

September 19, 2012

at home with metro

Paying up for extras

▶ As the market tightens, buyers spend more for 'add-ons' like storage, parking and rooftop cabanas

Purchasing a New York apartment has long been viewed as a smart investment. But do optional extras — like parking spots or rooftop cabanas — hold their value over time?

During the real estate downturn, the answer seemed to be no, with developers often giving away — or deeply discounting — these extra features. But as the market tightens, buyers and renters are paying higher prices for optional add-ons.

After the financial crisis, extras "were negotiated more or used to hold an apartment's purchase price," said Stephen Kliegerman, president of Halstead Property Development Marketing. But in the last year, he said, "we're getting our asking prices, and we're able to charge full for the add-ons."

When new condo One Brooklyn Bridge Park, for example, started sales in 2007, it had 24 outdoor cabanas and 132 parking spaces available for residents to purchase. Since then, 19 cabanas and 30 parking spaces have been sold, according to Penelope Stipanovich, an MNS broker.

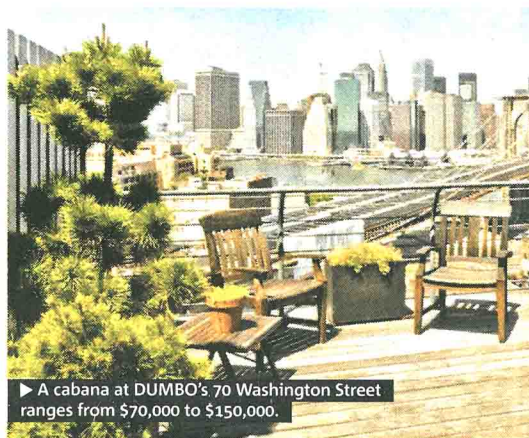
While the building's developer had to discount these extras during the downturn to get them to move, she said they're now selling for their full asking prices of \$150,000 to \$200,000 for cabanas, and \$150,000 per parking space. **JANE C. TIMM**

TheRealDeal.com is a daily blog and monthly magazine covering real estate in the New York metro area.

THE REAL DEAL

Package deals

Optional extras are usually separate transactions from apartment sales, with their own prices and deeds. But, especially in today's difficult climate, that can present some challenges since banks won't finance a cabana or a parking space on its own.



▶ A cabana at DUMBO's 70 Washington Street ranges from \$70,000 to \$150,000.

Room to grow

Developers use add-on sales to monetize parts of their properties that can't be used for apartments, explained Frances Katzen, a managing director at Prudential Douglas Elliman.

"The developer has bought land, and if it's not able to be [used] as a residential area," she said, "he can turn it into a garage and unload it [at] a very high premium."

Last month, Alchemy Properties launched 291 Union Street, a new condo in Carroll Gardens that offers buyers the option of purchasing basement storage units and parking spaces. Alchemy founder and president Kenneth Horn said these days, whenever space in his buildings permits, he tries to include optional extras. "It

helps us sell the building."

Even rentals are adding more. The new building Ten23 in Chelsea offers tenants the option of leasing private backyards off the eighth floor. The four backyards rent for an additional \$1,000 per month, with full-year leases, according to the building's rental office. Two of the four backyards have been rented since the building launched this winter.

\$1K

The four backyards at Ten23 in Chelsea rent for an additional \$1,000 per month, with full-year leases, according to the building's rental office.

In response, developers have started to combine the deeds of add-ons and the apartments into one so buyers can more easily arrange financing.

Katzen, however, noted some drawbacks to add-ons: When buyers purchase additional portions of the land, for example, they also take on the property tax fees — something that

doesn't occur when residents rent storage or parking spaces.

And while people will always need a place to live, the demand for cabanas and other trendy extras may not be around forever.

"It's a risky purchase," she said. "Will the market support paying \$200,000 for a cabana in five years? ... People may be over it."