

ATLANTA BUSINESS CHRONICLE

Developers see buyers' demand staying strong

By Lisa R. Schoolcraft
STAFF WRITER

Amid the slowdown in condominium resales, developers march on with new projects in metro Atlanta.

One of Atlanta's most prolific condo developers, **Novare Group Inc.**, plans The Atlantic in Atlantic Station, The Roxy in Buckhead and 3360, a joint venture with Atlanta-based **Post Properties Inc.** (NYSE PPS), **Duke Realty Corp.** and **Pope & Land Enterprises Inc.** Novare has also begun construction on ViewPoint in Midtown.

Wood Partners LLC, which built Metropolis, Eclipse, Spire and TWELVE Atlantic Station with Novare, has development plans of its own: Trump Towers Atlanta and condos on Norfolk Southern Corp.'s land downtown.

Novare has 1,105 units under construction and 1,039 units in the pipeline for 2007, said Jim Borders, president and CEO of Novare.

The big issue for any condo developer right now is construction cost, he said. "What we are really focused on is providing what our purchasers want. They want a very good value and we need to be able to sell it for more than it costs. In Atlanta, that has been the big challenge, keeping sales prices ahead of construction costs."



JAMES C. WATTS

Condos by the numbers

A look at condo supply in metro Atlanta

About 9,000

■ Number of condo units listed for sale in Atlanta

About 17,000

■ The number of new units planned or under development over the next three years in Atlanta

More than 29,000

■ The number of condos sold over the past three years in Atlanta

Source: First Multiple Listing Service and Haddow & Co.

There is no avalanche of supply "because I know how hard it is to get a shovel in the ground where you have increasing land prices, increasing construction costs and difficulty with development," Borders said.

And condo conversions are slowing, he said. "That part of the supply piece, which was a big part of the supply piece, has really trailed off."

There is also a diversity of product to consider, Borders said.

The entry-level product, like Metropolis, sold for about \$240 per square foot, he said. "That's where most of the supply has been, but also where most of the demand has been. I do feel there's additional legs to that market."

The Gallery, a joint venture between Novare and **Coro Realty Advisors LLC**, will sell for about \$331 per square foot. Two other new Atlanta condo developments, The Mansion and St. Regis, will sell for about \$900 per square foot, he said.

"But if you look at St. Regis and The Mansion, that's still less than 100 homes [at that price range] in a city of 5 million people," Borders said.

Some people question whether all of the projects will actually get built.

"I think there will be a number of projects that are delayed," said Dale Henson, president of **Dale Henson Associates Inc.**, a real estate research firm. "If [the developers] have acquired the land and they've got money in the property, many projects will likely be delayed until we clean out what supply we've got and let the economy slide through this hopefully very soft landing, and hopefully come back up."

The condo market is shifting from a "red-hot unprecedented market to one

of more equilibrium," said Mark Randall of developer Wood Partners. "Does that mean we're going to swing into oversupply before we get there? It really depends on how many of the proposed deals out there get started. If everything were to get built, all at once, then you would be in a position to have a short-term oversupply. The reality is, all those deals aren't going to get started."

When the market begins to get soft, developers must go back to the fundamentals, said Steve Baile, vice president at **Daniel Corp.** in Atlanta, which is building Plaza Midtown and 1010 Midtown in a joint venture with Atlanta-based **Selig Enterprises Inc.**

"When the market is strong for apartments, offices or condos, you can build them almost anywhere, but when market tightens up, you have to build where there is a demand," Baile said. So Daniel Corp. is sticking to the Midtown market for its product. "That's how we are hedging our bet."

Developer Scott Leventhal, CEO of **Tivoli Properties Inc.**, which is building Mezzo, DUO and Aqua, is perplexed by the talk of oversupply.

At Aqua, still under construction in Midtown, "we expect to be 100 percent sold out by the end of the year and we don't deliver until 2007," he said. "If you are developing the right type of product, features and amenities, there are buyers that want to be part of the urban lifestyle."

If Atlanta does go through a condo correction, Leventhal believes it will be short-lived.

"There's not a tremendous amount of supply of new construction," he said. "And not many condos being delivered in 2007."

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