

## 16 Predictions for New York City's Housing Market in 2016

By Amy Zimmer | December 29, 2015



MANHATTAN — The year 2015 was all about records: new heights for sales prices, rentals ... and the number of applications to affordable housing lotteries.

But the market began to shift late in the year: sales price growth cooled, and landlords offered more concessions amid rising vacancies for rentals. Both are trends some brokers predict will continue.

Affordability will also remain a big issue as the de Blasio administration's controversial zoning rules, intended to spur affordable housing, wind their way through the public approval process.

*Here's what else experts are talking about for 2016:*

### **1. Sellers will no longer have an extreme advantage.**

Sellers will need to be more prudent about pricing as many buyers have reached their limit, many brokers said.

"By no means will buyers have critical advantage, but they will have more leverage than in 2015," said Noah Rosenblatt, founder of [UrbanDigs](#), a site that analyzes the Manhattan market.

### **2. Ultra-luxury condos will see price cuts.**

There may be more condos breaking the \$100 million mark, but as inventory of the high-end market — above \$20 million — has expanded, its sales will become "sluggish," said [Daniel Hedaya](#), of [Platinum Properties](#), predicting that new developments with unsold units will start seeing price cuts.

It's already started at buildings like Zeckendorf Development's 50 U.N. Plaza and the Toll Brothers' 400 Park Avenue South and 1110 Park Ave. When Zeckendorf dropped prices, sales immediately increased, noted real estate expert Jonathan Miller.

"It's not as if these prices are far off, it's just that they're priced based on the market two or three years ago, without the competition," he said.

### **3. One developers' woes might be another's opportunity.**

High land costs are putting a damper on development, said Robert Dankner, of Prime Manhattan Residential, noting that the "furious pace of buying dirt \$700 to \$1,000 a foot" has since "grinded to a halt" since developers can't charge \$3,200 a foot.

"There are some signs of people overpaying," said Roberta Axelrod, of Time Equities. "That may wind up in opportunities later" — for other developers.

### **4. Developers, in general, become more "cautious."**

With some big regulatory unknowns, like what's happening with 421-a tax breaks and details of the city's affordable housing plans still in flux, many developers feel unsettled about starting new projects. "Over the course of last six months, we've become a lot more cautious," said Matt Baron, of Simon Baron Development, which recently opened Upper East and Upper West Side condos geared toward the "mid-market" — \$2 million to \$10 million range — and also launched Ollie at select buildings to provide renters with "lifestyle-relevant services" like housekeeping and a social concierge.

Jody Kriss, of East River Partners, which is developing a group of properties in Fort Greene and the Upper West Side, plans to take on smaller projects in 2016, focusing on four to 20 units in Brownstone Brooklyn, noting that smaller projects take roughly 2 years to buy and complete, which is less time than large scale developments.

## **5. High-end rentals in Manhattan will steal thunder from pricey condos.**

The luxury rental market “will go through the roof,” especially as “hedge fund guys” have had a down year and might want to rent rather than buy, predicts Darren Sukenik, a broker with Douglas Elliman.

“A lot of these finance guys don’t want to be the one to buy at the top of the market,” he said. One rental that will likely get much attention is the Moinian Group’s Sky at 605 W. 42nd St., which, at 1.2 million square feet, will be the city’s largest residential building.

Mitchell Moinian, of the Moinian Group, believes the building will raise the bar for rentals.

“We’ve programmed the building to the nines, with everything under the sun: three swimming pools, indoor and outdoor; hair and nail salon, one of the largest health clubs; pilates, yoga, basketball court,” he said.

## **6. Hello Kingsbridge, Elmhurst and Sheepshead Bay?**

As buyers have become more price conscious, expect them to look to neighborhoods like Kingsbridge and Grand Concourse in The Bronx and some “less loved ones in Queens and Brooklyn,” like Elmhurst and Jackson Heights or Sheepshead Bay and Brighton Beach, said Doug Perlson, of online brokerage Real Direct.

“These are places that are commutable,” he said. “They may take longer to get to Midtown, for sure, but they have a lot of new development or tight-knit communities that [buyers] find appealing.”

## **7. Affordable housing will get more creative.**

If the de Blasio administration’s mandatory inclusionary housing and zoning for quality and affordability plans pass, expect an uptick of creative designs for affordable housing, predicts Claire Weisz, founding principal of WXY Architecture + Urban Design.

“With designers having more leeway on the details of the form and affordable housing units being required on site, that should mean that both architects and developers will adapt their ideas to a greater variety of sites in more neighborhoods than before,” said Weisz.

She also envisions better uses of ground floor spaces including more opportunities for live/work set ups.

## **8. And more developers will try to build affordable housing.**

Affordable housing will be where a lot of the work is, believes Paul Travis, managing partner at Washington Square Partners, a real estate development and advisory firm that is working on City Point, a large scale mixed-use development rising in Downtown Brooklyn.

“Probably every developer in New York is trying to be more competitive in the affordable housing world because it’s going to be a lot of the work going forward,” Travis said.

## **9. Baby boomers flock to the city.**

Dottie Herman, CEO of Douglas Elliman, has seen an increasing number of boomers deciding not to keep their “big house my kids grew up in” and instead follow their kids to the city.

“They are not retiring, and if they do go to Florida or some warm place, they don’t go full time,” Herman said.

Jeremy Swillinger, of the Level Group, is working with at least four clients right now who live in the tri-state area and want to be near their children just out of college moving to the city for work.

"Once that last year of college tuition is paid off they ask, 'What are we going to do with that money?'" Swillinger said, noting they are renting here to test the waters.

### **10. But the suburbs also have their day.**

As affordability issues continue to plague the city, families will continue leaving for the suburbs, which have already seen an uptick in activity, Miller noted.

"I think we'll see more condo development and sales activity in the suburbs as people want to be in the New York City area," he said.

### **11. Next best thing to the 'burbs?': Long Island City**

Swillinger, who lives in LIC, said that a lot of renters want to stay there and the area is only getting more appealing with additions like Silvercup Studios \$1 billion expansion, the Cornell Tech project going up on Roosevelt Island and an additional ferry stop planned for Hunters Point.

### **12. Ferry transit provides boost to waterfront neighborhoods.**

Even though the city's expanded ferry service isn't expected to start until 2017, targeted neighborhoods, including Astoria and South Brooklyn, may already seize on the promise of new transit.

The Rockaways could be in for a new lease on life underneath its aging abandoned Rockaway Rail, Weisz said, "making it better for walking and biking."

Her firm is also working on the "Brooklyn Strand" plan to knit together the area from the existing Fulton Ferry landing, with the spaces under the two bridges through Downtown Brooklyn's Borough Hall.

### **13. Everybody wants some outdoor space.**

Architects like Jorge Mastropietro are figuring out how to give a slice of the outdoors to as many tenants as possible, whether through private terraces, shared roof decks or communal backyard herb gardens.

"Everyone has green," he said a recent four-story, four-unit building he's doing in Gowanus.

Developers are also expressing more interest in an open approach to their lobbies, roofs and outdoor space they can find, Weisz said.

### **14. Energy efficient homes are all the rage.**

As new technology, materials and products bring the costs down for energy efficient buildings, a growing number of architects and developers are creating buildings that use less energy, including those that follow "passive house" standards — when buildings are super-insulated to lower heating and cooling costs while pumping in fresh air.

"The passive house movement is becoming more accepted," said Gita Nandan, an architect with thread collective, who has been working on many such projects.

### **15. Hot amenity: private dining and living rooms.**

The most important amenities are those that help residents extend their living space, Sukenik said. TriBeCa's luxury tower at 111 Murray St. may have gotten attention for its private jet concierge services and a spa with a hammam-like Turkish bath, but the real selling points are the building's spaces that residents can reserve for private parties: its dining with a full catering kitchen and living room with fireplace, said Sukenik, the listing agent for the building.

"People really want to have their lifestyle respected and catered to," he said.

### **16. The home takes on a new focus amid chaotic world events.**

When the world seems more unstable and dangerous, in the face of recent events like the shootings in Paris and San Bernardino, "someone's home becomes much more important to them because it's safe," Herman said.

People focus more on their homes during these times, she believes.

Expect to see more home improvement apps geared toward interior design and renovations.

New Yorkers may want to do less traveling, so the local second home market may get a boost, Herman said.