



RUBENSTEIN PUBLIC RELATIONS, INC.



FINANCIAL TIMES

August 5, 2013

Property

Demand for luxury residences goes sky-high in New York

By Anjali Raval in New York



When architect Ralph Walker designed his office tower for the New York Telephone Company in the 1920s, it was unlikely he envisioned his art deco skyscraper in downtown Manhattan as a place that the wealthy called home.

Walker Tower is one of a number of buildings in New York City that has been converted, or built from scratch, into luxury residences over the past two years in response to growing demand from deep-pocketed Americans and foreign investors [seeking stable investments](#).

Standing in a \$9.3m apartment on offer in Walker Tower, property agent Vickey Barron listed the building's amenities, from heated flooring and noiseless air conditioning to humidifiers for sensitive artwork.

"This is what the wealthy are after. Inventories of quality, high-end condo buildings in New York are very low after years of no new construction, so developers are having to respond," said Ms Barron.

So strong is the demand for luxury condominiums – defined as the top 10 per cent most expensive apartments in the city, those usually above \$3m – that developers cannot build fast enough and prices are shattering records.

A group led by Bill Ackman, the billionaire hedge-fund manager, recently bought a penthouse apartment for more than \$90m, in what is thought to be one of Manhattan's most expensive sales of a residence.

Depleted supplies have resulted in buyers often making immediate all-cash offers, participating in bidding wars and making decisions based on floor plans alone, reminiscent of the boom time days. Some even fear the market may be overheating.

"We're in one of the strongest real estate markets in New York's history. New development sales have risen by 60 per cent in just a year," said Kelly Mack, president of Corcoran Sunshine which markets and sells luxury residential properties.

These high-end construction projects have even become a focus for the city's mayoral candidates, who argue Mayor Michael Bloomberg has during his 12-year tenure created a city that is defined by its yawning inequities.

The past few years saw numerous luxury towers quickly rise in midtown Manhattan as developers built close to Central Park for the best views of the cityscape. Those looking for trophy investments snapped up residences in these buildings and now, having exhausted existing supplies, buyers and developers are turning their gaze elsewhere.

The average sales price of a new luxury condo rose 34 per cent in the second quarter from the same period a year ago to \$7.9m, with new development overall up 37 per cent to \$2.3m, [Corcoran data shows](#), surpassing peak levels. The increases were steeper downtown, which has the highest average price per square foot for new developments in the city.

Once home to factories and warehouses, lower Manhattan has undergone a rejuvenation in the past decade and now hosts some of the city's best restaurants, art galleries and cultural spaces. This has lured many wealthy New Yorkers away from traditional neighbourhoods such as the Upper East Side. At the same time, developers have flocked to the less mature lower Manhattan markets where there are greater moneymaking opportunities.

Even as some industry watchers are keeping a close eye on the buying frenzy, others are less fearful. Jonathan Miller, president of appraiser Miller Samuel, said most of the buyers are in better financial shape than those that were frantically scooping up properties in 2006-07.

“What we're seeing is pent up demand from people who are mainly cash buyers looking to preserve wealth. Financing is less of an issue than it was last time. Because of this the developers are targeting this segment,” he said. “More supply coming online over the next couple of years will also mean we're less likely to see a runaway market.”

Some welcome the creation of quality, high-end residential properties believing that their existence is crucial to the city's competitiveness versus London, Hong Kong and elsewhere. But others warn that these glitzy towers are only widening the gap between the city's rich and poor.

While one luxury tower alone is unlikely to drive property values, a slew of high-end buildings can drive up residential and retail rents and [price people out](#) – as has already happened in many Manhattan neighbourhoods. Those who cannot afford it have been forced to move to the outer boroughs.

“It is concerning that most of the new construction is happening in the luxury or high-end segment. Developers are building product mostly to attract outsiders and not for normal New Yorkers,” said Barika Williams, policy director at the Association for Neighborhood and Housing Development, a research and advocacy group. “This type of housing is not for 75 per cent of the city's residents.”

Demand for luxury sees no sign of abating and developers faced with rising land and construction costs continue to seek the most lucrative opportunities. Mr Miller added: “The economics dictate luxury residential construction, the developers don't really have a choice.”