



TRENT J. ALDRIDGE
REAL ESTATE CONSULTANT

AS SEEN IN:



181 10TH STREET ATLANTA, GA 30309 CELL 404.556.6700 FAX 404.881.1213 TRENTALDRIDGE@ATLANTAINTOWN.COM

Atlanta's Condo Market Teetering

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Atlanta's condo market is giving investors indigestion. After torrid sales of 4,747 units in 2005, market tracker Haddow & Co. says condo sales plunged to 2,717 units in 2006, a 43% drop.

To make matters worse, the inventory of available condos is growing. The market recorded 5,990 unsold new and existing units at the end of 2006, and 8,500 proposed units. With sales skidding, the city's teetering condo market has fallen more in line with the 10-year average of 2,824 annual condo sales than with the earlier, record pace.

Still, early results for new, high-end condos are encouraging. "We're seeing slower numbers, but they're still selling," says Trent Aldridge, an agent with Atlanta Intown Real Estate Services. "Quality construction is what's selling right now."

As for planned condo towers, Atlanta has a history of proposed developments that never come to fruition, or eventually emerge as another product type.

On the bright side, metro Atlanta has the fastest growing population in the U.S., adding about 890,000 residents from 2000 to 2006, according to Census Bureau data. As the population increases, condo demand and absorption could return to record levels.

"The demand is there. We have so many people wanting to experience an urban lifestyle - especially younger people and empty nesters," says Niles Bolton, an Atlanta architect whose firm designed The Luxe, a \$50 million, 16-story, 117-unit condo tower under development by Paces Properties, Inc. and Trammell Crow Residential in Atlanta's midtown section.

Bolton recalls earlier condo boom-and-bust cycles, citing a 1980s Atlanta project whose lenders, burned on previous deals, only provided financing once the entire 20-unit first phase pre-sold.

Besides a more financially mature market than in previous cycles, Atlanta has a wave of high-end condos underway or slated to break ground this year. Haddow & Co. reports strong pre-sales for upscale Midtown and Buckhead properties delivering this year and next.

In August, Atlanta-based Wood Partners, The Trump Organization and New York-based Dezer Properties plan to break ground on the \$500 million, 360-unit Trump Towers Atlanta at 15th and West Peachtree streets, with country music star Kenny Rogers as a design consultant. Nearby, Birmingham, Ala.-based Daniel Corp., Atlanta-based Selig Enterprises and Earvin "Magic" Johnson's Canyon Johnson Urban Fund are developing 1010 Midtown, a 35-story, 630,000 sq. ft. mixed-use development with 443 high-rise condominiums.

In tony Buckhead, City Centre Properties is developing The Mansion, whose 42 luxury residences, offered from \$2.5 million to \$12.5 million, are slated to deliver next spring. The 50-story tower includes a 127-room hotel and counts former Post Properties CEO John Williams and Atlanta Falcons owner Arthur Blank as investors.

But such projects are rare. "One of the things about the super-luxury category is that there's not that much of it," says Jim Borders, CEO of Atlanta-based condo developer Novare Group. ■