

NYC Penthouse Gets Sliced in Two as Luxury Market Falters

February 29, 2016 — 5:00 AM EST Updated on February 29, 2016 — 1:41 PM EST



- Developer says \$45 million was 'too expensive for the market'
- Plans two apartments priced at \$29.5 million and \$11 million

At the very top of his newly constructed condo tower in SoHo, developer Kevin Maloney saw a problem: a triplex penthouse priced at \$45 million that he knew wouldn't sell in a Manhattan market where luxury deals are slowing.

So he ripped up the floor plan and chopped the apartment with about 8,400 square feet (780 square meters) of space into two more-manageable units. Had the building, at 10 Sullivan St., not been almost complete, he would have carved the penthouse into three, he said.

The duplex at 10 Sullivan Street
Source: Property Markets Group

"We thought it was too expensive for the market and where the market was," Maloney, principal and founder at [Property Markets Group](#), said in an interview. "The air is very thin up there in that [buyer pool](#)."

The changes will create a 3,000-square-foot apartment spanning the 15th floor, priced at \$11 million, and a 5,400-square-foot duplex above it, for \$29.5 million, Maloney said. With that strategy, "the buyer pool widens -- maybe not significantly, but certainly more than at \$45 million."

10 Sullivan Street
Source: Property Markets Group

Manhattan's luxury-condo boom, symbolized by [record-setting price tags](#) for extra-large and lavish penthouses, is idling while inventory swells and demand from global investors slackens. Four years after a duplex at Extell Development Co.'s One57 found a buyer for \$100.5 million, Manhattan investors who want a trophy home in the sky have many to choose from. Chetrit Group has priced its planned 21,500-square-foot [triplex](#) atop the former Sony building at \$150 million. Zeckendorf Development LLC is asking \$130 million for a penthouse at 520 Park Ave. A Jean Nouvel-designed skyscraper next to the Museum of Modern Art has a duplex for more than \$70 million spanning its upper floors.

Jean Nouvel-designed tower

Illustration: Hayes Davidson via Bloomberg

Those aren't even reflected yet in listings on StreetEasy. The real estate [website](#) shows at least 13 other newly constructed penthouses for at least \$20 million that are being officially offered for sale. All but two have spent more than 100 days on the market. Among them is a 7,000-square-foot penthouse at Toll Brothers Inc.'s 1110 Park Ave. with a \$29.5 million price tag -- a 16 percent cut since its listing in January 2015. At Aby Rosen's 100 E. 53rd St., designed by Norman Foster, a four-bedroom penthouse was listed just last month for \$65 million.

Builders Downsizing

Builders starting projects today are already incorporating smaller units into their planning. It's also a sign of the times that those whose [projects](#) are near completion are revisiting whether some of their units, designed years earlier, are too large or expensive for today's luxury-buyer appetites, said Nancy Packes, a marketing and design consultant to New York residential builders.

"It's called getting ahead of the curve," Packes said. "It's not merely breaking the penthouse into smaller units and lowering the absolute price, it's shortening the time necessary to sell the units."

Luxury markets around the world are also facing pressures. [In London](#), a higher sales tax imposed on the most-expensive properties has damped demand for high-end units and is forcing developers to reassess plans to build any more.

In Manhattan, 150 contracts were signed for homes priced at \$4 million or more in the first two months of the year, according to a [luxury-market report](#) published Monday by Olshan Realty Inc. That compares with 214 in the same period of last year.

Private Elevator

The original penthouse at [10 Sullivan St.](#), co-developed by Madison Equities, was to be a six-bedroom, seven-bathroom residence with a private elevator and a gallery near the entrance that is "ideal for showcasing art," according to the listing on StreetEasy. The third level of the [triplex](#) would have included a 20-foot (6-meter) sky-lit mosaic-tile pool with views of SoHo, and a "glass-wrapped solarium with wet

bar.” On top of it all was a 974-square-foot private roof deck with a 360-degree view.

The plan to split the penthouse is awaiting approval by the state attorney general’s office. The apartment was by far the priciest in the development, where the other condos -- most of them in contract, with closings set to start in March -- range from \$2.55 million to \$10 million, according to StreetEasy. The [price disparity](#) between the penthouse and the rest of the building was conspicuous, Maloney said.

“I don’t think that today’s \$45 million buyer necessarily wants to live in a building where every other apartment sold for 25 percent of that price,” Maloney said. “You don’t want to be that guy that paid \$45 million and everyone else paid 10. It’s a cultural thing.”