BUSINESS
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Post Properties returns to Austin

Developer that left during downturn plans to build about $200 million worth of apartments and condos

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AMERICAN-STATESMAN STAFF

Less than three years after multifamily developer Post Properties Inc. abandoned the Austin market in the midst of an industry downturn, the company is once again scouting sites in Central Texas.

The Atlanta-based developer anticipates investing about $200 million in apartment and condo projects with nearly 2,000 units within four years, though some projects might not be completed during that time.

"The reason that we want to build here is the same reason people want to live and work here," said David Ward, Post executive vice president and regional investment director. "It's a dynamic market."

Post has recruited two experienced local multifamily developers to help it re-enter Austin.

Brett Denton, formerly the regional vice president of development and acquisitions for Gables Residential Trust's Austin office, and Art Carpenter, former vice president of development for luxury hotel owner and developer Maritz, Wolff & Co. and later principal in AG Carpenter LP, have teamed up to form Ardent Residential.

Ardent will identify and secure development sites and shepherd projects through permitting and approval processes. Post will fund the developments and own the buildings.

Post and Ardent would not discuss specific sites or projects but said they are looking all over the Austin area.

Founded in 1971, Post began as a developer of upscale, garden-style suburban apartment buildings but in recent years has shifted to infill structures, developing upscale apartments and condos in more densely developed areas. Harder and more expensive to develop, these projects face fewer competitors, cost less to keep current, and generally appreciate at a faster rate than other properties do.

Post entered the Austin market in the late 1990s when it built Post West Avenue Lofts, a 239-unit apartment

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building at Third Street and West Avenue. It soon committed to build about 800 apartments in the Triangle mixed-use project in Central Austin.

Post dropped out of the Triangle in 2001 and halted all other plans for local developments.

A little more than a year later, it sold the West Avenue project to Gables Residential Trust for $34 million. Cypress Realty Inc. bought the adjacent 2-acre tract once slated for a second phase for Post West.

Ward, who was not with Post at the time, said the company never soured on Austin. He said Post sold its properties as part of a companywide strategy to exit markets where it owned just one or two properties because they were inefficient to manage from afar.

Post's infill developments typically have a minimum of 200 units and cost between $15 million and $20 million, Ward said.

Multifamily markets nationwide are once again on the upswing, and Post is expanding its holdings in cities such as Houston; Orlando and Tampa, Fla.; and Washington, D.C.

Average occupancy in Austin-area apartments was up to 93 percent at the end of the third quarter, according to Austin Investor Interest.

The market remains below its mid-2000 peak: 98.2 percent.

But the current numbers are a significant improvement over 2002, when job losses associated with the tech bust, combined with years of overbuilding, reduced the average occupancy to just 88 percent.

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said, though the the company will build smaller buildings in areas where it has established communities nearby.

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Zoning changes usually are needed for infill developments, and the approval process typically takes between one and two years in Austin. Construction usually takes 18 to 24 months.

Charles Heimsath, president of Capitol Market Research, said nontraditional, infill apartments and condo projects are becoming more common in Austin.

"The apartment market is rapidly evolving from a very traditional suburban garden-style focus to one where we have a much more diverse mix of products, and I think that we've seen some of that under development in West Campus and the Triangle, Downtown and on South Congress, and I think that this is just the tip of the iceberg," Heimsath said.

With occupancy and rental rates climbing, Heimsath said he wouldn't be surprised to see more national apartment developers looking to build here.

"We are definitely back on the radar screen from a national perspective for multifamily development," he said.

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