REAL ESTATE

Giant Condo Tower Needs More Billionaires

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In post-crash Manhattan's high-end real estate, few projects loom larger or more visibly than the 1,004-foot-high One57, the tallest residential-hotel building in New York. This is a rarefied market, with two penthouse units selling for more than $90 million each, including one to hedge-fund baron Bill Ackman.

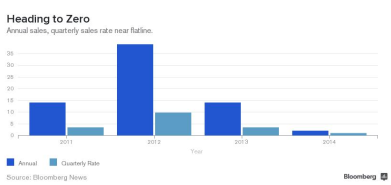
Amid all the hyperventilating about the tower, including complaints that it's out of scale with the neighborhood, it’s poorly reviewed design and that it casts an afternoon shadow on Central Park in the winter, the little known fact is that the 92-unit building seems to be less of a hit with buyers than one might glean from the PR machine.

Usually, developers control the flow of sales information during the marketing process. Because sales contracts aren't made public until closing, it can be difficult for buyers to gauge demand for a development.

One57 is different. Because commercial banks have generally shied away from making construction loans for Manhattan condominium developments in recent years, developers have sometimes turned to alternative sources of construction financing.

This is what One57's developer, Extell Development, did by issuing debt in Israel for future developments. That debt is publicly traded and the company makes public filings that include sales data for its development pipeline.

I'll let you decide what to make of the results. The sales pace of almost 10 units a quarter in 2012 dropped to one unit a quarter in the first half of 2014. If the current pace of sales continues, it would take more than six years to sell the rest of the condo units. It doesn't help that at least six super-luxury projects are under construction in Midtown Manhattan.



Alternative financing seems to come with one unanticipated cost -- greater transparency.

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