Out of sight
The high-end market headed higher in 2011

By: Max Gross

Extell Development's newest building, ONE57, isn't slated to be ready for occupancy until summer 2013 — but as far as NYC real estate is concerned, it might be the biggest story of 2011. And 2012.

The building will be mammoth — 90 stories. Its 95 condos sit atop a plush, 210-room Park Hyatt hotel. And ONE57 has been aggressive with prices. "Units start at $6.375 million," says Tony Mannarino, executive vice president at Extell, "and go up to $98.5 million."

Yes, penthouses for almost $100 million. One-bedrooms for $7 million.
And, as if we were back in the halcyon pre-Lehman days, buyers have decided that seeing a floor plan is good enough for them to plunk down a deposit. (We hear at least one unit has gone to contract for more than $30 million.)

In fact, ONE57 isn't the only building that has been doing brisk pre-sales. The Touraine, a new Lenox Hill development, where prices range from $1.3 million to $20 million, has 17 of its 22 units in contract after being on the market only two months, even though move-ins won't start until the fall of 2012; 250 West St., with 106 condos ranging from $1.5 million up to $30 million, also started writing contracts this summer — the building won't be ready until next fall.

There are signed contracts for "more than one-third" of the 250 West St. units, says Thomas Elliott, executive vice president for the El-Ad Group, which is developing the project. "More than that are out."

If these buildings tell the story of 2011, it is this: In spite of all the economic worry, the year was filled with glitz and glam — and there's a hunger for new product that doesn't yet exist.

In 2011, the luxury market performed as never before. The great war horse of recent years, 15 Central Park West, proved that the top of the market is as strong as ever, after former Citigroup boss Sandy Weillfound a buyer for his 6,744-square-foot penthouse weeks after he had listed it for $88 million. (The identity of the buyer and how much Weill will get for the unit is a tightly guarded secret.)

"There were 91 sales over $10 million [in 2011 throughout Manhattan]," says Pam Liebman, president and CEO of the Corcoran Group. "Twenty were over $20 million!"
Kate Shin, founder of boutique development firm WEmi:t, just finished redoing a 13,000-square-foot Upper East Side mansion (with a 23-foot indoor waterfall), which she's put on the market with Brown Harris Stevens' Paula Del Nunzio. Price tag: $35 million.

So far, half a dozen buyers and brokers have looked at the property and Shin's had "two very serious buyers — one who came three times. She is making time for [her] husband [to see it]."

And as the super-high end of the market flew higher than ever, the rest of the condo market also seems to be telling a positive story. Namely, the city has finally digested the glut of inventory lingering since 2008.

"In the beginning of November, [Manhattan] had 3,820 [properties] for sale," says Liebman. "That's 14 percent less inventory than last year."

This decrease has made buyers stretch out to other corners of the city.
"We saw something interesting in Harlem, where we're selling the Apex," says Jackie Urgo, president of the Marketing Directors.

"We've seen a number of foreign investors. That's an interesting phenomenon. Harlem is appealing to a considerable foreign interest."

Harlem was one of the most overdeveloped parts of the city during the boom years, and nobody knew how long it would take to sell its many hundreds of condos. "The Harlem market came back really strong," says Stephen Kliegerman, president of Terra Development Marketing. Harlem has sold more units in the past five quarters than any other five-quarter stretch on record.

Williamsburg also saw thousands of new condos hit the neighborhood over the past few years — and, after transforming some into rentals, many of the rest of the buildings did surprisingly well. "At the Edge, we sold about 275 apartments there this year alone," says Andrew Barrocas, president of MNS, which is in charge of sales for the 565-condo, two-building development on the Williamsburg's waterfront. "It was shocking."

The nearby Northside Piers got a second wind. The building sold 405 of its 450 units: "2011 was the best year of sales for us at Northside Piers," says David Von Spreckelsen, division president of Toll Brothers City Living, which also has scored a success with the Touraine.

What was unthinkable in 2008 has become commonplace among brokers: New York has a housing shortage. And not just in sales, but in rentals, too.

David Sigman, executive vice president at LCOR, says his firm is bringing an additional 234 rental apartments to market at 250 N. 10th St. in the fall of 2013. And Douglaston Development has a 500-unit rental building planned at 3 Northside Piers.

Developer TF Cornerstone is currently constructing three rental buildings in Long Island City, Queens, with a total of 1,800 apartments. "We're going to start one more in the middle of next year," says TF Cornerstone's chairman Tom Elghanayan. "That'll be 565 apartments." The vacancy rate in TF Cornerstone's portfolio right now is a mere 1 percent.

As for condo inventory, “People who come from out of town are so surprised,” says Hall Willkie, president of Brown Harris Stevens. “They tell us what they’re looking for, and we have [only] a handful of things to show them.”

“There is no inventory,” Lisa Lippman, senior vice president and director of Brown Harris Stevens, says of the luxury market. “On the Upper West Side there is *really* no inventory. I’ve had at least two or three people looking to spend $5 [million] to $7 million on an apartment, and I have nothing to show them.”

The Laureate on the Upper West Side, which came on the market this year, was in such demand that its 69 condos are 85 percent sold at prices upward of $2,100 per square foot.

And despite the fact that one might have expected foreign buyers to dry up with the economic turmoil in Europe, the opposite turned out to be true: “2011 marked serious entry by foreign buyers into the New York market,” says Jonathan Miller, president and CEO of appraisal firm Miller Samuel.

“Our prices in New York City are still better than a lot of international markets, like London or Tokyo,” says Dottie Herman, president and CEO of Prudential Douglas Elliman. A weak dollar and low mortgage rates helped convince foreign buyers that New York real estate was relatively safe.

Of course, the year had its negative news as well as positive. Buyers were “taking a long time,” says **Paul Purcell**, co-founder of Rutenberg Realty. “They would say they were going to make an offer, and they would come back three or four times.”

Turmoil in the markets and the S&P downgrade made for a sluggish third quarter. “When we got into July/August, I started to wonder what was happening,” says Jacky Teplitzky, managing director of Prudential Douglas Elliman. “It was slower than the usual summer . . . we didn’t see a good fall market.”

When NYU’s Furman Center put out its third-quarter report last month, the news was sobering: a 4 percent decline in sales volume from the same time last year.

But, in yet another twist, brokers reported that traffic and contracts signed picked up dramatically last month. “I’ve seen considerable increase in open house traffic in the last two weeks,” says Douglas Heddings, president of Heddings Property.

“I did at least six deals in November,” says Lippman, who also reported a slow September and October. “The least expensive was $1.46 million. The most was $6.5 million.”

Despite the relative steadiness of prices and sales, banks remained as obstinate as ever in making loans. “Lenders are afraid of their own shadow,” Miller says bluntly.

Of course, 2012 offers many concerns for everybody — not the least of which is the fact that Wall Street bonuses are expected to be more modest than in years past.

Wall Street is “not what the market is dependent on,” insists Steve Rutter, executive vice president and managing director at Stribling, which will be launching sales for the condos at Brooklyn Heights’ long delayed 20 Henry St. in January. “We’re seeing new media, entrepreneurs [buying apartments]. The New York market is very deep.”