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Real Estate

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NATIONAL PERSPECTIVES

Texans Find Their Own Hamptons Equivalent



BEACHTOWN INVESTMENT Larry and Karen Wiseman built a five-bedroom house in a New Urbanist community in Galveston and also bought a condo to rent out.

By KRISTINA SHEVORY

GALVESTON, Tex.

IT was the seasickness that did it. After trying to sleep on her husband's boat after a long day of deep-sea fishing in the Gulf of Mexico, Karen Wiseman had had enough. She was tired of nights spent sleeping off the coast of Galveston. She wanted a real home, on land.

So Ms. Wiseman and her husband, Larry, started looking for a second home, a place they could use as both a weekend retreat and a rental property. The Wisemans, who live in Willis, Tex., 48 miles north of Houston and about 100 miles from Galveston Island, drove all over Galveston and were intrigued by East Beach, a lonely strip at the far eastern end of the island.

A small trailer with a sign out front was advertising Beachtown, a New Urbanist



Photographs by Michael Stravato for The New York Times

NEW DEVELOPMENT Construction continues on the Palisades Palms condominiums on Galveston Island, Tex.

community of pastel-colored shorefront homes. The sales team inside told them that eventually up to 2,000 shore area homes would be built around three town squares with shops, parks and a lagoon. Andrés Duany, a leading architect in the New Urbanism movement, had designed the project. The Wisemans liked what they saw.

Many fellow Texans feel the same way about Galveston. Houston residents, eager for a second home and flush with cash from the oil boom, have made Galveston Island an emerging Lone Star equivalent of the Hamptons.

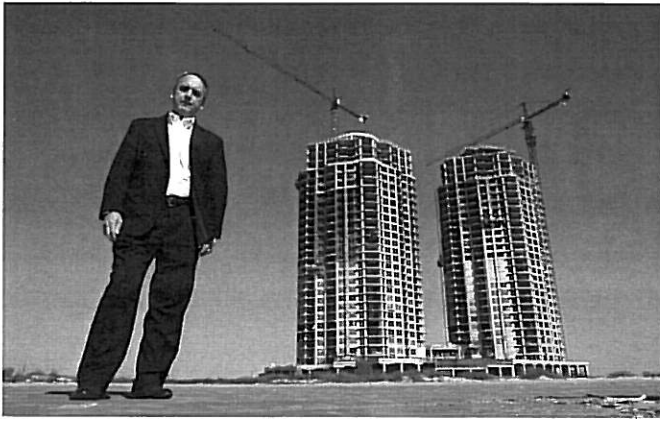
In February 2005, the Wisemans bought three lots on the gulf for a total of \$400,000. (They also bought a two-bedroom condominium in the Palisade Palms, a development now going up nearby, for \$500,000. That unit will be rented out.) They spent \$1 million building a

five-bedroom house on the lots — and in January, the house was ready.

"It was a big investment for us, but it seemed so perfect," said Mrs. Wiseman, 46, whose husband, 50, owns a project-management company that often works with petroleum companies. "We're glad we got in when we did," she said.

Only 51 miles southeast of Houston, Galveston still has plenty of vacant land, low home prices and miles of wide-open beaches. Over the last four years, the average price of a home has risen 89 percent, to \$232,800 in January, according to the Galveston Association of Realtors. Prices for water-view lots are now more than double what the Wisemans paid. A single water-view lot at Beachtown costs \$300,000, though other lots without views could be as low as \$80,000.

"The world has discovered the Gulf Coast," said James Gaines, research econ-



Photographs by Michael Stravato for The New York Times

NEW DEVELOPMENT Richard Anderson, above left, a vice president for the developer of Palisades Palms, the Falcon Group, says second-home buyers are drawn to Galveston because it is close to many cities and suburbs. By the end of the month, ground is expected to be broken on the Diamond Beach Resort & Spa, shown in a model above right.

omist at the Real Estate Center at Texas A&M University. "You want a second home on the East Coast at an affordable price, and you're not going to find anything. Here, it's still available and affordable."

The turnaround has been significant in a town that as recently as 10 years ago didn't have enough money to repave roads and install new water lines. Large-scale development had not happened since a hurricane destroyed much of the city in 1900, killing more than 6,000 people.

"Galveston is experiencing a renaissance it hasn't seen in 100 years," said Jeffrey G. Sjoström, president of the Galveston Economic Development Partnership. "The beauty of the development is that it's comprehensive and diversified. Our eggs are being spread across many baskets."

The development seems to fly in the face of Galveston's geography. As a barrier island, the city can flood during tropical storms. Sometimes, its beaches erode. In September 2005, the city was evacuated when Hurricane Rita threatened the island. But home buyers keep coming because a large-scale hurricane has not damaged the island in more than 20 years.

Developers are putting up condominium towers, resorts and acres of homes from one end of the 32-mile-long island to the other. More than 6,500 residential units are under construction; most of them are condos, according to the development partnership. At the western end of the island, Centex Homes is building one of the largest projects, a 1,000-acre development with 2,300 houses and condos.

More than \$2.3 billion in commercial, public and residential projects are under way or planned. A new causeway linking the island to the mainland and one of the country's two laboratories to research emerging diseases are under construction. In the last three years, a new city convention center opened, and Moody Gardens, a complex of museums, water parks and botanical gardens, added a 125-room hotel

wing and expanded its exhibition space.

The Port of Galveston calls itself the busiest in the gulf for cruise-ship traffic, thanks to a steady pace of renovations and expansions. After Carnival Cruise Lines decided to use Galveston as a home base for one of its ships, the Celebration, traffic there shot up, said Steven M. Cernak, the port's director. Last year, the port handled 616,198 disembarking passengers, up from 1,365 in 1999.

The city is doing its part to welcome the development. It reorganized its planning department and introduced tax incentives for developers who put in infrastructure with their projects, like new roads, utilities and landscaping. The city signed a deal in February with Moody Gardens to renovate the municipal golf course for \$14 million.

Some residents are concerned, though, that the character of their island will be lost under the construction crane. They lobbied against a 16-story condominium tower on the west end of the island last fall, and their fierce opposition prompted the developer to drop his plans and the city to re-evaluate its master plan and height limits.

"We want to make sure we retain our character because that's what's attracted people here," said Wendy O'Donohoe, Galveston's director of planning and community development.

Despite the opposition, the change has been striking. Randall Davis, a Houston developer of high-rise condominiums, said he wrote off the city 10 years ago, after his first project in town — converting a downtown building into 40 lofts — earned less than he had thought it would.

But three years ago, he changed his mind and agreed to develop and market the Emerald by the Sea, a 15-story condominium tower in Galveston, for the landowner. When the condos sold out within a year, Mr. Davis knew that Galveston had changed.

"It made me realize there's a huge demand," Mr. Davis said.

By the end of this month, Mr. Davis expects to break ground on his second project in Galveston, a seven-story resort he modeled after his favorite hotel, the Hotel Bel-Air in Los Angeles. This project, Diamond Beach Resort & Spa, will have pink and white walls, a private beach, indoor and outdoor swimming pools and 230 condos with gulf views. Prices are expected to range from \$475,000 for a two-bedroom to \$850,000 for a three-bedroom.

At the other end of the island, Tofigh Shirazi, president of Intercontinental United Investors in Houston, said he had remained committed to Galveston despite years of setbacks wading through complex city permits and reworking his project. After buying land on East Beach 14 years ago, Mr. Shirazi finally broke ground last summer on his Beachtown project and has already sold all the 133 single-family lots in the development's first phase. He is about to start construction on 27 town-home lots. Another phase is to add 48 lots.

Next to Beachtown, the Falcon Group, a commercial and residential developer in Houston, is building Palisade Palms, two 27-story condominium towers. They will be the tallest buildings in town when they are completed next January. (The east end is more sparsely occupied than the west, so there was no opposition to the towers.) The project's 288 condos, which cost \$445,000 to \$1.5 million, have views of the gulf or Galveston Bay. Around 90 percent have been sold. The developer said it expected to put up to 1,500 units over the next decade.

"What we're able to offer the five million people one hour away is not necessarily emerald seas and salty sands, but convenience," said Richard Anderson, the Falcon Group's vice president for development. "You can pack the car with your kids or grandkids and be on the beach in an hour."

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