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Condos making comeback in Jersey
Class finally recovering in state's prime locations

BY JOSHUA BURD

The financial crisis brought New Jersey's for-sale housing sector to its knees — and developers of luxury condominiums were among the hardest hit by the meltdown.

But some builders are slowly coming back to the asset class, experts say, driven by the demand for high-end units in the state's prime locations and the sheer lack of supply after many projects were put on hold or converted to rentals during the downturn.

"The demand is unbelievable," said Martin Brady, executive vice president of sales and leasing for The Marketing Directors. The New York-based real estate consulting firm has several condo assignments in North Jersey, including The M at Englewood South in Englewood and Trio in Palisades Park.

"We have open houses on Saturday and Sunday and it's like the old days — we'll have seven or eight people in the sales office at one time."

That demand is one key reason developers are planning or rebooting condo projects in some of the state's most attractive markets, which in recent years have been dominated by rental apartment construction. Take Jersey City, where developer China Overseas America last month unveiled plans for a 95-story, 760-unit condominium building.

Some five miles away, in Weehawken, Lennar Homes last summer opened the first piece of a five-phase condo project known as the Avenue Collection. A spokesman for the homebuilder said the 74-unit building is 75 percent sold out — with units ranging from $1.1 million to $2 million — and a 103-unit second phase already underway.

The activity comes amid measured improvement in the state's condo market. Sales of condos and townhomes reached 20,714 last year, up 0.5 percent from 2013 and 22 percent from 2012, according to the New Jersey Association of Realtors. The median sales price reached $255,000 in 2014, up 2 percent and 4 percent from the previous two years, respectively.

But Jeffrey Otteau, president of Otteau Valuation Group in East Brunswick, said a better indicator is resale prices in some of the state's most desirable markets. In places such as Hoboken and Jersey City, he said, condos are now back to selling for around $600 per square foot after dropping roughly 30 percent three years ago.

It's still a long way from 2005, the height of the condo market, before the housing crisis brought development to a halt some three years later. For-sale projects became difficult to finance — especially as federal regulations tightened around lending—and many developers shelved plans or scrambled to convert easting units to rentals.

Otteau said the condo bust was especially pronounced in New Jersey because "we ended up seeing this product built in many of the wrong places — suburban places, specifically — where buyers really prefer to live in single-family houses." But the market is now "back to basics" meaning projects are finding success in urban or other vibrant, downtown locations such as Summit, Westfield and Morristown.

"In the suburbs, we've really not seen this type of development occurring since the recession — with very limited exception" he said. "The exceptions have occurred for the most part in prime locations, where income is high and the developer can capture a price premium."

Getting top dollar for the units is especially important, Otteau said, because condos are the most expensive product type to build. High-end units could cost $200 per square foot to build, an investment that doesn't translate to sale prices in suburban markets.

"What we really have is a tale of two markets here right now" Otteau said.

The renewed demand for luxury, well-located condos has helped bring existing projects to their full potential. In Montclair, the Pinnacle Cos. is now marketing the last eight of its 101 units at The Siena, which opened in 2007 as the recession was about to set in.

Pinnacle CEO Brian Stolar said the firm sold 10 to 15 units over each of the next three years, but, by about 2011, the condo market had truly flattened. To carry the project through the rest of the lean years, the firm seized on the growing rental market.

"For us it made more sense to rent the units out at very high rents, compared to where they were three, four years ago, and wait until the market really start to come back up again, which it has now done," Stolar said.

Pinnacle broke ground last fall on a 30-unit multifamily project in West Caldwell, and the firm is weighing whether to offer the homes as condos, Stolar said. And, in Montclair, the developer has "at least two others ... where there will most likely be a condo element"

At the 140-unit Trio in Palisades Park, The Marketing Directors put 71 of its apartments back on the for-sale market in late 2013. Since then, 42 have been sold.

The firm is now being tapped by developers considering condo projects in places such as Fort Lee, Harrison, Jersey, Hoboken and Union City.

"(A year ago) we were having more rental conversations and fewer condominium conversations." said Adrienne Albert, CEO of The Marketing Directors. "Now we're having more condominium conversations and fewer rental conversations."