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Apartments bright spot in downtown real estate

Atlanta Business Chronicle - by [Martin Sinderman](#) Contributing Writer

An uncertain economy and a glut of competition have combined to give renters the upper hand over landlords when they look for apartment homes in downtown Atlanta. Meanwhile, as of the end of 2009, downtown condominiums were selling at a faster clip than the previous year — but at prices a good ways south of 2008 levels. As it has in every other real estate sector, economic turmoil has put the hurt on the downtown multifamily marketplace.

According to a recent report from Atlanta-based Haddow & Co., apartment occupancy here dropped from 89.2 percent to 88.7 percent during last year. At the same time, resale activity at seven sold-out condo projects, totaling 768 units, remained consistent but with average sale prices dropping 33 percent. Downtown's condo market resembles that of the rest of the metro area as a whole, said Haddow & Co. President David Haddow. In addition to the 159-unit Renaissance Walk going through foreclosure, resale activity in many older condo complexes has slowed, Haddow said, and their prices have dropped significantly. At the same time, "Downtown's rental market has been more resilient," he said.

One bright spot Haddow points to in the apartment picture is the **Pencil Factory Flats & Shops**. The 188-unit apartment development at Hill and Decatur streets is close to 100 percent occupied, said Tim Schragger, CEO of developer **Perennial Properties Inc.**, an Atlanta based mixed-use commercial development firm. A fast pace of leasing here (the project opened last May) has taken place in the face of a highly competitive market. With many options available, potential apartment renters are in the driver's seat these days, with concessions being offered by landlords to seal deals.

Competition for the Pencil Factory, Schragger said, is led by 626 DeKalb, a 204-unit property opened in 2007. In the new-property department, Trammell Crow Residential's Alexan 360, which opened in mid-2009, has 39 percent of its 335 completed units leased; and **Vista Realty Partners'** Marquis Vista, which delivered 153 of its 225 units in December, is 24.8 percent leased. Midtown has had a deeper pool of potential renters over time, he said, but living downtown has become more popular. "There was a little 'boom' in living downtown about six or seven years ago, but — maybe due to lack of new supply — things seemed to stabilize," Schragger said.



Apartment arrival: Perennial Properties' Daniel Dunbar, from left; Aaron Goldman, Marisa Siegel, Tony Schragger, Jessica Sikes and Tiffany Allen at the Pencil Factory Flats & Shops.

While the performance of resales has been somewhat short of stellar, the sales pace of new downtown condos has improved of late but at prices that reflect new realities in the marketplace.

During the last three months of 2009, downtown was second only to Midtown in terms of condo unit sales velocity, according to the fourth-quarter 2009 "Atlanta Market Overview" produced by the Market Insights unit of The Marketing Directors LLC, a residential property marketing group. Downtown condo absorption averaged 1.7 units per month, the group reported, compared with 2.6 units for Midtown and 1.3 units metro-wide.

"The downtown figure represents definite year-over-year improvement from last year's 1.2 units," said Market Insights Vice President Aletta Barnard.

Relatively strong absorption combines with pricing and manageable supply to make the outlook for absorption of downtown condo product relatively positive.

Listing prices for new downtown condos averaged \$226,512, or \$217 per square foot, according to Haddow & Co., lower than their counterparts in Midtown and Buckhead. And on the new-product front, only 1,512 units were built in downtown between 2005 and 2009, whereas 3,857 units were constructed in Midtown/Brookwood, and 3,470 units were built in Buckhead.

Novare Group Inc.'s TWELVE Centennial Park, with 21 net sales averaging \$152,500 per unit, was downtown's top-selling condo project during fourth-quarter 2009, according to the Marketing Directors' report.

"Where appropriately priced, [downtown] condos are selling extremely well," said Marketing Directors President David Tufts. Today's buyer profile runs from first-time buyers through empty nesters, he said, with home-buyer tax-credit packages influencing many members of these groups "to get off the sidelines and go from rental to ownership." Like the more-established Midtown condo market to the immediate north, downtown's potential condo buyers used to have to deal with a lack of consumer niceties such as grocery stores and other supporting retail and service outlets, Tufts said. "But that infrastructure and support are certainly in place now, more conveniently located for condo buyers," he said.

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