

An aerial photograph of the Tampa skyline at sunset. The sky is a mix of orange, yellow, and light blue. Several skyscrapers are visible, including the AT&T Tower with its distinctive green roof. In the foreground, there are parking lots, a multi-level highway interchange, and some lower-rise buildings. The overall scene is a mix of urban architecture and infrastructure.

Yardi® Matrix

# Tampa's Lasting Appeal

Multifamily Report Fall 2019

Job Growth Outpaces US Average

Construction Activity Remains Robust

Investment Sales Reach New Cycle Peak

## Market Analysis

Fall 2019

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## Elevated Demand Eclipses Supply

Multifamily demand continues strong in Tampa, boosted by above-trend population and employment gains. Drawn by the region's favorable tax environment, companies continue to relocate and expand in the metro, which is bolstering economic growth.

Professional and business services led job gains in the 12 months ending in September (8,700 jobs). This trend will likely continue, as 20,000 of the metro's 60,000 openings that same month were for high-skill, high-wage STEM positions. Hiring velocity is also strong in the construction sector, which gained 5,300 jobs. This sector was sustained by large developments, including Jeff Vinik and Bill Gates' \$3 billion Water Street by Tampa Bay district. Bromley Cos.' \$550 million Midtown Tampa mixed-use project is also rising near West Shore, while BTI Partners is building the \$500 million Westshore Marina District, set to include Tampa's largest deep-water marina, along with office, retail and 2,400 residences.

A combination of below-average rents and steady economic growth has lured investors to Tampa, where multifamily sales reached \$2.9 billion in the first 10 months of 2019, surpassing last year's cycle peak of \$2.6 billion. Developers have also been active, delivering 5,000 units, while another 7,900 units were under construction.

## Recent Tampa Transactions

Anchor Riverwalk



City: Tampa, Fla.  
Buyer: The Connor Group  
Purchase Price: \$123 MM  
Price per Unit: \$312,183

500 Harbour Island



City: Tampa, Fla.  
Buyer: Northwestern Mutual Real Estate Investors  
Purchase Price: \$103 MM  
Price per Unit: \$440,213

The Courtney at Bay Pines



City: St. Petersburg, Fla.  
Buyer: General Services Corp.  
Purchase Price: \$85 MM  
Price per Unit: \$258,000

The Boot Ranch

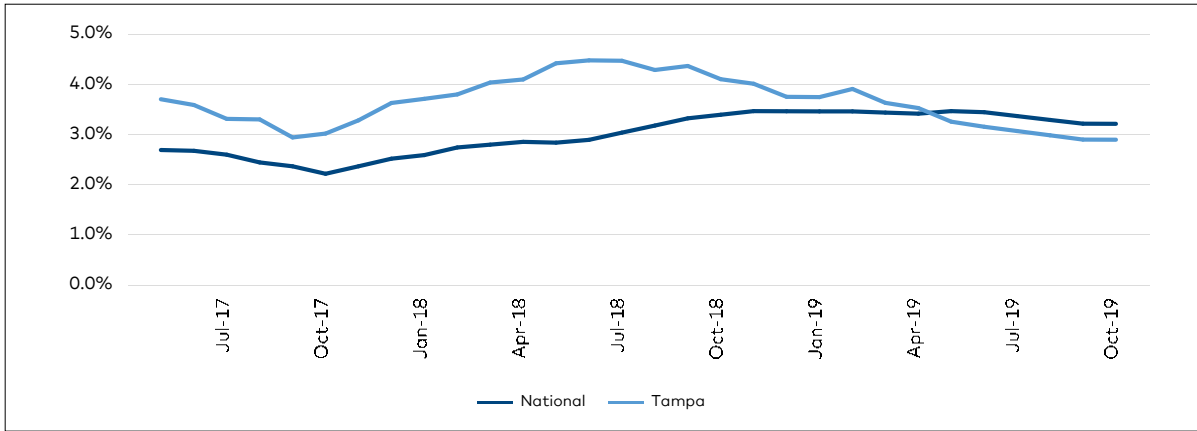


City: Palm Harbor, Fla.  
Buyer: Providence Real Estate  
Purchase Price: \$80 MM  
Price per Unit: \$185,185

## Rent Trends

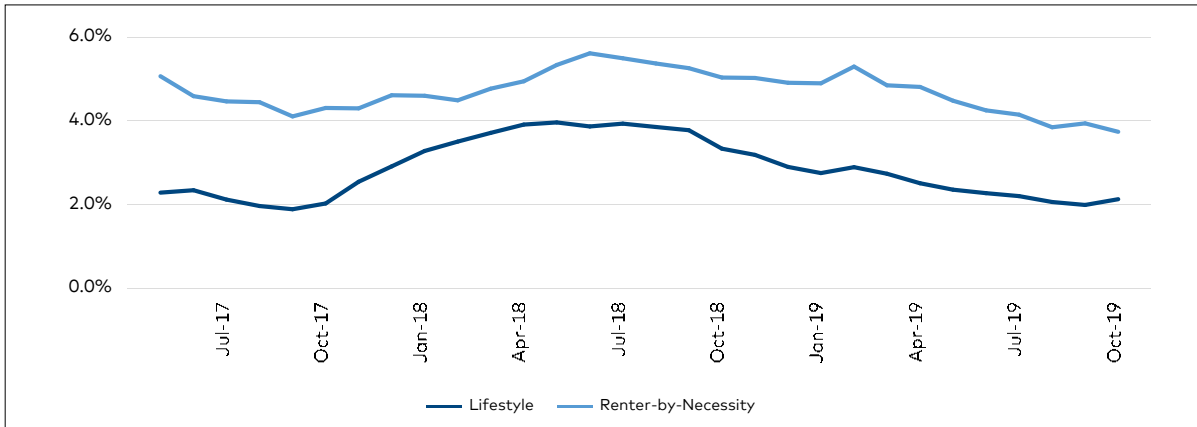
- Rents in Tampa rose 2.9% year-over-year through October, trailing the 3.2% U.S. rate. The metro's average rent stood at \$1,278, below the \$1,476 national figure. A steady pace of new supply in recent years has put downward pressure on occupancy, with the rate for stabilized properties standing at 94.9% as of September, down 40 basis points year-over-year and below the 95.1% national average.
- Rents in the working-class Renter-by-Necessity segment rose 3.7% to \$1,081, while Lifestyle rates increased 2.1% to \$1,486. Demand for both asset classes is sustained by above-trend population and employment gains in the context of continued economic growth. In 2018, Tampa Bay earned the ninth spot on the U.S. Census' Top 10 Metropolitan Areas in Numeric Growth: 2017 to 2018 list, with Hillsborough County accounting for almost 27,000 of the nearly 51,500 new residents.
- Submarkets that saw the strongest year-over-year growth were Upper St. Petersburg (up 9.4% to \$1,231), Largo (up 7.6% to \$1,134), Town 'N' Country (up 7.5% to \$1,154), Pinellas Park (up 7.1% to \$1,315), Oldsmar (up 6.7% to \$1,352) and Gulfport/Lealman (up 6.3% to \$1,154). Hyde Park/Davis Island commanded the metro's highest rents with the average rate up 2.3% to \$1,984, followed by Downtown Tampa/Ybor City (up 4% to \$1,788), Garver City (up 1.9% to \$1,728), Oakford Park (up 0.7% to \$1,633), Westchase (up 0.1% to \$1,505), and Gandy/Ballast Point (up 1.2% to \$1,487).

**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)

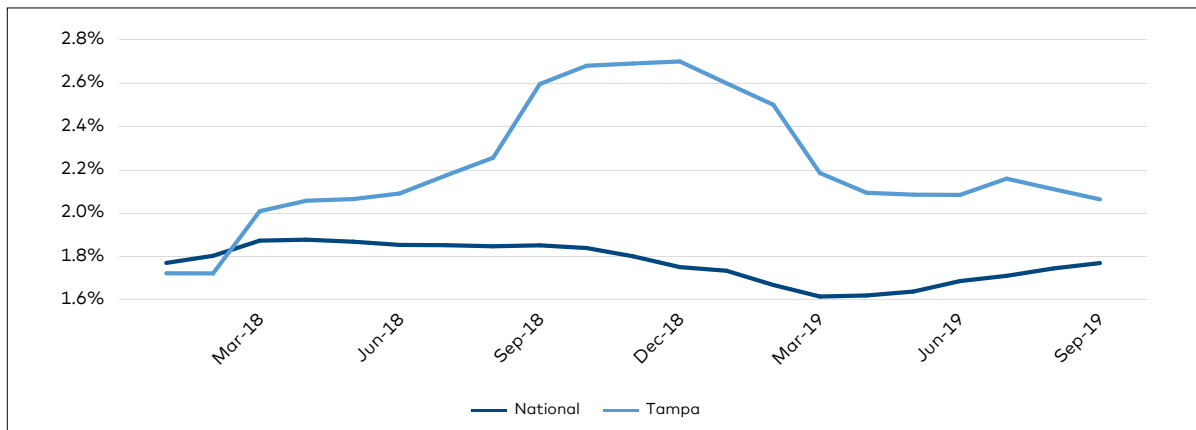


Source: YardiMatrix

## Economic Snapshot

- Tampa gained 30,800 jobs in the 12 months ending in September, a 2.1% year-over-year increase that outpaced the 1.8% national figure. The metro's unemployment rate continued its downward trend, standing at 3.5% as of August, below the 3.7% national average.
- Professional and business services led growth with the addition of 8,700 jobs. This trend is set to continue. As of September 2019, nearly 20,000 of the metro's 60,000 jobs were in high-skill, high-wage STEM fields.
- Construction added 5,300 jobs, boosted by mega-developments, including the \$3 billion Water Street mixed-use project, the largest real estate venture in the market. A partnership between Tampa Bay Lightning hockey team owner Jeff Vinik and Microsoft founder Bill Gates, the new development is set to bring 3.5 million square feet of real estate by 2026 or 2027, enough space to eventually house 13,000 workers and 6,000 residents. Bromley Cos.' \$550 million Midtown Tampa project is also picking up speed near the West Shore, where it will bring 1.8 million square feet of office, residential, hotel, retail and event space. The \$500 million mixed-use Westshore Marina District, with BTI Partners as the master developer, is also underway, and will include Tampa's largest deep-water marina, office, retail and 2,400 residences.

### 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	284	17.6%	8,700	3.2%
15	Mining, Logging and Construction	98	6.1%	5,300	5.7%
55	Financial Activities	135	8.4%	4,500	3.5%
40	Trade, Transportation and Utilities	309	19.1%	4,100	1.3%
70	Leisure and Hospitality	187	11.6%	3,800	2.1%
65	Education and Health Services	249	15.4%	2,500	1.0%
80	Other Services	54	3.3%	1,500	2.8%
30	Manufacturing	87	5.4%	1,500	1.8%
50	Information	27	1.7%	-300	-1.1%
90	Government	186	11.5%	-800	-0.4%

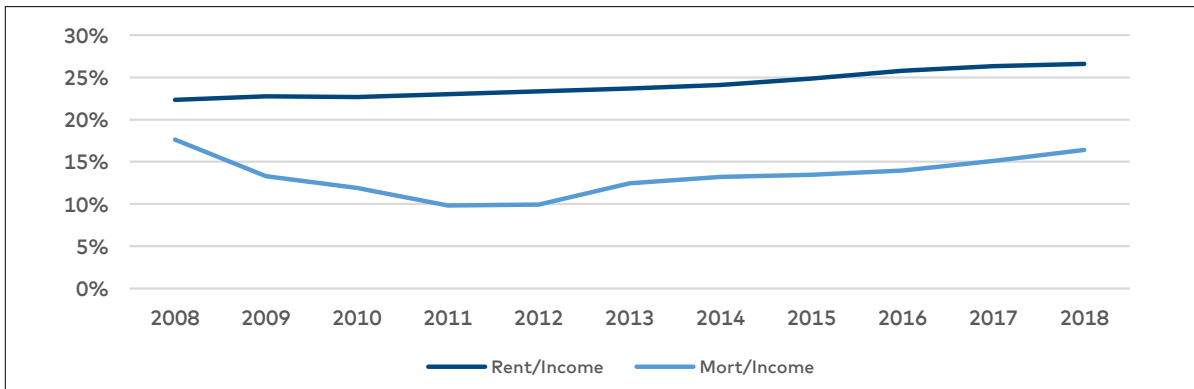
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

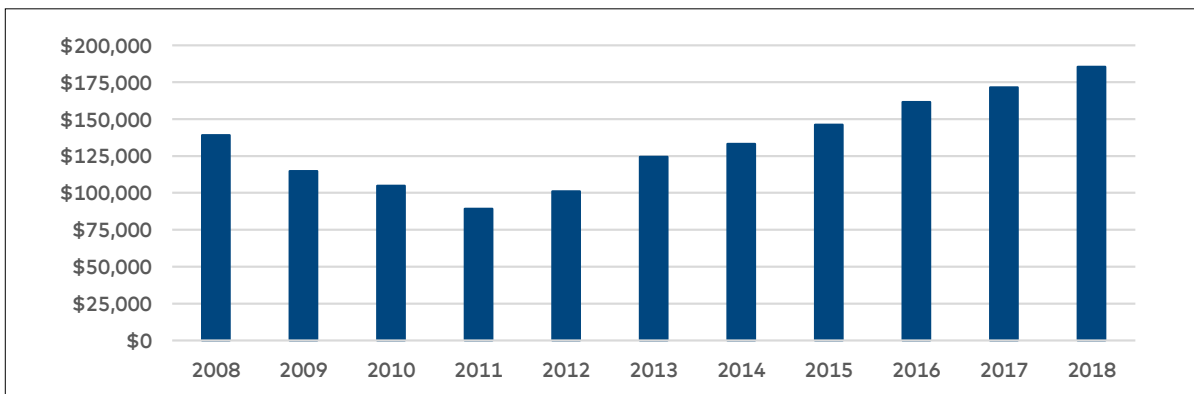
- The median home price in Tampa rose to \$185,415 in 2018, up 8.1% since 2017, and double the 2011 level. Owning remained more affordable than renting, with the average mortgage payment equating to 16% of the area median income, while the average rent accounted for 27%.
- To address housing affordability issues, Hillsborough County has approved the creation of a trust fund that would spend \$10 million every year, both as a subsidy and incentive to build and preserve affordable housing. Meanwhile, San Francisco-based Divvy has entered the Tampa Bay market with a rent-to-own program meant to help would-be homeowners save enough for a down payment.

### 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 51,438 residents in 2018, representing a 1.7% increase, well above the 0.6% national average.
- Between 2014 and 2018, the metro's population rose by nearly 230,000 residents, representing a 7.9% increase.

### Tampa vs. National Population

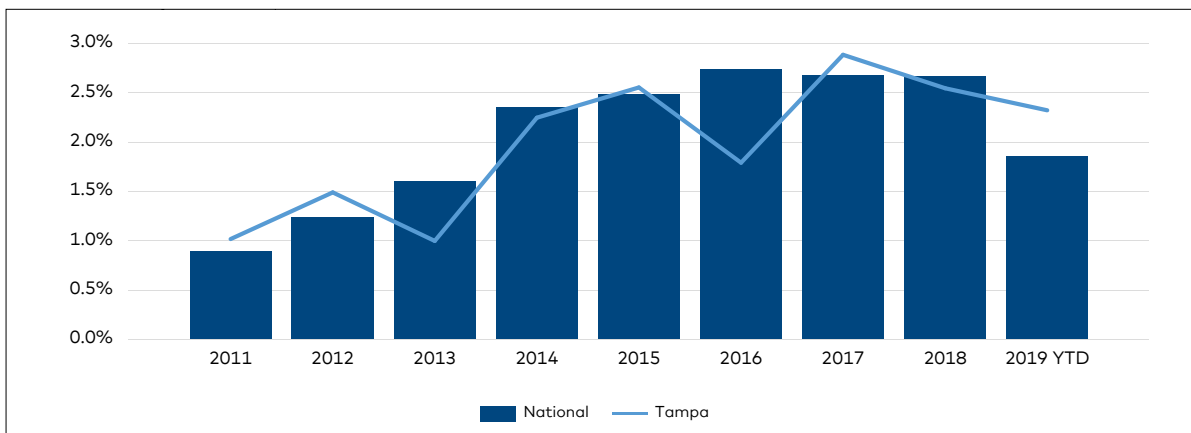
	2014	2015	2016	2017	2018
National	318,386,421	320,742,673	323,071,342	325,147,121	327,167,434
Tampa Metro	2,912,875	2,969,251	3,034,215	3,091,225	3,142,663

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

## Supply

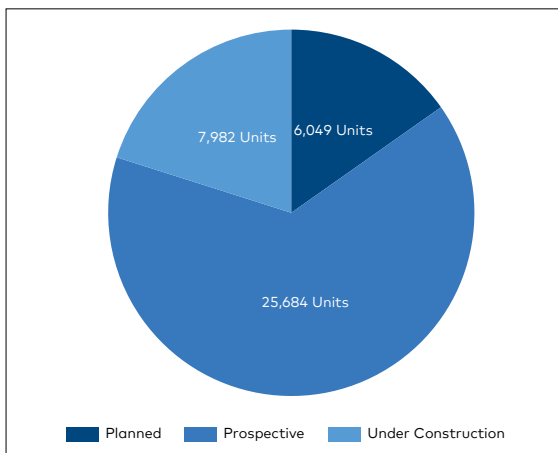
- Some 7,900 units were under construction in Tampa as of October, more than 2,400 of which are in Opportunity Zones. Most of the new projects cater to Lifestyle renters, with only 705 units reserved as affordable. As of October 2019, 5,000 units came online, representing 2.3% of total stock, and exceeding the 1.9% national average.
- Multifamily development in Tampa has surpassed 5,000 units per year since 2017, when it reached a cycle peak of 5,913 units. As of October this year, the metro's pipeline also included 32,000 units in the planning and permitting stages. Absorption is expected to keep up, bolstered by strong demand, especially in Hillsborough and Pinellas counties. These areas are seeing significant employment and population gains, which, coupled with limited developable land, continue to fuel rent growth. Moreover, Hillsborough County ranked 10th in the U.S. among individual counties for population growth in 2018.
- Gandy/Ballast Point had 1,225 units underway through October 2019, due to the appeal of the upcoming Marina District development and its easy access to downtown Tampa. Downtown St. Petersburg, a millennial magnet, had 902 units underway, followed by Davenport/Haines City, with 771 units.

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



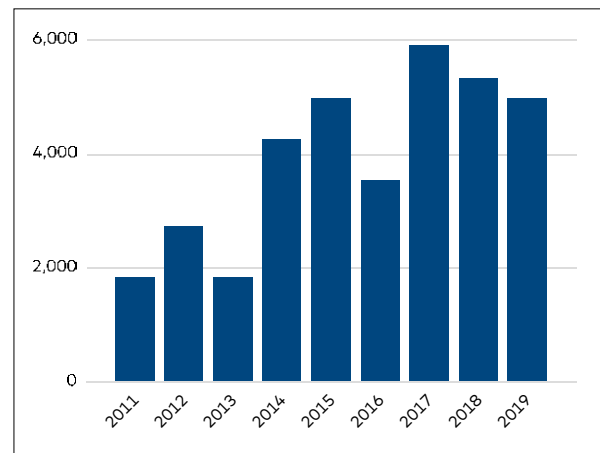
Source: YardiMatrix

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



Source: YardiMatrix

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

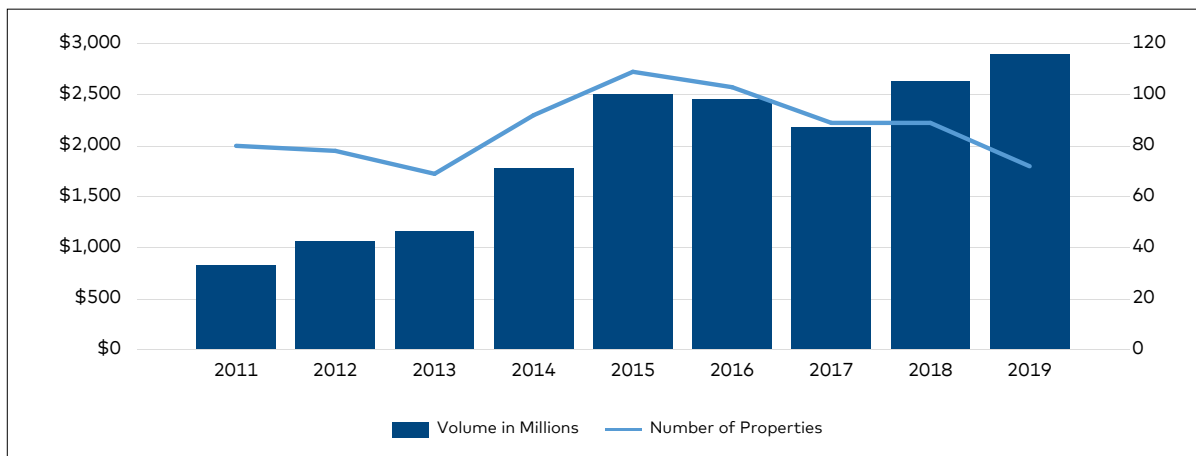


Source: YardiMatrix

## Transactions

- Nearly \$2.9 billion in multifamily assets traded in Tampa in 2019 through October, surpassing the annual cycle peak of 2018, when sales totaled \$2.6 billion. As of October 2019, the average price per unit reached a new high at \$154,816, but remained below the \$162,889 national figure.
- Drawn to the growth in the metro's stock and prospects for higher rents, investors focused on a broad range of assets, from stabilized Class A communities in infill locations, for which acquisition yields start at 4.5%, to suburban Class C assets, with a value-add component and first-year returns as high as 7.5%.
- In November, Olympus Property's \$131 million acquisition of Icon Harbour Island, a 340-unit luxury high-rise in Hyde Park/Davis Island, closed in November as the largest multifamily deal in Tampa Bay's history. The Related Group sold the property for \$386,765 per unit.

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



Source: YardiMatrix

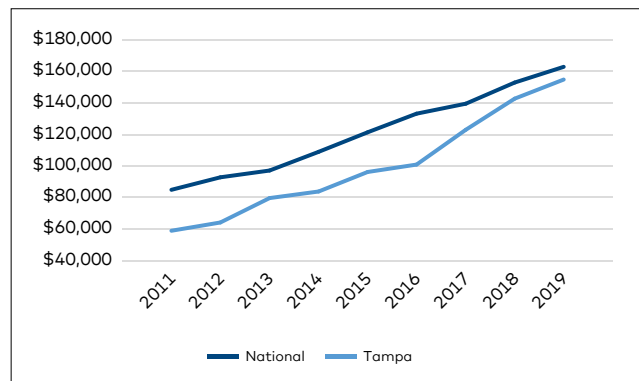
**Top Submarkets for Transaction Volume<sup>1</sup>**

Submarket	Volume (\$MM)
Mainlands	267
Hyde Park/Davis Island	240
Rocky Creek	239
Riverview/Valrico	197
Clair-Mel City	172
Safety Harbor	167
Lakeland Highlands	166
Carrollwood Village	165

Source: YardiMatrix

<sup>1</sup> From November 2018 to October 2019

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



Source: YardiMatrix

## News in the Metro

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### Related Group Seals Tampa's Largest Multifamily Deal

Olympus Property paid more than \$131 million for the 21-story luxury asset in Tampa's Harbour Island.



### Construction Begins On Sarasota Luxury Condo Tower

GK Development commenced work on the 18-story building that will also incorporate two existing structures dating from the 1920s.



### Class B Community Trades for \$37M

The partnership buying the asset assumed a \$21.4 million Freddie Mac loan from the seller of the 356-unit community.



### InvestRes Sells Portfolio for \$29M

The two communities in Bradenton, Fla., total 297 units, with one property designated fully affordable.



### Tampa Community Commands \$69M

The 318-unit Class A residential property was developed in 2017 through a joint venture of Glenmont Capital Management and Arlington Properties Inc.

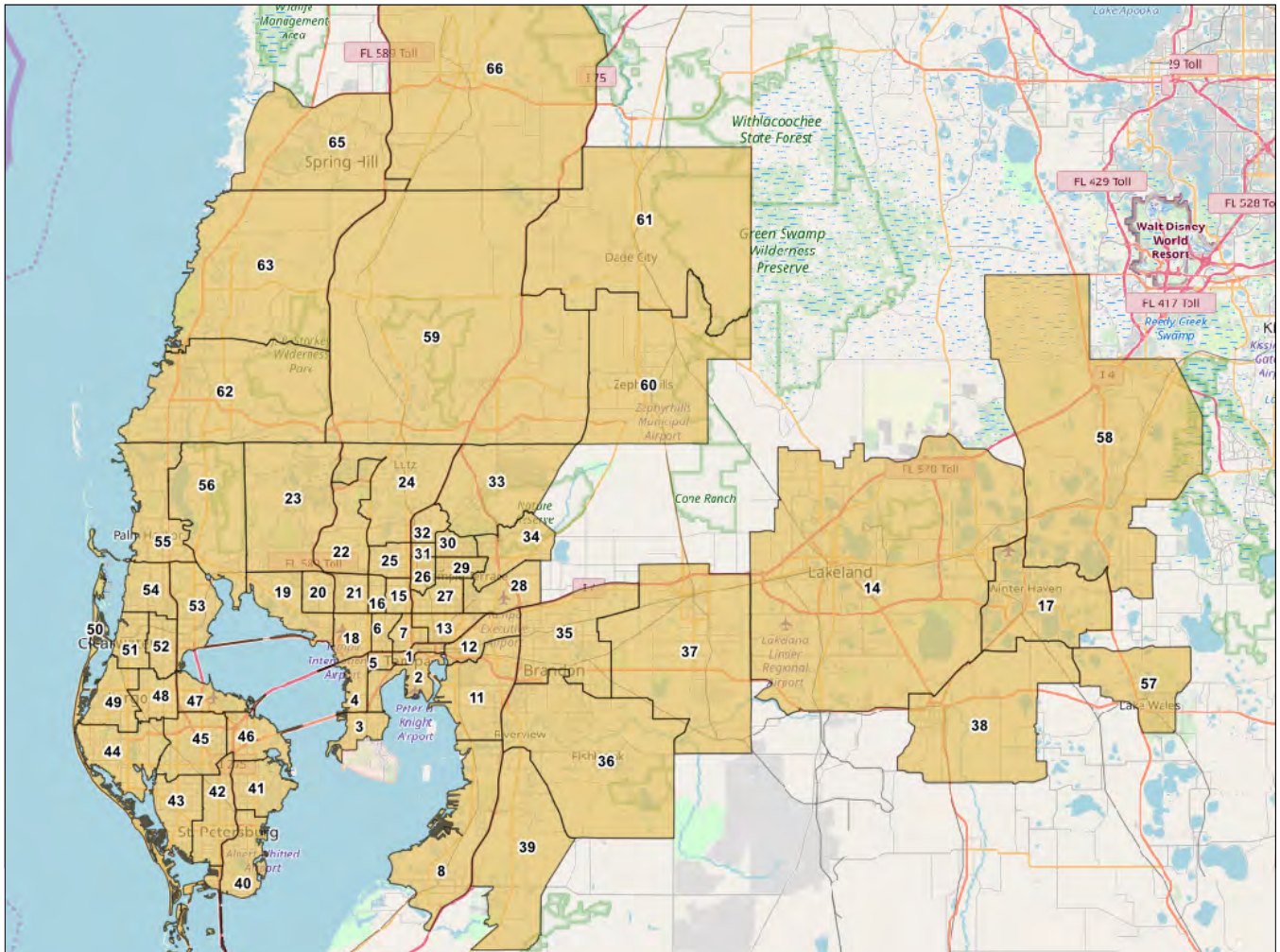


### RADCO Pays \$18M For Community

The new owner plans to invest \$2.8 million to reposition the property through interior and exterior upgrades.



## 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.

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