

COMMERCE

What will the 2016 real estate market bring?

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A view from 15 Central Park West

By FORREST CARDAMENIS

While New York real estate boomed in 2015, the United States saw prices start to flatline in the second half of the year, possibly providing a preview for 2016.

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While the demand for New York real estate will remain high for the foreseeable future, there are mixed signs as to what might happen with the country's high-end market as a whole. Domestic and international economic factors will play a role in prices, while a growing millennial market could begin to impact what amenities are offered.

"As Internet technology and social media continue to evolve, younger generations are adapting quickly to a variety of options offered in the real estate market," said Javier Lattanzio, director of sales at **Time Equities Inc.** "With so many factors to consider such as location, views, architecture, interior design and quality of lifestyle, coupled with increased access to data, there is increased competition between buildings.

"Working in the TAMI (technology, advertising, media and information) and financial industries, high earnings among millennials allow this group to afford luxury residences that offer a desired lifestyle and amenities that are convenient," he said.

"New developments are now thinking outside of the box, by offering a wide variety of amenities such as jet concierge services, valet parking, unique programming for residents of different age groups, observatories, luxury spa services, pet-friendly facilities and on-site work spaces, among features, to appeal to this demographic."

Youth in the market

Millennials are likely to make up the largest portion of home buyers in 2016, with young Generation Xers (aged 35-44) also making up a significant portion of the market. While the statistics might not hold out on the high end of the market, the shift in the overall real estate market could have an impact.



New York; image courtesy Le Meridien

In a real estate prediction statement, property developer and business strategist Borix Mizhen anticipates, "In 2016 we can expect to see builders move away from their focus on luxury homes and rise in more affordable products." If construction of luxury units falls, it follows that prices will increase due to a supply-demand imbalance.

This is particularly true in New York, where the recent financial crash is a distant memory and prices are soaring, which could lead to eager buyers hoping to enter the market before being priced out.

"For home buyers my advice would be not to hesitate prices are rising and time is your enemy," said William Ross, senior vice president managing director, Halstead Property Development Marketing for Downtown Brooklyn and Brooklyn Heights.



Interior of 15 Central Park West apartment

Given the international market volatility in the second half of 2015 and the first days of 2016, U.S. real estate will likely continue to be viewed as a safe alternative to a risky stock market.

"The stock market is a constant gamble while the return may be greater, so is the risk," Time Equities' Mr. Lattanzio said. "Real estate investment, on the other hand, allows consumers to better control the outcome.

"The United States as a whole, especially New York, remains a safe harbor' compared to investing in the stock market and other more turbulent real estate markets," he said. "The industry is still going strong and we may continue to see foreign clients investing in U.S. real estate assets to preserve their own currency value."

Lighten up

However, there are other signs that growth may slow in 2016.

Although fourth quarter data is not in, for the first time in three years, luxury home prices fell in the third quarter, according to a new report by real estate brokerage firm Redfin.

Although non-luxury home prices increased almost 4 percent, luxury homes fell 2.2 percent year-over-year. The drop reflects economic volatility overseas, in China but also Latin America, while also pointing to an increased supply, leading one Redfin agent to predict flat prices over the course of 2016 ([see story](#))



Coldwell Banker listing, Beverly Hills, CA

With their growing entrance into the market, millennials will also have a hand in what amenities are most desired.

"We will begin seeing a stronger trend toward smart homes,' Mr. Ross of Halstead said. "Millennials will want to be connected' to their home when they are not home."

Such amenities are important for younger homeowners, but have also caught on with older buyers.

Once thought of as a luxury, smart homes may comprise most homes by the end of the year, according to a recent report by Coldwell Banker Real Estate LLC.

The year 2020 has long been the benchmark for the smart home to go mainstream, but 45 percent of all Americans already own smart home technology or already plan to invest this year. Although the technology has long been expected in the luxury segment, new opportunities continue to open ([see story](#)).

"Both homebuyers and developers are becoming more aware of global environmental concerns," Mr. Lattanzio said. "As people become more sensitive to the impact of natural threats such as global warming, developers are becoming better versed on these issues, implementing sustainable practices in new development projects.

"Energy saving techniques such as LED lights, high-efficiency windows, natural materials and LEED certification have become popular features among buyers looking to purchase a home."

Final Take

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