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## Feeling the fire

*Developers and brokers turn attention to the hot \$1M-to-\$3M market, where buyers can't move fast enough*

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By E.B. Solomont

If you have \$1 million to spend on a New York apartment, please accept our condolences. You're one of the many, many buyers hunting for a home in the most sought-after segment of Manhattan's residential market.

If you're a broker with a listing, on the other hand, congratulations are probably in order because you're likely to be facing a quick deal.

While apartments asking between \$1 million and \$3 million don't get much love and attention in the real estate press, the segment is an increasingly important one for brokers and- for developers. And it's currently seeing more action than its high-priced counterparts — by a long shot.

In fact, properties between \$1 million and \$3 million logged more than 1,300 sales during the third quarter — more than double the number of residential sales between \$3 million and \$10 million.

Thanks to low inventory and outsized demand, apartments asking between \$1 million and \$3 million are spending an average of 73 days on the market, which is tallied as the time between the last list price and when the property goes into contract. While that may seem like a long time, it's 42 days fewer than 2013 and half the time it currently takes to sell a property over \$5 million.

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**MATT BARON, SIMON BARON DEVELOPMENT**



"At this end of the market, people are always doing the rent-or-buy equation, and with rents so high and interest rates so low, buying still wins."

**FREDERICK PETERS, WARBURG REALTY**



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**REID PRICE, DOUGLAS ELLIMAN**



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But the numbers don't fully illustrate just how much activity there is and to what lengths brokers will go to snag a piece of the action.

Halstead Property's Brian Lewis created a quirky, three-minute video to market Unit 7G at 45 Christopher Street, a West Village one-bedroom asking \$1.9 million that hit the market on October 30.

Other brokers take a toned-down tactical approach. "We go on pitches and brokers come in with a song and dance," said Douglas Elliman's Ralph Modica. But the bottom line, he said, is pricing correctly. "When it's priced accurately, you get more people through the door."

Even brokers who normally work in the über high end of the market are taking stock now of what's happening in this sector.

Brown Harris Stevens' Kathy Sloane, who is marketing the \$86 million penthouse at the Sherry Netherland, said brokers want to diversify to all price points rather than get stuck at the high end of the market, which has slowed down. The market under \$5 million is "alive," said Sloane, who described a "tsunami" of demand for two-bedroom units in the \$2 million range. "I'm not even sure we're built for it," she said.

### **Larger buyer pool**

Top-notch developers like Gary Barnett's Extell Development, whose bread and butter is in the \$20 million-plus range, are also recognizing that there's money to be made in the lower-end part of the market. The developer is currently constructing One Manhattan Square, an 800-unit tower at 250 South Street where units will be priced between \$1 million and \$3 million. Extell is primarily marketing to Chinese buyers (see related story on page 22).

Similarly, Simon Baron Development is currently developing two condo projects at 269 West 87th Street and 12 East 88th Street, where prices will be between \$2 million and \$8 million. By distancing itself from the ultra-luxury pads with double-digit price tags, the development firm thinks its condos will gain the most buyer traction.

"I'm approaching it from a perspective of supply and demand," said Matt Baron, the firm's president. "As you get closer to \$1 million, your potential market just gets so much larger."

Of course, the strength of the lower end of Manhattan's market is two-fold: There are ample buyers and purchasing is a smart decision for them.

“For a great many of these [buyers], these aren’t really discretionary purchases,” said Warburg Realty President Frederick Peters. “At this end of the market, people are always doing the rent-or-buy equation, and with rents so high and interest rates so low, buying still wins.”

Tight inventory, however, makes desirable apartments — such as a two-bedroom, two-bathroom for under \$2 million — rare commodities.

“That’s got a lot to do with why we’re still seeing competitive bidding and 35 people at an open house, with two or three offers on the first day in a lot of these properties,” Peters said.

Elliman’s Reid Price said he’s sold more than 100 apartments at HFZ Capital’s condo conversion Fifty Third and Eighth, where the average asking price is \$1.9 million, according to listings website StreetEasy.

“This is a value-driven market,” Price said, describing a mix of local, national and international buyers whose purchases are driven by low interest rates and the perception that Manhattan real estate is a safe investment.

“A competitively priced property that is free from encumbrances is likely to sell within two to four months of coming to market,” he said.

In fact, Loretta Edmonds, a vice president at boutique residential firm Essential New York, said that by the time her Web-savvy clients send her listings they’re interested in, chances are the unit is already gone. “Buyers are frustrated at the lack of inventory, especially for co-ops,” she said.

### **Market sweet spot**

Overall, the supply-demand imbalance pushed the median sales price — for the market as a whole — to nearly \$1 million for the first time during the third quarter.

“It’s the sweet spot of the market. The demand remains strong and you can see that in the sales activity,” said Jonathan Miller, president of real estate appraisal firm Miller Samuel. Sales volume in the \$1 million to \$3 million segment jumped 18 percent during the third quarter, after several quarters of double-digit drops.

Meanwhile, for pads in the same range, the median sale price picked up 5.7 percent during the third quarter, compared with the prior year. By contrast, it dropped roughly 1 percent for properties between \$3 million and \$10 million.

Amid fierce competition, agents are advising clients to expand their search criteria.

Tami Jacobs Earnest at Manhattan-based Bold New York said one of her clients was initially set on living in Chelsea or the West Village but soon recognized value in other areas.

“He’s transitioned to Harlem and pockets of Brooklyn,” she said, noting that his budget was \$1.2 million. “This is a guy who wouldn’t live east of Seventh Avenue.”

Other agents are suggesting their clients bid up — and the clients are listening.

For pads between \$600,000 and \$1 million, nearly 41 percent of buyers paid over ask during the third quarter, according to analytics firm Urban Digs.

“The market has been in favor of sellers for a long time. [Yet] if a property is priced above market value — it is likely to sit,” said Compass agent James Cox. “The best strategy in the \$1 million range is to price under by a small percentage.”

At the same time, it’s harder to overprice properties in this segment of the market, said Greg Heym, chief economist for Terra Holdings, the parent company of Halstead Property and Brown Harris Stevens.

“There are plenty of comps ... whereas when you get to the higher end of the market, particularly on the co-op side, it’s more prone to overpricing,” he said.

At this price point, however, buyers don’t have as many options in new construction — at least in Manhattan. “There’s not much new development inventory in this sector, except in the boroughs,” said Douglas Wagner, head of brokerage services at Bond New York.

Bold CEO Jordan Sachs said prices are discouraging buyers who can’t afford new construction in the multi-million dollar range.

“Not everyone can play in the new-development sandbox,” he said. “Everyone wants to join in on the fun, when in reality, those starting price points are much higher.”

But the so-called “affordable luxury” category of new condos that are priced to be within range of more New Yorkers is a growing trend.

“It’s a strategy that a lot of developers, even two years ago, weren’t focused on,” said Robin Schneiderman, director of new business development for Halstead Property Development Marketing.

Halstead recently launched sales at developer Cadence Property Group's Sorting House, a 33-unit condo at 318 West 52nd Street, where studios start at \$895,000 and three-bedrooms are asking \$2.9 million. Buyers locked up 10 units within two weeks.

"If you can deliver a very high-end product but keep your absolute dollars down," he said, "that particular submarket is performing well."

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