WHAT A BUILDING COSTS

A developer describes the breakdown from studs to fixtures

BY LAUREN ELKIES

Building in New York City hasn’t gotten cheaper and with buyers expecting an increasing amount of amenities and high-quality finishes, cutting condo sales prices is nearly impossible.

Developers generally do not want to raise the curtain on their budgets, but HJ Development provided The Real Deal with a detailed projected budget for its condo conversion of a rental building at 211 East 51st Street, nearly finished as of the middle of last month.

The cost to renovate the 76,500-square-foot building (purchased on May 4, 2007) is roughly $75 million: $46 million for acquisition, $16 million for hard costs including material and labor, and $14 million for soft costs including financing, brokerage and professional fees.

Total cost for an average 856-square-foot one-bedroom apartment (photos are of an 868-square-foot unit): $1,041,096. Average home asking price: $1.1 million. Profit: $58,904 or 5.7 percent.

That is a low rate of return, but developer Henry Justin said he still expects to earn his usual 10 to 15 percent profit, still relatively low, on the whole project by factoring in the commercial units. Asking prices for the commercial units are $2.7 million for one (under contract) and $2.8 million for each of the other two.

The 14-story building has 73 residential units, three commercial condos and 34 storage spaces. The apartments run from 505 square feet to 2,405 square feet with one to three bedrooms, eight units with terraces. The storage units, to be sold on a first-come, first-serve basis, cost around $19,050 each. As of mid-May, 11 units were under contract and closings are slated to begin next month.

One thing was apparent from the line-by-line budget: developers have to allot funds for even the smallest things such as robe hooks ($200 each). And the developer said he prefers to use high-end materials and fixtures.

“This will show you why prices can’t drop 10 or 20 percent,” Justin said.

He is able to cut costs, however, when it comes to construction since he is the developer and the general contractor.

But, a budget is not set in stone.

“I’ve never met a project where you don’t exceed a budget,” Justin said, and by press time 211 East 51st Street had increased to $76,227,000 from $74,226,500.

The following is a breakdown of the costs for finishes and fixtures in a sample apartment, 4D, a 505-square-foot, one-bedroom condo, with an asking price of $650,000, in HJ Development’s 211 East 51st Street. The costs, provided to The Real Deal by the developer, include the price of the items, but not the labor involved or shared building costs. Many items can be found in all units, regardless of size. (The pictures displayed are actually of a standard 868-square-foot apartment.)

**Bathroom**

- **Vanity:** Polished chrome with white polished three-quarter inch Bianco Dolomiti marble counter and custom-made medicine cabinet, $4,000
- **Shower curb:** Bianco Dolomiti marble slab, $450
- **Accent wall tile:** Five-by-three inch Fireclay ceramic tile, $2,000
- **Wall tile:** White crackle ceramic tile, $1,600
- **Sink faucet and lever handles:** Kohler Stillness in polished chrome, $280
- **Bath shower handle:** Kohler Stillness, $145
- **Lavatory sink:** Kohler Kathryn undercounter, $350
- **Showerhead:** Kohler rain in polished chrome, $400
- **Toilet:** Toto, $330

**Stone mosaic tile floor:** Polished Bianco Dolomiti marble, $1,300

**Toilet paper holder:** Vola in polished chrome, $175

**Robe hook:** Vola in polished chrome, $200

**Shower enclosure with towel bar:** Frameless glass door with polished chrome towel bar, $3,000

**Subtotal:** $14,230
The whole building’s budget, from top to bottom

Below is the projected budget for HJ Development’s 211 East 51st Street, a 76,500-square-foot conversion with 73 residential condo units, three commercial condo units and 34 storage spaces:

**Hard costs**

**General conditions:** payroll, etc., $1.2 million  
**Masonry:** exterior, exterior cleaning and terrace pavers, $600,000  
**Structural steel:** building extensions, $125,000  
**Exterior railings and stairs:** $300,000  
**Concrete:** building extension, $40,000  
**Roofing:** installed new Johns Manville roof, $200,000  
**Lighting:** unit interior, corridors, lobby, terraces, $800,000  
**Insulation:** $150,000  
**Rough carpentry:** Sheetrock, studs, etc., $600,000  
**Finish carpentry:** custom wood moldings, etc., $485,000  
**Kitchen cabinets:** handcrafted rift-cut white oak with lacquer finish, $950,000  
**Doors and hardware:** solid hard-wood doors with Baldwin hardware, $750,000  
**Windows and terrace doors:** oversized Wausau double-glazed casement windows, $800,000  
**Stone:** Bizzaza mosaic, Bianco Dolomiti, etc., $1.3 million  
**Wood flooring:** solid white oak four-inch plank floor in ebony or light finish, $750,000  
**Carpeting and wall covering:** Bentley print for street corridor and Innovations wall covering in corridors, $125,000  
**Painting and taping:** $800,000  
**Bath vanities and fixtures:** $150,000  
**Toilet and bath accessories:** $275,000  
**Medicine cabinets:** handcrafted polished chrome with integrated lights, $125,000  

**Kitchen appliances:** Northland refrigerators, Bosch stove/oven, dishwasher and microwave, $700,000  
**Kitchen fixtures:** custom polished chrome lighting and hardware, $175,000  
**Two elevators:** modernization of system, new cabs with stainless steel and wire mesh interiors, new call buttons with dark bronze finish, $510,000  
**Plumbing:** $800,000  
**HVAC:** individual climate controlled air conditioning and heat units, $600,000  
**Building electrical and intercom phone entry system:** $1.25 million  
**Resident’s lounge and fitness area:** $200,000  
**Lobby allowance:** reception, furniture, lighting, stone and security, $400,000  

**Subtotal:** $14,570,000  
**Contingency (10 percent of hard costs):** $1,457,000  
**Total hard costs:** $16,027,000

**Soft costs**

**Professional fees:** attorney, architect, engineering, interior designer, etc., $1.2 million  
**Sales, marketing, brokerage:** commission, advertising, brochures, models with furnishings, etc.: $4.5 million  
**Miscellaneous:** real estate taxes, insurance, operating expenses, permits, filing fees, etc., $1.5 million  
**Financing costs:** acquisition and construction loan interest, $7 million (HJ Development is financing $39 million)

**Total soft costs:** $14.2 million  
**Total hard and soft costs:** $30,227,000  
**Acquisition:** $46 million  

**Grand total:** $76,227,000

Source: HJ Development  
All charts compiled by Lauren Elkies