

Manhattan's Newest Condo Builder Speeds Up in Slowing Market

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- ▶ Michael Shvo has plans to list 400 units for sale by August
- ▶ Luxury-home demand slipping after four-year construction boom

While a luxury-condo glut spurs some of New York's biggest developers to re-evaluate their plans, a relative newcomer is plowing ahead with confidence.

Michael Shvo, a former real estate broker who closed his eponymous firm during the financial crisis, says he has about \$4.3 billion worth of apartments under development and two more sites in contract. He's trying his hand at building lavish homes for wealthy buyers just as [sales start slowing](#), four years into a gilded construction boom that's flooded the market with choices.

As developers who built many of those properties scale back, delay or cancel new high-end projects, Shvo expects to have almost 400 units listed for sale by August if all goes according to plan.

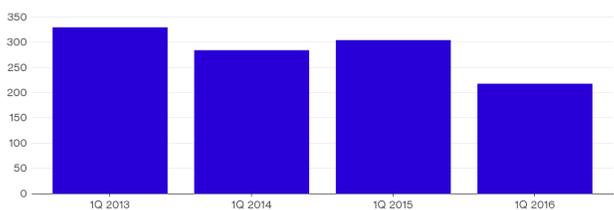
"In order to sleep well at night, I try not to guess market cycles," said Shvo, 43, who embarked on his development career with the 2013 purchase of a gas-station lot along the High Line in Chelsea. "We focus on building the right thing, at the right place, for the right person, at the right time."

Shvo is making his debut in a year in which Manhattan is slated to get the most listings of newly built condos since 2007. A majority of those units will be considered "luxury" -- priced at \$2,400 a square foot or higher, according to brokerage Corcoran Sunshine Marketing Group. Demand is [already faltering](#), with contracts to buy Manhattan homes for at least \$4 million tumbling 29 percent in the first quarter from a year earlier, data from Olshan Realty Inc. show.

Luxury Appetites Waning

Contracts to buy high-end apartments fell 29% in the first quarter from a year earlier

■ Number of signed contracts for \$4 million or more



Source: Olshan Realty Inc.

Bloomberg

Global investors, whose appetites for Manhattan's priciest homes seemed insatiable just two years ago, now are holding back. A stronger U.S. dollar, the slump in oil prices and economic slowdowns in emerging markets such as China and Brazil are all giving buyers pause on discretionary real estate purchases, said Nancy Packes, a marketing and design consultant to New York residential builders.

"These people are investors," Packes said. "And if they think these homes aren't going to increase in value because of global economic issues, they're not buying, period. They don't just buy because they've got the money."

Changing Course

Weakening demand for high-end homes has prompted some builders to delay sales, aim for a lower price point or change course. Last week, partners led by Joseph Chetrit scrapped plans for a condo conversion of Midtown's Sony Building that would have included a \$150 million listing, and instead sold the building to investors who intend to keep it as offices.

Shvo isn't letting market pressures or the competition deter his plans.

"There is an oversupply of overpriced, mediocre product," he said in an interview last month at his Midtown office. "There's still an under-supply of great product in great locations, and that is really where I see the opportunity."

Shvo said he's focused on data showing potential for a growing pool of buyers. The number of individuals worldwide with more than \$30 million of assets, excluding their primary home, jumped 61 percent in the past decade and is projected to rise 41 percent by 2025, according to the latest Wealth Report by Knight Frank and Douglas Elliman Real Estate. Within the next 12 months, 29 percent of these "ultra high net worth individuals" will consider buying another home, the report showed.

Getty Site

At his Chelsea site -- a former Getty gas station on 10th Avenue near 24th Street, purchased for \$23.5 million -- sales are set to begin on the six luxury units by July at prices Shvo declined to disclose. The project, designed by Peter Marino, whose [credits](#) list stores for luxury brands Chanel and Dior, will include art galleries at its base. The building will have five full-floor apartments and one duplex penthouse, which will be bigger than 6,000 square feet (557 square meters), according to early filings with the New York State attorney general's office. The project is a joint venture with the Victor Group.

Shvo is aiming for a broader market at 125 Greenwich St., where he's leading a partnership that's planning to build lower Manhattan's tallest residential tower, at more than 1,000 feet (305 meters). Eighty percent of the 275 apartments will be listed for less than \$3 million, including 58 studios, some as small as 400 square feet, Shvo said. The biggest share of units, 129, will be one-bedrooms.

'Like Caviar'

"It's, in essence, like caviar," Shvo said of the condos in the 91-story tower. "You get a small portion and it's expensive, but you're getting a small piece of it because you only need a taste."

The foundation is being poured for the project, which has gotten about \$175 million from the [EB-5 visa program](#) and is close to obtaining about \$500 million in construction financing from United Overseas Bank in Singapore.

There has been litigation tied to the property, with Carlton Group, a real estate investment-banking firm, claiming that Shvo and his partners failed to pay \$3.66 million in commissions after the firm arranged financing for 125 Greenwich St. Shvo said the lawsuit won't delay plans for the building and declined to comment further. Unit sales will start by late August, with completion expected in 2018, he said.

Shvo also is a partner on a 115-unit ground-up project on Broome Street in Soho, where sales are set to start by the end of next month. And he has plans for a residential-and-hotel conversion of the upper levels of the Crown Building on Fifth Avenue and 57th Street. He bought the floors last year with Russian developer Vladislav Doronin for \$475 million. On Monday, Shvo said he's pursuing a similar purchase and conversion at 685 Fifth Ave.

"They're all in super-prime locations and they're all really unique developments," he said. "That is our insurance against any market turbulence."

Watch Next: NYC's New Luxury Real Estate Standard at 160 Leroy