

Q&A with Apartment Developer ZOM Living's Florida Market Leader

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Tampa Bay Business Journal

September 12, 2023

COMMERCIAL REAL ESTATE

A national apartment developer with a significant presence in Tampa says the area is well-positioned for growth — even as interest rates rise and rent growth slows.

The Tampa Bay Business Journal recently spoke with Kyle Clayton, Florida market leader for Orlando-based ZOM Living. ZOM's most high-profile project in the Tampa Bay region is the redevelopment of the Chart House restaurant into the Seazen Rocky Point apartments.

In July, ZOM sold an apartment complex near Brandon for \$85 million — months before it wrapped up construction. Clayton spoke with the Business Journal about market conditions in Florida and the unique circumstances surrounding **the sale of the 289-unit Azalea Apartments** on Causeway Boulevard.

How would you sum up the state of multifamily real estate in Florida? I oversee development for Florida and look at all the different markets. The two I remain bullish on are Southeast Florida and Tampa. The fundamentals there are strong in terms of asset performance, specifically, in rental rates and occupancy.

When it comes to development opportunities, certainly there are challenges out there — high interest rates and big insurance premiums that make it difficult for the economics to meet investor and lender requirements.

I do feel strongly that Tampa is a market where those challenges can be overcome. You need strong relationships with your financing and investment partners.

Can you talk about the sale of Azalea? Was that a typical deal? It certainly wasn't. We were approached by a buyer who had a need for a project located in an opportunity zone. Azalea happened to fit the bill. It was an extremely unique project that wasn't just unique for the buyer and seller but also for the real estate attorneys, title companies, contractors and everybody involved.



Azalea Apartments on Causeway Boulevard in Tampa

GOOGLE STREET VIEW

What about the pricing? Nearly \$300,000 per apartment used to be top-of-market for urban projects, and Azalea is suburban. It's pretty close to being ready to deliver units, and it also was a price that is not very different from replacement cost in today's world. Compare it to a new development deal with a similar basis where you'd have to live through the entitlement and approval process and triple the time of construction.

Are you looking for more development sites like Azalea's? We're always looking for those opportunities, but we like infill projects as well. The economics on a midrise of eight stories or less is making a lot more sense than going extremely vertical. We are looking for development opportunities in Tampa. Occupancies are strong, and new supply is being absorbed at a pace that demonstrates demand exists for multifamily projects.

What are your thoughts on rents? Some data indicates rent growth is cooling. The cost of renting compared to owning a home is a pretty big discount, and renters enjoy the maintenance-free lifestyle of living in these complexes. Renting apartments is potentially more favorable than owning a single-family home; the numbers show it. On rents, we're not seeing decreases. We are seeing increases at a normalized rent and not the explosive rent growth in 2021 and 2022. We're still seeing rent growth on existing tenant renewals, so that speaks to the demand. ■