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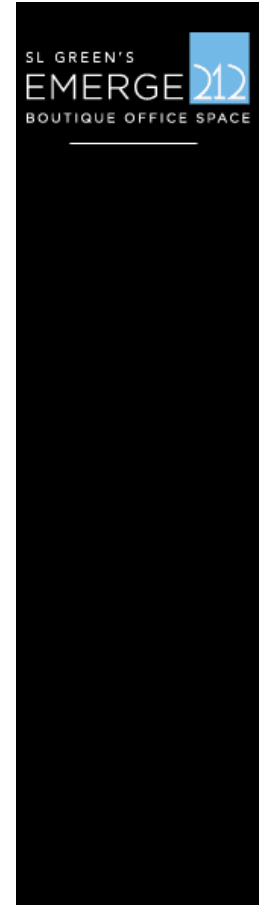


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**Overall sales flat, but in a surprise twist, co-ops have seen a burst of activity**

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By Candace Taylor

The first-quarter market reports released last month by the city's major residential firms yielded few shockers. With sales volume largely unchanged from last year, industry experts agreed that the market is generally stable.

## RESIDENTIAL MARKET REPORT

But the data did bring one unexpected twist: an unusual spike in the number of co-ops sold.

The first quarter saw "an unusually high" number of co-op transactions versus condos, said Jonathan Miller, CEO of Miller Samuel and the preparer of Prudential Douglas Elliman's market report.

"Co-ops are seeing a burst of activity, and condos are seeing a sharp drop," Miller said.

Elliman's report found 1,430 closed sales of co-ops in the first quarter, surging 28.7 percent from 1,111 in the same period of last year. Condo sales, meanwhile, dropped 24.3 percent to 964 from 1,273 in the prior-year quarter.

Co-ops, historically the favored form of homeownership in the city, still outnumber condos three to one in the city's overall pool of housing stock, Miller said. But due to the frenzy of new development in the 2000s, condo sales had reached some 60 percent of Manhattan's quarterly sales in the months before the Lehman Brothers collapse, he said.

That has now reversed.

For the past few years, the market share of each has hovered around 50 percent, but in the first quarter, co-ops made up nearly 60 percent of closed sales.

Brokers posited that price is one reason for the sudden popularity of co-ops in a still-rocky economy. Co-ops tend to be cheaper than condos -- the average sales price of a co-op in the first quarter was \$1.04 million, compared to \$1.76 million for condos.

In fact, the predominance of co-op sales is one reason overall Manhattan prices have fallen slightly from last year, Miller said. The average Manhattan sales price in the first quarter was \$1.33 million, down 6.7 percent from \$1.43 million in the prior-year quarter.

"There has been a lot of buyer interest in co-ops in April, and I expect interest to be even greater in May," said Patricia Levan, head of Manhattan-based Levan Real Estate. One reason, she said, is that "on the lower end, buyers say they are finding some great deals, especially with co-ops."

Of course, the high end of the co-op market is another matter. Last month, the Observer reported that the buyer in contract to pay \$19.9 million for the late Brooke Astor's 14-room duplex at 778 Park Avenue was twice rejected by the co-op board.

Perhaps because of persnickety boards like these, co-ops with three or more bedrooms made up only 10 percent of all co-op sales in the first quarter, down from 14 percent in the prior quarter, according to the Elliman report.

Another reason for increased co-op sales activity is that there are fewer new condos for buyers to choose from, in the wake of the construction slowdown inflicted by the financial crisis.

"Now we're not seeing new product coming on to any large degree," Miller said. "You're not seeing a disproportionate weighting of condos like you were before."

By contrast, more co-op owners appear to be putting their homes on the market.

"Sellers have been coming off the sidelines because while the market has stabilized to a degree, it's not

rebounding as significantly as they expected by now," said Citi Habitats' Brian Philpott. "It may not be productive for them to wait another year before selling."

There were 3,607 condos for sale in the first quarter, according to the Elliman report, 14.5 percent less than the same period of last year and the second-lowest level in five years. By contrast, there were 3,998 co-ops for sale in the first quarter, 5 percent more than in the prior-year quarter.

This state of affairs benefits the few new condo projects that have launched in recent months.

"The new development arena is heating up," said Shlomi Reuveni, a senior managing director at Brown Harris Stevens Select, which is currently marketing the Laureate on the Upper West Side and Reade57 in Tribeca (see related story on page 26).

"Our traditionally busy spring season started early this year, in December 2010," he said. Since then, "traffic has been constant."

In particular, he said, "we have executed a great number of contracts at price points ranging from \$3 to \$12 million."

The Manhattan rental market, meanwhile, continued to strengthen in the first quarter, due in part to improved hiring.

Elliman's quarterly report found that the number of rentals in Manhattan rose 150 percent from the first quarter of 2010.

"We are seeing more people moving to New York City from out of town than we've seen since pre-2009," said Douglas Wagner, executive director of leasing at Bond New York. "This means employers are trying out larger hiring groups, new divisions and more entry-level college graduates."

That, in turn, has led to a decrease in vacancy, which helps drive rents higher, he said.

While overall "face rents" dropped in the first quarter, the net effective median rental price -- the amount actually paid by tenants -- rose 7.4 percent to \$2,808 from \$2,616 in the prior-year quarter, according to the Elliman report.

Meanwhile, the average concession paid by landlords fell to one month of annual rent (or the equivalent), down from 2.5 months in the same period of last year.

As the busy spring rental season heats up, landlord concessions have grown even scarcer, brokers said. "The market is extremely tight," said Dalila Bella, a senior associate broker at Citi Habitats. "Fees are definitely up, as the incentives landlords were paying are basically gone entirely."

Mark Danich, an associate broker at City Connections Realty, said he was on track to do 17 rental deals last month, almost twice as many as he did for the same month of last year.

He's noticed that rents are between \$100 and \$300 higher than last year's. For example, he said, a one-bedroom he leased on East 46th Street last year for \$2,200 per month is now renting for \$2,500.

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