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500 Harbour Island was a pioneering project in 2014 – and now it's a record-setting, watershed deal for Tampa

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When 500 Harbour Island broke ground in 2014, it was a pioneering project for this real estate cycle.

Developers were just beginning to consider that Tampa rents were growing fast enough to make luxury apartment towers in the urban core a profitable proposition. Forge Capital Partners and Intown/Framework Group, the development partnership behind the 21-story tower, were early to the game. Harbour Island, in their assessment of the market, was the best bet for high-rise development.



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"We were underwriting it with rents over \$2 a square foot," said Peter Collins, co-founder and managing principal of Forge. "We thought, if there's anything that's going to get those rents in Tampa, it's going to be Harbour Island."

The developers' instincts were proven dead on this week, when 500 Harbour Island sold for \$103.45 million or a record-setting \$440,212 per apartment. It is the first apartment building in Tampa or St. Petersburg to cross the \$400,000 per unit threshold; The DeSota, near downtown Sarasota, sold for more than \$446,000 per unit earlier this year, but that building includes street-level retail space.

The JLL Capital Markets team representing the seller was led by senior managing director [Matt Mitchell](#) and senior directors [Zach Nolan](#) and [Brett Moss](#).

Harbour Island was a proven market for luxury real estate projects in previous real estate cycles, but the tower's pricing was driven by more than Harbour Island itself. The mixed-use, urban district Water Street Tampa, just across the Garrison Channel from Harbour Island, has made significant progress in the five years since the tower broke ground. A key component of Water Street also drives demand for apartments in the surrounding neighborhoods: The University of South Florida's Morsani College of Medicine, which is nearly ready to open at the corner of Channelside and Beneficial drives.

500 Harbour Island also features larger units than many other rental properties; its average apartment is 1,087 square feet.

When apartments sell for top-of-market pricing per unit, it usually influences a new wave of development. This sale may not have that effect in downtown Tampa — where several high-rise projects are already newly built or under construction — but real estate experts say it's a significant transaction that cements the city's and the region's status as a place that can support high-end development.

"That was just a monster number," said [Sean Lance](#), principal with [Vertica Partners LLC](#) in Tampa, which specializes in multifamily real estate. "At the end of the day, it's a beautiful project. It has fantastic finish levels, and the location on Harbour Island is pretty phenomenal, so you can see why it was attractive from an investment standpoint."

The buyer, [Northwestern Mutual](#), plans to keep the building as rentals, Collins said. While the building was a candidate for conversion to condominium — and the developers said they fielded interest from a few groups that specialize in conversions — the price point could make converting a challenge, Lance said.

An apartment building that sold for \$400 per square foot would need to sell for more than \$700 a square foot to make conversion profitable.

"When you're talking about something converting at \$700 a foot — that's a pretty sporty number when that's what new construction, purpose-built condos are selling for," Lance said.

The question now is how much further rents will rise. 500 Harbour Island's average rent is \$2.50 per square foot, Collins said, and new ownership of any building typically means rents will rise — the new owners raise rents in order to meet the projections on which they based their offer.

"That's the \$100 million question," Lance said of rental rates. "We've got so much product that's going to be delivered, and it's all going to be delivered at a very, very high level."

815 Water Street, under construction just across the bridge from 500 Harbour Island, includes 420 apartments in 21- and 26-story towers. The long-awaited AER tower is about to break ground on the northern end of downtown Tampa, where two other projects have recently started construction.

"How deep is that market?" Lance said of the high-end rental pool. "No one seems to know. Everyone thinks once we hit a new level it will stop, but it hasn't."

Forge Capital Partners has shifted its attention to mid-rise apartments, including a project near the one that sold for more than \$446,000 per unit in Sarasota and another in Spartanburg, South Carolina.

"I'd hate to say, as a developer, we're at a peak," Collins said. "I never want to say that, but I think we feel very good about selling at \$440,000 [per unit] and investing in other projects in a market where we don't have to get that rent to make it work.

"I don't think we're at a peak in the market, but maybe for this product type, maybe we're at a peak."

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