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Buying, By the Numbers

Down the street from your place, another new condominium tower just sold out. Where on earth are all these people coming from? We found out.

By S.Jhoanna Robledo

*Percentages in some categories may not total 100 because of rounding.

If you live in Manhattan, someone is trying to sell you a condominium in your neighborhood. The spectacular building boom of the past half-decade has vastly shifted the market from co-ops to condos, which account for 25 percent of the city's salable housing stock but make up more than half the homes for sale right now, says appraiser Jonathan Miller. Most of those apartments are new—hyperpromoted, star-architected, buzz-heavy buildings that added sizzle to the hot market. Thousands more units, planned during the boom, are poised to hit the market in the next year. As of August, 64 residential-construction permits had been issued in Manhattan alone this year. (The total last year was 104.) Developers still think they're going to sell everything they can build; almost none have thrown up their hands and turned their buildings into rentals, as often happened during the late-eighties crash. Which means everyone seems to be asking the same thing: *Just who is buying all these apartments?*

To find the answer, we spoke with buyers, brokers who trade heavily in condos, and developers of nearly two dozen projects, some fully sold, some not. The buildings are spread throughout the city, mostly in Manhattan, and most have more than 30 units (some have hundreds). Their owners gave us access to their sales breakdowns, many of which appear in the graphics on these pages.

What emerges is the new face of the condo client—or, rather, faces. Some trends became immediately obvious. New York is—unlike, say, Miami or Las Vegas—a city of local buyers. Investors make up a much smaller slice of the pie here, maybe 4 percent (compared with up to 40 percent in those other cities). The new condo buyer is also much less neighborhood-driven than New York buyers have traditionally been. The building, rather than its site, is king. "It's no longer truly about location alone," says Corcoran Sunshine Marketing Group president Kelly Mack. Buyers swap the Upper West Side for Tribeca, Chelsea for Murray Hill, the East Village for Prospect Heights. "It used to be our competitors were other buildings on the Upper East Side," says Orin Wilf, the developer of 170 East End Avenue. "[Now they're] all over." Toby Klein of Two Trees Management, which has sold off units in three condos in Dumbo, says the now-coveted neighborhood didn't see outsiders—investors and foreigners alike—six or seven years ago. "We were strictly a local story," she says. These days, only a quarter of its contracts are from the area.

Exceptions to this rule are mostly confined to particularly beloved or transitional neighborhoods. In Williamsburg and Greenpoint, "40 percent come from the immediate vicinity," says David Maundrell of AptsandLofts.com, which markets numerous buildings in both areas. A few projects surprise their builders, too. At 184 Thompson, sales agents expected lots of interest from parents of NYU students. Instead, they got lots of local tenants who were finally ready to own as well as overseas buyers drawn to the mystique of the Village.

BUYERS ARE YOUNGER.

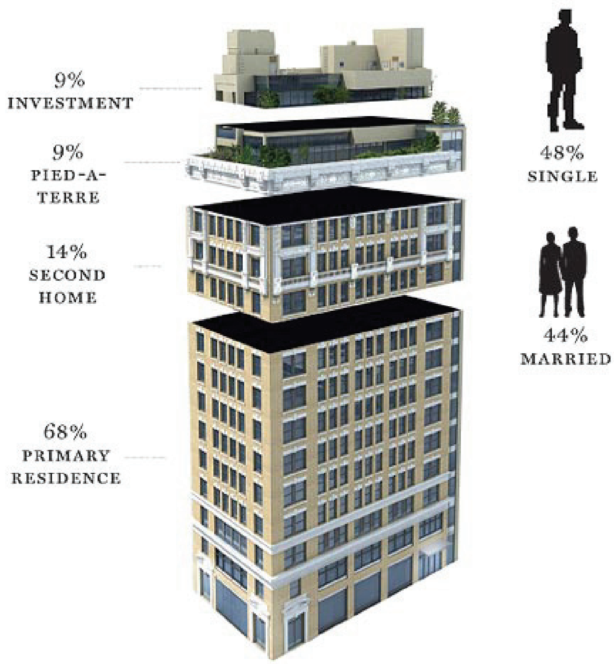
The largest shift in buyer demographics is age. Today's apartment- hunters are yesterday's renters, those in their twenties and thirties. At 147 Waverly Place, a third of the buyers are between the ages of 27 and 35. At the Gantry in Long Island City, where prices are a little lower, 85 percent of buyers are 39 or under. At the Croft Building on 71 Nassau Street, it's 69 percent, and at 255 Hudson, 55 percent. "Earning capacity has grown among young people" in the past twenty years, notes developer Edward J. Minskoff. (The median salary for a beginner lawyer at the top law firms in the city is $145,000, according to Brooklyn Law School.)

What's behind the change? For starters, all those Suze Orman shows extolling the virtues of homeownership. (That mortgage money is still cheap, and interest rates still aren't rising, helps too.) "It just seems like a lot more people my age are talking about buying a place," says 30-year-old Nicole Manzi, who's about to go into contract with her husband for a new one-bedroom in Harlem. Adds Corcoran's Barrie Mandel, who represents a handful of projects downtown, including Bernard Tschumi's Blue on Norfolk Street, "Real estate is seen as a 401(k)." And we all know what the financial gurus say about having a 401(k).

THEY'RE SINGLE WOMEN.

In the second season of *Sex and the City,* a then-babyless and boyfriendless Miranda Hobbes went apartment-hunting and was met with skepticism because she was a woman shopping alone for a big apartment.

Well, it's seven years later, and Miranda's not alone anymore. Highlyann Krasnow of the Developers Group, the firm charged with selling apartments at the Hudson on West 60th Street, says her sales team expected to see mostly Upper West Side family buyers. But young single women? "It's not an intimidating thing for them anymore," she suggests. Adds broker Samantha Kleier Forbes, "They don't wait to get married to get a diamond ring, they don't wait for a husband to have a baby, so why should they wait to get their own apartment?" If and when these women do couple up and move on, condos are less of a hassle to deal with. "Selling [a co-op] isn't easy," says Sabrina Kleier Morgenstern, Kleier Forbes's sister and fellow broker. "If you meet a guy and want a bigger place, they're hard to rent out, if at all. Some co-ops won't even let you."



THEY'RE FORGOING THE SUBURBS.

Single women may be a new marketing niche, but their married friends are definitely putting down urban roots, too, and these new buildings are, to a degree not seen in decades, appropriate to house them. Half of the buyers at 141 Fifth Avenue are about to start a family or have already. Couples and families make up 57 percent of 101 Warren; 58 percent at 310 East 53rd Street. At the Element on West 59th Street, exactly half the buyers have kids. Even in Williamsburg, still a playground of the hip, single, and carefree, condos are keeping the Peg Pérego posse from leaving: At North 11th and Roebling on McCarren Park, slightly more than half the buyers are couples, and 11 percent have kids; at Schaefer Landing, 40 percent are married. Reduced crime, an economy that's less fundamentally unstable than it was 30 years ago, and a general migration toward urban living has families staying in town once the kids are born, and they need big apartments with rooms for the kids.

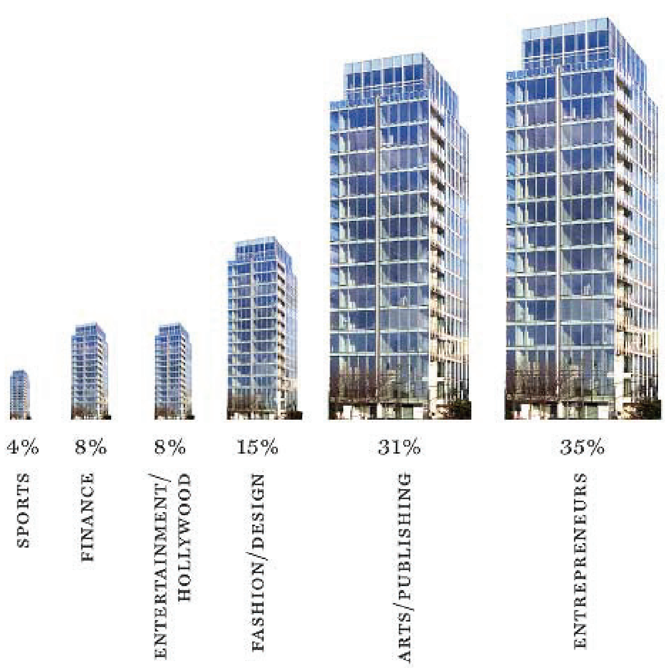
The new condos are explicitly built thus, with larger, almost suburban apartments. "The mix used to be much more heavily weighted to studios and one-bedrooms," says Jonathan Miller. "One of the problems of eighties condo architecture was that kitchen size was [usually] the same for a one-bedroom, two-bedroom, or three-bedroom." Not so the new buildings. And, adds Corcoran's Shlomi Reuveni, project manager for the Element and for the Olcott on West 72nd Street, "the suburbs are also expensive now. Prices went up everywhere."

THEY'RE FORGOING PARK AVENUE.

When the Plaza and 15 Central Park West, both world-class properties, opened last year, brokers expected lines of foreign investors and pied-à-terre buyers outside their sales offices. (They're the buyers who usually go for high-priced, name-brand projects.) But although those folks did turn up, these buildings have largely been sought out by New Yorkers who, a couple of decades ago, Avenues or a townhouse just off Central Park. “A condo [used to be] a slight notch up from a rental,” explains Prudential Douglas Elliman’s Leonard Steinberg. “They had popcorn ceilings and cheap veneer parquet floors and through-wall air-conditioning.”

But as their look and feel have improved—name architects were hired, the battle of amenities began, brand-name fittings and finishes like Wolf and Miele and Waterworks became de rigueur—new buildings began to lose their ticky-tack reputation, and Social Register types have begun to come by for a second look. At 985 Park, the prospectus touts its “new interpretation of classic Park Avenue style”; the Veneto, Related’s new building near Sutton Place, evokes “50s European glamour.” Some buyers are realizing that a century-old building, even an immaculately kept one, has its drawbacks. **“These condos are better,” says Shaun Osher, CEO of CORE Group Marketing, which handled the sales at Blanca, a boutique project on East 73rd Street that has attracted transplants from traditional Upper East Side co-ops. “The kitchen, the plumbing, the air-conditioning are all new.” (Though there are stories that they’re not as sturdy as the dowagers: A number have had problems with leaks, mold, and quality control.)**

These off–Park Avenue buyers have been willing to pay almost anything for space that meets their demands. According to the most recent Stribling Luxury Market Report, a penthouse at 15 Central Park West is in contract for an astounding-even-in-Manhattan $4,500 per square foot. (The $40 million Duke-Semans mansion, the highest-priced townhouse ever sold, rang up at $2,000 per square foot.) The Plaza has also seen a few $45 million deals; Kirk Henckels, who wrote the Stribling report, says the ones who bought at the Plaza were mostly Americans, “and the majority of the Americans are New Yorkers.”



(Marge Casey + Associates)

THEY'RE SPENDING THEIR BONUSES

State Comptroller Alan Hevesi said in 2004, "Wall Street profits and bonuses are critical to New York City's economic well-being." Nothing much has changed since then. Lawyers and finance guys still rule, at least real-estate-wise. Now that the stock market's back to breaking records—the Dow did it again last week—bonuses are bound to be big again. (Last year, they totaled a record $21.5 billion.) That money is heading into blue-chip apartment buildings, including 255 Hudson (where the finance industry accounts for 27 percent of new owners) and 310 East 53rd Street (23 percent), and often those bonuses are their down payments.

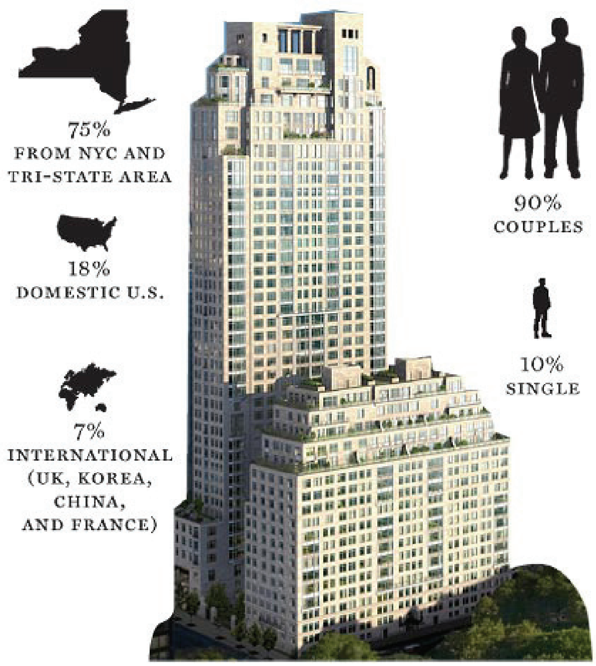
Why now? Real estate is a relatively good place to park new money. "It's its own asset class," says Hal Henenson of Prudential Douglas Elliman, and diversifying one's portfolio means including a home or three. (He adds that lawyers, even more than finance folk, seem to be the ones doing it most.) Though many could easily pass a co-op's financial scrutiny, Corcoran broker Garret Lepaw says he sees shoppers going condo: "Even when they can afford to buy traditional co-ops, they may not do so. They like the flexibility and freedom" to sell or sublet.

THEY'RE RETIRING TO MANHATTAN

Not only are young families staying here to raise their kids, but their empty-nest parents who left a generation ago for the suburbs are moving back. **"They want to be in a place where the entire world is outside their door," explains Tom Postilio of CORE Group Marketing.** At 45 Park Avenue, not far from the Midtown Tunnel and a quick hop from the theater district, 72 percent are coming from outside Manhattan, and half of those are from the near suburbs. **At the Onyx Chelsea on West 28th Street, 10 percent of buyers so far are empty-nesters.** A fifth of those who've purchased at 520 West 19th Street, all in their mid-forties to early sixties, plan to use their apartments as home base when they're here; at the Jade, 16 percent are buying second homes. One businessman in Queens says he and his wife are trading in their house on the quiet streets of Forest Hills for the Avery on the Upper West Side. "It's near Lincoln Center and has views of the water," he says. **Adds Postilio, "It's nice for them to be able to go to the museum or Central Park when the mood strikes. They've done their time in the burbs, and they have freedom to explore."**

THEY'RE FROM CHINA, INDIA, AND KOREA

We may not be flooded with international buyers—as noted above, this is a homegrown boom—but in neighborhoods like Times Square and the Upper East Side, they're certainly a factor. (Condos are often the overseas buyer's only option, because many co-ops don't allow pied-à-terres.) Twelve percent of purchasers at 310 East 53rd Street come from overseas; at 105 Norfolk Street and at Roebling Square in Williamsburg, virtually no one does. (An ad on the Amsterdam version of Craigslist gets points for trying, though: "Centrally located in Fort Greene, one of Brooklyn's hippest downtown neighborhoods…") They also gravitate toward elite properties attached to international personalities, like André Balazs's 40 Mercer (where foreigners snapped up just over a fifth of the apartments) and the Richard Meier–designed 165 Charles.



(Robert A.M. Stern Architects)

But the big change here is the source of those buyers. Russian entrepreneurs, stashing their earnings in the stable U.S. economy, have been big buyers for the past few years. So have the Saudis, and condo marketer Michael Shvo says they're buying whole buildings now, not apartments. Now, however, Korean money is starting to make itself felt. And rather than buy units sight unseen to rent out to tenants, as the Japanese often did in the eighties, says Jonathan Miller, many are keeping their properties for themselves.

The weak dollar's helping as well: "Anyone from London, it feels like half off," says Shvo. The recent loosening of laws in South Korea, dictating where and how much citizens can invest, has changed matters too, as have the manufacturing booms in India and China. "[India] is a booming economy. So what do you do if you have too much money? You invest at home *and* overseas," says DJK Residential agent Kent Pahlajani, who has worked with many subcontinental buyers. Having a place here allows overseas executives to circumvent increasingly expensive hotels, which may not have room for them anyway. (The number of international visitors will have increased from 4.8 million in 2003 to a projected 7.3 million by the end of this year, and the 2006 hotel-occupancy rate is very high, at 85.5 percent.) "Hotels aren't as comfortable [anyway]," says Pahlajani. "If you come here for a week each month and spend $400 a night for a room, that's expensive!" The fact that a New York condo is in the United States seals the deal: "They know their investment can't be politically compromised," says Minskoff. In a global economy, it's always nice to know that your apartment can compete.