



THE REAL DEAL

TOWNHOUSE Q & A

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It's not your average buyer who can afford a Manhattan townhouse during the good times. And now, because the wealthy have been hit hard by the downturn and have less purchasing power, the pool of townhouse buyers has shrunk even more.

This month, The Real Deal talked to analysts and townhouse brokers about how one of the most specialized residential sectors of the luxury market (a market that has suffered severely since the downturn started) is holding up. According to one report, townhouses have seen an average sale price drop of 32 percent over the past year.

But activity has picked up in the townhouse market in the last few months, and many of the deals that are closing are all-cash transactions. Brokers say prime areas like the West Village and the Upper East Side are doing better than fringe areas, and that renovated townhouses with broad appeal are selling better than fixer-uppers.

For more on what kinds of homes are faring best and worst and who is still in the market to buy, we turn to:

David Kornmeier Vice President/Director, Brown Harris Stevens

What are you seeing in terms of prices for Manhattan townhouses these days?

The general rule of thumb I apply is that all prices are down roughly 20 percent from the peak. This value varies according to location and quality of the [property]. I have found secondary markets to see greater losses than primary areas.

We know jumbo mortgages are hard to come by these days and that there are a lot of all-cash buyers in the luxury market. What kind of financing are most of the buyers you're seeing using?

Most of my deals are all-cash and this tends to strongly motivate sellers to go a bit lower on the price. Buyers obtaining a mortgage now tend to finance 50 percent or less. This

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is a large turnaround from a year ago, where most of my deals were people putting 20 to 35 percent down.

What kinds of townhouses are selling best and worst? Are fixer-uppers doing better or are fully renovated properties faring better?

Houses that need work or have rent-regulated tenants tend to spend the longest time on the market, but they do trade. Fully renovated houses sell nicely, provided that they have broad appeal.

Can you give us an example of a townhouse deal that you worked on recently or have heard about that illustrates what's going on in the townhouse market?

My most recent deal was for a West Side townhouse that was originally listed four years ago for \$6.5 million with one or two rent-regulated tenants. It's now in contract for under \$4 million and delivered vacant. I represented the buyers on this transaction.