MARKET REPORT

Tampa Bay Lodging Market: A High-Impact Destination

MARCH 7, 2023

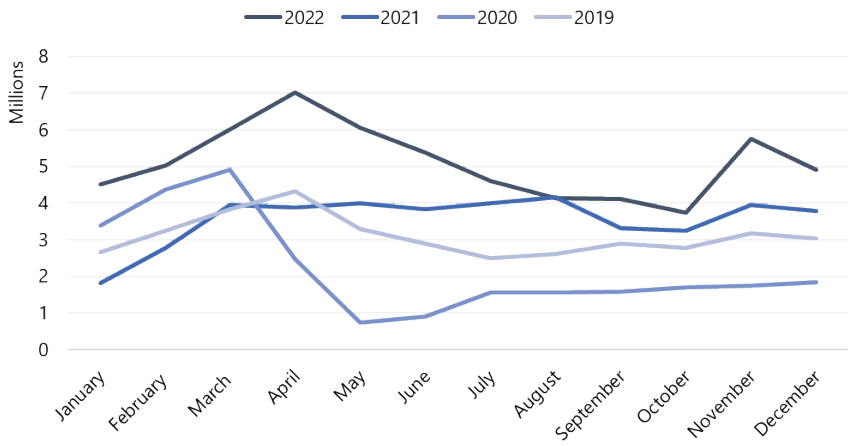
The greater Tampa Bay lodging market is thriving, as evidenced by rising RevPAR levels, the entrance and subsequent absorption of significant new guestroom inventory, several high-profile transactions, and numerous exciting development projects in the market's pipeline.

Hotel Market Overview

The greater Tampa Bay market area has experienced aggressive growth in the post-pandemic period, reinforcing the market's position as a high-impact tourism destination. In January 2020, Visit Tampa Bay set a goal to reach one billion dollars in hotel-room revenue by year-end 2025, and this mission was accomplished by Hillsborough County three years ahead of schedule in 2022.

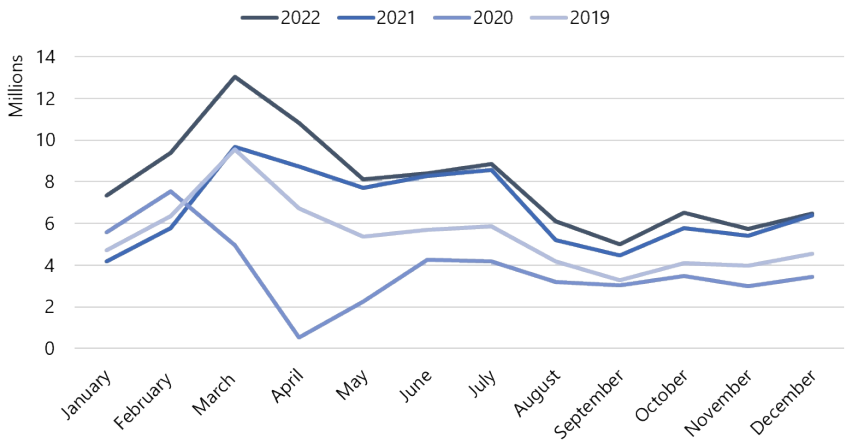
Record levels of gross tourist tax collections, a 6% tax levied on hotel room revenues, were also reported in both Hillsborough and Pinellas counties in 2022, far surpassing collections reported in 2019. Average daily rate (ADR) is the primary driver of rising hotel revenues, with the Tampa Bay market displaying unprecedented rate growth in the post-pandemic period.

Gross Tourist Tax Collections—Hillsborough County



Source: Hillsborough County Tax Collector

Gross Tourist Tax Collections—Pinellas County



Source: Pinellas County Tax Collector

Tampa Bay New Supply

Unlike other large gateway markets, Tampa Bay did not experience a slowdown of new supply, with roughly 7% of Hillsborough and Pinellas counties' nearly 48,000 guestrooms being added from 2020 through 2022. The following represent the market's most noteworthy additions:

- The Karol Hotel, St. Petersburg Clearwater, a Tribute Portfolio Hotel (123 keys, February 2020)
- Tru by Hilton St Petersburg Downtown Central Ave (132 keys, July 2020)
- Hotel Haya (178 keys, September 2020)
- JW Marriott Tampa Water Street (519 keys, December 2020)
- Aloft/Element Dual-Brand Hotel Tampa Midtown (226 keys, January 2021)
- Hyatt Place/Hyatt House Dual-Brand Hotel Tampa Downtown (345 keys, March 2021)
- AC Hotel by Marriott Clearwater Beach (144 keys, June 2022)
- Tampa EDITION (172 keys, September 2022)

Rising Rates

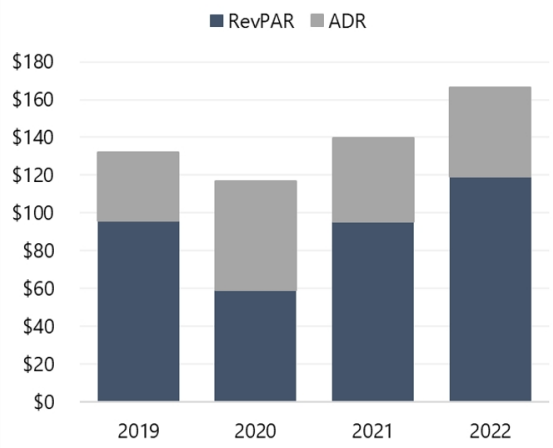
Contrary to most other major markets in this time period, demand in the Tampa market has largely kept pace with the increases in supply since 2020, as evidenced by steadily rising occupancy and ADR, pointing to Tampa Bay as one of Florida's premier destinations.

Downtown Tampa has become an alternative meeting and group destination to the long-established resort markets of South Florida, with the development of Water Street Tampa and the entrance of the Tampa EDITION and JW Marriott

Tampa further enriching the walkability and appeal of the area surrounding the convention center. Given the market's status as a less-restrictive destination, several political, religious, and fraternal group events relocated their events to Tampa in 2020 and 2021, with many such groups returning to the convention center in 2022 given their prior success. The accessibility of the cruise port and international airport also enhances the greater Tampa Bay market area, with cruise attendance and airline passenger traffic counts steadily rebounding to pre-pandemic levels.

Healthy demand for hotels in the greater market and the area's attractiveness as a leisure, commercial, and meeting and group destination have led to significant rate and RevPAR growth in the post-pandemic period.

Annual ADR and RevPAR for Tampa



Source: STR Global

Major Development Projects in the Tampa Bay Area

A sample of the major developments currently underway or recently completed in the Tampa Bay market area is highlighted below.

Recently Opened

- Water Street Tampa is an ongoing waterfront development located in Downtown Tampa along the Garrison Channel, extending from the Tampa Convention Center to the Florida Aquarium. The development is planned to be completed in three phases. Water Street Tampa Phase I was completed in 2022 and transformed the downtown Tampa waterfront into a walkable community, home to several office, retail, dining, and residential spaces that invite diverse art and cultures. Some of the most notable developments completed during Phase I include the Tampa EDITION (Tampa Bay's first five-star hotel) and ROOST Tampa (a boutique apartment hotel). Construction of Phase II of Water Street Tampa began in early 2023 and is planned to be completed by 2027.
- Ascent St. Petersburg is a mixed-use development located in Downtown Saint Petersburg and features a 172-room AC Hotel by Marriott and 357 apartments.[1]

Nearing Completion

- The 137-room Epicurean Hotel, Autograph Collection, located in Tampa's Hyde Park district, is nearing completion of a $21-million, 51-guestroom expansion.[2] The expansion is expected to be completed by the summer of 2023 and will also include 91 parking spaces, a private lobby, meeting space, and a rooftop terrace.
- Construction is progressing on a SpringHill Suites by Marriott in Downtown Tampa, with the 169-key hotel expected to be complete by year-end 2023.

Under Construction

- 400 Central is a $400-million luxury condominium development that will stand 46 stories tall and will house 301 units in St. Petersburg's Downtown district.[3] The development is expected to include 25,000 square feet of retail space and 40,000 square feet of office space. Once complete in 2024, 400 Central will be one of the tallest residential buildings on Florida's Gulf Coast.
- The 163-room Moxy Hotel by Marriott in downtown Saint Petersburg's EDGE District is expected to open in early 2024.[4]
- The Tampa Convention Center is undergoing a $38-million renovation, the largest in its history.[5] The renovation is expected to be completed by year-end 2023 with a refreshed look in the existing meeting rooms and 18 new meeting rooms totaling 18,000 square feet of new meeting space.

Early Development

- The Pendry Tampa, a five-star luxury hotel, is expected to open in 2026 along the Hillsborough River and the Tampa Riverwalk, introducing over 200 hotel guestrooms and private Pendry Residences to Downtown Tampa.
- Orange Station is a mixed-use development located in the EDGE District of Downtown Saint Petersburg where the former Saint Petersburg Police Department headquarters once stood. It is planned to include a total of 64,000 square feet of office and retail space and over 100 residential units.
- The Hotel Riverwalk Tampa, formerly known as the Sheraton Tampa Riverwalk, is expected undergo a conversion to a Hyatt Regency by year-end 2024. Hyatt Regency is a familiar and missed brand in the Tampa Bay area, as the Hilton Tampa Downtown operated as a Hyatt Regency from its opening in 1982 until its conversion to a Hilton in 2013.
- The Florida Aquarium is undergoing a $40-million expansion that is expected to be completed in 2025. The expansion is planned to include a new outdoor exhibit that will feature California sea lions and African penguins, a special exhibit space that will feature a rotation of animals, and a two-level puffin habitat.
- St. Pete Mayor Ken Welch announced that the Hines and Tampa Bay Rays redevelopment proposal for the Historic Gas Plant District, which houses Tropicana Field, was selected from the four proposals under review. The proposal features 859 housing units, including 23% affordable housing, and a $15-million investment in off-site programs for home ownership and rental assistance.

High-Profile Transactions in Tampa Bay

Tampa Bay's attractiveness as a destination has not gone unnoticed, and sales activity in the greater Tampa hotel market accelerated in both 2021 and 2022, particularly on and around the area beaches. The following transactions represent a sample of hotels that sold for at least $400,000 per key in 2022.

- The 382-key Sirata Beach Resort and Conference Center transacted for nearly $542,000 per key, representing a total investment of $207 million, in December 2022. This sale reflects a nearly $100-million increase in price from its 2017 sales price of $108.19 million, according to public records.
- The Hotel Zamora, a 72-unit beach-adjacent property in St. Pete Beach known for its popular rooftop restaurant and bar, sold to Minneapolis-based Sherman Associates in September 2022 for $481,000 per key.
- The 33-year-old DoubleTree Beach Resort by Hilton North Redington Beach sold in July 2022. The 125-unit property

transacted for $527,000 per key, with the buyer indicating that an extensive renovation will begin in the summer of 2023.

- The Tampa Bay Buccaneers chairman's group purchased the 1966-built Dolphin Beach Resort in St. Pete Beach in May 2022 for $84.2 million. The 173-key resort is slated for a comprehensive renovation.
- The 343-key Wyndham Grand Clearwater Beach resort, which features two 15-story guestroom towers facing the Gulf of Mexico, sold for $496,000 per key in March 2022.
- A New York-based firm purchased the trendy St. Pete beach tourist destination and locals hangout the Postcard Inn on the Beach in March 2022 for $423,000 per key. The hotel recently underwent renovation, but additional enhancements and updates are expected from the new owners.

Conclusion

Despite heightened concerns of a recession and increased insurance premiums as a result of an active 2022 hurricane season, the outlook for Tampa Bay remains optimistic given its popularity as a destination and its robust development pipeline. Other positive factors that bode well for the market include its acclaimed international airport, active cruise terminal, and reputation as an alternative meeting and group destination.

Our team constantly monitors the Tampa Bay market, and our many consulting engagements throughout the area keep us abreast of the latest trends and shifts in the market. We update our forecasts monthly. For more information, contact Hannah McManus or Angela Lahti of HVS Tampa-St. Pete.

[1] *St. Pete Rising,* "36-story Ascent St. Petersburg tops out in downtown St. Pete," April 20, 2022. Retrieved February 16, 2023.

[2] *HospitalityNet,* "Epicurean Hotel, Autograph Collection, Tampa's Epicurean Hotel Serving Up $21 Million Expansion," May 6, 2022. Retrieved February 16, 2023.

[3] *St. Pete Rising,* "400 Central begins foundation work, readies for vertical construction in downtown St. Pete," October 13, 2022. Retrieved February 16, 2023.

[4] *TBay Today,* Brad Haft, "The Moxy Hotel moves forward in St. Petersburg," January 19, 2023. Retrieved February 16, 2023.

[5] *Tampa.gov,* Kirstin Albert, "Tampa Convention Center Releases Updated Renderings of Renovated Façade," November 14, 2022. Retrieved February 16, 2023.