

# Home construction shows signs of life after long downturn

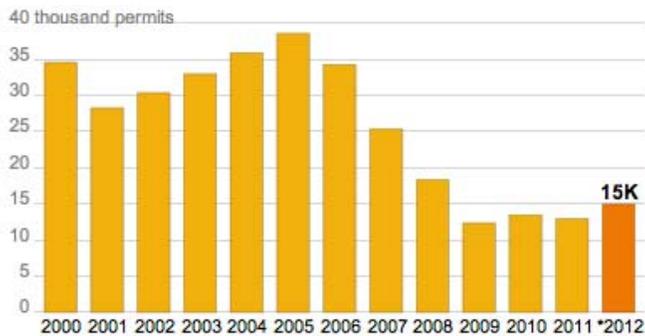
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THE RECORD

From new luxury homes in [Saddle River](#) to town houses in [Garfield](#) to rentals in [Fort Lee](#), [Elmwood Park](#), [Hackensack](#) and [Wood-Ridge](#), North Jersey is seeing small signs of life in the deeply troubled housing construction industry.



CARMINE GALASSO/STAFF PHOTOGRAPHER

Woodmont Properties executives Lewis Zlotnick, right, and Eric Witmond at the model home for Saddle River Grand, a luxury development that is under construction in Saddle River.

After bumping along at near 40-year lows for several years, homebuilding is nowhere near a real recovery yet. But builders are feeling, if not exactly optimistic, a little less pessimistic. While national housing indicators — housing starts, new home sales and builders' outlook — remain below the levels seen in a healthy market, they've risen from their recent lows. And the Standard & Poor's home builders stock index is up about 70 percent from last fall.

"It's the first time in four or five years that we're generating job growth, which is always a driver of housing," said Carl Goldberg of Roseland Property in [Short Hills](#), which is building the Estuary, a 583-unit luxury rental building in Weehawken, among other projects.

Low mortgage rates are also making new homes more affordable. Still, builders continue to face serious challenges, including competition from the large number of discounted foreclosed properties expected to hit the market the next several years and the difficulty many potential buyers have qualifying for mortgages.

"New-home sales should fare better in 2012 than they did in 2011, when they set a record low," said Patrick Newport, an economist with IHS Global Insight. "Our forecast is for sales to rise to 357,000 in 2012 from 305,000 in 2011." That's still only about half the average annual sales over the past two decades.

### **Rebound for N.J.**

"New Jersey's homebuilders are off to their best start since 2008," said Patrick O'Keefe, an economist with J. H. Cohn in Roseland. Building permits rose almost 24 percent in January and February compared with the same period last year. If that pace continues, builders will construct more than 16,000 housing units in New Jersey this year, O'Keefe estimated. Though still only about half of the long-term averages, that's an increase from recent levels in the 13,000 range, which were the lowest levels since World War II.

Multifamily units are expected to make up a record 55 percent of the state's new construction this year, according to O'Keefe. And rentals are especially popular. With mortgages hard to come by, and people feeling skittish about home values and the employment market, fewer builders are constructing homes for sale.

"We stopped doing for-sale housing about three years ago," said Andrew Abramson, chief executive of the Value Companies of [Clifton](#), a 60-year-old builder and apartment owner. "We honestly got tired of beating our heads against the wall."

### **Revamping project**

Abramson's company is starting work soon on a 30-unit age-restricted community in West Caldwell, which was approved in 2008, in the middle of the deepest economic downturn since the Depression.

"We decided we were going to put the project into hibernation for a while," Abramson said. "Then we made the decision several months ago to convert it to a rental property. ... People aren't buying. People are still scared. I think there's a feeling of Have we hit the bottom in terms of pricing?"

But demand for rentals is strong, according to Abramson and other builders. Many people have been forced to rent after losing their homes when they couldn't keep up with the mortgage, and many who'd like to buy can't qualify for mortgages and have to rent.

"The homeownership rate continues to drop," said Ron Ladell of AvalonBay, a Northern Virginia-based company that has new apartment complexes recently finished or under construction in [North Bergen](#), [Wood-Ridge](#) and [Hackensack](#), and plans to start more projects in New Jersey later this year and next year. "Rentals are the place to be, let me tell you."

Another believer in rentals is Riverfront Residentials LLC, owned by the Langan family, which is developing Riverwalk, an apartment complex on the [Passaic](#) River waterfront in [Elmwood Park](#). The firm dropped an earlier plan to build offices on the site as the office market lagged and the rental market grew stronger.

And BNE Real Estate Group of Livingston, which once planned to build condos on a [Fort Lee](#) site, is instead constructing a 12-story, 194-unit apartment building because of the strong market for rentals.

"The demand for rental housing has been growing at a quicker pace than the underlying economy," Goldberg said. "The level of demand and kind of production you're seeing on the rental side is not yet matched in the for-sale market. ... There continues to be a real demand for high-quality housing adjacent to mass transit in our urban core."

### **For-sale activity**

At the same time, Goldberg sees some hope the for-sale market may also soon revive; his company has several for-sale developments in Morristown.

Other builders are also betting on for-sale properties, especially in niche markets.

"It's got to be the right product at the right price at the right site," said Paul Schneier, Northeast division president for the Pulte Group, which is building 184 town houses in [Garfield](#) and 750 age-restricted condos at [Wanaque Reserve](#) in Wanaque.

"It's a very unforgiving market," Schneier said. "There's no margin for error. You can't just push prices higher to make up for your mistakes."

Pulte began selling the [Garfield](#) town houses, priced starting in the high \$200,000s, about a year ago, in what Schneier called "a pretty tough selling environment." With sales starting off slower than hoped, the pace of construction slowed.

"You don't want to get too far ahead of sales; you don't want to have inventory sitting in the ground," Schneier said. "We hope we'll be able to pick up the pace. ... I definitely think things are better than a year ago."

The company has finished 44 of the town houses in [Garfield](#) and is starting the fourth building in the complex. [Wanaque Reserve](#) is almost done; the company is starting the last of 10 buildings at the site.

Sales have been strong at [Saddle River Grand](#), a 68-unit luxury town house development on part of the old Tice farm property in Saddle River, according to the builder, Woodmont Properties of Chatham.

After a decade-long approval process, Woodmont Properties held off for another year or so, waiting for the housing market to brighten. Now, the company said, it has gotten contracts on most of the 68 homes, which are starting at \$1.29 million.

The homes are not age-restricted, but they're appealing to empty nesters "who don't need 6,000 square feet but still want to live in a spacious, luxury-type home," said Lewis Zlotnick, president of Woodmont. The company has another \$1-million-plus development nearby, the Enclaves at [Montvale](#), and it is also selling well, according the company.

"There's definitely been an improvement over the prior four years, but in particular, there's a demand for what we have," said Eric Witmond, the chief executive of Woodmont.

### **Buyers with resources**

One [Saddle River](#) Grand buyer, Gloria Blumenthal, said she wanted to stay in Saddle River, where she has lived for 41 years, but also wanted to downsize from her 13,000-square-foot home on four acres. Buying new construction was especially appealing because "I was able to have input" in the design, she said.

Builders of high-end properties have an advantage in that their affluent buyers can either buy for cash or qualify for mortgages more easily than middle-income buyers.

Toll Brothers, for example, said sales have been picking up at its high-end Hoboken developments, which include Maxwell Place, at the old Maxwell House coffee site on the Hudson River and the Hudson Tea redevelopment. nearby.

"Our buyers have kept their jobs. They still have cash. They're looking around and realizing they can get mortgage loans for around 4 percent," said John McCullough, assistant vice president at Toll Brothers City Living. "A lot of them have been sitting on the sidelines for a few years and have come to the feeling that this is the time to get on with their lives."

Hovnanian Enterprises of Red Bank has seen sales pick up significantly at its 420-unit 77 Hudson high-rise in Jersey City, according to Randy Brosseau, metro area president. And sales are also improving at its 55-and-up communities in [Woodland Park](#) and [Montvale](#), he said.

Whatever the timetable for a housing recovery, builders and analysts say the nation is unlikely to see the kind of construction experienced in the mid-2000s boom, when new-home sales topped a million a year for several years.

"Everything in moderation," said Witmond of Woodmont Properties. "In the go-go days of the mid-2000s, the exuberance was too great, and everyone got ahead of themselves. Hopefully, we've all learned a lesson. When things get good, don't floor the accelerator. Go nice and slow and steady."

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