

More plush towers going up in Galleria

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The success of the Dominion Post Oak apartment building has inspired the developer to add another pair of posh residential towers to the Galleria skyline.

Whiteco Residential LLC plans construction of two buildings, each up to 35 stories tall, with a total of 550 rental apartments.

The lavish Dominion opened two years ago with a reported price tag of \$42 million, so the new project could likely cost north of \$84 million.

Whiteco President Stephan Beck says the firm might do a third apartment tower on the Galleria site, but will probably stick to a pair of structures for starters.

The site now serves as a parking lot beside a Walgreens drug store at the northwest corner of Westheimer and Sage, right around the corner from the 31-story Dominion on McCue Road.

Whiteco is buying the parking lot from Host, the Bethesda, Md.-based owner of the JW Marriott Hotel Houston across the street. The acquisition could close as early as next week.

"We have not finalized everything but we're very, very close," says Beck.

Merrillville, Ind.-based Whiteco is buying roughly three acres that are presently being used as complimentary parking for hotel guests.

New high-rises have been in the works for at least two years, even before leasing activity at the 230-unit Dominion took off. The existing tower is now 98 percent occupied with an average rental rate of \$2,200 per month.

"We've been working on this for a while," says Beck.
"We'll probably be more specific once we actually close on the land."

Towers galore

The Galleria market is hot for residential development that continues to reach for the sky in the form of apartments and condominiums.

A total of seven residential towers have been constructed in the sector since 2000. An eighth -- the Cosmopolitan by Randall Davis -- is set for completion this fall.

On the drawing board are 800 high-rise residences planned by Ed Wulfe in the BLVD Place development at Post Oak and San Felipe.

A 38-story condo tower planned by Florida-based Turnberry Associates also waits in the wings just south of the Galleria between Hidalgo and West Alabama.

John Breeding, president of the Uptown Houston District, says the explosion of residential development by multiple developers shows that the properties are performing well.

"What that tells me, for people who are putting their money at risk, is they have determined that this is a good place to make an investment," Breeding says. "It's an exciting time."

Data from the Houston-based research firm of O'Connor and Associates reflects varying occupancy rates for the three Galleria-area towers with units for lease. According to O'Connor:

- Dominion Post Oak is 97 percent occupied, with monthly rents averaging \$1.90 per square foot.
- The larger 1200 Post Oak building with 356 units is 81 percent occupied, with an average monthly rental rate of \$1.96 per square foot.
- The 7 Riverway project is 24 percent occupied after leasing began last October. Monthly rates average \$2.06 per square foot in the new luxury tower expected to finish final construction on Feb. 23.

Those combined rental rates are higher in comparison to the overall apartment market in the Galleria, with an average rent of \$1.03 per square foot and an average 91 percent occupancy rate as of last month.

Kathryn Koepke, O'Connor's manager of research and consulting, says the high-rise properties offer a much higher level of amenities that appeal to a different sort of renter than traditional apartments.

"You've got people who choose to rent rather than buy," she says. "When you're paying \$2,100 a month in rent, you could certainly afford a lot of house."

Whiteco aims to attract that particular breed of renter to the proposed apartment buildings.

The Indiana firm has a total of 12 new apartment communities in operation, three under construction, and land to build at least another 1,500 units.

Whiteco's portfolio represents an investment of more than \$500 million in markets chosen for apartment environment, job growth, population growth and real estate opportunities.

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