

## INDIANAPOLIS BUSINESS JOURNAL

This week

VOL. 24 NO. 52, MARCH 1-7, 2004

Address: Downtown

# The race to develop residential space

By Tammy Lieber

IBJ Reporter



Lockerbie Terrace



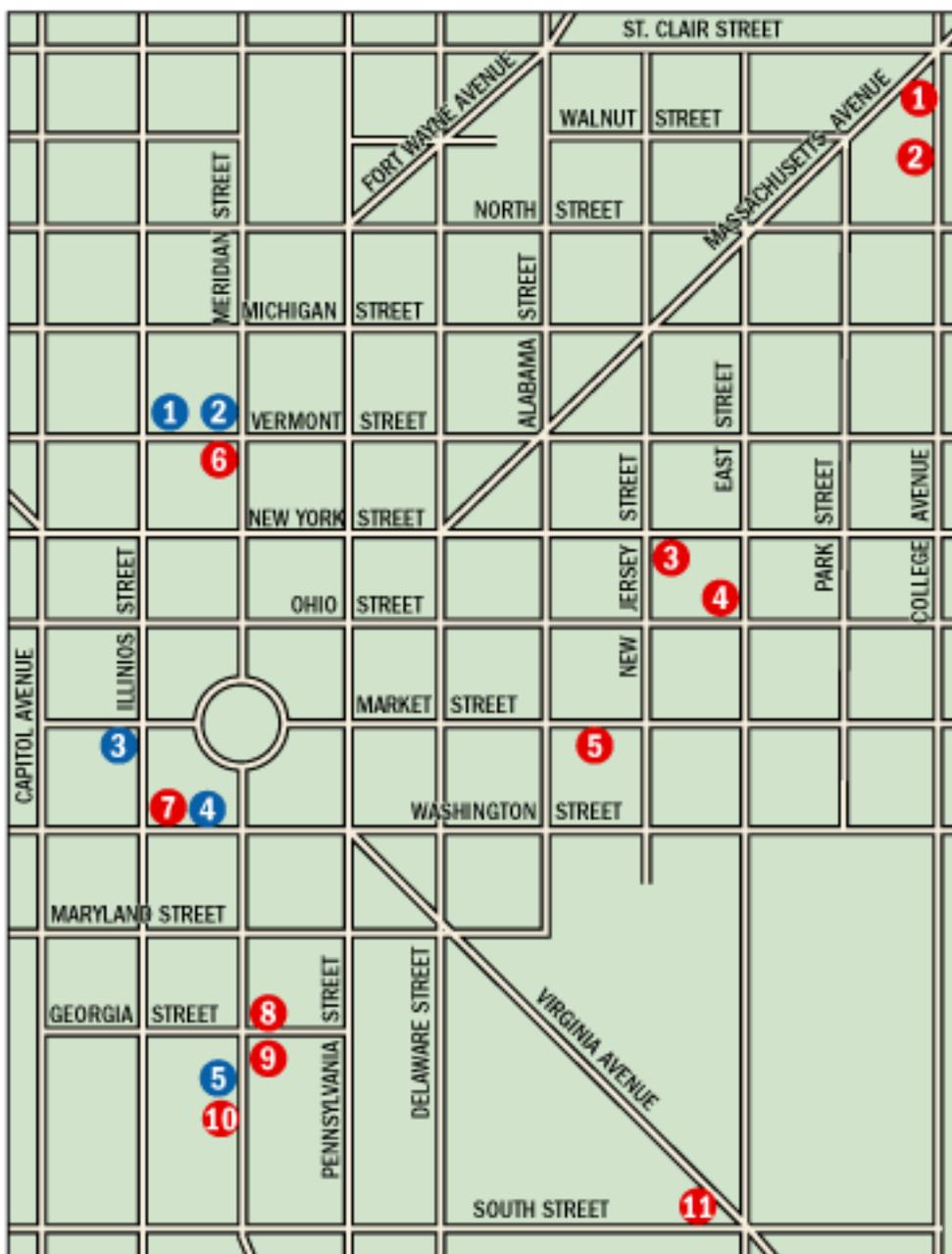
Chatham Point



The Packard



Meridian Lofts



For-sale condominium and townhouse developments on tap



Meridian Lofts



The Residences at Market Square



Mill No. 9



Six Over Meridian



### For-sale condominium and townhouse developments on tap

	Project name	Units	Price	Set to open	Developer
1	Chatham Point	32	\$300,000-\$600,000	2006	Indy Ventures
2	Mill No. 9	44	\$150,000-\$285,000	2005	Hearthview Residential
3	Lockerbie Terrace	42	\$163,000-\$600,000	open	Hearthview Residential
4	The Packard	62	\$145,000-\$325,000	open	City Centre Associates LLC
5	The Residences at Market Square	200	\$130,000-\$1 million	2006	Market Square Partners
6	Indianapolis Athletic Club	44	\$150,000-\$800,000	2005	Hearthview Residential
7	Conrad Hotel	7	\$400,000 and up	2006	Kite Cos./Mansur Real Estate Services
8	Six Over Meridian	21	\$300,000-\$450,000	2005	Halakar Properties Inc.
9	Meridian Lofts	18	\$229,000-\$419,000	2nd quarter	CDD Holdings LLC
10	Station Hotel	4 to 6	\$400,000-\$1 million	2005	Sumeet Sethi
11	Delta Park	32	\$220,000 and up	4th quarter	John Teibel

### Apartment developments planned or not yet fully occupied

	Project name	Units	Monthly rent	Set to open	Developer
1	Vermont Place (Savoy building)	65	\$600-\$1,000	TBA*	Van Rooy Properties
2	Vermont Place (Blacheme building)	70	\$600-\$1,000	TBA*	Van Rooy Properties
3	The Block	163	\$750-\$1,200	open	Landmark Indiana LP
4	Taylor and Goodman buildings	30	TBA*	2006	Kite Cos./Mansur Real Estate Services
5	Janus Lofts	23	\$800-\$1,400	open	Mansur Real Estate Services

\*to be announced

Sources: Indianapolis Downtown Inc. and IBJ research

IBJ Graphic/Jo Payton & Tammy Lieber

When Ryland Homes announced in 2000 it planned to build 56 condominiums at the corner of Ohio and Alabama streets, observers wondered if enough people wanted to live downtown to absorb the new homes.

"We were all a little worried," real estate agent Joe Everhart recalls.

Ryland's Firehouse Square sold out quickly, paving the way for several other condo projects in and around downtown. But the half-dozen or so new projects that have been completed since Firehouse Square was announced is just a prelude to what's coming.

Including the first phase of the Market Square Arena redevelopment project, more than 500 condo units are slated to hit the market by late 2006.

In response to the increasing competition, condo developers are seeking to establish a niche downtown to claim their piece of the market. Whether they focus on new construction or converting old buildings, midlevel prices or luxury units, current developers said they plan to stick with what's worked for them as new developers test the depths of demand for downtown housing.

"Now that everyone is stepping up to meet demand, obviously it's going to be more competitive," said Everhart, an agent with Sycamore Group who has been listing downtown-area homes for more than a decade.

Not everyone will succeed, said Jim Thomas, a principal in Hearthview Residential, which has one successful condo conversion under its belt at 110 E. Washington St. and is working on three others. Although he doesn't name names, some deals he's seen don't make sense to him on a cost-per-square-foot basis, he said.

"The first caveat is, I think there are a lot of projects that get announced where people just announce them almost on speculation to see if anybody bites," he said. "An announcement does not a construction make. I think there will be a lot of stuff that will fall out. It won't be financeable or it won't achieve the presales for second-tier locations."

Hearthview's most recent project, Lockerbie Terrace at 225 N. New Jersey St., has sold about half of its 42 units since opening almost a year ago, a pace Thomas said still meets the developer's projections. The firm already has commitments from buyers for nearly a third of 44 planned units in the upper floors of the Indianapolis Athletic Club and has had strong interest in Mill No. 9, a planned conversion of the former Hilltop Press buildings, a joint venture with locally based Dinmont Development LLC, Thomas said.

The company's niche will continue to be producing "unique, extremely well-located communities," he said.

"It's been evidenced that when we do our jobs correctly, the market responds very quickly," Thomas said. "That's what keeps us involved in the downtown market."

### **More on the way**

The more than 500 condo units planned for the area bordered by St. Clair Street, College Avenue, South Street and Capitol Avenue mirror a nationwide trend of condos as hot downtown property.

The recently completed draft of the city's Regional Center plan projects that by 2020, about 12,000 new housing units, including rentals and subsidized housing, will be added to the downtown market. That figure incorporates student housing at IUPUI and neighborhoods just south, southwest and north of downtown. In that area, the plan projects 140 market-rate, for-sale homes will be completed annually until 2005, rising to 240 per year between 2005 and 2015.

The plan is set to be presented for final approval to the Metropolitan Development Commission March 3. It was developed using a combination of current numbers, population growth estimates, available land and desires, and is more of a goal than a forecast said city spokesman Justin Ohlemiller.

New projects continue to sell quickly because new variations on condo living have become available, attracting buyers who wouldn't have previously considered living downtown, agents and developers said. While many downtown condos sell for less than \$300,000, the average price is creeping up.

Between 2002 and 2003, the number of condos that sold for more than \$250,000 more than doubled, from five to 13, according to statistics from the Metropolitan Indianapolis Board of Realtors. A few have even fetched upwards of \$750,000.

<b>Downtown dwellings</b>				
<i>Sales in the area bound by Interstates 65 and 70, West Street and South Street.</i>				
	<b>Condominiums</b>		<b>Single-family homes</b>	
	<b>Units sold</b>	<b>Average price</b>	<b>Units sold</b>	<b>Average price</b>
<b>2001</b>	38	\$180,999	45	\$207,638
<b>2002</b>	40	\$187,530	39	\$269,176
<b>2003</b>	71	\$202,455	45	\$255,536

*Source: Metropolitan Indianapolis Board of Realtors*

Empty nesters and young professionals are still the main target for condo developers, but more buyers are coming from farther out in the suburbs. Families with children are starting

to trickle in. However, with most new condos having a maximum of two bedrooms, families with children moving downtown may be more likely to end up in single-family homes with yards.

In the one-mile radius surrounding the Market Square site, population rose more than 13 percent from 1990 to 2002, according to demographic data cited by real estate service LoopNet. Within a three-mile radius, population declined more than 7 percent, and by more than 8 percent within five miles. Average incomes were also higher in the city center than in the immediately surrounding area.

### **MSA to add to mix**

Those buyers who choose downtown are finding an increasing array of options.

City Centre Associates LLC, for instance, has found success at its 45-unit Clevelander project and 62-unit Packard development with new-construction condos.

In other cases, renovators deliver prime locations or architectural flourishes found only in historic buildings.

On the Market Square Arena site, developer Market Square Partners is banking on expanding offerings even further. The city announced Feb. 11 the group's selection as the MSA site developer, immediately adding the possibility of another 200 condos in the project's first phase, which calls for a 22-story tower.

Interest so far has been strong, said agent Kate Flock of Flock Real Estate Group, with

nearly 200 inquiries about the condos coming from as far away as Manhattan, Atlanta and, in one case, an island in the Caribbean. Flock in the coming months will begin soliciting presales, where those who have expressed an interest in the project will be given the opportunity to make a deposit on a unit.

Market Square Partners member Michael Comparato said he believes so many people are interested because The Residences at Market Square is a type of housing product that doesn't exist in the city.

"The buyers that will be moving into The Residences at Market Square are not the same buyer that will be looking at a small conversion [project] in Lockerbie Square or Chatham Arch," he said.

The Market Square project, in addition to its high-rise views of the city, will have doormen, valet parking and a concierge--the type of amenities a buyer might expect in Manhattan or downtown Chicago, Comparato said. Because its project is a departure from other current projects, he said he doesn't think MSA will spell doom for other downtown developers.

"It doesn't mean there isn't a buyer for [smaller projects] also. It means it's a different buyer," he said.

Still, the group's impending development on the east side of downtown isn't being ignored by Comparato's competitors.

"I think you're going to see ... some of these other smaller developers are obviously going to try to get [projects] online and on the market as quickly as possible before MSA comes to fruition, because we haven't seen a project the magnitude of MSA," said **Brian Epstein**, a broker with downtown's **Urban Space Commercial Properties**.

One of those developers, Todd Maurer of Halakar Properties Inc., just purchased a building for conversion to condos at 141 S. Meridian St. Maurer said Halakar's goal is to sell out its 21 condos before Market Square starts rising from the ground. Like other developers, he takes a favorable view of competition in the market, saying "it means that people want to be here."

Hearthview's Thomas said he thinks the increasing number of buyers has "legitimized" downtown housing, which attracts more buyers. How long that effect will continue, he says, is difficult to determine.

Or, as Comparato puts it, "I don't know that I'd want to be the third or fourth Market Square project in town, but I certainly don't mind being the first."

-----

# MIBOR members create downtown division

As downtown housing takes off, interest is running strong among residential real estate agents in the process of creating a downtown division of the Metropolitan Indianapolis Board of Realtors.

Several agents who work in and around downtown began meeting about a year ago to discuss events in the city center that affect housing, said John Mavris, owner of Mavris Real Estate and the Mavris Cultural Center on South East Street.

The group notified agents in MIBOR's 12-county coverage area about a kickoff meeting a month ago, and 80 people showed up, Mavris said. Some were agents who work downtown, but others had little experience with downtown housing, he said.

"That tells us that people want to know what is going on downtown," he said.

The greater downtown division planned to elect officers Feb. 26, after which MIBOR may recognize it as a formal division, said Claire Belby, MIBOR spokeswoman. The divisions, which include different parts of the city and neighboring counties, allow agents to pursue networking and marketing opportunities within their niche, she said.

In Marion County, no downtown or central division has existed before.

"Downtown for a long time was a mystery," Mavris said. "Nobody brought their clients downtown."

Besides networking and education, the greater downtown group--which has no formal boundaries or definition of downtown--wants to create outreach committees to help with neighborhood projects, such as affordable housing or fund-raising for neighborhood groups, Mavris said.

"If we can impact the local community and impact a [real estate agent who] wouldn't normally come into the city, we can make an impact on the values of the property," he said.

-- Tammy Lieber