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One in Four of New York's New Luxury Apartments Is Unsold

A quarter of the new condos built since 2013 in New York City have not yet found buyers, according to a new analysis of closed sales.

Among more than 16,200 new condo units built since 2013 in New York City, roughly 4,100, or one in four, remain unsold. Credit Stefano Ukmar for The New York Times

Picture an empty apartment — there are thousands in Manhattan's new towers — and fill it with the city's chattiest real estate developers. How do you quiet the room?

Ask about their sales.

Among the more than 16,200 condo units across 682 new buildings completed in New York City since 2013, one in four remain unsold, or roughly 4,100 apartments — most of them in luxury buildings, according to a new analysis by the listing website StreetEasy.

"I think we're being really conservative," said Grant Long, the website's senior economist, noting that the study looked specifically at ground-up new construction that has begun to close contracts. Sales in buildings converted to condos, a relatively small segment, were not counted, because they are harder to reliably track. And there are thousands more units in under-construction buildings that have not begun closings but suffer from the same market dynamics.

Projects have not stalled as they did in the post-recession market of 2008, and new buildings are still on the rise, but there are signs that some developers are nearing a turning point. Already the prices at several new towers have been reduced, either directly or through concessions like waived common charges and transfer taxes, and some may soon be forced to cut deeper. Tactics from past cycles could also be making a comeback: bulk sales of unsold units to investors, condos converting to rentals en masse, and multimillion-dollar "rent-to-own" options for sprawling apartments — a four-bedroom, yours for just $22,500 a month.

The slowdown is uneven and some projects are faring better than others, but for well-heeled buyers there is no shortage of discounts and sweeteners to be had.

The analysis, a compilation of both public and proprietary listing and building data, is one of the most sobering looks yet at the city's flagging condo market, which peaked about three years ago amid a glut of inventory. Now the market could face new obstacles, from growing fears of a recession, to changes in tax law and political instability heading into an election year.

For an industry accustomed to selling apartments years ahead of completion and skilled at concealing the pace of sales when the market falters, further headwinds could force more drastic measures.

Moreover, a growing share of condos sold in recent years have been quietly re-listed as rentals by investors who bought them and are reluctant to put them back on the market. Of the 12,133 new condos sold between January 2013 and August 2019, 38 percent have appeared on StreetEasy as rentals.

"That to me is the most alarming trend here," said Mr. Long. "That's the group of folks that could go away at any minute — if there's a recession, people just want to put their money in Treasury bonds," he said, referring to a lower-risk investment strategy.

The tower at 15 Hudson Yards, where 37.5 percent of condos had been sold by late August. Credit Stefano Ukmar for The New York Times

An Uneven Slowdown

The downturn has been hardest on the ultraluxury market, which kickstarted the trend toward bigger and fancier apartments more than six years ago.

The super-tall One57 tower, completed in 2014 and considered the forerunner of Billionaires' Row, a once largely commercial corridor around 57th Street in Midtown, remains about 20 percent unsold, with 27 of roughly 132 multimillion-dollar apartments still held by the developer, according to Jonathan J. Miller, the president of Miller Samuel Real Estate Appraisers & Consultants.

"That's mind-blowing," Mr. Miller said, because the building actually began marketing eight years ago, in 2011, and a typical building might sell out in two to three years in a balanced market.

In an analysis of seven luxury towers on and around Billionaires' Row, including pending sales, almost 40 percent of units remain unsold, Mr. Miller said. Another competitor, Central Park Tower, set to become the tallest and, by some measures, the most expensive residential building in New York, has not released any sales data.

By Mr. Miller's count, which includes buildings that are still under construction, there are over 9,000 unsold new units in Manhattan. (His estimate includes so-called "shadow inventory," which developers strategically do not list for sale to hold off for a stronger market.) At the current pace of sales, it would take nine years to sell them — a daunting timeline that could be reduced if sales were to accelerate, but there are few reasons to expect such a surge in the short term, he said.

New development is also performing worse than the resale market. From January to late August, there was a 35 percent drop in the number of contracts signed for new development at or above $4 million, compared to the same period last year; the overall luxury market at that price had just 17 percent fewer contracts, according to a report from Olshan Realty.

But among new projects, developers do not suffer equally, said Donna Olshan, the firm's president. The developers who bought at peak land costs and who promised lenders overly ambitious returns are less able to reduce their pricing now that the market has softened. Because of lender obligations, prices can be cut only so much, and developers who have managed to refinance their projects have only bought themselves an extension of two to three years in most cases to make good on their promises.

Billionaires' Row: New Unsold Condos

In these seven new residential high-rises on and around Manhattan's "Billionaires' Row," 39 percent of the units remain unsold.

	Year Built	Height	Percent Estimated Unsold
111 West 57th St. (Steinway Tower)	2020*	1,428 ft.	80%
100 East 53rd St.	2018	711	72
53 West 53rd St. (53W53)	2019	1,050	67
520 Park Ave.	2018	781	26
157 West 57th St. (One57)	2014	1,004	20
220 Central Park So.	2019	952	15
432 Park Ave.	2015	1,397	2

*Anticipated

New Manhattan Condos

Neighborhoods with the largest share of unsold units in new buildings since 2013.

Neighborhood	Buildings	Units	Share Unsold
Lower East Side	7	1,069	68%
Midtown West	3	395	45
East Harlem	5	191	44
Gramercy Park	7	499	40
Washington Heights	4	141	37
SoHo	12	276	33
Financial District	1	182	33
Midtown South	2	126	31
TriBeCa	11	694	31
Flatiron	9	527	30

Sources: StreetEasy, Property Shark, ACRIS, Miller Samuel; Billionaires' Row data compiled by Miller Samuel By The New York Times

"Some of them are caught between the devil and the deep blue sea," Ms. Olshan said.

If there is a silver lining for developers, it's that buildings with more than 75 percent of sold units have likely fulfilled their lender obligations, and are better suited to wait out the downturn without having to slash their prices, said Nancy Packes, the principal of Nancy Packes Data Services, a development consulting firm.

“It’s about the buildings — you can’t broad-stroke an entire market,” said Ziel Feldman, the chairman of HFZ Capital Group, who has worked in New York real estate since the 1980s. Despite the oversupply, he said demand is still strong for new condos, especially ones that fill a gap in the market.

At his West Chelsea project the XI, a 236-unit pair of twisting towers near the Hudson River, he said sales have been moving “wonderfully” in part because their core product, $4 million to $8 million apartments, has higher demand than some of the larger, pricier condos built elsewhere. He would not say how many units were in contract — sales are not publicly recorded until closings begin — but noted that as the project approaches completion, scheduled for early 2020, there has been an uptick in demand.

But dozens of buildings, some of them several years old, remain largely unsold, and a pipeline of upcoming projects will add even more competition. There were 88 new condo buildings that were less than half sold in late August, and likely several more that have not yet disclosed sales, according to Streeteasy.

Market Breakdown

The 815-unit One Manhattan Square tower in Two Bridges, south of Chinatown, had been about 20 percent sold by late August. Credit Stefano Ukmar for The New York Times

While the StreetEasy analysis included all five boroughs, Manhattan had the most unsold condos by far: Over 2,400 of the unsold units, about 60 percent, were in the borough, primarily in large luxury buildings.

The Manhattan neighborhoods with the lowest share of new condo sales were the Lower East Side (32 percent sold), Midtown West, which includes Hudson Yards (55 percent), East Harlem (56 percent), Gramercy Park (60 percent) and Washington Heights (63 percent). The data represents a snapshot of what has actually sold since 2013, in buildings where closings have started to be publicly recorded.

The single largest reason the Lower East Side tops the list is because of the massive One Manhattan Square, an 815-unit skyscraper that towers over nearby Chinatown, where prices ranged from $1.2 million for a one-bedroom to over $13 million for a penthouse. Among seven new buildings in the neighborhood that have recorded sales, it represents three-fourths of the new inventory.

As of Aug. 26, the tower, which received a permit for occupancy in late 2018, had only sold about 20 percent of its units, Mr. Long said. A spokeswoman for Extell said there are "hundreds of more units" under contracts that have not yet closed.

That is a worrying sales pace for a luxury project with some of the most compelling incentives on the market. The tower was one of the last to receive a now-expired tax break that buyers will enjoy for several years. And the developer, Extell, the same company that built One57 and Central Park Tower, has engaged in some of the costliest promotions to lure buyers, including a waiver of up to 10 years of common charges on their most expensive units, potentially worth tens of millions of dollars to Extell. The developer began marketing in 2015, while the building was under construction.

Midtown West, which includes the sprawling Hudson Yards project, has several upcoming towers that have not yet recorded closings. But the recently completed 285-unit tower at 15 Hudson Yards was just 37.5 percent sold through late August, though marketing began in 2016. In January, the developer said that "over 60 percent" had sold, but that number includes units still in contract.

The slower rate of sales in Upper Manhattan neighborhoods like East Harlem suggests that developers may also have been too ambitious in pushing prices in less central, comparatively affordable markets, said Mr. Long.

"I keep thinking we'll have the final challenge thrown at us, and then things keep cropping up," said Ryan Schleis, a senior vice president at Corcoran Sunshine Marketing Group, which represents some of the largest new condos in the city.

Mr. Schleis cites recent limits on state, local and property tax deductions, as well as changes to the mansion tax, which has risen from a flat 1 percent on million-dollar sales to a staggered rate of up to 3.9 percent for sales above $25 million. Factor in the retreat of international buyers from China and elsewhere, recession fears, and the fact that elections tend to roil investors, and there are a number of new challenges worsening an already oversupplied market.

Drastic Measures

"Everyone is scrambling to figure out how to move the inventory in an effective way," said Vickey Barron, an agent with Compass, and that includes sweetening the pot for brokers.

She said she recently received an unsolicited, grapefruit-size "trophy" in the mail from a major developer hoping she would bring her clients to its condo. The heavy resin-like statue, wrapped in a gift box, read "5%" in large font — a promise to pay her above the standard 3 percent commission that most agents receive. Other developers have offered to pay brokers before the contract closing, a risky move if the deal were to fall through.

"It was hilarious," she said, but a supersized commission is an increasingly common tactic to lure a limited pool of buyers who can afford multimillion-dollar apartments.

The luxury residential tower One57, completed in 2014, still has several unsold condo units. Credit Karsten Moran for The New York Times

Price cuts for buyers are also common, but often made indirectly, to disguise widespread discounting. Between offers to cover transfer taxes and the revised mansion tax, it's not unusual for developers to cover 6 percent or more of the asking price, not including other negotiations, said Emily Beare, an agent with CORE.

Where inducements won't cut it, there are signs that some developers are entertaining bulk sales. In past downturns, investors have swooped in to rescue debt-burdened developers with offers to buy dozens of units or more, sometimes at 20 to 25 percent discounts.

"Before they said 'No way, no how,'" said Elliot Bogod, the president of Broadway Realty, who represents a number of interested investors. "Now everybody is talking to us." Such sales have not yet materialized in this cycle, he said, but he is in advanced negotiations with a number of properties.

Another potential exit strategy is to convert a number of unsold condos to rentals until the market improves, but there are downsides. First, much of what was built this cycle is too large and expensive to recoup its full value as rentals. Second, a high number of renters in a for-sale building can turn off full-time residents and future buyers. And a rented unit likely won't command the same premium as a brand-new apartment, which is why most developers are loathe to discuss such arrangements.

This has led to some creative sales pitches. At 100 Barclay, a luxury condo conversion in TriBeCa, one unsold unit was offering a "rent-to-own" promotion, which was shared in an email with real estate brokers and obtained by the Times. A four-bedroom, 2,719-square-foot apartment there, listed for $5.225 million, was simultaneously seeking $22,500 a month, with the option to apply up to 75 percent of the rent toward the sale price.

James Lansill, a senior managing director with Corcoran Sunshine, which is marketing the building, said similar rent-to-own offers have landed 11 contracts in the building since spring, and has also helped close sales on other units.

The last time similar offers were made was in the late 2000s, "when the bottom dropped out," said Simon Bacon, a senior vice president with Douglas Elliman. "It's a troubling sign," he said.

A penthouse apartment listed for $30 million at 30 Park Place, where about 90 percent of units have sold. A high number of rentals in the building suggest a large share of investment buyers. Credit Stefano Ukmar for The New York Times

Even in buildings that have nearly sold out inventory, the high rate of apartments becoming rentals is concerning. The tower at 30 Park Place in TriBeCa, where about 90 percent of units have sold for an average price of $3,282 a square foot, has had almost 58 percent of those sales re-listed as rentals, according to Streeteasy.

That suggests that more than half of the buyers at the tower, which has a Four Seasons Hotel at its base, were investors, not full-time residents, said Mr. Long. And future projects should be wary of relying on similar buyers, he said, considering the likelihood of an impending recession.

“People don’t realize this is already as bad as it was after Lehman, purely from a supply standpoint,” said Mark Chin, the chief executive of Keller Williams TriBeCa, referring to the collapse of the financial firm and onset of the 2008 recession. While he doesn’t expect this cycle to match the scale of that downturn, he does believe the worst is yet to come for some projects.

“I can smell it from here, I just can’t figure out yet where the stench is coming from,” he said. “But it’s guaranteed to be happening.”