

Ready for ‘condo comeback’

Insiders see potential despite liability issue

BY HANK LONG

Staff Writer

The downtown Minneapolis condominium market may have set a record in July for the amount of time it took to sell a unit, pointing up the intense demand from buyers.

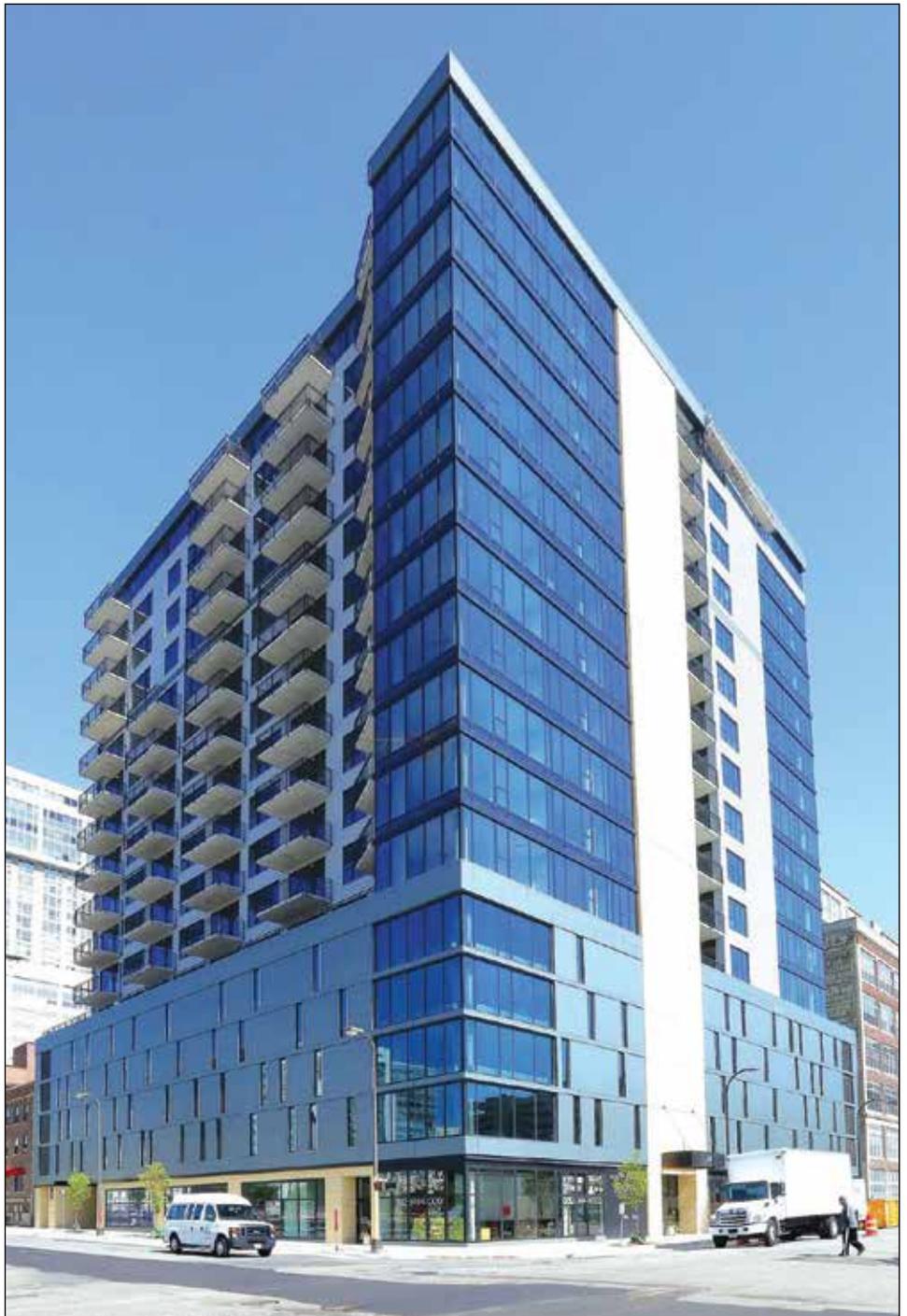
Though Jim Stanton is the only developer actively building condos in or near downtown, Alatus LLC is expected to break ground soon on a big tower near St. Anthony Main.

But as pent-up demand escalates, others will likely step up despite the rising cost of land and construction materials and the liability entanglements that come with condo development, Stanton and two other market insiders said Wednesday at an event.

They spoke at “The Condo Comeback” panel hosted by the Minnesota Commercial Real Estate Women organization at the Millennium Hotel in downtown Minneapolis.

“The market is great,” Stanton told about 100 attendees. “I really don’t care if anybody else gets in, but I think the biggest hurdle is the various laws, and rules, and so forth, that are taking place right now.”

The principal for Coon Rapids-based Shamrock Development is nearing completion of the 17-story, 112-unit Portland Tower at 516 Eighth St. S., four blocks from the new U.S. Bank Stadium. Shamrock also has started on its latest Mill District project – the 374-unit Legacy condos at the former Cenveo printing site near Gold Medal Park.



STAFF PHOTO: BILL KLOTZ

Shamrock Development is nearing completion of the 17-story, 112-unit Portland Tower at 516 Eighth St. S., four blocks from the new U.S. Bank Stadium.

Minneapolis-based Alatus is planning to break ground before the year is out on its 40-story, 207-unit condo tower in northeast Minneapolis.

Last month the downtown Minneapolis condo market recorded its fastest market time in history, when it took just 34 days for a condo to sell after it was listed, said panelist Joe Grunnet, founder and president of Downtown Resource Group.

“When the consumer comes to us or works with anybody that focuses on the downtown market, a lot of them are shocked” to learn that there are few if any listings available, said Grunnet, whose brokerage firm specializes in the condo market. “They’ve been seeing all of this building in the last three to five years,” most of which has been market-rate and luxury apartments.

“So a lot of them are literally floored when they learn they have no options to go see,” he added.

For perspective, just before the recession and after the condo construction boom, the typical condo sold after 55 days on the market in January 2007, Grunnet said. During the recession, days on the market climbed to its peak of 154 days in February 2009.

With the price per square foot for condo sales back to near pre-recession levels, the market is begging for more construction, Stanton said. But there’s one major deterrent – construction defect claims from condo associations.

Minnesota construction law currently allows a condo owner or association to sue project partners for “major construction defects” for up to 10 years after the unit or building was completed.

In 2010, the law was amended to add commercial contractors to the list of liable partners. That has deterred developers from starting new projects, said panelist Kristin Rowell, a Minneapolis-based



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Panelists at Wednesday’s MNCREW panel on “The Condo Comeback” included real estate attorney Kristin Rowell of Anthony Ostlund; Joe Grunnet (center), founder of Downtown Resource Group, and Jim Stanton, principal of Shamrock Development.

real estate litigation attorney with Anthony Ostlund who often represents condo builders and contractors.

“The statute of limitations period for lawsuits that involve construction defect claims in this state is longer than most in the country, and, frankly, it’s longer than most other claims,” Rowell said. “So this has really been a problem for developers, construction managers, engineers, architects, everyone associated with these condominium developments.”

Rowell said she is among a group of advocates pushing to change the law that would require two-thirds of condo owners in an association to vote to file a defect claim. The bill was introduced at the Minnesota Legislature in spring, but stalled out as the session ended, she said. She believes it has the momentum

to pass both chambers in 2017 or 2018.

Meanwhile, Stanton, who has built six condo projects in or near downtown Minneapolis since 2002, said the condo market is about as strong as it has been in the last 15 years. The only mistake he made with his Portland Tower project is its size.

“We can all screw up once in a while – I bought a site that was too small,” Stanton said.

Judging from the demand from Portland buyers, he wished he had picked a larger site to build more units.

“The most desirable area (for condos) now seems to be over by the Guthrie Theater by the river, and we are trying to address that demand now” with the new Legacy condos project, Stanton said.

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