

Discounted condos putting sales back on 78704 map

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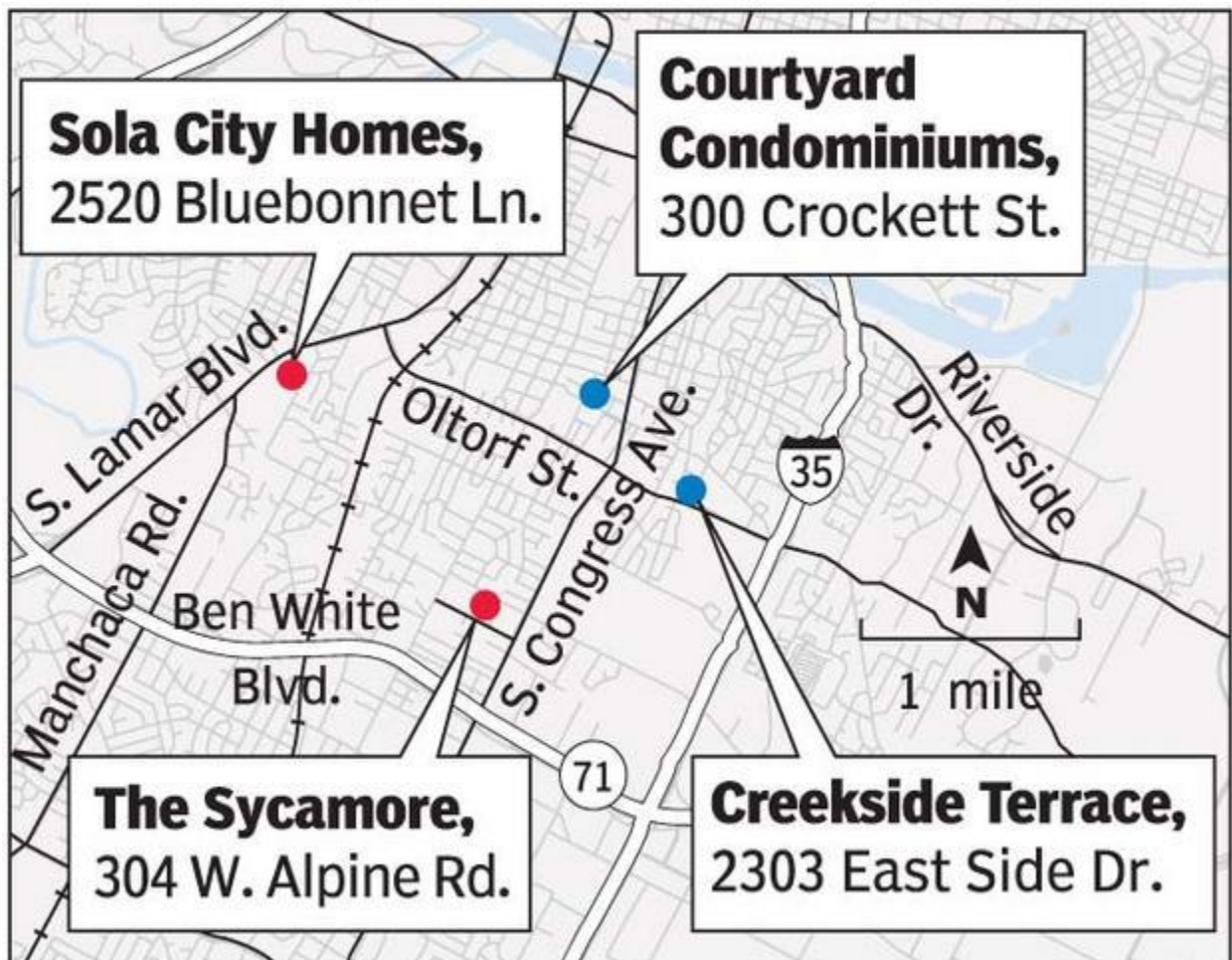
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Discounted condos

- **Current projects**
- **Completed projects**



An unusual sales strategy is helping the owner of several formerly distressed townhome projects in the trendy 78704 ZIP code move the units quickly: offering the residences at steeply discounted prices, so buyers have immediate equity upon moving in.

Barton Creek Capital LLC, an Austin-based real estate investment firm, has employed the tactic at four of its Austin townhome/condominium projects, and the result has been brisk sales despite ongoing challenges in the local and national housing markets.

The discount strategy has made the company the largest wholesaler of condos in the desirable ZIP code, which includes Travis Heights and parts of South Lamar and South Congress .

"It's a tradeoff," said Keith Buchanan, who is partners in Barton Creek Capital with Justin Metcalf. "We can accept discounted sales prices or a reduced profit margin if it mitigates our risk by selling through the project faster. The market will only bear so much absorption, and in order to increase our sales velocity, we elect to offer buyers real value. We leave meat on the bone for the buyer so they can have material equity in their home from Day 1."

Two of Barton Creek Capital's four projects are still ongoing:

- The Sycamore, 304 W. Alpine Road : 38 of the 45 townhomes are under contract or sold, with only seven left to sell. Barton Creek Capital bought the loan from a bank and foreclosed on the property in August 2010. The company sold the first 10 units in 10 days; construction is under way on the final 35 units. Units are priced from \$235,000 to \$270,000, for an average discount of 17 percent to 20 percent below market value.

- Sola City Homes, 2520 Bluebonnet Lane: Sola is slated to have 62 townhomes in nine buildings. Barton Creek Capital purchased the remaining land of Sola City Homes in June to complete the project; there were 15 units built at that time, with nine sold.

The company reduced prices on the other six, and they sold in three weeks. The remaining 47 units will be built in phases, with construction on the first ones to start Dec. 1; eight of those are under contract.

Originally marketed for more than \$400,000, Sola units are now priced from \$299,900 to \$365,000.

One model recently appraised for \$404,000 — \$177 per square foot. Barton Creek Capital is offering the same unit for \$305,000 — \$134 a square foot. That's a \$99,000 discount — or 24 percent off current market value.

The company also has two completed projects, the Courtyard Condominiums off South Congress Avenue and Creekside Terrace in Travis Heights. Barton Creek Capital sold 67 units in six months in early 2006 at the Courtyard project, where prices ranged from \$144,500 to \$219,500 — about 15 percent below current market value.

At Creekside Terrace , 44 of the 47 units sold in just two months in early 2010. Units were priced from \$105,000 to \$150,000 — 25 to 30 percent below the previous developer's \$150,000 to \$200,000 range.

Barton Creek Capital manages real estate investments for institutional and private, high net worth investors. Buchanan, a native of Houston, attended the University of Texas and formerly worked for a number of real estate investment firms in Austin. Metcalf is a former banker.

The two are savvy researchers well versed in the local real estate market, said Barbara Ditlow, an Austin real estate agent who handles the Sycamore and Sola listings.

"They are masters at what they do," Ditlow said. "They analyze, assess and re-evaluate the market conditions, so when a project is launched, the result is predictable, rapid sales."

Ditlow said the company's strategy benefits owner and buyer alike: Barton Creek Capital sells the units quickly, avoiding costs associated with holding the property such as taxes, utilities and insurance — as well as any uncertainty about where the market might or might not be headed.

For buyers purchasing at such discounted prices, "even if the market drops 20 percent, they're covered," she said.

"The buyers are calling us on these after finding it online — not the agents," Ditlow said.

Designed by architect Scott Butler, the Sycamore has high ceilings, polished concrete floors and engineered hardwood, and buyers who have closed thus far have been 28 to 40 years old, Ditlow said.

Priced higher than the Sycamore, Sola units have engineered wood floors, granite kitchen counters, stainless steel appliances and open floor plans, and the units under contract have been to buyers from 32 to 50 years old.

Buchanan said the company aims to price units at steep enough discounts for prospective buyers "to walk in and intuitively know that this is the best deal they're going to get." That means Barton Creek Capital has to buy the projects at just the right discount, to enable it to share profits with buyers.

"We're happy with how these projects have turned out," Buchanan said. "We like to complete projects quickly and efficiently. Our goal is not to get caught in the downturn."

Barton Creek Capital is seeking other investment opportunities, and has other condominium, industrial, office and apartment properties in its sights. Residential projects are just one line of real estate opportunities that Barton Creek Capital pursues.

"We're not out there trying to take over the world," Buchanan said. "We're only doing projects that make economic sense, whether small or large, for our investors."

The projects also make economic sense for prospective buyers such as Philip Roy, a 27-year-old filmmaker who lives in Austin. Next week, Roy plans to reserve a three-story unit at Sola City Homes that will take about four to six months to build.

Roy said he will pay about \$325,000, with his parents chipping in part of the 20 percent down payment. He said the price seems almost "too good to be true," especially given the location — 2 miles from the Lady Bird Lake hike-and-bike trail where he runs — and the unit's size, 2,300 square feet, which includes three bedrooms and 3.5 bathrooms, plus a 500-square-foot rooftop deck.

"For that kind of location and price range it was amazing. You can't beat that," Roy said.

Roy plans to split the estimated \$2,000 mortgage payment with two roommates.

Barton Creek Capital, Roy said, has "a really interesting sales strategy. They get a really good deal, and I get to benefit from it. Everyone wins."

Courtesy of JB Goodwin