

Project Narrative for 1552 S Myrtle Ave Clearwater, FL 33756

The subject consists of two apartment buildings, an office building and a recreation building (community center). Apartment Building 100 is “L” shaped, contains 6 apartment units and a laundry room. Apartment Building 200 is “U” shaped and contains 8 apartment units, a meeting/classroom and a storage room. The property also includes an office and a recreation building. The gross building area is estimated at 17,545 square feet.

The subject consists of two apartment structures which were built in 1996 of average quality masonry construction. Building 100 is 6,188 sf and contains 6 units and the laundry room. Building 200 is 8,928 sf and contains 8 units and a classroom/storage room. The buildings have poured concrete foundations. The roofs are pitched with dimensional shingle coverings, assumed to be over wood decking and wood trusses. The eaves heights are estimated to be 8’. The windows are primarily white aluminum single hung with thermal glass and the exterior doors are metal. Gutters and downspouts are provided.

There are twelve 3-bedroom/1.5 bath units and two 2-bedroom/1 bath units. The floor plans include a living room with adjacent dining areas, full kitchen, bedrooms, closets and three-fixture bathroom. The 3-bedroom units include an additional two fixture bath. The kitchens include built-in cabinets, range/oven, fan/hood and refrigerator. The baths typically have tubs with ceramic tile wainscot and built-in vanities with sinks. The interiors are typically finished with ceramic tile floor coverings throughout. The interior walls and ceilings are finished drywall with light finishes. Each unit has a central heating and cooling system with a pad mounted condensing unit. Each unit also has a gas operated water heater. There are solar panels on the roofs for the water heaters; however, they were indicated to be non-operational.

The subject also includes a recreation/community center building. It was built in 1996 of average quality masonry construction. It has a poured concrete foundation. The roof is pitched with dimensional shingle covering over wood decking and wood trusses. The eaves heights are

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estimated to be 8'. The windows are white aluminum single-hung with thermal glass and the exterior doors are metal. The gross building area is 1,000 sf and the floor plan includes a large open area, two storage rooms, small kitchen area and a two-fixture restroom. It has wood style vinyl plank floor coverings, gypsum board walls and ceilings.

The site is also improved with an office building. It was built in 1930 of average quality frame stucco construction. It has a pier foundation. The roof is pitched with dimensional shingle covering over wood decking and wood trusses. The eaves heights are estimated to be 8'. The windows are white aluminum sliders with thermal glass and the exterior doors are metal. The gross building area is 1,429 sf and the floor plan includes a several individual offices, break area, storage room, and a two-fixture restroom. It has a mix of carpet, tile and vinyl floor coverings.

The four buildings contain 17,545 square feet of gross building area. Based on measurements, the 3-bedroom units are roughly 992 sf, and the 2-bedroom units are roughly 868 sf. The laundry room is roughly 248 sf, and the education/storage area is 948 sf. All four buildings are equipped with fire sprinklers.

The unit rents were indicated to be collected on a monthly basis with annual lease agreements. The units are not individually metered for electric. The seller currently pays for the electricity, water/sewer/trash. The plan is to have the units metered individually for electric use. We are planning to submeter the units.

The subject office building was built in 1930, and the other structures were built in 1996. Their actual ages are 94 and 28 years. The property is maintained in overall good condition. All the central a/c units were replaced in 2023, and the roof coverings were replaced in 2015. Hurricane impact windows were installed in 2015. The appliances were all replaced in 2023. The kitchen and bath cabinetry have been updated and are in good condition. The floor coverings have been updated with ceramic tile throughout and LED lighting has been installed. The kitchen and bath components appear to be mostly original, and area well maintained (1996).

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After acquisition we are planning to rehab the units and modernize them. The proposed scope of work includes submetering the electrical and water, replacing kitchen cabinetry, soffits, and termite remediation. In addition to the rehab, we plan on adding 3 additional units to increase the density of the community.

The neighborhood boundaries could be defined as Drew Street to the north, Highland Avenue to the east, Rosery Road to the south and Clearwater Harbor to the west. The neighborhood is fully developed with commercial, residential and limited industrial properties. The area consists of a good mix of residential properties with supporting retail and office properties. Some industrial properties are scattered throughout the neighborhood. The properties located in the immediate area of the subject consist primarily of single-family homes and general commercial uses.

The neighborhood is located conveniently to shopping, schools, churches, recreational activities, and employment centers. Downtown Clearwater is located in the northwestern portion of the neighborhood. Development in the Clearwater Central Business District began over 100 years ago. Downtown Clearwater is the county seat for Pinellas County. The County Courthouse, City Hall, post office, Clearwater Chamber of Commerce, Church of Scientology headquarters, various banks, large office buildings and retail shops are located within the downtown area. Clearwater Beach is located to the immediate west of the neighborhood and is accessed by Memorial Causeway (a.k.a. State Road 60). Morton Plant Hospital is located on the south side of Jeffords Street, just west of Fort Harrison Avenue.

Clearwater-Largo Road and Missouri Avenue are the main north-south roads through the neighborhood. Clearwater-Largo Road is a four-lane road with a center turn lane. These roads are typically lined with a mix of commercial type uses, including retail, office, automotive repair, restaurants, gas stations, etc. Many older trailer parks and older apartments in the area have been razed for redevelopment in recent years. An older apartment located at 2030 Clearwater-

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Largo Road was razed for redevelopment with an 88-unit apartment complex, Grand Oaks Apartments. A trailer park located at 1650 Clearwater-Largo Road has been razed for redevelopment with a 255-unit apartment complex, Alta Belleair. The trailer park located at the southeast corner of ClearwaterLargo-Road and Rosery Road was redeveloped in 2020 with a 224-unit apartment complex referred to as the Rosery.

The Florida Association of Realtors reported a decrease in statewide sales activity of existing single-family homes of 11.1% in the June 2024 year-to-year comparison. June sales of existing townhouse-condos statewide decreased by 20.5% for the same time period. The Tampa Bay area has seen a decrease in sales of single-family homes of 13.0%, and a decrease in townhouse-condominium sales of 19.3%. The median statewide sale price for single family homes increased by 1.6% year over year. Townhouse-condos median sale prices were up 1.5 % for the same time period. The Tampa Bay market median sale price for single family homes increased by 2.4% and the Tod Marr & Associates, LLC 23 08244657 median sale price for townhouse-condominiums in the June year-over-year reports was up by 0.3%. The inventory of single-family homes for sale in Florida was up 60.5% year over year and the month's supply inventory was up 63.0%. The inventory of townhouses and condos for sale in Florida increased by 91.3% and the month's supply increased by 100%.

The Federal Reserve economic report for economic activity in the Sixth District released in July 2024 includes the subject area. Economic activity in this District was fairly flat, on balance, over the reporting period. Labor markets and wage pressures eased further, and worker availability and turnover improved. Cost growth moderated overall, but some construction and freight costs increased. Firms' pricing power weakened. Consumer spending was flat. Leisure travel softened, but group and business travel strengthened. Home sales slowed and existing home inventories grew. Commercial real estate conditions varied. Transportation activity was mixed. Loan growth was flat, and delinquencies rose. Energy activity varied by sector. Manufacturing declined somewhat. Agriculture conditions improved slightly.

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The Bureau of Labor Statistics reported the June 2024 unemployment rate for Florida at 3.3%, which is slightly higher than its historic low of 2.8% in February 2020, and down significantly from 14.1% in May 2020. In an effort to quell the spread of Covid-19, the Florida Governor issued a statewide stay-at-home order, effective on April 3, 2020. The number of people applying for unemployment benefits subsequently increased significantly, but as the state began to open back up, the unemployment rate continued to decrease. Pinellas County had an unemployment rate of 2.9% in December 2019, which spiked to 14.7% in April 2020. As the county started to open back up, the unemployment rate dropped and was reported at 3.2% in June 2024.

The Consumer Price Index for All Urban Consumers (CPI-U) remained unchanged in May 2024, on a seasonally adjusted basis. It rose 3.3% over the past twelve months, according to the U.S. Bureau of Labor Statistics. The inflation turned higher to start 2023, as rising shelter, gas and fuel prices took their toll on consumers, according to the Labor Department. The annualized inflation is notably higher than in July 2020, which was at 1.0%. As a result of high inflation, the Federal Reserve has been increasing rates. The Fed has raised the federal funds rate eleven times between March 2022 and the third week of July 2023; however, it has remained unchanged for the past several meetings. While fears of a recession loom, the Fed hopes they can curb inflation without stalling economic growth.

There is good demand for residential rental units in the subject neighborhood. Occupancy rates are currently high, ranging between 90% and 100%. The typical rental rates for two-bedroom apartments are between \$1,400 and \$2,000 a month and between \$1,600 and over \$2,500 for three-bedroom units. Most of the multi-family residential properties in the area sell for between \$135,000 and over \$230,000 a unit.

Yardi Matrix Tampa multifamily market report for February 2024 indicates the Tampa Bay area posted steady progress in 2023, recording more typical performance following two remarkable years. The average rent closed the year at \$1,793, following a 0.3% decline on a trailing three-month basis through December, on par with the U.S.

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rate, which clocked in at \$1,709, as reported in the national multifamily market outlook. Still, demand remained stubbornly steady. The occupancy rate in stabilized properties reflected that, down just 50 basis points in the 12 months ending in November, to 94.1%, despite three consecutive years of record deliveries.

Marcus & Millichap Multifamily 2024 Q2 Report for Tampa-St Petersburg Metro area indicates a softening rent metrics oppose pickup in apartment demand. Tampa-St. Petersburg faces a misalignment of supply and demand in 2024, with a 20-year high completion total in the first quarter manifesting in rising vacancy and falling rents. Competition from new construction is lifting concession use, particularly among Class A and B apartments, subsequently contributing to discounted effective rents on new leases. While units with renters renewing leases logged some rent growth in the opening months of 2024, the pace is decelerating. Yet, more apartments were absorbed on net in just the first quarter, at nearly 2,700, more than during 2022 and 2023 combined. This substantial turnaround in demand suggests rent growth may re-enter positive territory when development moderates after 2024. Amid record supply additions, vacancy include up in the first quarter to 6.0%, the second highest among major Florida markets. The TampaSt. Petersburg average effective rent dropped for the second quarter in a row, with an average of \$1,804 per month.

In summary, the subject neighborhood is located in the Clearwater area of west-central Pinellas County. The neighborhood has a large residential population base and is adequately supported by local commercial facilities and general employment centers. The area is well served by local utilities and governmental services. Recreational and social amenities, including schools and parks, are also abundant in the area. Existing properties are generally adequately maintained. After several years of increasing property values, they appear to have leveled off over the past two years. As inflation and interest rates have risen, additional pressure has been placed on the market.

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