

PREFAB WITH A VIEW

London-based First Penthouse is developing a new real estate market- the tops of other buildings.

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Peo Lindholm wanted to buy a London penthouse in 2000 but knew that all he'd wind up with were leaky roofs and corroded plumbing. That's because most of the city's rooftop apartments are landmarks in which renovations are regulated. Then he heard about a company that was lifting new penthouses into place with a crane. Lindholm and his wife bought one atop a building overlooking Lord's Cricket Ground. "We're the only people in a London penthouse who don't get wet when it rains," he jokes.

The Lindholms' apartment is the work of First Penthouse, a U.K. company founded by Håkan and Annika Olsson that has been installing prefabricated penthouses in London for the past 12 years. First Penthouse usually acts as a developer, buying air rights from building owners and selling penthouses as new construction. So far the company has sold 15 apartments for a total of \$50 million.

The Olssons got the idea for prefab penthouses while trying to renovate their own top-floor apartment in Stockholm: A rainstorm nearly flooded their entire building. In 1989 the couple--both civil engineers--moved to London to take new jobs. They purchased aerial photographs of the city and marked flat-roofed buildings with a red pen. "We knew we had a good business idea when the whole picture was red," Håkan says. Eight months later they started First Penthouse.

The company's early projects were not without hitches. For the first, in 1993, the Olssons hired a British firm to construct the unit--destined for a building in upscale St. John's Wood Court--but when it was lifted into place, it didn't fit. (Modifications to an exterior wall solved the problem.) Landmark regulators were hesitant to grant approval for rooftop construction, fearing noise and dirt. Financing was also tough. "No bank wanted to be first to lend because this was so new," Håkan says.

The Olssons got a wealthy friend--a Swedish rag-trade baron--to put up much of the \$400,000 they needed for the first unit. Then they moved construction to Sweden, where prefab architecture is more advanced, thanks to brutal winters that can make onsite work impractical. (Ikea sells a prefab house there.) To sweeten the deal for existing residents at their projects, the Olssons fund infrastructure improvements like new water tanks and elevators. They pacify regulators by using less noisy tools, such as silent diamond-core drills, and by laying sound-absorbing mats over roofs they work on.

So far, the Olssons' penthouse projects have ranged in size from 300 to 4,000 square feet. A 2,000-square-foot penthouse typically costs a buyer between \$1 million and \$8 million, depending on the neighborhood and the slope of the roof. Of course, the same math might make sense in the United States. Håkan says he's already working with a developer to install a prefab penthouse in Manhattan's Tribeca district this fall. The plan is to ship a unit from Sweden, though Håkan hopes to eventually manufacture locally, maybe in the Bronx.

The Olssons, however, will probably never reside in one of their projects. Since leaving Stockholm, they have lived in rural Maidenhead, west of London. "We're keen horsemen," Håkan says. "We need to live in the country." -- ADAM MCCULLOCH