

SUNDAY, JULY 22, 2007

The New York Times

In Search of the Elusive 3-Bedroom



Waiting To Move In Thomas and Katrina Scilaris, shown with their son, Thomas II, decided to buy a four-bedroom apartment with a den and a terrace at **255 East 74th Street** after searching for more than a year.

Hiroko Masuike for The New York Times

By VIVIAN S. TOY

BUYERS looking for apartments with three or more bedrooms in New York City should brace themselves.

It could be a long, hard search, and even vast sums of money won't necessarily make it easier.

The elusiveness of these large apartments is hitting people with budgets of, say, \$8 million just as hard as buyers with only \$2 million to spend. And the fights for the apartments that are available are being won or lost in bidding wars.

As more and more young families choose to stay in the city, demand for three- and four-bedroom apartments far exceeds a very limited supply, making large apartments the tightest part of the current real estate market.

Leticia and Rick Presutti got lucky. They looked at more than 40 apartments over six months last year before deciding to buy a Classic 7 on Madison Avenue for just under the \$2.5 million asking price.

Even though the Presuttis were looking before the market began heating up in February of this year, the search was anything but easy.

Ms. Presutti said that after a few months, it "got very frustrating, because at the beginning, our broker showed us everything that was out there, but then for weeks and weeks, there was nothing more."

The 2,000-square-foot apartment they ended up buying was actually the first apartment they saw, but it needed a gut renovation, which apparently was scaring off other buyers.

"You would think that with so many apartments in New York, there would be much more out there," Mr. Presutti said. "But the more we looked, the more we kept coming back to this one."

Their broker, Fern Hammond, a senior vice president at Halstead Property, said that the Presuttis' six-month search for a Classic 7 — a three-bedroom apartment with a maid's room and a living room, dining room and kitchen — would be impossible in the current market.

She explained that last February, when the Presuttis closed their deal, was just about the time that the city's sluggish real estate market began to recover and the market for large apartments turned white-hot. "That's when the market tightened like a vise, and the prices just shot up," she said, adding that the same apartment would now sell for close to \$3 million.

The market for prewar apartments is particularly limited because many large apartments have been subdivided into smaller units over the years and those that still exist tend to belong to people who have no interest in moving.

Bruce Rabbino, a Halstead broker, has been searching for prewar three-bedroom apartments for two different clients for nearly a year. "But people don't leave those buildings — they get carried out in a crate — so the turnover is not very rapid," he said.

He worries that his buyers are losing faith in him. "They end up thinking I'm not doing my job," he said, "but I'm scouring the listings and calling people every day. There's just nothing to show."

Three-bedrooms in prewar co-ops, if and when found, start at about \$2.5 million, but they often need a significant renovation.

Developers throughout the city are now building more three- and four-bedroom units to meet the demand. The average sale price for a new three-bedroom condo is about \$4 million, with apartments selling for as little as \$1 million in Harlem and Brooklyn and for as much as \$8 million on Park Avenue.

The scarcity, though, seems to be universal. "It's not just the \$2 million to \$3 million apartments that are hard to come by," said Bill Milvaney, a broker with Bellmarc Realty. "Even with \$4 million, \$5 million or \$7 million to spend, we're just not finding them out there."

Recent studies of the market indicate just how strong it is for larger apartments. While the average sale price for studios and one- and two-bedroom apartments hasn't changed much in the last year, the average price for three-bedrooms went up by nearly 18 percent, to \$4.187 million, according to the latest market report released by Prudential Douglas Elliman. For four-bedrooms, the increase was even steeper: more than 36 percent, to \$9.175 million.

Even though larger apartments represent the most robust part of the market, they still make up a relatively small share of it. Three-bedroom apartments accounted for only 5 percent of the sales in the last quarter; four-bedrooms represented only 1 percent.

"There's constant pressure on the upper end of the market because it's always been a very small market segment," said Jonathan Miller, the president of the Miller Samuel appraisal

company. “The pressure is exaggerated now because you have a surge in income from two consecutive years of big Wall Street bonuses creating even more demand, and the demand drives up the prices.”

Brokers agree that most of the demand comes from young families who in the past would have opted for the suburbs, where they can get much more living and outdoor space for their money. Census figures bear this out: the number of children under age 5 living in Manhattan grew by more than 32 percent from 2000 to 2005.

“Quality-of-life issues have gotten tremendously better in the city, so more and more families want to stay in Manhattan or even move into it from the suburbs,” said Stephen Kliegerman, the executive director for development marketing at Halstead. “Everyone’s also working longer days and weekends as well, and they want to be closer to their families. They want to be able to come home for dinner and then go back to work if they have to.”

Ms. Presutti said she and her husband never considered moving out of the city with their two children, Cosima, 3, and Rocco, 1. “My husband would never see the kids,” Ms. Presutti said.

They have watched friends move to the suburbs, she said, and the fathers leave for work before the children get up and get home long after they’ve gone to bed. “On Sunday nights, the kids practically say: ‘Bye Daddy. See you next week,’” she said.

Living in the city, though, means that Mr. Presutti, a mergers and acquisitions lawyer, can spend at least an hour every morning with the children, and he can also take Cosima to preschool most days.

As they watch the progress on their renovation, which includes a new kitchen, four new bathrooms and refinished floors and woodwork throughout the apartment, the Presuttis look forward to moving into an apartment they have custom-designed.

The condominium market can provide more choices for young families who want to stay in New York, particularly the new buildings that have higher concentrations of large apartments.

The Upper East and West Sides — neighborhoods known to be stroller- and tricycle-friendly — are popular hunting grounds for families seeking more space. But while many people want to live in prewar doorman buildings, that market is very limited, brokers say, and the financial requirements imposed by co-op boards can put those apartments out of their financial reach.

“You have a lot of young people — the next generation with families — who have very high incomes, but they haven’t had the time to

amass fortunes, and that makes the co-op board process very iffy for them,” said Barbara Fox, the president of the Fox Residential Group.

Their incomes can support big mortgages, she said, but they might not have the kinds of assets that prewar co-ops demand. Many co-ops require buyers to have at least twice the price of an apartment in liquid assets, which rules out many potential buyers.

All of which helps explain why the market for large condos is even stronger than that for co-ops. Prudential Douglas Elliman’s market report shows that the average price for three-bedroom condos went up 23.2 percent in the last year, to \$4.69 million, while the average price for three-bedroom co-ops went up 17.6 percent, to \$4.18 million.

The developers of 255 East 74th Street, a new 83-unit condo tower now under construction, hope to benefit from this trend: 70 percent of the apartments there have three or more bedrooms.

“We studied the market and made a commitment to build large family homes,” said Richard Lebow, the director of marketing and sales for the World-Wide Group, the developer.

When World-Wide surveyed the area east of Third Avenue, it found very few three- and four-bedroom apartments, Mr. Lebow said. “There was virtually nothing, and what there was tended to be all awkward combinations of smaller apartments,” he said.

Thomas Scilaris, an orthopedic surgeon, and his wife, Katrina, decided to buy a four-bedroom apartment at 255 East 74th after searching for more than a year, being outbid in two prewar buildings and having a deal for a town house fall apart.

The first apartment was a three-bedroom that had been combined with a studio, but the only way to get to the fourth bedroom was to walk through the third.

The second apartment had three bedrooms and a better layout, but only two baths. The town house is what prompted them to look for even more space.

“But I’m glad we didn’t get them now, because this new location is better for everything we need,” said Dr. Scilaris.

The building has a large children’s playroom, and it is only seven blocks from his office.

The couple’s \$4.5 million apartment has four bedrooms, a den and a terrace. They have an 8-month-old son, Thomas II, and they hope to expand their family eventually. They also wanted to have a guest room for visiting grandparents.

They started their search more than a year ago and will not be able to move into their new apartment until the fall of 2008. “That’s all right, though,” Dr. Scilaris said. “As far as we’re concerned, good things happen to people who wait.”

Veronica Hackett, the managing partner in the Clarett Group, which is developing several buildings with larger apartments, said that as always in real estate, location does matter. So while large apartments are sought after on the Upper East and Upper West Sides, “there are certain markets where you’re not going to sell three-bedrooms,” she said.

Downtown neighborhoods, she said, tend to have more appeal for single people and empty nesters. Three of the Clarett Group’s current projects show the range of the three-bedroom market, both in terms of size and price. At 200 West End Avenue, near 70th Street, three-bedrooms start at \$2.65 million for 1,627 square feet. At Sky House, which is being built on Madison Square Park, at 29th Street, they start at \$1.85 million for 1,596 square feet. And at Forté a tower being built near the Brooklyn Academy of Music, they will cost \$1.1 million for 1,435 square feet.

With a budget of only \$750,000, Trent and Sabrina Ulicny, who have two sons, 7 and 4, spread their search wide and looked in Brooklyn, Inwood, Westchester County and Weehawken, N.J. The Ulicnys are proof that three-bedrooms can be had in Manhattan for under \$1 million and on short notice, because they found, bought and moved into their three-bedroom apartment in Harlem in less than two months.

After deciding they wanted to stay in the city, the Ulicnys had only two firm requirements: that the apartment be within easy commuting distance of their sons’ school on the Upper West Side and that it be in a doorman building. They wound up with a three-bedroom in the Langston, a condo at 145th Street and Bradhurst Avenue, for less than \$700,000.

They moved last month from a two-bedroom near Lincoln Center, where their dining table had become buried under mounds of paper. Mr. Ulicny is marketing a new sake-based liqueur called Ty-ku, and Ms. Ulicny is completing her college degree online from the University of Phoenix.

In their new apartment, they have a home office with two workstations and a full-fledged dining area. “We don’t have cords and wires hanging all over the table anymore, and we don’t have to tell the kids, ‘Don’t spill spaghetti on Mom’s laptop,’” Mr. Ulicny said. “As corny as it sounds, it’s nice to be able to sit down and eat dinner together.”--