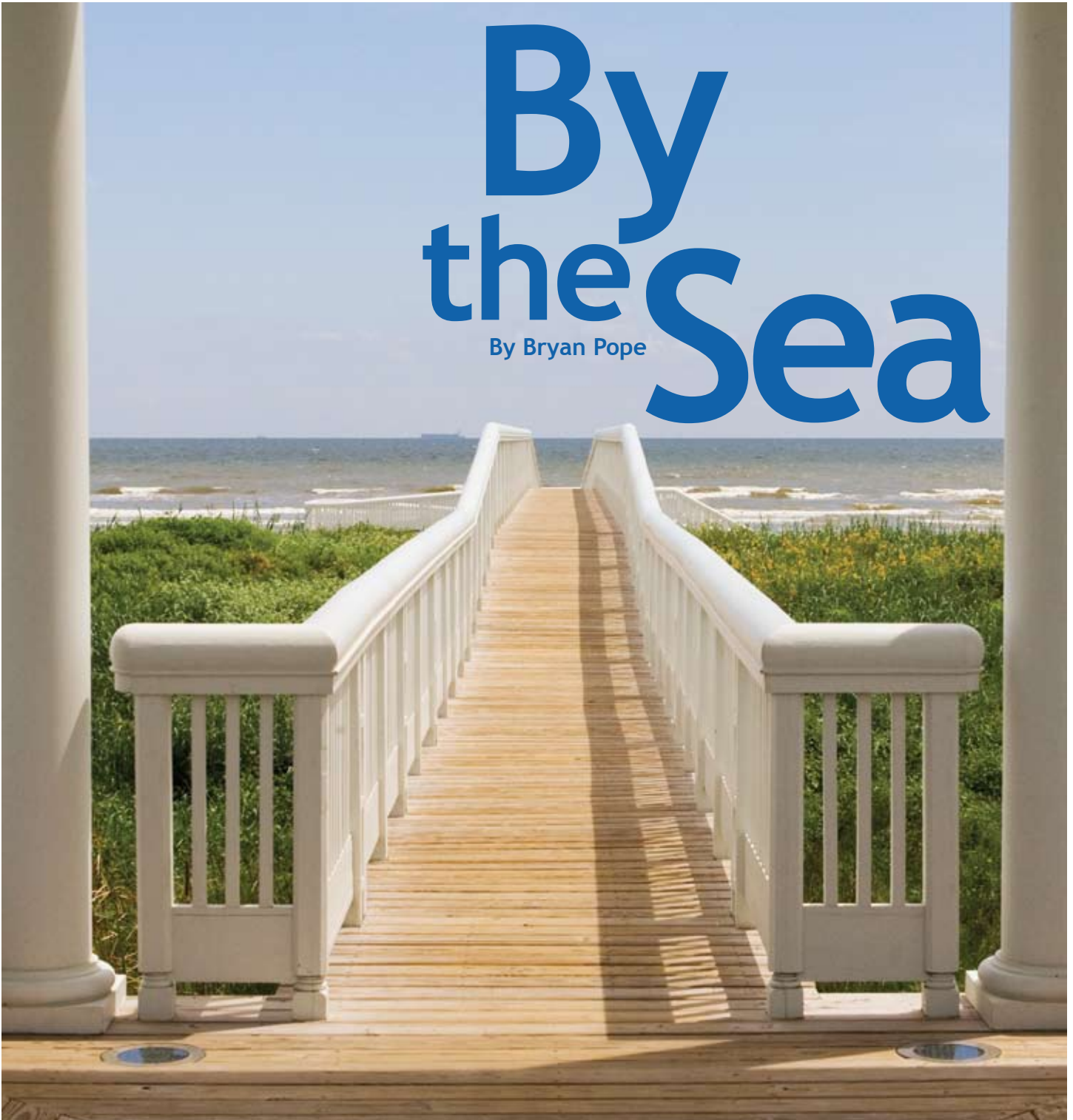


A Reprint from *Tierra Grande*

# By the Sea

By Bryan Pope



Driving along Galveston's Seawall Boulevard, it's not hard to understand the barrier island's appeal. The open window catches the warm, salty breeze blowing off the Gulf. Above the sargassum-covered dunes, seagulls hover to the sound of crashing waves. As I cruise over the San Luis Pass, a couple of dolphins occasionally break the surface far below, almost keeping pace with me. Somewhere out beyond the white caps, thunder crackles, heralding an approaching storm.



**CONDOS LINE SEAWALL BOULEVARD** in Galveston, literally a stone's throw from the Gulf. While people may give other reasons for moving to the coast — climate and casual lifestyle, for example — living on the water is what it's really all about.

Welcome to life on the Texas coast, a region that is finally catching the nation's attention after years of going virtually unnoticed, and a region that more than a few developers are now referring to as "the last frontier" in beach development.

Last March, *The New York Times* reported that more than 6,500 residential units were under construction in Galveston, and the city had more than \$2.3 billion in commercial, public and residential projects either underway or planned.

Among those are the Falcon Group's \$180 million, 288-condo Palisade Palms and Centex Destination Properties' \$500 million Pointe West development, which will include 900 condominiums, 3,000 home sites and a marina.

But the boom extends far beyond the Galveston Causeway. Since around 2000, the entire Texas coastline — stretching more than 300 miles from Port Arthur to Port Isabel — has ridden an unprecedented wave of popularity among vacation-home buyers and baby-boomer retirees. That means big business for developers and builders.

Take the Coastal Bend, for instance, where Rockport construction firm owner Richard Dias says development has soared.

"Around 1990, there were two, three or four builders in this whole area, and now there's probably upward of 40," said Dias, whose projects include Old Cottage Beach in Rockport and the Villas of Marina Del Rey in Port O'Connor.

To say the abundance of developers along the coast is evident would be an understatement. Visit just about any beach community, and chances are you'll see brand-new hotels and condo towers sprouting among the weathered gift shops, not to mention restaurant franchise staples such as Chili's and Joe's Crab Shack sitting alongside local seafood and Tex-Mex holes-in-the-wall.

## Coastal Appeal

Retired university administrators Herb and Shelley Price left soggy Eugene, Ore., more than two years ago for the sunnier skies of Galveston, and the warm, comfortable climate was exactly what they were looking for. That and quick access to the kind of hospital facilities and shopping centers a large city like nearby Houston provides.

"It's also almost the last affordable place we could move to if we wanted to live on a large body of water," Herb Price said.

For cost-conscious people wondering where they can get the most for their money, Price's point may strike a chord.

"Coastal markets outside of Texas are very high," said Tom Goodman, principal broker with Coldwell Banker Goodman Associates in South Padre Island. "Comparatively speaking, Texas is a bargain."

The data support that. TexasGulfCoastOnline.com reports that the median price for a single-family beachside home is \$160,000 on the Bolivar Peninsula and \$230,000 in Port Aransas. Compare that with Miami, Fla., where the median price is \$396,000, or with California's Solano County (which is near the San Francisco Bay area), where the median price is \$430,000.

Clearly, the Texas coast's surge in popularity can easily be attributed to the still-reasonable property prices and the state's robust economy, but builders and city officials also give credit to the coast's natural appeal.

"I think we who live on the water forget what it's like to live inland in Texas or inland anywhere," Dias said. "People want to get to the coast for climate, water activities, casual lifestyle and sunshine."

Arlene Marsh, president of Port Lavaca's Economic Development Corporation, agrees.

"People like the water," she said. "It's restful, and it's peaceful."

For those who live to fish, it's also convenient. Many developments allow residents to step out their front doors and be in a boat and on the bay or Gulf in a matter of minutes.

Cate Ball, South Padre Island's town planner, agrees that Texas' natural assets are a major draw for people, but she said South Padre's success also stems from its location. The resort island's proximity to Mexico gives it a distinct bilingual flavor.

"Part of our selling point down here is that we're the 'two-nation vacation,'" she said.

## Waves of Newcomers

According to Alice Donahue, co-owner of TexasGulfCoast-Online.com, 60 percent of the people buying along the Texas coast are investors, 30 percent are second-home owners and 10 percent are retirees. Almost all are baby boomers.

Ball says many second-home buyers rent out their homes and use the rent to cover the second house payment until they retire.

"Their hope is that they get enough so that they're able to pay off the house before they retire and move here," Ball said.

Like Herb and Shelley Price, many retirees are coming to the Texas coast for the kind of lifestyle that, until recently, had largely been associated with Florida and California. Earlier this year, Texas was proclaimed the second most popular retirement spot in the country by the North Carolina Center for Creative Retirement. The state attracted 6.8 percent of America's migrating retirees in 2005. Florida, while still at number one, dropped from 19.1 percent in 2000 to 16.6 percent.

South Padre Island has its own special appeal, especially for potential homebuyers with fond memories of college spring breaks spent on the island. As the gateway to South Padre, Port Isabel benefits from this reputation as well.

"Over the years, we've seen spring breakers come down, behave like spring breakers, and five or ten years later they show

up with their kids," said Valerie Bates, marketing director for Port Isabel, which gets an average of 690,000 cars passing over the causeway to the island each month. "The next step is they're looking at a second home."

## Storm Warnings

What's especially remarkable about the growth along the coast is that it has happened despite the annual threat of hurricanes. Texas has seen its share of storms over the years.

The Prices moved into their 15-year-old home in Pirate's Beach West in September 2005, right around the time Hurricanes Katrina and Rita hit the Gulf Coast. They were aware of the risk of hurricanes in that area, but it didn't deter them from buying their home.

"We all know that sooner or later we're going to have to evacuate again, but that's just the way that things go," Herb Price said. "Somewhere else it might be a flood or a tornado or a snowstorm, so we just take it as it comes."

Ball says the flurry of hurricane activity two years ago had no impact on development on South Padre Island, and officials from most other cities agree.

Anne Willis, owner of Swede's Real Estate in Crystal Beach on the Bolivar Peninsula, said hurricanes slowed development in her area, but only temporarily. When it comes to the dangers of hurricanes, she says beachgoers seem to have short-term memories.

Not so with insurance companies, many of which no longer offer windstorm coverage. Builders and homeowners must instead purchase the coverage from the Texas Windstorm Insurance Association. To be eligible for coverage, a structure must meet windstorm building codes that have been adopted by the commissioner of insurance.

"If the house doesn't meet code, hopefully the buyer can find an insurer who offers windstorm coverage. But that's a very big if," said Alexis Dick with the Texas Department of Insurance.



**MEMORIES OF THE DEVASTATION** caused by Hurricanes Katrina and Rita have not deterred buyers from purchasing their "dream" properties on the Texas coast. Some are looking for vacation homes; others want to retire to seaside condos like these.

**WITH TEXAS COASTAL** property prices significantly undercutting those on the East and West coasts, building is booming. Condo towers are springing up on Galveston Island, along with other residential, commercial and public projects.



“So their best avenue is to make sure the home they are purchasing has been built to the windstorm building code.”

Fortunately, Dias says, many builders now adhere to state windstorm designs systems and use windows and doors that are essentially unbreakable.

## Rough Waters

Officials in coastal towns talk about the massive amounts of tax revenue development can generate in their areas, but many of them are also quick to say that it’s not without cost.

Some are concerned about the potential effect on longtime residents. The demand for property on the coast has become so great that prices for existing homes are appreciating at astonishing rates. Home values along the Texas coast have seen a 10 to 20 percent increase in the last five years and a 25 to 30 percent increase in the last ten, says Willis. The Galveston Association of Realtors reported that the average price of a home in Galveston last January had risen a whopping 89 percent over the last four years.

This can be a double-edged sword for homeowners.

“For the people who have been here, it’s a moneymaker, but only if they want to move, and there’s a faction that really wants to stay here,” Ball said. “But the taxes keep going up, and they end up having to move out and go somewhere else, and then the community doesn’t have the flavor that it used to.”

There’s also the matter of trying to retain a town’s unique identity in the face of change. Bates said Port Isabel tries to work with developers to ensure that they maintain some of the city’s personality and history, and that seems to be the case in most other coastal towns as well. In fact, Ball says the ongoing debate on South Padre Island revolves around the type of image people want the area to project.

“Do we want to have tall skyscrapers everywhere, or do we kind of like what we have, which is two- or three-story homes and maybe four-story mid-rise kinds of buildings?” she said. “Not everyone agrees about that.”

Price understands development from an economic standpoint, but he hopes all the development won’t ruin Galveston’s natural beauty.

“We’re right next to a state park, and that’s great. And we’re looking out over the coast, and that’s great. I’m hoping development doesn’t get so large that we aren’t able to have the natural settings that we have now,” he said.

Obviously, those natural settings include miles and miles of beaches, some of which are quickly eroding, and that presents an even more critical issue developers need to consider. Chicago-based Marquette Companies found that out when their 1,054-acre The Preserve at West Beach drew criticism earlier this year from Galveston residents who were worried that the development — the largest in the island’s history — might jeopardize the already rapidly eroding west side.

Tim Dellapenna, a marine geologist and assistant professor at Texas A&M University at Galveston, says erosion is a natural process that can be hastened if developers build without an awareness of geohazards or erosion issues.

“It’s irresponsible to build right up to a wetland knowing that the wetland is going to be migrating landward, and it’s irresponsible to build knowing that the structure is going to be on a section of the island that will be eroding in the next few years,” he said. “We know what the erosion rates are, and we know there isn’t a big source of sand out there for renourishment projects. [Developers should] use data to determine the better places to build.”

Dellapenna says developers of Galveston’s Sunset Cove were aware of such issues and used geotubes (sand-filled fabric

cylinders that are buried under beaches to help slow erosion) to restore the bay before the development was completed. Another development provided adequate setback from marsh areas. Developers who don't provide these kinds of long-term protections on their projects could be creating problems for homeowners down the road.

"It's a pay now or pay later kind of situation," Dellapenna said.

## Winds of Change

Just a few miles outside of Galveston are the remains of what used to be an expansive stretch of beach. That was 30 or 40 years ago. Today, all that's left is a narrow strip of sand and a partially submerged road, a casualty of the receding beach.

The signs of change along the coast are everywhere, and change is never easy, a lesson Texas is learning as people flock to its beaches. But those involved with coastal development are proud of what Texas beaches have to offer, and they agree that sometimes changes are for the greater good. Dias puts it best.

"I'm all about growth and more business and building up," he said, "but I also love it here the way it was. Within reason, I'd kind of like to keep it that way. But if I want to be here, so do other people."

Get ready, Texas coast. You've been discovered. 🇺🇸

Pope ([b-pope@tamu.edu](mailto:b-pope@tamu.edu)) is an associate editor with the Real Estate Center at Texas A&M University.

### THE TAKEAWAY

With its comparatively inexpensive property and natural assets, the Texas coast has become a popular spot for investors, second-home buyers and retirees. Communities trying to meet the demand for housing face several challenges, including preserving their towns' personalities and the coast's natural integrity.



MAYS BUSINESS SCHOOL

Texas A&M University  
2115 TAMU  
College Station, TX 77843-2115

<http://recenter.tamu.edu>  
979-845-2031

**Director**, Gary W. Maler; **Chief Economist**, Dr. Mark G. Dotzour; **Communications Director**, David S. Jones; **Associate Editor**, Nancy McQuiston; **Associate Editor**, Bryan Pope; **Assistant Editor**, Kammy Baumann; **Art Director**, Robert P. Beals II; **Graphic Designer**, JP Beato III; **Circulation Manager**, Mark Baumann; **Typography**, Real Estate Center.

#### Advisory Committee

David E. Dalzell, Abilene, chairman; D. Marc McDougal, Lubbock, vice chairman; James Michael Boyd, Houston; Catarina Gonzales Cron, Houston; Tom H. Gann, Lufkin; Jacquelyn K. Hawkins, Austin; Barbara A. Russell, Douglas A. Schwartz, El Paso; Denton; Ronald C. Wakefield, San Antonio; and John D. Eckstrum, Conroe, ex-officio representing the Texas Real Estate Commission.

**Tierra Grande** (ISSN 1070-0234) is published quarterly by the Real Estate Center at Texas A&M University, College Station, Texas 77843-2115. Subscriptions are free to Texas real estate licensees. Other subscribers, \$20 per year. Views expressed are those of the authors and do not imply endorsement by the Real Estate Center, Mays Business School or Texas A&M University. The Texas A&M University System serves people of all ages, regardless of socioeconomic level, race, color, sex, religion, disability or national origin. Photography/Illustrations: Bob Beals II, pp. 1, 2, 3, 4.