

A 'WEILL'-D WINTER MARKET

By Leigh Kamping-Carder | January 04, 2012

The news that former Citigroup chairman Sanford Weill found a buyer for his 15 Central Park West penthouse — listed only three weeks earlier for \$88 million — rocked the real estate community last month.

The buyer, a Russian fertilizer billionaire named Dmitry Rybolovlev, purchased the spread for his 22-year-old daughter, and an anonymous source told Forbes that she would be paying full price. If that's true — when contacted by The Real Deal, a spokesperson for the family declined to say — the price would demolish previous records for the most expensive Manhattan residential sale. (For more on real estate records broken last year, see "For the record.")

Though a lack of inventory has helped sales in the luxury market, brokers characterized the Weill deal as an outlier, rather than a sign that the market is back to any sort of boom-time climate. "A sample size of one isn't necessarily enough" to indicate where the market is heading, cautioned Jeffrey Schleider, founder of Manhattan-based Miron Properties.

In the fourth quarter of 2011, the median sale price for a Manhattan apartment was \$855,000, up 1.2 percent from the same period of the previous year, according to a market report from Prudential Douglas Elliman. The number of sales dropped 12.4 percent over the previous year to 2,011, according to the report, written by Jonathan Miller, CEO of appraisal firm Miller Samuel.

Donna Olshan, president of luxury specialist Olshan Realty, said the Rybolovlev acquisition speaks to the trend of foreigners investing in U.S. assets under the belief that they are safer bets than those abroad.

"There [are] people around the world who want to move money into the United States," Olshan said. "It might be a piece of real estate and it might be a sports team, but they need to move their money out of [their home countries]."

The Weill deal may be an outlier, but brokers did report an uncharacteristic burst of heat in the sales market last month. At press time, the number of signed sales contracts for Manhattan apartments in December was up 9.5 percent over the previous month, while November contract volume rose 7 percent over October levels, according to Jeffrey Jackson, chairman of appraisal firm Mitchell, Maxwell & Jackson.

According to UrbanDigs, a real estate analytics and consulting firm, Manhattan buyers signed an estimated 513 to 525 contracts in the first three weeks of December. At that pace, the total number of signed contracts was set to hit between 756 and 775 for the month — up from the 712 new deals signed last December.

Brokers said the increased activity could be caused by buyers finally returning to the market after being sidelined by uncertainty or hoping to beat the competition associated with a January uptick.

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Other factors could play a role as well.

“When you see the rentals go this high, and the interest rates are low, and the prices are good prices, you know that it sets the stage for the sales market to move,” Olshan said.

Miron’s Schleider offered another explanation: “The most common theory I hear floating around is that the tame weather has allowed people to stay involved in the market.”

However, with experts predicting a lackluster bonus season on Wall Street, the usual January sales spike may not provide the same boost as in past years.

Diminished Wall Street compensation “may result in a slower first quarter than in years when there have been big bonuses on the horizon,” said Anne Young, a senior vice president at Brown Harris Stevens.

As a result, some brokers said they are turning their focus away from buyers in the finance sector to focus on new market segments, including creative workers and foreign buyers.

John Gomes, an executive vice president at Prudential Douglas Elliman who specializes in new developments, said he plans to consider shifts in the local workforce — away from finance and towards technology start-ups — when allocating marketing budgets this spring.

“As we see the decline in jobs in the finance sector,” Gomes said, “I firmly believe this group of innovators will be the future millionaires that we’ll be selling real estate to in this city.”

Mickey Conlon, a senior vice president at Core, said he is hoping to capture more business from foreign buyers to make up for less-active Wall Streeters.

But smaller bonuses could be good news for the rental market.

Even if bonuses are not large enough to convince financiers to buy new homes, Bond New York Executive Director of Leasing Douglas Wagner hopes the payouts will at least spur them to upgrade rental accommodations.

“Our industry relies on a certain amount of discretionary movers throughout the city,” Wagner said. “Hopefully, bonuses will be large enough to give renters the confidence to improve their living conditions and move up, even if they might be prevented from buying this year.”