

December 28, 2016

Manhattan Luxury Co-Ops Fall Out of Favor

The luxury Manhattan co-op, a longtime sign of real estate prestige and exclusivity in New York, may be losing its appeal. Blame a glut of newly built high-end condos.

Contracts for co-op apartments priced at \$4 million or more fell 25 percent this year from 2015, as buyers with means opted for newer homes with more amenities and fewer restrictive rules, according to a report published by luxury brokerage Olshan Realty Inc. It was the biggest annual decline since the firm started tracking luxury co-op contracts a decade ago.



“The data right now has a big, red circle on it that says this sector is in trouble,” Donna Olshan, president of the firm that bears her name, said in an interview. Many buyers see co-ops “as completely outdated and they reject the notion that their equity is tied up at basically the vagaries of a co-op board.”

Buyers at co-ops, usually older properties with fewer amenities, get shares in a corporation that owns the building and don’t hold deeds to their units. The boards can approve or reject buyers, and have a say on everything from how much cash purchasers must have in the bank, to how much their dogs can weigh. Newly built luxury condos -- with gyms, pet spas and yoga rooms -- are proliferating in Manhattan and giving home shoppers more choices.

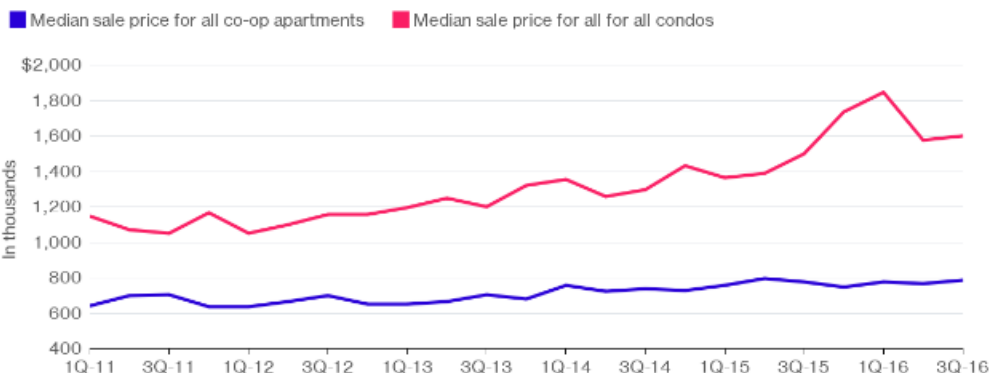
Buyer Pedigree

Some of Manhattan’s priciest co-ops achieved mythic status over the decades for their exclusivity and the pedigree of their buyers, such as Oaktree Capital Group’s Howard Marks and Millennium Management founder Israel Englander, both owners at 740 Park Ave., a 1931 limestone tower on the Upper East Side. Now there’s competition from new condo skyscrapers including One57 and 432 Park Ave. in Midtown, where Pershing Square Capital Management’s Bill Ackman and Lewis Sanders, former chief executive officer of AllianceBernstein Holding LP, respectively, have bought penthouses.

“Things are changing and now people have different options,” said Jacky Teplitzky, a luxury broker with Douglas Elliman Real Estate. “It used to be, if you were a partner at Goldman Sachs or a partner in a major law firm, what did you need? You needed a Park Avenue address, end of story. It’s not like that anymore.”

Co-Ops Losing Their Luster

Manhattan condo and co-op prices diverge as buyers favor newly built homes



SOURCE: Miller Samuel Inc. and Douglas Elliman Real Estate

Bloomberg

Among all apartment contracts signed this year for \$4 million or more in Manhattan, 76 percent, or 751 deals, were for condos, according to the Olshan Realty report.

Luxury transactions across all property types have fallen sharply in Manhattan, where pricey new condos are piling up after a post-recession development boom. While condos outshone co-ops this year, contracts to buy them declined 17 percent, Olshan Realty said. Deals for townhouses fell 14 percent.



Condos still got more expensive, with the average asking price in the luxury category climbing 4.6 percent to \$8.1 million. For high-end co-ops, the average asking price fell 3 percent to \$7.06 million, according to Olshan's report.

Neighbors Vetted

Emily Beare, a luxury agent with brokerage CORE, said that while some clients outright reject looking at co-ops, others still seek them out.

"They actually like the fact that their neighbors are vetted, that if you're living there, you're the end user and that it's not going to be a building where you're investing and renting out the units," Beare said. "You'll know your neighbors."

With options increasing in Manhattan, buyers are no longer tied to a specific neighborhood, according to Teplitzky. Apartment hunters who start their search on the Upper East Side, for example, may end up buying downtown in Tribeca, a reality that Teplitzky said is guiding how she advises sellers of co-op units. Next week, she plans to list an Upper East Side co-op with an asking price that's slightly below its market value -- a way to stand out in a sea of other co-op apartments competing against the wave of shiny new condos.

"The good news," Teplitzky said, "is that you can get a very good deal in a co-op now."