THE REAL DEAL

September 1, 2010

Connecticut condos battered, but see light:
Several developers have turned to auctions to unload remaining units

By C.J. Hughes

Connecticut may be known as the land of steady habits, but Fairfield County's condo market might be more accurately called the home of the fire sale. There are price chops up and down the Metro-North line, from emerging downtown markets in Stamford and Bridgeport to the established affluent suburbs of Greenwich.

To move properties, some developers have turned to auctions and eaten huge losses, while others are offering incentives, such as abating common charges, to stoke buyers' interest for remaining units left unsold.

The volume of sales plummeted 54 percent from the market's peak in 2007 to 2009, according to the Warren Group, a real estate research firm based in Boston. Median prices dropped in that time frame, too, by a smaller 12 percent dip, from $311,750 to $275,000.

Now, however, the market may be on the mend. Prices in Greenwich, Norwalk and Stamford inched up through the first five months of the year, according to the Warren Group, while Connecticut added 1,400 jobs in the Stamford-Bridgeport corridor in the same time frame, according to the state's labor department.

Because tight bank financing is limiting new supply, some analysts expect the last apartments on the market to eventually be snapped up. "People have put off the decision to buy a home for three years now, because they were too scared," said Tim Warren, the Warren Group's chief executive. "There's pent-up demand that hasn't been met."

Below, *The Real Deal* looks at the state of some of Fairfield County's more notable condos.

Trump Parc Stamford

Connecticut's second-tallest residential tower, at 34 stories, has sold only 36 percent of its 166 units since fall 2007, and the number has stagnated in recent months as buyers walked away.

In response, Thomas Rich, a co-developer, is taking a kitchen-sink approach with incentives. One of the more striking is a guarantee that if an owner fails to sell an apartment for what he paid for it after three years' time, Rich will make up most of the difference. "It hasn't been easy. I'm not going to sugarcoat it," Rich said of marketing the building, whose one-bedrooms start at $600,000. "But given the overall economy and housing market, we are pleased with how we're doing."

Stone Ridge at Fairfield

This development, which sits by a soon-to-open train station, sold well between 2005 and 2008, with 55 of 70 its units finding owners.

But the carrying costs of the final 15 became too onerous, and the developers, Robert Skolnick and David Small, "needed a strategy to get out," explained Sue Hawkes, chief executive of Velocity Marketing Services, which handled the private sale of the last batch of apartments. Prices averaged $457,000 for those final units, versus $700,000 for the initial round. "Thankfully," Skolnick and Small "had paid off all the debt with the early sales," Hawkes said.

The Clocktower Close in Norwalk

Built in 1906 as a hat factory, the Close was converted into rentals in 1985 and a condo two decades later by owner Seaboard Properties of Stamford.

Yet after five years of marketing, nine of the 132 condos, which feature exposed brick walls and tall ceilings, were languishing.

So in April, Seaboard put them on the auction block, starting at a low $99,000, which produced six sales, according to Larry Samberg, managing director of Sheldon Good & Company, the auctioneer. Samberg wouldn't disclose sales prices of the units, which ranged from studios to two-bedrooms, but defended Seaboard's motivation: "They were financially set and didn't need to get out."

Southport Green in Fairfield

Despite an address in a coveted enclave, this 24-residence complex with a Federal-style design couldn't close a single unit before the market crashed.

However, a subsequent everything-must-go scheme that dropped prices from $700 to $350 a foot seems to have worked, with 10 closings since marketing began anew in September, said Terry Keegan, a broker with Fairfield County Real Estate Company. Plus, Greenwich hotelier Delamar recently purchased a hotel built as part of the village-like complex. "This is a project that has come out of the ashes and blossomed," Keegan says.

The Classic in Stamford

Of the area's troubled condos, none has a history as tortured as this 18-story high-rise, which started life as a condo in 1990, before becoming a rental.

In 2006, a partnership of Apollo Real Estate Advisors and Urban Residential (which also teamed up for 505 Greenwich Street in Manhattan) revived the Classic as a 144-unit condo. The partnership managed to sell 89 apartments before losing the development to lender Capmark Financial Group, which itself filed for bankruptcy last fall. A summer auction managed to unload 34 units, with the remaining 21 to be marketed conventionally, though brokers point out that sales prices were about a third off their original list prices. First-time homebuyer Rotimi Sijuwade, who paid $375,000 for a two-bedroom, shrugs off the building's past: "I think the unit will appreciate over time, because the market will come back."

Lofts 881 in Bridgeport

Venturing into an untested luxury market -- downtown Bridgeport -- Jason Epstein bought a medical office building in 2005 and converted it into a 38-unit condo as part of an $8 million project by his E/N Properties.

Sales started well, with 18 apartments selling from 2007 to 2009, but then the market crashed and Epstein was forced to auction the balance last fall. Ten of the remaining 20 units sold through the auction. Eight others found buyers in the last few months, leaving just two for sale today: a one-bedroom for $130,000 and a two-bedroom for $185,000. That's down considerably from 2007, when the same one-bedroom would have cost $190,000 and the two-bedroom would have been $280,000. Epstein, who now deals in foreclosed homes, blames the building's woes on timing. "I lost a lot of money," he said. "But if it had come to market in 2006, I would have been fine."

Highgrove in Stamford

An 18-story tower named for Prince Charles's estate, Highgrove had major buzz on its side when marketing began in 2008, largely because it was designed by starchitect Robert A. M. Stern.

But since January, at which point half of its units had been sold, some buyers have demanded their deposits back over opening delays, said Jason Schlesinger, a principal of Ceebraid-Signal Corp., the building's developer. (According to the New York Times, at least four buyers have sued Schlesinger to get their deposits back.)

"It's taken time to finish the project the way we want," Schlesinger said. Still, the developers have no plans to slash prices, which range from $850,000 to $3.5 million for units that come with private wine cellars. "There continues to be a tremendous amount of interest," Schlesinger said, adding that closings start this month, when a new marketing campaign will also be launched.

Palmer Hill in Stamford

Unlike many of Fairfield County's condo projects, Palmer Hill, whose planned 195 units straddle the Greenwich border, is not a high-rise but rather arrayed across a 20-acre former office park.

This means the development team -- Buckingham Partners and Sun Homes, along with O'Connor Capital Partners, which is converting the Manhattan House into condos -- can build as demand arises, said Bob Dale, a partner. Some buyers have recently walked away, Dale explained, and he noted that the $130 million project's completion date has been pushed from 2011 to 2012.

Still, Palmer Hill has sold 59 of the 84 units that will be constructed by next spring, for $495,000 to $1.1 million. Also, concessions that were offered last year, like upgraded finishes, are now off the table. "Maintaining pricing protects the early buyers," Dale said.