

THE WALL STREET JOURNAL.

September 7, 2017

A High-Rise Built for Me

In a bid for wealthy suburbanites, some city developers let buyers customize almost every aspect of a luxury condo before closing



Oliver and Dianna Von Troll taking a hard-hat tour of their condominium in the Auberge Beach Residences and Spa in Fort Lauderdale, Fla. JESSICA KLEWICKI GLYNN FOR THE WALL STREET JOURNAL

Over the course of 2½ years, Oliver and Dianna Von Troll met with the director of sales at Auberge Beach Residences and Spa, a luxury condominium building under construction in Fort Lauderdale, Fla., more than 10 times. Yet they still wouldn't make an offer.

"Nothing really met our needs," said Mr. Von Troll, 46, a builder of high-rises who said his work in the industry has given him very specific tastes. In February, sales director Wendy Marks hit upon a solution: The Von Trolls could buy two units, combine them and have the building's architect draw up a new floor plan. Satisfied, the Von Trolls paid \$5.2 million for a 4,700-square-foot condo.



A rendering of the pool at the Auberge Beach Residences and Spa, a luxury condominium building under construction in Fort Lauderdale, Fla. ILLUSTRATION: AUBERGE BEACH RESIDENCES & SPA

After years of marketing turnkey, designer-finished condos to high-end buyers, a handful of developers are going dramatically in the other direction, offering extreme levels of customization before the building is even completed. The switch is a bid to attract wealthy downsizers, who developers say are a target market for luxury downtown living, but who can be reluctant to give up the custom-built suburban homes they are used to.

Some developers are anticipating such demands from day one, engineering their buildings to accommodate buyers who want to enlarge rooms, move kitchens and bathrooms, or combine units. In buildings already under construction, other developers are willing to eat some of the costs incurred when buyers redraw where the walls will go.

Wayne Mailloux, a 69-year-old retired executive, and his wife Penny, a 69-year-old retired teacher, were ready to move out of their 10,500-square-foot home in a suburb near Scottsdale, Ariz. Their destination was the Optima Kierland, a building slated for completion next March in the upscale North Scottsdale neighborhood. They liked the idea of being able to walk to restaurants and movies, said Mr. Mailloux. What they didn't like: The largest units in the building maxed out at 1,709 square feet.



Wayne and Penny Mailloux tour their under-construction condo at the Optima Kierland in Scottsdale, Ariz. PHOTO: MARK W. LIPCZYNSKI FOR THE WALL STREET JOURNAL

“We’ve grown accustomed to space, and we like to entertain,” said Mr. Mailloux.

The solution was for the couple to buy three three-bedroom units and two one-bedroom units and combine them into a three bedroom, 6,574-square-foot unit with three terraces. The Maillouxes hired their own interior designer to create a plan to reconfigure the space. Mr. Mailloux declined to discuss what they spent on the condo. Three bedroom units in the building have sold for an average of \$930,000, and one bedrooms for \$350,000, said Mike Akerly, regional manager at Polaris Pacific, a San Francisco-based company which is handling marketing and sales for the Optima. Typically discounts aren’t given to buyers who combine units, he said, adding that about 30% of buyers have combined two to five units.

The building also charges \$75,000 for the first combination of two units, plus \$25,000 for each additional unit to be combined. This fee covers the cost of resubmitting plans for city permits, and mechanical and engineering work to accommodate a client’s design, said Mr. Akerly.

“They have allowed us to make it into our home,” Mr. Mailloux said.



The Maillouxes bought three three-bedroom units and two one-bedroom units and are combining them into a three-bedroom, 6,574-square-foot unit with three terraces. PHOTO: MARK W. LIPCZYNSKI FOR THE WALL STREET JOURNAL

Selling unfinished space isn't unusual in new buildings: Many high-end condos are delivered to buyers after closing in what the industry dubs a "white box" state, which means that the unit has sub flooring and "throw away" bathrooms and kitchens only intended to satisfy municipal codes and which will likely be replaced, said Shaun Osher, chief executive of CORE real-estate brokerage in New York City.

The difference between this type of sale and what developers are doing today is that buyers are able to finish units to their specifications before closing. That way buyers don't have to carry the costs of a condo while they renovate, and they have more flexibility if the building is designed to make it easy to move kitchens, bathrooms and walls around.

Tom Scannapieco gambled that customization would be key to convincing well-heeled suburban buyers to pay unprecedented prices for Philadelphia condos. The developer completed his first customizable high-rise in the city, 1706 Rittenhouse, in 2013. A penthouse in the building sold for a city record of \$12.5 million in 2010. His next Philadelphia high rise, 500 Walnut, which will start seeing buyers move in next month, follows the same concept. A penthouse at 500 Walnut went into contract last year for \$17.85 million, blowing past his previous record. Prices for units in both buildings were "unprecedented for Philadelphia," said Mike McCann, an agent at Berkshire Hathaway HomeServices, Fox & Roach Realtors, who is currently representing a three-bedroom condo at 1706 Rittenhouse for \$7 million.

To make 26-story 500 Walnut more customizable, Mr. Scannapieco said he doubled his plumbing costs so buyers had the option of moving bathrooms 30 feet from the pipes, rather than a more traditional 8 feet. The building was engineered with 10 fewer columns than a traditional building its size, Mr. Scannapieco said, so that buyers would have the option of expanding rooms.

Doing so meant he had to thicken the concrete between floors, which is expensive, he said. Ceilings conceal an 8-to-9-inch cavity, Mr. Scannapieco said, designed so buyers can run wiring and pipes through rooms, adding to the flexibility. These engineering elements added roughly 10% to the cost of the building, Mr. Scannapieco said.

Mr. Scannapieco said the costs are worth it: He is able to charge a 30% to 50% premium in the market because of the customization, high-end finishes and luxury services his buildings offer.

The goal was to attract buyers like Joan Carter and her husband John Aglialoro, entrepreneurs who have lived for 30 years in a large suburban home in Haddonfield, N.J. The couple was looking to move into Philadelphia—their first foray ever into city living—but were turned off by “cookie cutter things” they saw on the market, Ms. Carter said.

When the couple met with the sales team at 500 Walnut, the developer paid an architect to provide them with a free consultation to sketch out a redesign of the floor plan. Once they decided to buy, they hired their own architect who designed a back hallway where caterers and workmen could enter without going through the main living space, a large office and a wine cellar for roughly 700 bottles.



A rendering of a full-floor unit at 500 Walnut, a high-rise in Philadelphia, shows one possible configuration.
ILLUSTRATION: SCANNAPIECO DEVELOPMENT CORPORATION

Ms. Carter declined to say what the couple spent on their condo, which should be finished in the first quarter of next year. Thus far, floor-through units, such as the one Ms. Carter bought, have sold for between \$6.6 million and \$9 million, said Mr. Scannapieco; the building is two-thirds sold. Almost all the buyers have spent over \$400,000 on customization, and some have spent as much as \$1.5 million, Mr. Scannapieco said. Resales,

even of highly customized units, have been strong because buyers in these buildings “use top architects and top designers and don’t do silly, tacky stuff,” said Mr. McCann.

Mr. Von Troll said the customization plan finally convinced him to buy because it solved his main problem: While he and his wife wanted Auberge’s amenities, they were loath to give up their current condo nearby, which Mr. Von Troll said had all the specific features they love.

Out of 127 buyers thus far in Auberge’s two towers under construction, eight of them have combined units. Clients who combined units and asked for redrawn floor plans early on in the process paid far less in customization costs than they would today now that construction is further along, said Ms. Marks.

The Von Trolls’s customized floor plan provided their must-have items, including a 1,500-square-foot master suite, which will include a “humongous closet” of roughly 400-square feet, Mr. Von Troll said. It will be oriented east to west, “so I can see the sunrise and sunset,” plus a “nice big terrace” looking right out over the ocean, he said.

“We’re looking for a house in the sky, basically,” said Mr. Von Troll.