

High time for condos

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A diamond-shaped marker on Pineapple Avenue advises motorists: CONSTRUCTION AHEAD.

Wouldn't you like to own the company that makes those signs? They're needed on just about every street, as new condominiums go up faster than most would-be buyers can keep up with them.

But in small print, those signs should include this phrase: "At \$225 a square foot, not including land, architect and engineering fees, financing costs, developer's overhead and profit ... and whatever granite and marble and German-made cabinets you might want."

That illuminates why high-rise condominium units have gotten so expensive in the past year.

"When you add all those together, you come to the conclusion that you have to be (priced at) \$450 to \$500 a square foot, minimum, in order for the numbers to work" in **Sarasota's downtown**, says Fred Pezeshkan, CEO of Kraft Construction, a leading builder of high-rises on the Gulf Coast.

Land costs in Sarasota are notoriously high, but "it's not just the land," says Pezeshkan, whose company broke ground Thursday on Alinari at Rosemary Place on the North Trail. "It's mostly construction. Steel, concrete, aluminum, copper. ... Steel went from \$450 to \$950 a ton. With the price of materials going up, we saw the labor costs going up, and when you add it all, we've seen a 20 percent increase in construction costs in 2004."

At this point, the phrase "coming late to the table" might come to mind to buyers who wish they'd acted sooner. When Kraft started building the Plaza at Five Points, he said, construction costs were \$150 a square foot.

If only you had bought then.

As recently as October, you could buy a 1,440-square-foot apartment in the Rivo at Ringling tower, conveniently located a half-block off Main Street's midsection, for \$372,500. But when ground was broken in November, the price went to \$430,000 -- if you can get a unit. Virtually everything in the building is sold, with the exception of the million-dollar penthouses.

Hard to grasp

The downtown condo market may be hard to afford, but it's almost as hard to understand. Like the proverbial 500-pound gorilla, it's difficult to get your arms around it, especially if you're what's known in the real estate business as an "end user."

Investors -- buyers who sign a purchase contract for a unit (or units) with hopes of flipping it before or at closing for a considerable profit -- have the advantage. The successful ones are in the market almost full time, and they are buying enough condos to drive up prices by restricting supply.

Weekend shoppers, who maybe would like to sell their houses, maybe not, often don't have the knowledge to competently shop for a condo. Or they might not be ready to make a reservation, and, by the time they are, the building is under way and the low, pre-construction prices have inflated.

For them, getting a handle on the rapidly changing Sarasota condominium market is akin to "nailing Jell-O to a wall."

So says Realtor Cheryl Loeffler of Prudential Palms Realty, who specializes in selling those spaces that are in ever-increasing demand.

Loeffler keeps a spreadsheet of unit availability in 40 condo buildings both on and off the water in downtown Sarasota, and runs a Web site dedicated to the market. But even for her, the numbers are constantly changing. Well-priced buildings quickly sell out, and the flipped units come and go at a rapid pace.

So while it's hard to keep up with exactly what is available where and for how much, suffice it to say that the market is ... there's got to be a better word than hot ... let's say, torrid.

The high-end market is easier to navigate. Plenty of units are available -- there's an 18-month supply of unsold inventory from \$1 million to \$2 million -- and timing often isn't an issue for those buyers, who can pay cash without selling another property first.

But from \$250,000 to \$500,000, the market is tight and competitive -- with just a 2.8-month supply of new and resale inventory in the entire Sarasota Multiple Listing Service, which covers an area far beyond the borders of the city center. Below \$250,000 downtown, new product simply does not exist -- yet. Atlanta developer Wayne Morehead wants to supply it at CityPointe, on the northern fringe of downtown at Boulevard of the Arts and Coconut Avenue, where he has pledged to sell 20 percent of his units from \$175,000 to \$250,000. He's still working out the details as to how big those apartments will be, and it could be three weeks or more before he starts taking reservations.

Otherwise in downtown Sarasota, which is basically non- waterfront "product," you can pay \$409,000 for a 1,300-square-foot unit in the amenity-rich Alinari immediately west of CityPointe. Other projects, such as 1350 Main, 100 Central and the Broadway Promenade, are virtually sold out. But there are always those investor resales.

Get assistance

Sound complicated? End users are advised to get help.

"In the real estate profession," says Loeffler, "we have two things to sell ... service and knowledge. I can't imagine a really educated buyer not wanting to avail themselves of the use of a knowledgeable Realtor who knows what has sold in the past, knows the current market and has a feel on the pulse of what could be coming down the pike."

In other words, if you have missed out so far, stay tuned and be ready to act. You might just find what you want and can afford. Plenty of new projects are on the books.

Even the well-known real estate broker Michael Saunders is getting into the development business, somewhat reluctantly, with a plan for a 200,000- square-foot project that would include corporate headquarters and condominiums on land she owns on Orange Avenue south of Ringling Boulevard.

She said she wants to build something "fabulous," with town houses facing Laurel Park and a residential tower featuring a sky terrace four or five floors up as a gathering place for residents and employees, complete with landscaping and sculpture.

But the affordability issue is just as baffling to her as it is to the would-be buyers downtown.

"It's active and desirable," said Saunders. "If you're a landowner, you're confused. I still think Sarasota is the most wonderful place in the world to live. I still want to be part of continuing to refine it and make it better. But we are at a crossroads, and I join the confused.

"We all would like to live downtown, but we need things under \$500,000, and until they start thinking about square footage, as opposed to units, in the code, developers aren't going to be able to give us what we want.

"Let a developer build for unit demand. The success of the Renaissance tower, in terms of market, was that they were small units. People were prepared to sacrifice some square footage in return for fabulous amenities."

The main amenity, of course, is proximity to a revitalized downtown. Buyers who like the concept of walking to the bank, the dry cleaner, the restaurant and the office, and spending Saturday mornings sipping tea at a sidewalk cafe, are feeling the pull.

"The appeal of projects that are away from the waterfront is the walkability to the business district," says developer Jay Tallman of U.S. Assets Group. "But high-rise construction, they're not cheap buildings to build, and that limits how far down developers can go. They are trying to get units smaller so the absolute price is less to serve a broader market. The downtown market is a broader market.

"Ideally, you want to be able to serve the people who work downtown," Tallman adds, "and that's one of the challenges of our industry, is to deliver product that can meet that consumer, the person who's working there and not just the seasonal buyer who wants the cachet of Sarasota and can afford to pay much higher prices."

So where will a Realtor take you on your shopping tour?

"Under \$500,000, you have the Alinari, some in the Broadway Promenade ... 100 Central, there are three left in that price range," says Loeffler.

"There are a lot of projects that have been announced. They are not all coming on in the next year or even the next two years. It's confusing to some end users and some investors, but the product will be spaced nicely."

For those who are tempted but still hesitant, she advises this strategy:

"You define what you consider to be your entry level," says Loeffler. "It's a whole lot less painful to flip it into something else and move on.

"You get the greatest amount of appreciation if you get into a good building pre-construction. Then you have to be careful about the improvements you do. You want it to be livable and to your taste, but at the same time you want it to be salable. You don't want to overimprove it, and you don't want it to be totally vanilla. You want it to appeal to more than a small percentage of the market."