

# Star-Telegram

## Downtown Fort Worth condo market feeling downturn in housing market

Posted Sunday, Sep. 27, 2009

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FORT WORTH — Developers of the six-story luxury condo building Villa de Leon, perched on the Trinity River bluff along Samuels Avenue at the north end of downtown Fort Worth, plan to close their first sale soon.

At the opposite end of downtown, workers are feverishly completing the high-rise condo floors of the Omni Hotel, where owners want to start closing sales in November.

Both projects were started when the market for downtown condos and town houses was ripe for the taking. Neither developer, however, imagined just how much things would change — and not for the better — in the housing market in the past year. Nor did other new residential developers.

Today, sales are flat. At least one developer is leasing units to bring in income, rather than risk losing his project to the bank.

Last week, the 14-unit luxury Le Bijou at Sixth and Jones streets was the first downtown housing development to fall victim to the recession. Developer Ken Schaumburg sold five town houses and then lowered prices on the mostly \$1 million units, but it wasn't enough to spark buyer interest.

The lender, OmniAmerican Bank, foreclosed.

Developers didn't like to see that happen, but they're forging ahead with different game plans or say they will simply ride out the storm.

Villa de Leon developer Tom Struhs blames slowing downtown sales on buyers who lost confidence in the market.

"This time last year we started seeing rumblings, then all of a sudden it was Black Friday," Struhs said. "It has nothing to do with the popularity of downtown. We are planning and prepared for a longer hold."

### Developer/residents

Struhs and Elizabeth Falconer, his wife and a co-developer of Villa de Leon, will be among the first residents in the building and "are anxious to move in," he said. Rudy Renda is also a development partner.

Struhs won't say how many of the 23 units they've presold but acknowledges that "it isn't a strong number." Prices range from \$780,000 to \$2.2 million, and the developers don't plan to budge.

But at their nearby Pecan Place, a 28-unit town house development, rather than lower prices, they've started leasing the unsold units to weather the market. Struhs said he asked the Pecan Place buyers, then his bank, for permission.

"It was the right thing to do," Struhs said. "You don't have a fire sale if you don't have to. We now created the income to pay our carrying costs and we live to fight another day."

By April 2008, 14 units were sold in Pecan Place, but it's taken since then to sell five more and lease six. Of the three remaining units, Struhs said, he now has interested buyers for two, which he counts as progress.

"Six months ago, we were only talking to those wanting to lease," Struhs said.

## **Slow sales**

In the first eight months of this year, 21 condos and town houses have sold in downtown Fort Worth, according to the Texas A&M Real Estate Center. That's a 53 percent decline in year-to-date figures over 2008.

Only one of those sales occurred in August, for an 86 percent decline from August 2008.

At this point, condo sales may be at about the price point.

Aggressive pricing pushed sales last year at Palisades, a 40-unit town house development off Bluff Street, said Dan Fuqua, a development partner. But sales slowed to an average of one unit a month this year. The units are priced above \$300,000, which narrows the market, he said.

Schaumburg said he didn't experience many sales at Le Bijou because potential buyers needed to sell their property first, and they were finding that difficult. Fuqua said he's seeing that, too.

"The one thing hurting us was the suburban buyer moving downtown went away," Fuqua said. "We see a lot of people come by, some repeatedly. They say they're scared the worst is yet to come."

## **Beyond downtown**

In the past several months, sales at the Texas & Pacific Lofts on Lancaster Avenue on the southern edge of downtown have picked up, in part because lower prices meant that potential buyers qualified for the \$8,000 first-time home buyer tax credit. Those units sold for an average \$210,000.

As a result, fewer than a dozen of the 228 units in the historic railroad terminal building and a new addition are left. Residents began moving in in June 2006.

Montgomery Plaza developer Wally Maya said his project, a historic redevelopment just outside the western edge of downtown on West Seventh Street, has closed 80 units since June. The development had roughly 180 presales, or commitments, for its 270 units, but Maya said he's not predicting how many of the remaining sales will close. Closings normally occur as the units become ready.

The economy has "certainly" had an impact, he said. Not only is it now harder to get a mortgage on a condo, but also some potential buyers who initially wanted to get into the project have since lost jobs, Maya said.

But he added, "We have had a lot of activity, and this is really good."

## **Luxury is still king**

In January, when the Omni Hotel opened at 13th and Houston streets, executives said 30 percent of the 89 units in the adjoining luxury condo tower were spoken for. That number has not changed.

"We've been through the crisis," said Karla Burgess, the Omni's regional sales director. "It hit all of us. But we're strong enough to withstand all this."

The project was not bank financed, so the owners could ride out the market, Burgess said.

Many buyers are looking for second homes, she said.

"When it opens we'll see the addition of a lot of quick sales," Burgess said. "People can see that it really did get built. That's what we're hoping for."

At 61 cents per square foot, the Omni has the highest homeowner association dues in the market. But the amenities and concierge services residents get in return are greater than at any other downtown condo development.

"It's all about the lifestyle," Burgess said. "It's like checking in but never checking out."

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