

A couple of topics worthy of revisiting

"Have you ever written about ...?"

I get that question at least a dozen times a week from readers who have met one roadblock or another on their trip to homeowner happiness.

The answer usually is yes, I have, sometime in the last 15 years, touched on that subject, but feel free to ask and I'll see what I can come up with.

For example, a fellow who recently moved to Chester County from Upstate New York bought a new house and asked the builder to rough-in plumbing in the basement for a future bathroom.

He was a bit disappointed when the builder's idea of roughed-in plumbing did not mesh with his. The builder simply

added some drain lines and venting in the area the buyer designated.

The buyer thought there also should have been water lines running up to the sink and shower. He argued that an Internet

search of "roughed-in plumbing" came up with a definition that agreed with him, and asked what I thought.

Well, my definition of it, and the Internet definition of it, or Bob Vila's take on it, all mean nothing if the builder's definition is something different. That's why it's critical to ask questions and request detailed, written answers while buyer and builder are negotiating the contract.

The contract is written to protect the builder's investment. That's why I always recommend that every new-home buyer who isn't a lawyer hire one when negotiating the contract.

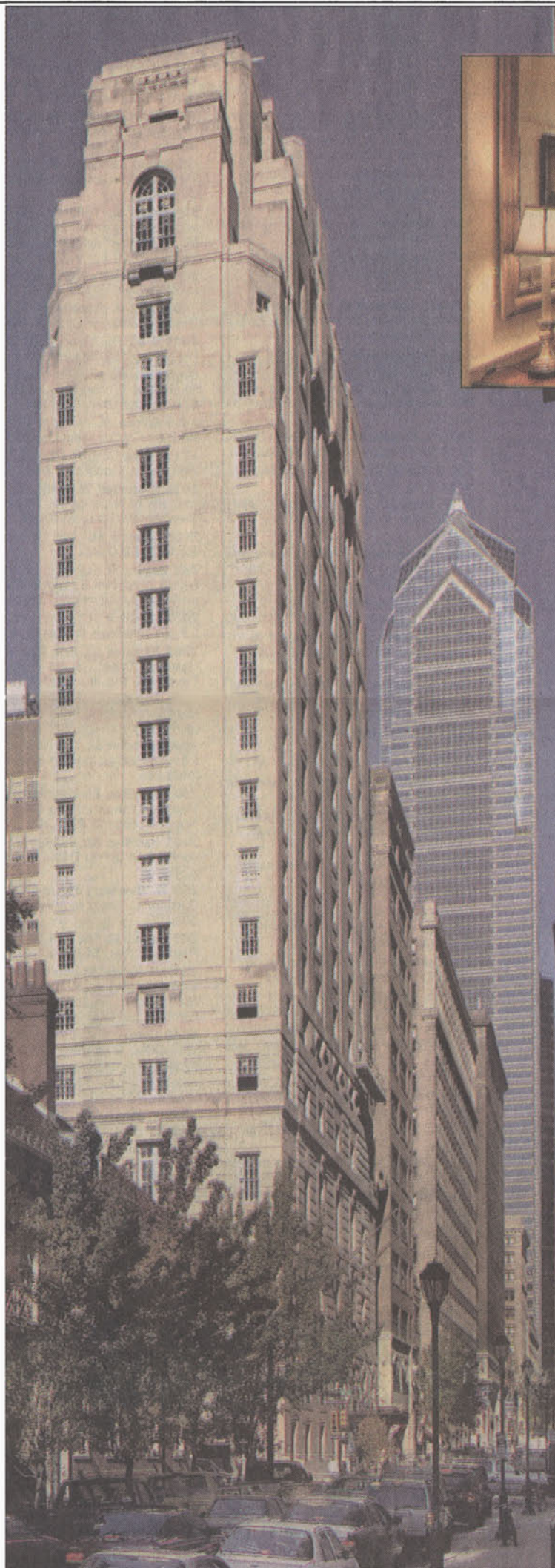
It's not that the builder is out to get you. No builder in a competitive new-home market such as ours is willing to damage the reputation he or she needs to remain in business by willfully taking you to the cleaners.

It's better to spend some extra money on legal fees up front than to be livid later.

See **ALAN J. HEAVENS** on J7



Alan J. Heavens
On the House



The Jewish Federation building at 16th and Locust Streets is becoming the Lanesborough. A hallway in a Lanesborough model, top right. Center City condo space commands more than \$300 a square foot.



Demand for housing hasn't waned, but there is less on the market than there used to be. Much of the demand is being met by condominium construction, and much of that is transformation of older buildings.

The conversion of Center City



JONATHAN WILSON / Inquirer Staff

The Stationhouse, below, is at Third and Race. At left, the kitchen in one of the units features granite countertops.

By Alan J. Heavens

INQUIRER REAL ESTATE WRITER

Nothing seems to be derailing demand for housing in Center City — not the economy, not rising prices, not even the fact that the selection is not as large as it used to be.

And a lot of that demand is being met with condominium construction. Every building that seems to have outlived its original purpose is fair game.

The Jewish Federation building at 16th and Locust Streets is becoming the Lanesborough. The W.B. Saunders publishing building at 220 W. Washington Square and the J.P. Lippincott publishing building at Sixth and Locust Streets also are being turned into condos.

A former city firehouse at Third and Race Streets that most recently housed special units and equipment of the Philadelphia Police Department is being converted into the Stationhouse, 12 single-level, bi-level or tri-level condo units. Developer Don Clendenon is focusing his marketing on the Old City location as much as the condos' amenities, which buyers can customize in the preconstruction phase.

Old City, once a warehouse district, has benefited greatly from such conversions over the last 30 years. Every piece of land, no matter how large, is a likely target for development, primarily condos.

See **CONDOMINIUMS** on J14



Condos meeting Center City housing demand

CONDOMINIUMS from J1

Consider Waterfront Square, which will be built on 9.6 acres at Piers 36-39, north of Spring Garden Street on Delaware Avenue. The project will include 760-square-foot units priced from \$221,000, and larger units ranging up to 2,642-square-foot, \$1.6 million penthouses.

Condo mania is not just a Philadelphia phenomenon. Sales of new and existing condominiums jumped almost 13 percent nationally during the first nine months of the year, according to a recent report prepared by the National Association of Home Builders.

The association's chief economist, David Seiders, suggested that the sales trend may continue, at least in the near term, because of strong price appreciation in the condo market.

"The benefits of low mortgage rates have encouraged buyers for condos in the same way as for single-family homes, but condo supply hasn't kept pace with demand," Seiders said. "This lag has continued to add upward pressure to condo prices in many markets."

Nationwide, median condo-resale prices rose 10 percent in 2001 and 15 percent last year. They climbed 15.2 percent in the first nine months of this year, he said.

"Year-to-date resale prices for single-family homes increased by only 8 percent," Seiders said. "And the year's not over yet."

In downtown areas, what a condo dweller can see and how easy it is to get there determines price.

"Space and view," said Allan Domb, president of Allan Domb Real Estate, who is either developing condo properties (the Barclay, the Lanesborough, and the W.B. Saunders) or marketing them for others (the Lippincott, being developed by MCW Enterprises L.L.C., of Delran, Burlington County).

The price of a condo on Rittenhouse Square, the prestige address in Center City, is running \$425 to \$450 a square foot, Domb said. That's for unfinished space. Buyers are paying



AKIRA SUWA / Inquirer Staff Photographer

A model living room in the Lanesborough, the former Jewish Federation building, at 16th and Locust Streets. Every building that seems to have outlived its original purpose is fair game for condos.

\$100 to \$150 more per square foot to improve the raw space.

Three years ago, shortly after Domb bought the Barclay, raw space there was going for \$225 to \$300 a square foot.

In the rest of Center City, unfinished space can average slightly more than \$300 a square foot, Domb said.

When he converted the W.B. Saunders building to seven full-floor, 3,100-square-foot units three years ago, raw space was running \$200 to \$225 a square foot, with finishing that space at \$100 to \$125 a square foot.

At the Lippincott, 25 of the 27 units sold brought \$350 to \$400 a square foot raw.

And well-heeled buyers are demanding a lot of space. At the Barclay, ballrooms and meeting rooms are being turned into luxury condos of 2,000 square feet or more. Domb is combining five or six rooms of the former residential hotel into one unit.

"One unit in the Barclay is 5,000 square feet," said Joanne Davidow, manager of the Rittenhouse Square office of Prudential Fox & Roach Real Estate. "Can you imagine what a well-heeled buyer can do with space like that?"

What you have, then, are buyers spending \$1 million or more to acquire space, then spending a couple hundred thousand dollars to get it just right. But demand still outstrips supply.

"Buyers are champing at the bit, but there is hardly anything on the market," Davidow said. "I'm only showing four things on Rittenhouse Square. I could sell 25 of them just like that if I had them."

New high-rise condo buildings are filled almost as fast as they open.

The first tower at City View on Hamilton Street opened last December. In 10 months, 270 of the 303 condo units were gone,

said Paul Schlimme, sales manager for Crescent Heights, the Miami-based developer. Ten days before the second tower opened on Oct. 26, 10 of the 225 units were spoken for.

"That is an absorption of 30 a month," Schlimme said. "When I was top gun at [condo developers] Galman and Granor Price, I sold eight units a month, or broke 100 a year. This site is doing a home a day."

Thanks to low interest rates and the lure of Center City, the search for living space has been going on for the last three years, Davidow said. "And there is no indication that it will be ending anytime soon."

The Center City luxury-condo market weathered the real estate downturn of the late 1980s and early 1990s, but the low- and mid-rise market did not. Interest in converting older buildings into condos began in earnest in 1999, as younger buyers

began discovering that, with rapidly rising prices, they were able to afford only pieces of a building, rather than a whole one.

Mark Wade of Prudential Fox & Roach spent several years buying and rehabbing properties as high-end single houses, but turned to the lucrative low- and mid-rise-condo market, first developing them, now selling them.

With partner Jim Thornton, Wade is to the low-rise market what Domb is to the high-rise.

"Ten years ago, low-rise condos in Center City were practically being given away," Wade said. "Now, you can't find a low-rise north of South Street for under \$250,000."

"The market has really changed in the last five years especially," he said. "I mean, who would have thought about owning a house or a condo in the 1300 block of Spruce or Pine Streets?"

"Now, people are paying \$300 a square foot to live in a condo there," he said. "A single in the 1500 block of Spruce Street just sold for \$1.5 million, and a single in the 600 block of Pine just went for \$3 million."

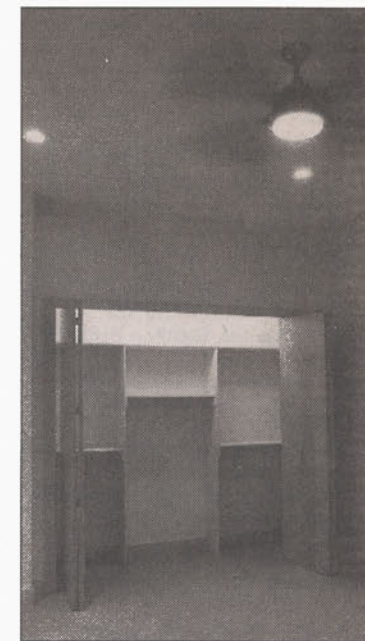
Since 1999, Mike McCann, an agent with Prudential Fox & Roach, has been hounded by small and big-time condo developers looking for conversion possibilities.

"The demand has increased dramatically over the years, from the Art Museum to Old City, and has been spilling over to adjacent neighborhoods like Northern Liberties and Queen Village," McCann said.

Without missing a beat, he can tick off what has been converted and where: Blackwell Court at 17th and Pine Streets; a triplex in the 600 block of Pine Street; and factories around 13th and Callowhill Streets.

"I just sold a 500-square-foot, one-bedroom condo at 17th and Wallace Streets that had been a one-bedroom apartment for \$130 a square foot."

Big-time developers are looking at high-rise possibilities out-



JONATHAN WILSON / Inquirer Staff

A closet in a flat's master bedroom at the Stationhouse.

side Rittenhouse Square that would run \$700,000 to \$1 million per unit, he said. "Frankly, those prices scare me. ... The strength of the condo market is in the \$150,000-to-\$400,000 range."

The vast majority of condo buyers these days are people planning to live in those units.

"There are a few investors," Domb said, "but prices are much higher than they were in the 1980s," when condos were a sought-after investment. Also, "rents have stabilized," he said, meaning that the return on the investment is not very good.

Domb is interested in adding to his portfolio, but his requirements are pretty exacting. He also says that the downtown market here is not as deep as it is in other cities, so there is potential for creating a glut.

"As Ben Franklin said, 'I'm not concerned as much about a return on my investment as I am with the investment being returned.'"

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