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Lower prices bring Terrazzo closer to sellout

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The Terrazzo, a high-rise condo built during the height of the housing bust, is limping toward the finish line, having found its footing on much cheaper ground.

Nearly 86 percent of the building's 117 condo units are now sold, and another 5 percent are under contract, the developer says. Units aren't fetching rates north of \$375 per square foot like once hoped, but they are steadily moving at an average of \$250 per square foot.

When the Terrazzo hit the market in 2009 in the heralded Gulch redevelopment, the luxury tower fell flat out of the gate, selling 13 units in its first three quarters. Dissatisfied by the performance, the project's chief investor, Los Angeles-based and [Magic Johnson](#)-led Canyon-Johnson Urban Fund, began calling more shots at Terrazzo.

Terrazzo has sold an average of more than 10 units per quarter since the start of 2010. Real estate brokers say it's a sign the condo market is stabilizing, and properties in the Gulch may rebound more quickly than other parts of Nashville's urban core.

It also serves as a reminder of the pain suffered by every major Gulch condo project, some of which remain many quarters from selling out. The Icon, the Gulch's largest condo with 417 units, has sold 74 percent, while the 105-unit Rhythm at Music Row is at 58 percent, according to Market Realty Advisors.

How is it Terrazzo can finally see the finish? Nearly everyone — including the condo's developer, Crosland Tennessee — credit the decision to hold an auction in fall 2009 where buyers scooped up 27 units and reset the market value of Terrazzo's units. On auction day, units sold for an average of \$235 per square foot, roughly a third less than the previous asking price. Prices have hovered slightly above that mark since.

"The sales pace has been consistent since (the auction)," said [Burgin Dossett](#), senior vice president of Crosland Tennessee. "It's been heartening. I think the market recognized the quality of the product."

More than 2,000 people came through the building during the auction, said [Michelle Maldonado](#), sales director for Terrazzo.

"Some who may have been uncomfortable buying in an auction setting have come back and purchased," she said.

Not enough can be said about how Terrazzo was able to find its baseline price through an auction, added [Mark Storolis](#), an affiliate broker with French Christianson Patterson & Associates.

"The auction was an enormous step in getting them close to the sellout point where they are now," Storolis said. "They were way behind the Icon. Nobody wanted to be at the Terrazzo with that (Interstate) view and road noise. It was just a tremendous move."

The Terrazzo and other condominiums also benefited when some struggling condo developments in the area were converted into apartments, said [Grant Hammond](#), a real estate broker with an emphasis on condos.

"It certainly helped to take 80 units from Rolling Mill Hill and 220 from Velocity off the market and regain some upward pressure on prices," said Hammond, who estimated prices would have stagnated for another nine to 12 months had those complexes remained as condos.

While it's known for its luxurious condo units, Terrazzo includes commercial space that also is gaining momentum. Of the building's 79,000 square feet of office space, 62 percent is now leased. The building's 20,000 square feet of retail space is 30 percent leased, with tenants including BB&T, Ticketmaster, Catapult Marketing and DVL Public Relations and Advertising.

"We are seeing a lot more uptick on traffic on office and retail space," Dossett said. "The majority of office is leased, and we are well on the way on retail as well."

Terrazzo's performance is a testament to the Gulch's draw, said Maldonado and others who track residential real estate in the downtown area.

Of the 85 condo units sold this year in Nashville's urban core, 55 were in the Gulch area, including nearby Rhythm at Music Row, said [Sydney McCann](#), principal broker and research director for Market Realty Advisors.

"The Gulch is absolutely dominating sales," McCann said. "In close second would be the Encore, then Viridian and the Church Street condos."

There are a number of reasons why the Gulch remains a first choice for those in the condo market, she said.

"It's newer," McCann said. "There is much more inventory. I think the views are better, and it's got great amenities. People want an urban home that is conducive to everyday living like the Gulch offers."

[Daniel Stephenson](#), Terrazzo's homeowner association president, bought his 1,000-square-foot condo in March 2010 when prices had dropped to \$240 per square foot. The 26-year-old business analyst by day and gourmet mac 'n cheese entrepreneur by night, wanted to live in the Gulch and be part of creating what he calls "the new Nashville." He was attracted to the Terrazzo's construction quality, amenities, energy efficiency and price.

"You were getting a \$350 to \$400 per-square-foot condo for \$220 to \$240," said Stephenson, who is confident values will return.

That said, condo activity remains slow. Although Storolis believes condos in the Gulch will fare better than other developments, he said it will be a long time — if ever — before the area becomes what many once envisioned.

"I just don't think that there are that many people willing to live in 900 square feet and pay over \$300,000," Storolis said. "It's just not a very common buyer. Plenty of people are all about living efficiently nowadays, but the monthly cost is astronomical. There's just not many people that can afford it in this economy. We just don't have that clientele in the city of Nashville right now."



JAMES YATES, NASHVILLE BUSINESS JOURNAL

Daniel Stephenson and his girlfriend, Mandi Jones, drink coffee at Stephenson's Terrazzo condo, which he bought last spring.