

MARKETBEAT

Multifamily Q4 2016

Tampa



ECONOMIC INDICATORS

National	Q4 15	Q4 16	12-Month Forecast
GDP Growth	1.9%	1.8%*	▲
CPI Growth	0.4%	1.6%	▲
Consumer Spending Growth	2.6%	2.8%*	▼
Retail Sales Growth	2.0%	4.0%	▲

*Based on Moody's baseline estimates

Regional	Q4 15	Q4 16	12-Month Forecast
Household Income	\$48,795	\$50,559	▲
Population Growth	2.0%	1.7%	▲
Unemployment	5.0%	4.5%	▼

Source: Moody's Analytics

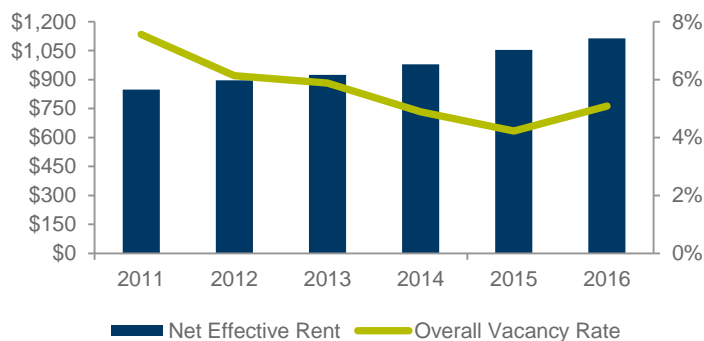
Economy

In 2016 Tampa's multi-family market benefitted primarily from increasing population and employment. According to Moody's Analytics, the Tampa Bay MSA's population will grow by a rate of 1.7% annually over the next five years with total employment rising by nearly 2.0% annually during the same time period. The region's diverse economic drivers, including tourism, logistics, and business services, supported new construction and market rent growth spurring interest from investors.

Market Overview

With a growing millennial population, Tampa Bay's multifamily market continued to reflect both the inclination of the younger generation to stay in apartments longer before buying a home and empty nesters looking for a maintenance free lifestyle as they get older. From urban, high-rise projects concentrated in CBDs to suburban garden-style complexes near where people work and play, Tampa Bay in 2016 saw an explosion in new construction of institutional quality assets.

Net Effective Rental Rate vs. Overall Vacancy



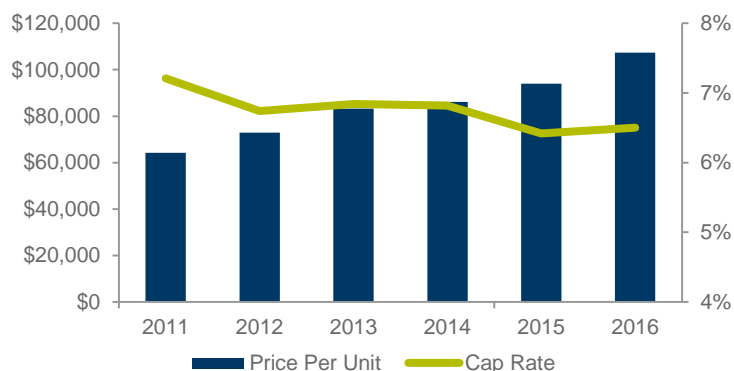
Last year, Jeff Vinik released plans for the multi-phase redevelopment of the Channel District and portions of Downtown Tampa. The \$3.0 billion redevelopment will include 5,000 new residences and provide residents a true urban lifestyle where they can live, work, and play without having to use a car. Once completed, this will be the single largest investment in Tampa Bay's history.

Published rents increased year-over-year by 6.2%, ending 2016 at \$1,120 per unit. The absorption of nearly 2,600 units last year kept occupancy rates stable around 95.0%, a 1.1% increase from 2015. New supply was up over the past twelve months to 3,200 units, and demand kept pace with absorption of nearly 2,600. Vacancy remained stable around 95.0% as several older projects were taken off of the market. Class A product new-to-market achieved average asking rents of \$1,560 per unit, higher by \$440 per unit than the overall market. New multifamily construction was concentrated in Downtown Tampa, Downtown St. Petersburg, and the Westshore district.

Outlook

Tampa Bay's accelerated population and employment growth will support further expansion in the multifamily market. According to Axiometrics, Tampa Bay will add over 16,000 new multifamily units by 2020. The new product will help drive further rent growth and create opportunities in the value-add space. Cushman & Wakefield anticipates healthy market fundamentals through 2017.

Volume/Cap Rate



Source: Axiometrics, Real Capital Analytics

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Investment Sales and Cap Rate

A total of \$2.4 billion in transactions closed in 2016 in Tampa, with an average price per unit of \$107,291 – the first time the average exceeded \$100,000/unit. Local apartment sales commanded an average cap rate of 6.5%, a steady fall of 0.5 percentage points over the past six years. Core product cap rates have dropped to their lowest level since 2007 at 5.5%. The top five buyers, a mix of REITs, developers, and investment managers, were responsible for over one third of the total sales volume. In the short term, uncertainty caused by the transition to a new administration in the federal government should have minimal effect as many new institutional quality projects under construction in Tampa have a ‘built-to-core’ mentality. Once completed and stabilized, some of these projects may be sold to investors if they are not retained by the equity in the original capital stack.

Significant 2016 Apartment Sales

PROPERTY NAME	CITY	BUYER	SELLER	# OF UNITS	PURCHASE PRICE	PRICE PER UNIT
SkyHouse Channelside	Tampa	AVR Realty	Novare Group	320	\$88,000,000	\$275,000
Modera Prime 235	Saint Petersburg	Cottonwood Residential	Mill Creek Residential	309	\$77,550,000	\$251,000
4050 Lofts	Tampa	Investcorp	Campus Advantage	196	\$45,500,000	\$232,000
Modera Westshore	Tampa	H&R REIT	Mill Creek Residential	300	\$69,000,000	\$230,000
Crescent Westshore	Tampa	Nicol Investment Co	Crescent Communities	374	\$80,000,000	\$214,000
Solaris Key	Clearwater	Principal Financial	Pollack Shores RE Group	426	\$85,500,000	\$201,000

Sources: Real Capital Analytics, Cushman & Wakefield Research Services

Significant 2016 Construction Pipeline

PROPERTY NAME	ADDRESS	CITY	OWNERSHIP / DEVELOPER	# OF UNITS	STATUS	COMPLETION DATE
Crescent Westshore	2201 N Lois Ave	Tampa	Crescent Communities	374	Under Construction	1Q17
Peridot Palms	10601 Gandy Blvd N	St Pete	Greystar	381	Under Construction	2Q17
Nine15	915 N Franklin St	Tampa	Carter & Associates LLC	362	Under Construction	4Q17
Azola at Magnolia Park	Progress Blvd	Tampa	ZOM Florida	366	Under Construction	1Q18
Crescent Riverwalk	109 W Fortune St	Tampa	Crescent Communities	394	Under Construction	3Q18

Sources: Axiometrics, Cushman & Wakefield Research Services

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