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Forward PATH

CRYSTAL
POINT

PRICE POINT: Jersey City's Crystal Point, with condos starting in the low \$500,000s, has seen business pick up.

By ADAM BONISLAWSKI

The W Hoboken sold the last of its 40 residential units in April 2007. By the time the building began closings in April 2009, however, the real estate market was much softer. And, in what's become a familiar story, some of the original condo buyers were no longer able or willing to go through with their deals.

Six contracts at the building have fallen through (with 31 units having closed and three more scheduled to close), according to Michael Barry, a principal with the project's developer, Ironstate Development. And those apartments are up for sale again.

It's a much different time than the heady days of 2006 and 2007, when the average sales price in the building was \$1,040 per square foot. Even then, the number was

eye-catching for a New Jersey development.

So what kind of money are these re-released units now going for? \$900 per square foot? \$800? \$700? Try \$1,000 — and up.

"We're not going to alter the sales program too drastically from our original plans," Barry says. "We think it's still a good value."

Whether buyers will agree remains to be seen. (Barry claims to have "two or three interested parties that are around the dollar figures we're talking about.") But there are signs of optimism cropping up across the Hudson.

According to data from New Jersey appraisal firm Otteau Valuation Group, Hoboken had a 10.9-month supply of inventory on the market at the beginning of this year. By August, that number had

fallen to 8.8 months, and sales activity was up 63 percent compared to January and 34 percent compared to April.

Jersey City saw an even more pronounced warming trend, with a 10.8-month supply of inventory on the market in August compared to a 27.1-month supply at the start of the year, and August sales activity up 126 percent compared to January and 48 percent compared to April.

These trends are visible when you look at specific buildings, as well. Take Jersey City condo Crystal Point. This spring, business at the 269-unit waterfront high-rise was so slow that the project's builder, Fisher Development Associates, successfully petitioned the city to extend the project's tax abatement from 20 to 30 years. The building had been on the market for seven months with only 24 "firm" contracts, James McCann, a lawyer

representing Fisher, told the city council at a June 1 meeting. The developer, McCann noted, was selling some units below cost — at under \$500 per square foot.

“This is a question of survival or failure for this project,” McCann said. “The developer is facing the possibility of losing its shirt.”

Activity at Crystal Point (priced from the low \$500,000s) has picked up dramatically since then. By the end of June, the building had sold a quarter of its units. And a recent two-week span saw the sale of 19 more apartments — a rate of better than one a day.

Sales haven’t been quite so brisk at Metro Homes’ Gulls Cove project in the Paulus Hook section of Jersey City (priced from the low \$300,000s), where developer Dean Geibel says over the past three months he’s been averaging about a sale a week.

That’s a good enough pace, though, that Geibel has decided to kick off the 110-unit second phase of the project sometime in 2010.

“As we’ve progressed through this year, I’ve gotten more and more positive,” he says. “Each month I’ve felt more comfortable bringing [phase two] online.”

Although Geibel sold his interest in the 55-story Trump Plaza Jersey City this summer, he maintains he still plans to build that development’s second tower — eventually.

“It’s shelved,” he says, “but it’s not history.”

Also looking to the future is Hoboken’s Fields Development Group, which, says principal James Caulfield, plans to start next year on three new projects: a 30-plus-unit building in Hoboken and 130-unit and 22-unit buildings in Jersey City.

“Interest rates are low and construction costs are stable,” Caulfield says, explaining his plans to build through the downturn. And with fewer developers now active, he expects there to be less inventory to compete with when his projects come to market in two to three years.

As for selling in the here and now, Caulfield is trying a unique approach with his firm’s new 76-unit Jersey City condo building, the Saffron: He’s taking it straight to auction.

In August, Fields auctioned off all eight units in its Hoboken development 1300 Park. The event drew several hundred people, and after starting with suggested opening bids of \$150,000, the apartments (originally priced from \$419,000 to \$619,000) sold at prices ranging from \$401,000 to \$449,000. Impressed by the results, Caulfield decided to apply the approach with the Saffron. Sales there kick off with a Nov. 8 auction at which nine units will be up for grabs, with suggested opening bids starting at \$175,000.

Also launching sales this fall is phase two of Jersey City development the Beacon, where 25 full- and half-floor lofts are coming to

market at prices starting under \$300 a square foot.

For those looking to buy, it could make sense to take the plunge soon, says Otteau Group president Jeffery Otteau. Inventory levels suggest that prices in Hoboken and Jersey City might still decline somewhat, he notes, but he anticipates the market will strengthen moving into 2010.

“Our expectation is that new-construction sales in the first half of 2010 will be up 50 percent from this year,” he says. “We’ll be in a much stronger place.”