

Grande Villas: The Facts You Need to Know

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Introduction

As buyers search for a real estate project or community complementing their lifestyle, in today's market it is imperative they understand the financial and operational side of the purchase. Deficiencies in financial stability, poor management or burdensome maintenance requirements can cause headaches and monetary losses for buyers who fail to uncover such issues until after making their purchase.

The purpose of this document is to discuss, in a very straightforward manner, critical facts and background aspects of Grande Villas customers are commonly asking about, and indeed should be investigating for any project they are considering. Beyond merely offering our opinion that Grande Villas is a great choice, this document will build a compelling, logical and factual argument as to why Grande Villas is beyond compare on the Crystal Coast.

Developer Background

The developer of Grande Villas is Greystone Property Development Corp., an affiliate of Greystone & Co., Inc. (together with its affiliates, "Greystone"), which is a multi-faceted, financial services and real estate development company founded in 1988 and based in New York, NY. Given the ongoing and challenging economic environment, you could not hand pick a better developer for Grande Villas than Greystone Property Development Corp.

Greystone currently owns or manages over \$15 billion in assets and has 4,000 employees in 17 offices nationwide. Greystone's original business was restructuring bonds backed by mortgage backed loans. This background gave the company a solid understanding of the pitfalls that make projects fail, which has given them a disciplined approach to managing risk for themselves and their customers. Greystone now operates four major Business Segments:

- **Mortgage Finance:** Origination and servicing of Commercial and Multi-Family Loans.
- **Proprietary Investment:** Manages a portfolio of government loans, municipal bonds, and other financial assets.

- **Healthcare:** Ownership and Management of skilled nursing and assisted living facilities.
- **Real Estate:** Development, ownership, or management of commercial and multifamily properties. In addition to new development projects, Greystone currently manages 6,600 multifamily units in nine states and 4,000 commercial leases.

Grande Villas falls under the Real Estate segment as Greystone Property Development. The President of Greystone Property Development is Doug Benach. Doug has worked for more than 35 years in real estate development, construction, marketing and management in the U.S. and Middle East. He spent 12 years as a senior executive at Starrett Housing Corporation/HRH. Some notable projects Doug has been involved with include Citicorp World Headquarters, Trump Tower, Trump Plaza and the Javits Convention Center.

Given the diversified businesses Greystone operates, they are not completely dependent on the ups and downs of the real estate market. This means Grande Villas is in the hands of an extremely advantageous developer during our current economic times.

Location Overview

Incorporated in 1973, the town of Indian Beach is located in the middle of Bogue Banks, the next-to-last island in a chain of barrier islands in the southern Outer Banks which are known as the Crystal Coast. The town is divided in the middle by the unincorporated community of Salter Path.

Indian Beach's permanent population swells with vacation residents and tourists who enjoy the town's upscale coastal lifestyle. Careful development and preservation of lush maritime forest has maintained the community's natural beauty. Nearby Morehead City provides easy access to an abundance of shopping centers, restaurants, Carteret General Hospital and the Carteret County Public School System. Indian Beach is also convenient to Beaufort, the third oldest town in North Carolina and home to historic sites, museums, and legends of the pirate Blackbeard.

Overall Health of the Project

Buyers should research a number of important factors before buying any condominium property. This due diligence may raise some red flags regarding adverse effects from the economic crisis. At Grande Villas we are very proud of the fact none of these negative conditions exist and maintain stellar financial health.

Foreclosures/Short Sales. When a condominium building has foreclosures and short sales, there is an adverse effect on property values. After one of these units has sold, it becomes a comparable unit for appraisal purposes. It also puts downward pressure on

all other remaining for sale units in the building. As of March 2011, Grande Villas has no units in foreclosure or any short sale listings. Currently, only two resale listings are available in the building, and both belong to owners who have chosen to purchase a larger unit at Grande Villas.

Homeowners Association. A healthy Homeowners Association is important for any prospective purchaser. When a Homeowners Association is poorly funded, typically the owners will suffer poor maintenance and reduced services which have an adverse affect on the value and enjoyment of the unit. Typically funding challenges result from owners not paying both their monthly or special assessments. Many condominium projects within Carteret County currently have ongoing special assessments in addition to their normal monthly assessments, or they are pending. This can be attributed to the age of the majority of these buildings, built in the '70s and '80s.

At Grande Villas we have a very financially healthy Homeowners Association. As of February 2011, we do not have any owners delinquent on their association dues. In addition, the Homeowners Association currently has a balance of \$85,000 in our reserve fund. You are also much more protected from a special assessment at Grande Villas, given our building was built with state of the art construction techniques and was just completed in 2009.

Fannie Mae Approved. Grande Villas is one of a handful of new condominiums to have received Fannie Mae approval, allowing a variety of lenders to offer loans to new purchasers within Grande Villas. The economic crisis has led to a very vigorous, restrictive process a project must go through in order to receive this approval. Fannie Mae looks at the overall health of the project as well as sales and closing pace within the building.

Notably, even prior to receiving this approval, Met Life Home Loans has been offering loans to purchasers at Grande Villas. Met Life performed their own project audit and researched every facet of the project and any risk on their part. After their research was complete, they offered to provide as many loans as needed to purchasers within Grande Villas. Met Life is a very conservative institution and one of the few banks that did not accept TARP money during the government bailout plan. Securing Met Life's approval to lend in the project, prior to Fannie Mae approval, speaks volumes about the current and future viability of Grande Villas.

Grande Villas Sales and Marketing Programs

A vital condition for maintaining a project's success is steady real estate sales. When a project languishes without sales, there are numerous adverse effects. This includes a consistent decline in property values, an underfunded Homeowners Association, and the risk of a faltering reputation among brokers and buyers. Grande Villas is fortunate to be able to fund a professionally devised Sales and Marketing Program to market our properties.

If you have the best property in the market and no one knows about it, your chance at success is extremely limited. Nearly all of our competition simply places a sign in front of their building and lists their units on the MLS. While we certainly benefit from signage bringing walk-in traffic at our location as much as any development, at Grande Villas we actively promote a fully integrated program in order to generate interest effectively. We have a team comprising four veteran real estate professionals who work solely on Grande Villas. Our sales professionals help guide our prospective purchasers through the buying process. The company operating our real estate program is Waypoint Real Estate. This firm has sold over \$4 billion in resort real estate throughout the world.

The integrated marketing activities we employ to generate interest in Grande Villas include:

- Real estate shows in the Triangle and the Northeast
- Printed direct mail programs
- Ads in various publications
- Real estate broker events
- Numerous online advertising programs

These programs have allowed us to close 48 of 86 units since April 2009, including 20 units sold in just over a year. The momentum generated has helped make Grande Villas the best-selling project of its kind along the entire Crystal Coast. This momentum will continue.

Position in the Local Marketplace

Carteret County has been on the rebound. Even though values are off their peak from the housing boom, they have not been affected at near the level of other markets in the Southeast. In part, this area did not experience the “overheated” appreciation to the level of many other markets.

A recent article in the Triangle Business Journal (Raleigh/Durham, NC) stated, “Home values in Carteret County – home to Atlantic Beach and Emerald Isle, among others – have held steady over the past year, ESRI data show. The values of coastal homes in Carteret (the County where Grande Villas resides) are projected to grow at a faster pace than those in neighboring New Hanover and Brunswick counties through 2015... Home values in Carteret County are projected to increase by 16 percent to 25 percent by 2015.”

The local market is showing improvement in absorption and prices. Given the quality at Grande Villas we compete in both the local condominium and single family home marketplace.

Condominiums. There are numerous other oceanfront condominium offerings along the Crystal Coast, yet it is not a stretch to say Grande Villas stands alone. Except for a couple of small buildings, the majority of the competitive group was all built prior to 1985. This sets us apart for numerous reasons, most importantly in the appearance and design of Grande Villas. Each unit and the entire building reflects the most current trends in design sought after by today's buyer. In many of our competitive projects, once you buy the unit you end up replacing the carpet, flooring, cabinets, and fixtures to update the unit to current design preferences. Often these are only cosmetic solutions in view of outdated layouts, low ceiling heights, etc.

Given the age of our competitors, all were built with construction codes and techniques 25 years old, mostly using all wood frame construction which contributes to a myriad of maintenance issues. Most of these projects have had to initiate special assessments to cover the high costs of maintaining the deteriorating buildings, especially evident in the building exteriors, amenities and individual units. The age of these buildings also means they were built to wind and storm codes from the 1980s.

Grande Villas is essentially a brand-new building granting buyers peace of mind regarding maintenance issues. We have used the highest level of construction quality at Grande Villas. Our building is constructed of concrete and steel as opposed to wood, thus offering a wealth of energy saving and maintenance-free construction products and techniques.

Homes. We also compete with single family homes within the local marketplace. We have a large number of customers who have previously considered single family homes because they prefer new construction and design alternatives condominium projects on the island do not offer. A segment of this market has purchased at Grande Villas because they now have the best of both worlds. They can reap the benefits of new construction without the headaches of single family home ownership.

We have also dealt with people who have owned a single family home on the island but have grown tired of the vigorous maintenance and insurance issues. These challenges are compounded in the case of a second home where you may spend half your vacation on upkeep or making trips to the beach just to handle maintenance issues. At Grande Villas all of your exterior maintenance needs are covered by your Homeowners dues. In addition, our on-property management team and front desk attendant can meet contractors on your behalf, receive packages, and otherwise support you when needed.

Grande Villas is truly a unique offering on the island. Owners here would not consider any other alternative along the Crystal Coast. While it's possible a future project may be developed on a few select building pads available, none is currently in the planning stages, and any new condominium developments would be at least five years from completion under the best case scenario. So for those buyers who want what Grande

Villas has to offer, there are only our 86 properties within a 100 mile radius offering this lifestyle.

Conclusion

In consideration of all the facts presented in this document, any prospective purchaser should feel very confident in exploring Grande Villas. Everyone who walks through our door is amazed by the design and quality of the building, amenities, and units, which are without equal anywhere in Carteret County or along the coast of North Carolina. We offer an unmatched project, backed by a very stable developer, which is very healthy from an operational standpoint, and is experiencing significant sales success. The combination of these strong characteristics makes it easy to see why we feel Grande Villas is the best real estate opportunity along the Crystal Coast.

About the Author

Myles Newell is a Principal in Waypoint Real Estate Consulting. Prior to starting the firm in 2007, Newell was the Executive Vice President of Ginn Real Estate Company, where he managed the sales and marketing initiatives for eight communities and over 500 employees. Since its founding, Waypoint Real Estate Consulting has become a well recognized international sales and marketing firm specializing in resort real estate. The company is currently the market leader in every market in which it operates in the United States and internationally. Newell has sold and closed approximately \$4 billion dollars in resort real estate sales during the last decade.