

THE REAL DEAL

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NEW YORK REAL ESTATE NEWS

Vol.6 No.6 June 2008 \$3.00

On the chopping block

Developers slash prices in order to move new condos

BY LAUREN ELKIES

As sales have slowed and inventory has grown, developers are clamoring to move new development condo units, many by adjusting prices.

Price cuts are outpacing price increases, and prices appear to be falling on the whole in the two most active

boroughs for development, Manhattan and Brooklyn, particularly in Harlem and western Brooklyn.

FEATURE STORY

The Real Deal compiled a project-by-project breakdown of price changes among listings where there were price fluctuations during the past 90 days.

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Surf's up for Kent Swig

After trial of Sheffield 57, rising mogul faces Nobu challenge

BY ADAM PIORE

With his California charisma, beaded bracelets and dapper disposition, Kent Swig is clearly a new kind of mogul. As he gets excited, he waves his arms over his paper-strewn desk, creating a blur of purple shirt sleeves, soccer ball cufflinks, and surfer bracelets.

"It's that one second," he says. "It's absolutely perfect. You're timing it. You can just feel it. Then when you hit it, it's just incredible!"

Swig is talking about surfing — that sublime instant when a surfer paddles into a wave and gets ready to drop in — but the 46-year-old blond with the sunburned face might just as well be talking about his real estate deals.

Over the last five years, Swig has poured hundreds of millions of his family's real estate fortune into New York buildings, and brawled with unions, tenants and politicians. Last month, he announced plans for one of his most ambitious and certainly his most high-style projects yet: a 62-story Nobu hotel Downtown.

If Swig has timed everything right — and he believes he has — he'll ride those investments all the way to the bank, cementing his place in moguldom. **Continued on page 136**



In Swig's wake Downtown: the developer owns 25 Broad, left, and plans a tower at 45 Broad, right. Rival building 7 WTC, center.



Elizabeth Stribling packs up

See page 170.

Adding it all up

A tally of numbers that matter: construction costs, the high-end market, and foreign buyer migration

BY LAUREN ELKIES

Ever wonder what goes into a new development, or conversely, what justifies today's new construction prices? Henry Justin of HJ Development let *The Real Deal* in on his budget, including a look at the materials and fixtures, for his new project at 211 East 51st Street. From a \$145 shower door handle to \$600,000 worth of sheetrock and studs, here's a tally of the costs. You may never look at a bathroom faucet the same way again.

SPECIAL REPORT

The feature story is part of a package on the numbers behind new development, including which foreigners are buying where and what's happening at the very top end of the market.

Continued on page 53

Discouraged by 421-a changes

As incentives dry up, builders sell their sites

BY SARAH RYLEY

While many developers have been racing to get started on projects before changes in the 421-a tax abatement take effect, another group has thrown in the towel, tripped up by the deadline and the faltering economy. As a result, development sites with approved plans for condominiums are on the market all over the city.

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At Brooklyn's priciest condo

Values soar at One Main, but owners have issues

BY SARAH RYLEY

Last month, a \$7 million-plus sale at Dumbo's One Main Street, the centerpiece of David Walentas's empire, beat out a unit at One Brooklyn Bridge Park for the most expensive condo ever sold in Brooklyn.

But loftier deals could be ahead. Although there are complaints about maintenance and renovation in the building, the \$7 million mark could be shattered. Walentas is renovating a penthouse with a value pegged at \$25 million.

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New foreclosure problem pops up

Tough to unload, amount of bank-owned homes spikes

BY ALEX ULAM

There are growing numbers of REO properties — Real Estate Owned by investors and banks — in predominantly low-income and minority city neighborhoods.

As a result of the foreclosure crisis, banks and investors have started building up large inventories of REOs, largely because they are having trouble unloading them, *The Real Deal* has learned.

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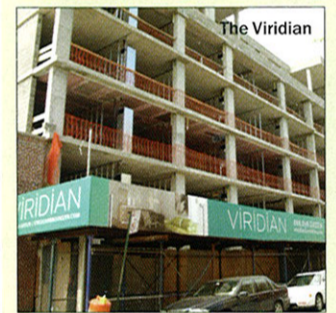
FACT

There were 15 construction-related deaths in New York City in the first five months of 2008, compared to 12 in all of 2007 and 18 in all of 2006.

AT A GLANCE

Brokers' lament

Summer's here and there won't be much dancing in the streets. Residential inventory is climbing. See page 15. Office landlords are granting concessions to sweeten the deal for tenants. See page 24.



Hoping for Magic

Brokers are nervous about a condo in Greenpoint backed by basketball icon Earvin "Magic" Johnson. The Viridian is an amenity-laden building in a fringe neighborhood. Will buyers go for the putting green and forget about the G train? See page 30.

Religious ritual with real estate results

Westhampton Beach is considering an eruv, a special boundary in demand among observant Jews, and experts predict a change in demographics there — and a possible increase in property values. Eruvs have spread in the city too. See page 20.



Bellmar's Julie Friedman at Temple Adereth El, which has an eruv.

Modern prefab comes to NY

West Coast phenomenon adapts to fit the city — but in a limited fashion

By JEN BENEPE

Prefabricated homes, a largely West Coast phenomenon, are popping up in the New York City area for the first time.

Led by Resolution: 4 Architecture (RES4), a New York City-based firm building the “Bronx Box,” and Rocio Romero, who built a home in Gallatin, N.Y., modern prefab is stirring interest among price- and eco-conscious consumers.

Still, the number of prefabs is few, and the obstacles to their widespread adoption are many.

In Eastchester Bay, RES4 just completed site preparation for a two-story, 1,824-square-foot building that will be “the area’s first modern interpretation of a single-family home,” predicted Joseph Tanney, architect and partner at the company.

A rendering shows a house that could well be the shore version of a well-tailored, multi-level rectangular ship, with sleek stainless steel cables and cedar posts, Ipe decks (an ecologically responsible wood that was used to build the Brooklyn Bridge) and rectangular areas jutting out into open space.

The home will boast a roof deck, solar panels, pre-installed floors and pre-built cabinets. The components of the home will be delivered to the site in panels that have already been assembled and sheetrocked. The entire house will then be wrapped in recyclable cement board, said Tanney.

The house has a pre-installed, 2-by-40-foot “pocket” running alongside one wall that will serve as the home’s cabinets, closets and storage area. The property will also have steps running down to the waterfront.

Tanney, who spent a college summer living on a boat, said the efficiencies of the built-in designs aboard that vessel influenced some of his modular concepts.

However, as with all construction in New York, the permitting process was more complicated than it would be in a more rural location. Also, the home had to meet Federal Emergency Management Agency specs because it lay in a flood plain.

The home, which will have a 52-by-16-foot footprint on a 24-by-90-foot lot, will stand out among the neighborhood’s “unique, quaint and vernacular homes,” said Tanney.

The prefab will cost about \$280 per square foot, not including solar panels, and was expected to be completed by late last month, when it was to become home to a couple and their teenage son. RES4’s prices usually average \$250 a square foot, plus an additional 15 percent design fee, site scoping and extras, such as site preparation and sometimes foundation-laying.

RES4 also has homes in the design phase in Williamsburg and Manhattan Beach, Brooklyn; homes in construction in East Hampton and on Peconic Bay on Long Island; and completed homes in Lido Beach,

Fire Island and Wainscott, as well as several upstate locations. Overall, the firm has completed 25 homes, the most homes in the Northeast of any of the handful of modernist prefab companies.

That’s partly because there have only been about 100 projects completed nationwide by prefab architects since 2002, when Dwell magazine sponsored a competition for architects to design a modernist prefab home. (RES4 architects won the competition, and its design was built in North Carolina.)

Allison Arieff, the former editor of Dwell who co-authored the book “PreFab” with Brian Burkhart, noted that the idea of prefab took off in the construction of schools and other commercial buildings in the 1950s, more in an attempt to increase builders’ return on investment than to deliver high design to the masses.

And one difficulty with prefabs has been buyers’ desire for customization.

Rocio Romero, a young architect based in Missouri, provides a house kit, which is basically a shell, for as low as \$37,825. Her price does not include site scoping, contractor fees, sheetrocking, painting of walls, windows and doors, or appliances.

Yet the owner of Romero’s latest New York State home paid \$230 a square foot for the entire construction, over Romero’s initial estimates of \$120 to \$190 per square foot, an overage that had much to do with an oversize master bathroom and floor-to-ceiling glass doors throughout the house.

Romero recently offered a tour of her house to the public; four busloads of people paying \$40 a head attended. The house, situated just off a well-traveled road and on the edge of a cliff, was rectangular and simple, with a tongue-in-groove cedar exterior — a first for Romero, who normally uses galvanized steel siding.

The side facing the road has small, high windows, but the side facing the cliff and trees is constructed almost entirely with floor-to-ceiling glass doors. The living room is spacious, with a fireplace and an open kitchen area, but because the owner retrofitted the design, an LVL — Romero’s largest unit — to create a large master bath, the three bedrooms seemed too small to be practical, and one could well wonder what the place would look like once it was furnished.

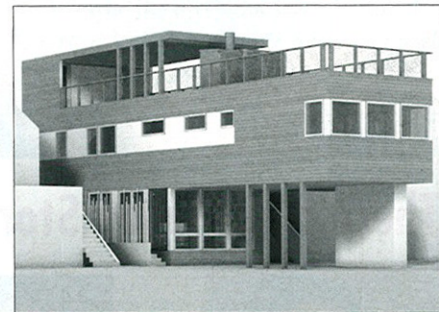
Typically, the LVL is 1,453 square feet, 25 feet by 59.5 feet, and has a combined living room, dining room and kitchen, three bedrooms, two bathrooms and closets, but the builder can eliminate a bedroom in order to provide more space for the remaining two.

Still, both the RES4 and Romero homes are freestanding — not an easy solution to adapt to New York City, where the exterior walls of neighboring buildings are usually built without a space in between them.

Prefabs that could be built wall-to-wall require steel frames. Jennifer Siegel, a



A rendering of a prefab home being built in the Bronx by Resolution: 4 Architecture. Other designs by the firm are being built in Manhattan Beach, lower left, and Long Beach, lower right. The award-winning Dwell Home, bottom.



southern California architect, said that her building designs, shipped with doorknobs, windows and appliances, would work for urban infill. The costs, said Siegel, average \$280 per square foot, including installation and transport.

Leo Marmol, partner and architect at Marmol-Radziner, a California-based firm, said his firm can also build wall-to-wall because its designs incorporate steel

support structures.

However, the prices on some of these homes are enough to cause sticker shock. Marmol-Radziner’s use of steel allows it to build with floor-to-ceiling glass and earned the firm an American Architecture award in 2007 for its stunning glass Desert House in Desert Hot Springs, Calif.

The home is currently on the market for \$1.495 million. TRD