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## May I Have a Price Check?



It's the era of superlatives for trophy properties in Manhattan. Not a day seems to go by without a new contender for the largest, tallest or priciest.

But all the hype can't obscure one possibly inconvenient truth: Fancy new developments may be trading at unheard-of values — pushing up against the \$100 million mark — but resale apartments in white-glove buildings often struggle.

From uptown co-ops to downtown condos, these multimillion-dollar homes have missed out on the bidding wars more common among lower-cost apartments. Some haven't even been able to make asking price.

Others have not sold until they were discounted by as much as 25 percent, according to an analysis of sales data, and in some cases even those kinds of cuts have not done the trick, casting a big shadow on rosy market outlooks.

The markdowns may suggest that interest in trophies has ebbed, but some brokers say the cuts have been necessitated by sellers who are way too ambitious in their pricing; this would make the phenomenon less about overall conditions than specific mistakes. These sellers, convinced that the trophy market is boundless, and that the bench of overseas billionaires looking for a piece of New York is deep, are wildly miscalculating.

“There is a perception that you can put anything on the market, that people will come along and buy it,” said Robby Browne, a broker with the Corcoran Group, who has been asked by sellers to put apartments on the market at what he said were unrealistic prices.

“What’s fueling the perception is that there have been so many high trades,” Mr. Browne said. “But there are not as many of these trades as people think.”

Brokers liken what is happening to a “keeping up with the Joneses” effect, or more precisely the Rybolovlevs — as in Russian billionaire Dmitry Rybolovlev and his eldest daughter, Ekaterina. Through a trust linked to Ekaterina, the Rybolovlevs two years ago paid \$88 million for a 10-room penthouse at 15 Central Park West, or \$13,000 a square foot, which at the time was a record.

After that deal, which closed in February 2012, a fever seemed to overcome sellers, who were suddenly convinced that their homes could command nosebleed-level prices, brokers said.

“That really wasn’t a fair comp,” or comparable price, to use to value a unit, said Richard J. Steinberg, a broker with Warburg Realty. “But unfortunately, every seller of every co-op and every condo in the city started using that as their base line.”

And Mr. Steinberg knows firsthand about unrealistic expectations.

In the spring, he listed a four-bedroom unit at 770 Park Avenue, a prewar co-op on the Upper East Side, at \$23.8 million. But it didn’t get many bites, so he slashed the price by 25 percent in mid-September. At \$17.9 million, he said, “we’re seeing double the amount of traffic through the apartment.”

Looking at the complete price history of Mr. Steinberg’s listing reinforces the idea that the “Rybolovlev effect” amounts to about 25 percent. In 2011, before the \$88 million sale closed, the same 770 Park apartment was priced at \$18 million, with Sotheby’s International Realty, so in a sense it is currently listed back where it was valued before the game-changing transaction at 15 Central Park West.

It is clear that the stratosphere of the market — those homes for \$3 million or more, or the top 10 percent — has been sluggish, at least relative to the bottom, according to an analysis by Miller Samuel, the appraisal firm.

Since January 2012, 56 percent of the listings in this top category sold below the final asking price; 19 percent sold for the original list price; and 25 percent sold above the final asking price, the data show. In contrast, in the bottom 90 percent of sales, the number of properties that sold for less than their final asking price was just 2 percent.

Along the same lines, the top 10 percent’s absorption rate — the number of months it would take to sell all the inventory at the current pace of sales — was slow, too. It stood at almost nine months in the third quarter of this year, compared with three months for the rest of the market, the data show.

In more rarefied air — homes for \$6 million or more, or the top 2 percent of the market — there were even more apartments that sold at a discount, or about 59 percent since 2012, according to Miller Samuel. In that category, the average discount was about 12 percent, or \$1.7 million, and beyond that level, the trims seem bigger.

In May, a five-bedroom penthouse with 5,000 square feet at 257 West 17th Street, a prewar condo conversion in Chelsea, came on the market at \$12.5 million. But it had to lower its price by 25 percent to close at \$9.5 million in September.

Toni Haber, the Douglas Elliman broker who handled the sale, said that the \$88 million deal at 15 Central Park West was just one factor putting upward pressure on prices.

The other, maybe more significant one, is out-of-the-gate developments like One57, the Midtown condo, which smashed the 15 Central Park West record a few months later with a \$90 million penthouse sale. Similarly influential new developments include Walker Tower, a condo on West 18th Street in Chelsea, which has had prices of nearly \$4,000 a square foot on its upper levels.

“We were trying to leverage off Walker Tower,” acknowledged Ms. Haber, in listing her West 17th Street apartment for \$2,500 a square foot, even though it ultimately sold for \$1,900.

Ultimately, she added, echoing other brokers, comparing the values of resale condos with new ones can be as futile as an analysis of apples and oranges. “If the seller is a real seller,” she said, “they need to listen.”

For his part, Jonathan J. Miller, the president of Miller Samuel, squarely holds the Rybolovlev purchase responsible for the trend. “It was really a false positive,” he said.

Indeed, citing news reports, Mr. Miller added that Mr. Rybolovlev’s wife, Elena, has claimed in divorce documents that the purchase was made to shield assets, so it was not a conventional deal. Mr. Rybolovlev maintains, however, that the penthouse was bought for “succession planning.”

If many sellers of luxury real estate came out of the gates clueless, a dose of reality might now have set in.

Of the current crop of active listings in the \$6 million-and-up category, which have been on the market for an average of 168 days, according to the Miller Samuel data, 85 percent have lowered their prices at some point.

Whether it works remains to be seen, but Emily Beare, a broker with Core Group Marketing, is hopeful that a 26 percent chop on her listing, a combined unit on the 35th floor of 15 Central Park West, was a savvy move.

Since 2012, the unit, which has 6,000 square feet but no outdoor space, has dropped three times, from \$95 million to \$85 million to \$70 million in September of this year. The apartment, whose views sweep from Central Park to the Hudson, is owned by the steel magnate Leroy Schecter.

“I think there has been some irrational exuberance, yes,” Ms. Beare said. “But this is still a very strong market, no question, and that’s due to lack of inventory.”

Other listings coming closer to earth in recent months include a five-bedroom duplex at 435 East 52nd Street, the River House co-op, with 11-foot ceilings. It’s now listed at \$19.5 million, down from \$25.5 million, a 24 percent drop.

Carolyn E. Y. Guthrie, the Brown Harris Stevens broker who is listing it, explained that it can be hard to nail the price for rare apartments, though the market can set things straight. “They come on the market with no comps to substantiate them,” she said. “But buyers aren’t stupid.”

And as with other listings, it may take a couple of different agents before an apartment gets it right. Take for instance a five-bedroom at 115 Central Park West, the Art Deco Majestic co-op, which has 110 feet of exposure along its eastern park-facing wall.

Starting out at \$50 million with Halstead Property in fall 2012, it fell to \$45 million last summer. The listing was then taken off the market, only to return at \$39 million with Town Residential in September.

The marketing change — and very likely the 22 percent adjustment — has led to multiple showings in the last few weeks, said Patty LaRocco, its Town broker. “There are no offers yet,” Ms. LaRocco said, “but they’re imminent.”

Yet some buildings have their sights set only upward.

At 56 Leonard, the 60-story TriBeCa condo, sales have surpassed expectations, both in velocity and price, said Izak Senbahar, president of the Alexico Group, a co-developer.

In fact, Mr. Senbahar had planned to sell about 5 units a month, but ended up selling about 20, “which is neck-breaking speed,” he said, adding that 9 units were left, out of 145, after 9 months of sales. The prices, which average \$3,200 a square foot, have been adjusted 27 times for various units since the sales office opened in the winter, Mr. Senbahar said, but the adjustments have always been increases.

The Rybolovlev effect got to him, too, he said, though he tried to keep prices in check. “If you are too aggressive and make a mistake, a correction might be devastating. You should not fall in love with your project. You should listen to third parties.”

For all the course corrections out there, others believe that the upper limits of the market haven’t been tested yet. And this month, what is believed to be the priciest-ever single-family home hit the New York market. At 447 East 52nd Street, the building, now known as

the River Club, is adjacent to the River House. A five-level space that in its current configuration has an indoor swimming pool, a tennis court and a bowling alley — as well as rooms with evocative names like “her, out of season” — is listed at a staggering \$130 million.

Despite the bombshell price, the 62,000-square-foot home works out to a relatively tame \$2,100 a square foot, said John Burger, the Brown Harris Stevens broker with the listing, who acknowledged that it and other record-seekers were quickly reinventing the market.

“We are in historic territory,” Mr. Burger said. “But Manhattan has become a safe haven in the world for investment in blue-chip real estate. We are confident.”