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# Condo, loft sales surge in Detroit as prices fall

## December purchases up 33.9% on previous year

Louis Aguilar / The Detroit News

**DETROIT** -- Tumbling prices for once-pricey downtown lofts and condos are bringing in a flurry of buyers, providing a surge in December sales not seen since the bygone era of easy mortgage financing.

"I tell most of my clients there is \$100,000 wiggle room on certain units right now," said Sabra Sanzotta, owner of the Loft Warehouse realty agency, which specializes in downtown properties. With that bargaining leverage, Sanzotta sold six high-end units in the past month, including a downtown penthouse for \$200,000. Original price: \$511,000. It was her best month of sales since 2003, Sanzotta said.

Seven downtown Realtors say they enjoyed one of their best months in December and see that trend continuing into the new year. Data suggests downtown is one of the few places in Metro Detroit where buyers are jumping on bargain real estate created by the national housing meltdown.

Sales of houses and condominiums in Detroit jumped by a 33.9 percent in December, compared with the same month in 2006. No other market in the Metro Detroit area came close to that kind of increase, according to RealComp II Ltd., a real estate data company. It was the biggest month-to-month increase in Metro Detroit all year.

Detroit's condo-building rush -- driven by industrial loft conversions, apartment renovations and new construction -- began in 1999, when 34 building permits for attached condos were issued in the city. In 2003, 223 such permits were issued, the most of any year on record with the Southeast Michigan Council of Governments. Last year more than 100 condo permits were issued.

Now, more than a few condo projects have been delayed and several have died. Faced with the credit crunch sparked by the subprime mortgage crisis and the sluggish local and national economy, the financial backers of some deals are clamping down on projects, by toughening the terms of their lending deals. That's pushing developers to close more sales just to keep their projects alive. Meanwhile, Realtors and developers said, banks are taking a loss on some units to avoid foreclosure costs.

These kinds of tough times make for hard bargaining.

"It's buyers who can now get in to units for less than \$200,000 when just a few months ago those asking prices were often much, much higher," Sanzotta said.

### 'From dead to wow'

Take the Wayne State University-area loft being bought by Valerio della Porta and Monique Horton, a couple now renting downtown. They're buying the stylish 1,300-square-foot unit with huge windows, hardwood floors and granite countertops for \$163,000, reduced from a starting price of \$230,000. Besides the \$67,000 discount, the seller also agreed to pay the

couple's closing costs and a portion of the down payment.

"Why wouldn't we buy at this price?" said della Porta, a software engineer. "The only question we had was that should we wait and get a better price. But I can't see it getting much lower." Austin Black, a Realtor with Max Brock Consulting Group, said the number of people interested in buying downtown "went from dead to wow" last month.

"The number of inquiries doubled last month, and it keeps picking up," said Black, who sold two units in December. "There is now as much interest in downtown, Midtown, Brush Park and Riverfront area property than there has ever been."

#### **Sign of desperation**

But not everyone is happy with the sales surge. Developers say the trend shows how desperate the situation has become. They have little hope prices will rebound soon.

"Lots of projects are just teetering right there," said Colin Hubbell, manager of the Hubbell Group, which is responsible for four Midtown developments. "It's an indication that some projects are willing to take a loss on some units just to create some buzz. Some projects are just limping along and paying the maintenance costs of a nearly empty building. I think this trend on prices will last until spring. Or some developers may decide not to make any profit at all."

Hubbell says he's facing "strategic" choices at his 55 West Canfield Lofts. The building debuted with a party in December 2006 attended by hundreds, including Mayor Kwame Kilpatrick. But more than half of the units remain unsold.

"The last closing was last summer. Beyond dropping prices on the units, we now are considering rentals. We have Avalon Bakery moving in on the ground floor, and that should help significantly," Hubbell said referring to the Midtown organic bakery relocating to the building.

Not all Detroit units are at discount prices, said Ryan Cooley of O'Connor Realty in Corktown. "We're actually seeing revived interest this month in the units that haven't been drastically reduced," Cooley said. "There is a finite pool of those kind, but we're starting to see a general overall interest go up."

The other reason downtown property is beginning to move is that some properties already have gone into foreclosure, says Kevin Wobbe, a Realtor at PLM Group, who also saw his business start to increase last month.

"I know that these pretty amazing deals are happening for not-so-great reasons. But it's still great to say downtown Detroit is one of those places proving itself to be a great destination where people want to be," Wobbe said. "I wish it didn't have to come as such a loss for some people, but we've got to move forward."

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