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In Manhattan, High-End Condo Sales Surging

10 Madison Square West Sells 60% of 125 Units in Four Weeks

By [ELIOT BROWN](#)

For an understanding of the strength of demand for Manhattan condo projects aimed at the super-rich, look at the condominium conversion project at 10 Madison Square West.



Sales to the public began less than four weeks ago for the 125-unit building at 24th Street and Broadway, where prices top \$30 million for a penthouse, and already the selling work is mostly complete. Buyers have signed contracts for nearly 60% of the units, according to people involved with the project.

"If you get lucky, a market makes you look smarter than you are," said the project's developer, Steven Witkoff.

The 56-year-old builder said that while he believes he "planned a good project," overall demand for such high-end unites has been far stronger than when he bought the property in 2011.

Even while the broader Manhattan apartment market is still below peak levels—the average sales price of an apartment was \$1,149 a square foot in the second quarter, compared with \$1,322 a square foot in the second quarter of 2008, according to Miller Samuel Inc—demand has been soaring for new high-end projects over the past two-and-a-half years.

Apartments are selling for well over \$5,000 a square foot in slim skyscrapers near Central Park such as One57 and 432 Park Ave., which isn't slated for completion until at least 2015. Another project by Mr. Witkoff, 150 Charles St. in the West Village, has found buyers for all its 91 units after sales began in February, with prices topping \$3,000 a square foot.



Real-estate professionals credit a rising number of wealthy people in the city and a growing roster of foreign investors who view New York apartments as safe investments long-term, though even some condo developers say they don't fully understand the surge in demand.

The result has been a reshaping of the development landscape in prime Manhattan locations, as developers aspiring for similar results have pushed up the price of land so much that only builders looking to construct high-end condos can compete for development sites.

"The math doesn't work for much lower-priced new development in the core markets of Manhattan," Jonathan Miller, chief executive of appraisal firm Miller Samuel, said of condo development.

That's resulted in developers of office buildings and rental apartments having trouble finding land. Even the best office towers are worth less than \$2,000 a square foot, less than half the values of many new condos near Central Park, making it difficult to justify office development.

Such was the case two years ago for 10 Madison Square West, when the building—a 16-story former marketplace for the toy industry—nearly ended up as an office building.

The owner of the in-default debt on the property at the time, defunct investment bank Lehman Brothers Holdings Inc., took the building to sale at an auction. The opening bid—which often wins in cases of bankruptcy sales—was for \$161 million from L&L Holding Co., which planned a conversion to office use.

A bidding contest ensued, with others in the auction room, including [SL Green Realty Corp.](#), [SLG -0.48%](#) another office landlord. But in the end, Mr. Witkoff and his plans for condominiums prevailed, with a bid of \$191 million.

The condo market has only surged since, as has the price of land. Mr. Witkoff said that at the time, he was expecting to sell units for roughly \$1,800 a square foot; today, sales are averaging around \$2,800 a square foot.

Most of the interest in the building has been local, with about 20% of contracts coming from international buyers, said Susan de França, who heads sales of new development for brokerage Douglas Elliman, which is marketing the building for the Witkoff Group and its partners.