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A rosy view for condos

Office buildings also are expected to keep prospering next year

09:13 AM CDT on Friday, October 13, 2006

By **STEVE BROWN** / The Dallas Morning News

Two of Dallas' high-flying real estate markets – luxury condominiums and office buildings – will continue to prosper in the next year, according to the latest industry forecast.

While other U.S. cities have seen a sharp decline in demand for high-rise condos, the Dallas market is in relatively good shape, according to an assessment by Delta Associates, a Virginia-based real estate analyst.

"This market is a beauty compared to many of the condominium markets we track," said Delta Associates' chief executive, Greg Leisch.

Mr. Leisch spoke to Dallas real estate executives at a Thursday night seminar sponsored by Transwestern Commercial Services.

He said that while high-rise condo sales slowed in Dallas during the summer, demand remains high. About 800 units were put under contract in the first half of 2006, compared with 1,100 in all of 2005, he said.

"This is a very robust performance," he said.

By comparison

"One of the reasons it is so healthy is prices are cheap compared to any other market we know of," Mr. Leisch said. "Dallas is the only market we know of that continues to have robust price growth.

"This is a very different pattern than we are seeing in coastal cities and in places like Phoenix and Las Vegas."

Dallas high-rise condo prices have risen by about 25 percent in the last year and now range from about \$325 to \$525 per square foot, according to Delta Associates' figures.

The cancellation of several high-rise residential buildings in Dallas during the last few months has actually helped the market by tightening supply, Mr. Leisch said.

There is about a 10-month supply of high-rise condo units on the market, he said.

Mr. Leisch said some of the high-rise condo projects stalled in Dallas



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"because prices weren't high enough to pay for rapidly rising construction costs."

Purchases by speculative investors in condo projects here have also waned.

"That's mostly over," he said.

Good for landlords

While Delta Associates studies show that the shopping center market in North Texas has started to slow, other commercial real estate markets remain strong.

Industrial building demand will total almost 10 million square feet in 2006, according to the research firm's reports.

And rents for apartments will increase this year despite strong construction. North Texas now has the third-largest apartment development market in the country, Delta Associates said.

Construction of office space in the Dallas-Fort Worth area this year won't keep up with growing demand, Mr. Leisch said.

"Demand we are projecting is at about 5 million square feet," he said. Just over 4 million square feet of office buildings are under construction.

"The office market is in very good shape unless you are a tenant," Mr. Leisch said.

That's because rents will be up about 5 percent in the year ahead, and up by 10 percent in locations like Uptown, West Plano and Frisco, according to the forecast.

E-mail stevebrown@dallasnews.com

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