

Monarch site switches back to apartments

Developers say timing was issue in abandoning condo plans

By [Shonda Novak](#)

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The Monarch won't emerge as condos after all.

First planned as apartments and then changed to condominiums, the 305-unit residential tower that is under construction in downtown Austin has been switched back to apartments. ZOM Texas Inc., a subsidiary of Orlando, Fla.-based ZOM Cos., said the decision was based on timing rather than demand, with uncertainty in the mortgage markets a factor in slowing buyers' decisions.

"The buyers are there, just not at the pace we needed by early 2008," when the project opens, said Steve Buck, chief operating officer of ZOM Cos.

Prospective buyers had put 20 percent of the units (representing about \$20 million in sales) under contract in the past two months, said Kevin Burns, principal broker of Urbanspace Realtors LLP, which had been marketing the units. But John Faulk, development manager for ZOM Texas, said the volume of sales had slowed to such a point that ZOM didn't think it could meet its internal goal of selling 70 percent of the units by April, when the 29-story building on West Fifth Street is scheduled to open.

"We just ran out of time," Faulk said. "Our velocity just wasn't enough to get us to the finish line, so we decided we'd be better off going back to our original game plan.

"The demand was clearly there," Faulk said. "We just got caught in this time crunch."

The sales goal was roughly the amount needed to pay off the project's construction loan, Faulk said.

ZOM will refund earnest-money down payments of 10 percent on the units, which were priced from \$229,000 to \$1.75 million. ZOM will start leasing the units as apartments in February; monthly rents will start at \$1,650.

Buck said that downtown Austin is "a very attractive leasing market," another factor in the switch to rentals.

But the change raises more questions about the state of Austin's downtown residential market. With more than 1,400 luxury condos under construction and nearly 3,200 more planned for the next few years, some observers have expressed concerns about a potential glut. Others continue to say that the market is, and will remain, in good shape, bolstered by strong demand for downtown living and Central Texas' healthy job, income and population growth.

With the tightening in the mortgage and credit markets, some buyers have become more cautious and are taking longer to make purchase decisions, Burns said.

"We have had a little pessimism in the marketplace," Burns said. "People are dotting their i's and crossing their t's before making a decision to purchase.

"This is a psychological issue right now," he said. "This is not a bellwether of our market.

"I think this product would have been successful as a condo project," Burns said, adding that he hasn't seen a slowdown in the demand for downtown condos. "We just didn't have the luxury of time."

Real estate agent [Mark Murrell with JB Goodwin Co.](#) agreed that starting the marketing efforts only within the past three months put it at a disadvantage. He cited other condo projects that had marketing efforts launched two to five years before the project's completion, "so they had a large period of time to build up contracts."

Courtesy of JB Goodwin