THE MIGHTY MIDDLE

Date: 01 Feb. 2012

Source: The Real Deal

The mighty middle: Market for mid-priced homes wakes up

The market for mid-priced Manhattan properties wakes up, but homes under $1 million linger

A Central Park West mansion belonging to retired Coach executive Keith Monda sold last month for $22.4 million, a record price for a single-family townhouse on the Upper West Side. The purchase kicks off the New Year with echoes of 2011: luxury real estate maintaining (or even exceeding) its pre-crash values, and a wealthy foreigner — in this case, international buyer Igor Iankovsky — swooping in to own a piece of New York City.But the rest of the residential market last month was inconsistent, brokers said; while there's strong demand for mid-priced properties, sales of properties under $1 million are sluggish.

Monda, who was the president and chief operating officer of Coach until 2008, put his 13-room townhouse at 247 Central Park West on the market in April 2010, asking $32 million. The renovated 12,270-square-foot home, built in 1887, features a 60-foot indoor lap pool, a gym and a roof terrace.

Though the property eventually sold for 30 percent off its initial asking price, the sale brought Monda a sizeable return. He had bought the house just two years earlier from Abigail Disney, Walt's grandniece, for $15.5 million.

So far in 2012, brokers said, demand has increased for this and other high-end properties, much like it did in 2011 (see related Q&A on page 68). Meanwhile, starter apartments linger on the market. Unlike last year, however, the middle of market also appears to be waking up.

In the last month, more and more buyers bid on homes priced from $4 to $5 million, a sector that was a "difficult market to see traction with" in the past, said Frances Katzen, a managing director at Prudential Douglas Elliman. New development specialist John Gomes, also of Elliman, said he, too, has noticed "lots of activity" at price points between $3 and $5 million.

The market for properties priced slightly lower than that, however, is showing weakness. While buyers complain about a lack of quality inventory in the $1 to $2 million range, sellers are listing more properties priced between $800,000 and $1 million, according to Fanny Montalvo, the managing director of sales at A.C. Lawrence & Company.

"There is some great product under $1 million that's currently just sitting there," said Barak Dunayer, president of Barak Realty. In part, that's because buyers at the lower end of the market are more susceptible to broader economic uncertainties and the difficult mortgage climate, he said.

Smaller apartments, meanwhile, are falling out of favor, as those buyers who can afford to purchase property look for larger units that can serve as longer-term investments.

An increasing number of buyers, mindful of obtaining the best value, are nabbing apartments "that will be flexible enough for future life changes," said Bond New York agent Bruno Navarro. For example, he said, many buyers are now choosing to purchase junior one-bedrooms rather than studios. Another common transaction right now, he said, is that first-time buyers purchasing "junior four" apartments (one-bedroom units with an alcove or office that can be converted to another bedroom).

"Most of the activity that we are seeing today is from buyers who are interested in holding on to a unit for the long run, as opposed to investors or people looking to flip a unit within a year or two," said Elliman Executive Vice President Ariel Cohen, who specializes in the Financial District.

Other buyers, meanwhile, are biding their time before buying, in anticipation of a double-dip recession, according to Katzen. "Buyers are saying that the worst is still to come," she said, referring to the relative lack of bonus money hitting the market this year. "They want to start looking at what's being offered on the market ... because they believe that the sellers will be open to their offers, given this uncertainty."

While buyers may be planning ahead, renters are being forced to snap up apartments in an instant, fueled by a market that — winter notwithstanding — remains extremely tight.

In the fourth quarter of 2011, renters took an average of 37 days to lease a Manhattan apartment, according to an Elliman rental market report released last month. That's the second fastest pace since the firm started tracking the number in 1995.

"Many buyers and renters are still expecting the second dip of this recession," said Julia Bryzgalina, director of leasing at Platinum Properties. "However, while buyers can afford to be cautious, renters do not have a choice but [to] follow the