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## More 2-bedroom units, penthouses in Gulch luxury apartments fuel condo speculation

### 12th and Laurel residential high-rise under construction

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| *The Tennessean*

Developers of the new residential high-rise going up at 12th and Laurel in the Gulch have tweaked the design to create more two-bedroom units and add penthouses to the high-end project.

In Nashville real estate circles, those tweaks have added to chatter that the high-rise development originally designed and financed as apartments could be converted into condos. If that happened, it would mark the first large-scale condo project in Nashville in several years.

Developer Ray Hensler, who met last week with some of downtown Nashville's top condo brokers, said he will make a decision over the next 30 days or so. "It's going to make for a much better project, regardless of whether we exit as a condo or continue on our path to deliver a AAA luxury rental tower," he added, speaking about the design changes.

With condo units in urban high-rise buildings in short supply, a new luxury high-rise building has been on the wish list of Nashville condo brokers. Currently, all of the developer-owned units have been sold, with about a two-to-three-months supply of units available for resale in major high-rise condo buildings. There are also no new, large condo projects on the horizon.

"We need more inventory; there's no secret about that," said Grant Hammond, a condo broker. "We're all hopeful Ray's building will deliver to the market as condos rather than apartments."

Among positive signs, brokers cite Hensler's decision to grow the number of the most-expensive units at his new project, in addition to the developer's track record in developing Midtown's successful Adelia condos. Reflecting a strong resale market, a two-bedroom condo at the Adelia sold for \$1.25 million last month, with two penthouses in that tower set to trade in the \$2 million price range.

If Hensler's building doesn't convert, brokers see high interest from other developers leading to a new high-rise project in over the next 12 months. Michelle Maldonado, a broker with The Lipman Group Sotheby's International Realty, has been invited to meetings with four separate developers that sought her opinion on site selection and thoughts about pricing.

"My comment to them is that even in this market where inventory is low and prices soaring, they're only soaring in the right building in the right location," she said. "Don't make the same mistake that we did back in 2006. You can't just throw any building up anywhere and expect it to sell."

With the design tweaks Hensler made, the number of units would be reduced by roughly 8 percent to 288. About 57 percent of the units at his project would have two bedrooms, with a few three-bedroom units and seven penthouses.

Enhancements were made to quality of and amenities within the units. The penthouses will have Electrolux appliances, 10-foot ceilings, wine coolers and fireplaces. They will be 2,100-to-3,825-square-foot in size with rents ranging from \$5,000 to \$10,000 a month, Hensler said.

The 23-story high-rise set for completion by July with preleasing of penthouses expected to start by year-end was already being built with high-end finishes such as Quartz countertops, wide-plank wood

floors with mostly glass on the exterior. If Hensler chooses to convert the building to condos, a certain percentage of the units would have to be sold in a short timeframe.

If converted to condos, the average building unit would probably be priced in the \$475 a square foot range (or around \$532,000), observers said. As apartments, they could be leased for \$2.50 to \$3 a square foot (\$3,080 a month).

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