

Cincinnati Business Courier - April 18, 2005

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Condo-conversion craze still on rise

Eden Park-area tower latest set for makeover

Cincinnati Business Courier - April 15, 2005 by [Dan Monk](#), Courier Senior Staff Reporter

A Louisville developer will invest \$28 million to convert the Edgecliff apartment tower into luxury condominiums, further fueling the Tri-State's condo-conversion craze.

"It is so well-located," said Kevin Cogan, CEO of **Jefferson Development Group Inc.** "You can access Columbia Parkway without a traffic light and ... be downtown in three minutes."

Cogan paid \$18 million for the Edgecliff this month and recently notified tenants of his plans to convert the building's 156 units to condos, for which he will spend about \$10 million. Cogan acquired the property from George Fabe, who built it in the 1960s. Fabe is a real estate developer and attorney who served as Ohio's insurance commissioner from 1983 to 1991. He did not return the Courier's calls.

The Edgecliff deal brings to more than 1,000 the number of Tri-State apartment units converted to condos in the past two years. Since December 2003, investors have spent more than \$46 million to acquire 10 apartment properties from Covington to Montgomery, according to Courier research. After renovations, the units are marketed first to existing tenants, who often end up with mortgage payments at or below their pre-conversion rent rates. Young professionals and empty-nesters have been gradually buying up the remaining unsold units.

In some markets, conversions have sparked rapidly rising prices and fears of a housing bubble. But that's not a concern locally, said Dave Lockard, first vice president in the multihousing properties group at CB Richard Ellis.

"I don't think the steam will run out this year. There's enough momentum for the next 18 to 24 months," he said.

The condo-conversion trend has helped stabilize a weak apartment market in Cincinnati, where vacancy rates have hovered above 10 percent for several years and rents rose a meager 0.2 percent in 2004, according to CB Richard Ellis. At the same time, low interest rates have sparked a condo-buying surge. The Cincinnati Board of Realtors' Multiple Listing Service indicated that condo sales in and near downtown totaled \$22.9 million in 2004, roughly triple the three-year average from 2000 to 2002.

Developer Ed Horgan said he decided to do conversions when tenants started leaving his rental properties to buy condos in 2003. He is converting his fourth building near Eden Park, selling one- and two-bedroom units. He's sold 48 of the 81 units so far and has an offer in on properties -- also near Eden Park -- with 141 more units. While the prices of apartment buildings are rising, Horgan said he's being careful not to overpay.

"If it doesn't support itself as a standalone apartment building, we wouldn't consider it," he said.

In downtown Cincinnati, developer Frank Ferrarelli caught condo fever while working as a regional vice president for Lute Supply, an HVAC contractor that supplied materials to one of Over-the-Rhine's early condo conversions. Ferrarelli owns rental property in lower Clifton and Price Hill.

When he learned the Brittany apartment building was for sale downtown, he decided to take the condo-conversion plunge. He paid \$1.1 million for the 15-unit building last month and plans to spend at least \$800,000 more on renovations. That brings his total cost per unit to \$127,000, giving him plenty of room to sell at the low end -- and fastest-selling segment -- of the downtown condo market.

"I'm trying to stay below \$200,000," said Ferrarelli, who is looking to buy other older apartment buildings downtown.

Cleveland developer Jim Adair joked that he "came out of retirement" to do a condo conversion in Montgomery. He spent \$11.3 million to acquire the 100-unit Mayfair of Montgomery apartment complex in December. It's his 20th condo conversion. The 19 others were done in the 1970s, when a condo-conversion craze hit northeast Ohio. After selling more than 20 units in Montgomery, Adair sees plenty of room for new conversion deals.

For Cogan, the Edgecliff conversion is less about the state of the market, more about the "individual attributes" of the building. With its river views, proximity to Eden Park and downtown, 300 underground parking spaces and soundproof walls separating units, Cogan said the building has features "you could not reproduce" at today's construction costs.

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