

phoenix.bizjournals.com

Price cuts help condo sales bounce back

BY JAN BUCHHOLZ | jbuchholz@bizjournals.com

Urban condos throughout the Valley are selling quickly now that lenders have sold the properties to new developers at sizable discounts. The

buyers, in turn, have brought the condos back to market at affordable prices.

In other cases, the original developers are re-adjusting prices and aggressively marketing urban living as the wave of the future.

To grease the process, MetLife Home Loans has stepped forward to take a preferred lending position on several urban developments, including

One Lexington is among the first condo projects back to market after the original developer lost possession through foreclosure.

SEE CONDOS | 49



PROVIDED BY LEXINGTON AVENUE LLP

CONDO PROJECTS RE-ENTERING THE MARKET



Bridgeview Condominiums

ADDRESS: 140 E. Rio Salado Parkway, Tempe
ORIGINAL DEVELOPER: SunCor Development Co.
CURRENT DEVELOPER: Condo Capital Solutions
TOTAL UNITS: 104

UNITS SOLD: 50
COMPLETED: January 2008
ORIGINAL PRICES: From the \$800,000s
CURRENT PRICES: \$350,000 to \$1.85 million
WEB: www.bridgeviewazcondos.com

One Lexington

ADDRESS: 1 E. Lexington Ave., Phoenix
ORIGINAL DEVELOPER: Equus Development Corp.
CURRENT DEVELOPER: Macdonald Development Corp.
TOTAL UNITS: 145
UNITS SOLD: 15 before foreclosure, 20 contracts now
COMPLETED: Converted in 2007 by Equus, ongoing finishes by Macdonald



ORIGINAL PRICES: One bedroom, \$296,600; two bedrooms, \$539,760; three bedrooms, \$1.1 million; penthouse, \$1.9 million
CURRENT PRICES: One bedroom, \$175,500; two bedrooms, \$267,900; three bedrooms, \$507,900; penthouse \$883,400
WEB: www.onclexington.com



Portland 38

ADDRESS: 727 E. Portland St., Phoenix
ORIGINAL DEVELOPER: Jag Development
CURRENT DEVELOPER: Jag Development
TOTAL UNITS: 38

UNITS SOLD: 31
COMPLETED: April 2007
ORIGINAL PRICES: From the low \$300,000s
CURRENT PRICES: \$170,000 to \$225,000
WEB: www.jagdevelopment.com

CONDOS: One Lexington secured 20 buyers in first weekend on the market

One Lexington and Portland 38 in Phoenix, and Bridgeview in Tempe.

"MetLife is more capable of handling projects outside the box," said Nicole Corning, a MetLife mortgage consultant. "MetLife is East Coast-based, and condos are very much an East Coast product."

MetLife acquired First Horizon Home Loans in September 2008. First Horizon was a big player in the Valley, providing mortgages to home builders. With the change in ownership, the core business remains the same, but MetLife is sweet on the condo market and is providing mortgages to buyers.

The financing — which real estate experts say has been tough to secure for condo properties — and the lower prices have created a demand that hasn't been seen in the past couple of years.

One Lexington is among the first high-rise condo properties to return to market.

The project was a complicated conversion of an office building into contemporary condos. Equus Development Corp. was caught in the real estate squeeze at the beginning of the economic crash. Although Equus sold several units, the process stopped when the developer defaulted on a \$39.9 million loan from M&I Marshall & Isley Bank. The bank took

back the property and began shopping for an investor.

Vancouver, British Columbia-based Macdonald Development Corp. paid \$16 million for the project Jan. 27, according to records at the Maricopa County Recorder's Office.

That marked the first major Phoenix purchase for the Canadian firm, which has invested heavily in Atlanta.

"We prefer urban buildings in an urban setting surrounded by office space," said Rob Macdonald, president of the company. "We loved this project because it is on the light rail line."

Macdonald moved quickly to put a team into place and opened the building for sales March 27. Twenty contracts were signed that weekend.

Prices are about 50 percent lower than what Equus was asking during presales — \$240 per square foot, compared with about \$500 before. The smallest units are 734 square feet. The two-story penthouses are between 1,653 and 2,846 square feet.

"Nobody expects to see that these are the best views of Camelback Mountain," said David Newcombe, a broker with Russ Lyon Sotheby's International Realty, who is leading the One Lexington sales team.

While some real estate observers have questioned whether there is any market for dense urban infill developments, Newcombe is convinced that housing product is needed.

"Where the basis has been properly adjusted, we are seeing a pent-up demand for urban living," he said.

At Tempe's Town Lake, some of the Valley's highest-end urban condos sat vacant during 2009, when not one unit was sold at Bridgeview in Hayden Ferry Lakeside. Before that, 40 condos were sold at prices ranging from \$800,000 to \$1 million-plus.

Denver-based Condo Capital Solutions bought the 64 unsold units for \$20.3 million in August 2009 from the builder, SunCor Development Co. SunCor has been selling off assets since its parent company, Pinnacle West Capital Corp., decided to get out of the real estate business.

Four units have closed at Bridgeview since January, with prices ranging from almost \$400,000 to \$700,000, and three others are in escrow, according to broker Katie Williams.

"We're seeing a big range in buyers, from 20-year-olds to 80-year-olds," she said.

Williams and Newcombe said units at both projects have been selling to owner-occupiers, and many of them are using MetLife's financing options.

"MetLife has been very clever getting into this niche," Newcombe said.

MetLife also is providing financing for Portland 38.

Built by locally based Jag Development, the condominiums at Seventh and Portland streets in Phoenix were finished in 2007. Prices started out in the low \$300,000s.

After the beginning of this year, Jag dropped the unit prices substantially. They now range from \$169,000 to almost \$225,000.

Jag principal Allan Gutkin said 17 units have been sold so far this year, and seven are left.

Meanwhile, Macdonald is shopping for more broken projects with the expecta-

tion of bringing the residences to market at more affordable prices.

"We have huge confidence in America and in America's great cities. Phoenix is one of them," Macdonald said.

'Where the basis has been properly adjusted, we are seeing a pent-up demand for urban living.'

David Newcombe
Russ Lyon Sotheby's
International Realty