

# FINANCIAL REVIEW

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## Property in Manhattan on the rise



*At 56 Leonard Street in the TriBeCa, close to 90 per cent of the 140 apartments have sold since March, with the penthouse selling for \$US47 million in June. Total sales at the project are expected to hit \$US1 billion. Photo: VUW*

Ainslie Chandler

New York has become a safe haven for the wealthy. The US has become the place with stability. Jonathan Miller, Miller Samuel

A wave of luxury apartment towers rising from the ground around Manhattan is dragging up the island's property prices.

Ultra-luxury apartments in the city are drawing high-net-worth buyers from around the world, as it remains cheaper than other global markets like London.

The market is also appealing to both local and offshore buyers looking to put their cash into a secure asset in a transparent market, as global economic markets remain volatile.

Gordon Hoppe, senior vice president of high-end project marketing group Corcoran Sunshine, says new luxury developments outperformed the broader market by 60 per cent in the past year.

The surge in new apartment prices is having a marked impact on the broader Manhattan market, with the average price per square foot paid market-wide up 5 per cent during the second quarter of 2013.

“Although currently representing a small percentage of closings, the new development market’s dramatic price increases are contributing significantly to market-wide price growth,” according to the Corcoran Report for the second quarter. “New development average price per square foot was 20 per cent higher than second quarter 2012 and 10 per cent higher than first quarter 2013.”

The CityRealty BlueChip 100 Index, which tracks the top 100 condominium buildings in the city, shows the average price per square foot for a Manhattan apartment rose to \$US1965 (\$2125) in August, up sharply from \$US1668 in August 2009 but still well below the \$US2117 the index hit in 2008.

Many of the buyers are eyeing the new towers rather than existing apartment stock. A period of inactivity in apartment construction following the global economic crisis of 2008 has resulted in years of pent-up demand.

#### DEMAND OUTSTRIPS SUPPLY

Demand is expected to continue to outstrip supply for some years, with an average of 2400 units to be added to the market annually from 2013 to 2016, compared with the 8000 added in 2007 and a long-term average of about 2700, Hoppe says.

While there has been a spike in new ultra-luxury apartment sales, the first in a wave of recent trophy deals was for an existing property – the penthouse at 15 Central Park West, the city’s most expensive building per square foot based on closed sales.

The apartment sold for \$US88 million in 2012, at the time a record price and a record price per square foot for the city.

The 6500 square foot (604 square metre) apartment, which has panoramic views of the city, overlooks Central Park and has a more than 2000 square foot terrace, was bought by Russian oligarch Dmitry Rybolovlev for his daughter. It was sold by former Citigroup chairman and chief executive Sandy Weill and wife Joan.

Jonathan Miller, president of appraiser Miller Samuel says this sale sparked a number of other transactions around the same value.

“Prior to that \$US88 million sale there hadn’t been anything close,” he says.

The seven-bedroom penthouse at One57, at 157 West 57th Street, reportedly sold in May to a group of investors led by hedge fund billionaire Bill Ackman for more than \$US90 million. The 90-storey Midtown tower, designed by Pritzker Prize winner Christian de Portzamparc is under construction by developer Extell. On completion, it will be serviced by the five-star Park Hyatt Hotel, which will sit below.

The penthouse at 432 Park Avenue, a 96-storey Midtown tower designed to be the tallest in the Western Hemisphere on completion in 2015, sold to an undisclosed buyer for a reported \$US95 million in May.

The CIM Group and Macklowe Properties development, designed by architect Rafael Vinoly, sits on the site of the former Drake Hotel.

#### TRADITIONAL NEIGHBOURHOODS

The two prestige Midtown developments are part of a building trend in which luxury towers are gradually being built from the traditional neighbourhoods to the east and west of Central Park.

One such development is the Baccarat Hotel and Residences, opposite the Museum of Modern Art on 53rd Street, south of Central Park, where the five bedroom, 5.5 bathroom penthouse is on the market for \$US60 million.

At 56 Leonard Street in the TriBeCa, close to 90 per cent of the 140 apartments at the development have sold since March, with the penthouse selling for \$US47 million in June, according to Corcoran Sunshine. Total sales at the project are expected to hit \$US1 billion.

Others include the refurbished Walker Tower on Chelsea's West 18th Street, which was formerly a Verizon telephone exchange, and 150 Charles Street in the West Village.

Miller says while the luxury apartment market – the top 10 per cent of the market or properties worth more than \$US3 million – has been active, it is the ultra-luxury trophy apartments in Manhattan that have been gaining the most attention of late.

“There have been a significant number of transactions above \$US50 million,” Miller says.

European buyers have become more common in Manhattan, as the European Union has remained in economic turmoil. Chinese and Brazilian buyers have also entered the market en masse.

Miller says while the number of luxury developments in Midtown and Lower Manhattan has grown markedly, the overall property stock remains mixed, so offshore buyers still tend to gravitate towards the more established prestige neighbourhoods, like the Upper West Side and Upper East Side.

“New York has become a safe haven for the wealthy,” he says. “The US has become the place with stability.”

Analysis of visits to prestige real estate site CityRealty.com shows Australians are the fourth most common overseas viewers of the site, behind only Canada, France and Britain, and constitute 10 per cent of offshore views.

“As a safe haven, it's still the top choice,” Corcoran Sunshine's Hoppe says, noting that international buyers are now involved in about 30 per cent of real estate deals in , up from 10 per cent a decade ago.

“Luxury real estate has become this new global currency,” says Miller.