

# THE REAL DEAL

May 15, 2009

## **SMALL, CHEAP PROJECTS HAVE A LEG UP**

*By Candace Taylor*

In the high-flying days of the recent real estate boom, small condo developments seemed like small potatoes in comparison to mammoth projects like Miraval Living (410 units), Manhattan House (580 units) and 15 Central Park West (405 units.)

But the tables have now turned. With financing now dependent on the percentage of units sold, tiny projects -- especially those priced to sell -- have a major advantage over their bigger counterparts.

Case in point: Mason Fisk, the 26-unit project in Williamsburg which developer Justin Meshberg told The Real Deal is now 99 percent sold after going on the market in early March.

And then there's eight-unit Sterling Green condominium at 580 Sterling Place in Prospect Heights.

While other units in the neighborhood languish on the market, the development is now more than 50 percent sold, with four units in contract and one offer on the table, said first-time developer Seth Brown, the principal of Brooklyn-based Aspen Equities. The property has been on the market for just over nine weeks.

Brown, who previously worked at the LeFrak Organization and the Hudson Companies, said he's relieved he didn't start out with a bigger project, now that Fannie Mae presale guidelines require a high percentage of units in new condos to be sold.

"It's so hard to start closing end-loans unless you have 50 to 70 percent of the units in contract," Brown said. "If you have 100 units, you're sort of screwed. The pace of sales has slowed everywhere, even if you have the right product."

It helps that Brown does indeed appear to have the right product for the current market.

Prices at Sterling Green average \$501 per square foot, or \$299,000 to \$499,000 per unit, which is relatively reasonable for the neighborhood: At ISHI at 542 Saint Mark's, asking prices average \$606 per square foot; at Hello Living Austin on Pacific Street, they're roughly \$636 per square foot, according to Streeteasy.com.

Brown said construction at Sterling Green is virtually complete and he expects closings to begin in July.

Though the project was conceived at the dizzying heights of the market in the fall of 2007, Brown said he intended the units to be affordable for first-time buyers.

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"I thought a lot about what the carrying costs would be with 90 percent financing," Brown said. "A \$700,000 or \$800,000 apartment is a starter apartment in part of Manhattan, and a lot of people don't make that. I thought it was prudent to create apartments that we could sell pretty inexpensively and would still be nice places to live."

While first-time buyers are the sought-after buyers of the moment, they were often neglected in the past, as developers focused on getting top-dollar for luxury apartments.

When asked about his seemingly perspicacious foresight, Brown said it didn't escape his notice that "parts of the country were already doing pretty poorly by then," he recalled, adding, "I made pretty conservative assumptions."

Brown said he originally intended prices at Sterling Green to be somewhat higher but revised them before the units went on the market. Because he doesn't have a formal bank loan, but rather a "friendly loan" from private investors, changing the prices wasn't a problem, which he realizes is a boon.

Another small project that is selling well after reducing prices is eight-unit 53 Warren Street in Tribeca. Core Group Marketing took over the project from Prudential Douglas Elliman a month ago and quickly and dramatically dropped the asking prices, said John Gomes, vice president at Core.

Prices at the building now start at \$1.75 million for a 1,562-square-foot two-bedroom, down from \$2.3 million for the same unit when Elliman had the listing.

Since then, three of the homes have gone into contract and another contract is expected to be signed in a few days, which would put the project at the 50 percent sold mark, Gomes said.

"We've had more activity [at] this building than at any of our other projects," he said. Some of Core's other projects include 141 Fifth Avenue and 290 Mulberry.