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**For some developers, small is beautiful: One- and two-bedroom (but still expensive) apartments are on the rise**

**New projects are going after first-time buyers and young professionals as contrarians move away from huge, ultraluxurious units**

By Katherine Clarke



*DHA CAPITAL. Most of the apartments at 50 Clinton Street on the Lower East Side will be one- or two-bedroom.*

In a hot real-estate market characterized by the sales of giant palatial penthouses, some developers are starting to think small.

Development company DHA Capital is bucking the trend toward family-size apartments in favor of building mostly one- and two-bedroom pads targeted at entry-level buyers and young professionals.

The strategy is a bet that the market has become choked with superluxury inventory and now needs smaller apartments.

“This business plan is contrarian to the market and what you’re seeing right now,” said Joshua Schuster, a principal of DHA. “But there are bidding wars at these price levels. You come in at the asking price, and you’re wiped out by five higher bids.”

DHA’s newest project, at 50 Clinton St. on the Lower East Side, will have 37 mostly one- and two-bedroom apartments. Schuster estimated that the one-bedrooms would be priced at close to \$1 million.

That’s well below the average sales price for a unit in a new Manhattan development, which was \$3.25 million in the third quarter.

But don’t be fooled into thinking they’re a bargain. These apartments are just as expensive as larger homes on a price-per-square-foot basis.

That means they’re smaller than the average units in new developments, with two-bedroom units coming in at under 1,200 square feet and one-bedroom homes at around 600 square feet, Schuster said. That hardly makes them micro units, but they’re not big, either.

DHA is not the only developer going against the grain of the luxury market. A 33-story glass building at 325 Lexington Ave. near Grand Central Terminal, developed by California-based real-estate company Carmel Partners, has 123 studios, one- and two-bedrooms. The cheapest unit will cost \$725,000

And developers with projects in the works said that for the first time in years, they’re turning away from pricey three- and four-bedroom homes and considering the needs of buyers looking for smaller units.

“The large-unit trend is going the other way,” said Michael Stern, chief executive of JDS Development, one of the most active builders in the city. “If you can keep the price point down, the depth of your market at that price point is going way up. If you can stay under \$5 million for a two-bedroom, for instance, your market is going to be very deep. We’re really tightening up the unit sizes to keep prices down.”

DHA recently acquired the land for the Clinton St. project from Icon Realty Management for \$28 million. The red brick building’s industrial chic-style interior will be designed by Paris Forino. Amenities will include a 24-hour doorman, a gym and a shared roof deck. “Million Dollar Listing New York” star Fredrik Eklund is heading up sales.