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Architects cautious about 2024 prospects for real estate development in the Tampa Bay area

The higher interest rate environment is having a negative impact on the architecture industry, which is not optimistic about rates dropping significantly this year

TAMPA, FL (March 1, 2024) – The Tampa Bay area will experience only modest real estate development-related economic growth in 2024, according to AIA Tampa Bay’s latest Voice of Architecture survey.

The annual survey of area architects serves to predict the future for area real estate development and construction activity. Architects are experts on gauging the outlook for the future because they are hired early in the development process, with projects often being completed one to three years after an architecture firm begins work.

In the February survey, conducted by the Tampa Bay chapter of the American Institute of Architects, 64% percent of the 124 architects surveyed expect demand for architectural services in the Tampa Bay area to increase in 2024 – an increase of only 5 percentage points from last year’s survey response, and 20 percentage points lower than the 2022 prediction.

Also, while 81% predict that the Tampa Bay area’s development-related economy in 2024 will be “excellent” or “good,” higher than last year’s 73%, the 2024 response is 14 percentage points lower than the 95% prediction in the 2022 survey.

“Certainly, the outlook for real estate development and construction is positive,” said Angela Hendershot, principal at Rowe Architects and president of AIA Tampa Bay. “That said, there are plenty of economic challenges that are tempering optimism about the year ahead, including the impact of higher interest rates on costs.”

Higher interest rates are definitely impacting the area’s real estate development outlook, respondents said. For example, 80% of the architects think the higher interest rate environment has had a negative impact on their business, with 34% indicating that it is a “major negative impact.” Also, 57% of the respondents have cut costs to compensate for higher interest rates, and only 38% are optimistic that interest rates will drop significantly in 2024.

In addition, 58% estimate that their organization or department will hire more employees in 2024, a slightly higher figure than last year’s survey result of 48%.

““The construction marketplace in Tampa Bay continues to be busy and the trade contractor workforce is stretched thin,” said Josh Bomstein, president of Creative Contractors, one of the Tampa Bay area’s top construction firms. “The war for talent is real!”

Of the 124 respondents in the survey, 79% of the architects were either principals or managers. Most respondents were from Hillsborough County or Pinellas County, though many of the architects in the two counties work on projects throughout the region.

Tied to the local survey, AIA Tampa Bay assembles an industry panel to discuss the results of the report. The event, set for 6 p.m. on Thursday, March 7 at the AIA Center for Architecture & Design (1208 N Howard Avenue, Tampa), will feature the following panelists:

- Josh Bomstein, President, Creative Contractors;
- Katie Cole, Shareholder, Hill Ward Henderson;
- Angela Hendershot, Principal, Rowe Architects;
- Rachael Brown, Commercial Real Estate Director, Bank of Tampa.

“The survey results reflect how Tampa Bay continues to be one of the nation’s most vibrant areas for real estate development,” said Katie Cole of Hill Ward Henderson, who works on real estate development projects around west-central Florida. “Overall, I expect in-migration and a solid economy to continue to drive a healthy market.”

Registration for the event is available at www.ariatampabay.com. The panel discussion will be moderated by Kyle Parks of Parks PR, which represents a number of companies in the real estate industry.

“Between interest rates, insurance, and plateauing rental rates, it’s very difficult to make anything pencil,” said Rachael Brown, who leads commercial real estate lending for the Bank of Tampa. “Many developers and investors are in a holding pattern, waiting for rates to come down.”

About the AIA:

The American Institute of Architects (AIA) is the professional association for architects and those in the architecture field. AIA Tampa Bay is the regional chapter representing 700 members in Hillsborough, Pinellas, Polk, Hernando, Citrus, Sumter and Pasco counties. The AIA provides programs and services including educational programs, design competitions, community service programs and serves as the united voice of the architecture profession. For more information, go to www.ariatampabay.com or call 813-229-3411.