

# Housing Market Profile

Southeast/Caribbean • HUD Region IV



## Tampa-St. Petersburg-Clearwater, Florida

The Tampa-St. Petersburg-Clearwater metropolitan area is located on the western coast of Florida bordering the Gulf of Mexico. The metropolitan area is composed of Hernando, Hillsborough, Pasco, and Pinellas Counties and includes the cities of Tampa and St. Petersburg, which are the third and fourth largest cities in Florida, respectively. As of June 2010, the population of the metropolitan area was nearly 2.8 million. Due to slower in-migration during the past 2 years, population growth increased by less than 1 percent annually compared with an average increase of 2.3 percent during the peak growth years from 2003 through 2005. The Port of Tampa is the largest port in Florida and a major economic contributor to the local economy. According to the Tampa Port Authority, the port has an estimated \$8 billion annual economic impact on the surrounding region, which includes the metropolitan area, and provides nearly 100,000 jobs in the region. The metropolitan area is also home to the University of South Florida (USF), which enrolls more than 47,000 students among four campuses in the region, including two that are located in the metropolitan area, and employs more than 15,000 full-and part-time employees. The USF System has an annual economic impact of \$3.2 billion on the region.

Economic conditions in the area continued to weaken during the first 5 months of 2010. In the 12 months ending May 2010, nonfarm employment averaged 1,123,600 jobs, a decrease of 50,400 jobs, or 4.3 percent, compared with the number of jobs during the 12 months ending May 2009. Employment in the metropolitan area declined during each of the past 3 years by an average of 43,000 jobs annually. Employment losses have slowed during the first 5 months of 2010, declining by an average of 29,200 jobs, or 2.5 percent, compared with a loss of 74,100 jobs, or 6 percent, during the first 5 months of 2009. During the 12 months ending May 2010, the unemployment rate for the metropolitan area averaged 12.1 percent, up from 8.9 percent during the previous 12-month period.

The goods producing sectors accounted for the largest job losses during the 12 months ending May 2010. Employment in the construction and manufacturing sectors decreased by 12,400 jobs, or 18 percent, and 8,800 jobs, or 13 percent, respectively, and accounted for a total of 42 percent of nonfarm job losses. From

2007 to 2009, the construction and manufacturing sectors decreased by a total of 33,700 jobs, or 36 percent, and 16,500 jobs, or 21 percent, respectively. Declines in the construction sector primarily resulted from weakness in the sales and rental housing markets during the past 3 years. Manufacturing sector job losses resulted from increased competition in the sector, which has occurred throughout the Southeast region during the past 10 years, gradually decreasing employment levels in traditional manufacturing industries. During the 12 months ending May 2010, employment in the professional and business services sector decreased by 8,000 jobs, or 4 percent. The professional and business services sector accounted for 16 percent of nonfarm jobs lost during the past 3 years due to lower demand for business support services that was a result of the declining local economy. The only two sectors to gain jobs during the past 12 months were the education and health services sector, which increased by 2,800 jobs, or 1.6 percent, and the government sector, which increased by 2,100 jobs, or 1.4 percent.

The sales housing market in the metropolitan area is soft due to overbuilding from 2003 to 2005, slower population and household growth, and declining employment levels. From 2003 to 2005, permits for single-family homes averaged 23,600 homes a year. Beginning in 2006, the number of homes permitted decreased each year through 2009, when the number of single-family building permits issued fell to 3,925 homes, the lowest level in more than 30 years. During the 12 months ending May 2010, permits for single-family homes increased by 450 homes, or 11 percent, to 4,575 after a decrease of nearly 2,550 homes, or 38 percent, during the previous 12 months. Current single-family home permit activity is less than one-half the average recorded during the past two decades.

According to the Greater Tampa Association of REALTORS®, 20,600 existing homes were sold during the 12 months ending May 2010, representing an increase of 26 percent compared with the number sold during the same period a year earlier. Home sales in the metropolitan area decreased to 14,750 homes in 2007 and were virtually unchanged in 2008, but began to increase in 2009 when nearly 17,000 homes sold as a result of more affordable home prices and increased homebuyer incentives. During the 12 months ending May 2010, the average price of a home decreased by 13 percent to approximately \$172,500. In comparison, the average price of a home sold during 2006 was \$286,600. According to Lender Processing Services Mortgage Performance Data, the percentage of loans in



the metropolitan area that were in foreclosure, 90 days or more delinquent, or in REO (Real Estate Owned) increased from 11.8 percent in May 2009 to 16.8 percent in May 2010.

The rental market is currently soft but improving. According to Real Data, the apartment vacancy rate was 9 percent in May 2010, down from 10 percent a year earlier. The average rent in May 2010 was virtually unchanged from May 2009 at approximately \$820. In response to employment losses, more stringent financing standards, and a soft rental market, the number of multifamily housing units permitted in the metropolitan area decreased by 32 percent during the 12 months ending May 2010, to 2,750 units. Permits for multifamily housing units declined from a decade high of 9,100 units in 2003 and from an average of 5,900 units from 2000 to 2008. According to Real Data, approximately 1,900 apartments were under construction in Hillsborough and Pinellas Counties in May 2010, down from 3,800 units in May 2009.

The large number of students at USF has a significant impact on the submarkets in which the campuses are located. More than 40,000 students attend classes on the USF Tampa campus, and on-campus residence halls and apartments provide housing for approximately 2,000 students. The remaining students live primarily in off-campus apartments. According to information from Real Data, the Tampa Northeast-1 submarket surrounding the USF Tampa campus was soft with a vacancy rate of 11.8 percent in May 2010, virtually unchanged from the previous year. Although 425 apartments were absorbed during the past 12 months, the vacancy rate remained elevated due to the completion of 270 additional units. Average rent in the Northeast-1 submarket decreased by 4 percent during the 12 months ending May 2010 to approximately \$810. Because no units are currently under construction in the Tampa Northeast-1 submarket, the vacancy rate is expected to decrease in the next 12 months.