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# If People Live in Condominiums and Work in Offices, What is an Office Condominium?

# “Everyone knows what a condominium is...”

Everyone knows what a condominium is – a dwelling which is owned by the individual purchaser and surrounded by common space jointly owned with other residents. Typically a high-rise building or congregated units, this type of residential space was made popular in the eighties. Perhaps surprisingly, Texans who traditionally desire large yards and individual garages have embraced this concept. It took a while to grasp the notion, but when purchasers from California and other areas outside of Texas came into the Houston market and bought up units by the dozens, turned them around, and successfully leased them to individuals, many Houstonians began to take notice. Realizing the large amount of time and money required for yard upkeep and other routine maintenance involved in homeownership, young singles, couples without children and empty nesters were drawn to the condominium lifestyle. Just as residential condominium ownership slowly entered the market and took time to sink into the Houstonian mindset, the office condominium is making a name for itself both inside and outside of Beltway 8.

## ***Does Houston have Office Condominiums for Sale?***

Condominium office space is available for sale in Houston; however, the word “condominium” used in front of “office space” is still quite foreign to Houston business owners and commercial real estate brokers. The majority of business decision makers and brokers are immersed in an “office space-for-lease only mentality,” and are not aware that office product is also available for pur-

chase. Leasing office space, no matter how large or small, is traditional, easy to comprehend and what people know best.

The office condo concept has indeed arrived in Houston, and a growing number of businesses are beginning to take advantage of the benefits. Larger manufacturing and industrial companies needing both office space for executives and administrative personnel and a plant or warehouse facility have long recognized the need for and the benefits of owning property. Today, it is possible for even the smallest of tenants to realize the benefits of owning their office space, and this concept is gaining popularity in various regions, recently including the greater Houston area.

The office condominium found in Houston takes a variety of forms – park-like settings, office park complexes and even the mid-rise office building. The common denominator is that each individual office-space owner has total control over the space that they have purchased, while sharing in a percentage of ownership of the common elements of the property. From The Woodlands to Clear Lake and from Cypress to the Central Business District, the sudden popularity of the office condominium is apparent.



## **What Makes the Office Condominium Different?**

Purchasers have the ability to make their office space their own, often spending significant tenant-improvement dollars to turn their space into a home away from home. Just as residences are personalized, office space can be too. If a purchaser works non-typical hours and may exercise during the day, why not include a personal bathroom with a shower?

Ownership also allows increased control of the work environment, resulting in more customized work spaces and improved cost efficiency. For instance, independently metered electricity paired with independent air conditioning units allows a tenant who operates during traditional eight-to-five hours to avoid additional expenses incurred by a neighboring tenant who might need over-time air conditioning.

## **What Types of Benefits Might a Condominium Office Purchaser Realize?**

Property ownership offers many advantages that leasing office space does not. Owning office space offers the unique financial opportunity to build equity, take advantage of tax benefits, and reap the rewards of real estate appreciation. It's the difference between investing in an ownership position in one's business offices, and spending money on a lease that has no chance of developing future value. At the end of a traditional office lease,



the space remains unchanged, but the tenant must renegotiate rates and other factors in order to even stay in the space they've occupied for the past term. Depending on the climate of the sub-market and economy, the renewal could have more favorable rates, however the cycles of leasing don't remain steady and chances are good that at some point lease rates will take an upward move and the tenant will find himself at the mercy of his landlord and all nearby landlords as well.

Payments made on a mortgage allow one to develop equity in the property as the balance of the loan is paid down. Additionally, tax benefits are derived from deducting mortgage interest and depreciation, and financial gains may be realized from appreciation in the increases of the property's value. Ultimately, an owner determines how his space is built, assuring that he gets exactly what he wants, and he retains the value for it.

## **Where Has the Office Condominium Concept Been Successful?**

Almost weekly articles are being written about successful office condominium projects across the country. Atlanta and its suburbs had this concept figured out many years ago. Office condominium projects in Phoenix and surrounding areas are flourishing with sold out projects frequently being announced. Many cities in Florida have mastered this concept and smaller companies truly enjoy the flexibility. Conversion projects take place in Manhattan, Chicago and Washington D.C. quite regularly now and most purchasers agree they enjoy the tax benefits in addition to the ability to control their expenses. Earning a return on one's investment just makes good business sense. Locally, much success has been touted recently about the Willow Park Office Condominiums project located in northwest Houston. The 96-unit project sold out within nine months with five similar developments currently being developed. A quick web search will produce more Houston area office condominium projects than you can imagine.

## **Is the Office Condominium for Every Business?**

It is very certain that office condominium ownership isn't for everyone. Businesses that fluctuate in size could find themselves in trouble if they grow too quickly without having a plan in place for overflow. Downsizing may not create as much of an effect, as space not being utilized may be leased. Another consideration for a business thinking about purchasing an office condominium is the upfront cost involved with a down payment on a mortgage. Just how liquid is the business? The longevity or life span of one's business is also a factor in determining whether or not purchasing office space is a viable option. Will the business be around



in twenty years? One planning on retiring in only a few years would probably not be the best candidate for this business move unless an heir or business partner would consider a buyout that included the office space.

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For business owners desiring an alternative to traditional office space leasing, purchasing a condominium office is an attractive solution. With the many different projects already in place and on the drawing board, it is easy to find the business location best suited to the business' character. Attractive financing is also in favor of a company making a move of this nature. For the right business, office ownership is a unique opportunity to begin building equity, control expenses and retain value.

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