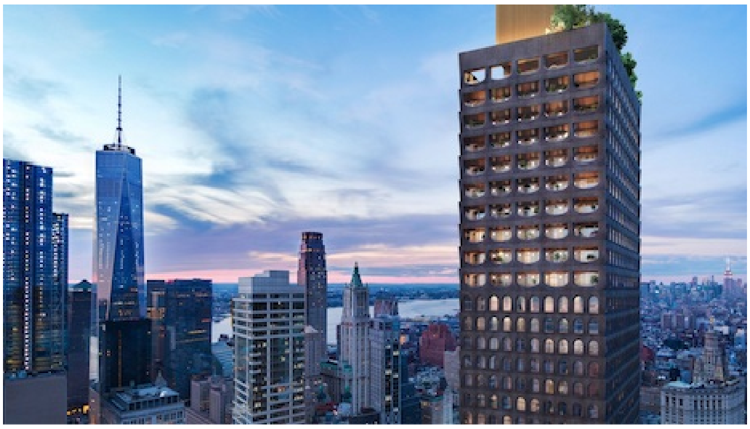
Luxury Daily®
The News and Intelligence You Need on Luxury

REAL ESTATE

Suburban luxury markets lure departing New Yorkers, for now

January 15, 2021



New York City's property market exhibits signs of bouncing back from the pandemic. Image credit: 130 William Street

By ELLEN KELLEHER

NEW YORK The luxury property market in New York City has hit its bottom, while demand for high-end property in Florida is booming as the impact of the COVID-19 crisis on high-end real estate shows signs of diminishing.

Speaking at the State of Luxury Real Estate eConference on Jan. 14, real estate experts offered insights on how high-end living in New York and its suburbs as well as Florida is managing to weather the pandemic. The property markets in lockdown-free Florida and the New York suburbs are still outpacing pandemic-plagued New York City, but Manhattan's recovery is seen as inevitable.

"As Jerry Seinfeld wrote, New York isn't dead and he's absolutely right," said Diane Ramirez, executive chairman and senior advisor for residential sales with Brown Harris Stevens, New York. "We still have a long way to go as offices are still empty, while restaurants are back to outdoor dining only.

"But New York City is resilient and we will come alive again, like we always do," she said.

State of Luxury Real Estate was produced by Luxury Daily in association with Luxury Portfolio International

New York exodus

The flight en masse of embattled New Yorkers from the city to the suburbs or Florida has pushed up prices up and down the east coast, including Fairfield County, CT; the Hamptons; the Hudson Valley; northern New Jersey and Palm Beach.

During the most severe part of the shutdown, Fairfield County, CT recorded the highest number of home sales in 20 years, according to Ms. Ramirez. The Hamptons, meanwhile, saw nearly $1 billion in sales in the third quarter of 2020.

"These markets experienced exceptional growth in what was an economic downturn," Ms. Ramirez said. "The pandemic has given new meaning to the importance of home."

Urban living is "here to stay" as offices will open and jobs return, but people will want both urban and suburban living options going forward.

"It will just depend on their pocketbook and how large each option will be," Ms. Ramirez said.

With average property prices in Manhattan down 6 percent year-on-year, the market is in the hands of buyers and negotiation is key.

"In real estate, the worst is over and I think the New York City market is at the bottom," Ms. Ramirez. "So, to all your smart buyers, carpe diem."

Higher local and state taxes in Manhattan paid by developers have continued to push up the price of home ownership, but it is still a buyer's market, per Christopher Schlank, founder/co-managing partner of Savanna, New York. The real estate and asset management firm is building a 183 unit, 32-story building near Columbia University in Morningside Heights called The Vandewater.

"Design and comfort, I think, are the new paradigm of living," Mr. Schlank said. "I think developers who embrace that feeling of comfort are going to be the winners."

"It's a great time to buy and unfortunately for developers, it's not a great time to sell," he said.

The property situation, meanwhile, is drastically better in Florida, which is reaping the benefits of its sunny climate and lack of state taxes and lockdowns.

The Breakers in Palm Beach, Florida, reopened doors May 22, even as states such as New York and California continued to impose lockdowns on their businesses amid the COVID-19 outbreak. Image credit: The Breakers

"We have so many Northern buyers buying from us because they come down and say, gee your restaurants are wide open," said Chuck Whittall, president and CEO of Unicorp National Developments, Orlando. "We have a governor who has kept the state open and that has resulted in 1,000 people moving here per day."

Mr. Whittall notes the tightness of the market means there are no discounts and little inventory. The most affluent buyers tend to be CEOs hailing from New York, New Jersey, Chicago, Atlanta and Florida.

Thanks to virtual showings, buyers are purchasing $18 million condos "sight-unseen." Mr. Whittall also reported that condos in the $10 million to $15 million price range are drawing more interest than condos priced between $2 million to $4 million.

"If you're on the ocean and people are out walking on the beach, it's a pretty easy sell," Mr. Whittall said. "So, our market continues to grow."

Branded residences from hospitality brands are another option for high-net-worth-individuals looking to make real estate investments.

"In a pandemic, branded residences are especially attractive because if you're going to be locked down, who wouldn't want to be locked down with room service, housekeeping and fitness centers?" asked Amanda Altree, global leader for residential marketing at Marriott International, Bethesda, MD.

The 101-story tower will become the third-tallest building in Chicago. Image credit: The St. Regis Residences Chicago

Amenities at such places have gotten so customized and personal that they now include staff stocking refrigerators with favorite foods and drinks; arts and craft facilities; meditation gardens and farm-to-table opportunities where produce can be grown.

Meanwhile, as people spend six months or more in Florida and other areas away from major cities, second homes are turning into co-primary residences.

However, urban living is not facing imminent death as Marriott has already sold six units at its St. Regis Residences and Hotel in Chicago. About 70 percent of Marriott's pipeline for branded residences is outside the U.S., but most of its existing inventory is stateside.

"It's much more attractive to be able to leave one place and go to another that does have more flexibility in terms of lockdown amenities," Ms. Altree said. "Branded residences allow you to get the amenities of the hotel and you're in the middle of the action in a city; so I think that trend is here to stay."

Lasting effects of pandemic

The move to suburbia in the U.S., coupled with remote working and schooling, will have lasting effects on the prime real estate landscape for years to come.

Expansive single-family homes in locations that offer more space, freedom and less population density will likely remain highly attractive to high-net-worth and ultra-high-net-worth individuals (see story).

However, the luxury housing market looks to be in relatively good shape going into 2021 thanks to feverish sales activity over the last six months and the fact that affluents have been shielded from the economic severity of the pandemic.

Manhattan still ranks as the priciest luxury market in the country, with the least expensive luxury property listed for nearly $6.5 million, per a recent report (see story).

"People will once again want to live around where they work and even more so after the pandemic," Ms. Ramirez said. "New York has faced numerous challenges before and with our true grit, we will always be bigger and better."