

## APARTMENT MARKET OVERVIEW

Cushman & Wakefield provide a multi family overview in their *Marketbeat Snapshot* Mid-Year 2007 publication. According to the article, the addition of approximately 39,000 new jobs in the Tampa Bay MSA from mid 2006 to mid 2007 continues to feed the demand for rental housing. As of the end of the first quarter 2007 the average occupancy rate was 95.9%, down from 98.2% at the same time the previous year, a decrease that can be credited to the correction caused by the reversion of condo units at the end of 2006 and beginning of 2007.

The Tampa MSA has had a gradual reduction in the delivered multifamily units since 1999 with 4,319 units completed in 2004, 3,516 completed in 2005 and 2,539 completed in 2006. The multifamily housing permit growth was minus 34.2% from 2005 to 2006. The pipeline for 2007 is about 2,298 units, quite a dramatic reduction from the 8,561 units delivered in 1999. However, there was the activity of the “shadow market”. Since 2001 approximately 31,000 rental units were converted to condominiums, but due to the changes in the “for sale” market, many of these projects either stalled or stopped sales. By the 1<sup>st</sup> quarter of 2007 hundreds of these units had reentered the rental market, but the re-entry was gradual over 2006 and 2007 making the impact to conventional apartments minimal.

Apartment sales volume of \$465 million for 1<sup>st</sup> quarter 2007 was 28% lower than the \$650 million sales volume for 1<sup>st</sup> quarter 2006. Real Capital Analytics reported the average sale price for apartments as of June 2007 was \$87,000 per unit, down 10% from the \$97,000 average 1<sup>st</sup> quarter 2006 price. The difference in both volume and price were the result of highly priced condo conversion transactions at the tail end of the conversion boom. During this time rent has continued to grow, as illustrated in the table below.

Tampa Bay Average Rent Growth			
	1 <sup>st</sup> Qtr 2006	1 <sup>st</sup> Qtr 2007	% Change
Hillsborough	\$795	\$822	3.5%
Pinellas	\$787	\$814	3.4%
Pasco	\$725	\$801	10.5%
Polk	\$678	\$694	2.4%
Source TRIAD Research “same-store” subset			

The report concludes that value-add buyers have returned to the market and are looking at class B & C deals. These investors are evaluating the potential for higher rents as a result of exterior and interior improvements.

Marcus & Millichap National Multi Housing Group in their *Apartment Research Market Update* Second Quarter 2007 report the same trends in the Tampa Bay apartment market. They also report trends in the submarket as illustrated in the following table:

Submarket Vacancy Ranking					
Rank	Submarket	Vacancy Rate	Y-O-Y Basis Point Change	Effective Rents	Y-O-Y % Change
1	Central Tampa	3.5%	60	\$920	5.0%
2	MacDill AFB	3.8%	80	\$890	8.0%
3	Sulphur Springs	4.8%	40	\$720	6.7%
4	Pinellas Park	4.9%	-60	\$731	2.5%
5	Westshore	4.9%	190	\$872	4.7%
6	Pinellas Beaches	5.0%	90	\$751	8.2%
7	Largo	5.1%	170	\$746	9.1%
8	Clearwater	5.7%	270	\$779	5.7%
9	North Pinellas	6.0%	-50	\$795	3.8%
10	North Hillsborough	6.0%	230	\$890	8.0%

They conclude: “Investors seeking stable economic conditions might want to consider opportunities in the MacDill AFB submarket. The base provides steady demand for apartments, and lack of new development will keep the market tight. With minimal supply growth projected, rents should grow at a rate greater than the metro wide trend in the near term.”

Based on the latest reports, the trends in the local apartment market are good with continued job growth, continued high occupancies, increasing rental rates and limited new supply in the foreseeable future. There are no anticipated events that would lead us to conclude that there will be any sizeable change in this segment of the market in the near term.