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City Condo Developers Think Small

Projects Have Just a Few (Expensive) Units



A rendering of a living area at 87 Leonard St. GRADE

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Soaring glass apartment towers that caress the New York skyline aren't for everyone.

With Manhattan land values at record levels and large sites scarce, more and more big-time Manhattan developers are thinking small. They are pouring money, design and energy into projects with only small numbers of large, very expensive apartments.

Some of the new units are attracting buyers who are put off by showy skyscrapers and prefer the security and privacy of a smaller building, where owners have a better chance of knowing all their neighbors.

At least some of the buyer interest stems from a "cultural backlash" against the big new buildings, said Nancy Packes, a marketing consultant to developers. "People don't want to feel they are changing the character of a chic neighborhood, like people who landed from another planet," Ms. Packes said.



Developer Edward Minskoff. ANDREW HINDERAKER FOR THE WALL STREET JOURNAL

Only a year ago, seasoned commercial developer Edward J. Minskoff was putting finishing touches on a 14-story highly contemporary nonresidential tower in the East Village that—at 400,000 square feet—some critics said was too big for the neighborhood.

Now he is sweating the details—from plank wood floors to mosaic tile in the bathroom—as he converts a 37-foot-wide brick-and-cast-iron building on East 12th Street in Greenwich

Village into six richly finished apartments. They are due to go on the market next week. Prices are to range from \$9 million to \$32 million.

"Sometimes you do things out of the box that are good business," Mr. Minskoff said. "This piece was out of the box for us because of its size. We thought it was an opportunity and we took it. It is a building with good bones and a great location."

The trend has attracted other firms that usually operate on a larger scale, such as Gale International, which has been building a \$35 billion, 100-million-square-foot city in South Korea known as the Songdo International Business District.

But now, it is the sponsor of a narrow 13-unit condo built next to and extending over a garage at 21 W. 20th St. in the Flatiron District.

“This is the smallest project we have ever done,” said Stanley C. Gale Jr., vice president for acquisitions and development at Gale. He said the company came across the small site as it restarted development in the New York metropolitan area, after the expiration of a noncompete clause in the region.

The building, known as 21W20, has sold all of its 25-foot-wide, two-bedroom apartments for prices ranging from just under \$2.5 million to just over \$3 million. Four penthouses, three of them 100 feet wide, will be offered for \$12 million to \$23 million.

Ms. Packes said it was hard to assemble new sites in Manhattan now, and that lenders were reluctant to bet big on huge projects with land prices so high.



The exterior of 87 Leonard Street in New York City. *ANDREW HINDERAKER FOR THE WALL STREET JOURNAL*

As a result, the proportion of city condo projects that have fewer than 10 apartments—the industry’s smallest category—jumped since the last real-estate boom ended in 2008, and was likely to increase based on what is now in the pipeline, she said.

Raphael De Niro, a broker at Douglas Elliman, is working on a new seven-unit condo due to go on the market in the next couple of months in a building that dates to the Civil War at 87 Leonard St. in Tribeca. The smallest unit is at least 4,000 square feet.

“There is something nice about knowing your neighbor in an anonymous city,” he said. “With a building with less than 15 units it becomes a little community. Some people see it being kind of exclusive.”

Small buildings can also lead to units with distinct designs, in contrast to what generally is available in high rises, said Tim Crowley, a principal at Flank. The architectural and development company is finishing six condos at 224 Mulberry St. in Nolita. Each apartment comes with two parking spaces and prices range from \$10.8 million to \$28 million.

“We are trying to take this idea of bespoke and unique and create layouts that are unrepeatable in tower buildings,” he said.

To be sure, some of the smaller projects have been slow to catch on. Down the street from Mr. Minskoff’s new condo project, another condo conversion, a nine-unit building, went on the market last June at 17 E. 12th St. But the listings were pulled in September without any sales reported, according to StreetEasy.com data.

In a statement, developer Peter Armstrong said he would “launch the building when the model apartment is finished” in the spring.

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