

Rising demand lights fire under city's condo market

With more than 1,000 units planned, developers are banking on Columbia home buyers seeking upscale, city living

By DELAWESE FULTON
Staff Writer

Builders and investors are hoping home buyers will develop a taste for upscale condominium living in downtown Columbia.

In the past two years, developers have announced plans to build more than 1,000 condos in the city alone — from downtown to around Williams-Brice Stadium. The condo units' prices range from about \$110,000 up to \$1 million, with many priced in the \$200,000s.

The plans would mark a shift in the Midlands condo market, where most sales prices have been significantly lower. Even though not all of the upscale developments will end up being built, developers and investors are betting on buyers wanting to spend more for condo living downtown.

In the past two years, 729 condo units were sold in the Midlands, with the vast majority of those units costing less than \$100,000, according to the Greater Columbia Association of Realtors, which compiles sales data from Consolidated Multiple Listing Service. Of the units sold in 2004 and 2005:

- 586 cost less than \$100,000
- 125 cost between \$100,000 and \$199,999
- 18 cost \$200,000 and more

Still, real estate agents and investors say they see the strong potential of the downtown condo market for several reasons.

Harry Jeffcoat, Columbia area executive for Winston-Salem, N.C.-based BB&T, which has financed several local condo projects, said many investors see Columbia as a “ground-floor” market.

The market is easier to access because land and sites are cheaper than in places such as Florida and coastal markets, said Jeffcoat, who declined to attach a dollar amount to BB&T's local projects.

Jeffcoat and developers also said USC's planned research center is a reason they are banking on success with condos.

The research center will span between the university's Horseshoe and the Congaree River and aims to lure more companies and professionals to the Midlands. The \$141 million project is expected to have an annual economic impact of \$337 million. It will take about 15 to 20 years to build, with construction starting in 2007.

Russell & Jeffcoat broker Tommy Carter said prospective home buyers are warming up to the idea of owning a condo downtown.

"Just five years ago, the in-town Columbia condo market was slow, not much appreciation, not much demand," Carter said via e-mail.

Now, Carter wrote, "every price range is selling."

Jimmy Derrick, president and CEO of Century 21 Bob Capes Realtors — which markets several condo communities in the Midlands — does not think condo development is outpacing demand in Columbia.

"Announcements and condos going up are two different things," he said. Derrick said the community should take more stock in condo plans that have made the transition from plans to brick and mortar.

Derrick said condos in the Vista have sold well. For instance, the Park Side condos by Finlay Park have appreciated 30 percent in three years, he said.

Industry watchers say most people who have bought the more expensive downtown condos are upper-income professionals and retirees.

They also say that well-off parents often purchase the units for use by their college-attending children.

In addition to the thousand-plus downtown condo units under way, the word on the street is there are hundreds more to be announced in the next year, industry watchers say. And that's OK, said Wachovia senior economist and real estate analyst Mark Vitner, as long as the condo projects are staggered.

"It's always a question in getting the cost right and delivering the product at the right time," said Vitner, who is based in Charlotte. Wachovia Bank's lending division has investments in Columbia and throughout the Carolinas.

"A thousand units within the next five years — I don't think that's too many" for Columbia, he said.

However, he cautioned that as interest rates rise, investors' interest in these expensive projects tends to wane.

Vitner said there is a worldwide construction boom, as seen in the United States and

China. With that, rising building costs and interest rates will help check supply and demand at local and global levels.

Jeffcoat said two important factors influence a bank's decision to back and support a condo project.

"We look at who the project sponsors are and pre-sales," Jeffcoat said. "Banks ask: How many units have you pre-sold?"

The larger condo projects, with several hundred units, will provide a better idea of what the Columbia condo market will be like, Jeffcoat said. Whether these projects make it from ideas to bricks and mortar and how many units sell will be an important gauge for the condo market.

Developer Bill Smith said the proposed 430-unit condo project slated for the former Kline Steel property at Huger and Gervais streets is still in its infancy — as is the Columbia condo market.

Smith said interest and commitments garnered during the project's pre-sale will determine the size of the project.

"We might take a portion of what we had for condos and use for high-end apartments," Smith said.

Tom Prioreshi, a developer and advocate of downtown revitalization, said Columbia's condo market is in a staging, developing phase and reflects a national movement toward city living.

Prioreshi successfully converted the former Silvers building in downtown Columbia into a 12-unit condominium. Dubbed Capitol Places III, it sold out. He has begun construction on a second condo project, "1520 Main Street." It will have 32 condos, ranging from \$164,900 to \$380,900.

Prioreshi said Columbia's condo market is in its early leg, but said he is optimistic.

"(Columbia) is going to have a long, solid run with this."