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## **If you build it, will they come? Some wonder when the market will be tapped out**

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### *Second of two parts*

SOUTH BEND -- In the midst of a major national downturn in home sales, developers are gambling that there's a market for nearly 1,400 new housing units near the University of Notre Dame.

Many of the condominium, villa, townhouse, condo-hotel and apartment projects planned or under way are aimed at employees, alumni and fans of Notre Dame and other local colleges.

"This is not a market we anticipated but we find it interesting. There is not a university town in the country where there isn't some of this going on," said John Phair, president of Holladay Properties, the South Bend-based developer of The Cottages of Pendle Woods, a villa community on Pendle Road. More than half the owners are out-of-towners who bought the villas as second homes. Phair attributes the trend to baby boomers reaching retirement age. "They want to be active and they have fond memories of college," he said.

For out-of-town buyers, "having a place here is like me having a place on the beach," said Tim Murray of Coldwell Banker in South Bend, the real-estate broker for Pendle Woods. People view spending time near Notre Dame like a vacation, he said. Holladay studied the concept before committing.

"It's a very comfortable place within walking distance to the university," Phair said.

The villa development aims at a different market than condo-hotels in or planned for the South Bend area, he said. "Those are geared to weekends," he said. "Those are investments. Those aren't homes." **New student housing**

Riverstone Partners is an Indianapolis real estate development firm that in the past few years developed Dublin Village, a 58-unit townhouse complex in Roseland. All the units are sold or reserved.

The company's research showed a strong market for buyers who wanted residential units near Notre Dame, Saint Mary's College and Holy Cross College, Riverstone partner Mark Carney said.

Dublin Village has had four main kinds of buyers: faculty and staff, parents buying for students, investors who rent to students, and fans who plan to use units mainly on football weekends.

Dublin Village has covenants that forbid loud parties and limit the number of residents per unit.

Because of the Dublin Village success, Riverstone is developing Wexford Place, an eight-unit townhouse project on Willis Street east of campus. Five units are already sold. **Cautious developers**

Carney is cautious about the potential for additional growth in South Bend. His company decided against buying the Irish Crossings townhouse project east of campus. "We weren't comfortable there was demand for 80 units," he said.

The 58 Dublin Village units took three years to develop and sell, he noted. "My fear is we may be reaching that saturation point," he said.

About the condo-hotels, Carney said he wonders who will rent the rooms on the many nongame weekends.

Chicago developer Mike Brenan shares that caution. Brenan once thought the South Bend area was ripe for 900 to 1,200 condo-hotel units. Since opening Waterford Estates Lodge in 2005 in the former Ramada Inn on Indiana 933 North, he has scaled back his calculation.

"Now I think the market is for less than 400 units," said Brenan, a 1971 Notre Dame graduate. "That's from a year-and-a-half of talking to people interested in buying them."

He wonders whether all the proposed projects will be built. Of 200 rooms at Waterford, 80 or so are still up for grabs.

Notre Dame administrators, professors and alumni account for about 70 percent of sales, while fans with no formal ties to Notre Dame make up the rest. Alumni make up about 80 percent of that first group. Administrators and professors have bought units to use as overflow lodging for out-of-town family, especially for big games, Brenan said.

**Alumni self-image** The most popular Waterford condo is a 400-square-foot unit priced at \$140,000. Brenan frankly said the size and appearance of the room is a matter of self-image.

"It is all a matter of the ego of the Notre Dame graduate," he said, "and his or her desire to only own the very best."

Brenan believes the hiring of Notre Dame football coach Charlie Weis and excitement after home wins affect sales. Last year, Brenan sold 11 units the day after the Penn State win. But appointments by potential buyers were canceled after the Michigan loss.

Besides Waterford, the 189-unit Hall of Fame Gameday Center condo-hotel tower is planned for downtown South Bend and 80 to 100 condo-hotel units are slated for Stadium Village east of campus. Varsity Clubs of America, a time-share facility in Mishawaka, is adding 24 suites.

Condo-hotels have succeeded in other communities, and they should work well here, said Mark Eagan, executive director of the Chamber of Commerce of St. Joseph County. He doesn't think the residential building boom will much affect the health of local hotel-motel business. "Only a small number of people can afford to buy a unit rather than stay at a hotel," he said.

Eagan believes much of the new development around Notre Dame is driven by the revitalization plan for the city's northeast neighborhood.

Eagan hopes most buyers will be year-round residents, not just for football weekends. "If units are sitting vacant a lot, they won't be adding to the vibrancy of the neighborhood," he said.

### **Townhouse project sold**

Irish Crossings is a townhouse development east of campus. Originally planned by a Notre Dame alumnus, construction started three years ago but stopped after one building was finished. Highline Construction of Lafayette, Ind. -- Riverstone's construction partner for Dublin Village -- recently bought Irish Crossings to finish it.

Highline, which has built student apartment complexes near Purdue and Ball State universities, is enthusiastic about the South Bend market. "The market has potential to be overbuilt at the end of a cycle. We are at the beginning of the sales cycle," project manager David Foote said.

The 79 townhouses will be marketed to Notre Dame employees and to alumni as second homes, said Steve Cooreman, of Cooreman Real Estate Group and RE/MAX Irish, which is marketing the development. The first units will be ready by fall, he said.

### **Location is key**

The market is not the issue, local developer John Roy said. He believes the location of a project and its timeline will determine its success. Roy, a California native and Notre Dame MBA student, plans to develop Stadium Village condos and a condo-hotel east of campus.

"Yes, there are a lot of projects going on at the same time, but there's a lot more demand than we realize," Roy said. "It's hard for us, locally, to understand, but look at the hotel demand on game weekends."

Roy said Weis' awakening of the real estate market and fan base was a determining factor in his desire to build condos. The key is location, and that is why Roy said he paid some homeowners two to three times the appraised value of their homes.

"(Buyers) want to be able to walk to the stadium, and they are willing to pay a premium for it," he said. "I think the people who aren't planning their developments based on location run the risk of being disappointed."

### **South of campus** Notre Dame is a player, too.

A major retail-residential complex is planned on 26 acres Notre Dame owns along Eddy Street, south of campus. Eddy Street Commons, to be developed by Kite Realty Group Trust of Indianapolis, is to include shops, restaurants, a hotel and about 195 townhouses, 80 condominiums and 100 apartments.

Location and mixed-use appeal are major factors pointing to the project's success, said John Fox, Kite's vice president of research.

The housing will be designed to attract not just Notre Dame fans and alumni, but young families, single professionals and other local residents who want to live near shops and restaurants, he said. Construction is expected to begin late this year or in early 2008.

Fox said he isn't ready yet to publicize expected prices for the residential units. **A niche market**

Lance Cleland, president and chief executive of Cleland Homes, a Mishawaka-based home builder, thinks he's found the perfect niche.

The company is developing North Douglas Condominiums, 216 units on Douglas Road in Mishawaka, with Irish-themed street names: Blue Drive, Gold Drive and Shamrock Way.

Unit prices range from \$130,000 to \$145,000. "This is for someone in the modest price range," Cleland said, noting some units likely will be bought by investors and rented to students.

Cleland has fielded hundreds of inquiries. The first four units sold quickly, one to a young Notre Dame employee and three to alumni who bought condos mainly for football weekends. "I think the demand is there. People want a condo close to campus," said Raj Alairys of Chicago, who last year bought 48 of the 52 units at College Park Condominiums, on Bulla Road at Ironwood Road.

He renamed it Stadium Club Condominiums and is marketing it to Notre Dame alums, parents and fans for about \$135,000 each. Two units had sold by early this year.

The complex was developed in the mid-1990s as condominiums, but most of the units are rented to Notre Dame and Saint Mary's students. The development is within easy walking distance of Notre Dame Stadium and is perfect for fans who want to live here part time, Alairys said.

He said prospective buyers started coming by "literally before the paint was dry."

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