

THE REAL DEAL

New York Real Estate News

Ceiling gets lower for top sales

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So far, this year's record residential real estate deals aren't as dazzling as those seen in recent quarters — in fact, 2009's top deals would have merely elicited a yawn last year — and the number of overall transactions has plummeted.

This month, *The Real Deal* looked at the most expensive residential sales in the city during January and February 2009 (data courtesy of PropertyShark) to get a sense of the top deals being made despite today's dire economic circumstances.

The accompanying list of the top 25 resales in the city takes a closer look at who the buyers and sellers are, whether the property was discounted and if the property appreciated between the seller's purchase and their resale.

Last year, Manhattan dominated the entire list. This year, Brooklyn is on the list as well. None of the other boroughs had sales expensive enough to make the list.

New construction was not counted on the top 25 list because the contract period is generally much longer, meaning the deals that closed earlier this year would have been made before the economic meltdown first hit last September.

A close look at the data shows that compared to the top sales during the same two months of last year, even the ceiling of the market has significantly dropped.

During January and February, only seven of the top 100 sales of pre-existing or newly constructed homes closed above \$10 million citywide — and most deals were below \$2,000 per square foot. During the same two months last year, 47 deals closed above \$10 million, roughly half at superbuilding 15 Central Park West. Only a handful were below \$2,000 per square foot, according to PropertyShark.

In a comparison of the same time periods, the overall number of transactions fell 64 percent in Manhattan and 52 percent in Brooklyn, for 1,859 deals between the two, according to StreetEasy.

There are a few bright spots. While this year's deals are clearly more modest, with sellers often forced to accept steep discounts on their original asking price, in most cases sellers still made a profit.

Five of the city's 25 most expensive resales were in Brooklyn, and last year the borough didn't even make the combined list of the top 100 resales and new construction sales. The fact that Brooklyn claims some of the top spots — in Park Slope, Cobble Hill, Manhattan Beach and two in Gravesend — signals that the city's most enduring neighborhoods are spread beyond just Manhattan.

Successful brokers said a shift in strategy involving a bit more elbow grease and modesty has been necessary to seal deals since the economy collapsed. Examples include everything from smaller changes like using printed figures rather than vague sales pitches to convince buyers that real estate is still a good investment; to cleaning and renovating property; to most important, convincing sellers to reduce prices and consider all offers.

Tamir Shemesh, managing director of Prudential Douglas Elliman and a broker involved in two of the top 25 resales, said he's declined dozens of listings since January. "I will not take overpriced listings, I just will not. Not in this market," he said.

Shemesh said he had a bidding war on a Wooster Street apartment listed at \$2.2 million, which resulted in a slightly higher sale, according to PropertyShark. A similar apartment next door was listed for around \$2.8 million and, after a series of price cuts, StreetEasy shows it has since been taken off the market.

Consistent with overall market trends, the top five resales had purchase prices of 27 to 58 percent below their original asking price, but still showed an appreciation in value.

Richard Steinberg of Warburg Realty, the seller's broker on a \$24.9 million Upper East Side mansion which finished first on the list, said his seller would absolutely not have accepted an offer 29 percent below ask had it been made last year.

"It's absolutely because my buyer came along when there was so much confusion. The downturn happened so quickly that it just panicked some sellers, and they didn't know what to think," he said, adding that two months were wasted negotiating with artist Jeff Koons, who took a fixer-upper next door.

Carol E. Levy of Carol E. Levy Real Estate had the second-highest sale, a \$12.5 million penthouse at the Park Belvedere Condominium. A confidentiality agreement barred her from commenting on the property, but public records reveal fashion tycoon Kenneth Cole was the seller.

Levy said she hasn't noticed the downturn as much as some brokers, in part because she's not above wiping off a dirty countertop or, as is her specialty, ordering big renovations. "It's amazing how many brokers don't even take the time to draw back curtains when there is an amazing view," she said, mentioning a storage room she keeps full of vases for fresh flowers for her listings.

For \$18,000, Levy said she transformed a shabby studio with a dorm-style kitchen into a junior one-bedroom with a full kitchen now in contract for \$450,000 (it's listed at \$519,000).

"Having a pristine property that doesn't need as much work is particularly important in a market where people don't have a lot of money," she said.

Levy also reasons to her clients that over the past 10 years, while investments in the stock market are often now flat or negative, real estate in New York has still appreciated, despite its recent downturn, and is tangible.

Robson Zanetti, vice president of Sotheby's International Realty, makes the same argument, often presenting his clients with articles. "The last two deals I did were with Brazilians," he said. "The market has opened up for a whole new group of investors and [individual buyers], people who waited because maybe they felt the market was too aggressive."

So far this year, according to StreetEasy, the median sale price for homes closed during January and February is \$838,879, which is 2.7 percent lower than over the same period last year in Manhattan. In Brooklyn, the median is down 16.4 percent to \$452,029.

Generally, experts predict that before the bottom is reached, New York City prices will fall to levels last seen during the first half of this decade.

Location and quality can make a big difference of course. For example, a Park Slope townhouse on the list more than doubled its value in 10 years. In 1999, it sold for \$1.1 million; this year, it sold for \$2.4 million.

Gravesend, a Sephardic Jewish community that one broker called "the Beverly Hills of Brooklyn," is somewhat of an anomaly because, in the most exclusive section, properties rarely come to market.

Families often pass homes down through generations. When something is for sale, it is commonly through word of mouth, not a public listing, which helps keep prices very high, explained David Sitt, head of the commercial division of Sitt Asset Management.

Sitt's own rather unremarkable 1930s brick home, which he called "an investment property," went into contract for \$4.2 million in September, right before the economy crashed. On a 3,000-square-foot lot, he said the buyer could tear down the house for a bigger one, typical of the area.

Sitt chalked up his good luck to timing. "It wouldn't have gone through had I put it on the market later," he said. "People in our neighborhood have been affected by the recession, as well."

By Sarah Ryley

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