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Apartments languish in Manhattan's Financial District

Apartments in Manhattan's Financial District aren't exactly trading like blue chips on the nearby New York Stock Exchange.

Whether in converted art deco office buildings or new glass towers, units are spending more time on the market and often selling below asking prices. After a spurt of construction aimed at foreign buyers, whose numbers are dwindling, and finance workers, who have seen many of their jobs move uptown, the area is plagued by oversupply.

"There was so much new development in that neighborhood and I think that many of the people who wanted to buy there did," said Steven Gottlieb, a broker at Warburg Realty. "I don't know that there is such a huge a demand for that neighborhood anymore."

The Financial District has undergone multiple transformations since the Sept. 11, 2001, terrorist attacks, each raising expectations for a long-term recovery that would bring more retail, boost tourism and draw investors who would help lift prices. The area did get some of that, but so did the rest of Manhattan, as well as Brooklyn just across the East River.

Growing inventory

Financial District apartment inventory grew 24 percent from a year earlier in the second quarter, led by new developments, according to a report by Corcoran Group. With all that supply, the average price for resale condos dropped 11%, and average new development prices fell 46%. No previously owned condo was sold for more than \$1,600 a square foot, the first time that's happened since 2013.

"Buyers are keenly aware of the amount of inventory available, and want to negotiate at all price points," said Garrett Derderian at the brokerage Core.

In May and June, the most recent months available, the median time that Financial District apartments had been on the market was longer than either downtown Brooklyn, an easy subway commute to Wall Street, or the Long Island City neighborhood of Queens, just across the river from midtown Manhattan, according to StreetEasy.

Meanwhile, the construction downtown continues. In the next year, new luxury residential towers are set to open at 130 William St., 77 Greenwich St., 25 Park Row and 1 Wall St. All those new buildings make it that much harder to sell the old, converted office properties.

More conversions also are in the works. Developer Metro Loft is in contract to buy insurance giant AIG's headquarters at 175 Water St. and convert the top half of the 31-story building to residential units, The Real Deal reported Aug. 16, without naming sources. Once AIG's lease expires in 2021, the conversion will begin, the website reported. Metro Loft has led other office-to-residence projects in the area, including at 20 Broad St. A message left at Metro Loft seeking comment wasn't immediately returned.

When 15 Broad St., the former headquarters of a forerunner of JPMorgan Chase & Co., was completed in 1928 across the street from the NYSE, the neoclassical building stood at the center of the financial world.

Conversion

In 2006, it was among the first office-to-luxury-apartment conversions in the area, but upscale apartment buildings are now plentiful in the Financial District. A 28th floor studio with two bathrooms is listed at \$1.5 million in the building, while just steps away at 25 Broad St., a brand new, two-bedroom, two-bath unit with similar amenities is listed for only slightly more at \$1.58 million.

"These buildings are approaching 15 and 20 years old and not one has done any updates or remodeling of the common spaces," said Martin Eiden, a broker at Compass who has sold real estate all over New York City for more than 20 years. "Most of the buildings were designed to be ultra-trendy. As such, they aged faster than traditional designs."

As some of the biggest banks have relocated to Midtown, taking with them the highest-paid jobs, developers in the neighborhood have taken to building more small apartments for the entry-level analysts and other employees who put in long hours in the Financial District.

"The majority of housing stock available for purchase consists of one-bedroom or studio floorplans," said broker Gill Chowdhury at Warburg Realty. Since January, 179 listings have sold or gone into contract, with those two categories representing 62% of the total units.

For singles or young families who are set on living in Manhattan, the Financial District may offer the best chance, said Scott Avram, senior vice president of development at Lightstone Group, a developer of 130 William St.

"If you want to live in Manhattan, you can often get the best product and the best value, whereas people were previously priced out of Manhattan and had to move to Brooklyn and Long Island City," Avram said.