

December 19, 2013

The New Taste for New York Townhouses

In New York, international buyers are snubbing high-priced, high-rise condominiums and opting for historic brownstones; financial scrutiny is less stringent but snow-shoveling isn't included

Waves of international buyers are causing a sea change in Manhattan's luxury property market.

Affluent out-of-towners are starting to spurn glitzy, full-service condo buildings as prices reach upward of \$90 million, opting instead to buy older townhouses, which are seen as a better value, real-estate agents say.

Brian Lewis, a broker at Halstead Property in Manhattan, says he put a historic Charlton Street townhouse on the market in the spring for \$7.25 million and was inundated with inquiries from buyers in Russia, South America and Asia, many of whom planned to use the house as a pied-à-terre. "Usually when I get a call and it's a foreign buyer, I'm pulling out my new development Rolodex," says Mr. Lewis, who later lowered the price to \$6.25 million. "The palate of our foreign buyers is changing before our eyes."

The city's townhouses, many of which were built in the late 19th and early 20th centuries, have a reputation for being difficult to maintain. In addition to regular upkeep, tasks like show-shoveling and package pickup typically fall to the homeowner. As a result, historic brownstones have largely been shunned by pied-à-terre buyers and other purchasers who don't plan to use them as a primary residence.

"People look at New York and think of modern conveniences," says Robert Dankner, of Prime Manhattan Residential. "But I have seen more of an emerging trend with buyers who don't live here full time embracing the townhouse market." He is representing a client from Switzerland who is in the process of buying a West Village townhouse for around \$10.5 million.

The shift has picked up steam in recent months, says Kevin Royer, an agent at Halstead who is working with an Israeli buyer looking to purchase a townhouse in Brooklyn. "Since this summer, maybe since April, people are suddenly going crazy."

Contributing to the trend is condo boards' increasing scrutiny of buyers' finances. Many boards now ask for extensive income verification from buyers—even all-cash buyers, says Halstead agent Sarah Parsons. "It's almost like a co-op board," she says. Many of her

European buyers, who aren't used to revealing financial information, are now choosing townhouses. "They don't want to disclose what they make," Ms. Parsons says.

Price per square foot and perceived investment value are the other main motivators, brokers say. "More and more, the tendency is to go toward a full townhouse purchase because they can be anonymous, and they can get all the space for a fraction of the price," says Adie Kriegstein, an agent at Core who recently represented a French family in the purchase of a townhouse on West 77th Street.

Big Apple Prices		
	Median sale price	% change since 2009
Luxury condo	\$5.25 million	11.1%
Luxury townhouse	\$18.3 million	20.4%

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Prices of the top 10% of Manhattan's condos and townhouses are up significantly in the third quarter of this year compared with 2009.				
	Median sale price	% change since 2009	Average price per square foot	% change since 2009
Luxury condo	\$5.25 million	11.1%	\$2,314	23.8%
Luxury townhouse	\$18.3 million	20.4%	\$2,357	44%

Source: Miller Samuel Real Estate Appraisers & Consultants

The average price per square foot of a Manhattan townhouse in the third quarter of 2013 was \$1,144, compared with \$1,379 for condos, according to data by Miller Samuel Real Estate Appraisers & Consultants. At the high end of the market, the price gap widens. A condo penthouse at 15 Central Park West set a record when it closed last year for \$88 million, or more than \$13,000 per square foot. The priciest townhouse sale on record in the city, by contrast, is the 21,700-square-foot Harkness Mansion on the Upper East Side, which was bought by private-equity investor J. Christopher Flowers in 2006 for \$53 million, or around \$2,440 per square foot.

Jonathan Miller, chief executive of Miller Samuel, points out that comparisons between new construction condos and resale townhouses are somewhat flawed, especially because brownstones don't have the doormen or views usually found in tall towers. Still, buyers have noticed the price disparity.

Ms. Kriegstein's French client, Cecile Caer, says price was the primary factor in her family's decision to opt for a townhouse. Ms. Caer, 43, says she and her husband, an advertising executive, looked at several condos, including one they liked at the Apthorp on the Upper West Side, but decided that a townhouse offered the best value and potential return on investment. They bought a 5,000-square-foot home for \$5.2 million, or just over \$1,000 per square foot. "We looked at the townhouse and thought: We can do a beautiful job renovating, have all the space we want and still be at about the same price as buying a

condo," says Ms. Caer. The trade-off is that the home needs a major renovation, which likely won't be completed until 2015. But she says she feels confident that for "the price you buy versus the price you can eventually sell, the townhouse was the best investment."

Ms. Caer says she doesn't yet know how much time her family will spend in Manhattan—they also have homes in France and Canada—but she plans on hiring a property manager or housekeeper to check on the home while they are away.

While condo fees in some New York buildings are thousands of dollars a month, Halstead's Ms. Parsons says hiring a property manager or part-time super can cost \$200 to \$500 per month. And with a proliferation of property-management firms and new technology such as virtual doormen, taking care of homes from afar is easier than ever.

That was certainly a consideration for Carsten Thoma, a 39-year-old Zurich resident who is looking to buy a multifamily townhouse in Brooklyn. Mr. Thoma, who frequently travels in his role as president of Swiss e-commerce firm Hybris Software, plans to keep one unit for his own use when he's in town, and rent out the others. He won't be in New York "a huge chunk of the year," but that doesn't bother him. "You can easily create a similar experience" to a full-service condo, he says, since there are "concierge services left and right. New York is a super services-oriented city."

Townhouses also come without the monthly common charges that condo owners pay. "We have a lot of international buyers who look at townhouses because they don't want to have to deal with maintenance fees that are very high, and you're not there," says Michelle Bourgeois, an agent at Town Residential. "You can have somebody maintain the townhouse and still come out ahead."

The new interest in townhouses has started to affect prices. Jed Garfield, head of Leslie J. Garfield Real Estate, which specializes in Manhattan townhouses, estimates that during the past two years, prices have grown about 20% per year, compared with 3% to 4% a year before the financial crisis. "The last couple of years, it's really jumped," he says.

The median sale price of a Manhattan luxury condo was \$5.25 million in the third quarter, compared with \$4.32 million for townhouses, according to Miller Samuel. But townhouses have shown more appreciation over the past six years, with the median price increasing 12.9%, compared with 11.1% for luxury condos. For luxury townhouses, the median sale price jumped 20.4%, from \$15.2 million to \$18.3 million, between 2009 and 2013.