City residential market ends 2010 with strong finish

Demand for high-end apartments costing $5 million or more is robust; industry observers predict 2011 will bring stable prices and sales activity.

Last year, the city's residential real estate market stabilized with sales levels reaching historically normal levels and sale prices remaining steady. And experts expect much of the same for 2011, barring any new economic crisis.

Reports for the market's fourth quarter won't be released until the first week of January, but experts say the year ended strong with apartments on the high end, those priced at $5 million and above, leading the sales activity toward the end of the year. They are also confident that the New York housing market will remain solid without the help from government incentives. The week leading into Christmas also showed stronger than expected activity.

“We have a lot of momentum running into 2011,” said Pam Liebman, chief executive of The Corcoran Group. “Brokers are very busy, and there are plenty of buyers out there.”

During the third quarter, the number of apartment sales in Manhattan jumped 19.3% from the same period 2009, according to Prudential Douglas Elliman and appraisal firm Miller Samuel Inc. According to the most recent residential report by Brown Harris Stevens, co-ops priced at $7 million and up doubled in the third quarter of 2010, compared to the same period a year ago.

Experts anticipate that the final quarter of the year will record similar results since a number of big deals took place this month. Those transactions include an apartment at 15 Central Park that recently closed for $40 million and an apartment at 927 Fifth Ave. that went into contract for $27 million. In fact, Jacky Teplitzky, a broker at Prudential Douglas Elliman, said she was busy showing apartments the entire week leading up to Christmas.

“There was so much anxiety after the Lehman Brothers collapse that at the end of 2009 we had pent up demand,” said Ms. Teplitzky. “With the Wall Street bonuses and the extension of the Bush tax cuts, everybody is breathing again.”

While there was a boom in sales activity during the first half of 2010, which sent the number of sales surging by as much as 80% in the second quarter, most observers don't expect a repeat performance next year. Some of that boost was attributed to first-time homebuyer tax credit and record low mortgage interest rates. Instead, experts expect a return to healthy seasonality, when the winter months are slightly slower than the spring and summer, but apartments are being sold at a regular pace.

“I'm anticipating more stability with no drastic increases or decreases in prices,” said Jonathan Miller, chief executive of Miller Samuel. “I don't think we will see any meaningful or significant housing related stimulus from the federal government.”

There was a slight increase in sale prices last year over 2009, but that was due to the sale of bigger apartments during the third quarter, the market for smaller apartments having returned earlier than other segments. During the third quarter, the median sale price for apartments in Manhattan was up 7.5% from year-earlier levels, according to the Prudential Douglas Elliman report.

“Prices won't soar; they will hold their own in 2011, which is the best kind of market for real estate,” said Kathy Braddock, co-founder of brokerage Charles Rutenberg Realty. “Back in the heyday every quarter price went up 10%. It was very unhealthy because everyone was jumping into real estate for the wrong reasons.”

While mortgage interest rates are still low, most experts warn that credit is still fairly tight and that by the end of 2011 interest rates will likely increase. “Any increase will scare buyers off,” said Mr. Miller, who also cautions that unemployment rates remains high and with no rapid employment improvement visible on the horizon, the residential market won't drastically improve.

“Next year will be a modest one for the city,” said Frederick Peters, president of Warburg Realty.

Sofia Song, vice president of StreetEasy.com, agreed, “I would not be surprised to see the market bounce along the bottom for a while before it is in true recovery.”