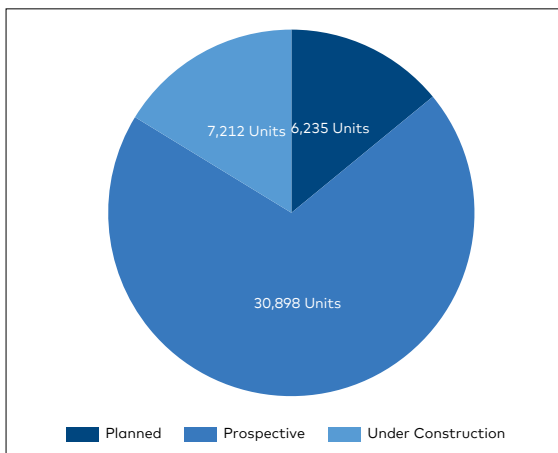
- Developers completed 850 units in the first quarter of 2019, representing 0.4% of total stock, in line with the national average. This year's forecast totals 3,660 units, equating to 1.7% of stock. A total of 5,187 units came online last year, most of them in upscale communities. Four of these properties—totaling 1,310 units—are located in designated opportunity zones.
- More than 7,200 units were under construction across the metro as of March, while another 37,133 units were in the planning and permitting stages. Absorption is expected to keep up with the pace of new supply, as the metro's population is bound to continue growing over the coming years, fueled by in-migration and household formation.
- Gandy/Ballast Point topped the list for upcoming supply, with 1,239 units under construction as of March. The submarket is also recording the fastest rent growth, at 7.7% year-over-year. Construction activity is also intense in downtown St. Petersburg, with 1,205 units underway. The submarket is building a reputation as a Millennial haven due to the lifestyle and work-life balance it provides, along with its boating and beach cultures, as well as a burgeoning arts, music and culinary scene.

### Tampa vs. National Completions as a Percentage of Total Stock (as of March 2019)



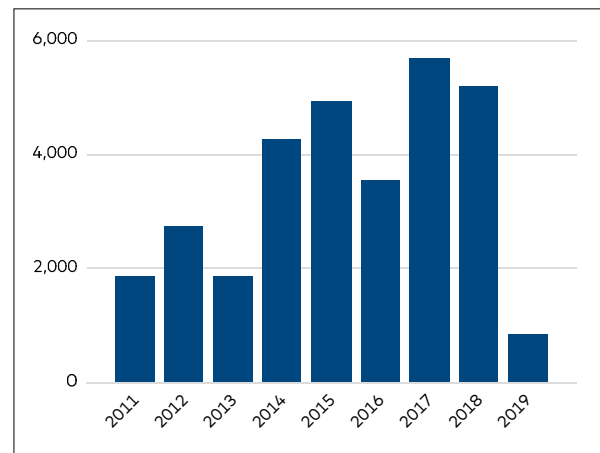
Source: YardiMatrix

### Development Pipeline (as of March 2019)



Source: YardiMatrix

### Tampa Completions (as of March 2019)

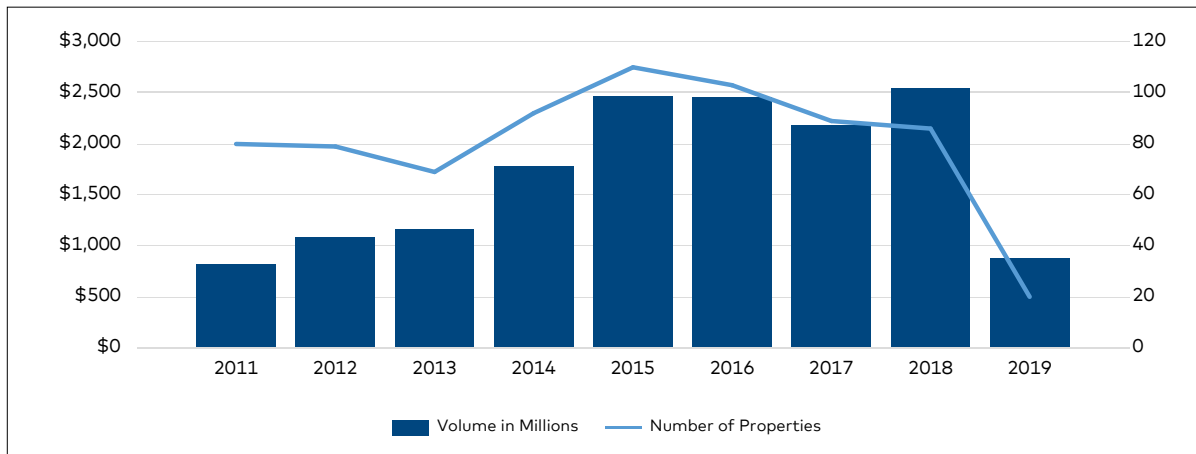


Source: YardiMatrix

## Transactions

- More than \$871 million in assets traded in Tampa during the first quarter of 2019, at an average per-unit price of \$154,354, higher than the \$153,504 national average. In 2018, a cycle high of more than \$2.5 billion in properties sold at an average of \$143,894 per unit, below the \$153,928 U.S. figure.
- Sales volume rose steadily since 2014, as investors are drawn by the metro's rapid expansion and prospects for higher rents. Acquisition yields for stabilized Class A assets in infill locations range from 4.5% to 5.0% and can go as high as 7.5% for value-add Class C properties in suburban locations.
- NorthEnd Equities' January 2019 acquisition of the 982-unit Reserve at Brandon ranked as the metro's largest multifamily transaction in the 12 months ending in March. The company paid \$123 million, or \$125,255 per unit, to buy the garden-style property from an affiliate of Blue Roc Premier Properties.

**Tampa Sales Volume and Number of Properties Sold** (as of March 2019)



Source: YardiMatrix

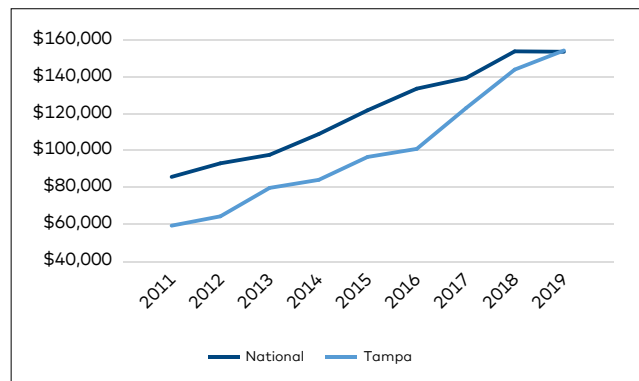
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Westchase	252
Rocky Creek	206
Downtown St. Petersburg	189
Safety Harbor	163
Brandon/Seffner	153
Lakeland Highlands	142
Riverview/Valrico	133
Gandy/Ballast Point	103

Source: YardiMatrix

<sup>1</sup> From April 2018 to March 2019

**Tampa vs. National Sales Price per Unit**



Source: YardiMatrix

## News in the Metro

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### FL Community Sells for \$63M

Cushman & Wakefield represented a joint venture between Providence Real Estate and Aegon Real Assets US in its acquisition of The Park at Via Rosa in Brandon.



### The Michaelson Group, GMF Capital Buy Tampa Community for \$43M

The partnership received \$34.6 million in financing to purchase a 384-unit property situated roughly 10 miles from Tampa's downtown.



### Tampa Property Trades for \$34M

Read Property Group sold the 310-unit garden-style community located approximately 10 miles from downtown Tampa. The acquisition was subject to a \$24.8 million Fannie Mae loan.



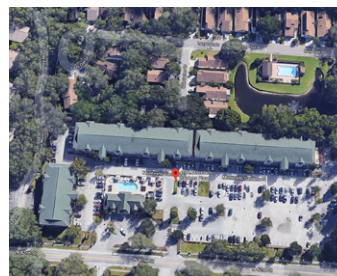
### Central FL Portfolio Changes Hands For \$28M

29th Street Capital purchased The Park at Avilla and The Park at Pienza in Brandon using \$20.3 million in Freddie Mac loans. ResProp Management is the new manager of the properties.



### Waypoint Residential Expands Development Pipeline

The company has six multifamily properties totaling more than \$325 million in development or leasing stages—including two new brands—in the Northeast and West.



### Peak Campus Expands Southern Management Portfolio

The company will manage Station 42, a student housing community serving students at the University of South Florida. The property features 528 beds.





### Market Spotlight: What Fuels Tampa's Growth

By Evelyn Jozsa

Although Tampa was once viewed as a ghost town, relocating businesses together with ambitious construction such as the multibillion-dollar project Water Street Tampa are reshaping the city's landscape.

Fore Property Co. recently entered the Tampa market and appointed Chase Pattillo as vice president of the new office. *Multi-Housing News* reached out to Pattillo for fresh insights on the metro's multifamily business.

*How would you characterize Tampa's multifamily market?*

Tampa's multifamily market is on solid ground. The city has been one of the top rent growth markets in the country, absorbing all the units delivered and unable to keep up with the growing demand. The combination of job growth, population growth and increased renter demand continue to draw significant interest in the market by capital sources. With more than \$2 billion in investment over four straight years, we see the path of growth continuing.

*What makes Tampa an attractive market for multifamily development?*

Jobs. The Tampa Bay region has been the beneficiary of strong population growth emanating from a wave of corporate relocations, the growth of homegrown companies, a renowned university system, and a terrific lifestyle and climate—popular for Millennials and empty nesters. In fact, Tampa forms the western end of the Interstate 4 corridor, which



spans the central part of the state of Florida, crossing through Lakeland, Orlando and Daytona. That corridor alone would be the fourth-fastest-growing state in the country, adding 440 people per day, according to Cushman & Wakefield. Tampa Bay itself would be No. 11.

*What sets Tampa's multifamily market apart from other markets where Fore Property Co. has a presence?*

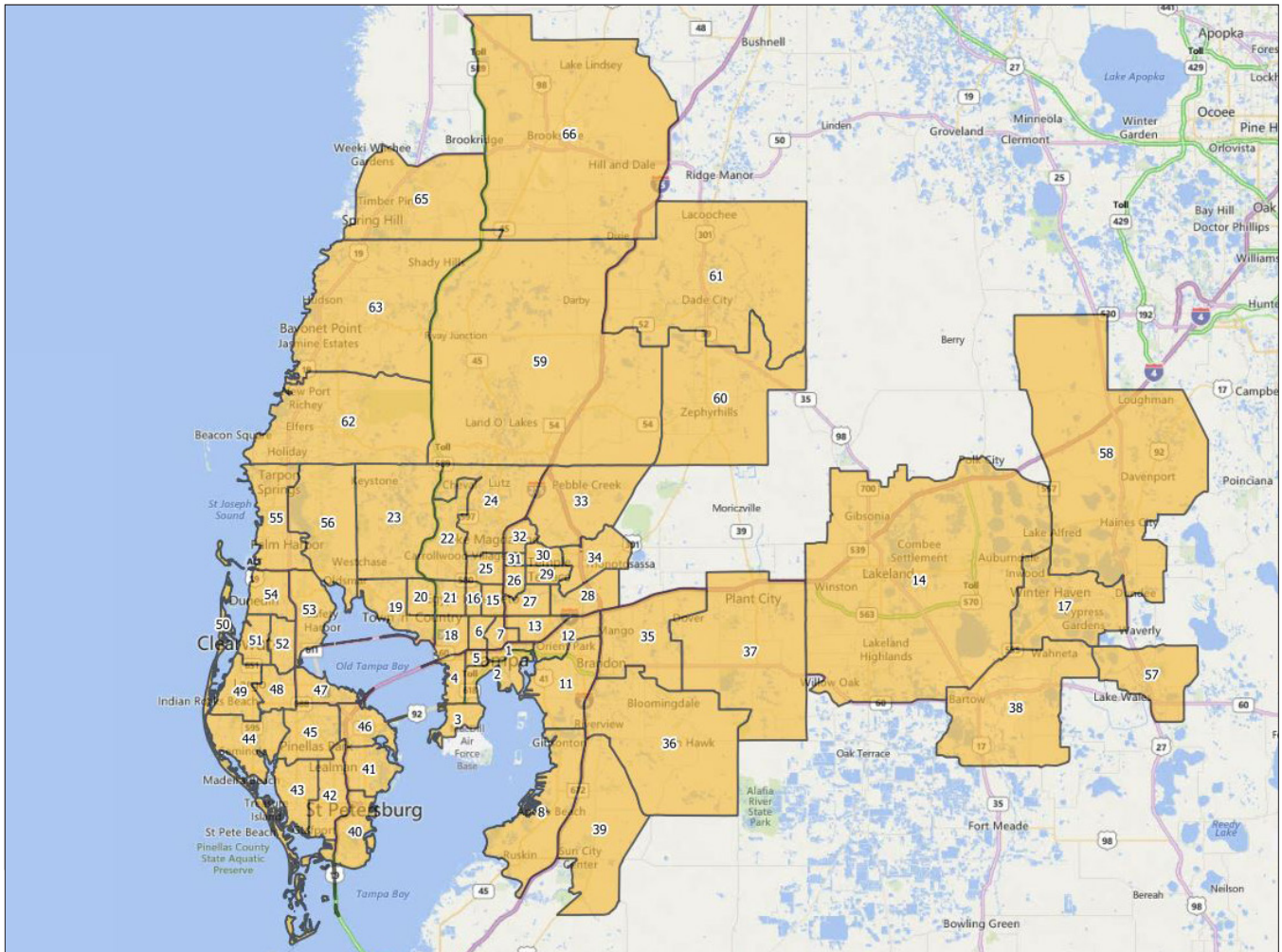
Headquartered in Las Vegas and Washington, D.C., Fore Property Co. has developed in 18 states across the U.S. Over the last several years,

Fore's markets have experienced tremendous growth. As a national company, the addition of the Tampa market further diversifies our portfolio, provides a high growth market potential for our investors and builds upon our existing Orlando operations. We believe the dynamics of Florida's residential and commercial growth in general, and in Tampa in particular, will continue for the foreseeable future.

*What can you tell us about the current multifamily financing environment? Any signs of a slowdown in the near future?*

There is still plenty of capital chasing deals, including debt and equity. Barring any unforeseen circumstances in the financing markets, Tampa should continue to be a target for institutional and private capital. The influx of new development has raised some caution from construction lenders, but the market fundamentals continue to support the delivery.

## 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

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## 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](http://www.yardimatrix.com) or call Ron Brock, Jr., at 480-663-1149 x2404.



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