

# Biggest downtown condo project opens amid a cautious market

## All units at 360 sold, developers say, though other plans run into financing, other difficulties.

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**The tallest building and biggest condominium project in downtown Austin celebrates its grand opening tonight.**

**Developers say all 430 units in the 44-story 360 tower at West Third and Nueces streets are sold, with a waiting list of 215 prospective buyers.**

"The reason I moved to Austin more than a decade ago was the potential I saw in our downtown," said Taylor Andrews, whose Andrews Urban LLC is a partner in the project. "The opening of 360 is a big step in the creation of a vibrant and sustainable urban core."

Andrews and partner Novare Group say they're on schedule for two more towers that will add nearly 900 condominium units by 2012.

But financing and other issues have delayed or stalled other projects. Some real estate experts say they see signs of overbuilding in a downtown that has added hundreds of apartment and condo units in recent years.

Some projects are being delayed because of the difficulty in obtaining financing, as lenders tighten standards. Others are being postponed for different reasons.

At Seventh and Rio Grande streets, the 34-story 7Rio tower was scheduled to break ground this fall. Now, because of national credit market issues, the latest estimate is fall 2009, said Bobby Nail, a partner in the Austin office of developer CLB Partners.

Nail and other developers say they continue to believe Austin's downtown condo market remains one of the best in the country, because of the region's population growth and healthy, if cooling, job growth.

But the overall uncertain economic climate has slowed sales at a high-end, 27-unit condominium project planned for the former Treehouse restaurant site at Barton Springs Road and Dawson Street.

"We certainly experienced a market slowdown," said Elisabeth Waltz, a developer of the project, called 1155 Barton Springs. "It is not surprising that purchasers are taking longer to make up their mind."

"We are at 30 percent and moving forward," Waltz said. "These times call for a measured approach, even for small, boutique projects."

In late 2006, developers of AquaTerra, a proposed condo tower at 210 Barton Springs Road, predicted that half of the 173 units would be sold within months. No work has started.

Steven Brandt, vice president of Texas operations for developer Crescent Resources, could not be reached for comment to get an update.

Andrews, of 360, said demand remains high for downtown living: "The right product at the right price and in the right location will continue to enjoy tremendous demand."

But looking past the cranes and fast-changing skyline, some experts say downtown is getting too many condominiums and apartments in too short a time frame.

"Austin is on a course for the same overbuilding cycle that happens in the metro area over and over," said Greg Willett, vice president of research at M/PF YieldStar, a consulting firm. He counts almost 2,000 apartments under way downtown, and other studies say more than 800 condominiums will open this year alone.

"The fact that the credit crunch is sidetracking quite a few planned projects will save the metro area some pain," Willett said, meaning the market will get back in balance faster.

"Looking at the big picture, all the product on the way probably doesn't oversaturate the market," Willett said. "However, it's clearly too much to bring online all at once."

Mark Alfieri, senior vice president for Behringer Harvard, a real estate investment company, says he is concerned about the number of luxury condos and apartments coming online in and near downtown over the next 24 months. "I question the depth of the high-end rental and condo market, both citywide and downtown," said Alfieri, who has 22 years of experience in Austin's apartment market.

Some local developers and consultants contend the downtown market is in good shape.

In a recent study, real estate consultant Charles Heimsath found that downtown condos are selling at a healthy clip, with 90 percent of the units to be finished this year under contract or sold. Though tighter credit stemming from the subprime fallout will cancel some deals, "I don't think that it's going to be a serious problem," Heimsath said last month.

His predictions seems to be borne out at 360, where the first residents move in next week.

"There are naysayers ... but it's hard to dispute the demand to live in downtown Austin when a project with 430 residences is 100 percent under contract and adding several people a day to a waiting list," Andrews said.

Andrews and Novare expect to start within 60 days on a 37-story condo tower at West Sixth and Nueces streets and are set to break ground next fall for a 40-story tower at the downtown post office.

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### **Central city condo plans updated**

- 1. La Vista on Lavaca:** Work has been temporarily suspended at 1701 Lavaca St. but will resume.
- 2. 7Rio:**34-story condominium project at 615 W. Seventh St. is on hold for a year because of the national credit situation.
- 3. Blocks 51 and 52:** Work will start within two months on the tower at West Sixth and Nueces streets. Work starts next fall on Block 52, where the downtown post office is.
- 4. 1155 Barton Springs:** Condominium project will proceed once half the units are sold; developers are now at 30 percent.
- 5. The Park:** Groundbreaking on office/condominium project at 801 Barton Springs Road postponed until late 2009 so developers can seek full city zoning review.
- 6. AquaTerra:**Developers have applied for a site plan extension for the project at 210 Barton Springs Road.

**Courtesy of JB Goodwin**