

# The Capital

## Surge in condo buildings serving a housing need in county

By DAVID E. LEIVA, Staff Writer

When Annapolis Alderwoman Classie Hoyle learned that the owner of an apartment complex under construction in her ward was considering switching to condominiums, she was all for it.

Any new homes, including condos, would require a portion earmarked for the working class under the city's newest law.

"I'm interested in home ownership for low-income people," said Mrs. Hoyle, D-Ward 3. "We have sufficient rental property. I wouldn't object."

The alderwoman said Stephen Muller of Union Realty Partners told her the company was weighing options because these pads are "the thing now."

That's an understatement. For all the studies, panel discussions and efforts by city and county officials to find a solution to escalating home prices for the area's workforce, it seems the market has come up with its own answer: thousands of new condos.

"The economics at the moment favor it," said Harvey Singer, of Delta Associates, a Virginia real estate research firm that tracks regional activity. "It won't always happen, the pendulum will swing back. But that's what's happening more and more in the current environment."

In the last five years, the number of condominiums sold each year in Anne Arundel County has surged up 50 percent, according to Metropolitan Regional Information System. Last year, 1,518 condos were sold. The average price was \$213,981. That was up from an average of \$124,353 for the 1,009 sold in 2000, the Rockville-based listing service reported.

Condos in the county have long been an option for empty nesters looking to downsize or people priced out of single family homes. The average price is far below the \$334,119 average price of a single-family home in 2004. But it remains a much smaller fraction of the market, accounting for only slightly more than the number of county homes sold in a month.

Sensing the trend, several companies are positioning themselves to change the landscape in Anne Arundel.

According to Delta and research by *The Capital*, at least 2,100 more condo units will be

# The Capital

available by 2008. That number is likely to grow as massive projects such as Annapolis Towne Centre at Parole are finalized.

Experts credit condo prices and sales volumes for making them viable and attractive preferences to developers, such as those building Westbridge Village on West Street.

"Maybe the builder said 'we can sell units instead of fooling around with apartments and rents,' " said Tom Quattlebaum, chief executive of the county's Association of Realtors.

Fueled by low interest rates, job growth, crowded roads and new innovations, condominiums have been welcomed into the market throughout the Washington metro area, Delta Associates said in its most recent quarterly report.

In Montgomery County, that has certainly been the case where a year ago, apartments converted into condominiums were an unheard of development.

"Although (state) conversion taxes still exist, developers have bitten the bullet," Delta analysts said.

During the first quarter, almost 2,000 units have switched or converted, and are expected to be available within three years in Montgomery.

Condominiums weren't part of the initial discussions with the city when Union Realty and Wood Partners said the complex they planned for Chinquapin Round Road and West Street would cater to the housing market's needs. But that was 2002, and market dynamics have changed.

Mr. Muller informed city officials that the partners had discussed the prospects of switching the proposed 300 apartments on the city's main thoroughfare in and out of Annapolis to owner-occupied units. The quiet acknowledgement came on the heels of a report published last month by Delta indicating that the apartment market had softened.

For the first three months of 2005, the vacancy rate had more than tripled compared to the same period in 2004. Union Realty has not filed necessary paperwork with the state or city to make the change to condos.

But a source familiar with the project said it would make sense for the partners to make the decision before completing the 6.5-acre planned mixed-use development. Once the units are rented out as apartments, state law triggers a lengthy process that includes 90-day notices to tenants, state oversight and a 4 percent conversion fee in order to make the switch to condominiums.

So far, Triton Property Group is the only company in Anne Arundel that has moved forward with these plans. In April, it filed with the Secretary of State's Office to convert the 303 apartments on Primrose Road into condominiums.

# The Capital

If approved by the state as expected, Triton's units will join a host of new projects under way. But there is a caveat with price increases, Delta said.

"We believe too much of a good thing is creating an affordability problem that could hamper sales," the report said.

If that's so, it hasn't been the case at Acton's Landing in the Murray Hill neighborhood or at Park Place. At both spots, cost has been no object.

Only one condo and two single-family homes are left for sale among the initial 88 units offered during the first phase, said David Wright, the Coldwell Banker broker who is handling sales at Acton's.

The one-bedroom condo is selling for \$460 a square foot, or \$875,000, and comes with a parking space, he said.

"Annapolis is a very desirable place to live," Mr. Wright said.

Park Place, which just started marketing its share, has sold nearly half of them to members of its Commodore's Club, spokesman Robert Kramer said. The other units, starting at about \$450,000 for a one-bedroom, will now be available to the general public.

But condo fever isn't limited to the city.

By 2008, developer Elm Street is expected to build Stony Run, a 194-condo complex in Arundel Preserve near Arundel Mills mall. Meanwhile, Klein Enterprises announced that it would build 183 units at the Odenton Town Center near Fort George G. Meade.

And just outside Annapolis, there is the Annapolis Towne Center at Parole with 142 condominiums built by Sturbridge Homes expected to go to sale later this year.

Just how long will the pendulum swing in favor of the owned units is unclear, even for industry officials who try to stay ahead of the curve.

William Rich, who handles the research on condominium movement for Delta, said the same phenomenon that's bringing condos could very quickly switch. Too many, at one time, could flood the market, change the dynamics, and make apartments a better choice for developers, he said.

Said Mr. Wright: "It's an interesting question: At what point will we become oversaturated with condos? "