

Yardi® Matrix

Tampa Stays Hot

Multifamily Report Spring 2017

Rent Growth Tops Nation

Heavy Supply Wave in Store

Asset Values Hit Post-Bubble Best

Market Analysis

Spring 2017

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Broad-Based Employment Drives Demand

The Tampa-St. Petersburg multifamily market is healthy, displaying solid fundamentals and producing strong rent growth. Robust investor interest and broad employment gains are driving demand across asset classes, with population growth leading to higher occupancy rates and rents.

The economy is still led by trade and transportation, and with Port Tampa Bay's newest master-planned project, Vision 2030, the port will continue to create new business, while building upon its existing industries. In 2016 alone, the port had an economic impact of \$17.2 billion. Health care is booming and job opportunities in science, technology, engineering and mathematics (STEM) are drawing young professionals to the market. In the first quarter of 2017, professional services firm BlueLine Associates announced the relocation of its headquarters to Tampa, with Alignment Healthcare and American Express Global Business Travel also leasing significant space.

Investors are attracted to Tampa Bay due to the metro's strong apartment fundamentals and low entry costs. Last year, a record \$2.4 billion worth of multifamily assets traded. More than 9,100 units were under construction as of April, with over half expected to come online this year. Rents rose to \$1,108 year-over-year through April, outpacing the national average, and we expect rent increases to reach 5.8% by year-end.

Recent Tampa Transactions

TGM Bay Isle



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

SkyHouse Channelside



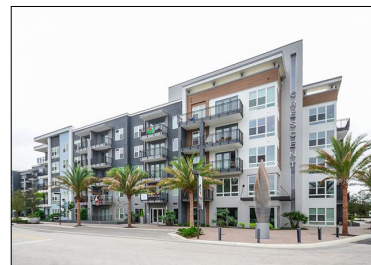
City: Tampa
Buyer: AVR Realty
Purchase Price: \$88 MM
Price per Unit: \$275,000

Solaris Key



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

Crescent Westshore



City: Tampa
Buyer: Nicol Investment Co.
Purchase Price: \$80 MM
Price per Unit: \$213,904

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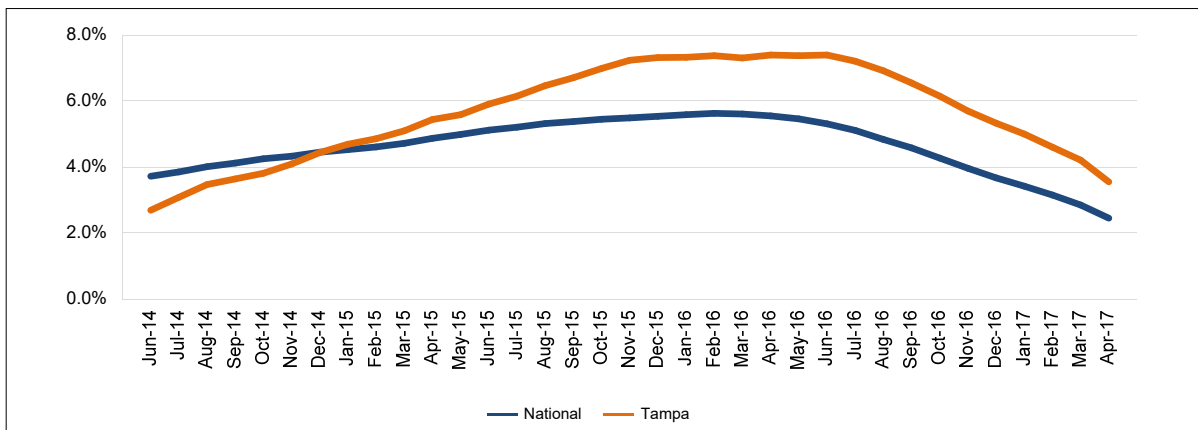
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Rent Trends

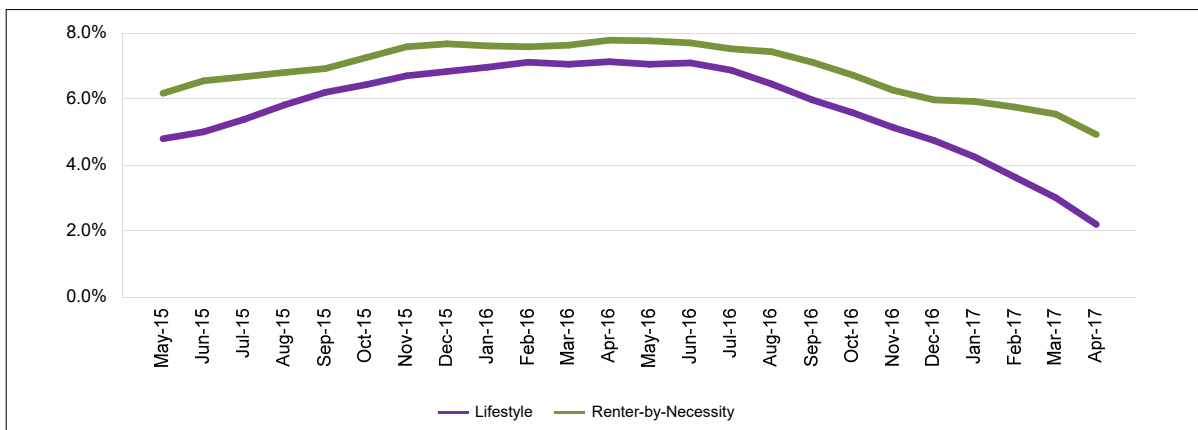
- Rents in Tampa Bay rose 3.6% year-over-year through April, outpacing the national rate of 2.0%. At an average of \$1,108, the monthly rent was below the national average of \$1,314. After topping out at 7.4% last June, rent growth has mirrored the nationwide deceleration trend.
- The working-class Renter-by-Necessity segment led gains with a 4.9% increase year-over-year to \$906, while the upscale Lifestyle segment rose 2.2% to \$1,298. Core submarket rentals are seeing the highest demand due to Millennials and Baby Boomers seeking a live-work-play lifestyle. Higher-paid workers can easily afford downtown living in this relatively affordable market, although lower wage earners struggle even in suburban areas.
- Significant rent spikes occurred in both core and secondary submarkets, with the highest growth markets being Rivercast (12.9% year-over-year change), followed by Sunset Park / Bayside (11.4%), Sulphur Springs (10.7%) and Egypt Lake (8.2%).
- We expect rents to rise, as demand remains strong due to population and job growth. In 2017, rent increases should reach 5.8%.

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)

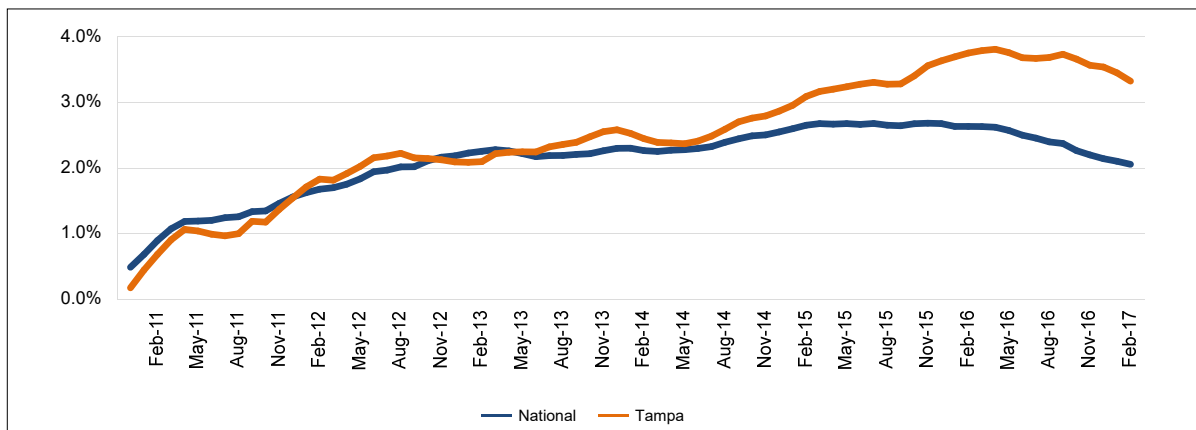


Source: YardiMatrix

Economic Snapshot

- Tampa Bay added 45,000 jobs during the 12 months ending in February 2017. Employment was up 3.3% year-over-year, well above the 2% national average. Employment growth was diverse and gains were led by professional and business services (8,400 jobs), education and health services (8,300) and construction (7,800). Furthermore, job growth was solid across all sectors.
- The metro has the most STEM-related jobs in Florida, and efforts continue to boost STEM education opportunities. Examples include a \$6 million grant awarded to Hillsborough Community College last year and a summit held in March by the University of South Florida, calling for further collaboration between academic institutions and businesses.
- Last year, Port Tampa Bay unveiled Vision 2030, a master-planned, multibillion-dollar redevelopment project that will reshape the port in an attempt to create business opportunities and thousands of new jobs.
- The Central Business District and the Westshore district remain the most sought-after office markets. However, secondary submarkets with access to major thoroughfares are eyed, as well. In the first quarter, overall leasing activity was steady, with rents at \$25 per square foot for Class A space. Through March, only 11% of Tampa's 66 million-square-foot office market was vacant, with more than 150,000 leasable square feet entering the market.

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	263	17.1%	8,400	3.3%
65	Education and Health Services	238	15.5%	8,300	3.6%
15	Mining, Logging and Construction	88	5.7%	7,800	9.7%
70	Leisure and Hospitality	176	11.4%	6,200	3.6%
40	Trade, Transportation and Utilities	303	19.7%	6,100	2.1%
55	Financial Activities	120	7.8%	2,400	2.0%
90	Government	188	12.2%	2,100	1.1%
80	Other Services	52	3.4%	1,800	3.6%
30	Manufacturing	82	5.3%	1,500	1.9%
50	Information	28	1.8%	400	1.5%

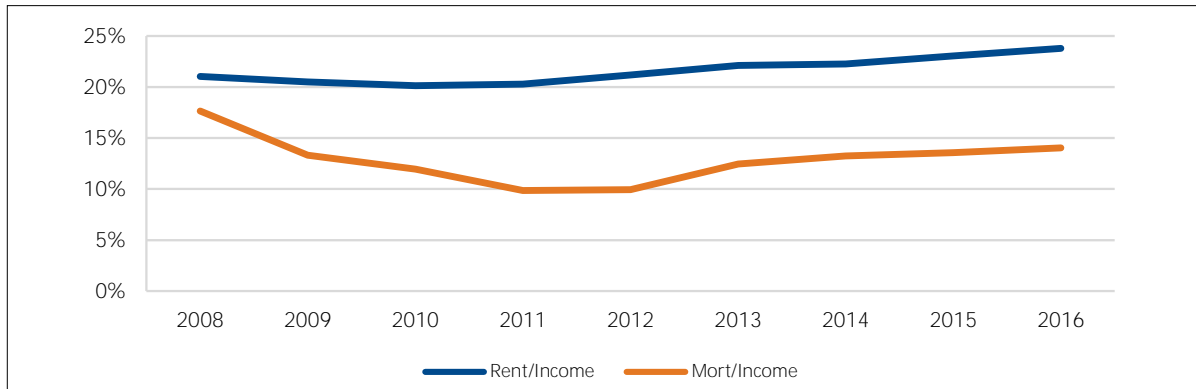
Sources: YardiMatrix, Bureau of Labor Statistics

Demographics

Affordability

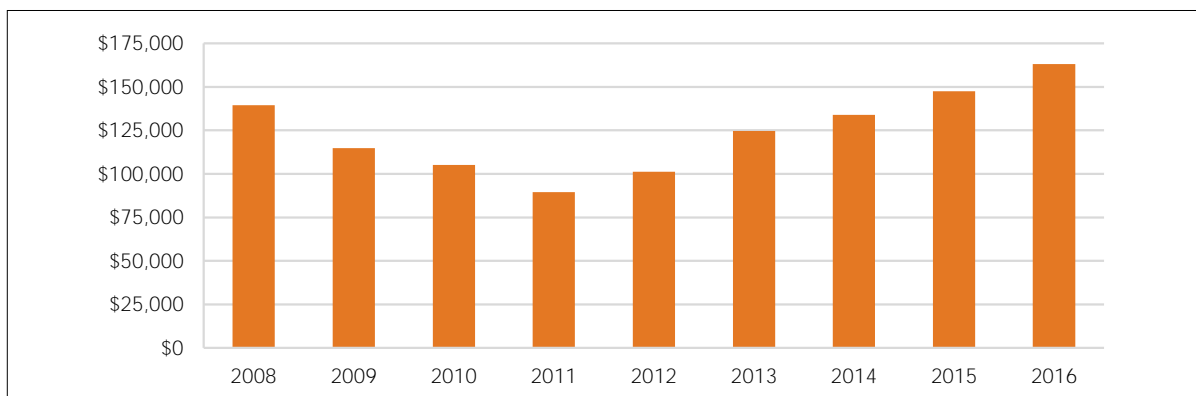
- The strong gains in employment and population, which generated a healthy demand for housing, are driving up home prices. The median home value rose to a record \$163,170 in 2016.
- The average mortgage accounted for 14% of the median income, while the average rent accounted for 24%. Although low-income housing is a major issue in Tampa, the Florida Legislature continues to cut funds allocated for this purpose. Since the start of the last recession, \$1.3 billion has been reallocated away from affordable housing statewide, and of the \$292 million earmarked in 2017, only \$44 million will be spent.

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 metro grew by 2.0% in the past year, nearly triple the national average growth rate (0.7%).
- The metro added 61,000 residents in 2016 and more than 184,000 since 2012.

Tampa vs. National Population

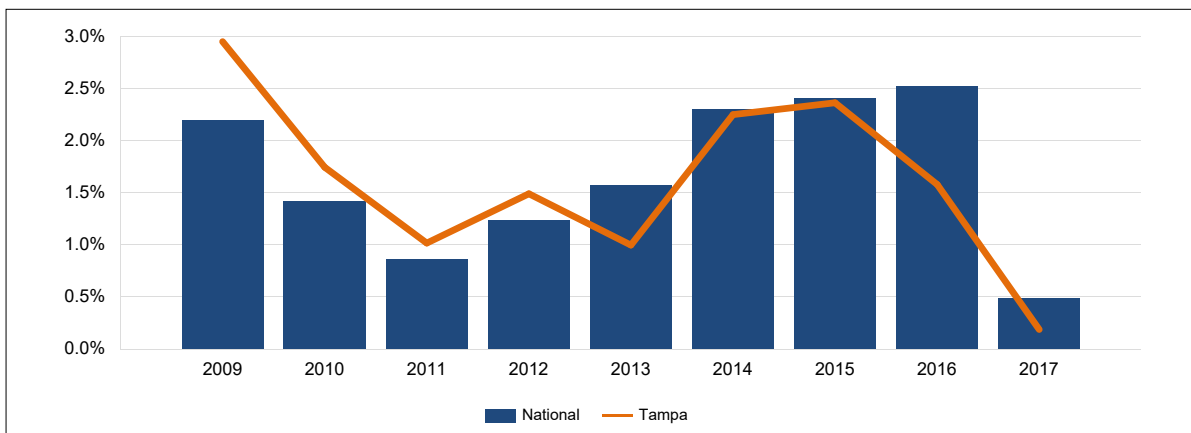
	2012	2013	2014	2015	2016
National	313,998,379	316,204,908	318,563,456	320,896,618	323,127,513
Tampa Metro	2,847,624	2,871,972	2,915,715	2,971,086	3,032,171

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

Supply

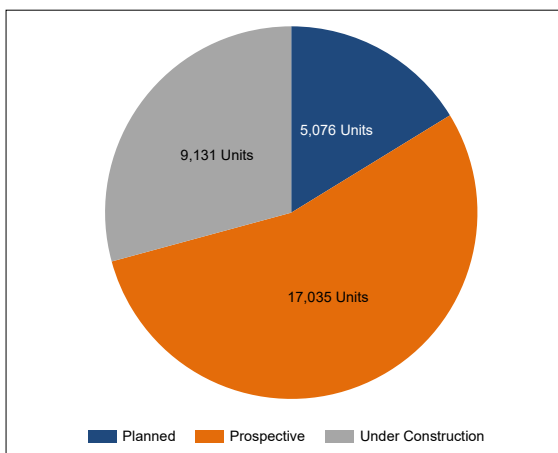
- Although completions fell in 2016, the pipeline is robust in Tampa Bay, with more than 9,100 multifamily units under construction as of April. The metro added 3,127 units last year, a 1.6% inventory increase, which is 90 basis points below the national average.
- Deliveries are expected to pick up this year and remain strong, as more than 31,000 units are in some stage of development. Strong demand will help absorb the upcoming supply wave, pushing occupancy even higher. The average occupancy rate for stabilized properties was 95.0% as of March 2017.
- Roughly 40% of the upcoming supply is concentrated in just four submarkets: two core and two secondary. Hyde Park/Davis Island is the most active, with 1,200 units under construction, followed by Downtown Tampa/Ybor City (1,150), New Port Richey (1,100) and Davenport/Haines City (1,000).
- The largest project underway is Parkland Development's 381-unit luxury community Peridot Palms in the Mainlands submarket. The 241-unit property is scheduled for completion this spring. Most units (64%) are already pre-leased due to the community's proximity to both downtown Tampa and St. Petersburg.

Tampa vs. National Completions as a Percentage of Total Stock (as of April 2017)



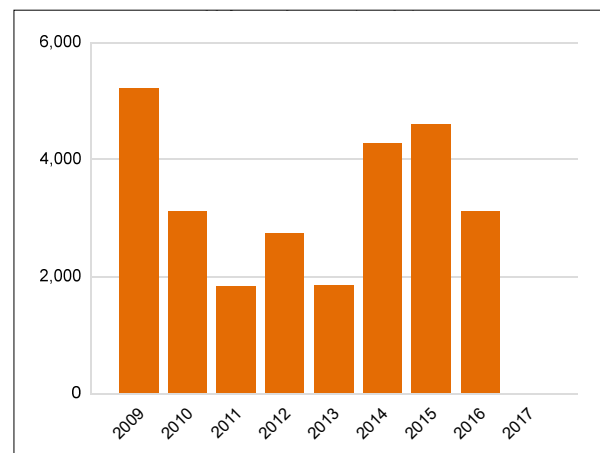
Source: YardiMatrix

Development Pipeline (as of April 2017)



Source: YardiMatrix

Tampa Completions (as of April 2017)

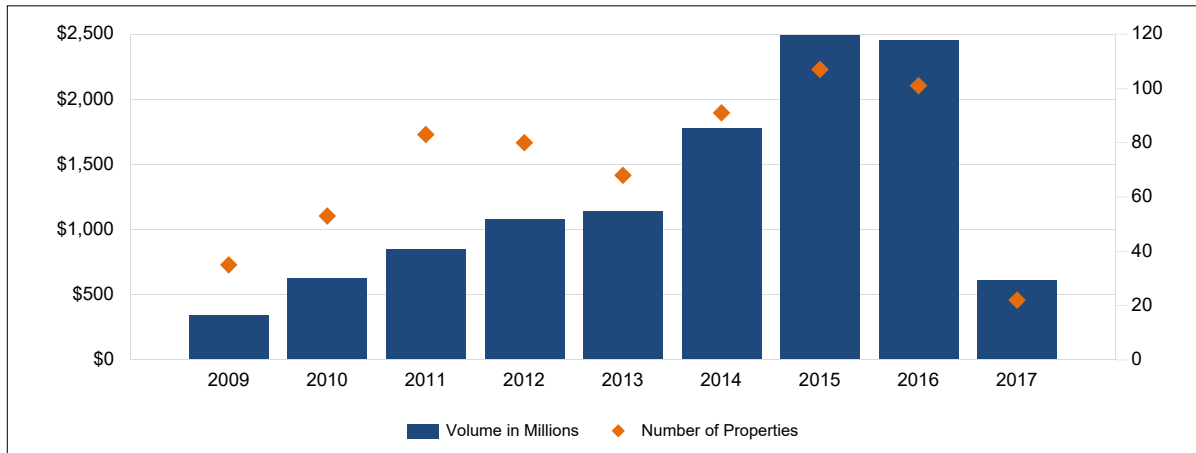


Source: YardiMatrix

Transactions

- After reaching a new cycle high last year, when the total transaction volume rose above \$2.4 billion, sales activity looks to remain strong in 2017. As of April, \$607 million worth of multifamily assets changed hands, with the average price per unit increasing to \$131,000.
- Acquisition yields for stabilized properties are trending below those in other major metros, hovering in the 5% range for Class A assets, and between 5 and 7% for Class B and C properties.
- Over the last 12 months, Mainlands, University of South Florida, Gaver City and Rocky Creek were the busiest submarkets. Topping this year's first-quarter transaction activity was Nicol Investment Co.'s acquisition of the 374-unit Crescent Westshore. Crescent Communities sold the asset in February for \$80 million, or \$213,903 per unit.

Tampa Sales Volume and Number of Properties Sold (as of April 2017)



Source: YardiMatrix

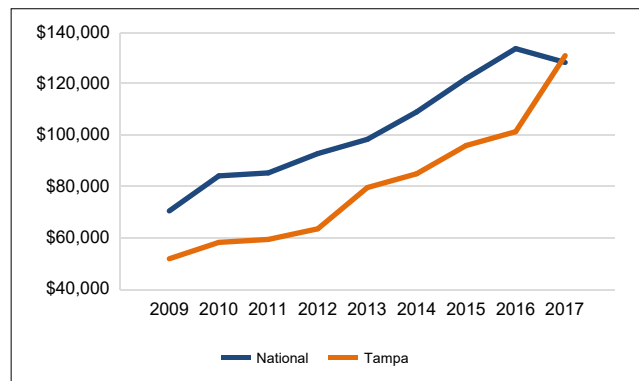
Top Submarkets for Transaction Volume¹

Submarket	Volume (\$MM)
Mainlands	316
University of South Florida	174
Garver City	149
Rocky Creek	127
Carrollwood Village	118
Safety Harbor	114
Riverview/Valrico	111
Hyde Park/Davis Island	92

Source: YardiMatrix

¹ From May 2016 to April 2017

Tampa vs. National Sales Price per Unit



Source: YardiMatrix

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Allen Morris Opens
LEED-Certified
Tampa Bay Community



Wood Partners Sells
Tampa-Area Community



JLL Closes Tampa
Industrial Sale

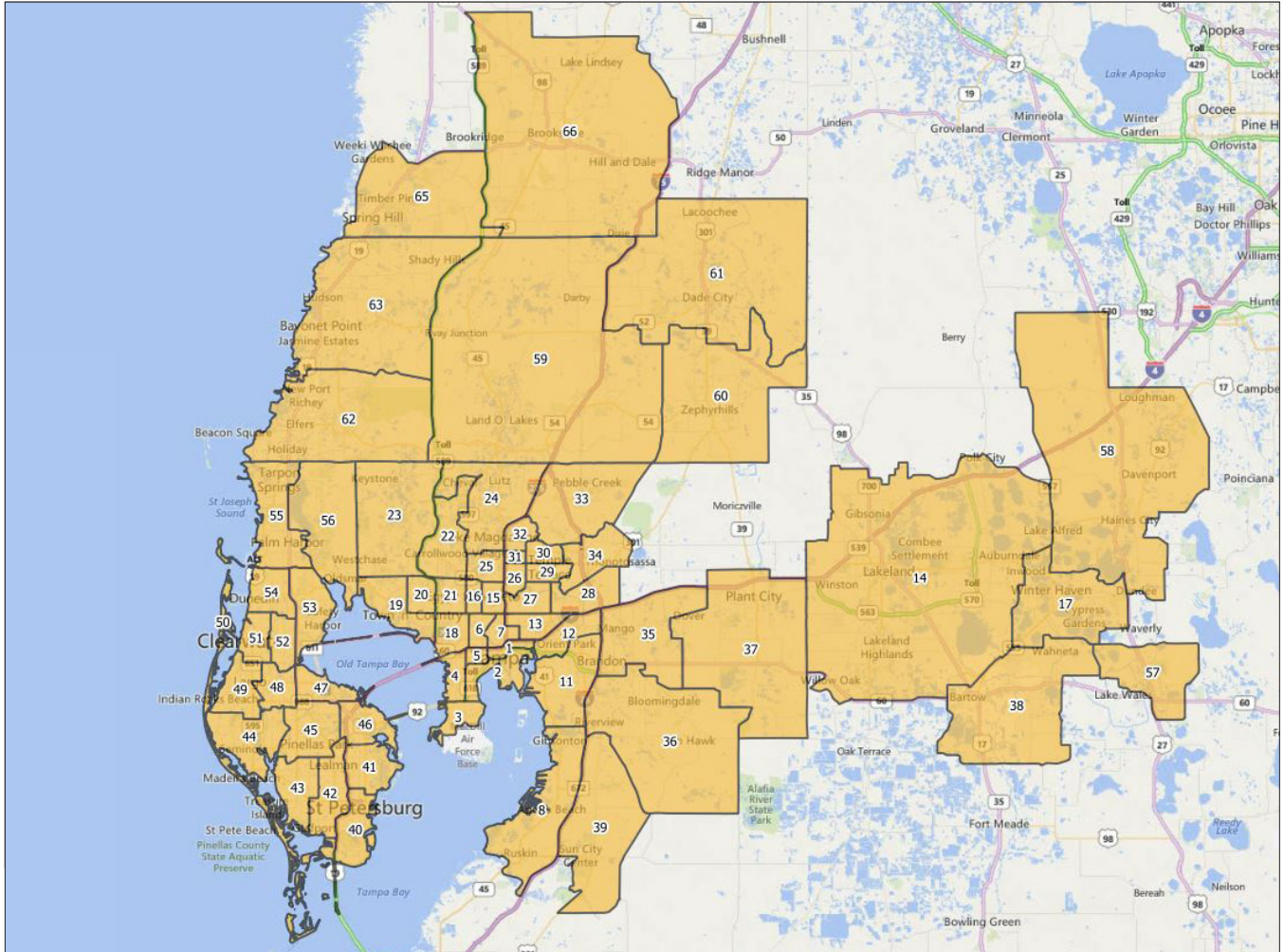


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Tampa Submarket Map



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

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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