



June 2, 2008

How the residential real estate market is changing

An interview with Paul Csik, senior vice president of sales and marketing, American Properties

Beckerman recently interviewed Paul Csik of American Properties Realty, an award-winning home-building organization, which, along with its affiliated companies, has created more than 15,000 homes: from luxury single-family estates to master-planned communities of apartments, condominiums and town homes.

Csik has been in the real estate industry for 20 years. We spoke with him about how the industry is changing.

What is your experience in residential real estate?

PC: I was a very young broker-of-record. I had my own real estate agency in Monmouth County when I was 27. I have been in the real estate industry since I was 24, so that is 20 years. My family has been in real estate since the late 1950s. They had a real estate business in Keyport, which they finally sold about 10 years ago.

What are some of the recent changes you've seen in the industry?

PC: The Internet is the big one. That's where a lot of buyers are doing their searches. A 2007 report from the National Association of Realtors found that 84 percent of prospective buyers are using the Internet as a source of information for home searches. Out of that, 59 percent are going to sales offices in response to their Web searches. They are not calling us up. They are not e-mailing us. They are going right to the community after they have researched it on the Web. The prospective buyers who are coming to our sales offices are educated before they even walk in. They know our product, our community, our floor plans and our features.

How does that affect the way you market your developments?

PC: We have to retrain our sales people to understand that the people who are walking in for the first time are not like those who walked in for the first time several years ago. They already understand the community, the competitors and the price point. They may fill out "first time" on the guest registration card. But the sales person can't treat them as a first-time visitor. They have to be treated as what we call a "be back" visitor. They have

already looked on your Web site and understand what you are selling. Even six months or a year ago, we would have treated that visitor as a first-time visitor.

Is this true just with younger buyers, or across the board? Is this true just with younger buyers, or across the board?

PC: It's probably more prevalent with the younger buyer, but I think it is across the board. Eighty-four percent is a very high number.

Have you made changes to your Web site as a result?

PC: We get a weekly breakdown of how many Web hits we get. We know what pages prospective buyers are going on and how long they stay. We are using that information to expand our Web site to make it more user friendly. For instance, we are now including downloadable brochures. We wouldn't have done that before because we always wanted to get prospective buyers to visit our sales centers. We didn't feel we could sell them online. Now we have to sell them online and sell them again when they get to our communities.

Do you feel your expanded Web presence gives you a competitive edge?

PC: It does. If you understand the buyer, you can really tailor your marketing to their needs. At a recent national trade show in Orlando, the NAR reported that 97 percent of buyers expect a response to an Internet inquiry within four hours. That has never been the industry response time. The response time has been a day, a day-and-a half, or when the sales person got around to it. But now, prospective homebuyers expect an immediate response. You really have to change the way you do business to satisfy their needs.

What other changes are you seeing in the industry?

PC: The average homebuyer today is taking 12.1 weeks before making a purchase. A year ago they were only taking 6.4 weeks. They are out there much longer and are looking at more products. They want value. That's attributable to market conditions also, not just being a more sophisticated buyer.

How else is American Properties Realty competing in today's challenging market?

PC: Today you really have to give buyers value. Value starts with price. Your product has to be price-driven. We try to give buyers value in square footage, in amenities and in specifications. Builders can no longer try to sell a product that isn't the most competitively priced in the marketplace. For example, at Heritage at Chesterfield, where town houses up to 2,400 square feet with a full basement and a one-car garage start at \$359,990, we have included features that are usually considered upgrades, such as granite countertops, 42-inch cabinetry, fireplaces and hardwood floors in the price. These days, buyers expect not to have to upgrade to enjoy their homes. As a result of the value we offer, we sold 70 per cent of the homes in less than a year. Another example is Mill Pond

at Eatontown in Eatontown, which is in Monmouth County. We had our grand opening in January (2008) and we already have 35 deals. Our starting price is \$252,990 for an average 1,500-square-foot condo. We're offering tremendous value and the marketplace, even in this market, has responded with 35 deals. And that's without a model. That's selling from a trailer.

What type of housing is most in demand?

PC: Housing for first-time buyers. In New Jersey, that price point is under \$300,000. A perfect example is Mill Pond, where prices start at \$252,990. We think this is a great value in new construction because of the historically low interest rates, the great location and the limited number of homes to buy -- only 118. We have another community coming up in Ewing Township called The Jefferson for which we are now taking non-binding reservations, where prices will start at \$222,990 for two-bedroom, two-bath condos of up to 1,635 square feet with a clubhouse and an outdoor pool. We also have a community coming up in Matawan called The Preserve where prices will start in the high \$200,000s for two-bedroom, two-bath condos of up to 1,600 square feet. In the Central Jersey corridor, we're creating homes that are very appealing to first-time buyers because they're in that entry-level category and because they're in very convenient locations.

How about in geographical terms? Where is the most demand?

PC: Right now the housing that is most in demand in New Jersey is near transportation, whether its bus, rail or highway -- the Garden State Parkway, the New Jersey Turnpike. New Jersey requires that. We are a state of commuters. So we don't really look at communities that aren't close to transportation hubs. The Preserve at Matawan, for instance, is located less than five minutes from the Matawan train station.

How do you see the housing market changing within the next year?

PC: The supply of inventory will decrease. We believe the interest rates will trend lower. Demand will increase, most likely by the fourth quarter. With less inventory and more demand, the market will start to turn around. We believe the market will level off this year and then start to incrementally go up. It's honestly a great time to buy.

How do you expect interest rates to affect this picture?

PC: The first-time buyer and the buyer in general are being offered historically low interest rates. And for the first time ever, really, historically low interest rates are being combined with the most competitive pricing. Before, when rates were low, the market was always appreciating. Right now, rates are low and it's a buyer's market, which is a very unique opportunity.

Do you think that message is out there?

PC: No, because of the press coverage, which is very negative. We're in the information age and buyers -- whether it's through the Internet, through CNN or MSNBC, or through the newspaper -- are being continuously bombarded with negative feedback on the market. People are waiting. They want somebody to tell them that the market has turned around.

What should buyers look for in new home construction?

PC: The first thing they should look for is a quality builder. You want a builder with a good track record over many years. Whether that company is large, medium or small is irrelevant. During the run-up between 2000 and 2006 a lot of new builders entered the marketplace that did not have a lot of experience. You had architects getting in, engineers getting in -- people who weren't really qualified. The downturn in the market has weeded out many of these. Location is obviously number two. You can never change your location. And the location, location, location motto is always relevant. Number three is quality of construction. What are you actually getting for your dollar? Look at flooring. Look at cabinetry. Look at trim. Look at the details. How many phone outlets are you getting? How many cable outlets? You really have to be educated.

What are the hottest amenities in suburban residential real estate?

PC: Today it's electronic infrastructure: the sophistication and capability of the wiring. Everybody is looking for alarm systems and high-speed Internet access. Buyers look for different features in each product line, but in general they look for comfort and convenience. Also high-end finishes: the granites, the marble floors, the stainless steel appliances.

What about the high-end buyers? Are there still as many and if so, who are they?

PC: They are still out there, but they are taking longer to reach a decision. Because there's more inventory, there's more selection. And they are looking for more of a deal. Also, most high-end buyers are tied into the financial industry, where the year-end bonuses have not been as great because of problems in the financial markets. We talk daily about how to create a greater sense of urgency among these buyers because we recognize that there are tremendous values in high-end residential. We know how much it costs to buy the land, develop the land and build the product. For instance, we have a high-end luxury town-home development in Demarest, Bellaire, where prices start at \$1,788,000, that we could not reproduce today for the prices at which the homes are now selling.

How does American Realty manage to build both entry-level housing and top-of-the-line housing since developers usually do one or the other?

PC: We have the ability to execute both. We have the ability to produce a \$9 million estate in Alpine, which we have done, and to produce entry-level multifamily housing, which really we're most proud of -- because throughout our history our company has

been targeted towards multifamily, first-time buyer housing. We have been in existence for 40 years and have built more than 15,000 homes, mostly in New Jersey.

What is the greatest satisfaction of your job? What is the greatest satisfaction of your job?

PC: It's really when people close on their homes. Getting that buyer, especially that first-time buyer, into their home is for us a very pleasurable experience. We have a closing coordinator on the front end and we have a service department on the back end to really help that buyer. We feel we've established very good procedures so that the buying process is seamless from the time the buyer signs the contract until the time they enjoy their home.

The Beckerman Report was prepared by Bedminster-based Beckerman Public Relations. Beckerman Public Relations is one of the largest real estate-specific public relations firms in the country, representing nearly 100 real estate and business-to-business clients. For more information, call (908) 781-6420 or visit www.beckermanpr.com