

CRAIN'S CLEVELAND BUSINESS

Rebound in apartment market lures developers
Plans on for Westlake, Brunswick complexes

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An out-of-town developer and a local apartment developer quiet for years are preparing to launch new projects in the region's resurgent apartment market as the for-sale housing market remains buried in the blues. Flaherty & Collins Properties of Indianapolis is seeking approval from the city of Westlake to develop a \$29 million project that will consist of 240 luxury apartments on a 30-acre parcel on Center Ridge Road. Meantime, Harsax Inc. of Middleburg Heights wants to construct a 64-unit community in Brunswick in northern Medina County. And in a telltale sign of the changing market, developers of Crocker Park in Westlake are moving on additional rental apartments and mothballing plans for some condos. Jerry Collins, president and a name principal at Flaherty & Collins, said the company wants to develop in Westlake because there has been "so little" new luxury apartment development in the western suburb for years. "We think it's a fantastic area for a new development," Mr. Collins said in an interview. The company passed on other Northeast Ohio sites because it does not believe it can get the rents it wants at them, he said. Flaherty & Collins is an aggressive developer, with four other apartment projects under development in the Midwest. The 15-year-old company manages 60 properties, totaling 12,000 units, in six Mid-western states. Mr. Collins said the company owns 20% of the portfolio it manages. Rents for the proposed Westlake one-bedrooms start at \$945 and the two-bedrooms will start at \$1,395, Mr. Collins said. Robert Parry, Westlake planning director, said the 240 units planned by Flaherty & Collins would be the largest luxury apartment development proposed in the suburb in nearly 20 years. The Crocker Park mixed-use office, residential and retail project in Westlake has 160 rental apartments, Mr. Parry said. The Flaherty & Collins site, immediately west of Porter Public Library, is zoned for multifamily development, Mr. Parry said. The parcel has made news in the past because it was bought, and is still owned, by Kmart Corp. as the site of a Kmart SuperCenter. However, the suburb stalled the development in court for nearly a decade until the home of the blue-light special stopped building the big boxes. Westlake Planning Commission, which reviews applications for new developments, tabled the Flaherty & Collins plan at its March 20 meeting. Mr. Parry said the commission wants to obtain more details about the proposal because of its significant scale. An eight-acre piece of the site will be reserved for future condominium development, Mr. Parry said.

Going vertical

Nearby Crocker Park also shows the current preference of developers for constructing rentals

rather than units for purchase. Mr. Parry said the city has approved a request by Crocker Park to allow what it calls a “vertical phasing” of a building originally planned with retail, rental and condo units that is under construction near Detroit and Crocker roads. Plans now call for street-level retail and 40 rental apartments on the second and third floors to be built this year, but the three stories originally planned as for-sale condos above the rentals will be delayed until the for-sale market regains momentum. Mr. Parry said the developers of Crocker Park assured the city that the new building includes water, sewer and electrical lines to accommodate future construction above the first three levels. Plans call for steel to rise slightly above the third floor and receive a temporary cover to mask it from view. “It's really unusual to see this,” Mr. Parry said. “They're spending extra money to do it” in order to accommodate future expansion, he said. “Will it happen? I'm hoping,” Mr. Parry said. “It's going to take a change in the marketplace for it to happen.” Crocker Park's developers are Robert L. Stark Enterprises of Cleveland and the Carney family of Westlake. Crocker Park spokesman Darryl Whitehead declined comment.

A market shift

In Brunswick, Harsax president Ken Sacks is seeking city approvals to build 64 rental apartments on an eight-acre parcel on Pearl Road between Boston and Grafton Roads. The so-far-unnamed rental project for people over age 55 will consist of two bedrooms with first-floor master bedrooms and a rent that is not yet set. Harsax is seeking minor variances from Brunswick, but the site already is zoned for apartments. Mr. Sacks said building apartments makes sense again because of the slowdown in home sales and Brunswick's strength as a residential community. “Three years ago, interest rates were so low, everyone who could was moving out to buy homes,” Mr. Sacks said. “Now home sales are not doing well but apartments are.” Harsax controls a portfolio of more than 1,000 apartments and has seen its occupancy climb to 90% from 80% a few years ago, Mr. Sacks said. Harsax, which also operates in the industrial real estate market, built its last apartment complex in 1998.

Not so "subdued"

Other new apartment communities also are under development in Northeast Ohio by developers who have remained active in rental projects through the years. Those projects, from Wadsworth to Solon, are by developers such as Richland Communities Ltd. of Middleburg Heights, Goldberg Cos. of Beachwood and Gross Builders of North Royalton. Gary Gross, a partner in Gross Builders, said his family-owned company remains active in the development business regardless of the climate of the moment. He said it believes things will balance out over the long term. Even so, Mr. Gross said his company has slightly slowed production of for-sale housing because of the depth of the market's current woes, though he always likes to develop apartments here. A lack of apartment-zoned land in the region keeps such developments in check, Mr. Gross said. In what may prove to be an ironic twist, the Marcus & Millichap national investment brokerage describes Cleveland-area apartment construction as “subdued” and forecasts construction of 275 units this year — a number the two Westlake proposals would exceed, if they proceed.