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Inman Park, O4W condos compete with Buckhead, Midtown towers (SLIDESHOW)

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While Atlanta's luxury condo market in Buckhead and Midtown continues to be hot, Inman Park, Old Fourth Ward and areas near the completed portions of the Beltline are picking up steam.

The market has been very bifurcated for the past couple of years with townhomes and luxury condos dominating the landscape, said Ladson Haddow, vice president at real estate consulting firm Haddow & Co.

"There's not a whole lot in-between," he said. "A lot of factors are driving that but at the end of the day, it's a hard sell to make to banks and investors as well as the development community to go and do a significant condominium ground-up development, given all of the perceived risk involved."

Most developers that spent their time building condos during the last cycle are now focused on apartments, Haddow said.

"It's just a lot easier to get those deals done," he added.

The pent-up demand is in the core areas of Midtown and Buckhead and then around the Old Fourth Ward for \$400-\$450 a foot, Haddow said.

"It obviously depends on the site and what type of product," he said. "There is demand for new condominiums but there are just a lot of hurdles in the way to get one off the ground."

Most of the luxury condominiums available in today's market are in high-rise towers, said Karen Rodriguez, City Haus co-founder and Group Kora founder and president. However, there have been a few new construction townhome communities with sales prices starting at \$1 million, including Ansley at Piedmont in Midtown and St. Andrews in Buckhead. The Charles and the Emerson hit the market last year and Opus Place began pre-sales in May.

"There is a lot of overpriced inventory on the market, from new construction to resale inventory," Rodriguez said. "I feel like we live in a parallel universe sometimes. While the national and local news continue to scream that the market is red-hot and there is a lack of inventory, this is not the case in the luxury condo market, or condos priced over \$1 million."



JOHN SCHAFFNER

There is currently a 30-month supply of condos priced over \$2 million and a 12-month supply of condos priced over \$1 million, Rodriguez noted.

"In regards to the new construction high-rise projects, developers continue to focus only on doing projects in the ultra-luxury segment with pricing that has no data to support it," she said. "Who are these developers listening to? Is no one pushing back and saying 'I understand that is where you want to be in terms of price per square foot but considering there have been zero sales over \$900 per square foot over the last 16 months, maybe pricing your condos over \$1,000 per square foot is not realistic'?"

Rodriguez, who works with many developers as well as high-end resale clients, noted the fundamentals don't change.

"Overpriced listings don't sell and you run the risk of sitting for months and gaining no momentum, only to become a stale listing where you have to eventually drop pricing anyway," she said. "It is much easier to raise pricing than it is to drop pricing. You want to be successful? Price your magnificent homes correctly, get the momentum and then raise pricing."

The majority of the luxury condominium market is still concentrated in the Midtown and Buckhead neighborhoods.

"At this point they are a primarily high-rise with the exception of One Museum, the only mid-rise offering," said Christa Huffstickler, Engel & Völkers Atlanta president and CEO. "Historically we have seen the projects that cater to luxury consumers positioned in Buckhead and Midtown, but developers are turning their attention towards higher-end projects in other intown neighborhoods."

Inman Park, Old Fourth Ward and areas near the completed portions of the Beltline are gaining traction and luxury buyers are looking to these markets as alternatives, she said.

"The cynosure of these intown neighborhoods is authenticity, connectivity and an emphasis on lifestyle — what will this be like to live in a specific neighborhood and in a specific location day-to-day," Huffstickler said.

Developers consistently seek to meet consumer demand and match what consumers want, and Huffstickler noted her developer clients are being very thorough in their pre-development process.

"With land costs and costs of construction rising steadily [Huffstickler says she has seen construction costs increase over 12 percent since 2015], we have to strategically but expeditiously evaluate market demand," she said. "Not every site is a 30-story high-rise location and to ensure positive market acceptance, the product being delivered must compare the location and the buyer profile."

The product has to match the demand of the buyer so developers can get their deals off the ground quickly.

"With most deals still requiring up to 35 percent presales, we have to get the product right out of the gates," Huffstickler said. "Time to market is still one of the most valuable sales tools."

There is one parallel characteristic between buyers and developers: develop projects in a more "bite-sized" fashion, the Engel & Völkers executive said.

"Buyers are drawn to the boutique-sized projects (50-100 units or smaller) because it feels more exclusive. It feels like a better investment to them; there is still a stigma of larger failed condo projects that buyers are careful of," she said. "Smaller projects give buyers security that the project will get built."

Project feasibility continues to be a large buyer concern, a hurdle developers sometimes fail to address, Huffstickler added.

“Buyers are apprehensive tying up earnest money in a market where inventory is moving quickly (like Atlanta) and interest rates are rising,” she said. “As a buyer, if you make a bet that a big 200-plus unit tower may get built and you are wrong, you have lost the opportunity to buy elsewhere in a market where prices are steadily climbing.”

Another buyer characteristic is demand for well-thought-out amenities, Huffstickler said.

“Amenities are no longer secondary — they are becoming expressed in the architecture to create distinctive features like shared social spaces throughout the buildings, and they need to feel trendier and more luxurious; a full service experience incorporating on-premise concierge with access to outside vendors (dog walkers, grocery and food delivery, laundry services, etc.),” she said. “One of the most interesting buyer characteristics right now is that where historically buyers tended to stay in the areas they were accustomed to (Buckhead buyers stay in Buckhead and Midtown buyers stay in Midtown), we are seeing consumers shopping multiple markets that they historically might not have looked in (i.e. a Buckhead buyer looking at condos in Midtown or a Midtown buyer looking at condos downtown or east Atlanta). The expansion of luxury opportunities has buyers expanding their geographic search into other markets to better see the scope of inventory available to them.”

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