

# Will Your Condo Retain Its Value? Five Tips for Edgy Buyers

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The U.S. condominium market has been good to real-estate investors. In 2004, the median sales price of an existing condominium surpassed that of a single-family home for the first time, according to the National Association of Realtors. This trend has held steady so far through 2005: The median sale price of a condo was \$213,600 in September, compared with a median price of \$212,200 for a single-family home, NAR reports.

The market for condos remains strong -- condo-sales activity in September was 10.2% higher than the same month last year. But some question whether it will last. "There's a lot of supply, and the demand has been significantly supported by speculative buyers rather than occupants," says Chip Brown, senior vice president and co-director of production at CWCapital, a national multifamily and commercial real-estate lender based in Needham, Mass. Speaking of his firm, he says, "We've gone from being selective to extraordinarily selective in thinking about financing condo projects."

The following five tips may help buyers concerned about resale values when buying in a market where prices have risen sharply. [Read more](#) about what's fueling high condo prices.

## **1. Location is still the key factor.**

The old mantra prevails: Location, location, location. It's likely to be the biggest factor in whether you smile or frown when you check your condo's resale value.

Rob Gross, a senior vice president at Prudential Douglas Elliman in New York, says the location of his condo -- in Manhattan's Flatiron District -- is a big reason why he was able to sell his three-bedroom unit with an office loft this year for more than double what he paid for it in 2000. Among the plusses of the neighborhood, located on lower Fifth Avenue, he says, is that it's between Union Square and Madison Square parks and home to such trendy stores as Armani and Coach.

Buying in an already popular neighborhood will help assure a property maintains its value, although sellers might not always reap such big gains. Buyers seeking large payoffs are likely to be better off purchasing in a new or emerging hot market, though that strategy is a bit riskier.

In New York, Mr. Gross says, areas that will see a "fairly rapid transformation" include the Lower East Side, the Financial District, Hell's Kitchen and Brooklyn's Williamsburg neighborhood. "The waterfront in Williamsburg along the East River is going to be completely rezoned to be targeted as a major residential neighborhood," he says. "It is the same thing with the West Side in Manhattan in the 20s, 30s and 40s."

Buying on a waterfront is usually a good bet for retaining value, says Robin Rommell, a Realtor with RE/MAX All Star in Madeira Beach, Fla., on Florida's Gulf coast.

"Equity is going to escalate more quickly for a condominium on the water than for a condo that doesn't have waterfront," says Ms. Rommell.

Even on the water, not all locations are created equal. "End units are generally more preferred, because they tend to have more windows," says Gisela DuVigneau, a Realtor associate with Coldwell Banker Riviera Realty in the beach town of Point Pleasant, N.J.

## **2. Avoid the 'white vanilla box.'**

Distinguishing features help an owner when it comes time to sell. Your condo should have at least one unique quality that will pique interest, agents say. This something special could be a bit of private outdoor space, a view, a garden or a celebrity resident, says Mr. Gross. "Whatever gives it a bit of cachet," he says.

Luxury is part of the formula. "Everyone likes the newest and greatest," says Toni Haber, also a senior vice president with Prudential Douglas Elliman in New York. Among the high-end accoutrements on condo buyers' wish lists are granite countertops and Sub-Zero, Bosch and Viking kitchen appliances. Stand-alone refrigerator drawers are also popular, says Florence Shapiro, a broker sales associate with Prudential Americana Group, Realtors in Las Vegas. These can be installed in the kitchen to store veggies, or in the master-bedroom for refreshments, she says.

Other in-demand features include hardwood and bamboo floors, large windows and high ceilings. "High ceilings make the rooms feel bigger than they are, and that's what people are gravitating toward," Ms. Haber says. You may feel like you're pampering yourself when selecting a condo with such luxuries, but these little extras can stir up attention for your unit when you want to resell, she says.

That extra amenity can also make the difference to a sale, says Ms. Haber. Popular amenities include a 24-hour doorman, a live-in superintendent, bike-storage rooms and an off-lobby refrigerator for grocery deliveries. Some new buildings also are installing wine rooms in their basements, Ms. Haber says. "People like having additional storage rooms," she says. Some buildings offer pools and recreational centers; in Florida, it's common for condo complexes to have boat docks and marinas. In some cities, the big draw is parking space, Ms. Haber says.

## **3. Look for name recognition.**

Long before Donald Trump said "You're fired," on NBC's "The Apprentice," he was well-known in real-estate circles. Because of his brand, his residential projects, such as Trump International Hotel & Tower -- hotel-condominium buildings in Chicago, New York and Las Vegas, tend to generate more buyer interest, Mr. Gross says.

"There are investors, especially foreign investors, who will follow certain developers," says Mr. Gross. "You look at someone like Trump, who, like him or not, in the foreign market, has a great reputation with investors." Foreign investors like to buy condos in Trump buildings, which helps build value for other condo owners in those buildings, he says.

Recently, more high-end projects are being built by well-known designers or architects. For example, French interior and product designer Philippe Starck is teaming up with developer Jorge Perez to create Icon Brickell, a condominium complex in Miami. In Manhattan, Downtown by Philippe Starck, across the street from the New York Stock Exchange, is a residential development with interiors designed by Mr. Starck. Other well-known names who have gotten into the condo act include Richard Meier, the architect for the Getty Center in Los Angeles, home of the J. Paul Getty Museum, and Michael Graves, the post-modern architect who designed, among other buildings, the Swan and Dolphin hotels at Walt Disney World in Orlando, Fla. Both architects have condo projects in the works in Miami and Manhattan.

If your builder isn't a household name -- and most aren't -- try to make sure that the builder is at least reputable. "You don't want to buy into a building with a developer who has a reputation of doing a poor job and having problems," says Mr. Gross.

#### **4. Weigh old versus new.**

Whether an older complex or a new one will be a better investment depends on the building's condition and maintenance, the market and your handyman skills. If you are buying in an older condo complex, make sure that the building and its grounds have been kept in good condition. Just as a beautiful home in a so-so neighborhood will sell for less than a similar home in a better locale, if your building isn't kept up properly, your unit will be less attractive to buyers.

New condos -- which should be in good condition and are more likely to have the latest amenities and features -- will have wide appeal. When buying a condo as a short-term investment and banking on quick price appreciation, the better bet is to buy a new condo, preferably in a complex's initial offering, Ms. Shapiro says. "A new condo, if you can get it, will always increase, with the price of construction going up," she explains.

If you're willing to invest some elbow grease, purchasing a condo that needs TLC might be the way to go, says Nick Patterson, a real-estate agent with Coldwell Banker Residential Brokerage in Chicago, who works with many first-time condo buyers. In a market such as Chicago, where the yearly condo price appreciation is about 4%, he says, "to make money off new construction is harder, because you are banking on appreciation." He suggests buying a condo that needs work and then putting in about \$10,000 to \$20,000 into the kitchen and baths to push the unit's value up by about \$60,000.

## **5. Buy in a building with a good condo association.**

A good condo association is crucial to maintaining your condo's value. A condo owner owns the space between the unit's walls; the building itself and any common space are held by the condo homeowners' association. As an owner in a complex, you will belong to its association and pay a homeowner's fee. The association will cover expenses to insure and maintain the property, so it is important that it is professionally managed and has the funds to make needed repairs. The type of fixes can vary widely, from fresh interior paint in the common areas to a new roof, so a condo association's reserve funds are important.

"If you don't have good management on-site or adequate [financial reserves], the probability is, if something small happens, they will overlook it. It might be landscaping or a small crack, but if you overlook those things, greater problems will tend to occur," says Maurice Veissi, a regional vice president for the National Association of Realtors and the president of Veissi & Associates in Miami. "That will detract from your condo's value."

Take a good look at the association's budget, because this will help determine the services you will receive, and the assessments you will be charged. Assessments are generally mandatory and collected monthly, quarterly or annually. If you don't pay these fees, a lien may be placed against your property. Find out what the assessments cover and don't cover (for example, maintenance of common areas and trash collection), and see how these assessments compare with similar condo associations in your area. The budget should have a reserve fund for major expenditures. If not, condo owners may be hit with special assessments for major repairs.

Look for any "simmering issues" between residents and the elected board, says Frank Rathbun, vice president of communications for the Community Associations Institute in Alexandria, Va. Speaking to current residents also may yield telling insights. "Talk to the people and ask them if the association is well-managed and if they like living there," he suggests.

The Community Associations Institute's [guide](#) to buying a condo, "Community Matters," is a free download.

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