

HIGH-END SALES RETURN TO MANHATTAN MARKET

Activity up for luxe market, but mixed message on pricing

May 01, 2010 07:00AM

By Candace Taylor

The first-quarter Manhattan market reports arrived last month, bringing (mostly) good news for the industry.

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First, an eye-popping jump in activity buoyed agents' spirits. There were 2,384 Manhattan home sales in the first quarter, a stunning 99.5 percent leap from the same period of last year, according to Prudential Douglas Elliman's report. That's impressive, even considering that last year's activity was unusually low because of the recession.

In keeping with buyers' recent preference for resales over new development, the number of co-op sales surged a record 168 percent from the prior-year quarter, while condo sales jumped a more moderate 63 percent, the Elliman report found.

Still, prices sent the same mixed messages in the first quarter as they have for the past few quarters. The median sales price was \$868,000, down 11 percent from the same period of last year, but up 7.2 percent from the previous quarter.

One particularly salient feature of the first-quarter market reports was the return of the high-end market.

For the past few quarters, the overall market has been dominated by first-time homebuyers and sales under \$1 million. That's beginning to change. Co-ops sold during the first quarter were an average of 12 percent larger than a year ago, according to the reports from Brown Harris Stevens and Halstead Property (the two Terra Holdings subsidiaries share the same data set). Apartments with two or more bedrooms made up 52 percent of sales in the first quarter, up from 42 percent in the previous quarter, Elliman's report, which is prepared by market researcher Miller Samuel, showed.

"Clearly, it's coming back," said Jed Garfield, owner of the high-end boutique firm Leslie J. Garfield & Co. (See "[Boutique brokerages shed agents.](#)") Currently, Garfield is marketing a five-story limestone townhouse at 14 East 95th Street for \$18.5 million.

"Twelve months ago, it seemed like we couldn't give real estate away," Garfield said. "I think there was a period of eight months where we did two transactions, both under \$5 million."

But in the last two months, the company has done about five deals and had three closings, which is "a lot" for the nine-agent firm, he said.

Why the change? For one thing, luxe properties are more affordable.

Roberta Axelrod, the director of co-op and condo sales and marketing at Time Equities, said she is seeing "an increase in sales in the \$2 to \$10 million range -- large lofts and townhouses -- as purchasers feel there are bargains to be had."

For example, she said, Time Equities is now marketing a penthouse belonging to Rena Shulsky, the CEO of longtime New York City landlord Shire Realty, at white-glove co-op 812 Fifth Avenue, for \$9.9 million. Previously, the eight-room duplex, with Central Park and city views, was on the market with Elliman for \$10.75 million.

"Buyers can still find exceptional value in larger co-op units," said Rick Wohlfarth, the president and founder of Upper West Side-based Wohlfarth & Associates. His firm is marketing a three-bedroom co-op at 215 West 98th Street for \$2.25 million. "In 2006, it probably would have sold for \$2.7 million," he said.

It's also becoming socially acceptable to buy high-end property again, said Adam Modlin, broker for a long list of celebrities and president of the Modlin Group.

"During the financial crisis, the idea of buying a trophy property had a very obnoxious tone to it," Modlin said. "Even people who could afford it were not inclined to do that. For the CEO of a company that is laying off 100 people at a time, purchasing a penthouse is not a statement a leader wants to make."

Now, he said, he's seeing more financial-sector clients, thanks in part to a "very healthy bonus season on Wall Street."

A similar trend is taking place in the Hamptons. There were 28 sales above \$5 million on the East End of

Long Island in the first quarter, up from only seven in the same period a year earlier, according to Elliman's East End first-quarter market report.

Sellers are noticing the improved activity on the high end, both in the Hamptons and in Manhattan, and are now more likely to put their homes on the market. That, in turn, creates more inventory.

"Sellers are finally thinking that it might be a good time to sell," said Mark Chin, a senior vice president at Citi Habitats. "There are those who had to sell in the last year or so, but now those who could afford to wait are putting their properties on the market."

On the rentals front, brokers say incentives for tenants are continuing to fade away, much to renters' disappointment.

In March, *The Real Deal* reported that incentives, such as months of free rent and owner-paid commissions, or OPs, were beginning to disappear in some areas. That trend has since become even more pronounced, said Bruno Ricciotti, a principal at Bond New York.

In March, 43 percent of Bond's rental commission revenue was paid by tenants rather than landlords, Ricciotti said. In April, that figure had jumped to 60 percent.

"That is a sign of the bottom -- that there's enough demand that apartments are renting without the need for owners to pay commissions," he said.

Not only that, but more tenants are now willing to pay the full 15 percent commission that was the norm during the boom, he said, not the 12 percent fee that's become more common lately.

Ricciotti said the trend is particularly noticeable in the firm's West Village office on Mercer Street, where 74 percent of Bond's commission revenue for April was paid by tenants. That's up from 58 percent in March.

Because the Village is one of the city's most desirable neighborhoods, it makes sense that broker fees would reappear there first. Tenants on the Upper West and Upper East sides are still less likely to have to pay a fee, he said, and renters in more marginal neighborhoods or large new development rental buildings, even less so.

"The OPs always exist the longest in the big buildings, and the buildings on the outskirts," he said.

Still, this is only the start. "By next month it will probably spread beyond the Village," he said. "It's like the beginning of the wave."