

Defining a New Development's Target Market Happens Early

Smog doesn't slow sales in Beijing, NYC sees fewer investment property sales and more news from around the globe

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A rendering of a condo at One River Point.

KAR PROPERTIES

When developers plan a new project, there are countless decisions to make—both large and small—from the time they acquire the land until they sell the last unit. But one of the earliest and most carefully considered decisions concerns the building's target market, experts say.

“Generally, the more upscale the development, the narrower your focus needs to be on your target audience,” said Shahab Karmely, the CEO of KAR Properties.

And as soon as that target audience is chosen, it trickles down and impacts every decision thereafter, he continued.

For instance, when Mr. Karmely first acquired the land on the Miami River in 2013 where One River Point is now being built, he said that he went through a long analysis process with a business partner, and came up with two completely different spreadsheets that laid out potential scenarios. One meant selling to a more affluent class of buyer than had ever been seen in downtown Miami, while the other was for a “more standard, cookie cutter type of building,” Mr. Karmely said, and geared towards the type of buyer typically found in the area.

“When we decided to target this more affluent buyer,” he continued, “that impacted all our later decisions, starting with the architect.”

They hired Uruguayan starchitect Rafael Vinoly, who also worked on 432 Park Avenue in Manhattan, and from there, nothing else could be standard, Mr. Karmely said.

They brought the Wright Fit on board to design and maintain the gym; hired Adrian Zecha to create the private sky club and Remi Tessier to design the interiors; and inked a brand partnership deal with B&B Italia for the kitchens and bathrooms.

“This is all being driven by our belief that there’s a type of buyer out there that’s willing to spend extra to live in something different and superior,” Mr. Karmely said.

Like Mr. Karmely, Gil Dezer, the president of Miami-based Dezer Development, said he honed in on a type of buyer for his Porsche Design Tower way back in 2009, when his team started considering designs.

As he watched developers going bust left and right and projects going into foreclosure, Mr. Dezer said he decided based on these market factors that his ideal buyer wouldn’t need a mortgage and could afford more than \$5 million for what would likely be a second home.

With that person in mind, Mr. Dezer said he made sure everything was top of the line—with many first-in-the-world features, like the infamous glass car elevator and swimming pools on every terrace—to attract them.

“We said we need to throw everything we can at this thing, and we did, all the way down to Toto toilets in every bathroom,” Mr. Dezer said.

In Manhattan, Extell Development has a large and diverse portfolio of properties in the works, including One57, just south of Central Park, where a penthouse unit sold for more than \$100 million, to 555TEN, where high-end rentals are being offered in Hell’s Kitchen. For each of these developments, the target market is a major consideration that in part comes down to zoning and location.

At The Kent, located on the corner of 95th Street and Third Avenue, the Upper East Side location, with its proximity to Central Park as well as excellent public and private schools, made it a no-brainer to focus on buyers with children.

“Our unit mix is two-bedrooms through five-bedrooms, not because there isn’t a market for studios and one bedrooms on the Upper East Side, but because we felt that the luxury product we wanted to bring to market would have a really good appeal to families, couples or people who wanted more space,” said Anna Zarro, Extell’s senior vice president of sales and leasing.

Building amenities fittingly include Club Kent, a themed kids’ indoor/outdoor play space with a treehouse; the Sound Lounge music and theater room for adolescents; and a stroller valet, which Ms. Zarro called a “nice little perk” meant to make a meaningful difference in an owner’s life.

The building’s website continues with this family-friendly theme, showing children in almost all the images, including two jumping cannonball style into the heated indoor pool.

Downtown at 70 Charlton, located in the Hudson Square neighborhood that borders Tribeca, SoHo and the West Village—an area that Ms. Zarro called “widely appealing”—Extell has a few different types of target buyers in mind, which they’re catering to with a diverse unit mix. International pied-a-terre users may want a one-bedroom unit, of which there are 22, Ms. Zarro said, while local high-end renters ready to make the leap to owning may want a two- or three-bedroom. There are even 11 four-bedroom units for larger families.

While these target buyers get equal billing, The Kent—and most buildings, for that matter—also have secondary target markets in mind, Ms. Zarro said. “You don’t want to be so specific that you create a homogenous building,” she said, noting that no one wants that anyway. “You’re really considering several different archetypes of who your consumer could be.”

In some cases, the developer—and their specific niche in the market—dictates the target buyer, as is the case with Tribeca’s 60 White Street, a building erected in 1869 that the Sorgente Group of America is sustainably restoring and repurposing into eight luxury loft spaces. “Few developers are pushing sustainability within a historic context,” said Sorgente Group of America president Veronica Mainetti, via email. “We’re aiming to reach buyers who not only appreciate luxury but also sustainable living.”

While amenities are more basic than other luxury offerings in the area, and include a secured package room for deliveries, on-site fitness center and private lounge, all meant to “serve a useful purpose in the buyer’s’ lifestyle,” there is also a green wall in the lobby, which provides natural air filtration in the common areas, and an indoor landscaped green wall in the lounge.

In most cases, Ms. Zarro said, developers work with consultants to wade through an extensive amount of raw data on the neighborhood and emerging trends in the area before making these decisions. “You generally go through a number of questions and studies and ideas with the goal of getting to the highest and best use,” she said.

But while target markets are generally defined early on, developers note that they can shift slightly over time. Being flexible is often key to the success of a project.

In the case of One River Point, Mr. Karmely said that feedback obtained during the soft reservation process, in which potential buyers can put down a fully refundable 10% deposit, which might be converted to a standard contract later on, showed that some buyers—mostly pied-a-terre users or people purchasing a second or third home—wanted smaller units and more flexibility to rent when they weren't onsite. To adapt to this demand, he increased the number of one-bedroom units by 40% in one of the two towers, which are connected at top and bottom, and changed the rental policy in that tower to allow owners to rent the unit every month, up to 12 times a year.

In the other tower, which he's targeting to families or people who want larger apartments and will spend more time there, he reduced the number of one-bedroom units and included more two-, three- and four-bedroom condos, and adapted the rental policy so that owners can only rent out their homes once a year for a minimum of six months.

"I'm always thinking about how to be somewhat proactive in terms of managing risk," Mr. Karmely said, noting that there's one—cliché, but true—rule in real estate. "The only constant is change."

Here's a look at other news from around the world compiled by Mansion Global:

Smog Isn't Slowing Down Demand for Luxury Homes in Beijing

In spite of the city's severe air quality issues, demand for luxury homes in Beijing has remained brisk, and may even be on the rise. A record 8,050 luxury villas were sold last year, a 119 percent year-over-year increase, according to new data from Yihao Real Estate Selling & Consulting Solution Agency. In that same period, the average price of villas increased by 10% to 37,783 yuan per square meter, with sales totaling 91.2 billion yuan. In December alone, 871 villas were sold—a 23% month-over-month increase—and one Beijing-based analyst explained, "The worries over air problems have helped villa sales because Beijing people are now looking for properties either away from the densest urban areas or those that have good indoor air cleaning systems." ([South China Morning Post](#))

General Robert E. Lee's Ancestral English Home is On the Market

A home that spent centuries in Confederate Army leader Robert E. Lee's family is up for sale in Bridgnorth, Shropshire, in England at an asking price of £2.25 million (US\$2.8 million). Coton Hall sits on 6.3 acres of land, and in addition to the eight-bedroom residence (which also includes a library, ballroom, and wine cellar), the property features an outdoor heated swimming pool, a walled garden, and the ruins of Coton Chapel. The property passed down through Lee's family from the 1300s until 1821, when the last family member in residence died. ([Daily Mail](#))

Developers Planning Brand New "Floating City" in Waters of French Polynesia

A U.S.-based development firm has signed an agreement with the French Polynesian government to move forward with a first-of-its-kind "floating city," with construction set to begin as soon as 2019. While investigations into the economic, environmental, and legal impact of this floating resort are still underway, plans have been released by the

Seasteading Institute, which is developing proposals for building “permanent, innovative communities floating at sea.” The Institute’s director, Randolph Hencken, noted that the floating city, Artisanopolis, would likely be a boon to the local tourist economy, and added, “What we’re interested in is societal choice and having a location where we can try things that haven’t been tried before.” (news.com.au)

High-end Villas Geared Toward Families Have Launched in Dubai

La Quinta, a new batch of villas in Dubailand’s Villanova residential community, have launched for sale, according to developer Dubai Properties. The homes represent the second phase of the project, and are comprised of spacious three-, four-, and five-bedrooms geared toward families. “La Quinta is specifically designed to accommodate larger families who require in excess of three bedrooms,” said Dubai Properties chief commercial officer Masood Al Awar, noting “strong demand” in this category. The villas, which range from 2,204 square feet to 3,863 square feet apiece, are modeled after Mediterranean and Portuguese architecture, and are nestled among bike trails, gardens, and parks. ([Khaleej Times](http://khaleejtimes.com))

New York City Investment Sales Dropped 25% in 2016

Transactions in New York City’s investment market took a steep drop in 2016, falling by 25% to a total of \$58 billion in sales, according to Cushman & Wakefield. The second half of the year was slower than the first, so much so that taken on its own, it would represent a drop of 45%. And while Chinese buyers increased their market share from 18% to 29%, all told, foreign investments dropped by around 40% last year. Cushman’s Doug Harmon blames the issue largely on a lack of supply, saying, “To me it’s very simple: the supply of cash and the strong desire to invest in Manhattan, especially trophy properties, far outweighs the supply of properties.” ([The Real Deal](http://therealdeal.com))

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