YARDI® Matrix

Tampa's Triumph

Multifamily Summer Report 2016

Healthy Rent Growth Tops Nation

Strong Supply Pace to Continue

Transaction Volume Hits New High

Market Analysis
Summer 2016

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Affordability's Attraction

The Tampa-St. Petersburg-Clearwater metro's multifamily market has had an exceptional run over the past year, thanks to robust demand driven by healthy job and population growth. One attraction is Tampa's status as one of the most affordable major metros in the Sunshine State, with the average rent sitting at $1,000 and median home prices in the lower $150,000 range.

Trade and transportation remains one of the main economic drivers in Tampa, along with tourism, education and health services. Port Tampa Bay, the University of South Florida and the MacDill Air Force Base combined have an economic impact of $31.5 billion annually. The metro added more than 49,900 jobs in the past year across all fields. That is partly attributable to the Tampa Downtown Partnership, which focuses on job creation and investment and supports initiatives in the city's central business district.

All this has created an environment beneficial for multifamily fundamentals. Occupancy rates are rising, and developers are responding. More than 5,000 multifamily units came online last year, and as of June roughly 6,900 units were under construction. Looking forward, the strong supply should more than cover demand, although the need for affordable housing remains an issue. Rents have risen by an above-trend 7.5% year-over-year through June, but we expect the growth rate to moderate a little to 5.5% by year-end.

Recent Tampa Transactions

Solaris Key

City: Safety Harbor, Fla.
Buyer: Principal Global Investors
Purchase Price: $86 MM
Price per Unit: $200,704

Beacon 430

City: St. Petersburg, Fla.
Buyer: Schmier & Feurring Properties
Purchase Price: $85 MM
Price per Unit: $259,202

The Park at Valenza

City: Temple Terrace, Fla.
Buyer: Blue Rock Premier Properties
Purchase Price: $70 MM
Price per Unit: $90,206

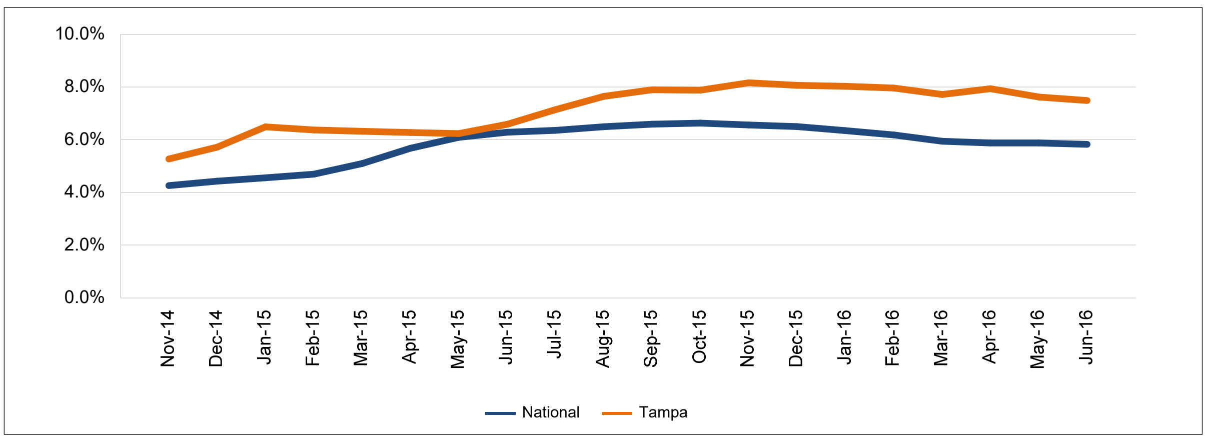
IMT Boot Ranch

City: Palm Harbor, Fla.
Buyer: IMT Capital
Purchase Price: $66 MM
Price per Unit: $152,922

Rent Trends

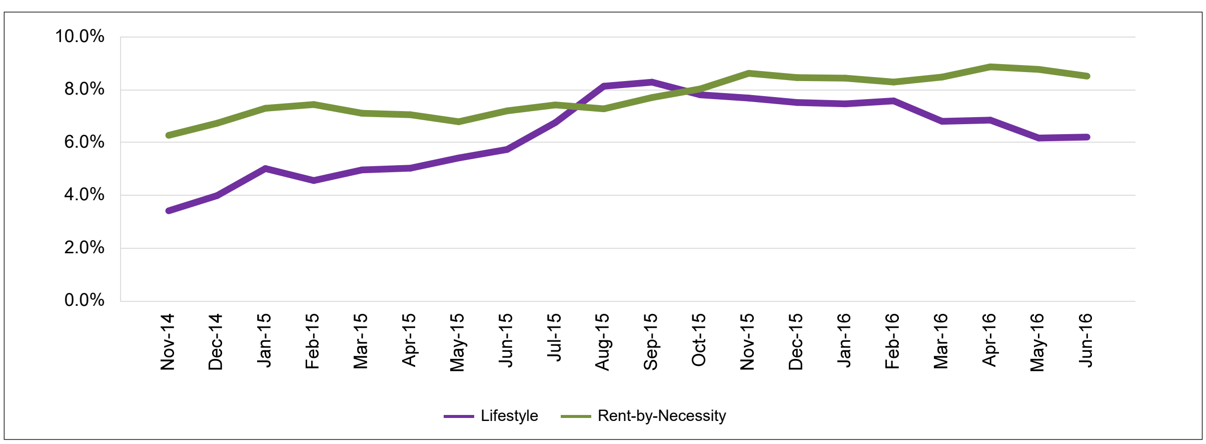
- Rents in Tampa grew by 7.5% year-over-year through June, almost 200 basis points above the 5.6% national average, although the average monthly rent, at $1,000, was well below the $1,210 national average. Robust demand stems from the metro's healthy job and population growth, which led occupancy rates of stabilized properties to climb 30 basis points to 95.9% in May from the prior month.
- Growth was led by the working-class Renter-by-Necessity segment, up 8.5% year-over-year to an average of $895 while rates in the upscale Lifestyle segment rose 6.2% to $1,200. The growing amount of lower-paying jobs in the trade and transportation industry at Port Tampa Bay signal need for affordable housing, but higher-paying jobs in the central business district are also likely to continue generating demand for luxury rentals.
- Healthy rent growth continues in both urban and suburban submarkets. Increases were strongest in the metro's urban core submarkets, led by Del Rio/College Hill (18.5% year-over-year), followed by Forest Hills (11.8%), Lake Magdalene (10.3%), Wellswood (9.5%) and Carrollwood Village (8.1%).
- Due to the large multifamily construction pipeline, rent growth will suffer a slight decline in the upcoming year. Our forecast predicts a 5.5% increase in rents for 2016.

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

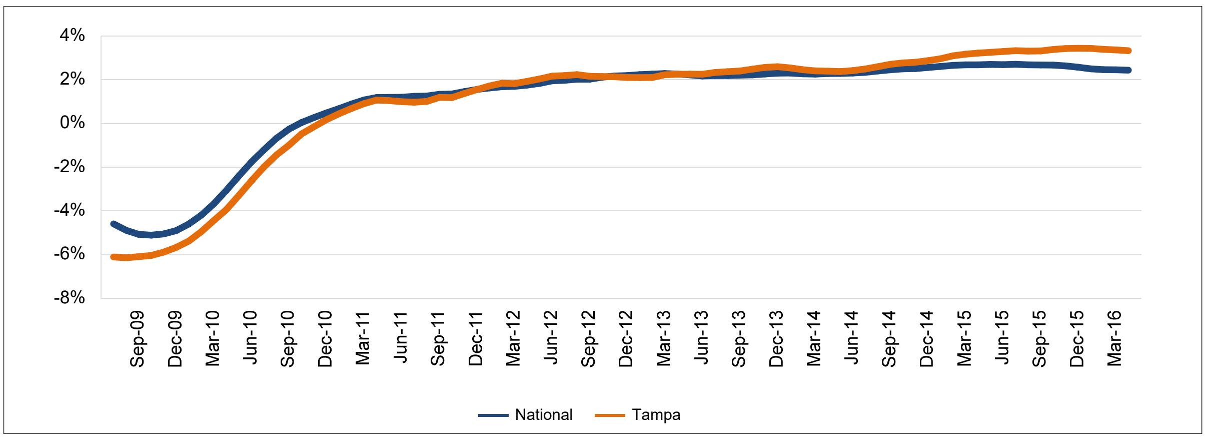
- During the 12 months ending in April, Tampa added roughly 49,900 jobs, a 3.3% increase and well above the 2.4% national average. Employment in Tampa has grown significantly over the past two years; in fact, it is the fourth-fastest-growing job market in the nation and the best in Florida since the recession ended in 2009.

- The professional and business services sector led employment gains, adding 16,400 jobs. Tampa's low business taxes have helped to lure some firms. Trade and transportation added 6,900 jobs, mostly due to Port Tampa Bay, one of the economic strongholds of the metro. The port has an economic impact of $15.1 billion annually, which is expected to increase now that the Panama Canal's expansion has been completed.

- Education and health services added 8,400 jobs. The metro has a large concentration of companies doing research and development in fields such as biotechnology, clinical trials and product testing. Educational institutions, including the University of South Florida, have expanded, as well.

- Construction grew by 4,200 workers due to factors including the need for additional residential units to house the growing population and for various infrastructure projects. Meanwhile, tourism is near record levels, which has helped the hospitality sector add 7,700 jobs.

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)

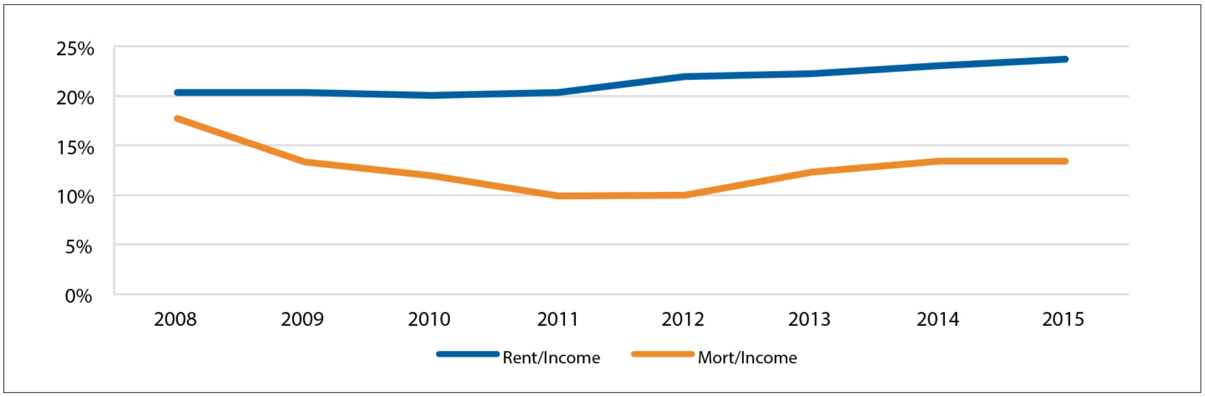
		Current Employment		Year Change	
Code	Employment Sector	(000)	% Share	Employment	%
60	Professional and Business Services	260	17.3%	16,400	6.7%
65	Education and Health Services	234	15.6%	8,400	3.7%
70	Leisure and Hospitality	177	11.8%	7,700	4.5%
40	Trade, Transportation and Utilities	297	19.7%	6,900	2.4%
55	Financial Activities	120	8.0%	4,700	4.1%
15	Mining, Logging and Construction	79	5.3%	4,200	5.6%
30	Manufacturing	79	5.3%	700	0.9%
80	Other Services	50	3.3%	700	1.4%
50	Information	27	1.8%	200	0.7%
90	Government	182	12.1%	-1,600	-0.9%

Sources: YardiMatrix, Bureau of Labor Statistics

Demographics
Affordability

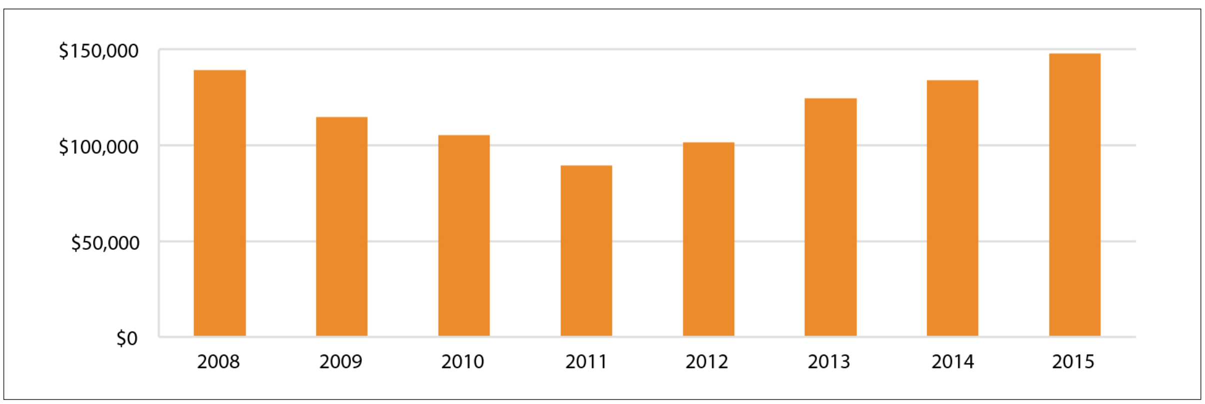
- Median home values rose to an all-time high of $147,700 in the previous year, topping $139,000 for the first time since 2008. Tampa maintains a position as the spot as the most affordable major market in Florida, helping to boost demand for housing.
- Owning is more cost-effective than renting in Tampa Bay, and the need for moderately priced homes is growing stronger. The average mortgage payment is 13% of the metro's median income of $49,000, whereas renting comprises as much as 24%.

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 metro's population grew 2% in 2015, above the 0.8% national average rate, adding roughly 57,400 residents.
- More than 186,500 residents have moved to the metro since 2010.

Tampa vs. National Population

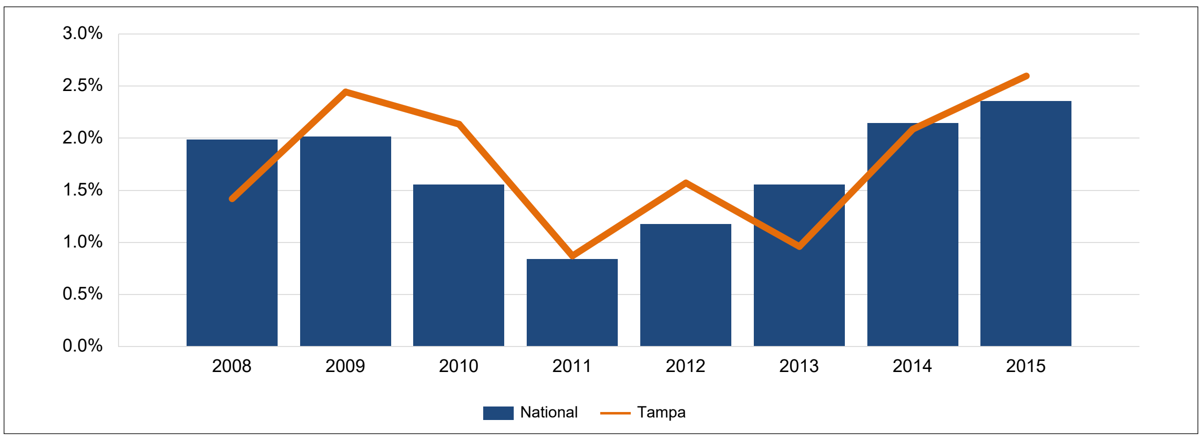
	2010	2011	2012	2013	2014	2015
National	309,346,863	311,718,857	314,102,623	316,427,395	318,907,401	321,418,820
Tampa-St. Petersburg-Clearwater, FL Metro	2,788,715	2,828,490	2,847,270	2,873,489	2,917,813	2,975,225

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

Supply

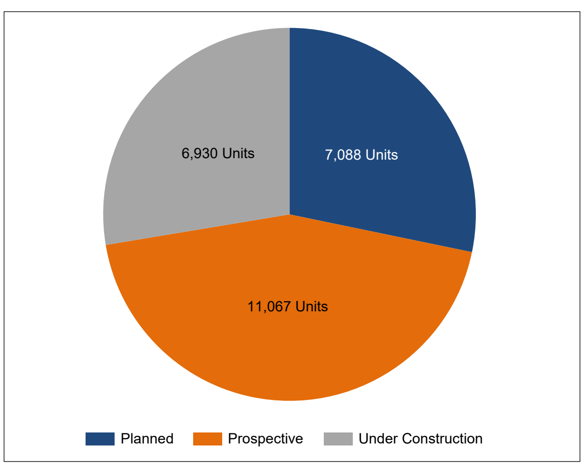
- More than 5,000 multifamily units came online in Tampa Bay in 2015, a 2.6% increase since the previous year and 30 basis points above the 2.3% national average.
- Supply growth should continue to be strong for at least another couple of years. Some 6,900 units are under construction, with about 4,000 of those expected to be completed by year-end. All told, roughly 25,000 units are in some stage of development.
- Submarkets in and around the metro's urban core lead the supply growth, among them Garver City (930 units), Downtown Tampa/Ybor City (916), Downtown St. Petersburg (714 units) and Hyde Park/Davis Island (535 units).
- The largest project slated for completion by year-end is the $45 million Crescent Westshore, a 374-unit luxury community in Tampa's Westshore business district. The 351-unit Aurora, located in Downtown Tampa, will be completed by the end of August, and The Hermitage (348 units), located in Downtown St. Petersburg, is expected to be finished by the end of November.

Tampa vs. National Completions as a Percentage of Total Stock (as of June 2016)



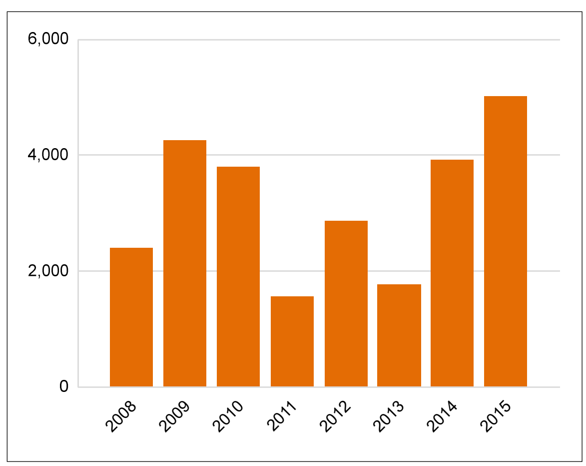
Source: YardiMatrix

Development Pipeline (as of June 2016)



Source: YardiMatrix

Tampa Completions (as of June 2016)

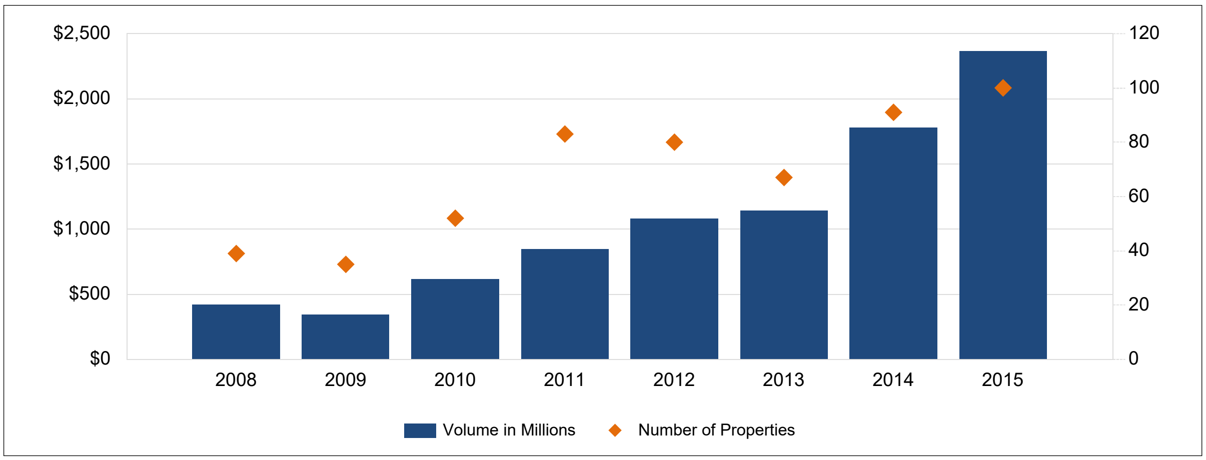


Source: YardiMatrix

Transactions

- Transaction volume reached new highs in the current cycle, with more than $2.3 billion worth of multifamily assets changing hands in 2015. Volume has increased steadily since the trough during the last recession. At $88,125, the average price per unit remains way below the $117,165 national average.
- Tampa's popularity among investors is increasing. For one thing, the metro's prospects are strong, given the recent job growth and low cost of living, which makes it a destination point. What's more, returns are relatively high, with initial yields averaging between 6 and 7%, which is attractive compared to most markets.
- Riverview/Valrico was the most sought-after submarket in 2015, with approximately $193 million invested in assets in the area. Principal Global Investors' acquisition of the $85.5 million Solaris Key in Safety Harbor was the largest transaction.

Tampa Sales Volume and Number of Properties Sold (as of June 2016)



Source: YardiMatrix

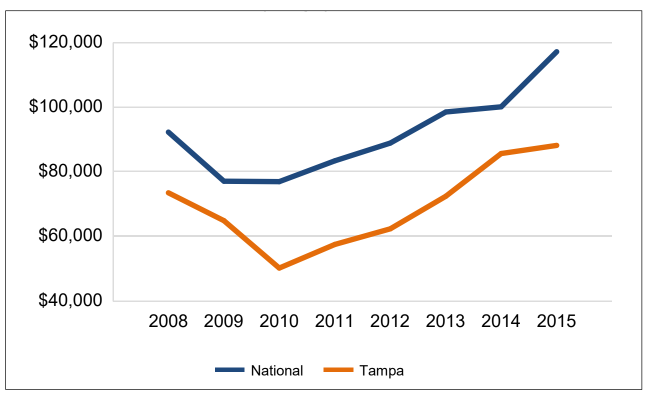
Top Submarkets for Transaction Volume[1]

Submarket	Volume ($MM)
Riverview/Valrico	193
Feather Sound/High Point	128
Safety Harbor	110
Downtown St. Petersburg	107
Clair-Mel City	100
Oldsmar	84
Town N' Country	82
Belleair	81

Source: YardiMatrix

[1] From July 2015 to June 2016

Tampa vs. National Sales Price per Unit



Source: YardiMatrix

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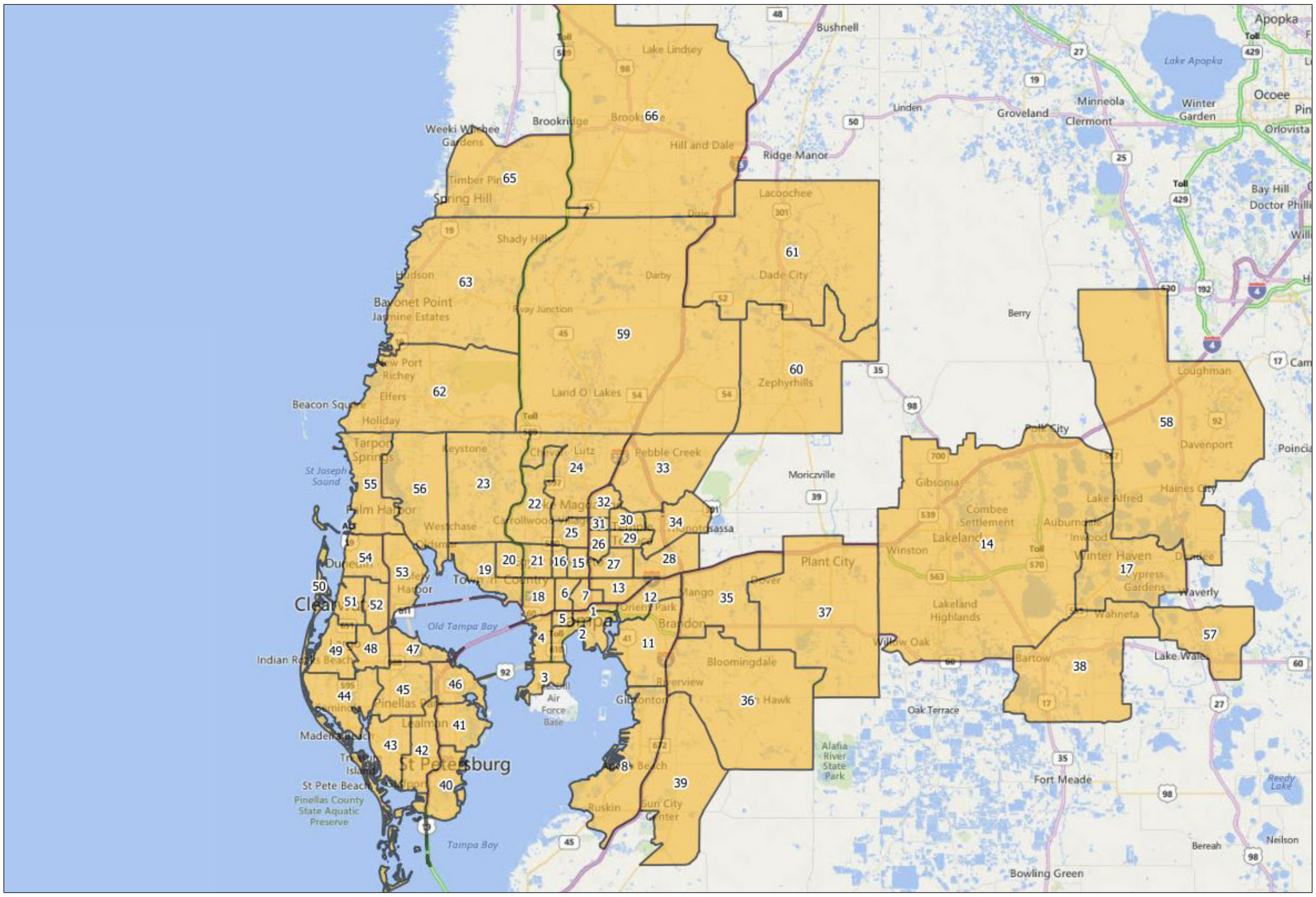
Tampa Submarket Map



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	Thontosassa
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/Pasdena
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.