

Early birds

More purchasers (cautiously) take a chance on unfinished projects

By JAKE MOONEY

Eventually the Yard, a 12-story condo under construction in Long Island City, will have 83 units. But when Eric Benaim, its marketing agent, started showing it to buyers in mid-December, it was sparse — very sparse.

"We literally had nothing," said Benaim, president of the brokerage Modern Spaces. "It was like a hard-hat zone. There were studs, only floors were in, it was freezing, no windows."

The big news, he said, is that even in less-than-optimal conditions, 13 units quickly went into contract. Four more have followed, he said.

Meanwhile, at boutique condo 471 Washington Street in Tribeca, nine out of 12 units are in contract after less than two weeks on the market, developer Justin Ehrlich told *The Real Deal*. He said the project is only about 65 percent complete.

In today's difficult climate, of course, it's never certain that signed contracts will translate into closed sales. And though it's still rare for buyers to purchase before a condo is finished, brokers and developers say they're encouraged by reports of early sales at some new condo buildings.

Benaim said the pending sales at the Yard reminded him of a time, not long ago, that was far happier for people marketing new construction buildings.

"I remember the high of this business, like 2006, when brokers, if you had an appointment, you basically had a sale," he said.

Still, real estate insiders emphasized that buyers today — unlike during the boom — need to see significant progress on a project before committing. And some cautioned that most buyers still aren't ready to make decisions on a purchase before seeing a unit.

"People are very skeptical to buy off [floor] plans today because of all the things that have happened in the market in the last few years," said Andrew Geringer, managing director of the Marketing Directors.

As new construction projects stalled in the aftermath of Lehman Brothers' 2008 collapse, buyers shied away from purchasing units in unfinished buildings, fearing that they wouldn't be completed, or that they wouldn't be delivered to the high standard buyers expected.

Frances Katzen, a managing director at Prudential Douglas Elliman, recalled one sale in which she represented a buyer who bought off a floor plan. The buyer later discovered that the living room was not 28 by 17 feet, as measured in the plans, but 13.8 by 17 feet. She demanded a price reduction from the sponsor, and got it after threaten-

ing to go public with the mistake.

As a result of situations like these, many buyers today "want to see that the building is up," Katzen said. "They want to see the actual space."

financing will be available from the banks.

"I have a new development that I'm [bringing] onto the market within a week in Midtown, and I'm telling you that the only way we're selling it is by modeling the space and walking through it," Katzen said.

That nine-unit development, at 534 West 42nd Street (formerly known as the Deuce), is owned by a bank that seized it from its developer.

Katzen said that considering many buyers' reticence, developers, too, are reluctant to start marketing projects too early.

"They don't want to waste money trying

Amy Williamson, sales director at the Centurion, a recently completed condo at 33 West 56th Street, said she has noticed more sight-unseen sales than, say, a year ago — often from international buyers.

"It's definitely happening. It certainly makes you feel that the market is definitely on the turn," said Williamson, vice president of sales at Prodigy Network.

"People will say, 'Can you go into the unit and take a picture out of the window so I can see the view?'" she noted.

She said the buyer of unit 5C is an investor who lives in Taiwan and Shanghai and who has never seen the unit (though his mother, Williamson said, was scheduled to visit any day). The \$1.8 million sale — for a one-bedroom unit — took about three months to finance and closed in January. A renter, Williamson noted, is already lined up and scheduled to move in on April 15.

She said investors, who are less likely to care about details of day-to-day life in the apartment, are more apt to buy a property without seeing it. They are more interested, she said, in information like, "How many units are closed?" or, "How many other units have been rented?"

The process is more sober than it was during the boom years, Williamson said. But she added, "If everything surrounding the building is positive, people are willing to take that leap of faith."

One reason buyers now seem more willing to take the leap is that they don't want to pass up the lower prices that are sometimes offered to early buyers.

Benaim said the first 13 buyers who went into contract at the Yard — which was developed by Chess Builders at 2-26 50th Avenue — were given a "friends and family" discount, paying in the low to mid-\$600s per square foot when the building was largely unfinished. Units, which range from studios to two-bedrooms, are otherwise priced between \$650 and \$725 per square foot, Benaim said.

These early-buying programs are sometimes used to secure financing for the later stages of a project, Geringer said, by showing banks evidence of buyer interest. In lower-priced neighborhoods in particular, he said, these deals can make buyers more willing to take a chance on an unfinished building.

"For the less expensive properties, sometimes people are more willing to take a shot, if it's the kind of deal you can't pass up," he said.

At the Yard, Benaim said that his floor-plan buyers, many of whom he had dealt with before, had not sought any particular new protections in their contracts.

"They see people working there, and they see a building being built, and they do feel confident," Benaim said. "It's not like we're marketing a hole in the ground."

Even in a climate with bolder buyers, that is a critical distinction from the boom times.

"Back then," Benaim said, "you didn't have to take them to the site." TRD

A rendering of 471 Washington in Manhattan (below) and the Yard in Long Island City (bottom, left), which have seen units go into contract before construction has wrapped up. The Centurion (bottom, right) is finished, but has slightly more sight-unseen sales to international buyers lately.



Parties to a deal now, she said, are waiting for certain indicators: first, whether the building actually comes into existence as it is supposed to; and later, whether the sponsors really have the financial backing to bring it to market, and whether mortgage

to get people in who are just going to say, "Well, this is really nice, but I want to make sure it gets built," she said.

Still, some brokers are now noticing that buyers seem a little less intent on viewing a building before making a purchase.