

# HIGH-RISING MARKET

## Scarcity of homes for sale and super-luxe condo developments send prices soaring

By Katherine Clarke

**A**pparently, the sky's the limit when it comes to Manhattan home prices.

The average sales price for a Manhattan apartment jumped by a shocking 31 percent year over year, according to a report from appraisal firm Miller Samuel on behalf of brokerage Douglas Elliman. The average price per square foot increased by nearly 24 percent, year over year, to \$1,363 in the first quarter of 2014.

"It made me nervous just because there was such a jump," said Miller Samuel CEO Jonathan Miller.

Rising prices can be attributed to the ongoing inventory crisis, which has seen fewer than 5,000 apartments on the market at any given time. Also contributing is the upward pressure on new development pricing, the result of an overheated market for land. Competition has sent land prices above \$800 per square foot in some instances, meaning developers have to aim high on pricing to maintain profitability.

The average price of high-end handful of luxury buildings like One57, where prices have topped \$6,000 per square foot. A large number of sales closings at the building hit public records last quarter, pushing average price statistics up.

The average price in the first quarter of the year for a luxury apartment—classified the top 10 percent of co-ops and condos—was \$2,706 per square foot, a 40 percent increase year over year. To be in the top 10 percent, an apartment had to close for at least \$3.7 million in the first quarter, up from \$2.9 million in the same quarter of 2013.

"Because of the increased cost of land, developers are only bringing units to the market on the super-high end,"

said Daniel Hedaya, president of Platinum Properties. "The \$1-million-to-\$5-million range is where the depletion of inventory is the worst. I was looking, myself, to buy a two-bedroom on the Upper East Side. I tried getting three apartments. Every single one, I lost out on, because it went above

the asking price for all cash."

Still, experts caution that the numbers may be somewhat deceptive. That's because the first quarter of 2013 was particularly weak, coming directly after a frantic fourth quarter, which saw a rush of closings ahead of an expected rise in capital gains taxes.

Nonetheless, "We're still seeing a sharp increase in prices," said Jeff Appel, president of brokerage Town Residential.

Median prices are also up across the board. The median price for one-bedroom condos rose around 13 percent from a year earlier, while the median price for a four-bedroom jumped by 20 percent to \$5.4 million. The average sales price for a co-op was up 42 percent year over year, to nearly \$2 million.

For new development, the average sales price was \$2.8 million in the first quarter of this year, a nearly 48 percent rise from the first quarter of 2013.

Meanwhile, the inventory shortage shows no signs of abating.

While a rise in permit applications for new buildings may signal a jump in

the number of apartments coming up for sale, they won't hit the market for some time.

"A permit filing means that you're not going to see that project be marketable for at least a year or two, and then closing in two or two-and-a-half years," Miller said.

"So, that's really a commentary on what we're going to see in the market in 2016," he added. ■

Average price per square foot up **24%**



New development average sales price up **48%**



Average price per square foot: **\$1,363**

