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Residential prices shoot through roof

From left: Jonathan Miller, Dottie Herman and Jeff Appel

Manhattan condo and co-op prices are finally seeing the impact of chronically low residential inventory and a shift toward über luxury in new development.

The average sales price for a Manhattan apartment jumped by a shocking 30.9 percent year over year, according to a quarterly report compiled by appraisal firm Miller Samuel on behalf of brokerage Douglas Elliman. The average price per square foot increased by 23.6 percent year over year, to $1,363 in the first quarter of the year.

“This is going to be widely talked about,” said Miller Samuel CEO Jonathan Miller, “and it made me nervous just because there was such a jump.”

Rising prices can be attributed to the ongoing Manhattan inventory crisis, which has seen fewer than 5,000 apartments on the market at any given time over five consecutive quarters. Also contributing is a general upward pressure on new development pricing as the result of an overheated market for land. Competition between developers trying to secure new Manhattan sites has sent land prices above $800 per square foot in some instances, meaning developers have to reach for the skies on pricing to maintain profitability.

“It’s a nice place to be. It’s one of those moments where — you almost don’t want to say it — it seems like ‘green-light-go’ for the foreseeable future, looking at the inventory that’s in the pipeline and the amount of demand we’re experiencing,” said Jeff Appel, president of residential brokerage Town Residential.

The average price of housing stock on the high-end of the market is skewing upward thanks to a handful of luxury buildings like Extell Development’s One57 at 157 West 57th Street, 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 closing prices up.

The average price in the first quarter of the year for a luxury apartment, classified as an apartment in the top 10 percent of co-ops and condos, was $2,706 per square foot, a 40.6 percent increase year over year and a 17 percent increase from the fourth quarter of 2013. To be in the top 10 percent, an apartment had to close for at least $3.72 million in the first quarter, up from $2.94 million in the same quarter of 2013.

“Because of the increased cost of land and the increased costs of development, sponsors 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.”

But experts said the overall market numbers, while undoubtedly strong, may be somewhat deceptive. That’s because the first quarter of 2013, with which comparisons are made, 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. Month-over-month increases paint a slightly less dramatic picture.

“However, even if you try to adjust for that year-over-year anomaly, we’re still seeing a sharp increase in price,” Appel said.

Median prices by unit-type were up across the board in the first quarter. The median price for one-bedroom condos rose 12.5 percent from the year earlier, to $928,000, the data shows. The median prices for a studio and a four-bedroom also jumped by 7 percent and 20.4 percent, respectively, to $620,000 and $5.42 million. The average sales price for a co-op was up 41.5 percent year over year, to $1.49 million, and 27 percent from the fourth quarter of 2013.

For new development, the average sales price was $2.83 million in the first quarter, a 47.7 percent rise from the first quarter of last year and a 5.1 percent uptick quarter-over-quarter.

Meanwhile, the inventory shortage shows no signs of letting up soon. While a rise in permit applications over the last three years may signal a jump in the number of units coming to market (see related story on page 52), those units likely won’t hit the market for some time and, even then, won’t be enough to meet demand, sources said.

“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.”

Listing inventory stayed steady year over year, rising by only 0.2 percent, according to Elliman’s report. And a report by Town shows that the median number of days on the market dropped to 81 in the first three months of the year, from 90 at the end of 2013.

“Even with the median sales price up 18 percent, we’re still 5.1 percent below the 2008 peak,” said Dottie Herman, president of Douglas Elliman. “I project that by mid-year we’ll have not only caught up to the peak, we’ll have passed it.”

With pricing reaching historic highs, is there any anxiety in the market that another bubble could be inflating?

“There is no fear that I’m sensing among some highly sophisticated individuals to enter the marketplace,” Appel said. “There does not seem to be a tremendous resistance to money coming in to back new projects. That’s interesting, since there had been a lot of talk about land prices stifling development.”