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EXPANDING CONDO SALES HISTORIC LANDMARKS FOR LIVING PLANS ON CONVERTING 20 BUILDINGS

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Buoyed by the success of its condominium sales at the converted Wireworks and **BridgeView Place** projects in Old City, Historic Landmarks for Living is expanding its HomeStart Ownership program to two other properties in Center City and Fairmount.

Historic Landmarks owns 20 luxury apartment buildings in central Philadelphia and over the next five years plans to convert them all to condominiums using the same buyer-financing program.

So far, 154 condominiums in the two Old City projects have been sold to buyers with as little as \$500 down on five-year, 9 percent loans. At the end of five years, the buyers will have paid off at least 5 percent of the principal, and must refinance with a conventional mortgage. Only then, will they get title to the property.

In the interim, they get to deduct the interest on the loan and the real estate taxes on their federal tax return.

The conversion strategy is the key to Historic Landmarks' plan to rid itself of \$150 million in first-mortgage debt on 35 properties it owns in Philadelphia, Pittsburgh, Chicago and other cities.

That means Historic Landmarks must sell more than 2,000 units in central Philadelphia alone - a market where condominium prices and sales have declined drastically over the past three years.

"That's a lot," acknowledged Randy Kessler, the firm's executive vice president, during a recent interview. But he remains confident that Historic Landmarks can accomplish the feat because of

HomeStart.

Under HomeStart, buyers have no settlement costs beyond the \$500, and their monthly payments, which include the condo maintenance fee, are generally the same or lower than their monthly rent, he noted. "We've created this huge market of opportunity for people," Kessler said, estimating that at least 70 percent of those buying under HomeStart would not have been able to buy under any other available program.

The program even offers some protection for buyers who lose their jobs and can't make their payments for a brief period.

But there are risks.

First, Historic Landmarks is pricing the units on their value to renters, rather than the traditional method of using prices commanded by comparable condominium projects.

And though HomeStart boasts there are no taxes, fees or points on its loans, those costs are all included in the sale price, and then financed at 9 percent.

Second, HomeStart loans are essentially balloon notes that will burst in five years when buyers must convert the loans to conventional mortgages at the prevailing interest rates.

BridgeView Place's high-ceilinged units with exposed brick walls range in price from \$43,000 for the smallest studio (\$97 a square foot) to \$114,900 (\$123 a square foot) for the largest two-bedroom. And there's no discounting, not even for the three or four buyers who paid cash for their condos. As of May 1, 72 of **BridgeView's** 160 units had been sold. Only 15 of 97 were left at Wireworks.

"People make decisions about purchasing things - cars, homes - on how much they can afford to pay," he said. "We believe that the price is in essence the rental value of that unit . . . what people have demonstrated over the years that they're willing to pay to live in it."

Based on the price per square foot, **BridgeView Place** and Wireworks condos are more expensive than other condos in Society Hill and elsewhere in Center City, where condominium prices have dropped precipitiously since 1990.

Frederico said there's no doubt that Historic Landmarks is offering first-time buyers a "great opportunity." But, she adds: "There are a lot of unknowns and buyers are taking a chance on whether the value will be there in five years and whether they'll be able to re-sell."

Kessler said that Historic Landmarks has put a high priority on arranging favorable end-loan financing for the HomeStart buyers before the first notes come due.

Meanwhile, Historic Landmarks is moving ahead with its conversion plans, and expects to change over the Colonnade, at 16th and Spring Garden streets, and the Metropolitan at 15th

and Locust streets in Center City, later this year. The Touraine, a luxury high-rise at 15th and Spruce streets, is scheduled to begin conversion next spring.

Colonnade units will sell for an average of \$67,000, Kessler said. There were no estimates yet on prices for the Metropolitan and the Touraine.

For more information on the HomeStart Ownership Program and the condominiums at The Wireworks and **BridgeView Place** call 215-922-2201.

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