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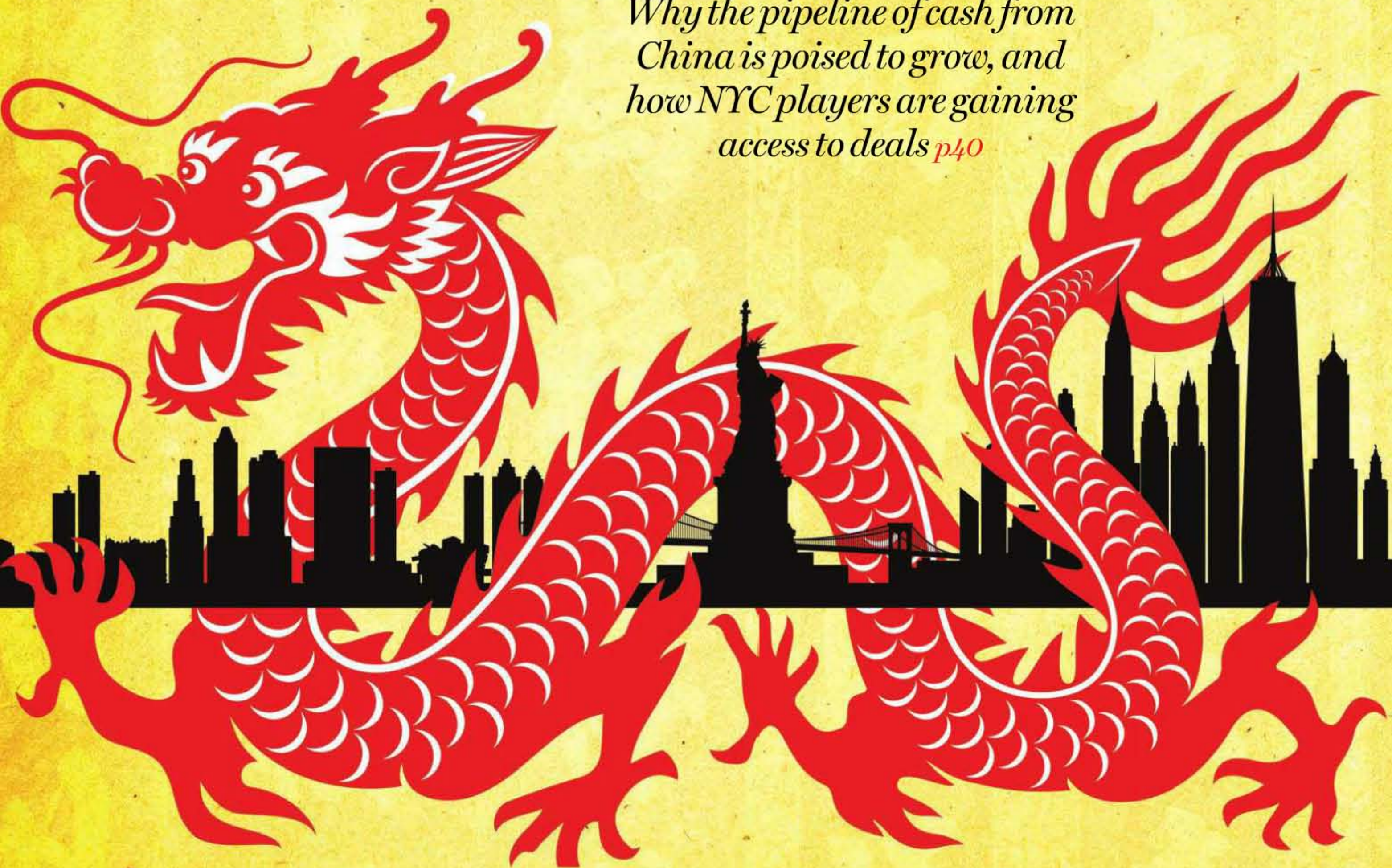
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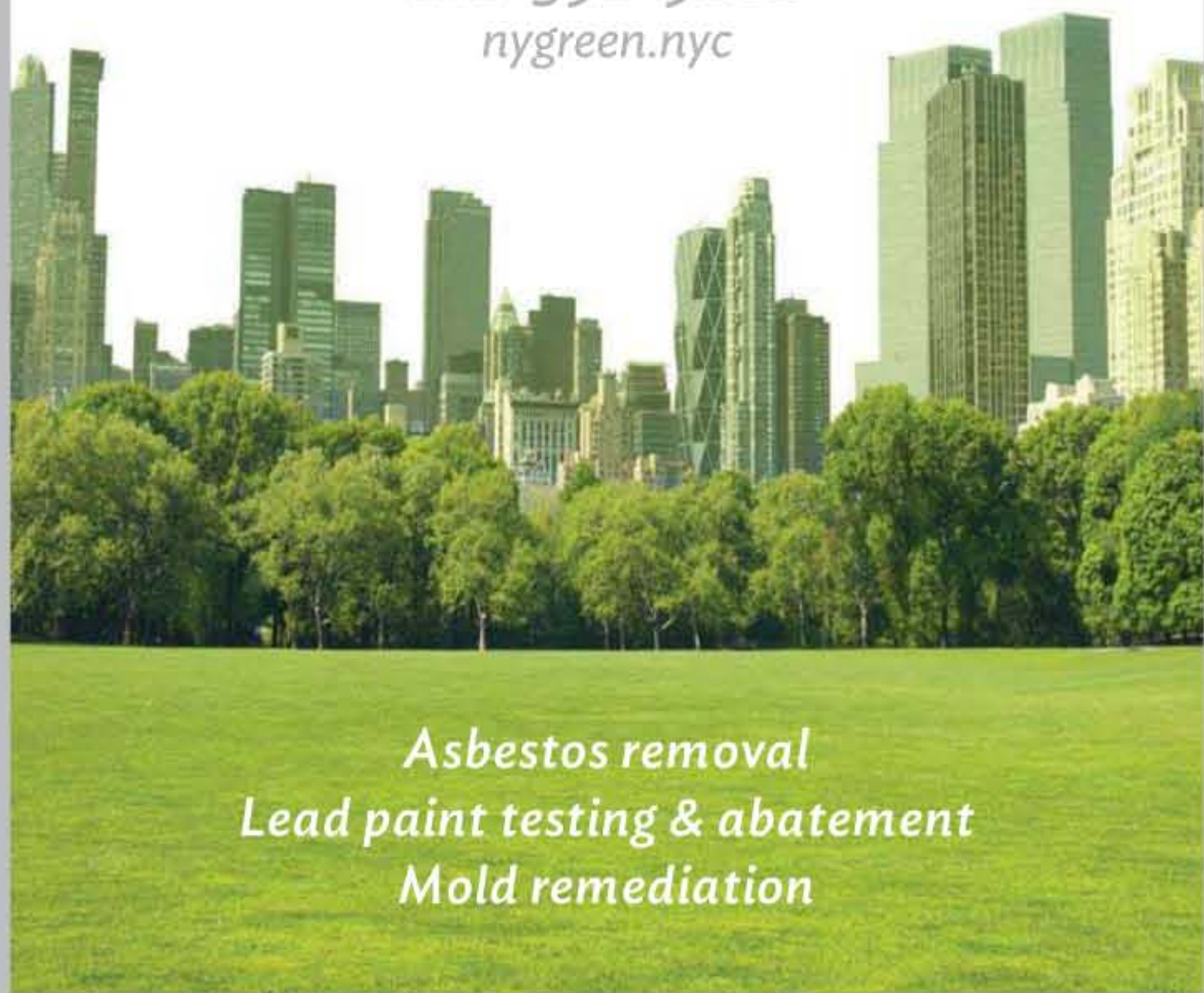
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Hitting the sweet spot

Lower end of luxury market gets little fanfare, but properties under \$3.5M see a lot of action

By C. J. HUGHES

Forget the über-luxury apartment sales that grab all the headlines. The far more dependable segment of the Manhattan market is much lower on the pricing totem pole: It's between \$1.5 million and \$3.5 million.

"The sweet spot is really this lower bracket, for the mere mortals among us. It's where the action is," said Jonathan Miller of appraisal firm Miller Samuel.

The segment accounted for a full 20 percent of the entire Manhattan market — or roughly 6,285 sales — between January 2013 and January 2015, according to an analysis by *The Real Deal* of data from the listings website StreetEasy.

As *TRD* reported last month, just 1 percent of all Manhattan condo and co-op sales tracked by StreetEasy during that time pulled in \$10 million or more, while 4 percent went for \$5 million or more. The remaining sales were under \$1.5 million.

And the \$1.5 million-to-\$3.5 million bracket is growing, judging by active sales listings. In mid-February, there were 1,113

in the same price range. That building, which is being marketed by its developer, Time Equities, was nearly half sold last month, StreetEasy shows.

The market for these properties provides reliable commissions, brokers said. Agents who don't want to hold out for home runs can still score with many base hits.

Brian Rice, a veteran broker with the Corcoran Group who works with partner Doug Albert, said in 2014, transactions for less than \$6 million accounted for 60 percent of his deals. That included an Upper West Side two-bedroom co-op that sold for \$1.6 million in November, after being listed for \$1.9 million last April.

"The co-op market was lagging a bit with days on the market, but people are looking at these co-ops now and saying, 'The value is there,'" said Rice, who added that young families, doctors and Wall Streeters are the typical buyers in this price range. Hedge fund executives prefer pricier homes, he said.

And despite being associated with record-setting deals in high-profile condos, foreign buyers also flock to this end of the market,

Deals in the \$1.5 million-to-\$3.5 million range accounted for about 6,300 sales in the last two years, or 20 percent of all residential transactions in Manhattan.

Manhattan condos and co-ops listed in that price range, of 4,600 listings total, the data show. That's 24 percent of the total market.

Stephen Kliegerman, president of Halstead Property Development Marketing, said he's been advising developers for several years to build condos at the lower luxury price point. "We took a look at what was coming in 2012 and saw that everybody was building to the very, very high end," Kliegerman said. "So we decided we would build to a marketplace that hasn't been addressed in years."

For example, at 540 West, a 114-unit condo at 540 West 49th Street that's scheduled to open this spring, about a third of the units are priced in the \$1.5-to-\$3.5-million range and no units are listed for more than \$4 million. (The majority of units at the project — from Fortis Property Group and Wonder Works Construction Company — are priced under \$1.5 million.)

While the project's location between 10th and 11th avenues may not warrant higher prices, the units there are selling at a rapid clip. As of mid-February, 92 units had sold, after a year of sales. "We were pre-selling apartments before the building was even out of the ground," Kliegerman said.

Similarly, the lion's share of listings at 50 West, the crystalline 64-story, 191-unit spire going up in the Financial District, fall

said Rice, who in December sold a penthouse at 59 John Street to an Asian buyer.

Toni Haber, a top broker with Douglas Elliman, echoed that point, saying that while foreign buyers make up a large chunk of the \$10 million-plus properties, they are increasingly jumping in at lower rungs, too.

One of her clients, a wealthy Singaporean woman, is looking to spend under \$2 million for a Manhattan two-bedroom. Haber expected few choices, given the persistent inventory crunch. "I came up with close to 50 listings," she said. "I was kind of shocked."

That crop of mid-market listings is all the more surprising considering current land costs, brokers said. As land prices have risen, developers feel increasingly compelled to build outrageously expensive apartments in order to pencil out their projects. As a result, many of the new development buildings with units listed in this price range are located in up-and-coming areas. The Far West Side's 540 West 49th Street is a case in point.

In the end, some brokers seem to be betting that the slow and steady tortoise of the middle-market may beat out the high-profile, huge-price-tag hare, since the middle segment is made up of "real apartments being sold to real people," said Fred Peters, the president of Warburg Realty, echoing several other brokers, "and I think that will continue on." **TRD**