Onyx+East Initial Analysis

Background

We strive to provide the best possible consultation to our clients here at EY. It starts by researching the key factors that contribute to the area in question, which translates to a concrete solution that supports growth and fosters community within the client companies and the markets they interact with. My job as your EY consultant is to create a plan to differentiate Onyx+East within the Tampa and St. Petersburg market that will stimulate growth and increase your market share. In this preliminary report, I will outline and analyze my research on the most important factors for differentiation in the market of interest. It will also serve as the foundation for the solution that is tailored to fit your goals and produce results.

Onyx+East is a real estate development company based in Indianapolis, Indiana. Originally part of Milhaus, Onyx+East split in 2015, later beginning projects in Indianapolis. It expanded its operations to the Tampa area in Florida after previous success from Milhaus. The company focuses on giving its clients a combination of stylish townhomes and accessibility of city life. Recently it was shown that “the Tampa real estate market trends 2% year-over-year rise in the median sales price and a 3% rise in median rent per month.” It also “[indicated] an increase of $3,100 (1%) in median home sales over the past year” (Santarelli). The Tampa Bay area has also seen tremendous population growth, which will be accompanied by housing needs.

Within the Tampa and St. Petersburg market, there is strong competition. David Weekley Homes and Icon Residential are two of Onyx+East’s main competitors, offering similar services in the area with similar pricing. According to its website, David Weekley focuses on home building and buying, but also includes an array of townhomes and other urban living housing. Icon Residential, however, focuses on the development of multiple apartments and condominiums within and around the Tampa Bay area.

Key Analysis

When looking at the housing market in the Tampa/St. Petersburg area, potential customers are weighing three main variables: whether or not they are looking to buy or rent, the price range they can afford, and whether they should buy now or wait for the market to shift.
Consumers Are Looking at More Than Owning

According to a report from SimplyAnalytics on the demographics of the Tampa/St. Petersburg area, the number of homes occupied by renters is much higher than average. Across the country, renting accounts for 36.61% of housing. Looking at the market of interest, and that number jumps to 50.38% and 42.50% for Tampa and St. Petersburg, respectively. This will affect how many potential customers are interested in what competing real estate companies have to offer.

Part of the reason that renting is such a popular choice is the location. In 2017, “Florida set another tourism record in 2017 with 116.5 million visitors, and Tampa and St. Pete showed big increases in several areas” (McMorris). More tourists are choosing to visit the key markets for Onyx+East, and they aren’t necessarily looking to buy. For example, St. Petersburg is a popular destination for vacation, as “six-in-ten visitors characterized the purpose of their trip as a ‘vacation’” in November of 2017 (Destination Analysts). The average length of those visitations lasted 7.2 days and 6.6 nights. While just under 50% stayed in a hotel or similar lodging, 14.3% of visitors stayed in a condo or vacation home, and 15.4% stayed in private residences. Of those surveyed, they had previously visited the area 9.6 times on average. People who have visited more than 10 times totaled 30.2% (Destination Analysts). This creates a whole market for secondary housing, either buying or renting – similar to a timeshare.

To effectively differentiate Onyx+East, we must consider the preferences of customer bases in the targeted market. It will lead to more opportunities for the company to increase its market share and gain an advantage over competitors.

Not Everyone Can Afford to Purchase Townhouses

Looking at the real estate options Onyx+East offers on its website; the lowest prices start at around $300,000 and can exceed $400,000. While the average household income for the market relatively on par with the national average, a good percentage comes in much lower.

The problem with averages is that it can be heavily influenced by outliers. For instance, the average household income in Tampa is $91,000, while the median is just above $60,000. This makes sense because the percent of households with an average income above $75,000 is just 40.95% (SimplyAnalytics).

The pricing options that you and your competitors offer work well with the average income but can be out of reach of others. The percentage of households in Tampa and St. Petersburg with an average income between $35,000 and $74,999 totals 28% and 31%, respectively (SimplyAnalytics). Millennials are the target base age group for Onyx+East, but they aren’t as interested in buying homes. A report from Urban Institute reported that in 2015, “37% of millennials [owned] homes…a full eight percentage points lower than Generation X and baby boomers at the same age”(Hankin). In a 2017
survey on challenges faced by Millennials in being able to afford a home, 53% said that the main challenge was the down payment (Rudden). Many Millennials are choosing to rent instead of buy, and the ones that do buy aren’t spending a lot of money. In fact, “about 76% of 22- to 38-year-old recent homebuyers spent less than 30% of their monthly income on housing costs in 2017…up from 69% in 2000 and 65% in 2009” (Davidson).

The housing market – who’s buying and what they are willing to pay – is an important factor in determining how to maximize the customer base and in turn, maximize market share.

**The Tampa Bay Area Could Face a Downturn**

A potential pitfall of operating in this market is that there could be a housing crash, leading to a diminished customer base. According to the National Mortgage News list on the 12 overvalued housing markets in danger, Tampa Bay ranked 11th with an annual home price index increase of 7.9%. This higher-than-average increase could signal a red flag.

According to market analysts, the downturn could be here soon. After a consistent rise in home prices, “it would appear that the Tampa Bay housing market has also finally reached its value threshold, according to a recent report from real estate site Zillow” (Wolf). As the home value index begins to decrease, the customer base will decrease. Regarding the report, it was suggested that “if you’re thinking about buying a home, you may just want to hold out a little longer” (Wolf). If that’s the case, customer bases will shrink, and it will become increasingly difficult to sell townhouses.

This could put Onyx+East in danger, but it would not be crippling. This foreseeable factor must be viewed alongside pricing options in order to create a solution that considers the possibility of a downturn and minimizes its negative effects. Although there is no way to prevent it, we can keep Onyx+East in a good position to retain market share and continue on meeting its goals.

**Conclusion**

Moving forward, we must consider the prospect of renting vs. owning, the price ranges of the customer bases, and the possibility of a downturn in the market. If we look into these factors while tailoring a solution to your needs, Onyx+East is sure to differentiate itself from the competition and increase its market share. Onyx+East at its core is all about accessibility with its townhomes. We want to highlight those benefits and add to them, helping the company surpass its goals and dominate the market in the Tampa Bay area.
Works Cited

C204 EY Case-Onyx+East. Fall 2019


Icon Residential, iconresliving.com/.


“SimplyAnalytics.” SimplyAnalytics.