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Grab a slice

By Katherine Dykstra

It's no secret that newish residential buildings all over the city have had a rough go of it over the last few years. Developers have weathered construction delays, been the victims of their own indecision, altered design plans, had buyers walk away from deals, seen lenders take over their buildings . . . the list goes on.

Regardless of situation, most developers found themselves at a sales standstill. "When the market changed, [many developers] did not change their prices, so they stalled," says Jonathan Miller, president of appraisal firm Miller Samuel.

The Sheffield

The only way to restart has been to reduce prices. Some have gained traction by taking off 5 or 10 percent; for others, cuts have exceeded 40 percent. While it might sound counterintuitive, these repricings, rather than dragging other buildings down with them, can actually be good for a neighborhood.

"When a building does stall, that's the worst thing that can happen to a neighborhood," Miller says. "But when you reduce prices, you get churn, you get activity and that's positive."

The Sheffield

Rose Associates and the Sheffield go way back — Rose having initially developed the building as a rental in 1979. This long relationship is likely one reason Fortress Investment Group, which took over the building in a foreclosure last September, hired Rose to help get the Sheffield back on track.

"In 2005, we sold the building, a rental with 845 units in it, to [Kent] Swig," says Jack Levy, senior marketing director of Rose. "It sold for the highest price of a single residential building in the country up to that point. We kind of sold at the right time."

The right time for Rose; the wrong one for Swig.

Although Swig, after renaming the building Sheffield57 for its 57 floors, was able to sell nearly half of the building's 597 units, he couldn't stay afloat.

"I think the market was a culprit for him," Levy says. "They sold quite a few units at pretty good prices."

Units were on the market for up to $2,000 per square foot when the building came on the market in 2006. Today's updated offering plan has units priced at an average of 20 percent less, and some as much as 28 percent less, or between $1,200 and $1,800 per square foot. The Marketing Directors is handling sales, and has sold 32 units since April.

“We brought the offering plan up to date, we paid the liens on the building, we brought the reserve fund up to date,” says Levy. “So financially we put the building in a good position.”

They also returned it to its original name.

“It was always called the Sheffield in the years we owned it; the former sponsor changed it and we just went back to the Sheffield,” Levy says. “The building had enjoyed a very good reputation.”

The Laurel


The Laurel

File this under “timing is everything.” The original plans for the Laurel, a condo building at 400 E. 67th St., called for a glass curtain wall exterior. Midway through the process, though, the developers had a change of heart. They realized that a limestone exterior would not only make the building more contextual — allowing it to fit better with its Upper East Side neighbors — it would also likely be more attractive to the type of buyer drawn to the area in the first place.

“It was a very costly change,” says Louise Sunshine, development director for Alexico Group, which built the building. (Sunshine also lives in the Laurel.)

Costly in more ways than one, as it would turn out.

The design change caused construction delays that put the building nearly a year behind schedule. The 107 units ended up entering the market in December of 2007 — about a year later than anticipated, and just before the fall of Lehman Brothers.

“In retrospect, they would have hit a better market if it would have been on time,” Sunshine says.

Flash forward to late 2009: The building had sold only 35 percent of its units. Unwilling to rent any, the developers were left with a choice: They could allow the units to sit, or they could chop prices in order to spur sales. They chose to chop, lopping off up to 18 percent in some cases, and lo and behold, the building began to move units at around $1,600 per square foot.

“It’s been unbelievable; we went from 35 to 65 percent sold [in the last seven months] and have five or six contracts out for signature,” Sunshine says. “We’re selling four or five apartments a month.”

Tribeca Summit

Since Tribeca Summit, a 62-unit renovation, went on the market back in 2006, the project endured one problem after another, beginning with construction delays.

“It was a manufacturing and commercial building,” explains Leonard Steinberg, managing director at Prudential Douglas Elliman. “The developers had not done many buildings before. So, it was difficult to begin with, and throw in inexperience, it’s even harder — you run into surprises and enormous delays.”

As the delays grew longer, the building optimistically enacted price amendment after price amendment, driving the cost of the units higher and higher.

"Prices had been escalated in multiple amendments," says Steinberg.

Though the original developers were able to sell nearly 50 percent of the units, they couldn't hold on, and eventually KBS Ventures, the financing arm of the project, wrested ownership away and hired Steinberg to oversee sales.

"What we all recognized was that we had an extraordinary building with a bad reputation," Steinberg says. "People wouldn't walk into the building. I had to convince brokers and their buyers to come back."

He started cleaning up that reputation by redesigning the lobby, which he found unfit for a luxury building. But what's likely meant the most to sales is a major flexibility with prices. In June, one 1,751-square-foot unit, on the market for $2.8 million, closed for $1,960,131, or 30 percent less.

"Our prices had definitely been adjusted lower; they were extremely elevated," Steinberg says.

"Now what [buildings are] doing is repricing to be in sync with the market," Miller says. "Just because prices were cut 40 percent, it doesn't mean that they fell that much; it more means that they were priced 40 percent over the market."

Steinberg says that since he took over, he's put another 30 percent of the building in contract.

Oro


Oro

The 303-unit Oro in Downtown Brooklyn had been on the market with Prudential Douglas Elliman for two years and had nearly 50 percent of its units under contract when the market took its dive — taking nearly half of the building's signed contracts with it.

After a brief hiatus off the market, the developer brought in Rose Associates to take over sales in September 2009. The first thing the firm did was initiate an apartment-by-apartment repricing that took anywhere from 4 to 25 percent off the units.

"We were just able to respond more quickly than most," says Edward Azria, manager of sales at Rose Associates. "I think there were a lot of buildings that had investors with a lot of different opinions. We happened to have a group that was unanimous in what we saw going on."

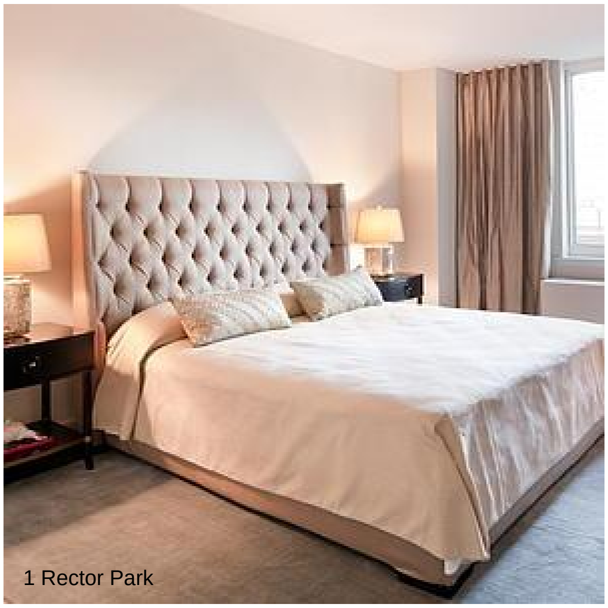
Today the building, selling in the low to mid-$600s per square foot, compared with prices in the $700s in 2008, is 64 percent sold. Azria says they've been selling 10 units a month since the price cuts.

One Rector Park

One Rector Park, the 174-unit conversion of a Battery Park City rental building constructed in the 1980s, never really had a chance.

"The first sponsor [put units] on the market about a week or so before the collapse of Lehman, so they never even got off the ground," says Tricia Hayes Cole, executive managing director at Corcoran Sunshine.

Corcoran Sunshine was hired to sell the condos by lender iStar, which took control of One Rector Park in November 2009.



1 Rector Park

“When we came on board, there were a handful of units in contract. Their buyers had the right to rescind and get their money back, and for the most part they elected to do so. So we started with a clean slate,” Cole says.

In addition to rethinking the marketing approach and re-renovating the lobby, Cole repriced the building after spending a lot of time considering the buildings that surrounded One Rector. To find a fair price, she evaluated comps in the neighborhood, looking not only at new developments but at resales as well.

“We wanted to be very real and take the opportunity to recognize that this is a new market, pricing has changed, and the buying population has changed,” Cole says. “We were able to reduce prices significantly from the original offering plan, about 30 percent on average.”

The building reopened for sales in August, with units averaging $874 per square foot, compared with an initial $1,200 or so per square foot. Since then, buyers have signed 24 contracts, and another 20 contracts are out for signature.

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