



COURTESY OF PALISADE PALMS

The Palisade Palms condo towers survived their first big storm with minimal damage.



COURTESY OF EMERALD BY THE SEA

The Emerald by the Sea project didn't suffer any major damage from Hurricane Ike.

## RESIDENTIAL REAL ESTATE

# New crop of Galveston condos predict possible spike from Ike

BY JENNIFER DAWSON  
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Despite the overall devastation on Galveston Island, two of the city's newest high-rise condominium towers fared well during Hurricane Ike, a fact that could have them fully occupied sooner than expected.

The newly constructed Emerald by the Sea Condominiums and Palisade Palms condominiums experienced minimal damage during their first big storm.

Marketers expect the sturdiness of the buildings to attract potential buyers. Residents are also expressing an interest in signing long-term leases for available units while they clean up their Galveston homes that were damaged by Ike.

Mary Jo Naschke, a spokeswoman for the City of Galveston, says many people have been complaining about higher construction costs during the past few years as the city implemented stricter building code standards. But those stringent codes helped the newest condominiums survive the hurricane.

"Some of our higher-end neighbors got washed out," says Naschke, owner of Galveston-based M.J. Naschke Public Relations. "Now they're renting some of those condos."

Houston-based developer Randall Davis, who is currently building the Diamond Beach condominium resort on Galveston's West Beach, says the destruction caused by Ike shows the value of multifamily units.

"A beach house is a very nice property to own, but it's subject a great deal to the weather," he says. "These condominiums on the coast, built to hurricane standards, are a big part of the answer to those people who want to live in Galveston."

The 120-unit Diamond Beach resort is on track for completion in May 2009. The seven-story midrise — which is located behind the Seawall — doesn't have walls yet, so it did not experience much damage. Davis says the temporary sales center behind the building only took on one foot of water.

### ROUGH WATERS

Kay Terry, general manager of Emerald by the Sea, rode out the storm with some residents in the 14-story property

at 500 Seawall Blvd.

Terry says no windows were broken, no patio railings were bent and not one piece of stucco came off the building. There was some water penetration, but not from flood waters. Some water from the pool overflowed into the lobby, both of which are located on the sixth floor.

The 121-unit property, developed by Sunhill International Corp. with consultant Randall Davis Co. of Houston, closed the sale of its first condo in November 2007. Going forward, Terry expects to see an uptick in sales.

"There's a lot of interest now in a building like Emerald," Terry says. "There's going to be high demand for high-rises on the island."

Edith Personette of Personette & Associates LLC, who markets Emerald's condos, says there are about 10 or 15 units left for sale. Thirty condos are under contract, but have not yet closed.

Personette speculates that many people whose single-family homes in Galveston were damaged by Hurricane Ike will now opt for a home that's higher off the ground.

"I think a lot of people will be tired of worrying about their beach houses, and will ultimately turn to a high-rise at the beach," she says.

Personette expects sales to resume full-force in January after things get back to normal on the island. And she doesn't think the threat of another hurricane will dampen the sales effort.

"The ocean is a big draw," she says. "I can't imagine they would stay away very long."

### WEATHERING THE STORM

Richard Anderson of The Falcon Group, which developed Palisade Palms, says the property did "remarkably well" during the hurricane. Located at 801 East Beach Dr., the property has two 27-story buildings that are connected to each other. Anderson, Falcon Group's vice president of development, says the first-floor garage had eight to 10 feet of



Anderson

# **GALVESTON**

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water in it. The main mechanical and electrical systems on the second floor of the garage were damaged. And all of the garage's aluminum fencing was cleaned out, as well as some fencing along the street.

In addition, the tidal surge erased the dunes out front. A third of the dune walkover bridge is gone.

But Anderson says no water got into any condo units. And only a part of one window broke as a result of Ike.

Palisade Palms has 287 condominiums, plus one guest suite that's not for

sale. A total of 260 units have sold — the first closing was four months ago. Of the remaining units, nine are million-dollar penthouses that will not be finished out until they are purchased, so buyers can customize them.

That leaves 18 unsold condos, which Anderson plans to market for long-term lease.

"We've had a lot of people call us about doing long-term rentals," he says. "They need a place to stay for six to 12 months."

Anderson would rather sell the units but says he will hold off if they are leased first.

"There are a lot of people we know in Galveston who need a place to stay," he says. ■

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