

# GOTHAM

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## NYC Real Estate Pros Talk the Future of Sustainable Properties

*Real estate pros discuss sustainable design and its impact on the luxury market.*



*Richard Steinberg, right, greets architects Barry Rice, left, and Stephen Wang.*

Celebrity homeowners like Leo DiCaprio were among the first to embrace and tout the benefits of green condo living in New York City. But beyond the A-list, how important is green to the high-end residential market? At this broker roundtable, part of gotham's ongoing series, nine experts share their experiences brokering sustainable luxe.

**How much is “green” a factor in luxury sales, and at what price points does it most resonate?**

**BARRY RICE:** The broader issue is one of ethics— doing the right thing for the environment. From our point of view, as the architect, that's a large motivating factor that would encourage developers like Toll Brothers and Greystone and others to do energyefficient buildings. I'm not sure whether it has much of a financial benefit for the developer of the building.

**RICHARD STEINBERG:** For a project we did at 180 East 93rd Street with Greystone Development, we used many of the green amenities to market the units. It increased our sales by approximately 20 percent on offering plan prices.

**WENDY SARASOHN:** For me, a building being green is an add-on, not a driving force. We'd all like to think we have this consciousness about the environment, but most people searching for apartments are looking for location, quality, ease of life, and good value.

**DEBORAH GRUBMAN:** I agree. As time goes on, it will become more and more important. A younger demographic will be more conscious of LEED and ecologically thoughtful living, [which will become] deciding factors.

**GINGER BROKAW:** During a project this past year, we found that buyers in their 20s, 30s, and 40s were most interested in green. They asked many questions regarding the structure, what paint was used, and what the operating systems were.

**The highest rated LEED buildings in the city include The Visionaire, The Solaire, 1 River Terrace, Tribeca Green, and Millennium Tower Residences. How do you think green amenities affect appreciation?**

**RS:** None of those are uptown buildings, which goes back to what they were saying, that this is an age issue—the younger you are, the more interested you are in the green environment. Not that we're disinterested, but we're less interested.

**BR:** So the underlying association is that if you live downtown, you're young? *[Laughs]*

**STEPHEN WANG:** I want to weigh in, not on appreciation or selling point, but as an architect, LEED is just one measurement of the building. It could be green and not be LEED. Your customer may regard air quality and light [as important along with] certain things that might not achieve LEED, but it's still sustainable.

**REBA MILLER:** If you took an existing building with a history of sales, made it LEED, then put it back on the market, then you could see a difference. If 740 Park all of a sudden became a LEED building, you could ask if it could now command \$5 million more per apartment because it's LEED.



*Wang (center left) discusses building green during a lunch at the Four Seasons Hotel New York.*

**What about wellness amenities, the so-called second generation of sustainable real estate? Are people asking about them?**

**WS:** I'm very much into health and wellness; however, when I hear about vitamin C [shower] water, I think it's a gimmick. If a building enhanced the well-being of a prospective owner, that would be terrific, but I think that as used, it's pretty much, "Let's try this now!"

**GB:** People want the basic amenities that pertain to health, like maybe a gym or a yoga stretcher in-room, but some buildings far exceed that, like 515 East 72nd Street, which originally had its own outpost of the Miraval Spa when the building was converted to condominiums. But after a while, people forget about it; that's not why they are buying the apartment.

**How have severe climate events, for example, a storm like Hurricane Sandy, affected how you build and what you are selling?**

**BR:** One of the first things that developers ask me is to allow the space for a rooftop emergency generator. There is no point in having it in the basement because it will flood, but now it's taking up more space on the roof.

**GB:** That's one of the most common questions we are receiving now when we are selling a new development.

**BR:** And "What does that generator do?" should be the next question.

**RM:** Some of the buildings that have done nothing may eventually do something if banks start to mandate and say, "We will only lend if this building meets this criteria."

**WS:** Especially if the building is in a zone at high risk for flooding.

**LISA SIMONSEN:** I have a question—every year we hear that the market is not going up anymore. Do you see prices increasing in the next five years? At the high end of the market right now, apartments are selling in the \$10,000-per-square-foot range. Is it going to be \$15,000?

**RM:** It's time to get a little more realistic. Developers have come on very strong with prices I can't make sense of, with 6,500 new units and 18 new developments north of 57th Street. I'm questioning who the buyers are going to be at those numbers closing two years from now.



*Stephen Wang, Lisa Simonsen from Douglas Elliman, and Emily Beare from CORE Group.*

**What are the luxury price points with most traction and the ones where there is pushback?**

**EMILY BEARE:** I think people are really taking their time, especially in the high end, to see what's coming on, where pricing is. [Sales of] \$5 million and below are transacting really fast; above \$5 million, [they are] taking much more time.

**RM:** The \$1 million to \$8 million range is the market that can move.

**WS:** In condos or co-ops? **RM:** In both. I see some Fifth Avenue stuff that's not moving. It used to be the barometer, but I don't think it's the only barometer today, as there is a lot of luxury. There's so much being offered, and buyers are trying to figure out where they should buy and how much they should pay for it.

## **Is there more demand for Park over Fifth or vice versa?**

**RS:** When I speak to foreign buyers, everyone wants to know how close they can be to the park. They've been so brainwashed. So in answer to your question, I think it's a matter of a view. I tell my buyers there's no advantage to buying a Fifth Avenue apartment in the back of a building; they might as well use their money more selectively than just going for the address.

**WS:** Fifth has more pied-à-terre buyers and Park has more full-time residents who have multiple homes.

**RS:** What I can say about this year is that the \$20 million to \$30 million co-op customer is still out there. I think Wall Street is doing better than ever. In the \$20 million to \$40 million range, there is not a single co-op, and we all have buyers who would jump at the chance. The ultraluxury condo market—it's either feast or famine. There's nothing in between.

**GB:** Where I have a problem is what do I sell my customer who can afford between \$5 million and \$10 million? I feel like they are outpriced in so many situations. They are never going to be able to touch what's being built. One of the smartest buildings I've seen recently is 20 East End Avenue. It was done brilliantly at a price point for real people.

**WS:** I bought at 20 East End, and I am someone who thought East End Avenue was in Queens.

**RS:** So much new real estate needs to be absorbed in the next two years, but that's not to say prices won't go up. I'm shocked we haven't seen more \$70 million to \$80 million apartments coming on the market. The past three were so hugely successful. And I don't understand why someone at 740 Park Avenue or 820 Fifth hasn't said, "I can get \$120 million."

**DG:** That's the question. First of all, you don't have a motivating selling point because where are they going to go? And they don't need the money.

**BR:** And the capital gains.

**DG:** We've all been there, aggressively calling people, asking if there's a number where they would sell. We have all made those calls. Do you know what percentage of them would actually say—"Yes, Deborah, what's the number, I'd love to hear it"? Maybe 1 percent.

**RS:** I have a question for Stephen and Barry as architects: In architecture there are always trends. The quality limestone building is now coming back. Do you see this as cyclical?

**EB:** That's why I think 20 East End Avenue is so successful, because it's going to look like it's been there forever. And that's why 15 Central Park West and 135 East 79th Street were so successful. Those are buildings that are new but people really relate to that.

**SW:** Most of my work ends up being traditional. Even out in the Hamptons, a shingle-style will sell better than a glass box.

**BR:** I see the same thing. I was someone who was upset about too much glass going up on the Upper East Side and in Chelsea. I knew how sad these buildings look after 10 years, because that's what London looks like.



*Reba Miller, founder of RP Miller Realty Group.*

## **THE PANELISTS**

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