



Bottom Line: Market Opportunities

Grand, old apartments still valued by developers

Renters will pay top dollar for New York City's classic luxury apartments – and developers are paying attention, copying some old-fashioned features in their brand-new buildings.

By Bendix Anderson

(Apartment Finance Today, Jan./Feb. 2005) New York City — Builders are copying the spacious floor plans and fancy finishes of New York City's venerable grand apartments.

These developers understand the market value of old-fashioned details and know that renters will pay as much as \$600 extra per month to have them.

At 21 East 96th Street, a new project now under construction on the city's Upper East Side, the developers are working hard to create a new building on the old model. "The idea is that at first glance the building would look like a historic building," said Jamison Weiner of Madison 96 Associates, LLC.

Some old-fashioned details like high ceilings, large windows and hardwood floors have already become common in new apartment projects. But 21 East 96th Street offers a classic floor plan too.

Living rooms and studies are clearly separated from private spaces like bedrooms, and even a nanny's room. The 41,000-square-foot, 10-story building will include nine large, for-sale apartments of 3,000 square feet or more, all with three or more bedrooms, each selling for between \$4 million and \$6 million.

Just as the original majestic apartments of New York were built to lure wealthy families from their townhouses, Weiner's project is attracting families who might otherwise have chosen to live in a large, suburban single-family home. But to compete with the suburbs, Weiner's apartments need to have a lot of space.

"Naturally, we went the route of adopting this traditional layout," Weiner said.

Market value

The amenities in Manhattan's historic luxury apartments mean premium rents. For example, a newer, 1,600-square-foot luxury apartment located on the Upper West Side now rents for \$5,500 or \$6,000 a month, according to local apartment experts. That's about \$3.79 a square foot.

In contrast, a comparable apartment built before World War II and set on Manhattan's Gold Coast along Central Park, where many stately, old apartments are located, currently rents for \$8,000 a month, or \$5 a square foot. According to experts, two-thirds of the price difference comes from the location of the apartment and the views of Central Park. But the rest comes from the value put on the pre-war apartment's historic details such as high ceilings and crown molding – which are worth well over \$600 a month, or 38 cents per square foot, in rent.

However, most of these apartments are owned by the people who live in them, and it's difficult to find one to rent for any amount of money.

"These grand old buildings don't allow sub-letters," said Jay Schippers, president of Jay Schippers Realty.

In addition, these apartments are so valuable as condominiums that there are very few left on the rental market. “When anything comes on the market with historic character, it is turned into condominiums,” noted Nancy Pakes, president of Halstead Leasing Co., based in Manhattan.

A sense of detail

Renters value historic embellishments that range from crown molding to elaborate marble fireplaces. What seems to be especially desired is a sense of detail – the kind of workmanship that went into the carefully cut inlays on some wooden floors, for instance.

High ceilings, large windows and wooden flooring are still important. Typically about 40% of the façade on these older buildings is taken up with windows. The ceilings are usually at least nine feet high.

In some units, the living room might be a few steps lower than the rest of the apartment, a small detail that probably would be very expensive to recreate in most modern apartment high-rises.

Restoring old details

Apartment developers can still find townhouses, or even historic apartment buildings, to buy and remodel in some neighborhoods of Brooklyn or Manhattan. If details such as the crown molding or fireplaces are in good condition at these properties, then they are certainly worth preserving. But if these details have been removed or have been seriously damaged by time, then it may simply be too expensive to recreate them.

“Most people pull it out,” said Ron Kobistek, president of Manhattan Realty. He pointed out that painstaking and extensive restoration work can double the price of a luxury apartment. “If you buy for a million, you’ve got to put a million into it,” he said.

Fortunately, there is a market for apartments with simple, modern designs in genteel, old buildings, though these units might not earn as much as apartments that have kept their original detail. “The new idea is a hybrid,” said Almalda Redd, a broker for the Corcoran Group. “It marries high ceilings and hardwood floors with modern design.”

If the antique detail of a grand, old apartment or townhouse needs just a little work – if, say, 80% of the finishes are in good condition, then they can probably be saved without breaking your budget, according to experts.

However, “it’s up to you to find a contractor you trust,” Kobistek said. If a bad contractor damages the detailing in an apartment, it can be difficult to prove it wasn’t already damaged, much less get insurance to cover the damage. Good contractors are more expensive, and in this city can add up to \$50 a square foot to the cost of renovation.

But the cost is well worth it for most apartments, thanks to the extra value these details can add to rents.

But no apartments should be left with only some of the historic finishes in place, while the rest is in a more modern style – for example, mixing a chandelier or an ornate fireplace with track lighting. “The worst they could do is have a mish-mash,” Schippers said.
