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COMMERCE

Not quite a boom, New York luxury real estate climbs upward in 2014

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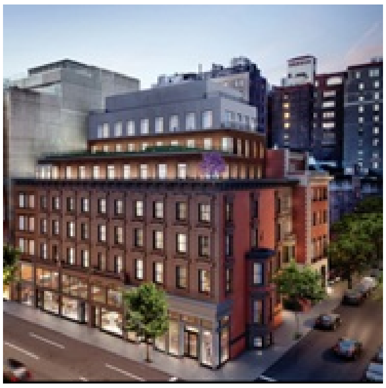


By JOE MCCARTHY

The New York luxury real estate market has been abuzz with surging numbers posted left and right, but will the trend continue?

Although the overall number of apartment sales rose 26.8 percent to 3,297 in the fourth quarter of 2013, the median sales price of the entire market has not caught up to the 2008 peak. Also, a wave of new variables such as new qualified mortgage rules and potentially rising interest rates could clamp what would be another year of double digit growth.

"The financing will still be tight," said Dorothy Herman, president and CEO of Douglas Elliman Real Estate, New York. "The QM rule is new and we'll see how that shakes out. If the financing was easier, we would have another year of double digit appreciation.

"It will be a repeat of last year," she said. "I wouldn't call it a boom. The market is good and healthy."

Safe place to live

Ms. Herman explained that the rise in sales owes a lot to New York's safety, cleanliness and the relative stability of the local and domestic government compared to other countries.

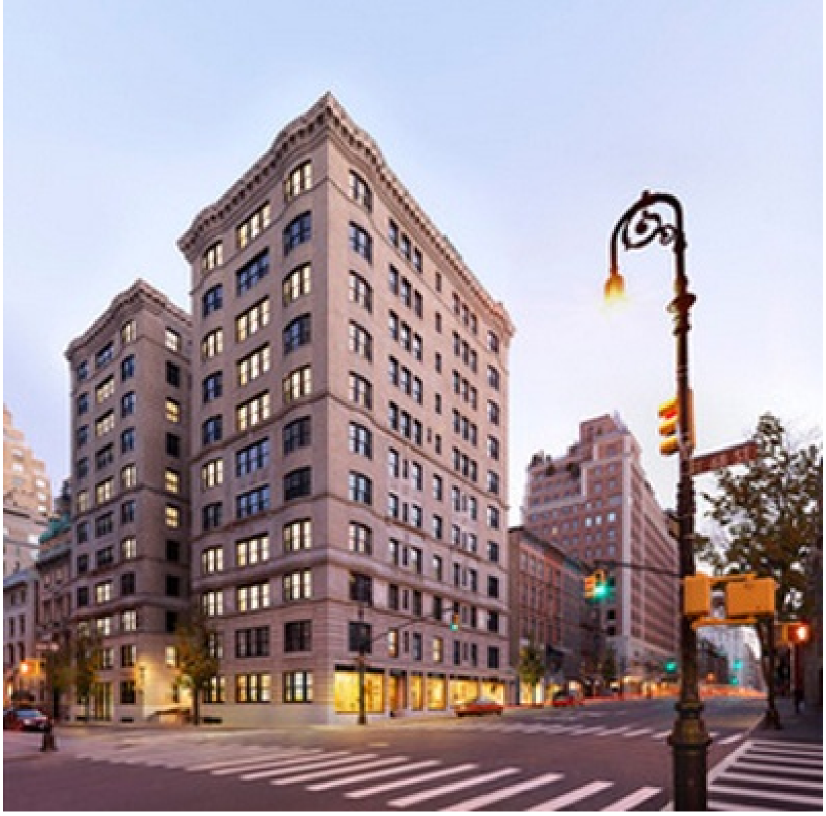


Image courtesy of 11 East 68th Street

Also, New York prices are cheaper than other posh cities.

"We're cheaper than London, Hong Kong," Ms. Herman said. "As a big city, we're still cheaper than a lot of other places."

The low interest rates on mortgages, influenced by the Federal Bank's stimulus measures, has attracted buyers. Additionally, a market with limited supply has motivated buyers to scoop up properties while they can.

"Lack of inventory will definitely continue as a problem," said Diane M. Ramirez, chief executive officer of Halstead Property, New York. "But when you have a problem you become creative. Buyers and brokers will be as creative as we have to be in this difficult inventory environment."

"You will be seeing sellers who might have been putting off selling their place starting to think about it," she said. "The consumer confidence cycle is starting. People are saying this is not the exact size I need, whether too big or small, maybe there's a different neighborhood."

Furthermore, stabilizing personal finances has contributed to the recent surge in sales. Although the recession did not affect luxury consumers nearly as much as the rest of the population, people were tight with money in all areas.

“We have a nice momentum going," Ms. Ramirez said. "When I look at the deals that are booked to close, they are very strong. That's always a nice start to things and a sign of things to come.

“We have many of the new condos that are with contracts but not closing yet, and we are going to see the benefit of those closings," she said.

Ms. Herman and Ms. Ramirez both noted that recent luxury sales are a mix of domestic and international buyers. International money has poured into condominiums, which can be liquidated easily and do not require extensive background checks, while American buyers are wading back into the market weighing their options.

"A lot of baby boomers who lived in the burbs and are now in their late 40s and early 50s want to come back to the city," Douglas Elliman's Ms. Herman said. "Of course international is big, but I wouldn't say it's 50 percent."

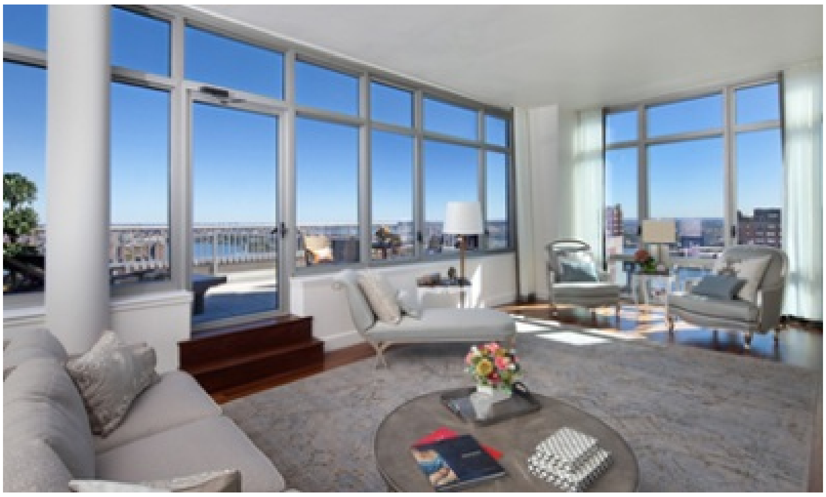
"By and large it's the local people moving in and out," Halstead's Ms. Ramirez said. "There's the triangle of New Jersey, Long Island, Connecticut, who might be downsizing, wanting to move in--its local."

Qualified mortgages will have little impact on the momentum. Ms. Ramirez said that buyers who are actually constrained by the new rules are not the buyers who will win the bidding wars.

Why so expensive?

The exorbitant, sold-as-soon-as-they-are-posted sales of $50 million and up are the outliers of a broader trend of increasing land costs.

As The New York Times points out, the average contract price surged nearly 60 percent through the third quarter of 2013, to a record $3.43 million from $2.16 million, surpassing the previous new-development high of $2.21 million in the third quarter of 2008.



Azure, 333 East 91 Street

Even if developers wanted to produce cheaper alternatives, the possibility is just not feasible. Lavish amenities are then piled into new developments to justify the costs, and the pattern escalates with even more decadent offers.

"The land is too expensive," Ms. Herman said. "You can't build a cheap product if you want to get a return."

Ms. Ramirez said to look out for the new marketing tactics such as drone-enabled views of properties, more social media use and new technologies in 2014.

"There's a lot of exciting new marketing concepts," she said.

Final take
Joe McCarthy, editorial assistant on Luxury Daily, New York

Embedded Video: //www.youtube.com/embed/DcK-XC1LrrE

1 thought on "Not quite a boom, New York luxury real estate climbs upward in 2014"

1. Alan Shafer says:

   January 8, 2014 at 2:41 pm
   We do not expect the QM rules to materially impact the luxury and ultra-luxury markets in most major US metropolitan areas. Since 2012, we have seen a dramatic increase in the number of all-cash transactions (domestic and foreign purchasers) in the 2M and above market nationwide, and even more so in the ultra-luxury market.