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REAL ESTATE

Once Again, Floor Plans Are Making the Sale

By VIVIAN S. TOY JUNE 30, 2011

WHEN the real estate market was booming, buyers routinely signed contracts for apartments in yet-to-be-built buildings, making their decisions based on little more than an artist's rendering and a miniature model of their new home.

That changed once the market crashed. Off-site showrooms disappeared, and buyers became deeply skeptical about floor plans and fancy brochures. Developers realized that buyers would no longer buy a home without first running a hand along a kitchen counter and standing by a window to take in the views.

In recent months, though, several new developments around the city have once again sold apartments off floor plans. The practice is not widespread, and the examples tend to be in neighborhoods where there is very little new inventory. But at least one high-profile building that is under construction plans to sell off floor plans: the Extell Development Company's 90-story hotel/condominium tower across from Carnegie Hall — One 57, at 157 West 57th Street.

Apartments will not be ready for move-in for another two years, but sales will start soon after the offering plan is approved, which will probably be some time this summer, said Gary Barnett, the president of Extell. "We have had such a strong reaction with people wanting to buy that we expect to get a fair amount of sales even before the sales office opens," he said. "There's definitely a shortage of product right now, especially with views of Central Park and hotel services."

The lower floors of the building will house a Park Hyatt, and the building's Web site boasts that "New York has never seen residences that see New York like this." Apartments range from one- to four-bedrooms, with prices from $5 million to upward of $30 million.

At the height of the market, developers couldn't file offering plan amendments quickly enough to keep up with price increases for their apartments. Now, though, Mr. Barnett is more circumspect. "We think our prices are reasonable given where the market is today," he said. And, he added, once the building is sold out, "we're hopeful that prices will go up."

He said that while there are plenty of "scare stories" about condos that haven't been completed or have been finished with substandard construction, "for the right design and location, there's very little inventory, and if people want to lock into something, they'll buy off of floor plans."

For the recent developments that have already sold apartments without model units to show, developers and brokers say they initially intended to test the market and were surprised at how quickly the apartments sold.

"We never thought we would be selling off of floor plans," said Justin Ehrlich, a partner of VE Equities, which is building two small condos in TriBeCa. "We underwrote these buildings with big budgets for marketing."

He said he had expected it would take a year after opening the buildings at 471 Washington Street and One North Moore to fill them. Instead, sales started in April and each building now has only one unit left, even though neither will be ready for occupancy until late summer or early fall.

"It helps that they're boutique small buildings and that's what people are looking for in TriBeCa," Mr. Ehrlich said, and there is very little else coming to market. VE Equities took over both projects after they had stalled under a previous developer. The building at Washington and Canal has 12 units, ranging from $2 million one-bedrooms to a $15 million penthouse; and the building at North Moore and West Broadway has five four-bedroom units, ranging from $5 million to $9.5 million.

For marketing materials, One North Moore had floor plans and an exterior rendering, but for 471 Washington, “we splurged and hired a renderer” to do drawings of the exterior and the interiors, said John Gomes, an executive vice president at Prudential Douglas Elliman, who helped market the buildings.

There were some skeptics. Some “people who showed up at the site couldn’t believe that that was how we intended to offer the units and they just left,” Mr. Gomes said. But others were willing to plunk down deposits after looking at floor plans, reviewing descriptions of the finishes, and looking at two-by-two squares of imported marble.

At two other buildings in different neighborhoods, limited new development inventory also helped early sales.

Eric Benaim, the president of Modern Spaces, an agency in Long Island City, Queens, said he decided late last year to test the market for the Yard, a sister building to the Powerhouse, a condo conversion of a former power plant. They sold eight of the building’s 83 units before any of the apartments had walls or windows. “It made me think of the days a couple years ago when people didn’t really question buying before a building was finished,” he said.

Because there are only a handful of condos in Long Island City with available apartments, Mr. Benaim said he was able to market the building to past clients and to potential buyers who visited his agency. Initial prices were slightly below the stated prices in the offering plan, at about $650 per square foot, he said. The building is now 35 percent sold and apartments are selling above $700 per square foot.

Grammi Lee and her husband, Alex Tse, signed a contract for a one-bedroom at the Yard in February, months before the developer opened up model units or even printed a brochure for the building, precisely because the price was attractive. Ms. Lee said she has friends who had bought in Long Island City for about $800 per square foot. “When we saw that this was under $650 per square foot, we thought it was time to buy,” she said.

Ms. Lee said because she is a graphic designer and her husband is a Web designer, they were able to envision their apartment even without the help of renderings or brochures. Being able to visit the Powerhouse also gave them confidence. “Since the Powerhouse turned out pretty good, I thought the builder is reliable,” she said. Ms. Lee and Mr. Tse both work in Manhattan and will move into their new home this month.

At 123 Third Avenue, at 14th Street, the Corcoran Sunshine Marketing Group opened a sales office a few blocks from the building last September and sold 33 of the 47 units within four months. The building is now finished and has four penthouses remaining unsold, priced at $3.6 million to $4.5 million. Most of the apartments in the building are one-bedrooms that went for $650,000 to $950,000.

“During the downturn, people wanted to see and feel the product before buying anything,” said Kelly Mack, the president of Corcoran Sunshine. But today, she said, in certain neighborhoods where inventory is low and prices have started to increase, some buyers clearly have enough confidence in the market to buy in an unfinished building.

Mark Mohrmann, an orthopedic surgeon who invests in real estate “as a second career,” said he bought two one-bedroom apartments at 123 Third Avenue intending to combine them into a three-bedroom for himself, but has since decided to rent them out. He has already found a tenant for one apartment.

Despite these successful sales, most developers are still waiting to open their sales offices in model apartments because they believe they can sell at higher prices once the building opens and buyers face much less risk.

At the Laureate, an Upper West Side condo that had a waiting list with hundreds of names on it even before the exterior had been completed, Shlomi Reuveni, a broker at Brown Harris Stevens Select and the building’s sales manager, said he did not want to sell strictly off floor plans, “because we wanted to make sure people were very comfortable with what they were buying.”

He said he met with people on the waiting list early this year, showing them floor plans, renderings and sample finishes. But buyers did not sign contracts until they were able to see where their apartments would be, even if it was raw space without walls.

"We felt that to optimize people's appreciation of the space, we had to show it," Mr. Reuveni said.

Eleven units sold before the building was officially launched with model apartments in February. The building is now about 70 percent sold and the first closings are set for this month.

Mr. Reuveni said he did not imagine a return to the kind of buying sight-unseen that was routine in 2006 and 2007. "Purchasing habits have changed," he said. "There is much more caution now."

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