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RESIDENTIAL REAL ESTATE

Palladium upgrades its properties



SPRUCE UP: Fred D'Lizarraga, vice president of condominium sales with Palladium Sales and Marketing, seen here at the Verona apartments, hopes renovations will draw in renters and buyers.

IN THIS ARTICLE

Tom Huth

Person

By Katherine Cromer Brock Staff writer Jul 26, 2009 **Updated** Jul 23, 2009, 4:12pm CDT

So what do multifamily developers do when the collapsed credit market keeps them from developing?

Apartment and condominium owner Palladium USA says now is the perfect time for rehabbing and renovating old property.

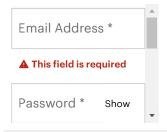
"There is nothing material from Palladium under construction anywhere," said Tom Huth, president and CEO. "The market shifted overnight. The contracts stopped."

Dallas-based Palladium owns Grand
Treviso Condominiums and Canal Side
Lofts apartments in Las Colinas, Verona
apartments by the Galleria Dallas and
Cottages at Tulane in Plano. The
company also owns 5 acres of prime
lakeside real estate in Las Colinas with

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plans for future condominium development, but it has put the plans on hold.

"We're long-term holders of real estate," Huth said. "And the market doesn't look like it's giving any indication of turning. We'd rather wait for the right time than preempt the market and not hit it. We'll use this time to refocus our energies on other activities."

So while the private, debt-free company is biding its time, it has opted to launch massive renovations at two of its properties.

The Cottages at Tulane apartments, which opened in 1991 with 198 units, just underwent a \$2.5 million renovation, which has driven rents from 85 cents per square foot to \$1.04 per square foot. Huth said the property is 92% leased.

Verona is in the middle of a \$7 million renovation. The amenity areas have been upgraded, and 30% of the tower apartments have been upgraded. The mid-rise units will be next. Work should be finished in two years, Huth said.

Palladium staff designed the upgrades. The company's inhouse builders, Catalyst Builders, is completing the work. "It all involves cash," Huth said. "If you've got cash and capital to invest in your own deals, then that's what works for us."

Renovating existing multifamily could be a good strategy for increasing property values, said Dallas-based multifamily expert Michael Puls, president of Foley & Puls Inc.

"You can increase the value by spending the money and upgrading to granite, for example, and changing from traditional to modern," Puls said. "There's a lot of arguments to be made to your investor or lender to spend the money. A 1990s product versus a today product is light years' difference."

But Puls said he hasn't heard of too many other property managers making the monetary commitment that Palladium has, as values have fallen and financing, particularly for condominiums, has dried up.

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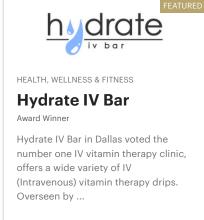




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