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Builders Reassess the Market

By ANTOINETTE MARTIN

THE number of new-housing permits issued statewide in 2009 did not even reach 12,000. The last year the tally was that low: 1945, when New Jersey was still mostly cow and corn country.

If the housing crisis was finally over and the overall economy was headed toward recovery, it would still take at least two years for housing starts to recoup, according to market analysts.

“Traditionally, after past recessions, housing starts have doubled within two years,” said Jeffrey G. Otteau, whose Otteau Valuation Group provides advice on state real estate trends. “Because of the severity of this recession, though, there may be lingering wounds.”

Yet even in the face of these sobering numbers, several builders of multifamily projects have forged ahead — some actually building, others planning on it as soon as weather permits.

Their reasons are varied, based on interviews with developers of several large projects. Some asserted that their condominium developments held special appeal despite the general slowdown in sales; others said they had used the “down time” of the economic crisis to reconfigure plans and now felt that they understood the changes in buyers’ requirements.

“We paused our construction process,” said Lisa Macchi, an executive vice president of sales and marketing at Millennium Homes, in discussing Vizcaya, a high-end development rising atop a ridge off Northfield Avenue in West Orange.

In late 2008, Millennium was at work on 40 condo flats and 46 town homes at Vizcaya; as the outlook for the housing market grew increasingly grim, the company decided to create just the “shell” for another 41 condos. On the north side of the development’s huge main structure, it simply laid in foundation and put up first-floor walls.

Then, according to Ms. Macchi, sales were surprisingly strong at the first residences despite the slowdown: About 80 percent of them sold, at an average price of $1.2 million. So the decision to wait was revised. Last summer, Millennium decided to build out the last group of condos.

Construction is set to begin in March. Contracts have already been signed for a dozen of the units that won’t be completed until early next year, she said. The average sales price for those units is now $1.4 million.

By contrast, other developers expressed the belief that demand for top-end dwellings with the most elaborate possible finishes and features has diminished for the foreseeable future.

One of them, David Barry, the president of the Ironstate Development Company in Hoboken, said his company was instead focusing on ways to create “efficient” units — “not overly large, with high amenities, but lower price points.”

Mr. Barry, who shocked some fellow developers by pulling out of the condo construction game three years ago even as the market was still booming, said Ironstate would not get back in before the end of the year.

But the company is proceeding with plans to create about 70 condos at its Pier Village rental-and-hotel development in Long Branch. One idea Mr. Barry says he is considering is a condo conversion of one rental building at the complex.

It is still very hard to get construction financing, he noted, and conversion is less expensive than new construction. Also, the move would be in line with his notion of “efficient” apartments. The rental units are 700-square-foot one-bedrooms and 1,000-square-foot two-bedrooms.

“This could allow an entry-price point of something like $349,000, not $500,000,” he said, “which is more in line with today’s market.”

Mr. Barry said he and his brother Michael, the other principal at Ironstate, were also back at work on plans for the next phase of building at Port Liberté, the Hudson Riverfront complex in Jersey City. “I don’t know if we’ll start going in ’10,” he said, “but we are starting to work with architects again.”

At Henley on Hudson in Weehawken— part of the Port Imperial complex, which stretches into three towns along the Hudson — work is under way on a 27-unit building that is to open in July. It will be the fifth structure at Henley, with condos priced from the mid-$500,000s, for an 881-square-foot one-bedroom, to the $700,000s for certain two- and three-bedroom units. A sixth building is to be built later with the same configurations.

Michael Skea, the director of operations for Lennar Urban’s Northeast Division, which is developing Henley on Hudson in partnership with the Roseland Property Company, said that for the last 18 months the complex had had nothing available under $1 million. Penthouses and four-story town houses there go for more than $3 million.

“We get a lot of visitors who are enamored of the finishes and amenities we offer,” Mr. Skea said, “but they cannot pay prices that high. We wanted to press ahead with providing homes that are affordable to more buyers. ”

K. Hovnanian Homes, a large builder of single-family and condo developments, has several projects that continued to sell at a healthy pace over the past couple of years, said Steven Caporaso, an area vice president. As a result, construction has continued.

The final phase at Hunter’s Brook in Hackettstown, consisting of 21 single-family houses, is now under construction, for example. Eighty homes have sold since the project began marketing in late 2007, Mr. Caporaso said. This last group of houses is priced from $400,000 to the low $500,000s, for three- and four-bedroom homes. “We want to get the remaining homes ready for someone to purchase prior to April 30,” he said. That is the deadline for the federal tax-credit program for first-time buyers.