



**YARDI**<sup>®</sup> Matrix

# Tampa: Enlivened By Employment

Multifamily Winter Report 2017

**Broad Job Growth  
Lifts Rents**

**Affordability Draws  
New Residents**

**Development Pipeline  
Expands, but Sluggishly**

## Market Analysis

Winter 2017

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## Job Diversity, Affordability Attract Workforce

Tampa's multifamily market is healthy, displaying solid fundamentals and burgeoning rents. Robust investor interest and broad employment gains have driven demand across asset classes. A low cost of living, strong population growth and bountiful employment opportunities have increased occupancy rates and compressed rents, as average monthly rates reached \$1,017 in December 2016.

While trade and transportation continue to fuel Tampa's economy, the business and professional services and health-care sectors are boosting job growth, too. Drawn to the region's spirit of innovation and support of STEM careers, major tech companies are relocating and expanding in the area, including Cohesion, a consulting and staffing company. Developers are active, acquiring large tracts of land in core areas, although current and planned projects are stretching to the outlying areas, as well. More than 80 projects are underway, representing a combined construction value exceeding \$1.5 billion and including hotels, multifamily communities and office buildings.

However, affordable housing exists in short supply, despite Tampa's significantly lower cost of living compared to other major metro areas. Roughly \$2.1 billion worth of multifamily assets traded in Tampa year-over-year through December, with the price per unit resting at \$97,000, well below the national average.

## Recent Tampa Transactions

TGM Bay Isle



City: St. Petersburg, Fla.  
Buyer: TGM Associates  
Purchase Price: \$94 MM  
Price per Unit: \$167,112

Solaris Key



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

Trellis at the Lakes



City: St. Petersburg, Fla.  
Buyer: ESG Kullen  
Purchase Price: \$81 MM  
Price per Unit: \$117,514

The Park at Valenza



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

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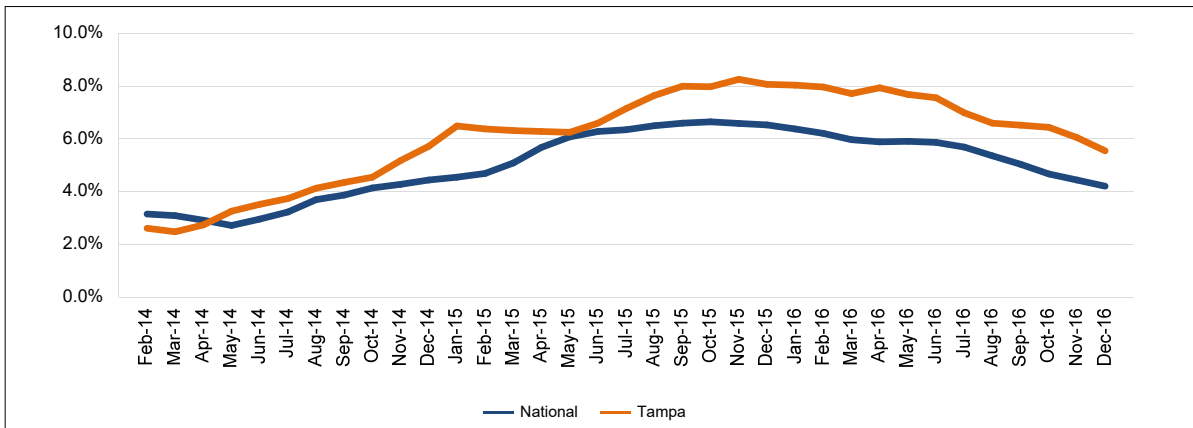
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## Rent Trends

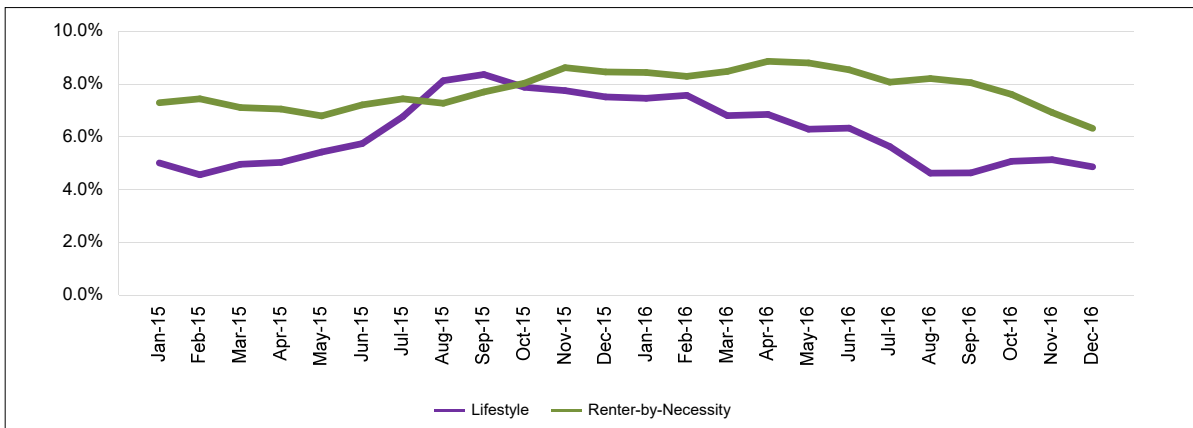
- Rents in Tampa rose 5.5% year-over-year through December, outpacing the national rate of 4.2%. At \$1,017, monthly rents dipped significantly below the nation's \$1,210 average. Although completions decelerated, demand for apartments remained healthy, as the occupancy rate for stabilized properties hovered around 95.3% as of November.
- The working-class Renter-by-Necessity segment led growth with a 6.3% increase year-over-year in December, to \$906 per month, while the upscale Lifestyle segment rose 4.9% to \$1,230. Market-rate units formed the majority of the upcoming multifamily stock, though luxury rentals became more desirable as high-paying jobs expanded.
- Rent increases occurred in all areas; however, the largest surges took place in core submarkets. Assets in Del Rio/College Hill led gains by far, with a 22% increase, followed by Forest Hills (14.7%), Port Richey (13.6%) and Wellswood (13.4%). Garver City remained the least affordable submarket, with rents equating to \$1,543, about \$525 more than the metro's average.
- We expect rents to rise moderately, as demand remains strong due to population and job growth. In 2017, rent increases should reach 5.5%.

### 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)

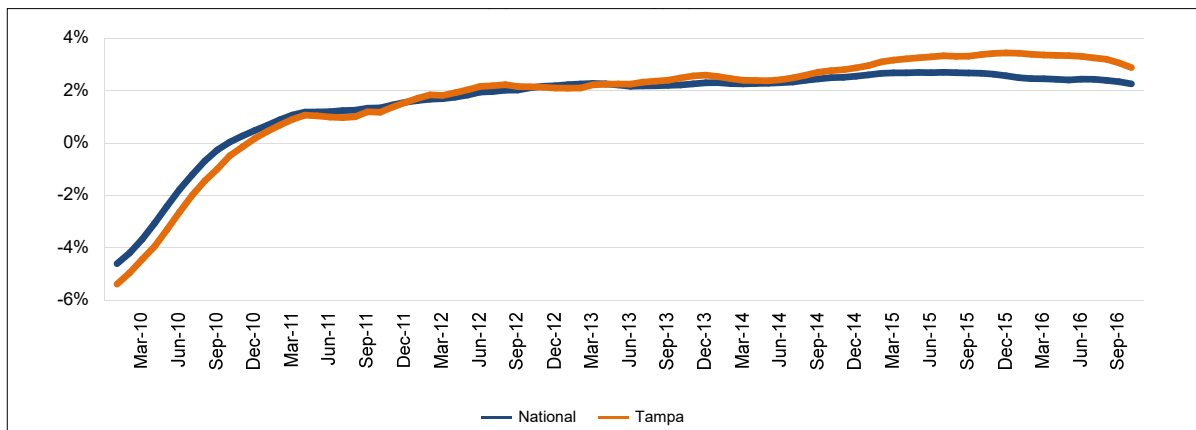


Source: YardiMatrix

## Economic Snapshot

- Tampa added 34,800 jobs during the 12 months ending in October. Employment was up 2.9% year-over-year, topping the 2.3% national average. Despite solid job growth, the employment growth rate approached 5%, falling short of 3% for the first time since December 2014.
- Healthy job gains, notably in the professional and business services sector (12,200), drove demand for office space. Tampa's favorable business climate and low business taxes helped to attract office tenants, particularly in the Central Business District and the Westshore district, but robust activity took off in suburban areas, as well. Four local companies traded for more than an aggregate \$1 billion during 2016, including Bright House and TECO Energy. Around 11,000 square feet of office space is currently under construction.
- Tampa is also in the midst of a health-care construction boom. Tampa General Hospital broke ground on a new \$60 million outpatient medical center, Memorial Hospital of Tampa is expanding its surgical services by 18,500 square feet and Brandon Regional Hospital is adding 22,000 square feet to its emergency room. The health-care sector made 5,900 new hires, and the construction sector added 4,500 jobs.
- Trade and transportation (6,300 new jobs) is still one of the Tampa economy's strong suits, mostly due to Port Tampa Bay and MacDill Air Force Base. The port made an economic impact of \$17.2 billion in 2016.

### 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	265	17.6%	12,200	4.8%
40	Trade, Transportation and Utilities	298	19.7%	6,300	2.2%
65	Education and Health Services	235	15.6%	5,900	2.6%
70	Leisure and Hospitality	173	11.5%	5,900	3.5%
15	Mining, Logging and Construction	83	5.5%	4,500	5.8%
55	Financial Activities	121	8.0%	2,900	2.5%
30	Manufacturing	79	5.2%	800	1.0%
50	Information	27	1.8%	-500	-1.8%
80	Other Services	49	3.2%	-700	-1.4%
90	Government	180	11.9%	-2,500	-1.4%

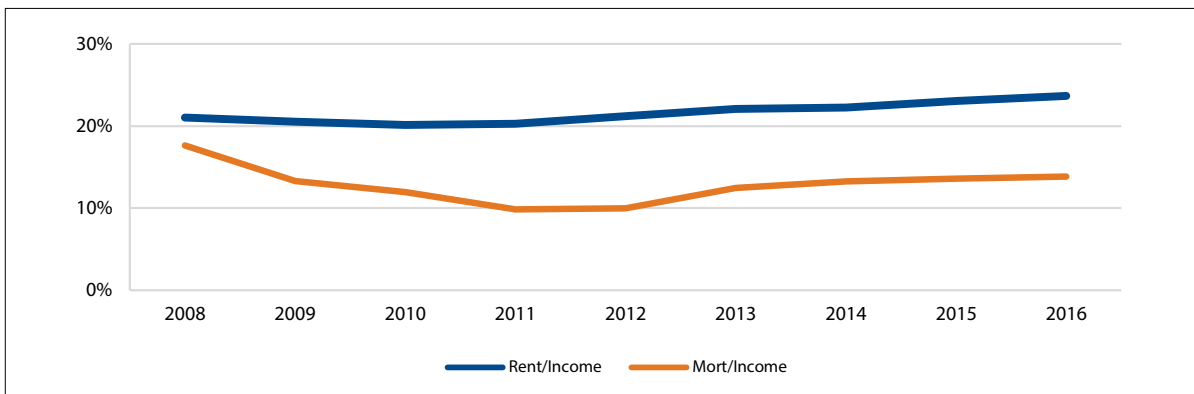
Sources: YardiMatrix, Bureau of Labor Statistics

## Demographics

### Affordability

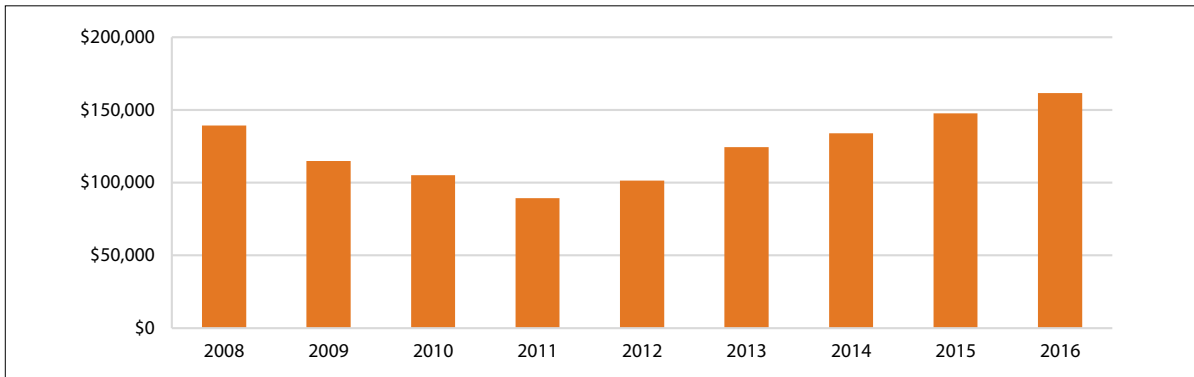
- The metro's strong employment growth and solid population gains are driving up home prices at a steady pace. The median home value rose to a record \$161,625 in 2016, but even so, Tampa maintained its position as the most affordable major market in Florida. The region is also one of the most cost effective, large metro areas in the nation.
- Owning is more affordable than renting in Tampa, and the need for moderately priced homes is always on the rise. The average mortgage payment equated to 14% of the metro's median income, while rental rates accounted for 24%. Consistent demand in fields like financial services, professional and business services, and technology made the market an attractive location for Millennials looking for career opportunities and inexpensive living.

### Tampa Rent vs. Own Affordability as a Percentage of Income



Sources: YardiMatrix, Moody's Analytics

### Tampa Median Home Price



Source: Moody's Analytics

### Population

- Population in the Tampa-St. Petersburg MSA grew by 2.0% in 2015, more than twice the 0.8% national average.
- The metro's population has risen by more than 146,735 since 2011.

### Tampa vs. National Population

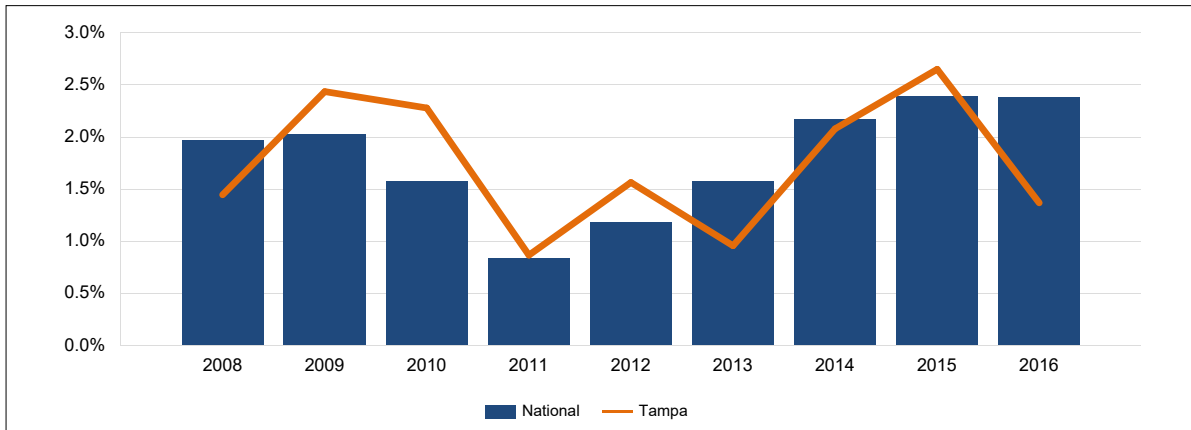
	2011	2012	2013	2014	2015
National	311,718,857	314,102,623	316,427,395	318,907,401	321,418,820
Tampa-St. Petersburg-Clearwater, Fla. Metropolitan Statistical Area	2,828,490	2,847,270	2,873,489	2,917,813	2,975,225

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

## Supply

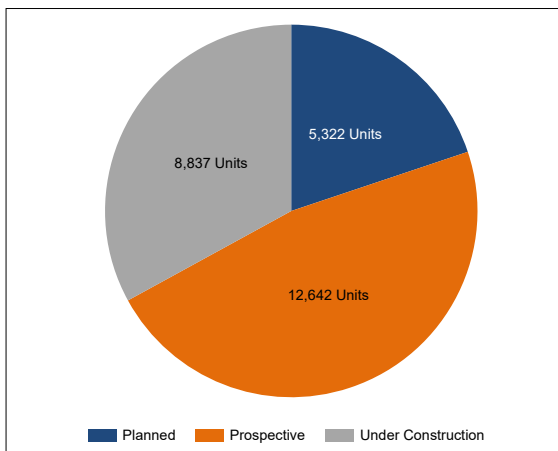
- Tampa added nearly 2,700 units in 2016, 50% less than what came online in 2015, when the city's completions reached an all-time high. Multifamily stock grew by 1.4%, 100 basis points below the national average.
- Despite sluggish completions in 2016, the development pipeline was strong. The past year saw weak completions because a large number of units scheduled to come online in 2016 were pushed to 2017. In the first quarter of 2017 alone, about 4,300 units are expected to be finalized. More than 26,800 units are in various stages of development, with 5,322 units planned and more than 8,800 underway. As units are anticipated to come online at a faster pace this year, rent growth is likely to flatten.
- Hyde Park/Davis Island (1,198 units), Downtown Tampa/Ybor City (1,156) and Garver City Strip (934) continue to be the most appealing submarkets to developers. The largest projects currently underway are the 381-unit Peridot Palms in the Mainlands submarket and the 374-unit Crescent Westshore in Gaver City. Both communities are projected to come online in the first quarter of 2017.

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



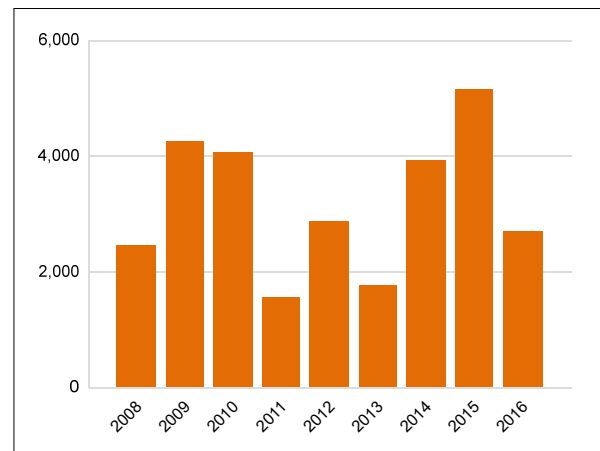
Source: YardiMatrix

**Development Pipeline (as of December 2016)**



Source: YardiMatrix

**Tampa Completions (as of December 2016)**

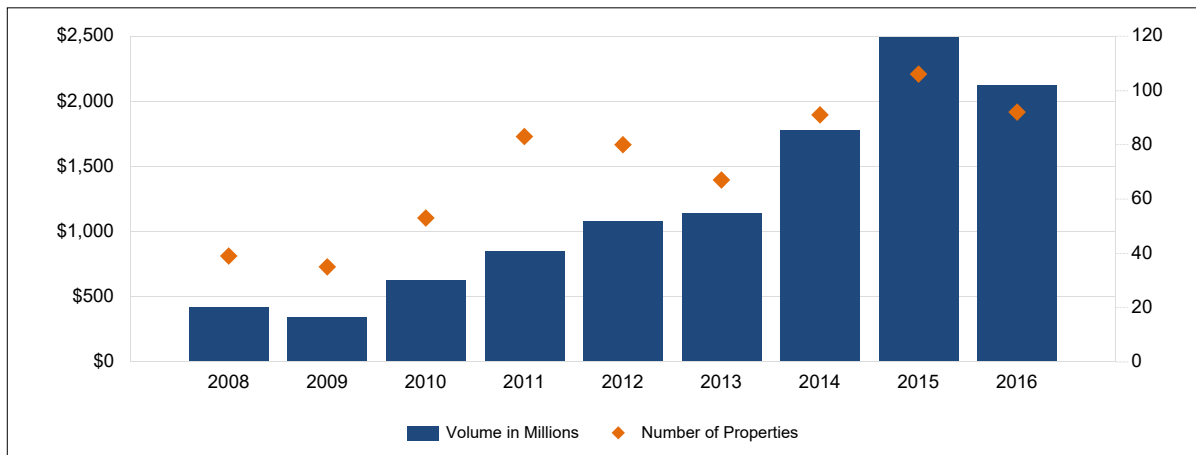


Source: YardiMatrix

## Transactions

- About \$2.1 billion in multifamily assets traded in Tampa year-over-year through December. Sales fell a bit short in 2016 compared to 2015's all-time high, but still exceeded the historical average.
- The average price per unit rested at \$97,000, considerably less than the \$134,800 national figure. With the bulk of Tampa's population working in the trade and transportation sector, demand for properties that target low- and middle-wage workers outweighed that for luxury residences, resulting in investors eyeing more Renter-by-Necessity communities. Acquisition yields for stabilized properties were in the mid-5% range for high-end assets and the 6-7% range for Class B and C properties.
- The most active submarket was Mainlands (\$357 million), with the 561-unit TGM Bay Isle being the most expensive property to change hands. TGM Associates acquired the asset for \$94 million, or \$167,112 per unit.

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



Source: YardiMatrix

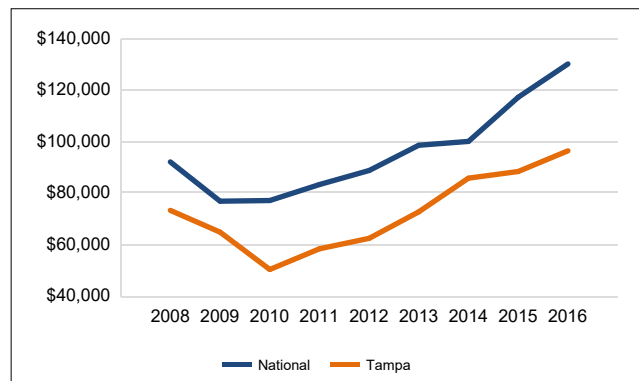
### Top Submarkets for Transaction Volume<sup>1</sup>

Submarket	Volume (\$MM)
Mainlands	357
Riverview/Valrico	181
Rocky Creek	175
Safety Harbor	174
Livingston	115
University of South Florida	102
Belleair	81
Thonotosassa	70

Source: YardiMatrix

<sup>1</sup> From January 2016 to December 2016

### Tampa vs. National Sales Price per Unit



Source: YardiMatrix

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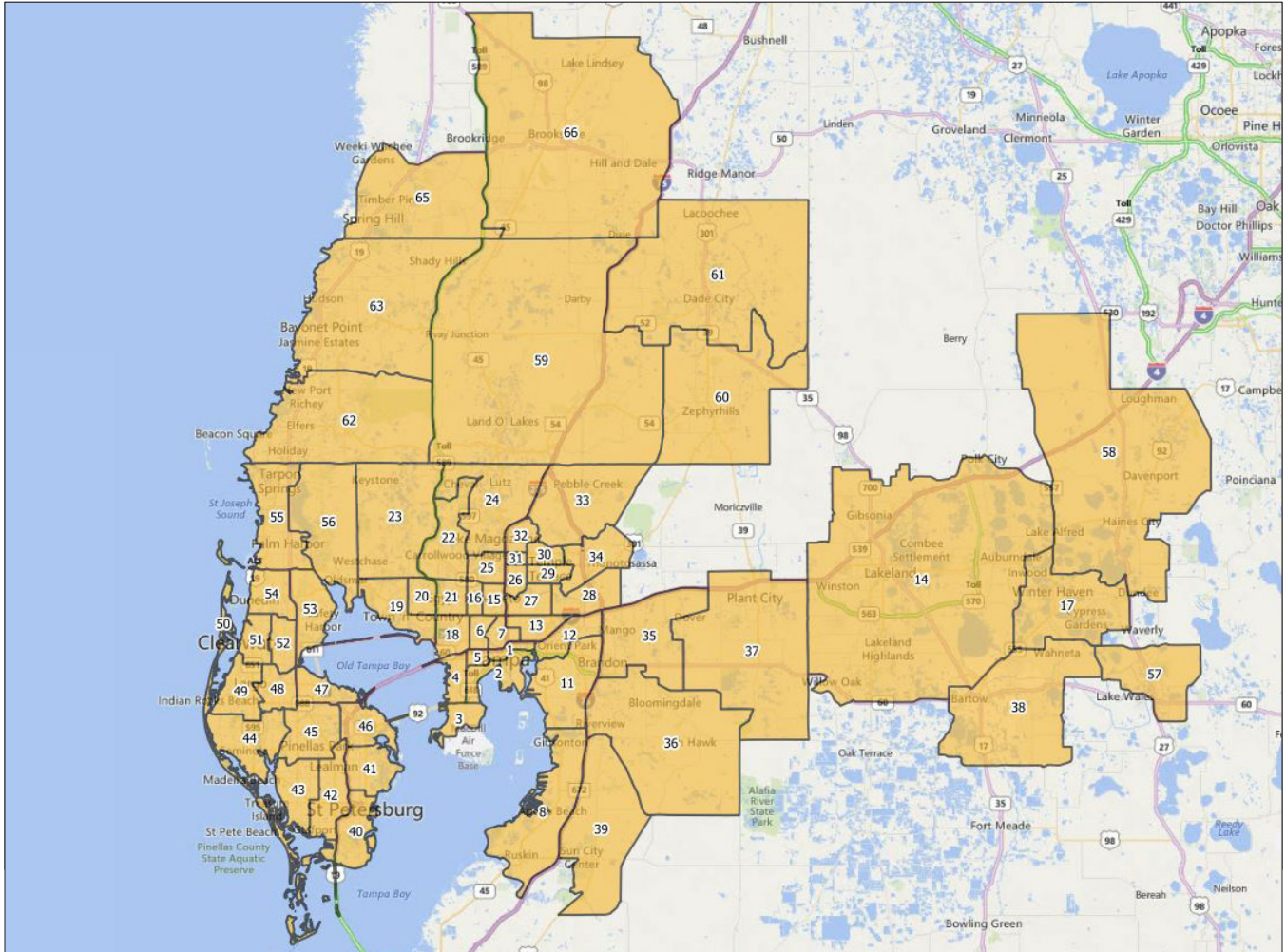


C&W Negotiates Sale,  
Financing of Tampa  
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## Tampa Submarket Map



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	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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