Economy hasn't toppled building boom in Uptown

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After almost a year and a half of construction, the Ritz-Carlton condo tower with its elaborate exterior is already a local landmark. It's one of three high-rises that has gone up at Uptown's main crossroad – the intersection of Pearl Street and Cedar Springs Road.

A mid-price condo in the 23-story Residences at the Ritz-Carlton goes for $1.5 million, and buyers have spoken for almost two-thirds of the units.

"We are planning to start moving people in sometime in June," said William Mabus, vice president of developer Crescent Real Estate Equities. "Obviously, we are in economic times that are difficult. "But so far, we have been very fortunate."

The economic downturn has slowed demand for all properties, but Uptown is still outperforming other urban districts in the Dallas area.

The neighborhood just north of downtown has been ground zero for North Texas' real estate boom. In the last five years, developers have added more than 2,000 housing units in Uptown, along with first-class office space and luxury hotel rooms.

During 2008, it was one of the top office markets in North Texas, with almost a half-million square feet of net leasing. Most of that was in a handful of office towers north of Woodall Rodgers Freeway.

Three new buildings have added more than 1.3 million square feet of office space to the Uptown market. "Those projects average more than 70 percent leased, which is very good," said Jeff Ellerman, vice chairman of brokerage services in the Dallas office of CB Richard Ellis.

And all that leasing has been done at rental rates above $30 per square foot – more than a third higher than the Dallas-area average. The new Rosewood Court tower at Cedar Springs and Pearl is about 72 percent leased at rents above $35 per square foot, said Jon Altschulerof Stream Realty Partners.

"The building has been enthusiastically received in the marketplace and has been a terrific success," Altschuler said. "Uptown still has a positive feel to it. "We're continuing to tour the building regularly, and it's nice to have some leases under negotiation," he said. "Of course, we're cognizant that many of the financial sector firms that tend to gravitate toward the Uptown submarket aren't transacting as quickly as they have in years past, so we're expanding our marketing push aggressively toward tenants in other submarkets and industries, too."

Two other Uptown office projects are almost fully booked. Lincoln Property Co.'s 2000 McKinney Ave. building – a 445,000-square-foot tower that overlooks the site for the planned Woodall Rodgers Park – is open and has major tenants that include law firm Baker Botts LLP and Texas Capital Bank.

And Hillwood's One Victory Park office tower is more than 80 percent leased. PlainsCapital Corp., Ernst & Young and Haynes and Boone are major tenants in the silver glass-and-concrete high-rise.

Under construction

Still under construction is developer Harwood International's Saint Ann Court office tower at Harry Hines Boulevard and Olive Street. The 320,000-square-foot high-rise is leased to a variety of tenants such as Amegy Bank, Boston Consulting Group and McGuire Craddock and Strother.

"We are currently 71 percent pre-leased and in discussions with three groups to occupy an additional two floors – the last two contiguous floors available," said Jihane Boury, Harwood International vice president.

"Harwood International is very pleased about the interest level we have had – and continue to have – at Saint Ann Court, and we will be ready for our first tenants this fall." After Saint Ann Court is finished, the next office tower in Uptown won't open until 2010.

The 19-story 17 Seventeen McKinney building is a project of Granite Properties. So far the developer has announced no leasing for the building, which is on Akard Street near Woodall Rodgers.

"It's on schedule to deliver in April through June 2010," said Greg Fuller, Granite's chief operating officer. "Construction has not been delayed or slowed down, and there are no plans to do such."

Residential choices

After several years of widespread construction, residential development in Uptown is also winding down. Atlanta-based developer Wood Partners just finished its 375-unit Glass House apartment tower near the intersection of Pearl and Cedar Springs.

The building is expected to rent for about $2.30 per square foot.

"We'll have our models ready soon and will begin to heavily market the property," said Wood Partners' C. Todd McCulloch.

The Glass House will join two other high-end apartment towers signing tenants Uptown.

Houston-based Hanover Co. has leased about half of its 252-unit Cirque apartment tower on Olive Street in the Victory project, said Hanover's Dana Tucker. And Hanover's more recently opened 1900 McKinney apartment tower – with 230 units – is about 20 percent leased.

"The residents that have come to Cirque are a hip, chic, posh crowd," Tucker said. "A lot of them are new to Dallas and work downtown. "At 1900 McKinney, we have a fair amount of empty nesters – people who have sold their homes and want to experience the high-rise living without having to buy a condo."

Demand for midrise rental units has also been strong.

Gables Residential's 550-unit Villa Rosa rental project on Cedar Springs at Carlisle Street is more than 90 percent leased. The newest phase opened last year.

"Our retail leasing has gone a little slower than we thought, but we have also been picky," said Gables' senior vice president Doug Chesnut.

Gables has one more major project under way in Uptown – a 300-unit high-rise that adjoins Granite Properties' 17 Seventeen McKinney. It will open in March 2010.

Gables delayed the groundbreaking for an apartment project at Routh Street and Carlisle.

"We don't have a huge supply in Uptown, but we are seeing our downturn," Chesnut said. "Things have slowed in the last 90 days all through the city."

Apartment occupancy

At the end of the year, total apartment occupancy in Uptown was at just over 87 percent. That's below the citywide average of 91.4 percent, said Greg Willett, vice president of apartment analyst M/PF YieldStar.

"Rents are at $1,344 a month overall average, with pricing down 2.5 percent on an annual basis," Willett said. "Thus, it's a really competitive leasing environment overall.

"What we tend to see is that the trophy assets with the highest rents are the ones struggling right now," he said. "If you can undercut the very top of the market by a couple hundred dollars on monthly rents, you're actually pretty much full."