

Tampa Tones It Down

November 2022



Construction Starts Hit the Brakes

Occupancy Rates On Par With Nation

Single-Family Rents Moderate

TAMPA MULTIFAMILY



Tampa Sees First Effects Of Cooling Economy

Mirroring nationwide trends, Tampa Bay's multifamily market saw signs of deceleration in the second half of the year. Rents increased by only 0.1% in the third quarter, to \$1,827, as the gap between quality segments continued to widen. The overall occupancy rate in stabilized properties decreased 90 basis points year-over-year through August, to 95.9%, on par with the national figure. Despite flattening rent growth and declining occupancy, key fundamentals remain healthy across the metro.

Tampa gained 76,200 jobs in the 12 months ending in July, marking a 5.0% rise and outpacing the national rate of improvement by 50 basis points. All sectors except government added new positions, and trade, transportation and utilities led the way with 19,500 jobs. Several major infrastructure projects have been under construction, such as the airport expansion that began in 2013. The \$787 million third phase of the master plan received approval from the aviation authority's board of directors in September for the construction of a new 16-gate terminal.

Multifamily investment carried on unabated by the cooling economy. In the first three quarters of the year, \$4.2 billion in rental assets changed hands, a significant uptick from the \$3 billion transaction volume recorded over the same period in 2021. Deliveries also accelerated, with developers completing 5,154 units, 200 more than they brought online last year through September.

Market Analysis | November 2022

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Recent Tampa Transactions

Indigo Champions Ridge



City: Davenport, Fla.
Buyer: Middleburg Communities
Purchase Price: \$101 MM
Price per Unit: \$335,000

Arbors at Carrollwood



City: Tampa, Fla.
Buyer: TruAmerica Multifamily
Purchase Price: \$100 MM
Price per Unit: \$307,210

The Sands at Clearwater



City: Clearwater, Fla.
Buyer: Starwood Capital Group
Purchase Price: \$67 MM
Price per Unit: \$278,750

The Morgan

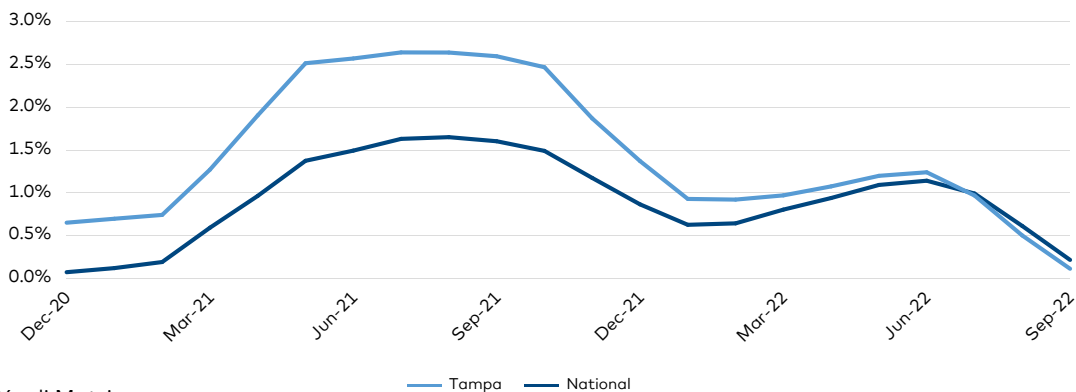


City: St. Petersburg, Fla.
Buyer: Lurin Capital
Purchase Price: \$50 MM
Price per Unit: \$162,979

RENT TRENDS

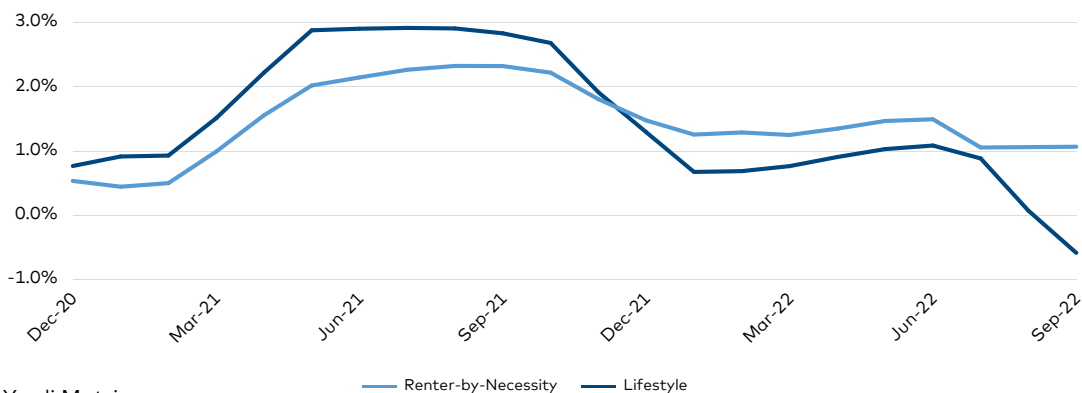
- ▶ Rent gains began cooling in Tampa in the second half of the year, inching up only 0.1% in the third quarter, 10 basis points below the national average. However, growth on a year-over-year basis was still in the double digits—11.6%—with the \$1,827 average rate above the \$1,718 national figure, which rose 9.4%.
- ▶ The gap between quality segments has been widening lately, with third-quarter rent growth in the Lifestyle segment sliding into negative territory (-0.6% to \$2,068) and working-class Renter-by-Necessity rates increasing 1.1% to \$1,566. The deceleration comes as no surprise considering the softening economy and the fact that developers have been heavily focusing on luxury projects in the past few years.
- ▶ Rents are also moderating in the metro's single-family rental market, mirroring a nationwide trend. In Tampa, the average SFR rate decreased in September to \$1,992 from \$2,038 in July. However, the figure was still \$159 higher than the September 2021 average.
- ▶ Of the 51 submarkets tracked by Yardi Matrix, 35 posted double-digit rent gains through the 12 months ending in September, with two areas even registering hikes above the 20.0% threshold: Port Richey (22.2% to \$1,267) and Egypt Lake-Leto (21.3% to \$1,590). The metro's urban core submarkets were the only areas where average rents rose above the \$2,700 mark—St. Petersburg-Downtown (\$2,763) and Tampa-Downtown (\$2,723). Yardi Matrix expects overall rates in the metro to improve 10.0% this year.

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

- ▶ Tampa's unemployment rate was 2.7% as of August, according to preliminary BLS data. That was a full percentage point below the U.S. average and on par with the state.
- ▶ The job market in Tampa expanded by 5.0%—or 76,200 positions—in the 12 months ending in July, 50 basis points above the national rate. Leisure and hospitality, along with trade, transportation and utilities, accounted for half of job gains. In September, the Hillsborough County Aviation Authority approved the construction of Airside D, a new airport terminal worth \$787.4 million. The metro's road infrastructure is also undergoing improvements. Webuild U.S. subsidiary Lane Corp. won a \$223 million contract to upgrade the I-275/I-4 highway interchange.
- ▶ By the end of the year, developer Darryl Shaw and Kettler are expected to begin building Gas Worx, a 50-acre, mixed-use project that will revitalize the western edge of Ybor City. Plans call for 4,471 apartments, 510,500 square feet of office space, and 140,200 square feet of retail space in the first phase of the 10-year master project. Meanwhile, a \$326 million South Florida Baptist Hospital is underway in Plant City, off Exit 22 on Interstate 4. Upon completion in 2024, the new 420,000-square-foot facility will replace the current 250,000-square-foot hospital that opened almost 70 years ago on North Alexander Street but ran out of land for expansion.

Tampa Employment Share by Sector

Code	Employment Sector	Current Employment	
		(000)	% Share
40	Trade, Transportation and Utilities	353	20.5%
70	Leisure and Hospitality	195	11.4%
60	Professional and Business Services	312	18.2%
65	Education and Health Services	259	15.1%
55	Financial Activities	151	8.8%
80	Other Services	57	3.3%
30	Manufacturing	90	5.2%
50	Information	30	1.7%
15	Mining, Logging and Construction	102	5.9%
90	Government	168	9.8%

Sources: Yardi Matrix, Bureau of Labor Statistics

Population

- ▶ Tampa grew by 1.1% in 2021, well above Orlando (0.5%), Jacksonville (0.2%) and Miami (-0.6%).
- ▶ Florida's expansion is slowing, with economists at the July Demographic Estimating Conference revising the state's growth rate through 2027 to 1.29%, from 1.41% in December.

Tampa vs. National Population

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

Source: U.S. Census

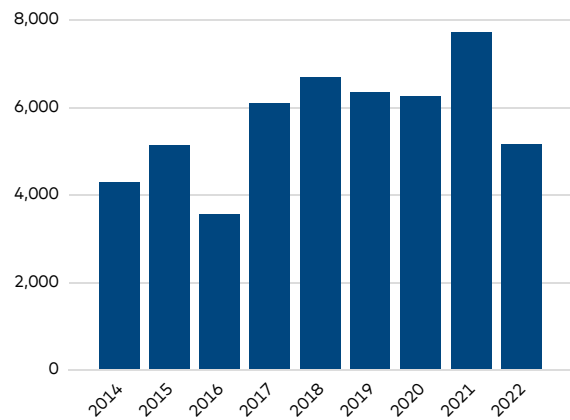
SUPPLY

- ▶ There were 16,781 units under construction in Tampa as of September, with 87.8% of them in high-end developments. Fully affordable projects accounted for only 4.5% of the pipeline. Another 56,600 apartments were in the planning and permitting stages.
- ▶ Developers delivered 5,154 units in the first three quarters of the year, which exceeded the number of completions recorded over the same period of last year by almost 200 units. Meanwhile, construction starts softened. After breaking ground on 6,810 apartments last year through September, activity moderated to 5,405 units this year through the same month.
- ▶ On average, developers added 6,356 units to the market annually between 2017 and 2020. Another 7,700 units came online last year, which lowered the occupancy rate in stabilized properties from 96.8% in August 2021 to 95.9% in August of this year. Although the multifamily market is beginning to feel the effects of the cooling economy, key fundamentals remain healthy.
- ▶ Davenport continued to lead construction activity, with 2,369 units under construction. Five other submarkets—Brandon, Wesley Chapel, St. Petersburg-Downtown, Tampa-

Downtown and Tampa-Sun Bay South—had more than 1,000 units underway each.

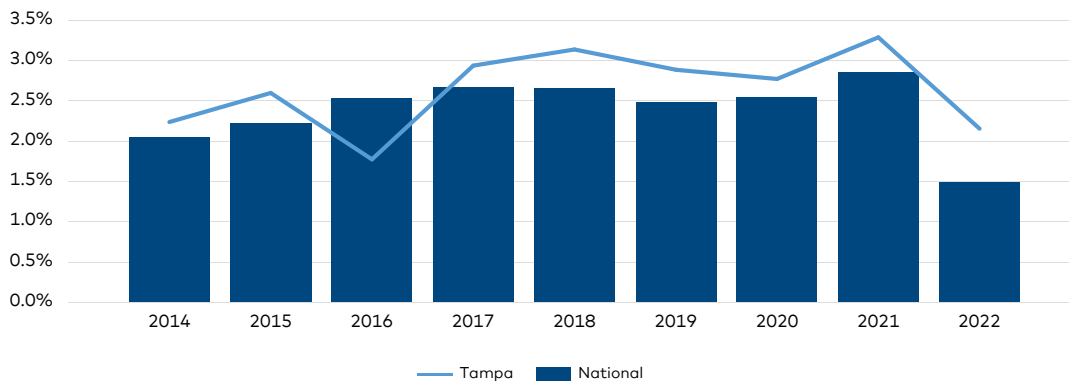
- ▶ The Pointe on Westshore was the largest community completed year-to-date through September. Index Residence developed the 444-unit property using a \$68.3 million construction loan from Truist Bank and an \$82.4 million permanent loan from H.I.G. Capital.

Tampa Completions (as of September 2022)



Source: Yardi Matrix

Tampa vs. National Completions as a Percentage of Total Stock (as of September 2022)



Source: Yardi Matrix

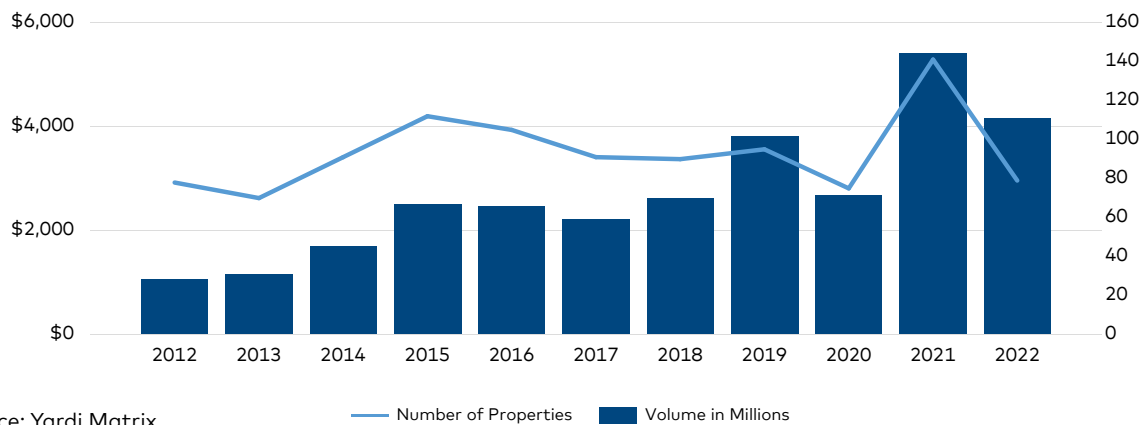
TRANSACTIONS

- ▶ With \$4.2 billion in multifamily sales completed in the first three quarters of the year, transaction activity kept gaining momentum in Tampa. If sales velocity keeps pace, total investments for 2022 will likely surpass last year's \$5.4 billion record high. For now, the market's strong fundamentals are curbing the impact of the increasing financial volatility.
- ▶ Although investors favored Renter-by-Necessity assets, the per-unit price increased to \$237,222,

up 19.9% compared to the average recorded at the end of 2021. Meanwhile, the U.S. average clocked in at \$216,578.

- ▶ Tampa-West led the way for investment in the 12 months ending in September, with \$669 million in rental assets changing hands, followed by Davenport (\$588 million). CBRE Investment Management's \$236 million acquisition of the 390-unit Novel marked the largest sale. The recently completed community in midtown Tampa was developed by Crescent Communities.

Tampa Sales Volume and Number of Properties Sold (as of September 2022)



Source: Yardi Matrix

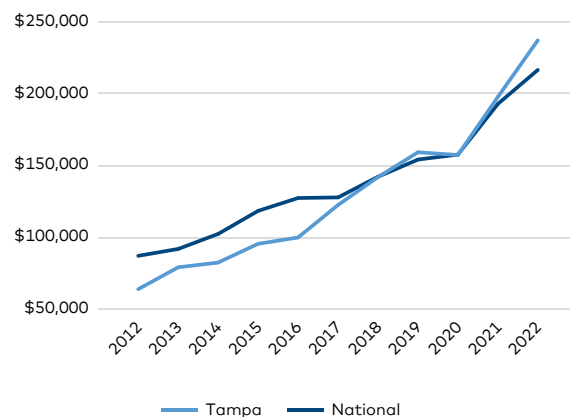
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Tampa-West	669
Davenport	588
University	526
Brandon	504
Tampa-Downtown	445
Tampa-South Tampa	283
Palm Rover-Clair Mel	244

Source: Yardi Matrix

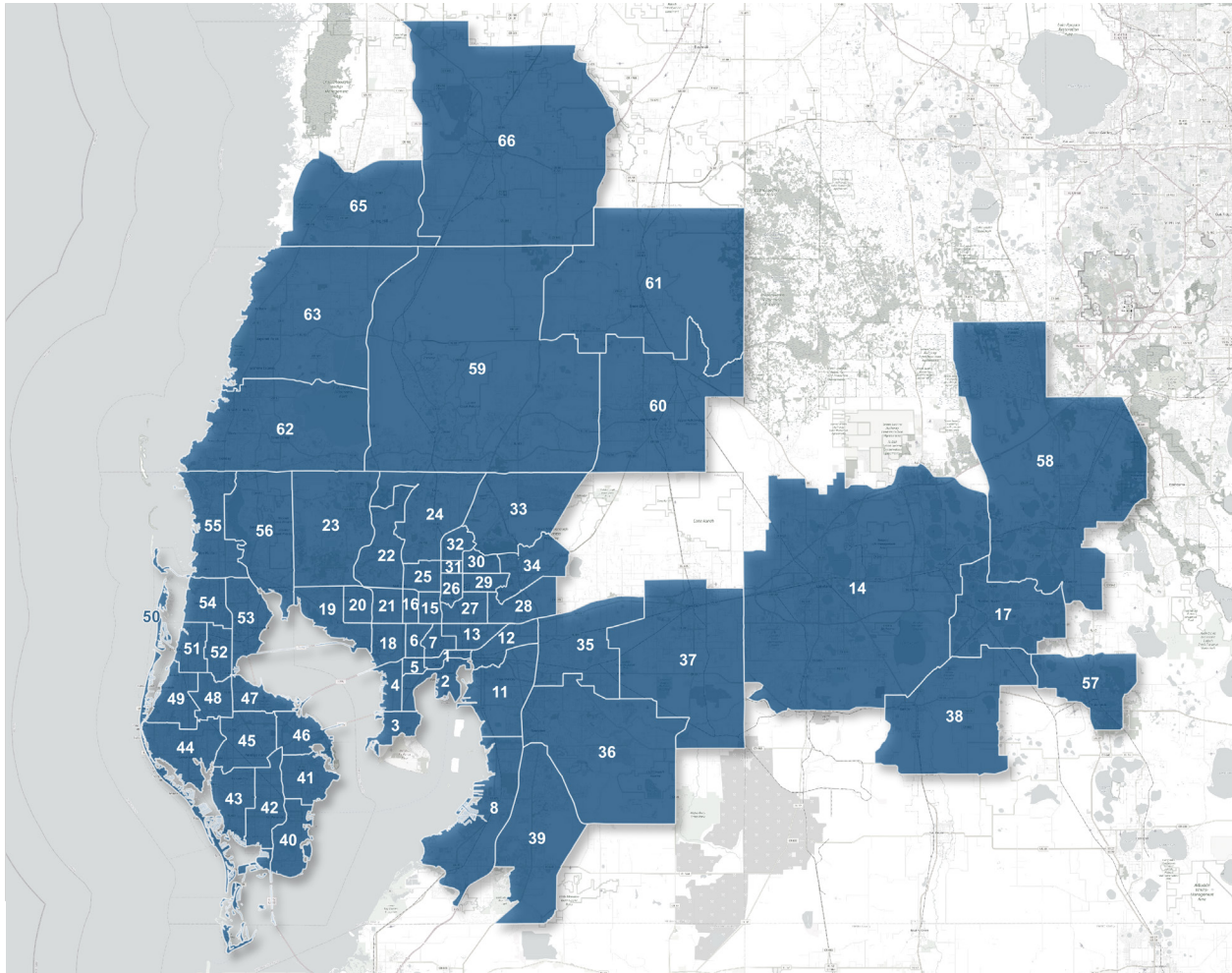
¹ From October 2021 to September 2022

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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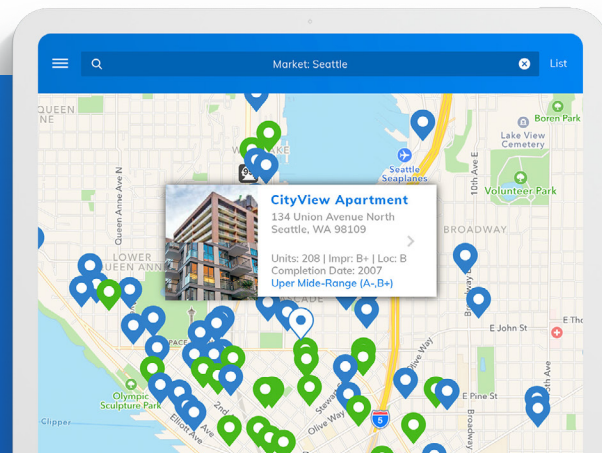
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