

A nighttime photograph of the Tampa skyline. Several skyscrapers are illuminated with warm yellow and orange lights, reflecting on the water below. A prominent building in the center has a distinctive pointed top. To the right, a building with a curved facade is lit up. In the foreground, a bridge with green-lit supports spans across a river. The sky is a deep blue, suggesting dusk or dawn.

Yardi® Matrix

# Hot Tampa

Multifamily Report Summer 2019

**Renter-by-Necessity Rates Rise 4.2%**

**Construction Surge Continues**

**Investment Activity Accelerates**

## Market Analysis

Summer 2019

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## Multifamily Sales Shift Up a Gear

Tampa's solid multifamily fundamentals continue to attract investors and developers to the market, where robust population and employment gains are sustaining steady rental demand.

Professional and business services (9,000 jobs) led employment gains in the 12 months ending in July, boosted by a growing tech and startup scene. Construction gained 5,800 jobs, as large projects get underway, including Strategic Property Partners' 1001 Water, Tampa's first downtown trophy office tower in more than 25 years. Strong tourism activity led to the creation of 5,600 jobs, while netting Hillsborough County a record \$673 million in taxable hotel sales last year. Tampa is also growing as a hub for life science and biotech firms, luring Sweden-based Vycellix to establish its U.S. base near the Moffitt Cancer Center.

Investors seeking higher acquisition yields than those across South Florida have pushed Tampa's multifamily sales volume above the \$2 billion mark every year since 2015. In 2019 through July, nearly \$2 billion in assets traded at an average per-unit price of \$145,295. More than 8,500 units were underway as of July, the bulk of them in Lifestyle projects. Demand, however, is bound to keep up, and we expect the average Tampa rent to advance 3.5% in 2019.

### Recent Tampa Transactions

The Boot Ranch



City: Palm Harbor, Fla.  
Buyer: Providence Real Estate  
Purchase Price: \$80 MM  
Price per Unit: \$185,185

Sole at Brandon



City: Riverview, Fla.  
Buyer: Nuveen Real Estate  
Purchase Price: \$78 MM  
Price per Unit: \$211,749

The Marquis of Tampa



City: Tampa, Fla.  
Buyer: Axonic Properties  
Purchase Price: \$61 MM  
Price per Unit: \$171,186

The Addison at Tampa Oaks

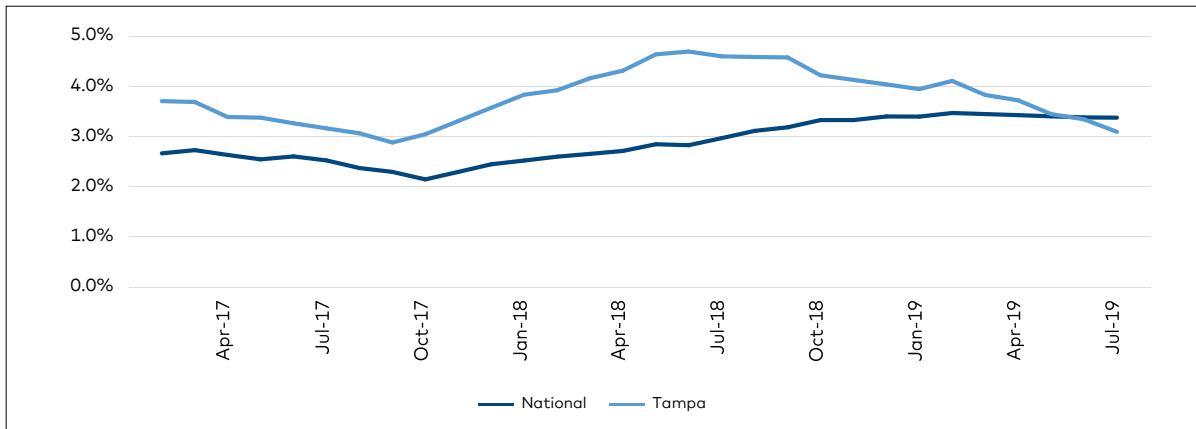


City: Temple Terrace, Fla.  
Buyer: TM Real Estate Group  
Purchase Price: \$54 MM  
Price per Unit: \$207,061

## Rent Trends

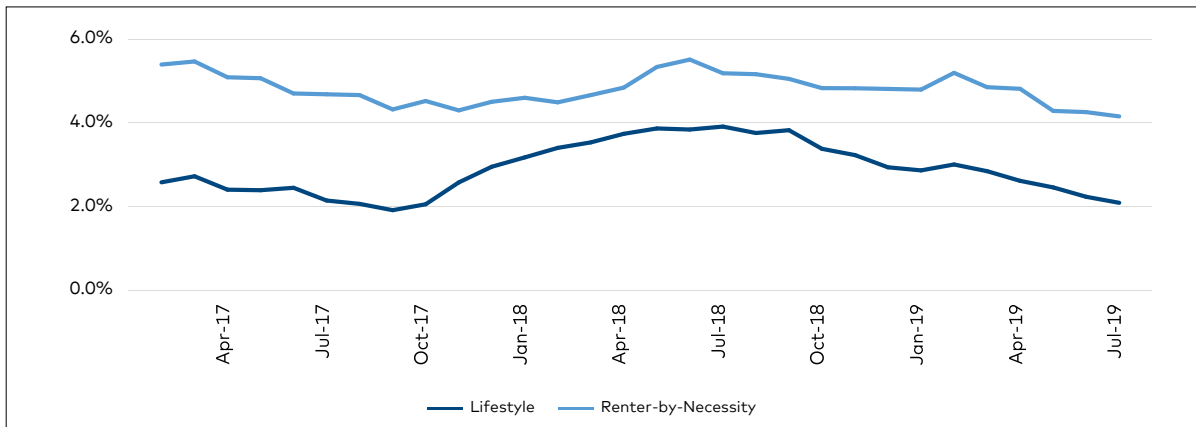
- Rents in Tampa rose 3.1% year-over-year through July, trailing the 3.4% U.S. rate. The metro's average rent stood at \$1,265, below the \$1,469 national figure. The steady development pace that has added nearly 13,700 apartments since the beginning of 2017 is putting downward pressure on occupancy in stabilized assets, with the rate dropping 50 basis points over 12 months, to 95.0% as of June.
- Household creation, together with above-average employment and population gains, continues to sustain demand across the quality spectrum. Rents in the working-class Renter-by-Necessity segment rose 4.2% to \$1,077, while Lifestyle rates increased 2.1%, to \$1,464. The ongoing in-migration of young professionals and retirees should maintain the metro's population growth well above the national average in the coming years, giving property owners leverage to further lift rents. We expect the average Tampa rent to advance 3.5% in 2019.
- Most submarkets that recorded strong gains were also some of the most affordable. Growth was led by Mullis City (9.1% to \$1,161), followed by Harney (7.5% to \$1,044), Clearwater (7.4% to \$1,194) and Lakeland Highlands (7.3% to \$1,106). Rents in Hyde Park/Davis Island, which commands the metro's highest rates, dropped 0.3% year-over-year, to \$1,964 as of July.

**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)

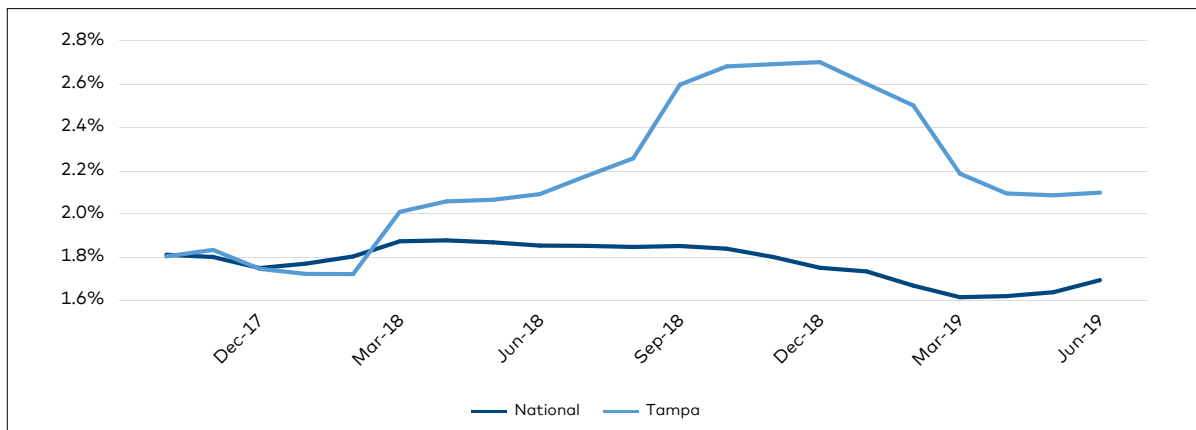


Source: YardiMatrix

## Economic Snapshot

- Tampa gained 35,300 jobs in the 12 months ending in June, a 2.1% year-over-year increase, outpacing the 1.7% national average. The metro's unemployment rate stood at 3.1% as of May, one of its lowest levels in recent years and below the 3.6% U.S. average.
- Professional and business services led growth (9,000 jobs), boosted by a growing tech and startup scene, as well as talent coming from more than 80 colleges, universities and technical schools. Tampa's coworking arena is also expanding, with WeWork committing to more than 110,000 square feet in the first half of 2019. Construction added 5,800 jobs, as large projects get underway, including Strategic Property Partners' 1001 Water, the city's first downtown trophy office tower in more than 25 years. The project is part of the \$3 billion Water Street Tampa development.
- Leisure and hospitality gained 5,600 jobs, bolstered by strong tourism numbers. In 2018, Hillsborough County recorded \$673 million in taxable hotel sales, a new high, 4.5% above the 2017 level. The \$700 million expansion of the Seminole Hard Rock Hotel & Casino Tampa, expected to open in October, is set to add 1,000 jobs. Education and health services also expanded, with Tampa becoming a hub for life science and biotech firms. In early 2019, Vycellix Inc., a Sweden-based biotech company focusing on immunotherapy, announced it would open its U.S. headquarters next to the Moffitt Cancer Center.

### 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	281	17.6%	9,000	3.3%
15	Mining, Logging and Construction	98	6.1%	5,800	6.3%
70	Leisure and Hospitality	189	11.8%	5,600	3.1%
65	Education and Health Services	248	15.5%	5,500	2.3%
55	Financial Activities	133	8.3%	3,800	2.9%
40	Trade, Transportation and Utilities	307	19.2%	2,400	0.8%
30	Manufacturing	87	5.4%	2,300	2.7%
80	Other Services	54	3.4%	500	0.9%
90	Government	175	11.0%	500	0.3%
50	Information	27	1.7%	-100	-0.4%

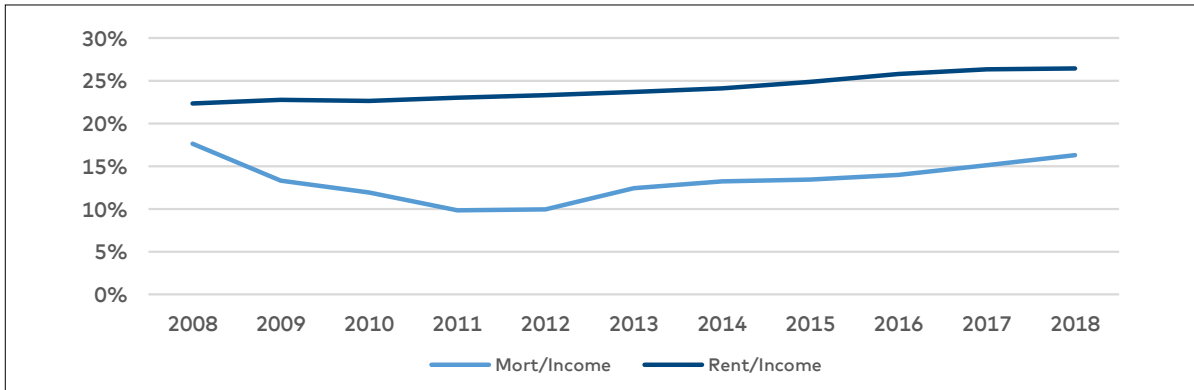
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

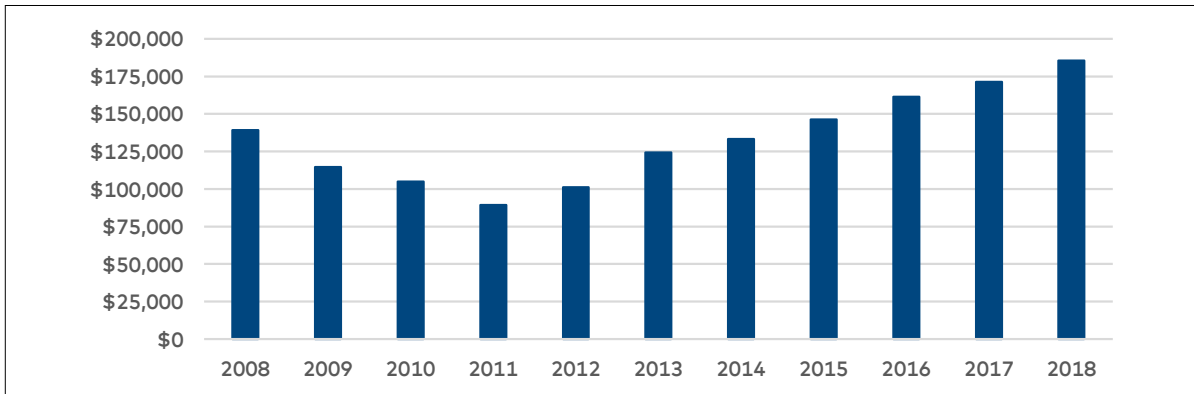
- The median home price in Tampa rose to \$185,448 in 2018, up 8.2% since 2017 and 107.8% above the 2011 level. Owning remains much more affordable than renting: The average mortgage payment accounted for 16% of the area median income last year, while the average rent equated to 26%.
- Although home prices and rents continue to rise, Tampa's housing affordability, quality of living, good weather, job opportunities, entertainment venues and walkable neighborhoods are drawing in new residents, turning it into one of the fastest-growing cities in the nation.

### 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 gained 54,874 residents in 2017, a 1.8% increase, more than double the 0.7% U.S. growth rate.
- Between 2010 and 2017, the metro's population rose by 302,899 residents, or 10.9%.

### Tampa vs. National Population

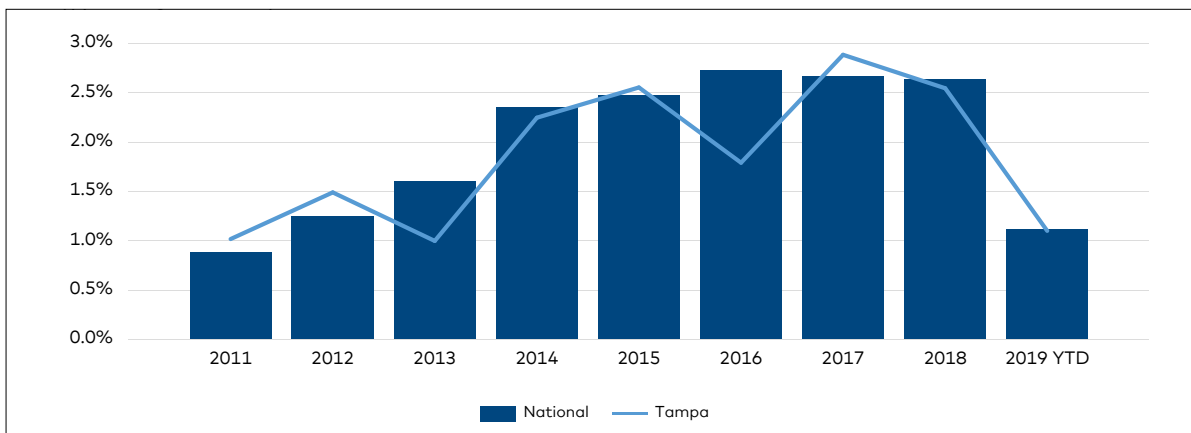
	2013	2014	2015	2016	2017
National	316,234,505	318,622,525	321,039,839	323,405,935	325,719,178
Tampa Metro	2,872,530	2,916,839	2,973,756	3,036,525	3,091,399

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

## Supply

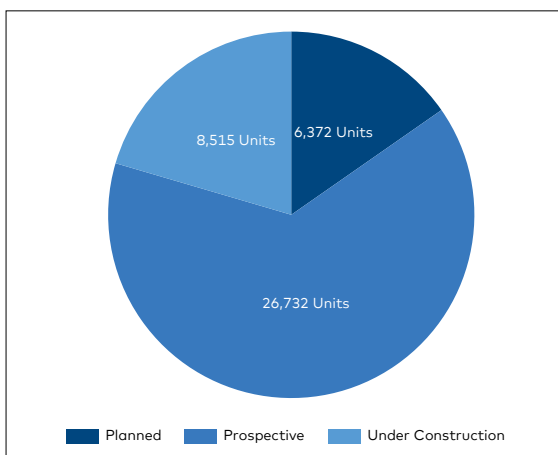
- A total of 8,515 units were underway in Tampa as of July, most of them catering to Lifestyle renters. In 2019 through July, 11 properties totaling 2,428 units came online, representing 1.1% of total stock, in line with the national average. In 2019, 5,353 units were completed, representing 2.5% of stock.
- Demand is expected to keep up with the pace of new development, as the city's economic emergence is slated to continue, sustaining above-average job growth, as well as rising incomes in the context of a relatively low cost of living, especially when compared to South Florida. Moreover, the Tampa Hillsborough EDC estimates that the population of Tampa-St. Petersburg-Clearwater will grow 6.3% between 2019 and 2023. The metro's multifamily pipeline as of July also included more than 33,000 units in the planning and permitting stages.
- Developers especially targeted Gandy/Ballast Point, which had 1,828 units underway as of July, and an average rent of \$1,470. The area is close to downtown Tampa, Ybor City and the Channelside entertainment district. Downtown St Petersburg, known for its reputation as a Millennial magnet, had 1,270 units under construction, followed by Davenport/Haines City, with 771 units.

**Tampa vs. National Completions as a Percentage of Total Stock** (as of July 2019)



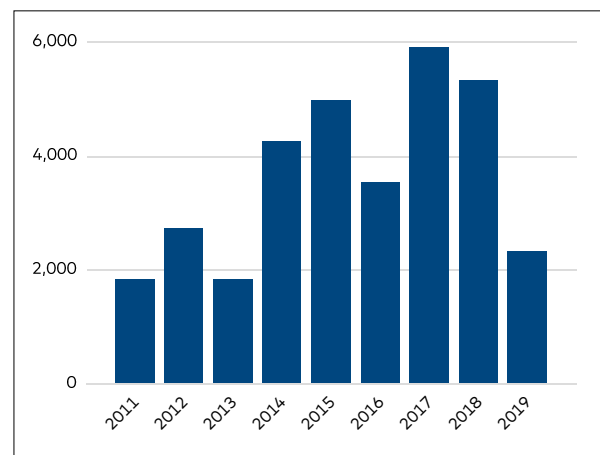
Source: YardiMatrix

**Development Pipeline** (as of July 2019)



Source: YardiMatrix

**Tampa Completions** (as of July 2019)

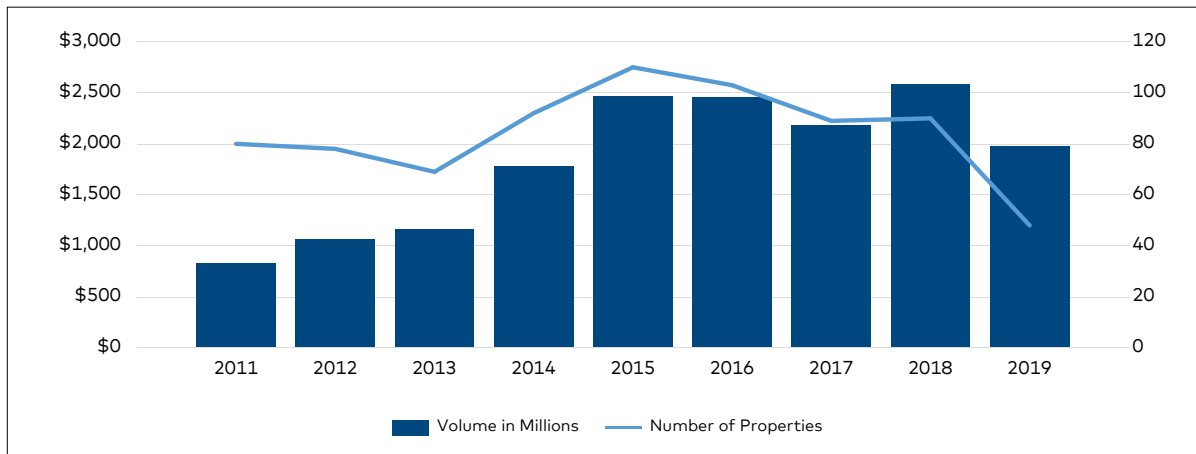


Source: YardiMatrix

## Transactions

- Nearly \$2 billion in multifamily assets traded in Tampa in 2019 through July, at an average per-unit price of \$145,295, slightly below the \$157,576 national average. In 2018, close to \$2.6 billion in properties traded at an average per-unit price of \$143,322.
- Sales volumes have been surpassing the \$2 billion mark every year since 2015, indicating strong interest in the market, which can offer better returns than other, more expensive Florida metros. Acquisition yields for Class A assets range between 4.5% and 5.5% and can go as high as 7.5% for Class C.
- Providence Real Estate's \$80 million acquisition of The Boot Ranch, a 432-unit community in Palm Harbor, ranked as the largest multifamily Tampa deal of the second quarter. IMT Capital sold the property at \$185,185 per unit.

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



Source: YardiMatrix

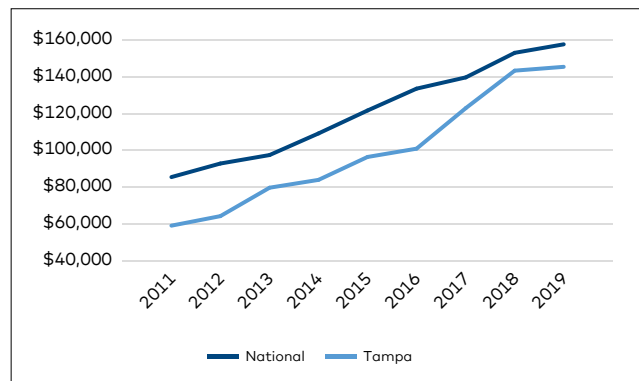
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Mainlands	254
Riverview/Valrico	226
Rocky Creek	211
Safety Harbor	202
Clair–Mel City	172
Lakeland Highlands	159
Hyde Park/Davis Island	137
Brandon/Seffner	135

Source: YardiMatrix

<sup>1</sup> From August 2018 to July 2019

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



Source: YardiMatrix

## News in the Metro

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### Frankforter Group Buys Tampa-Area Asset for \$59M

Cortland sold the 448-unit community in Lutz after six years of ownership. The buyer plans additional capital improvements to the 1986-vintage property.



### Taurus Expands Portfolio With \$59M Deal

The real estate private equity firm paid \$173,529 per unit for the property, which was previously owned by Preston-Giuliano Capital Partners.



### Clarion Partners Buys Tampa-Area Community

JBM Institutional Multifamily Advisors arranged the \$54.5 million sale of West Port Colony in St. Petersburg, Fla.



### SunTrust Provides \$75M Loan For Tampa Project

The Related Group broke ground last year on the 396-unit luxury waterfront community, Town Westshore. The four-story development will include a health spa.



### Metro Tampa Community Commands \$39M

MLG Capital acquired the 350-unit multifamily property northeast of downtown Clearwater, Fla., assuming more than \$28 million in Fannie Mae financing from the seller.



### Tampa-Area Community Trades For \$80M

The buyer, a partnership between Providence Real Estate and a Fortune 500 insurance firm, financed the sale with a \$55.2 million Freddie Mac loan. Capital Ocean arranged the joint venture.





## Tampa's Multifamily Market: No Signs of Stopping

By Adina Marcut

Multifamily continues to be the main growth sector for Tampa's real estate industry. "Absorption is expected to keep up with the pace of new supply, as Tampa's population is expected to continue growing over the coming years, fueled by in-migration and household formation," said Noah Breakstone, CEO of BTI Partners.

In the interview below, the developer of Marina Pointe shared his views on how the project will impact Tampa's multifamily market and why developers are shifting from South Florida to Central Florida.

*Please tell us more about the Marina Pointe project. What is the current status of the development?*

Marina Pointe is a luxury condominium development with three high-rise towers, townhomes, penthouse residences and a 150-slip full-service marina, with prices ranging from \$700,000 to over \$2 million. Marina Pointe is one component of the 52-acre Westshore Marina District, a luxury mixed-use waterfront community in South Tampa.

BTI Partners, the developer of Marina Pointe and the master developer of Westshore Marina District, has begun construction of the deep-water marina and will commence vertical construction of Marina Pointe later this year.

*How will Westshore Marina District impact Tampa Bay?*

Westshore Marina District is injecting a fresh, new life into South Tampa, where we are now starting to see a wave of development along Westshore Boulevard. When we entered



the Tampa Bay market, we had a vision to build a vibrant mixed-use waterfront and marina community that had practical live-work-play elements. This new contemporary vision has now turned into reality.

*What do markets like Orlando and Tampa have to offer, compared to other markets in Florida?*

These cities have very strong market fundamentals fueling their continued real estate boom. We have tracked this market trend for a while, and it is why we continue to invest in Tampa/St. Petersburg and Orlando. In addition to Westshore Marina District

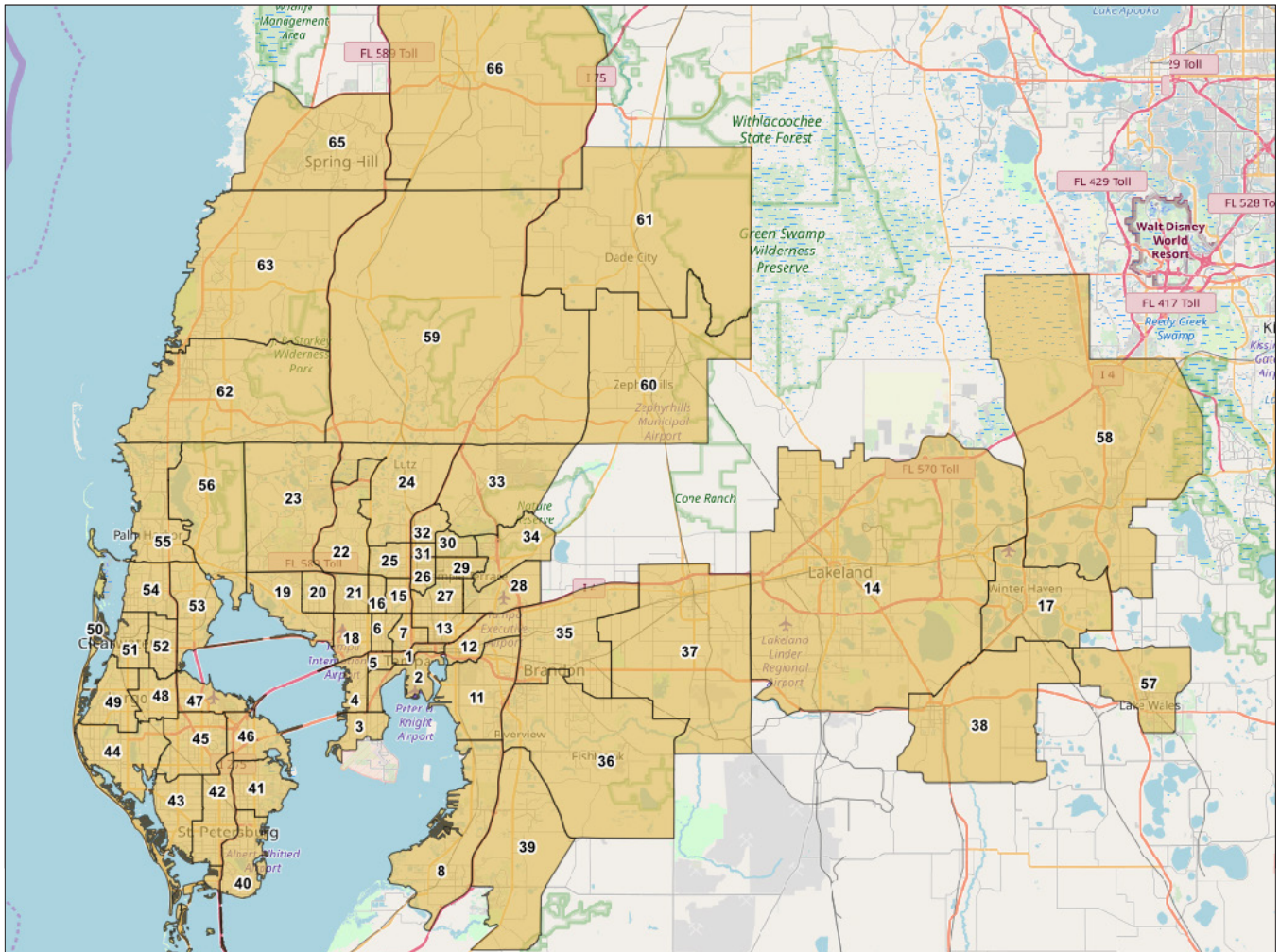
in Tampa, we are currently developing The Grove Resort & Water Park, a highly amenitized luxury vacation home community less than 5 miles from Walt Disney World in Orlando.

*Many developers are shifting their attention from South Florida—especially Miami—to Central Florida. What attracts them to this area?*

Limited supply has caused land values to skyrocket and has significantly increased the cost of living in South Florida. While international migration continues to drive the population of Miami higher, domestic migration to South Florida has been negative for the past several years and is projected to be negative in the foreseeable future. Rising home values coupled with below average salaries are pushing many families to relocate to more affordable areas. Unlike South Florida, Central Florida has land available for development and is leading the nation for population and job growth.

*(Read the complete interview on [multihousingnews.com](http://multihousingnews.com))*

## 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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