

REAL ESTATE

June 2008

THE REAL DEAL

Real Estate News You Can Use

BY EVI COGLAN



The Transitional Neighborhood

Have you ever noticed that when a trend takes hold, new terminology is added

to the language? That's exactly the case with "transitional neighborhoods"...a phenomenon that has resulted from the teardown trend in Westport and other affluent communities across the country.

When a buyer looks at me quizzically after being told that a house we are about to look at is in such a neighborhood, I give them the following definition. A transitional neighborhood is one in which older homes are being torn down to make way for new construction...typically at two to three times the price that the original homes in the neighborhood would sell for.

Some would say that by that definition, the entire town of Westport is in transition. And directionally, I suppose, they would have a point. Technically, however, some neighborhoods are considered transitional and some are not. The difference between them lies in the degree of contrast between the old and the new.

In the most obvious transitional neighborhoods, upscale new construction hulks over modest capes, ranches or splits with chain link fences, dog runs in the yard and pickup trucks in nearby driveways. More subtle transition exists where not-at-all-shabby circa 1960's residences that have been the pride of some of Westport's most desirable streets are being replaced by \$3+ million estates. Commonly, other homes in the subtly-transitioning neighborhoods are undergoing expansion, renovation and/or exterior upgrades as well – which further contributes to the neighborhood's enhancement.

Those in the real estate business tend to categorize transitional neighborhoods based on the percentage of old versus new. "Early transition" means that most of the original neighborhood is still intact, whereas "moderate transition"

means that the newer homes have begun to change the look and feel of the neighborhood. "Mostly transitioned" status occurs when the number of original homes shifts to a discernible minority. "Fully transitioned" means that the combination of new construction, plus additions/renovations/improvements made to original dwellings, has completely changed the prior look and feel of the neighborhood.

Potential buyers differ in their reactions to transitional neighborhoods. Some are thrilled to be able to afford new construction and are eager to go forward because, having lived in Westport, they understand this phenomenon and have witnessed other neighborhoods transform. Other buyers pass over them in favor of more established locations – even if it means buying an older house that needs work. Those not from around here sometimes don't feel comfortable buying in a transitional area because they're unfamiliar with the process.

Whatever your reaction, everyone seems to agree that there are pros and cons to buying a house in a transitional neighborhood. There are, of course, two major arguments in favor:

1. *You get a new house that either does not exist or would be much more highly priced in a more established neighborhood.*

2. *When the neighborhood turns, you stand to realize greater-than-average appreciation.* That's because you were a pioneer...you took a chance buying on a transitional street...and you paid less than those who bought into the neighborhood later on.

And there are three major arguments against:

1. *You have no guarantee that the street, in fact, will turn – as well as no predictable time frame for how long the transition will take.* For every five streets that have transitioned in recent years in Westport, there is perhaps one on which transition has stalled. So it's important to choose carefully. When considering an early transitional neighborhood, think about whether it seems likely to make the leap. Ask yourself: Is the street otherwise

well located within town? Is there other new construction – and/or more expensive homes – nearby? And most importantly, is your Realtor® confident about the location, or not?

2. *It may take some time to get your money out.* Transitional neighborhoods are not a short-term investment. If the house you're considering is in an early transitional neighborhood – and you don't expect to be there for at least five years – it may not be your best housing option. On the other hand, if your company is relocating you to the area for just a few years, new construction in a transitional neighborhood may be your perfect choice – since it's new with every amenity and requires no work...and your employer will cover any financial shortfall that could be associated with the neighborhood taking time to transition when you sell.

3. *You may not be pleased with how the neighborhood looks...or enjoy living through constant construction...during the transition.* Again, this is more of an issue if you purchase one of the first new houses in a changing neighborhood.

The bottom line regarding transitional neighborhoods is one of risk versus reward. In earlier stages of transition, you will pay less and perhaps assume some risk – but you will have greater potential for appreciation. The later in transition, the less your risk – but the more you will pay.

The great thing about Westport is that our housing stock has always been an eclectic mix of different sizes and styles – of old and new – all in the same neighborhood. From that perspective, transitional neighborhoods may not actually be such new news, after all.

Evi Coghlan is a licensed real estate agent with Coldwell Banker/Riverside-Shavell and a former marketing consultant who advised Fortune 100 companies. To contact Evi, call 203-247-6691, e-mail her at evi@evicoghan.com or visit www.evicoghan.com

© Copyright 2008, Evi Coghlan