

# TAMPA BAY | MULTIFAMILY OUTLOOK

## OVERVIEW

The Tampa Bay Metropolitan area has solid market fundamentals with a thriving and stable economy. The area has been experiencing significant population growth. In addition, local employers are adding tens of thousands of jobs yearly leading to a decline in the unemployment rate. The employment growth is leading to in-migration that is made up of jobseekers, with a quarter of said jobseekers being in the prime renting ages of 20-34. As a result, vacancies rates are trending downwards with effective rental rates increasing.



## ECONOMIC INDICATORS

### MACRO ECONOMY

The U.S. nationwide homeownership rate has greatly declined since the recession of 2008, and is currently at its lowest level in 19 years (Cushman & Wakefield). On the other hand, the multifamily sector has been experiencing six straight months of 5% or greater effective rent growth nationwide, making it the longest apartment rent growth since the recession. The Tampa multifamily market provides a highly attractive market for investors as the city has outperformed most nationwide metrics.

### TAMPA ECONOMY

The Tampa Bay Metropolitan economy has been continuously improving on a year-to-year basis since late 2010. GDP growth has been steady at 2.4% in 2014 and 2015, while it is forecasted to increase to 3% in 2016. According to Cushman Wakefield predictions, consumer spending, household income, and

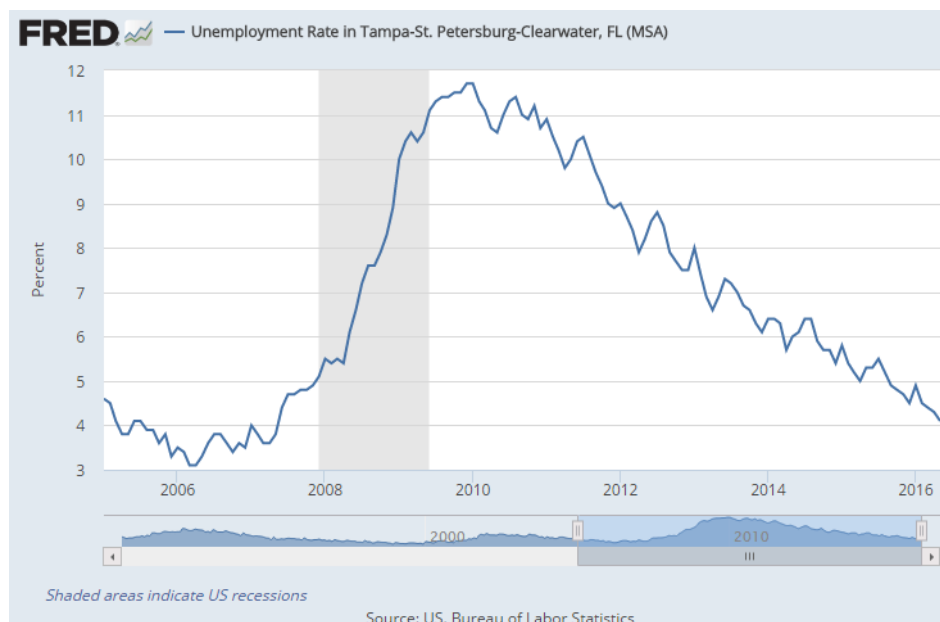
population are all expected to grow in 2016 (Figure x). In addition, Tampa has a favorable effective property tax rate (1.18%) compared to other metropolitan cities in Florida such as Miami (1.27%).

ECONOMIC INDICATORS			
NATIONAL	2014	2015	2016F
GDP Growth	2.4%	2.4%	3.0%
CPI Growth	1.6%	0.4%	2.7%
Consumer Spending Growth	2.5%	3.4%	3.8%
LOCAL	2014	2015	2016F
Household Income	\$47,194	\$48,906	\$51,238
Population Growth	1.4%	1.6%	1.7%
Unemployment	6.1%	5.3%	4.6%
Household Income	\$47,194	\$48,906	\$51,238

Source: Moody's Analytics

## EMPLOYMENT

The unemployment rate has been steadily decreasing in Tampa since its peak of 11.7% in 2009. At the time of May 2016 the unemployment rate stood at a strong 4.1% according to the United States Bureau of Labor Statistics. In 2015 employers added 46,000 jobs to the Tampa labor market, which makes an increase of 3.7%. Employment is expected to increase by 3% in 2016 according to Marcus and Millichap.



## MAJOR EMPLOYERS & INDUSTRIES

According to the U.S. Department of Housing and Urban Development, non-agricultural employers in Tampa have been increasing over the past five years. In 2015, non-farm payrolls totaled 1.22 million jobs, a 2.8% increase from the previous year. The three largest nonfarm sectors are: education & health services, government and information technologies. In addition, the wholesale and retail trade sectors have been expanding and are leading the job growth in the area. The top five major employers in Tampa are BayCare Health Systems, MacDill AFB, Home Shopping Network, University of South Florida and Tech Data Corp.

Name of Employer	Nonfarm Payroll Sector	Number of Employees
BayCare Health Systems	Education & health services	22,900
MacDill AFB	Government	12,200
Home Shopping Network, Inc.	Information	10,550
University of South Florida	Government	9,000
Tech Data Corp	Wholesale & retail trade	6,900
WellCare	Financial activities	6,700
Tampa General Hospital	Education & health services	6,400
Verizon Communications Inc.	Information	6,000
JPMorgan Chase & Co.	Financial activities	5,100
Citigroup, Inc.	Financial activities	4,300

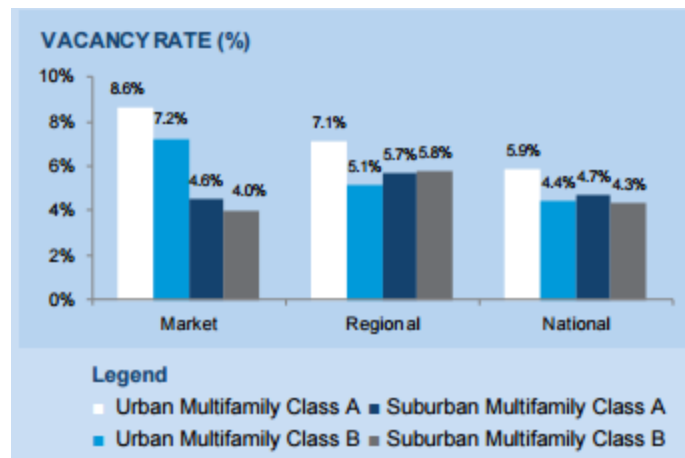
## POPULATION TRENDS

Population growth has also been solid. The current Metropolitan estimates put population at 4,439,363 (in 2015). Tampa added about 120,000 people between 2011 and 2015 according to Census estimates. According to Nielsen PLC, by 2020 Tampa is expecting a population increase of 238,000 people, from a 2015 estimate of around 4,439,363 to 4,677,997 residents.

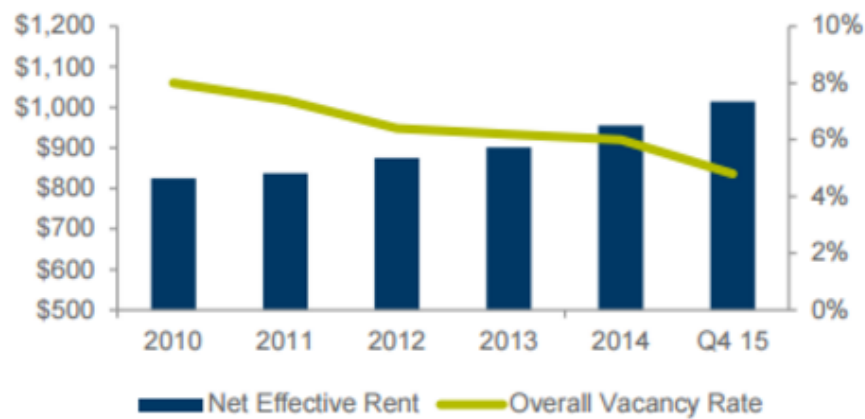
## LOCAL MULTIFAMILY TRENDS

### VACANCY

The rental housing market in the Tampa area is strong, with the average rental vacancy rate estimated at around 4.8%. The average Suburban Multifamily Class B vacancy rate in Tampa is 4%, which is lower than the regional average of 5.8% and national average of 4.3%. In addition, year to year vacancy rates have been trending downward in Tampa Bay, largely due to the significant growth in population which is boosting the demand for housing.



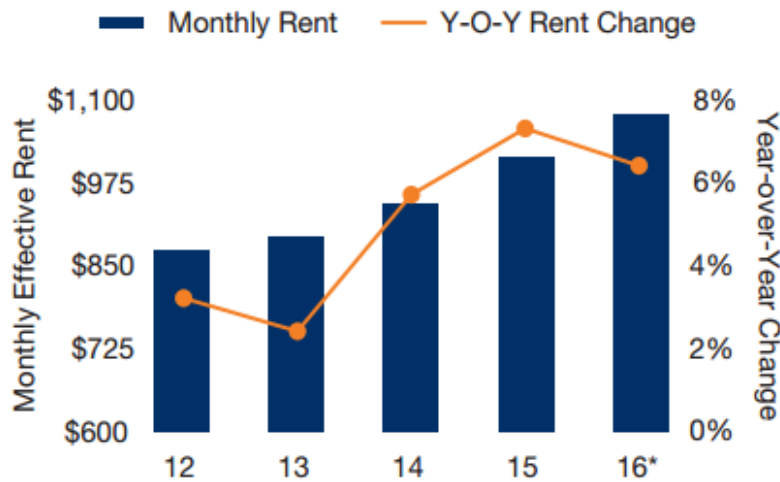
### Net Effective Rental Rate vs. Overall Vacancy



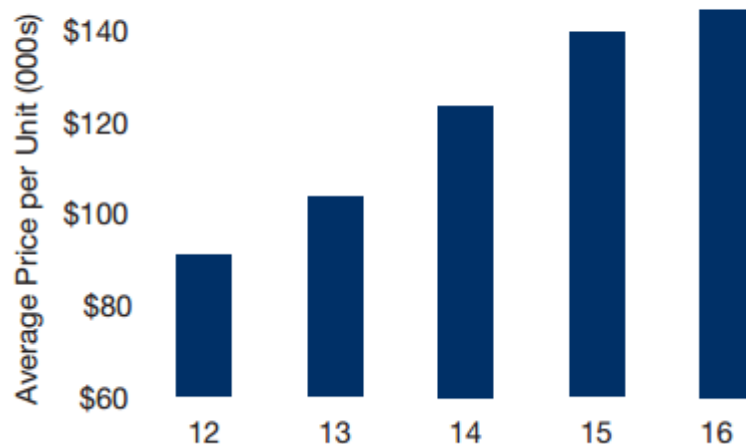
## LOCAL RENTAL ECONOMICS

Monthly effective rent has been consistently trending upwards in recent years. In around 2012, rents hovered a little above \$850 per door. According to Marcus and Millichap, rents have reached an average of \$1030 by the first quarter of 2016. For the last 6 years, rents have increased an average of 3.8% **per year**, with the last 2 years seeing a 6% and 8% growth in rents. Average price per door has hit \$132,000 per door, which is nearly double of that found 6 years ago.

## Rent Trends



## Sales Trends



## CAP RATES

Cap rates are healthy in the Tampa Bay Area. According to CBRE's Cap Rate Survey (2nd Half of 2015) Tampa is a Tier 2 market for multifamily. Cap rates for Class B suburban multifamily assets stand at 5.50% - 6.00% for Stable, 6.00% - 6.50% for Value Add and for Class C they stand at 6.50% - 7.00% for Stable, 7.00% - 7.50% for Value Add. This compares favorably with major metropolitan areas such as Miami, Los Angeles, Atlanta, New York, among other Tier 1 cities which can have cap rates between 4.00% and 5.00% for stabilized class B and 5.00% and 6.00% for value add class B. This also creates a favorable investment environment where investors continue to look for investments outside of these Tier 1 markets that are overheated and becoming more so as time has been progressing. CBRE also notes that Tampa is a stable market, which will help in acquiring favorable financing.

CLASS B					CLASS C				
		CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE¹	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE¹	CAP RATES FOR STABILIZED PROPERTIES (%)	CHANGE¹	EXPECTED RETURN ON COST FOR VALUE-ADD PROPERTIES (%)	CHANGE¹
TIER I	ATLANTA	5.25 - 5.75	▲	6.25 - 6.75	▲	6.25 - 6.75	▲	7.00 - 7.50	◄►
	BOSTON	4.50 - 5.00	◄►	6.00 - 6.00	▼	—	—	6.25 - 6.75	◄►
	CHICAGO	4.75 - 5.00	◄►	5.00 - 5.25	◄►	5.50 - 6.00	◄►	5.75 - 6.25	◄►
	DALLAS/FORT WORTH	5.00 - 6.00	◄►	5.00 - 6.00	◄►	6.00 - 7.00	◄►	6.00 - 7.00	◄►
	HOUSTON	5.75 - 6.25	▲	5.50 - 6.00	▼	6.00 - 6.50	◄►	6.50 - 7.00	▼
	N. CA: OAKLAND	4.25 - 4.50	—	4.25 - 4.50	—	4.50 - 5.00	—	4.50 - 5.00	—
	N. CA: SAN FRANCISCO	3.75 - 4.25	◄►	3.75 - 4.25	◄►	4.00 - 4.50	◄►	4.00 - 4.50	◄►
	N. CA: SAN JOSE	4.00 - 4.50	◄►	4.00 - 4.50	◄►	4.50 - 5.00	◄►	4.50 - 5.00	◄►
	NY: N. NEW JERSEY	4.50 - 5.00	◄►	5.50 - 6.00	◄►	—	—	—	—
	NY: NEW YORK CITY	4.25 - 5.00	◄►	5.00 - 5.50	▼	5.25 - 5.75	◄►	5.50 - 6.00	▼
	NY: STAMFORD	5.50 - 6.00	◄►	6.00 - 6.50	◄►	—	—	—	—
	S. CA: INLAND EMPIRE	5.00 - 5.50	◄►	5.50 - 6.00	◄►	6.00 - 6.50	◄►	6.50 - 7.00	◄►
	S. CA: LOS ANGELES	4.00 - 5.00	◄►	4.50 - 5.50	▲	5.00 - 6.00	—	5.50 - 6.50	—
	S. CA: ORANGE COUNTY	4.25 - 4.75	◄►	5.25 - 5.75	—	5.00 - 5.50	◄►	6.25 - 6.75	—
	S. FL: FORT LAUDERDALE	4.50 - 5.00	—	5.00 - 5.50	—	5.75 - 6.50	—	6.50 - 7.25	—
	S. FL: MIAMI	4.25 - 4.75	◄►	5.00 - 5.50	◄►	5.50 - 6.25	◄►	6.50 - 7.25	▲
	S. FL: WEST PALM BEACH	4.25 - 4.75	—	5.00 - 5.50	—	5.50 - 6.25	—	6.50 - 7.25	—
	SEATTLE	4.75 - 5.25	◄►	5.00 - 5.50	◄►	5.50 - 6.00	◄►	5.25 - 6.25	◄►
	WASHINGTON, D.C.	5.00 - 5.50	◄►	5.50 - 6.50	◄►	6.25 - 7.00	◄►	7.50 - 8.50	◄►

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TIER II	AUSTIN	5.00 - 6.00	▲	5.00 - 5.75	▲	5.50 - 6.50	▲	5.25 - 6.00	◄►
	BALTIMORE	5.25 - 5.80	◄►	6.75 - 7.25	◄►	6.25 - 7.00	◄►	8.00 - 8.00	◄►
	DENVER	5.50 - 6.00	◄►	6.75 - 7.50	◄►	5.75 - 6.25	◄►	7.50 - 9.00	◄►
	ORLANDO	5.50 - 6.00	◄►	6.25 - 6.75	▲	6.50 - 7.00	◄►	7.50 - 8.00	◄►
	PHILADELPHIA	5.50 - 6.00	▼	6.75 - 7.25	▼	6.00 - 6.75	▼	7.25 - 7.75	▼
	PHOENIX	5.00 - 5.50	▼	6.25 - 6.75	▼	5.75 - 6.25	▼	7.00 - 7.50	▼
	SAN DIEGO	4.75 - 5.25	◄►	5.00 - 5.50	◄►	5.25 - 5.75	◄►	5.50 - 6.00	◄►
	TAMPA	5.50 - 6.00	◄►	6.00 - 6.50	◄►	6.50 - 7.00	◄►	7.00 - 7.50	◄►

## CONTACT

Maurice Benitah  
President

[310-786-8100](tel:310-786-8100)

[mb@creativerealtypartners.com](mailto:mb@creativerealtypartners.com)

Jonathan Benitah  
Senior Vice President

[424-284-4132](tel:424-284-4132)

[jb@creativerealtypartners.com](mailto:jb@creativerealtypartners.com)

Roxana Vaziri  
Analyst

[424-284-4131](tel:424-284-4131)

[roxana@creativerealtypartners.com](mailto:roxana@creativerealtypartners.com)

Chris Hasbun  
Analyst

[424-284-4135](tel:424-284-4135)

[chris@creativerealtypartners.com](mailto:chris@creativerealtypartners.com)

Gina Evans  
Transaction Coordinator

[424-284-4133](tel:424-284-4133)

[gina@creativerealtypartners.com](mailto:gina@creativerealtypartners.com)